

SandbrookCapital™

Sandbrook Climate Infrastructure Fund I

Climate Impact and ESG Policy

November 2021

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Purpose

Delivering positive climate impact and managing environmental, social and governance (“ESG”) risks are integral to Sandbrook Capital Management LLC’s (“Sandbrook”, the “Firm”) purpose. The Firm’s focus on these factors is central to the way it evaluates and manages investments, and also to the way it interacts with stakeholders including investors, employees and local communities.

Sandbrook believes that implementing best-in-class practices in conformity with this policy can not only benefit the Firm, but also the performance of portfolio companies and their respective market values over the long-term. Most importantly, Sandbrook believes that these practices represent the right way to conduct its operations.

This policy and the Firm’s Climate Impact Management System, implemented across the organization and investment process, has been developed by Sandbrook with the support of advisors with experience implementing best-in-class ESG standards in a corporate environment.

Scope

The scope of this policy includes the consideration of climate impact and ESG factors at the following levels:

Firm level: Sandbrook considers its policies and actions at an organizational level, to ensure that it complies with leading frameworks and standards. The Firm seeks to affiliate itself with external organizations that support its climate impact and ESG priorities.

Team level: Sandbrook ensures that all of its employees fully comply with this policy, and that they also reflect the values of the Firm in the way that they invest, support companies and interact with communities and the environment. Its policies also seek to provide a diverse, inclusive and supportive environment for employees themselves. Please refer also to Sandbrook’s Diversity and Inclusion Policy.

Portfolio level: Sandbrook regularly evaluates its climate impact, and relevant ESG risks at a portfolio level, according to its Climate Impact Management System, described in more detail in the Fund’s Private Placement Memorandum.

Company level: Sandbrook’s Climate Impact Management System has been designed to effect positive climate impact at its portfolio companies. Sandbrook maintains that companies that measure and develop positive impact are inherently more valuable companies.

Community level: Sandbrook seeks to support the communities in which it and its portfolio companies operate. The Firm’s adherence to the United Nations’ Sustainable Development Goals provides a framework under which to consider its community-level impact.

Global level: As well as delivering attractive risk-adjusted returns for limited partners, one of the core drivers of the Sandbrook organization is the goal to support the global transition to net zero emissions.

Underlying Principles

Sandbrook’s Climate Impact and ESG Policy is built in conformity with the United Nations’ Principles for Responsible Investment (“PRI”). The Firm actively engages its portfolio companies on ESG issues and seeks

to serve as a responsible steward of its investors' capital in accordance with the PRI's six principles:

- Incorporate ESG themes in investment analyses and decision-making processes
- Be active owners and incorporate ESG themes in its exercise of ownership
- Promote acceptance and implementation of the Principles within the investment industry
- Work toward satisfactory reporting of ESG themes from the companies which Sandbrook has invested in
- Cooperate to ensure an efficient implementation of these principles
- Report on its activities and implementation of the principles

In building its policy around these six principles, Sandbrook considers its impact across three dimensions which run through the Firm's operations and investment process at all levels, including at the Firm management level:

01 Intention: Every investment that Sandbrook considers must hold the potential to deliver a material impact related the challenges associated with global warming and sustainability. To remain objective in the orientation of this goal, Sandbrook ensures that its investment strategy stands to benefit, primarily, one or more of the United Nations' Sustainable Development Goals ("SDG") 7, 9, 12 and 13.



SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all. Sectors with the potential for a growth in modern energy include the electricity sector, the heat sector and transport sector. Transitioning the energy mix towards renewables is a core component of this SDG.



SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. Support for sustainable industrialization, development of sustainable infrastructure and improved resource-use are all key components of SDG 9.



SDG 12: Ensure sustainable consumption and production patterns. Managing the consumption and re-use of natural resources is key to SDG 12, which puts resource use, and waste management at the core of its objectives. Integration of sustainable practices and sustainability information into companies' reporting cycles.



SDG 13: Deploy capital focused on reducing climate change and its impacts on population. Contribute to the substantial reductions of GHG emissions required to limit global warming to 1.5 degrees. Increase the resilience of communities to climate-related hazards by strengthening infrastructure. Accelerate the mobilization of capital towards emission reduction education and awareness.

Adopting this approach, alongside achieving attractive Fund returns, positions Sandbrook, in its view, between the two extremes of purely return-oriented generalist investment managers, and impact-only and non-governmental organizations which do not prioritize investment returns.

- 02 Contribution:** Sandbrook will only invest where it believes it can contribute to the delivery of positive impact, in ways that extend beyond the provision of capital. The Firm avoids investments where it does not believe its expertise, networks and investment acumen will add to the impact delivered by a company. In this regard, Sandbrook believes that its approach is more similar to that of corporate or strategic investors which consider potential synergies and overall alignment of approach in the evaluation of acquisition targets, than to that of public market investors which have limited influence in the manner in which their capital is utilized.
- 03 Measurement:** Finally, Sandbrook seeks to invest where it believes it will be able to clearly measure its impact, and compare that impact against independent climate impact frameworks. For instance, while a company may objectively appear to operate in an impactful way, without any ability to quantify that impact, it would not be possible for the Firm to set impact performance targets for the company, and determine if its role would be accretive to such impact.

The operation of Sandbrook, both internally and through its funds, with these three principles is overseen by its Climate Impact and ESG Committee, which monitors and scrutinizes its impact on a regular basis. This committee also ensures the compliance of current portfolio companies with, and evaluates future investments against, its proprietary Climate Impact Management System (“CIMS”). Prior to any transaction being approved by the Fund’s Investment Committee, it is first reviewed, and approved or declined as appropriate, by the Climate Impact and ESG Committee.

