Since 1857
Gresham House
Specialist asset management

Sustainable Investment Report

March 2021

Leadership statement

Welcome to our first Sustainable Investment Report. In a year like no other - supermarket shelves emptied, roads quietened, and we all applauded our health workers - the importance of building a more sustainable future took on greater urgency.

Developments in sustainability

The sustainability industry has evolved rapidly during 2020 as demand for investments that meet return objectives whilst benefiting wider society and the environment has increased. It has also been an exciting year for Gresham House as we have worked to increase our commitments to sustainability and expand sustainable investment solutions for our clients.

We have been advancing investment opportunities that offer solutions to the greatest environmental and social problems we face. I am pleased to report just a few of our accomplishments during the last year:

Environmental
- Investing in our first unsubsidised renewables site, highlighting that the cost of renewables has fallen significantly, making them an increasingly viable replacement for fossil fuels
- Developing a carbon credit forestry opportunity which is due to launch later in 2021

Social
- Launching a shared ownership housing fund aiming to address the UK's shortage of affordable housing
- Investing in two businesses that plan to connect 5,000 homes in remote areas to the internet in 2021

These are just a few examples of how our investment propositions are developing to meet client demand for investments that support their return and sustainability objectives.

Building our culture

Responsibility for sustainability starts from the top. The Management Committee has focused on improving its understanding of the sustainable investment industry whilst developing the Group's approach and providing new investment solutions that meet our clients' sustainability objectives. To lead by example, sustainability objectives now form part of all my colleagues' objectives, ensuring that it permeates every aspect of the business. We also appointed a sustainable investment director to lead development and co-ordination of this important work across the Group.

Dedicated to positive change

Along with our clients, we are aware of the most important sustainability drivers, especially climate change which we regard as a critical priority for the business to address. The climate agenda will continue to be a significant focus for ourselves and many of our clients in the lead up to the 26th UN Climate Change Conference of the Parties (COP26).

To provide clients with appropriate data, transparency, and contribution to climate change mitigation, we are starting on our journey to measuring and reducing our carbon footprint at a Group and asset class level this year. We also aim to assess our impact on the environment to start evolving our net zero ambitions.

In addition to climate change, biodiversity loss is becoming of greater importance. Protection of biodiversity is inextricably linked to the fight against climate change and therefore both topics need to be considered alongside one another on the path to net zero and achieving the Paris Agreement. We are currently exploring opportunities to invest in solutions that protect biodiversity and promote its development.

More to come

We have achieved much in the past year and this report provides an insight into our progress. It also demonstrates how our assets are positively changing many aspects of our current way of life. Looking forward, I am committed to further evolving and expanding the range of opportunities our asset divisions will provide our clients. Finally, with our increasing focus on sustainability I am confident that we can continue to successfully support our stakeholders' financial and sustainability ambitions.

Tony Dalwood

Chief Executive

> *"We have built on our strong sustainability credentials and nurtured a culture with sustainability at its heart.*

Key highlights

Corporate

14% Proportion of women on the Board

£100k of corporate charitable giving and donations

49% of employees participating in ShareSave scheme

PRI Principles for Responsible Investment

Gresham House vs. Industry average
PRI scores in 2020

Strategy & Governance

	Peers	Gresham House
Strategy & Governance	A	A+

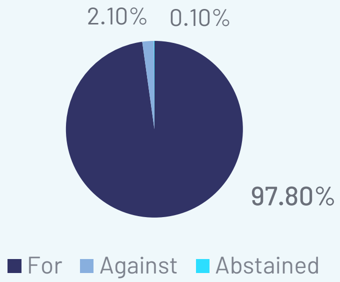
Awarded the LSE Green Economy Mark

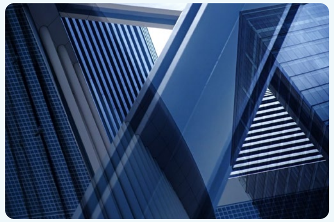
Strategic Equity

95.5% We met with the management teams of nearly all our publicly-listed companies

81% We contributed to Boards as a member or observer on the majority of our private equity companies

Voting decisions





Real Assets

9m trees planted, covering an area almost the size of Portsmouth[1]

720,000 cars removed from the road - the amount of carbon equivalent that our forests sequestered in 2020[2]

216,000 tonnes of CO_2 avoided by generating renewable energy[3]

£394,000 paid to community benefit funds supporting various SDGs

300,000 tonnes of waste expected to be diverted from landfill per year in the production of energy pellets

5,000 planned internet connections to homes in remote locations

171 shared ownership properties brought into the affordable housing market for the first time

1. Based on 1,100 trees per hectare for broadleaves, 2,700 per hectare for conifer | 2. Woodland carbon code, Gresham House and Carbon Trust conversion factors | 3. DUKES 2020, Assuming 446 tonnes of CO_2 per gigawatt hour (GWh) of electricity supplied

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01

Overview of Gresham House

Overview of Gresham House

Our business

Gresham House is a specialist alternative asset manager. We provide investors with a range of investment products, across real assets and public and private equity. Our investment solutions aim to meet investors' long-term objectives whilst also positively contributing to society and our environment.

We are creating an asset to covet, for our shareholders, clients and employees, delivering value both through financial returns and our focus on sustainability.

Public Equity	Private Equity	Forestry	New Energy & Sustainable Infrastructure	Housing
£0.5bn	£0.4bn	£1.8bn	£1.0bn	£0.3bn
£0.9bn		£3.1bn		
£4.0bn[1]				

Our purpose

Deliver effective and alternative investment solutions to ensure clients achieve their financial objectives whilst making a meaningful contribution to advancing the world's transition to a more sustainable way of life.

1. As at 31 December 2020

We are **Ambitious**

We are driven, ambitious and reflective. We take decisions based on robust analysis and in-depth research, while always ensuring we look back on our results with a critical eye to understand how to improve.

We are **Authentic**

We are committed to building a sustainable future through authentic alignment of our actions to our purpose, including implementation, monitoring and reporting. We pride ourselves on being honest about our key strengths whilst understanding where improvements are needed.

We are **Collaborative**

We work together for the long-term benefit of our clients, shareholders and society. We also work proactively with management teams and key stakeholders to instigate positive change.

We are **Dynamic**

We act with purpose and urgency and are dedicated to creating shareholder and investor value through effective investment solutions that tackle some of the many environmental and social challenges.

We are **Empowered**

We have created a culture of empowerment that encourages individual flair and entrepreneurial thinking. This enables us to design and implement creative investment solutions with the end goal of building a sustainable future for all our stakeholders.

We are **Meritocratic**

We recognise and develop talent from a range of backgrounds to help us innovate, be forward thinking and ultimately deliver the best for all our stakeholders.

Our strategic direction in sustainability

Our five-year strategy, GH25, aims to further develop the business as a leading specialist alternative asset manager with sustainability at its heart, and double shareholder value.

To support our financial targets, we have set five strategic targets, one of which is focused on sustainability:

▶ To become a recognised leader in sustainable investment, including Environmental, Social and Governance (ESG).

Our measurements for sustainability success

Since setting this strategic target, we have established a framework laying out how we will measure our success in achieving recognition and leadership in sustainable investment.

Recognition

01 External accreditation ratings are maintained, improved or expanded

02 Feedback from shareholders, clients and investment consultants on sustainability credentials is high

03 Where relevant, specific ESG ratings on our funds are strong

04 A voice of authority in the media on sustainable investment matters

Leadership

01 Deliver investment solutions that contribute towards solving the largest environmental and social challenges, and provide transparent reporting and metrics on sustainability credentials for clients

02 Become an asset manager that investors choose to partner with to meet their sustainability objectives and net zero ambitions

03 Contribute to sustainability-focused forums and facilitate the development of best practice, scalable investment solutions and stakeholder collaboration

04 Lead by example through our internal commitments to sustainability

Our clients

Greenwashing is a concern for investors as they strive to meet their sustainable investment objectives. Our clients require measurable positive outcomes from their investment exposures and expect their investment managers to have the same commitment to operating sustainably themselves.

Heather Fleming, Head of Institutional Business

We work with a range of clients including individual investors, financial advisers, institutional investors, charities and endowments. Conversations with our clients are increasingly concentrating on sustainability characteristics and measurement, and more clients are now seeking investment solutions that meet their financial objectives, whilst also positively impacting environmental and social factors.

Acceleration of focus and action

Throughout 2020 we saw rapid acceleration in sustainable investment, with many of our clients articulating ambitious targets and sophisticated sustainability objectives. They are increasingly aware of the challenges in measuring environmental and social outcomes but believe this should not prevent them from incorporating sustainability into their investment approach.

As a result, the expectations on managers to provide more transparency and granularity of the measurable impact of their exposure has increased.

Prioritising climate change

Given regulatory pressure and long-term investment horizons, institutional investors are leading the charge and have been instrumental in the recent progression in the sustainable investment industry.

Whilst social factors have become increasingly important in the last year, climate change remains at the top of institutional investors' sustainability agendas. A Mercer survey of institutional investors in 2020 found that over half of respondents had considered the risk of climate change, increasing from just 14% the year before[2].

Considered risks of climate change

Investors who have assessed the risks, are wanting to act and allocate capital to assets that support the transition to a low carbon economy whilst meeting their financial objectives.

We have worked with institutional investors in the last year that are seeking investment solutions that support their ambitions to achieve net zero. We expect demand for these investment solutions will grow in the future.

Spotlight on biodiversity

In addition to climate change awareness, the pandemic has reminded us of how sensitive we are to our natural world and how reliant we are on healthy environments.

Many investors are now paying more attention to biodiversity loss, realising that we must tackle climate change to prevent it and that climate change mitigation partly relies on the protection of our world's biodiversity. We expect clients will soon be looking for new investment solutions that protect and create biodiversity so we are assessing investment opportunities that will support these ambitions.

Supporting future needs

Many of our assets align well with the financial and sustainability objectives of various investors. The pace of change in a short space of time is remarkable and we are excited by the prospect of supporting more investors in uniting their financial and sustainability objectives.

100%

of new institutional business opportunities included positive environmental and/or social requirements in 2020

2. Mercer European Asset Allocation Insights 2020

We value that each employee is different and are committed to capitalise on our differences and embrace our diversity of thought and skills to achieve better results for our clients and to create an environment where everyone feels valued, respected and able to realise their full potential.

Louise Richards, HR Director

Our people

Our people are our greatest asset and are integral to all that Gresham House achieves.

We recognise that our people are the foundation of our success and we aim to create a culture where they can thrive.

Culture

We promote a culture of individual flair and entrepreneurial thought, in which performance and results are recognised and rewarded.

