SilverStreet Capital

Climate Change Policy

1. Introduction

SilverStreet's Climate Change Policy articulates SilverStreet's strategic commitment to sustainable investing and is an integral part of SilverStreet's approach to investment as part of its overall environmental, social and governance ("**ESG**") framework.

2. Definitions

References to "**SilverStreet**", "**our**", or "**we**" refers to SilverStreet Management S.à r.l., SilverStreet Management II S.à r.l. and SilverStreet Capital LLP. References to the Fund are to those funds managed or advised by SilverStreet, and references to the "**General Partner**" and "**Alternative Investment Fund Manager**" or "**AIFM**" are respectively references to the general partner and alternative investment fund manager of the relevant Fund.

3. Application

This policy applies to: (i) SilverStreet; (ii) the SilverStreet Funds; and (iii) investment opportunities being assessed and evaluated by SilverStreet.

4. Purpose of this policy

Climate change is a significant and growing threat to development, the environment and economic prosperity. The Paris Agreement (UN 2015) aims to keep "global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius" [i].

The purpose of this policy is to establish a framework for SilverStreet's and the SilverStreet Funds' commitment to achieve net zero carbon emissions by 2040 in order to support global efforts to combat the negative impacts of climate change on our development, the environment and economic prosperity. This commitment forms a central part of SilverStreet's sustainable investment objective.

5. Objective

SilverStreet's sustainable investment objective is to seek attractive returns for investors whilst achieving a substantial positive social, environmental and climate impact.

6. Our alignment with the Paris Agreement

SilverStreet and the SilverStreet Funds are committed to supporting the objectives of the Paris Agreement in multiple ways:

i) By committing **to achieve net zero carbon emissions by 2040** to ensure that SilverStreet and the SilverStreet Funds contribute to the Paris Agreement's goal of limiting temperature increases to well below 2 degrees Celsius[ii];

ii) By **investing into Least Developed Countries[iii]**, which are explicitly targeted under the Paris Agreement as requiring funding to support this agreement, and by pro-actively implementing high environmental and climate impact standards as an integral part of the investment strategy[iv];

[i] unfccc.it/files/essential_background/convention/application/pdf/english_paris_agreement.pdf
[ii] Paris Agreement 2015, Article 2 1(a).
[iii] https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf
[iv] Paris Agreement 2015, Articles 3, 6, 7 and 9.

iii) By increasing these countries' and the portfolio companies' **abilities to adapt to the adverse impacts of climate change and to foster** climate resilience[v], as targeted under the Paris Agreement;

iv) By bringing **technology development and transfer** for both improving resilience to climate change and reducing greenhouse gas ("**GHG**") emissions, a goal of the agreement[vi];

v) By specifically targeting **capacity building** for sustainable food production. The parties to the Paris Agreement agreed to recognise "the fundamental priority of safeguarding food security and ending hunger, and the particular vulnerabilities of food production systems to the adverse impacts of climate change"[vii]. In Sub-Saharan Africa, smallholder farmers represent the vast majority of farmed land. The Paris Agreement aims for capacity building in Least Developed Countries to support its goals[viii]; and

vi) **Supporting a "Just Transition"**[ix] by integrating workplace and community issues into climate-related policies, strategies, investment decision-making and engagement to ensure that activities related to transitioning to a lower carbon footprint do not contribute to adverse social impacts.

Specific initiatives to support the Paris Agreement

Specific initiatives to illustrate these multiple approaches to supporting the Paris Agreement include:

- Adoption and building of sustainable energy sources such as solar and hydro-electric power;
- In respect of smallholder farmers who represent the large majority of farmed land in Sub-Saharan Africa, the introduction of improved seed and training in conservation farming techniques to raise food production, reduce carbon emissions and to reduce deforestation;
- Introducing new technologies and irrigation methods to reduce and monitor water requirements; and
- Implementation of SilverStreet and the SilverStreet Fund's ESG Codes. For example, the UN Principles for Responsible Investment ("**UNPRI**") [x], UN Global Compact ("**UNGC**")[xi] and the IFC Performance Standards[xii] require the incorporation of ESG issues into investment analysis and ownership policies (e.g. UNPRI principles 1 and 2) and the undertaking of initiatives to promote greater environmental responsibility (e.g. UNGC principle 8, and IFC Performance Standard 3). The ESG Codes include the Framework Convention on Climate Change, the 1999 Montreal Protocol on Substances that Deplete the Ozone Layer and the ISO standards for environmental management systems (ISO 14001) and greenhouse gas emissions (ISO 14064-65).

