Principal adverse sustainability impacts statement

Financial market participants: SilverStreet Management S.à r.l (RCS Number: B153488) and SilverStreet Management II S.à r.l (RCS Number: B206908) (together, "**SilverStreet**")

Summary

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

SilverStreet considers principal adverse impacts of its investment decisions on sustainability factors. "Sustainability factors" mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The sustainable investment objective is to be achieved by focusing investments on those parts of agricultural value chains where a positive social, environmental and climate impact is expected to be highest and by ensuring the implementation of SilverStreet's ESG and Impact Policy as an integrated part of the investment cycle. Monitoring of the sustainable investment objective on an ongoing basis is aided by measuring the performance of the investments against an "ESG Scorecard" and/or "ESG Action Plan", further details of which are described below.

Description of policies to identify and prioritise principal adverse sustainability impacts

SilverStreet identifies and prioritises principal adverse sustainability impacts by considering the harm that portfolio companies might do to sustainability factors and the steps that might be taken to mitigate them. Principal adverse impacts are identified and prioritised as part of SilverStreet's integrated ESG process. Each due diligence exercise includes compiling an "ESG Scorecard" to assess the investee company's compliance with SilverStreet's "ESG Core Principles", including its impact on sustainability factors, and, in the case of portfolio companies which are expected to be majority owned by a Fund managed or advised by SilverStreet (each a "**Controlled Investment**"), construct an "ESG Action Plan" that will enable improvements over time should the investment proceed.

For companies that are not Controlled Investments, SilverStreet's goal will be the same, namely compliance with SilverStreet's ESG and Impact Policy, Climate Change Policy and Anti-Bribery Policy, although the timing of achievement of these goals will need to take account of the fact that it is not a Controlled Investment.

SilverStreet aims to maintain a regular dialogue with each portfolio company and implement an annual review of its performance against SilverStreet's ESG and Impact Policy. During this annual review, the "ESG Scorecard" will be revised and the "ESG Action Plan" updated to take into account progress made during the reference period including on the adverse sustainability impacts. Where there has been no reduction in an adverse sustainability impact during the reference period, then this is reported on and the ESG Action Plan for the forthcoming year adjusted as required.

SilverStreet adheres to its own Responsible Investment Code ("**RIC**") (a copy of which can be found on the website), which references multiple other international conventions, standards and protocols such as the International Finance Corporation ("**IFC**") Performance Standards along with IFC Environmental Health and Safety ("**EHS**") guidelines and the IFC's sector supplements for specific agricultural sectors. SilverStreet adopts the following international standards and protocols to identify and assess its principal adverse sustainability impacts:

i) <u>Environmental impacts:</u>
IFC Performance Standards, RIC, UN Principles for Responsible Investment, UN Global Compact, 1994 UN Framework Convention on Climate change and 2005 Kyoto Protocol, 2004 Stockholm Convention on Persistent Organic Pollutants, 1999 Montreal Protocol on substances that deplete the Ozone Layer.

ii) <u>Social impacts:</u>
RIC, UN Principles for Responsible Investment, IFC Performance Standards, UN Global Compact, ILO Fundamental Conventions, UN Universal Declaration of Human Rights, ILO Minimum Age Convention.

iii) <u>Governance impacts:</u>
RIC, UN Principles for Responsible Investment, IFC Performance Standards, UN Global Compact, SilverStreet Antibribery Policy, UK and US Antibribery Acts.

These protocols and standards assist with the process of identifying and assessing SilverStreet's principal adverse sustainability impacts on the basis that they require the integration and management of ESG into investment due diligence and engagement and adhere portfolio companies to international standards. The standards and protocols listed help to build a social and environmental management system (“**SEMS**” / ”**ESMS**”) used by Controlled Investments, which seeks to mitigate the risk of creating adverse sustainability impacts. SilverStreet uses the protocols as a framework to “audit” each portfolio company’s ESG implementation and compliance with SilverStreet’s RIC.

SilverStreet’s policy on identifying and prioritising principal adverse sustainability impacts forms part of its ESG and Impact Policy, the latest copy of which was approved by the Investment Committee on 9 March 2021. SilverStreet’s ESG and Impact Policy is the responsibility of SilverStreet’s Head of Impact and ESG. SilverStreet first adopted its Responsible Investment Code on 26 January 2011.