Six values are deeply rooted across the firm: **Ambitious, Authentic, Collaborative, Dynamic, Empowered** and **Meritocratic**.

These values are critical to the success of the firm and provide a platform for our staff to develop both individually and as group. Our culture empowers our people to design and implement alternative investment solutions capable of building a sustainable future and ensuring ESG considerations remain front and centre in our thinking.

This is reflected in our success and industry awards that have validated individual, team and business performance.

Listening

In 2020, we conducted our first Employee Engagement survey called 'We Are Listening'.

The purpose of the survey was to give our people the chance to provide feedback on their experience working at Gresham House.

- **92%** completion rate, demonstrating high levels of engagement across the business
- **94%** would recommend Gresham House as a good place to work
- **90%** agreed that Gresham House has a supportive and inclusive culture
- **85%** confirmed that they feel able to contribute their ideas and opinions
- **93%** said the culture incorporates environmental and social considerations
- **Fast-paced, Busy, Dynamic, Professional** and **Ambitious** were the top five words or phrases used to describe Gresham House

The results of the survey were used by the Management Committee to determine where we are succeeding and areas that need to be strengthened.

An inclusive workplace

Our achievements in 2020 include:

- Published our **first Diversity & Inclusion (D&I) Policy**
- Committed to the **#100BlackInterns** initiative
- Hired an apprentice through **Leadership Through Sport and Business**, a social mobility charity

#100BLACK INTERNS

LEADERSHIP THROUGH SPORT & BUSINESS

Our work in 2021 will be focused on delivering on the commitments set out in our D&I Policy and continuing to work with various initiatives to improve under-represented groups within the investment industry.

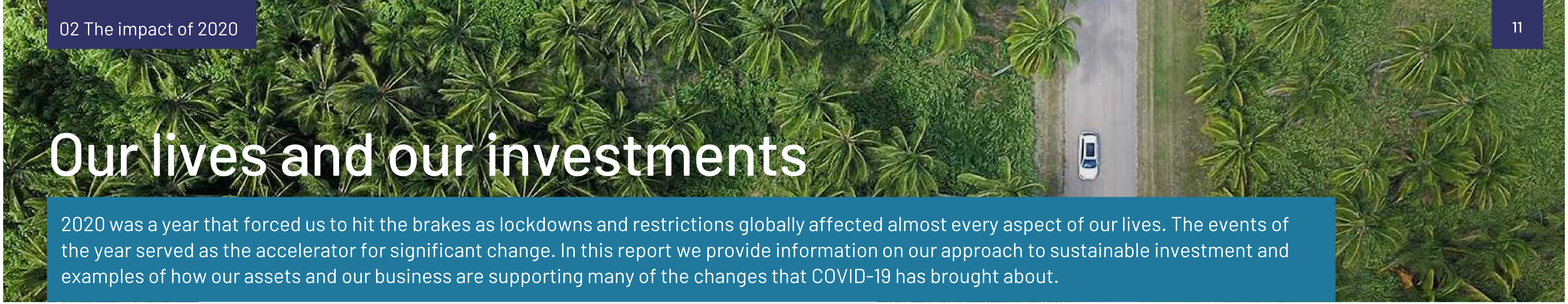
32%

of senior leadership roles held by women[3]

3. The percentage of women holding senior positions in the business, where senior positions are defined as the Management Committee, GHAM Board or unit heads.

02

The impact of 2020



Our lives and our investments

2020 was a year that forced us to hit the brakes as lockdowns and restrictions globally affected almost every aspect of our lives. The events of the year served as the accelerator for significant change. In this report we provide information on our approach to sustainable investment and examples of how our assets and our business are supporting many of the changes that COVID-19 has brought about.

Our lives

Energy use

Being at home and travelling less meant energy demand reduced and moved from transport and industrial use to domestic use.

Total energy consumption fell by 18% between Q3 2019 and Q3 2020. In addition, renewable energy generation increased to over 40% of total generation at the end of September 2020.[1]

Commitments to net zero

The number of commitments to net zero emissions from local governments and businesses nearly doubled in less than a year.[2]

This has partly been driven by COVID-19 recovery plans prioritising climate-focused and 'green' actions.

Our investments

Energy use

Our **New Energy** division invests in solar, wind and battery storage assets which together are transforming the energy sector from fossil fuels towards one dominated by renewable energy.

See page 25 for an understanding of how the value of the sun has changed in the last few years and page 27 for more information on how batteries can be used to balance and stabilise the electricity grid.

Our **Public Equity** division also holds a company that aims to increase energy efficiencies for businesses and page 18 discusses our engagement activity with the business over the last few years.

Commitments to net zero

Many net zero targets rely on offsetting emissions using methods including carbon credits. Carbon credits can be generated by nature-based solutions such as afforestation, reforestation and forest conservation.

Our **Forestry** division has signed a deal to invest in forestry assets in New Zealand that generate carbon credits (completion subject to NZ government approval). On page 23 we talk more about the role forestry will play in the race to net zero.

1. UK Government 2. Unfcc

Reliance on an internet connection

Our lives

2020 saw an increasing reliance on internet connections and technology to work from home, see a doctor and educate children.

This trend is likely to continue, as 70% of global organisations said some portion of their workforce will be allowed to work remotely full time[3] and the NHS has now moved to a model of 'digital first'[4] meaning more appointments will be online.

Our investments

Our **Private Equity** division invested in a business that changes the way patients can access the NHS by using digital systems to make sure the right patient, sees the right doctor at the right time. See page 20 for a case study on the business.

In addition, our **Sustainable Infrastructure** division has recently invested in two businesses that plan to connect 5,000 homes in hard-to-reach locations to the internet in 2021. See page 28 for more information on this asset division.

Housing needs

Our lives

Working from home has meant commuting has reduced, making many rethink where they live and what they value in a home.

One in seven Londoners wanted to leave due to COVID-19, as they sought houses with outdoor and home-working space[5].

Our investments

To address the challenges of the current shared ownership model, when designing our new shared ownership fund within our **Housing** division we created bespoke Customer and Environmental Charters.

These commit us to various requirements, including providing homes with access to outdoor areas and space to work. Read more about our Charters on page 31.

3. Raconteur 4. BMA 5. Escaping the city

Our lives

Investment focus

Investors became more aware of the importance of sustainability. As a result, passive ESG funds saw record inflows throughout 2020 as growing evidence showed that careful ESG management boosted returns.

MSCI found that ESG exchange traded funds (ETFs) had more than three times the inflows compared to 2019 and 120 new ESG ETFs were launched globally[6]. PwC estimates that ESG funds will comprise 57% of the European Fund sector by 2025.[7]

Diversity & Inclusion

The COVID-19 pandemic has had an impact on gender equality, with women's jobs being 1.8 times more vulnerable than men's[8].

In addition, the Nobel Peace Prize-nominated Black Lives Matter movement in 2020 may have been the largest in US history[9], gaining traction across the world. The CEO of the Black Lives Matter charity says 'It is a movement for equality and against racism'.[10]

Our investments

Investment focus

Whilst we do not provide passive investments, we have seen a growing interest in sustainability and all our new institutional business opportunities last year included positive environmental and/or social requirements.

See page 8 to find out more about how our clients are accelerating their allocations to sustainable investments.

We are evolving our investment offering and recognise that demand for authentic sustainable investments will increase significantly over the next few years. Our assets are well positioned for this demand and we look forward to working with more clients to meet their sustainability objectives.

Diversity & Inclusion

Our people are our greatest asset and we value the fact that each employee is different.

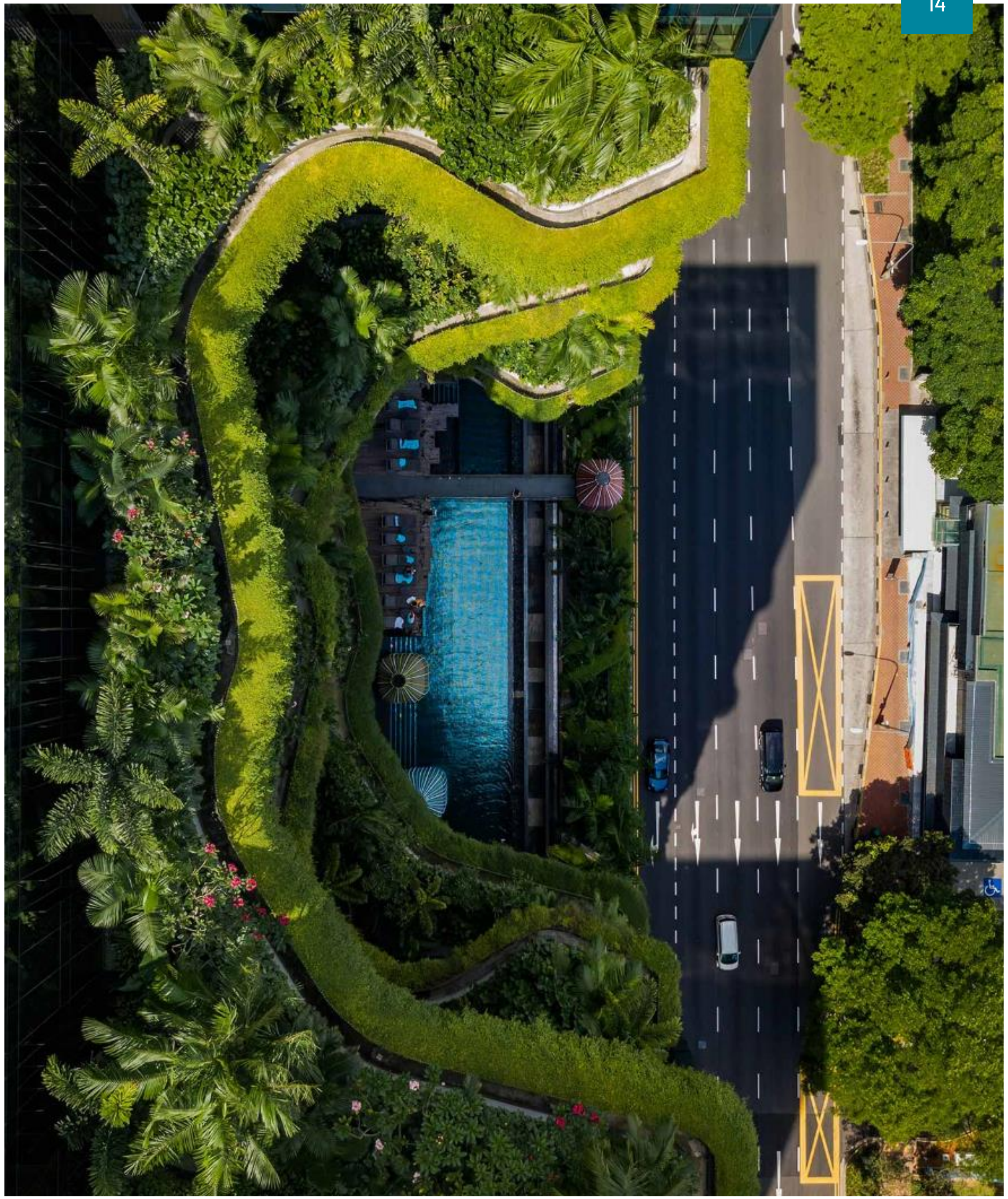
In 2020 we were proud to launch our first D&I Policy as well as joining the #100BlackInterns initiative.