Adverse impact indicators

In order to measure this degree of alignment with the objectives of the Paris Agreement, SilverStreet will assess the GHG principal adverse impact indicators included in the Final Report on draft Regulatory Technical Standards as part of the EU Sustainable Finance Disclosure Regulations (the "**SFDR**")[xiii].

Each portfolio company which will be majority owned by a SilverStreet Fund will be required to report directly to SilverStreet on the adverse impact indicators.

[v] IPCC 2018; Annex I: Glossary - Reference: Page 557, IPCC 2018: Annex I: Glossary [Matthews, J.B.R. (ed.)].
[vi] Paris Agreement 2015, Article 10.
[vii] Paris Agreement 2015, introduction.
[viii] Paris Agreement 2015, Article 11.
[ix] https://sustainabledevelopment.un.org/content/documents/22101ijtguidanceforinvestors23november1118_541095.pdf
[x] https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment
[xi] https://www.unglobalcompact.org/what-is-gc/mission/principles
[xii] https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd-4b55-95a2
b3395d204279/IFC_Performance_Standards.pdf?MOD=AJPERES&CVID=kTjHBzk
[xiii] https://www.esma.europa.eu/sites/default/files/library/jc_2021_03_joint_esas_final_report_on_rts_under_sfdr.pdf

Data for each adverse impact indicator in respect of all portfolio companies owned by a SilverStreet Fund will be sourced directly from the following sources (in each case, where such data is available):

- management of the portfolio company;
- research performed by SilverStreet's Impact and ESG team;
- analysis or advice from external consultants;
- publicly available data;
- environmental impact assessments; and/or
- scientific/academic papers.

Climate scenario analysis

A forward-looking climate scenario is not currently used by SilverStreet to assess the risks associated with climate change. Climate scenario analysis is relevant for all of SilverStreet's investment decision-making and engagement. SilverStreet is working towards designing a scenario model to be implemented in the investment cycle from 2022. This scenario will be used to:

- inform investment decision-making, including identify opportunities and risks;
- support investee companies to mitigate and adapt to climate related risk; and
- report on the SilverStreet Funds' exposure to climate related risk.

7. Governance

SilverStreet has established a Climate Change Committee (the "**Committee**") which convenes on a quarterly basis.

The Committee shall comprise of at least three (3) SilverStreet persons. Permanent members of the Committee shall include SilverStreet's Chief Investment Officer and SilverStreet's Head of Impact and ESG. Additional members may include persons from SilverStreet's Investment Team, SilverStreet's Impact and ESG Team, and persons from the senior management team of portfolio companies owned by the SilverStreet Funds. From time to time, third parties may be invited to attend meetings of the Committee.

The Committee shall provide guidance on reducing the negative climate impacts of SilverStreet's and the SilverStreet's Funds direct carbon footprint and creating opportunities for a positive climate impact.

The Committee shall, in relation to SilverStreet and the SilverStreet Funds:

(i) ensure that they commit to support the objectives of the Paris Agreement;

(ii) support them to achieve net zero carbon emissions by 2040;

(iii) promote and support sustainable business practices within these businesses and amongst their stakeholders;

(iv) identify, monitor and manage climate-related impacts, risks and incidents in the short, medium and long-term;

(v) provide relevant climate-related resources, research or information to the SilverStreet Funds' portfolio companies;

(vi) assign climate-related responsibility to senior management in the SilverStreet Funds' portfolio companies;

(vii) report biannually to the General Partner or Alternative Investment Fund Manager in relation to climate-related mitigation, impacts, risks and incidents; and

(viii) ensure that the SilverStreet Funds report on the SFDR principal adverse impact indicators which relate to climate change, further details of which are set out in the Appendix to this policy.

In relation to investment opportunities under assessment/evaluation, the Committee shall consider the climate-change related adverse impacts of each investment opportunity and how they might impact SilverStreet's climate objective. The Committee shall share its assessments of climate-related risks and opportunities with the Investment Committee of the relevant SilverStreet Fund.