Engagement policies

SilverStreet considers the following adverse sustainability impacts:

i) Climate and other Environmental-Related Indicators

- Greenhouse gas emissions
- Carbon footprint
- Greenhouse gas intensity
- Exposure to companies in the fossil fuel sector
- Share of non-renewable energy consumption and production
- Energy consumption intensity per high impact climate sector
- Activities negatively affecting biodiversity sensitive areas
- Emissions to water
- Hazardous waste ratio
- Investments in companies without water management policies
- Exposure to areas of high-water stress
- Investment in companies producing chemicals

ii) **Social and Employee Matters including Respect for Human Rights, Anti-Corruption and Anti-Bribery**

- Violations of UN Global Compact principles
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles
- Unadjusted gender pay gap
- Board gender diversity
- Exposure to controversial weapons
- Investment in companies without workplace accident prevention policies
- Lack of grievance policy/complaints handling mechanism related to employee matters
- Lack of anti-bribery and anti-corruption policies

SilverStreet engages with portfolio companies in relation to these principal adverse impacts through its post-acquisition implementation, and ongoing monitoring and measurement:

a) <u>Post-acquisition implementation</u>
During the post-acquisition implementation phase, SilverStreet will seek to ensure that its portfolio companies’ Boards take responsibility and accountability for all ESG-related topics and will seek to appoint representatives to the portfolio company Board. Controlled Investments will be required to adhere to SilverStreet’s ESG and Impact Policy, its Climate Change Policy and Anti-Bribery Policy and to implement an “ESG Action Plan”.

SilverStreet’s ESG and Impact Policy requires all Funds managed by SilverStreet to commit to a number of “ESG Core Principles” which include: (i) to minimise adverse impacts on sustainability factors and enhance positive effects on the environment, workers and all stakeholders, and (ii) to commit to continuous improvements with respect to sustainability factors. The "ESG Action Plan" will include any requirements set by external providers of political risk insurance and finance plus any requirements for environmental audits or assessments identified during the due diligence process.

Each portfolio company that is a Controlled Investment will commence implementation of the "ESG Action Plan" and agree financial resources required and milestones for completion. Each Controlled Investment will be required to establish its own Social and Environmental Management System ("**SEMS**" / "**ESMS**") to implement policies and procedures to manage environmental, social and governance risks. The overriding aim, however, is for ESG monitoring and compliance to be embedded into the day-to-day management of the portfolio company and to this end, the aim is for ESG deliverables to form part of the managers' annual KPIs. The implementation of the SEMS/ESMS is commented upon in further detail in SilverStreet's ESG and Impact Policy.

b) Ongoing monitoring and measurement

SilverStreet aims to maintain regular dialogue with its portfolio companies, through formal Board meetings and meetings and correspondence between SilverStreet and the relevant ESG representatives. SilverStreet aims to visit portfolio companies regularly as part of this process.

SilverStreet implements an annual ESG review of each portfolio company's performance against SilverStreet's ESG and Impact Policy. This may be done by an external ESG specialist as an annual ESG "audit" although use of an external specialist may alternate with internal annual reviews based on a cost/benefit analysis. During this annual review, the "ESG Scorecard" will be revised and the "ESG Action Plan" updated to take into account progress made during the reference period including on the adverse sustainability impacts. Where there has been no reduction in an adverse sustainability impact during a reference period, then this is reported on and the "ESG Action Plan" for the forthcoming year adjusted as required. This will include financial and reputational risks and reports on any community development projects run by the portfolio companies. It should attempt to assess compliance with SilverStreet's ESG and Impact Policy across the whole portfolio by assigning a score taken from the individual portfolio company's scorecards.

References to international standards

SilverStreet is a signatory of the UN Principles for Responsible Investment ("**UNPRI**") and committed to implementing its six principles to incorporate and report on ESG issues in its investment decision-making and ongoing ownership and engagement policies. SilverStreet's Funds also adhere to the principles of the UN Global Compact ("**UNGC**") and the IFC Performance Standards as part of its strategy, policy and procedures.

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

- By committing **to achieve net zero carbon emissions by 2040** to ensure that SilverStreet and its Funds contribute to the Paris Agreement's goal of limiting temperature increases to well below 2 degrees Celsius;
- By **investing into Least Developed Countries**, 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;
- By increasing these countries' and the portfolio companies' **abilities to adapt to the adverse impacts of climate change and to foster climate resilience**[1], a as targeted under the Paris Agreement;
- By bringing **technology development and transfer** for both improving resilience to climate change and reducing greenhouse gas ("**GHG**") emissions, a goal of the agreement;
- 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". In Sub-Saharan Africa, smallholder farmers represent the vast majority of farmed land. The Paris Agreement

[1] IPCC 2018; Annex I: Glossary - Reference: Page 557, IPCC 2018: Annex I: Glossary [Matthews, J.B.R. (ed.)].

aims for capacity building in Least Developed Countries to support its goals. SilverStreet estimates that 40% of non-energy related GHG emissions globally arise from land use related factors including deforestation, crop burning and soil degradation; and

- **Supporting a "Just Transition"** 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 does not have adverse social impacts.

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 Fund's ESG Codes. For example, the UNPRI, UNGC and the IFC Performance Standards 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).

In order to measure this degree of alignment with the objectives of the Paris Agreement, SilverStreet will assess those GHG principal adverse impacts which are listed above in the Climate and other Environmental-Related Indicators.

Each Controlled Investment will be required to report directly to SilverStreet on the adverse impact indicators.

Data for each adverse impact indicator in respect of all portfolio companies 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.

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 Funds' exposure to climate related risk.