See page 9 for more detail on how we value our people.

6. MSCI 7. FT 8. McKinsey 9. NY Times 10. BBC

03

Operating as a sustainable investor



Key milestones across our divisions

2020

March

- Published our asset class-specific SI policies
- **New Energy, Renewables:** Completed construction on our first unsubsidised renewables project

May

New Energy, GRID and Renewable VCTs:
Awarded the Green Economy Mark

July

Awarded top ratings from the PRI

Infrastructure: A (Peers), A+ (Gresham House)

Private Equity: A (Gresham House & peers)

Public Equity: A (Gresham House & peers)

August

Sustainable Infrastructure: Introduced a challenge process for all new investments to add additional assessment of sustainability and financial credentials

September

Public Equity: Formalised and standardised our proxy voting process across all funds and published our Engagement and Voting Policy

Private Equity: Enhanced annual reporting to provide investors with an introduction to our sustainable investment approach

October

Housing: Worked with The Good Economy to assess the social impact of our listed housing fund

THE GOOD ECONOMY

November

Best Strategy Thought Leadership content award from Pensions for Purpose for our Global Timber Outlook paper

Winner of the PENSIONS FOR PURPOSE CONTENT AWARDS 2020 – In the category of Strategy

December

Forestry: New Zealand Carbon Forestry deal generating carbon credits signed, with completion subject to NZ government approval

Spectrum of capital positioning

The language used within the sustainable investment industry can be complex and terms are used interchangeably when in fact each term defines a different investment approach.

The spectrum of capital, shown adjacent, helps provide distinction between the various terms used and explains how ESG factors are built into an investment process.

The spectrum of capital ranges from 'Traditional' investment, which is entirely focused on financial returns, to 'Philanthropy', which focuses only on non-financial returns such that investors accept full loss of capital invested.

Gresham House provides investment solutions from 'Responsible' through to 'Impact-Driven'. All our investment solutions incorporate ESG analysis into our selection, evaluation, governance and engagement processes across the lifecycle of each investment.

Impact Investment (Thematic to Impact-driven)

	Traditional	Responsible	Sustainable	Thematic	Impact-driven	Philanthropy
Gresham House strategies		Strategic Equity	Real Assets			
Returns	Financial returns ⟷ Non-financial returns					
Investment approaches	Financial assessment					
		ESG factors used to identify risks and inform stewardship activities (engagement and voting)				
			ESG factors used to identify opportunities which benefit people and planet			
				Actively contribute to solutions positively impacting people and planet		
Explanation	ESG factors are not considered as part of risk or opportunity analysis	ESG factors are considered as part of risk analysis and may involve excluding some harmful products	ESG factors are considered as part of risk analysis and are used to identify opportunities without compromising on market returns	Aim to contribute to solutions of one or more challenges facing people and/or planet whilst generating at least market returns	Aim to contribute to solutions of one or more challenges facing people and/or planet but may accept some level of financial trade-off	Aim to contribute to solutions of one or more challenges facing people and/or planet but accepting full capital loss

Source: Gresham House

Strategic Equity

Targeting superior long-term returns in a range of public and private equity investments, by applying an active private equity approach, engaging with companies and applying rigorous due diligence, developing a deep understanding of each investment.

ESG integration into the investment process

01 Initial appraisal

Identify material ESG matters that will require further investigation during the due diligence stage. If certain risks are unlikely to be sufficiently managed or mitigated, then we may choose not to proceed at this stage.

02 Due diligence

The ESG Decision Tool and meetings with management are used to uncover material ESG risks that need to be mitigated and monitored, and identify ESG opportunities that have the potential to drive value, now or in the future. Where necessary, specialised consultants are engaged to support the diligence process.

03 Investment appraisal

A summary of the ESG analysis is included in every Investment Committee submission. Appropriate risk mitigation approaches will be referenced and assurance that the business is open to making improvements is sought.

04 Holding period

Public Equity: We engage regularly with boards, focusing on strategic, financial and operational matters, including ESG factors, and consistently use our voting rights.

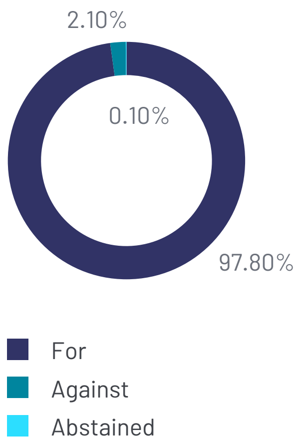
Private Equity: A 100-day post-investment plan will be developed to address shorter term risks uncovered in our due diligence stage. We will then use our position as a board member and active investor to influence management to proactively address longer term risks and opportunities.

Public Equity

As long-term investors with a focus on small and micro-cap companies in the UK equity market, we are active stock pickers applying a private equity approach to quoted equities. We offer a range of investments including our open-ended equity funds, listed strategic public equity investment trusts and limited partnership vehicles.

Our public equity philosophy revolves around taking a hands-on approach to engaging with our investee company stakeholders, including management, shareholders, customers and suppliers, in order to capitalise on market inefficiencies and identify value creation and recovery opportunities.

Voting decisions



4.8 years
weighted average holding period as at 31 December 2020

95.5%
Met with the management teams of nearly all investee companies in 2020

12 ESG
Decisions Tools completed since this was incorporated into the investment process (part year figures)

Case study

Changing the way businesses purchase and use energy

The business

Inspired Energy plc is a leading UK corporate energy services and procurement specialist. They are energy management experts and work with corporate energy consumers to optimise their energy costs. The company provides two key services:

01 Energy procurement and monitoring

Working with their clients to procure and monitor their energy use.

They ensure clients have accounted for their energy correctly and complied with legal obligations, whilst assessing ways to reduce energy consumption and improve energy efficiency.

02 Energy optimisation

Supporting large businesses to reduce their energy costs and consumption.

Completed projects have achieved material energy efficiencies and reduced carbon emissions.

Engaging with Inspired Energy

We invested in the company when it first listed in 2011 but worked with the management team before this point on areas such as Board composition and management incentives prior to IPO.[1] Since then, we have been an active but supportive shareholder and have increased our ownership over time.

2011

Initially we took a **9.4%** stake

Now

We own **19.8%**[2] of the company

Since 2011 we have regularly engaged with the management team on various projects, most notably:

Business strategy

We identified an opportunity to transition the company from an energy procurement consultancy focused on lowering energy bills, to a consultancy focused on improving energy procurement and providing advice on energy usage optimisation.

This has become increasingly important as more companies are disclosing their energy usage and associated carbon emissions. Working with Inspired Energy, companies can now understand what actions they can take to reduce their energy usage and, in turn, their carbon emissions.

Raising capital for expansion

We have worked with the management team to raise capital that has allowed them to acquire several businesses and increase resilience during COVID-19. The purpose of acquisitions has been to broaden Inspired Energy's capabilities and coverage, whilst taking advantage of strategic opportunities.

We provided additional capital allowing Inspired Energy to acquire Ignite Energy in 2019. This part of the business will provide the company with various growth opportunities as more businesses set net zero targets requiring them to reduce their direct emissions, including their energy use.

Board composition and planning

We have worked closely with the Board on various changes to improve the governance structure and long-term resilience. This has involved:

Transitioning a Non-Executive Director (NED) to Chairman

Bringing on a new NED as part of succession planning for the founder and CEO

Developing a new long-term incentive scheme for the COO and CFO to ensure retention as part of founder succession plans

Given our large ownership stake in the business we continue to work closely with the Board and management team to ensure continued focus on delivery of ESG strategic objectives and shareholder value drivers.

Leading by example

The services offered by Inspired Energy are often used by their clients to ensure they can meet their own ESG objectives, particularly those focused on reducing carbon emissions and meeting net zero targets.

As the UK's leading commercial energy and sustainability advisor, they recognise they must lead by example.

They are achieving this by:

- ❑ Completing the Streamlined Energy and Carbon Reporting (SECR) a year earlier than required, providing energy usage, associated emissions and actions taken
- ❑ Building the UN Sustainable Development Goals into their corporate culture
- ❑ Adopting best practice with respect to the Global Reporting Initiative

Inspired Energy were also awarded the Green Economy Mark by the London Stock Exchange in recognition of their environmental and strategic advice, service and support to customers.

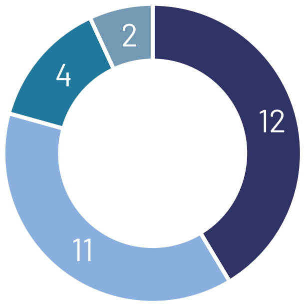
1. Initial Public Offering | 2. As at 31 December 2020

Private Equity

Our Private Equity strategy offers investors access to entrepreneurial high growth, earlier stage and lower mid-market private companies. We specialise in scaling software and digitally-driven businesses in the healthcare, consumer and services sectors.

Whilst we typically take a minority equity stake in our portfolio companies, we seek to be actively engaged to help founders deliver their growth ambitions. Through this active involvement we seek to deliver strong year on year growth in fund net asset value through building businesses which are attractive targets for either strategic trade or larger private equity acquirers.