8. Reporting

SilverStreet recognises that reporting on climate-related mitigation, impacts, risks and incidents is a nascent area and will therefore endeavour to continuously improve the scope, level, and depth of its reporting.

In addition to its commitment to biannual reporting to the General Partner or Alternative Investment Fund Manager, SilverStreet will report to its investors and the broader public in its Annual Impact and ESG Report. Furthermore, SilverStreet will work towards disclosing and reporting in accordance with the recommendations promulgated by the Task Force on Climate-Related Financial Disclosures[xiv].

[xiv] https://www.fsb-tcfd.org/publications/final-recommendations-report/

Appendix
Principal adverse impact indicators

The principal adverse impact indicators that relate to climate change which SilverStreet will consider as part of the SilverStreet Funds reporting obligations in accordance with the SFDR shall include the following:

Adverse Sustainability Indicator	Metric	Description and Formulae
Greenhouse gas emissions		
GHG emissions	Scope 1 GHG emissions	Scope 1, 2 and 3 referred to in subpoints (i) to (iii) of point (1)(e) of Annex III of Regulation (EU) 2016/1011. 'Greenhouse gas (GHG) emissions' means greenhouse gas emissions as defined in point (1) of Article 3 of Regulation (EU) 2018/842 of the European Parliament and of the Council (12). GHG emissions should be calculated using the below formula: $\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope(x) GHG emissions}_i\right)$ All current values should be in EUR.
	Scope 2 GHG emissions	
	From 1 January 2023, Scope 3 GHG emissions	
	Total GHG emissions	
Carbon footprint	Carbon footprint	'Carbon footprint' shall be calculated in accordance with the following formula: $\frac{\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 GHG emissions}_i\right)}{\text{current value of all investments (€M)}}$
GHG intensity of investee companies	GHG intensity of investee companies	'GHG intensity of investee companies' shall be calculated in accordance with the following formula: $\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i}\right)$
Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	'Companies active in the fossil fuel sector' means (i) companies that derive any revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite; (ii) companies that derive any revenues from the exploration, extraction, distribution (including transportation, storage and trade) or refining of liquid fossil fuels; and (iii) companies that derive any revenues from exploring and extracting fossil gaseous fuels or from their dedicated distribution (including transportation, storage and trade).
Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	'Renewable energy sources' means renewable energy sources as referred to in Article 2(1) of Directive (EU) 2018/2001 of the European Parliament and of the Council (13); namely: "energy from renewable sources' or 'renewable energy' means energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas"; " 'non-renewable energy sources' means energy sources other than those referred to in point (12)".
Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	'Energy consumption intensity' means the ratio of energy consumption per unit of activity, output or any other metric of the investee company to the total energy consumption of that investee company. 'High impact climate' sectors mean the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council (14).
Biodiversity		
Activities negatively affecting biodiversity	Share of investments in investee companies with sites/operations located in or near to	'Activities negatively affecting biodiversity-sensitive areas' means activities (i) leading to the deterioration of natural habitats and the habitats of species and to disturbance of the species for which the protected area has been designated; and

sensitive areas	biodiversity sensitive areas where activities of those investee companies negatively affect those areas	(ii) where conclusions or necessary mitigation measures identified by any of the following assessments have not been implemented accordingly: a) Directive 2009/147/EC of the European Parliament and of the Council (21); b) Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (22); c) an Environmental Impact Assessment (EIA) within the meaning of point (g) of Article 1(2) of Directive 2011/92/EU of the European Parliament and of the Council (23); and d) for activities located in third countries, in accordance with equivalent national provisions or international standards, such as the International Finance Corporation (IFC) Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.
Water		
Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	'Emissions to water' means direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council (16) and direct nitrates, direct phosphate emissions, direct pesticides emissions as referred to in that Directive, Council Directive of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (91/676/EEC) (17), Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment (18) (Document 5.3 namely human waste, etc.) and Directive 2010/75/EU of the European Parliament and of the Council (19).
Waste		
Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	'Hazardous waste' means hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council (20) and radioactive waste.
Water, waste and material emissions (Table II)		
Investments in companies without water management policies	Share of investments in investee companies without water management policies	
Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	'Areas of high water stress' means regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) in the World Resources Institute's (WRI) Water Risk Atlas tool "Aqueduct".
Investments in companies producing chemicals	Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006	