Policy Guidelines

Impact and ESG Integration with Investment Process

Sandbrook seeks to integrate ESG throughout the entire investment process, from screening an investment to active ownership and ultimate exit of portfolio companies:

Origination and initial review: During the screening stage, deal teams screen for alignment with the Firm’s impact pillars and then (1) develop a preliminary impact thesis, which draws out the distinct challenges the investment seeks to address, (2) identify how Sandbrook’s contribution can help the company meet impact objectives, and (3) identify the intended near term deliverables which can be derived from that overall thesis.

Due diligence: At this phase in the evaluation process, the Sandbrook team conducts a measurement check, performs ESG due diligence and establishes a clear set of impact reporting expectations. Sandbrook may engage external advisors to help it carry out its diligence processes, and findings from its diligence are summarized in an Investment Committee Memo.

Structuring and execution: Ahead of approving any new investment, Sandbrook reviews and refines its impact thesis and carries out a detailed assessment to determine the potential investment’s alignment with the core impact pillars. The Sandbrook team also evaluates the investment’s alignment to the Firm’s climate measurement strategy, and flags any conflicts. At this stage, the team identifies potential impact KPIs and measurement strategies to be incorporated into the Investment Committee Memo and to be agreed with the target company. The potential investment ultimately requires the approval of both the Investment Committee as well as the Climate Impact and ESG Committee, ensuring that there is complete alignment with the CIMS.

Onboarding and monitoring: During the post-investment onboarding phase, Sandbrook implements a 100-day plan to ensure that the company can begin to collect the data sets required for Sandbrook's Climate Impact Management System. Sandbrook supports companies by giving them access to its data science staff. Impact data is collected throughout the investment period. The actual, delivered impact of the company is compared against baseline performance for each impact KPI and against industry benchmarks where appropriate. Targets are monitored constantly and refined as appropriate.

Should companies need additional support to achieve the goals of the climate impact plan set with Sandbrook, the Firm's investment professionals intervene and support management directly. This may for example include access to data science staff and to Sandbrook's impact advisors for extended periods of time.










Exit: At the time of exit, the CIMS is used to evaluate a company's impact following Sandbrook's exit and seek to integrate the lessons into strategy and decision making, ensuring that even after Sandbrook's ownership, the business continues to drive positive impact. This typically involves working with management to support them in setting their own internal climate goals following Sandbrook's investment, re-introducing Tideline to provide advice as necessary, and in some cases setting formal covenants to safeguard climate goals.

Sandbrook's ESG process over the investment lifecycle requires the ongoing focus and participation of the investment and operating teams, in addition to the Climate Impact and ESG Committee.

Climate Impact Frameworks

As highlighted in Figure 1 below, Sandbrook works with a number of established impact frameworks to ensure that its investment process and its portfolio companies are held to the highest standards. Each has been selected to be integrated into the CIMS because of either the comprehensive nature of the standard, or the industry-leading nature of the organization. The Firm seeks, as supporters or contributors to these organizations, to push the limits of positive impact and contribute to the better disclosure and delivery of improvement to the private markets and financial services communities.

Figure 1: Climate Impact Frameworks Supported by Sandbrook

	What it is	How we use it	
System & Process Design	 SUSTAINABLE DEVELOPMENT GOALS	Set of 17 global sustainability goals defined by the UN for delivery by 2030	Our definition of impact and intentionality are based on four UN SDGs: numbers 7, 9, 12 and 13
	 PRI	UN Principles of Responsible Investment. Most widely recognized set of reporting & operational guidelines.	Our CIMS system was designed to align with the six principles of responsible investment; we are signatories
	 IMPACT MANAGEMENT PROJECT	Community of 2k practitioners sharing best practices and exploring measurement challenges	Our assessments use IMP's "A-B-C" framework, as well as its five suggested dimensions ¹
	 Operating Principles for Impact Management	Set of 9 principles defined by the IFC for impact-oriented decision making	Our process map (17 activities across 5 investment stages) draws from OPIM's 9-principle framework
	 TCFD	Task Force on Climate-related Financial Disclosures helps build impact into decision making & reporting	Our assessments of existing and new investments include reviews of all aspects covered by TCFD
	 ESG Data Convergence Project	The ESG Data Convergence Project aligns a set of uniform reporting metrics >100 GPs and LPs	Sandbrook is a Participant GP, and our system is designed to comply with the DCP reporting protocols
Independent Metrics	 IRIS+	IRIS+ is a digital system for measuring, managing and optimizing impact	When evaluating and onboarding new investments, we select performance metrics from the IRIS+ menu
	 PCAF	PCAF is a partnership to support financial services firms in facilitating transparency and accountability	PCAF's green house gas reporting standards are used uniformly across our existing and potential investments
	 SASB	Sustainability Accounting Standards Board helps firms identify, manage and report on sustainability topics	SASB's materiality maps and some of its standard and metrics are used in reporting investment performance

Environmental, Social and Governance

Sandbrook measures and reports on its own ESG compliance, including its estimated emissions, and has put in place a high-quality carbon offset program to mitigate its own climate impact. Sandbrook reports on ESG performance to its LPs and other stakeholders on a quarterly basis, and will publish an annual ESG and Impact Report, detailing the progress it has made in the prior calendar year. The Firm believes that regular reporting on ESG metrics is an important way of informing our stakeholders and promoting sustainability awareness within Sandbrook's culture.

Sandbrook's policy was implemented on November 2021. The Firm is committed to reviewing and updating this policy and the firm's continued commitment to ESG on a bi-annual basis.