Equity stake held by Gresham House across our portfolio companies



- 0-10%
- 10-20%
- 20%-50%
- More than 50%

100%
engaged with all our portfolio companies in 2020

81%
contributed to Boards as a member or observer on the majority of our portfolio companies

31%
of our portfolio companies provide specific ESG reporting

Case study

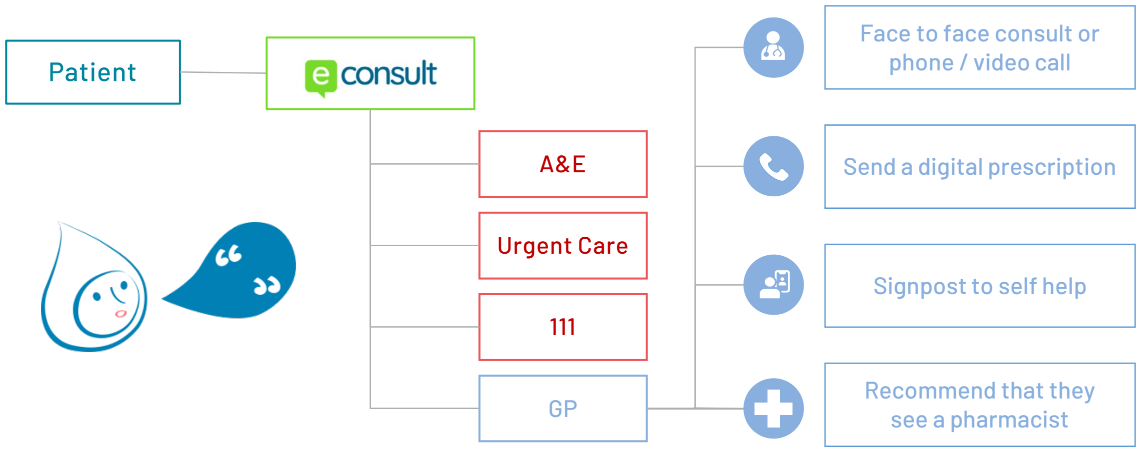
Changing the way patients access the NHS

The business – Right patients, right doctors, right time

eConsult has been developed by GPs to provide digital triage to GP surgeries. Their approach drives efficiency and makes sure patients are seen by clinical need, and seriously ill patients get appointments faster. Patients use eConsult before they go to the GP and fill in a triage form with their symptoms. They are either 'red flagged' out to A&E, Urgent Care or 111, or the symptoms are reviewed by a GP who decides on appropriate treatment.

The business has also developed two further digital triage systems which are helping a growing number of Emergency Departments, Urgent Treatment Centres and Outpatient Trusts to prioritise patients and improve patient flow. The ultimate vision is for a region to use all three products, allowing easy and effective movement of patients from primary care to secondary care and back again.

How patients use eConsult



The impact of COVID-19

The NHS has been under increasing pressure across both primary and secondary care. COVID-19 has exacerbated these challenges, resulting in routine appointments and check-ups being cancelled or postponed.

In March 2020, the UK Government mandated that all GP surgeries should have an online consultation tool like eConsult to offer a remote service to patients to maintain care, whilst reducing contact between patients and NHS staff.

Prior to COVID-19, eConsult helped GP surgeries move from c.90% face to face and 10% telephone appointments, to over 70% remote appointments, not requiring face to face intervention. eConsult is now available to c.3x as many patients and over 9x as many patients completed an eConsult in 2020 compared to 2019.

GPs and patients are both realising the benefits of having remote appointments that ensure the right doctors see the right patients as quickly as possible, whilst saving unnecessary trips to the practice, and reducing risks of infection.

There were as many eConsults completed in the first three working days of 2021 (4-6 Jan) as there were in all of January 2020[3]

The number of patients waiting for over a year for a treatment has risen 80-fold[4]

The proportion of patients receiving their first treatment for cancer within 2 months of screening has fallen from c.80% pre-COVID to 10% in July 2020[4]

3. eConsult | 4. Due diligence research

ESG considerations at investment

We invested in eConsult in October 2020, taking a 12% share in the company and a Board seat.

Due diligence

As part of the due diligence process, we identified material ESG factors for the company:

S: Marketplace responsibility
- Data security and customer privacy given personal information shared
- System quality and design to maximise patient safety and effectiveness

G: Governance and ethics
- Well-led business, with an experienced Chair on the Board and independent Non-Executive Directors
- Sensitivity in relation to impact on patients and need to ensure GP practices are using the product for its intended purpose

G: Risk and compliance
- Active in a highly-regulated industry and therefore a need to ensure regular compliance audits are undertaken and risks are periodically reviewed by the Board

Holding period

We will continue working closely with eConsult to nurture the strong governance structure currently in place and provide support as the business expands to meet demand across all three of its systems. As part of this work, we will be assisting in the search for a number of new independent Non-Executive Directors to add new capabilities in data analytics and developing the company's AI strategy.

Wider outcomes

Social: Beyond the benefits to patients, there is also a benefit to NHS staff as they can focus on the patients with the greatest need and deal efficiently with routine enquiries. This should help alleviate pressure and expand their capacity.

Environmental: There is also a clear environmental impact from avoiding unnecessary journeys. eConsult is now working closely with a partner company, QDoctor, to deliver video consultations where appropriate which will minimise travel and associated emissions.

Real Assets

Our Real Assets investments assess ESG factors from a risk and opportunities perspective to generate at least market-level investment returns. Our funds also aim to actively contribute towards solutions to some of the largest environmental and societal challenges.

Our range of real asset investment products provide protection from inflation through proven, long-term sustainable, asset-backed investment. In many cases, they also provide the potential for uncorrelated returns to equity markets as well as diversified sources of income.

ESG integration into the investment process

01 Sourcing

Integration of sustainability considerations starts at the point we design our Real Asset investment strategies. New opportunities must meet numerous requirements, including contributions to sustainability outcomes. For some asset divisions, new opportunities must also benefit the UN Sustainable Development Goals (SDGs).

02 Initial appraisal

Positive and negative externalities are considered and material ESG matters requiring further investigation during the due diligence stage are identified. If certain risks are unlikely to be sufficiently managed or mitigated, then we may choose not to proceed at this stage.

Sustainable Infrastructure also has a forum of Gresham House individuals, including the Director, Sustainable Investment, who complete an initial review followed by a short discussion with the Investment Committee.

03 Due diligence

The ESG Decision Tool[5] and meetings with various stakeholders are used to assess material ESG risks that need to be mitigated and ESG opportunities that could drive value. Specialised consultants and surveys may be used to provide additional information.

04 Investment appraisal and acquisition

A summary of the ESG analysis and sustainability assessments are included in Investment Committee submissions. Appropriate risk mitigation approaches will be referenced and action plans will be put in place to either mitigate or capitalise on these ESG factors.

Sustainable Infrastructure investee management teams must also sign up to our investment documentation including sustainability commitments. All portfolio companies will implement a business-wide Sustainability Policy and Diversity & Inclusion Policy.

05 Ongoing management and asset operation

Forestry - We engage forest managers to ensure forest plans are achieved, appoint independent FSC auditors to assess certified sites and carry out our own assessments to ensure management is in line with expected sustainability standards.

New Energy - Compliance with planning conditions is stringently adhered to and we aim to operate our projects with minimal disruption to local communities and the environment.

Sustainable Infrastructure - We take a very active role in the company's strategic direction via regular engagement with the Board, including Gresham House representation where possible, to provide robust oversight and governance.

Housing - We work with managing agents to ensure they operate in line with best practice standards and deliver on expectations.

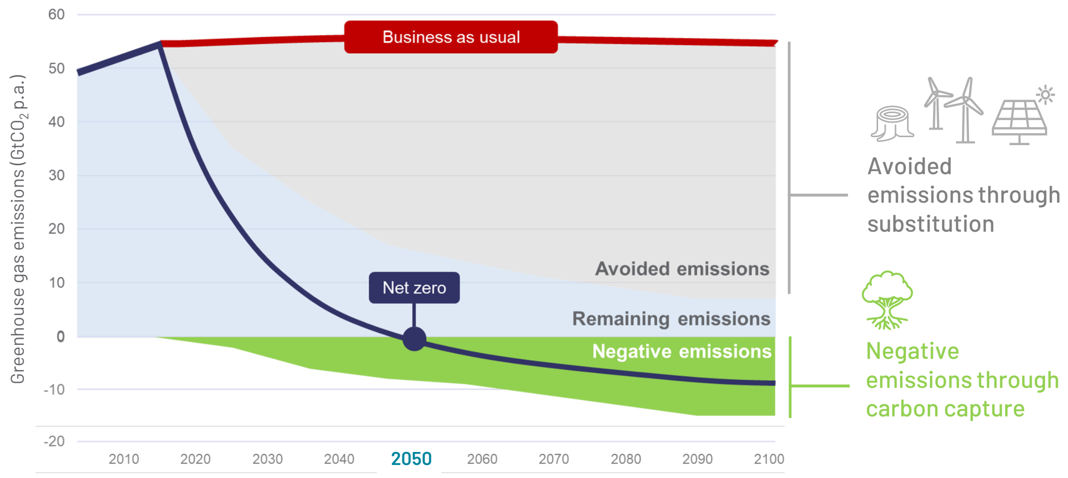
5. With the exception of the Housing division, whose ESG Decision Tool is in development and who use desktop analysis to assess whether proposed investments meet agreed ESG objectives

Forestry

A real asset class that diversifies an investment portfolio and provides exposure to both timber and underlying land value growth. The team seeks attractive long-term returns, uncorrelated to traditional debt and equity asset classes, and underpinned by the biological growth of the trees.

Our Forestry investment strategy aligns with national and international goals to increase tree cover as part of climate change strategy and the promotion of timber as a low-embodied-carbon material for building construction. Each forest or new planting site is evaluated to ensure it is or can be certified by the Forestry Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). Both the FSC and the PEFC promote sustainable forest management, use, conservation and restoration.

Emission pathway to follow to achieve net zero by 2050



Graphic source: World Resources Institute; Gresham House | 6. Based on 1,100 trees per hectare for broadleaves, 2,700 per hectare for conifer

Market update

Changing our assessment of a forest's resources in the pathway to net zero

Achieving the net zero targets set by businesses and countries requires the use of various methods. As the chart to the left shows, the primary method to achieve net zero by 2050 will be through reducing or avoiding carbon emissions (grey section). Then any residual carbon emissions that cannot be removed entirely (blue section) will need to be offset through carbon capture technologies (green section).

9 million
trees planted, covering an area almost the size of Portsmouth[6]

98.8%
of timber sold was certified by the Forestry Stewardship Council[7]

720,000 cars removed from the road
The amount of carbon equivalent that our forests sequestered in 2020[8]

7. 1.2% were due to be certified in 2020 but this was delayed due to COVID-19. We plan to certify these forests by the end of Q3 2021. | 8. Woodland carbon code, Gresham House and Carbon Trust conversion factors

Forestry's role in avoiding carbon emissions

Forestry has a large role to play in avoiding carbon emissions by replacing some of the highest emitting industries. The construction industry is a large carbon emitter and as urbanisation and housing shortages increase construction levels, the emissions of this industry will grow. This is the opposite of what we need to reach net zero.

