

Sandbrook Climate Impact and ESG Policy

Overview

Climate Impact and ESG Policy

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 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 acting in this way is 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, as well as firm advisors with experience of 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 to climate change. 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 organizations and non-governmental organizations which do not prioritize investment return, and so limit the overall potential of the companies to which they commit capital.

- 02 Contribution:** Sandbrook will only invest where it believes it can contribute to the delivery of positive impact alongside attractive investment returns. Where it does not believe its expertise, networks and investment acumen will add to the impact delivered by a company, it will not invest. In this regard, Sandbrook believes that its approach is more similar to corporate or strategic investors which consider potential synergies and overall alignment of approach in the evaluation of acquisition targets, than public market investors which can operate with a more modular and siloed investment mindset.
- 03 Measurement:** Finally, Sandbrook will only 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, and 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 will first be 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, the deal team will 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 will conduct a measurement check, perform ESG due diligence and establish 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 will be summarized in the Investment Committee Memo.

Structuring and execution: Ahead of approving any new investment, Sandbrook will review and refine its impact thesis and carry out a detailed assessment to determine an investment’s alignment with the core impact pillars. The Sandbrook team will also evaluate the investment’s alignment to Sandbrook’s climate measurement strategy and flag any conflicts. At this stage, the team will identify potential impact KPIs and measurement strategies, to be incorporated into the Investment Committee Memo and to be agreed with the target company. The investment will ultimately require 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 the data science members of the Team. Impact performance data will be collected throughout the investment period. The actual, delivered impact of the company will be compared against baseline performance for each impact KPI, and industry benchmarks as appropriate. Targets will be monitored constantly and refined as appropriate.

Should companies need additional support to achieve the most ambitious goals of the climate impact plan set with Sandbrook, Sandbrook will intervene and support management directly, which may also include access to data science Team members for extended periods of time, and access to Sandbrook's impact advisors.










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 will typically involve 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 hold itself 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

		Participation	Rationale	
Established Standards	 PRI	UN Principles of Responsible Investment. Most widely recognized set of reporting & operational guidelines.	Signatory	Used broadly by the GP and LP communities.
	 IMPACT MANAGEMENT PROJECT	Community of 2k practitioners sharing best practices and exploring measurement challenges	Supporter and active participant	Establishes commonly-adopted terminology, common KPIs, etc
	 Operating Principles for Impact Management	Set of 9 principles defined by the IFC for impact-oriented decision making	Incorporated in CIMS framework	Robust set of guidelines consistent with our own operating principles
	 SUSTAINABLE DEVELOPMENT GOALS	Set of 17 global sustainability goals defined by the UN for delivery by 2030	Incorporated in CIMS framework	The SDGs are helpful particularly in verifying alignment of intention
	 SASB	Sustainability Accounting Standards Board helps firms identify, manage and report on sustainability topics	Incorporated in CIMS framework	Global framework; highly detailed
	 TCFD	Task Force on Climate-related Financial Disclosures helps firms build impact into decision making / reporting	CIMS conforms; Signatory in 2022	Global framework; highly detailed
Emerging Standards	 IRIS+	IRIS+ is a digital system for measuring, managing and optimizing impact	Utilized system since SBC launch in 2021	System and metrics are widely used, adopted and understood
	 PCAF	PCAF is a partnership to support financial services firms in facilitating transparency and accountability	Application in process (ETA 2022)	Financial services specific. Active since 2015 but global since 2019
	 SCIENCE BASED TARGETS	Science-based targets allows firms to measure and set climate-based targets within a community	Specific commitment in 2022	Way of establishing and promoting climate targets among peers

ESG Governance

Sandbrook measures and reports on its own ESG compliance, including its estimated emissions, and has put in place a high quality offset program to fully mitigate its own climate impact. Sandbrook plans to report on ESG performance to its LPs and other stakeholders quarterly 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 a key way of informing our stakeholders and promoting sustainability awareness within Sandbrook’s culture. Sandbrook’s policy was implemented on November 2021, and Sandbrook commits to review and update this policy and the firm’s continued commitment to ESG on a bi-annual basis with the Sandbrook leadership team.