The UK's Committee on Climate Change carried out a study that found building an apartment block from cross laminated timber (CLT) would have around 60% lower emissions than using a concrete framed structure[9]. In addition, whilst timber has absorbed carbon, concrete emits carbon. Concrete production in fact accounts for 5% of manmade greenhouse gas emissions.[10]

The production of one tonne of concrete *emits*

159kg of CO_2[11]

into the atmosphere

whilst one tonne of timber *stores*

1,700kg of CO_2[11]

9. Committee for Climate Change | 10. New Scientist | 11. New Zealand Forest Owners Association Facts & Figures

Sequestering carbon

The carbon sequestration of growing new forests will play a crucial role in offsetting unpreventable emissions. Forests sequester carbon by capturing carbon dioxide (CO_2) and transforming it into biomass in various parts of the forest, including the timber, deadwood, leaf litter and soil.

45% of the carbon stored on land is tied up in the world's forests.[12]

In certain situations, the carbon sequestered by a forest can be sold by the landowners in the form of a carbon credit. Carbon credits put a monetary price on pollution; one credit allows the holder to offset one tonne of CO_2 or carbon dioxide equivalent (CO_2e) emissions. Demand for carbon credits is growing rapidly, with many businesses required to meet increasingly stringent net emission targets, and others moving to reduce their net emissions on a voluntary basis.

It has been estimated that demand for carbon credits could increase by 15 times or more by 2030 and by 100 times by 2050.[13]

However, we must remember there is not enough land available to meet our net zero targets through carbon capture alone. Investment and business strategies wanting to target net zero must first look at how to reduce their emissions before deciding what to offset through carbon credits.

What the future holds

Amid growing political and social awareness of climate change, policymakers, companies and investors have pledged to take decisive action and set ambitions to target net zero.

Of the 195 countries who signed the Paris Agreement, 187 have submitted their Intended Nationally Determined Contributions (INDCs) setting out how they plan to reduce their carbon emissions. It has been estimated that c.25% of the emission reduction targets set in INDCs will be met by forestry.[14,15]

Forestry will underpin the net zero ambitions of countries and corporates alike. It provides new opportunities to drive the world towards net zero by replacing other resources, therefore avoiding carbon emissions, whilst also capturing carbon.

France will require all public buildings to be made of at least 50% wood or sustainable building products from 2022.[16]

12. NASA earth observatory | 13. McKinsey | 14. The Paris Agreement aims to limit global temperature increases to well below 2°C, preferably 1.5°C, compared to pre-industrial levels before the end of the century - UNFCC. | 15. EU Science HUB | 16. Global Construction Review

New Energy

Achieving the UK's 2050 net zero emissions target is forecast to require:

2x
increase in electricity demand by 2050, due to the electrification of transport and heating[17]

3x
increase in deployment of renewable energy generation[18]

25x
increase in deployment of utility-scale energy storage[19]

Our New Energy division supports all three of these objectives and is focused on three growth technologies - Wind, Solar and Battery Storage – which together are transforming the energy sector from one dependent on fossil fuels towards one dominated by renewable energy.

The division also recognises the importance of ESG metrics and incorporating them into the investment process to deliver long term, sustainable growth and consistent positive impact across local and national communities.

485,000MWh
renewable electricity generated

– equivalent to over 135,500 homes powered
– avoiding over 216,000 tonnes of CO_2 [20]
– equivalent to removing over 100,000 cars from the UK's roads each year[21]

£394,000
paid to community benefit funds each year, supporting various SDGs

170,000MWh
of energy discharged into National Grid from our battery storage sites p.a.

- Equivalent to c.47,000 homes powered each year

(Gresham House estimations, assuming batteries are operated in a continuous trading mode throughout the year)

17. UK Government: Energy white paper: Powering our net zero future | 18. Aurora - Net Zero Scenario Capacities | 19. Gresham House and Energy Storage News | 20. DUKES 2020, Assuming 446 tonnes of CO_2 per GWh of electricity supplied | 21. Assuming average annual mileage of UK car in 2019 and Carbon Trust conversion factors

Market update

Changing the way we value the sun

Renewable energy evolution

The renewable energy industry, including wind and solar, has evolved significantly in a short space of time. Falling costs of renewable power generation has led to rapid deployment over the past few years, primarily at the expense of coal, and is becoming an increasing proportion of the UK's energy mix. This trend is likely to continue as renewables will form a crucial part of the UK's net zero ambitions.

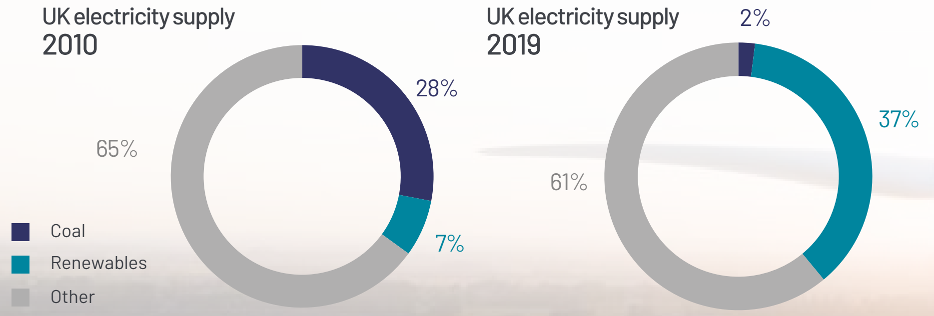


Chart source: Digest of UK Energy Statistics

Improved efficiencies in harnessing the sun's power

Targets to achieve net zero have changed the way many people value the sun. Harnessing its power efficiently is an evolving process, but in just a few years, we have observed huge increases in solar power generation as well as improvements in the underlying technology.

Solar is currently one of the cheapest forms of electricity generation in the UK and can now be built without the need for subsidies. Falling costs, improvements in technology and longer project lives mean solar projects perform better and last longer than ever before.

> *The power plant in the sky. It doesn't give off carbon dioxide emissions. It won't run out. And it is free.*
>
> Susannah Locke, journalist

Changes in the solar industry

Characteristic	Changes	Result
Lower costs[22] The upfront and operating costs of solar power generation have declined sharply in the last decade and it now has one of the lowest levelized costs of electricity (LCOE) of all renewable technologies.	**Cost** – 2015 – £80 per MWh[23] – 2025 – forecast £44 per MWh	45% saving per MWh
More efficient[24] The panels on our latest subsidy free solar projects convert more light energy to electricity, resulting in improved land use efficiency as more electricity is generated on the same amount of land.	**Efficiency** – 2010 – 12% energy conversion rate – 2020 – 17% energy conversion rate	Over 40% more electricity generated from the same amount of land
Higher performance[25] New projects are also expected to perform better for longer as panel degradation rates have fallen.	**Annual panel degradation – equivalent of:** – 2010 – 8 out of 1,000 – 2020 – 3 out of 1,000	Each MW[26] of solar built in 2020 produces more electricity over its forecast life than solar built in 2010, equivalent to powering an additional 90 homes p.a. for 40 years
Emissions savings[27] As a result of improved efficiency and performance, newer solar farms can generate more energy. Hence, newer solar farms replace a larger amount of fossil fuel generated energy and reduce the overall CO_2 emissions produced by the UK's energy mix.	**CO_2 saved** – 2010 – c.300 tonnes – 2020 – c.450 tonnes	Each MW of solar built in 2020 saves c. 150 tonnes of CO_2 p.a. more than a MW of solar built in 2010
Land use[28] Improvements in solar panel design mean less land is needed to generate the same amount of energy.	**Land use** – 2015 – 6.1 acres per MW – 2020 – 4.4 acres per MW	27% less land required

22. BEIS Electricity Generation Cost Report 2016 and August 2020 | 23. Megawatt hour | 24. BBC | 25. Gresham House, Energy Sage, National Renewable Energy Laboratory | 26. Megawatt | 27. Gresham House, DUKES 2020
28. Solar Trade Association

Summary

Gresham House New Energy recognises the value of the sun and will invest in efficient, long lasting new-build solar and wind projects with the lowest possible LCOE to help drive the transition towards a fully renewable energy generation mix and achieving the UK's net zero 2050 target.

Biodiversity

Achieving the UK's 2050 net zero targets will require three times more renewable energy deployment. Even with the improved efficiencies we have observed over the last few years, the amount of land that renewables will take up across the UK will grow substantially. Renewable energy producers must therefore be increasingly aware of the responsibilities associated with this land use, including the effective management and enhancement of biodiversity.

We are currently exploring the types of projects we could undertake to improve the biodiversity at our solar sites. These may include planting flower-rich or arable wildflower meadows, pond creation and new hedgerows.

The batteries owned by our energy storage fund could discharge enough energy for over c.47,000 homes each year.

Changing the balance of renewables in the UK energy mix

Renewable targets

The UK Government has set targets to reach net zero emissions by 2050, with plans to reduce greenhouse gas emissions by 68% by 2030[29].

The energy sector accounted for almost 21% of the UK's total greenhouse gas emissions in 2019[30]. It is therefore a key focus in the Government's decarbonisation plans.

Whilst the falling costs of renewable power generation has led to rapid deployment over the past few years, we still rely heavily on carbon intensive energy generation from coal and gas.

To achieve its net zero ambitions, the UK's energy sector needs to decarbonise by increasing the share of energy generated from renewable sources, such as wind and solar.

4x

UK plans to quadruple offshore wind capacity[31]

275 days in 2020

UK wind energy generation was curtailed, losing energy which could have powered over a million homes for a whole year[32]

Relying on the weather

Generating energy from solar and wind relies on the sun shining and the wind blowing. This means renewable energy generation is unpredictable and intermittent, varying hugely from one day to the next.

This is the opposite of what is required by National Grid, who need to carefully balance the electricity supply and demand all the time, and in near real time, without exception. The actions National Grid take when renewables generate too little or too much energy are summarised in the table below:

	Renewables produce too much energy	Renewables produce too little energy
Energy balance	Oversupply	Shortfall
National Grid action	Pay renewable energy power plant owners to 'switch-off' generation (known as curtailment)	'Switch-on' gas turbines to increase supply
Outcome	Renewable energy that could have replaced other carbon intensive energy sources is lost	Increased emissions as the electricity grid needs to use a carbon intensive energy source

Introducing batteries into the electricity grid

One solution to the energy shortfalls and oversupply issues created by renewable energy generation is to introduce batteries into the electricity grid. In this case, we are referring to very large batteries that can store enough energy equivalent to the annual usage of thousands of homes. These are referred to as battery energy storage systems or BESS.

BESS support the production of renewable energy on a large scale by stabilising and balancing the electricity grid, allowing stored energy to be deployed when it is needed. The benefits of introducing batteries into the electricity grid when renewables generate too little or too much energy are summarised in the table below:

	Renewables produce too much energy	Renewables produce too little energy
Energy balance	Oversupply	Shortfall
National Grid action	Request BESS providers store the excess energy available in the electricity grid for use at another time	Call on BESS providers to discharge energy they have stored
Outcome	Renewable energy producers do not need to 'switch off' their wind or solar farms and the renewable energy can then be used later, avoiding carbon intensive energy generation	No need to 'switch on' carbon intensive energy generation, therefore directly avoiding emissions

Batteries will play a big part in the race to net zero

To achieve the UK's net zero ambitions, renewables will need to become a much larger part of the UK energy mix and generation will need to increase to meet growing energy demands.

The tables highlight that BESS can provide the electricity grid more stability allowing energy demand and supply to be balanced whilst reducing reliance on carbon intensive energy sources.

BESS has a key part to play in the UK achieving its emission reduction targets by 2030 and net zero by 2050.

29. Compared to 1990 levels. UK Government | 30. Provisional figures. UK Government | 31. The UK's Ten Point Plan for a green industrial revolution | 32. LCP, energy sector consultants

Sustainable Infrastructure

Our Sustainable Infrastructure division invests in real assets that help to address key sustainability challenges and provide innovative solutions that enable a new, more sustainable way of living, while simultaneously seeking to achieve strong risk-adjusted financial returns.

The division invests across six thematic sub-sectors:

Decarbonisation
the transition to a low carbon energy system

Waste solutions
pollution and waste

Resource efficiency
agricultural and water technology infrastructure

Digital inclusion
digital infrastructure

Health and education
access to high quality education and health care

Regeneration
investing to improve biodiversity

Waste solutions (Waste Knot)

300,000 tonnes
of waste expected to be diverted from landfill per year, equivalent to c.3.5 years of landfill waste from Bristol

Digital inclusion (wildanet, Borderlink)

5,000+
planned connections in 2021

Resource efficiency (Fischer Farms)

90-95% less water used
compared to conventional farming

Fischer Farms
the future of farming

Case study

Changing the way we grow food using vertical farming

Overuse of natural resources has resulted in several challenges which now require solutions to change many aspects of our current way of life, including the way we produce food.

Agriculture is a resource-intensive industry and uses over half of all habitable land.[33] This level of land use applies mounting pressure on our ecosystems to feed growing populations.

Food and biodiversity

Biodiversity is crucial to food production. Plants, animals, and microorganisms provide ecosystem services to the agricultural industry including pollination, water purification and protection against pests and diseases. However, many farming techniques, including extensive use of irrigation, herbicides, fertilizers and pesticides, are causing biodiversity loss and soil degradation.[34]

The National Biodiversity Network's State of Nature report observes that agriculture has been identified as the key driver of biodiversity change in the UK over the past 45 years, with mostly negative effects. According to the report, there has been a 41% decrease since 1970 in the abundance of wildlife in the UK.

33. WEF; ourworldindata.org | 34. State of Nature

Fischer Farms
the future of farming

Reliance on land

The UN's Food and Agriculture Organisation (FAO) reports that the amount of arable and productive land per person globally in 2050 will be a quarter of what we had in 1960.[35] The reduction of available land is due to various factors including urbanisation, climate change and soil degradation.

Soils are estimated to store 14% of carbon dioxide emitted into the atmosphere each year. However, soil degradation and erosion is occurring at an alarming rate, resulting in lower crop yields and carbon storage.

Many of the practices used in food production harm the natural world that it also relies on for success. The agricultural industry is therefore being challenged to produce higher yields but using less land and natural resource to protect the natural world it relies upon.

Unlocking solutions

Recent advances in technology have unlocked one potential solution - vertical farming. This farming method grows plants in trays stacked in a closed system under LED[36] lights inside large industrial units. This approach to producing food has significant environmental benefits, when compared to conventional farming methods.

We invested in a vertical farm producer, Fischer Farms in 2018. Established in 2016, the business produces high quality leafy greens in a vertical farm based in Burton-on-Trent, UK.

Positive outcomes[37]

Fischer Farms' operations have several measurable environmental benefits when compared to field grown crops:

Natural Resource Management

- **Increased land efficiency:** 1 acre vs. 250 acres
- **Reduced water use:** 90-95% less water required
- **No pesticides, herbicides or insecticides**
  - Bio-secure facilities exclude most germs and pests
  - Closed system → limited 'run-off' into wider ecosystems and waterways
- **Protection against changing weather patterns**
  - Increased yields and certainty of crop volumes
  - 75 harvests p.a. vs. 6 harvests p.a.

Carbon emissions and pollution

- **Reduced food miles:** year-round production means no need to import leafy greens

Waste management

- **Longer shelf life:** 7 to 10 days

The agricultural industry is responsible for around 10% of the UK's total carbon emissions[38]

77% of arable land is used for raising livestock or to grow plants to feed animals, but this land use only produces 18% of global food calories[39]

A balancing act

In the pursuit of more sustainable solutions, we must acknowledge there is no perfect solution. When taking steps forward, there is a balance to be found in the significant improvements that can be made in some areas whilst identifying the areas that need further mitigation in the future.

A commonly-cited challenge of vertical farms is the large amount of energy used in lighting. Fischer Farms uses LED lighting to improve energy efficiency and powers their facilities using renewable energy to help mitigate this negative externality.

Modernising food security

Our ability to produce food is inherently linked to the health of our natural world. Climate change and biodiversity loss will increasingly test our ability to grow sufficient food for our growing populations.

We therefore need to modernise and design new ways of growing food, as well as re-thinking our eating habits.

The food revolution is only just beginning and vertical farming provides a great alternative to conventional farming methods as it uses land and water more efficiently, reduces the need to import food and produces more harvests each year.

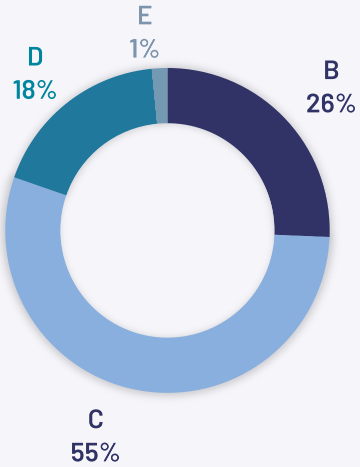
35. *Food and Agriculture Organisation of the United Nations* | 36. *Light-Emitting Diode* | 37. *All outcomes verified by Fischer Farms, but are subject to variation due to crop, season and other matters outside of their control* | 38. *Provisional UK greenhouse gas emissions national statistics 2019* | 39. *UN Food and Agriculture Organisation*

Housing

We offer long-term equity investments into UK housing, through listed and unlisted housing investment vehicles, each focused on addressing different areas of the affordable housing problem.

Our investments aim to deliver stable and secured inflation linked returns whilst providing social and environmental benefits to our residents, the local community and the wider economy. Our funds can invest through two wholly-owned, for-profit Registered Providers of Social Housing, ensuring they are managed with the highest standards of governance, financial viability and resident welfare.

EPC rating by property



171
new shared ownership properties brought into the affordable housing market for the first time

289
Local Authority Temporary Accommodation properties provided, offering the local authority a **potential saving of over £600k p.a.**[40]

60%[41]
of residents in receipt of benefits, provided with affordable retirement properties[42]

8,000 tonnes
of emissions[43] from our listed real estate fund (find out more in the fund's annual report and impact report)

40. The Good Economy | 41. Estimated | 42. The Good Economy | 43. Calculated by SHIFT

Strategy design

Changing the perspective of shared ownership investments

Overview of the UK's affordable housing shortage

The UK's shortage of affordable housing is well-documented and has been caused by a combination of demographic trends and historic undersupply of new homes.

In addition to a shortage of new homes being built, house prices to median earnings ratios increased from **3.6x in 1997 to 7.7x in 2020**, meaning home ownership is increasingly out of reach for a large proportion of the UK's population.[44]

What we need each year
→ 145,000 homes[45]

What is being built each year
→ 50,000 homes[46]

The housing gap
→ 95,000 homes every year

44. ONS, 2020 | 45. National Housing Federation Briefing: How many people need a social rented home, 2019 | 46. MHCLG Live table 1,000

Overview of shared ownership

To open access to home ownership for a wider range of people, the Government has launched various grant initiatives, including the shared ownership scheme, to address the problem particularly for low to middle earners.

Shared ownership is a part-buy, part-rent model with subsidised rents and low deposit requirements which allows access to home ownership and helps to build thriving and inclusive communities.

It can be a great affordable home ownership solution for many, but it must be designed and managed to high standards with transparent and affordable ongoing costs. This is particularly important as shared ownership is targeted at low to middle income earners who have less capacity to absorb unexpected costs.

Well intended with poor execution

Shared ownership has been around since the 1970s and whilst the intentions of the shared ownership initiative are universally acknowledged to be good, the execution, delivery and management approach of some schemes or providers has been met with criticism.

We believe most criticism falls into three categories:

1. **Affordability** – including service charges, rent inflation, ancillary fees, energy efficiency and ground rents
2. **Flexibility** – including lease extensions, staircasing and selling
3. **Terms & Conditions / Fit for Purpose Homes** – including rights and responsibilities, defects, home quality, and outdoor space

We believe it is possible to provide both a high-quality service to shared owners and generate attractive returns for investors.

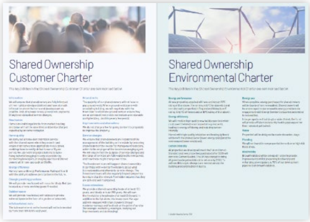
Home ownership eligibility

We estimate that 4.7m more people would be eligible to buy a shared ownership home, in comparison to buying a home outright.[47]

Chart source: ONS - House price to residence-based earnings ratio dataset, March 2020 47. UK Government

Our Charters aim to ensure that shared owners are satisfied in their home. Furthermore, they aim to develop the shared ownership sector by ensuring that shared ownership is recognised as a sustainable and socially beneficial housing tenure.

Ben Fry , Head of Housing Investment



Delivering best practice

To address the challenges of the current shared ownership model, we took a shared owner perspective when designing our new shared ownership fund and created our own bespoke Customer and Environmental Charters.

These documents are unique in their intention to improve practices across the shared ownership sector whilst providing benefits to all stakeholders, including both shared owners and investors.

They commit us to provide quality and transparency to shared owners, focusing on the areas where most criticisms are identified, including service charges, lease extensions and staircasing.

We believe that the commitments we make in the Charters reduce risk and volatility for investors and protect long-term value by ensuring that we provide homes that are financially, environmentally and socially sustainable for their residents.

A solution with high standards

We are committed to going beyond minimum industry standards to become *the* best-in-class shared ownership provider and a leader in creating a new era for the shared ownership sector as a whole by driving best practice and thereby improving the standards of all providers.

There are potential ESG risks and avoidable negative outcomes in shared ownership, as with any other asset class, and it is important to be aware of them so that they can be managed accordingly.

We are confident that we address these risks effectively in our Charters. We focus on affordability and communicate effectively, we do not have hidden costs, we make sure that those building the properties are held to account where there are defects, we have long leases and will not charge for lease extensions.

We believe that by leading best practice across the industries in which we invest we can better align investors with the broader objectives of society.

Continuing with purposeful investments

Building on our progress in 2020 to formalise our approach to sustainable investment and incorporating our ESG Decision Tools into our investment process, our divisional sustainability plan can be categorised into six core pillars

Environmental awareness, understanding and action

Work with portfolio companies to assess climate change and environmental risks and opportunities.

Stakeholder engagement and supply chains

Carry out supply chain mapping exercises to understand the potential positive and negative sustainability outcomes of our investments.

D&I awareness, understanding and action

Work with portfolio companies to assess diversity and inclusion risks and opportunities.

Materiality, monitoring and measurement

Develop a framework to measure the outcomes of our investment decisions on sustainability factors.

Communication and transparency

Expand our existing reporting and enhance resources for our clients.

Policies, processes and systems

Expand our policy coverage, ensure continued appropriateness of existing policy commitments and develop new systems to support sustainability analysis and management.

04

Q&A with Director, Sustainable Investment

Rebecca Craddock-Taylor

Q. Was 2020 the year that changed the sustainable investment industry?

The last year shone a spotlight on our economies' reliance on a healthy environment and well-functioning societies. We also observed many ESG funds outperforming their traditional counterparts, so even ESG sceptics were left questioning their assumptions that being a sustainable investor means lower returns.

2020 was the year that changed the trajectory for the sustainable investment industry. It moved us from a period of understanding, to a period of action. It highlighted that being a sustainable investor is not just for a small section of investors. Instead, it provides numerous investment opportunities, generates strong investment returns and protects (or enhances) our current way of life.

Retail investors: £6.1bn more invested into sustainable investment funds in 2020 than in 2019[1]

Institutional investors: 88% considering ESG in 2020 vs 55% in 2019[2]

Investment advisers: By 2025, almost 50% of all assets recommended will be ESG focused[3]

Q. Why are 'green' recovery plans so important post COVID-19?

Social factors came to the fore in 2020 with the impact of COVID-19 rippling across the globe, whilst the Black Lives Matter movement brought attention to racial injustice. Both, rightly, took precedence over environmental considerations for governments, companies and investors in 2020.

The environmental crisis is ultimately a social issue in its cause and its outcomes. Environmental degradation is a significant risk to our societies. It will impact all parts of our lives and COVID-19 has demonstrated how costly a global social problem can be – failing to achieve net zero as soon as possible will dwarf the costs we have incurred during the pandemic.

The Government's 10 Point Green Recovery Plan is a call to action to finance the future. It very clearly sets out the priority areas for investment. The Green Recovery Plan is vital in progressing towards a net zero economy but still relies heavily on private investment and has negated initiatives to reduce emissions. Overall, it highlights numerous opportunities for investors across various asset classes.

Q. Which sustainability topics do you think will be most important in 2021?

The social impact of COVID-19 and racial injustice will continue to form a key part of sustainability objectives for investors in 2021 and beyond. However, as we near COP26 in November, climate change is expected to creep back up the agenda and become a focal point of action.

In addition to climate change, I believe biodiversity loss will become one of the biggest sustainability topics in 2021. Conference of the Parties to the Convention on Biological Diversity is due to meet in May and aims to set the biodiversity framework direction for the next ten years or more.

We are currently exploring ways to support biodiversity initiatives across some of our Real Assets, including Forestry, Sustainable Infrastructure and New Energy. We plan to carry out research at one of our solar sites to understand what actions would be most beneficial, for example planting flower-rich or arable wildflower meadows, creating ponds and new hedgerows.

We are also exploring opportunities to invest in initiatives such as biodiversity net gain habitat banks.

Q. What will the next decade bring?

The ten years to 2030 has been labelled the 'decade of action' for the environment as we transition towards a net zero economy. We expect the momentum gained in 2020 to be built upon and the view that sustainable investment is a fad or fashion can definitively be removed from the conversation.

We will certainly be taking many actions over the next few years, especially in the lead up to 2025 to ensure we meet our purpose and achieve our strategic target of becoming a recognised leader in sustainable investment.

1. The IA 2. Mercer European Asset Allocation Insights 2020 3. The Lang Cat survey

Q. What actions are Gresham House taking to address climate change risks and opportunities?

Many of our investments contribute positively to the transition to a low carbon economy. For example:

Our **New Energy** division invests in wind, solar and battery storage assets which together are transforming the energy sector from fossil fuels towards one dominated by renewable energy.

Our **Forestry** division provides opportunities to invest in assets that produce resources that reduce reliance on high-emitting industries, such as cement and steel, as well as opportunities to invest in forests that generate carbon credits producing a tool to offset emissions.

Our **Sustainable Infrastructure** division seeks to invest in various sub-sectors that we expect to positively change the way we live, including waste solutions diverting waste from landfill and creating new sources of energy, and agricultural technology that produces food efficiently but with less impact on our environment.

In relation to climate change risks, we plan to carry out a project in the next year to understand our starting point and measure the exposures our business and our investments have to the physical and transitional risks that climate change will bring about.

Q. What are the main considerations for investors wanting to increase their allocations to sustainable investments?

Understanding if an investment is sustainable or not is not a binary question and is difficult to assess from an ESG rating alone. The solutions required to address the environmental and social challenges that we face are not necessarily included in ESG rating providers' universes and therefore investors must look beyond passive ESG funds.

Ultimately the success of sustainability relies on us stepping outside our comfort zone and investing in areas that have not served our past but will be the change makers for the future. No one knows what perfect looks like yet because there is no rulebook in sustainability. Instead, it is about taking steps forward by investing in assets that are aiming to provide solutions for the big environmental and social challenges we face.

Q. What challenges remain for investors to measure the sustainability contributions of their investments?

Standardisation of sustainability measurement is in its early stages, but more are being developed. However, not all sustainability outcomes can be measured quantitively. There are some metrics that are easily measurable, but the ongoing impact of those aspects can be much broader.

For example, improving board diversity can be measured by ticking a simple requirement - say two out of five board members being women - but the outcomes of this statistic may also be improved business performance and innovation as well as influencing greater diversity across a business.[4]

Whilst measuring the sustainability of a business requires an assessment of core indicators, investors must also consider the wider resulting outcomes and impacts which cannot always be measured or quantified.

Q. How is Gresham House adapting to the fast-paced change in the sustainability industry?

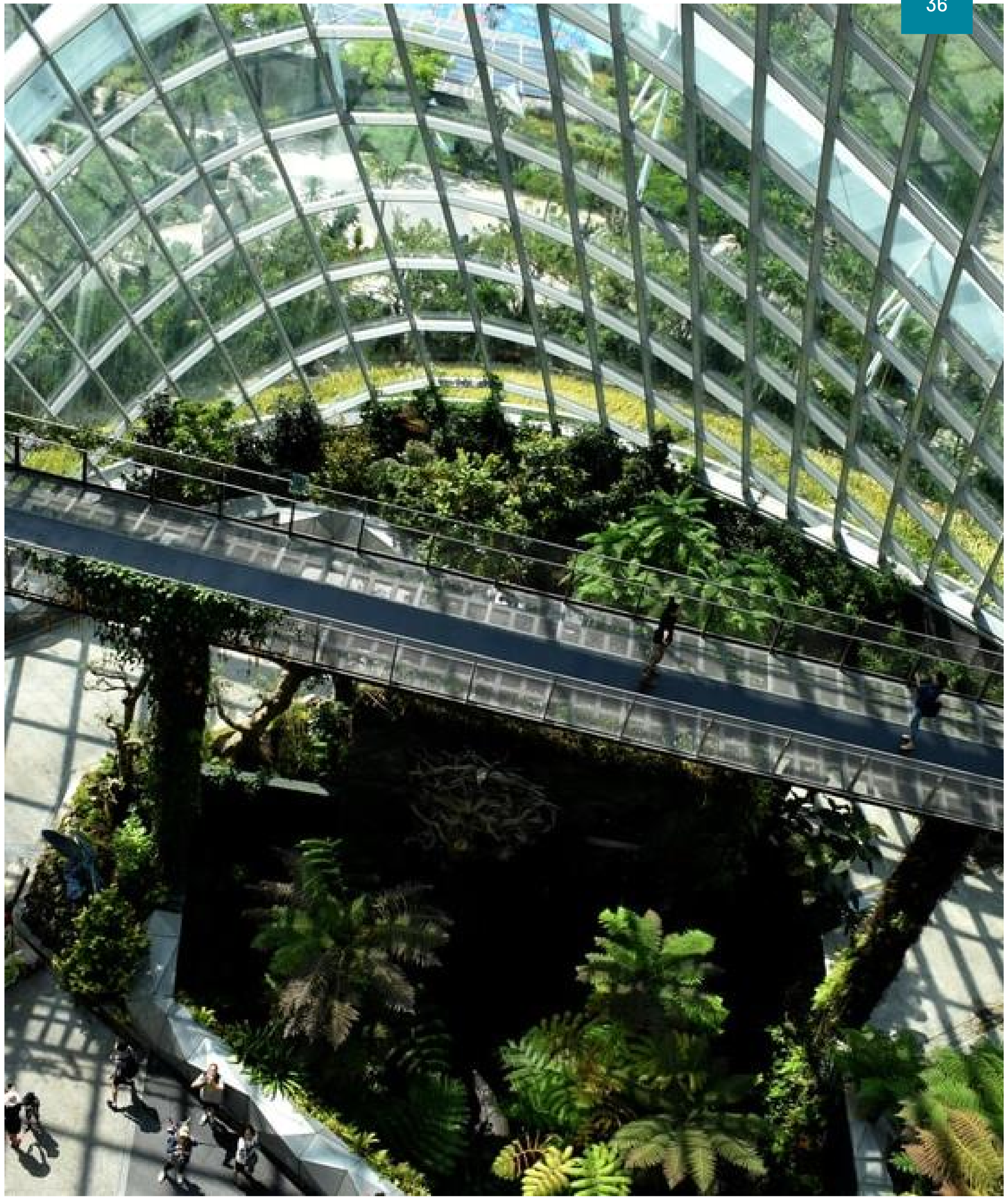
We recognise we are in the relatively early stages of our sustainability journey but are proud to have taken huge strides forward in a very short amount of time. Since 2018 we have concentrated on formalising our approach to sustainable investment across our investment processes and since then have been working to embed sustainability into our investment decision making.

We invest in a range of assets that contribute to some of the greatest environmental and social challenges our economies and societies currently face.

To be heard above the noise within this industry and be recognised for the positive contributions we are making, we have committed ourselves to ensuring our sustainability strategy is implemented with integrity and authenticity.

4. *Sloan Review*

05
Operating as a sustainable business



Key Group milestones

2018

- Became a PRI signatory

Signatory of:

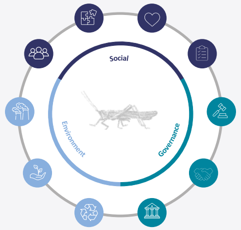
PRI Principles for Responsible Investment

- Joined UKSIF

UKSIF UK Sustainable Investment and Finance Association

2019

- Designed our Sustainable Investment (SI) Framework
- Set our SI commitments



2020

Jan

- Included SI-related objectives in all staff annual appraisals
- Formed Sustainable Investing Committee
- Published Sustainable Investing Policy

July

- Awarded top ratings from the PRI

PRI Principles for Responsible Investment

Gresham House vs. Industry average PRI scores in 2020

Strategy & Governance: A (Peers) – A+ (Gresham House)

- Improved staff benefits – Give As You Earn introduced
- Awarded Green Economy Mark
- Appointed first Director, Sustainable Investment

September

- Published our D&I Policy

October

- Included the Green Commute Initiative as part of staff benefits

November

- Submitted our UK Stewardship Code 2020 report to the FRC

FRC Financial Reporting Council

- Completed an ESG materiality assessment across our business operations

Materiality assessment

Demonstrating best practice requires us to first recognise the ESG factors that are most material to our own business operations.

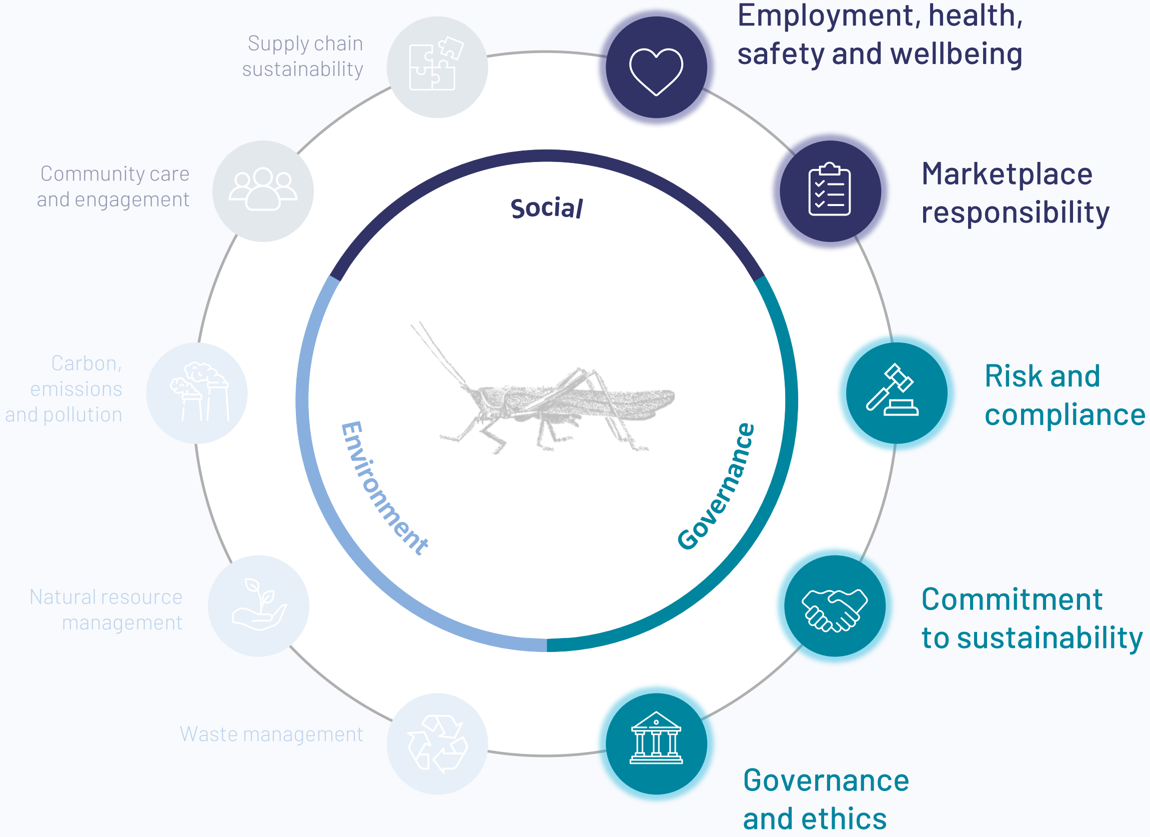
Using our own Sustainable Investment Framework (SIF), alongside the SASB[1] Materiality Map, we found five of the ten ESG themes to be most material to Gresham House, as highlighted on the image opposite.

The other themes are still considered as part of our business strategy, but we believe they have less materiality on our success.

We worked with an external expert to complete an independent assessment of our current operations to understand how we could improve and create value across these material ESG factors. The findings of this analysis are summarised on the following page.

To achieve recognition and leadership in sustainable investment, we must apply the same rigour to our own operations and stand as an example for the companies that we invest in.

Rupert Robinson, Managing Director



1. Sustainability Accounting Standards Board

Gap analysis outcomes

Employment, health, safety and wellbeing

Our colleagues are our greatest assets, and their health, safety and wellbeing is of utmost importance. We have a huge amount of human capital across the firm and are conscious of potential key person risks.

Findings

- Good people management, strong staff retention rates and dedicated HR resources
- Started to incorporate mental health wellbeing in HR practices, including providing the HR Director with training to become a Mental Health First Aider
- High response rate to the 2020 employee survey demonstrates strong engagement
- Health and Safety (H&S) Committee is well established, and a comprehensive suite of risk assessments have been generated and are regularly reviewed

Areas for development

- Put in place a D&I strategy to deliver the commitments of the D&I Policy and enhance diversity across the business
- Create a Training and Development plan to support our staff's broader skills
- Implement an H&S Management System and clarify emergency procedures

Marketplace responsibility

We operate in a highly regulated environment in which the Treating Customers Fairly (TCF) principles and risk management of funds on behalf of customers are crucial.

Findings

- Take responsibilities very seriously and go beyond compliance wherever possible
- Robust systems used to protect customer data
- Impacts of our investment solutions are well-considered and communicated via our SIF

Areas for development

- Defining and reporting against ESG-related metrics
- Expand our understanding of the ESG factors that are of greatest importance to our clients and shareholders

Risk and compliance

Numerous risks are inherent to our core business lines. We observe several applicable regulations, corporate governance codes and industry best practices applicable to our sector. The Board considers the effective management of these risks and opportunities as central to the achievement of its long-term objectives.

Findings

- Risk management is comprehensive and robust, including, but not limited to, a risk governance structure, risk culture, assessment of current and emerging Group risks and reporting
- Compliance management is well defined and embedded through our compliance monitoring programme, supporting policies and training
- Holder of the ISO 9001 Quality System Certification

Areas for development

- Build processes to ensure we comply with new sustainability related legal and reporting requirements that are coming into force over the next few years

Commitment to sustainability

We have a clear commitment to provide alternative investment solutions that meet clients' financial and sustainability objectives. Our ability to meet these commitments requires us to incorporate our SIF into our investment processes and the way we operate our business.

Findings

- Considerable investment has been made to formalise sustainable investment processes in the form of policies, systems and resources
- This investment demonstrates commitment to operating sustainably over the long term
- Significant efforts have been made to communicate the new policies and processes both internally and externally

Areas for development

- Create a strategic plan to enhance sustainability performance at group level
- Build a measurement and reporting framework with associated targets / objectives at both Group and divisional level

Governance and ethics

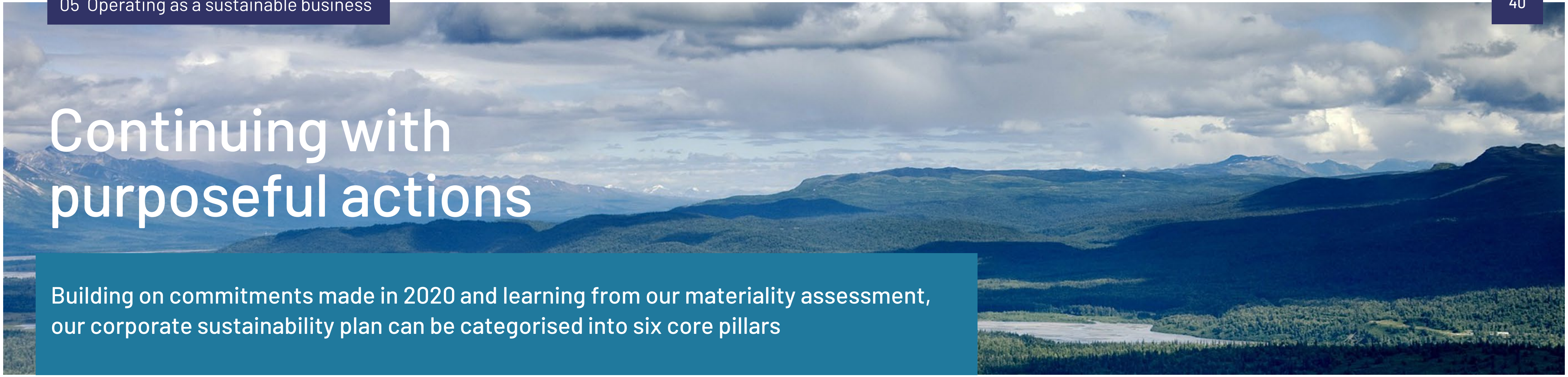
Good governance is vital to ensure we meet our objectives, and drive improvements where required. Our business ethics ensure we hold ourselves to a high standard across our operations and aim to create a valuable business that is well regarded by all our stakeholders.

Findings

- Excellent governance structure and processes are in place in terms of independence and sub-committees, with regular, minuted meetings driven by agendas and supported by Board packs
- The Board has a good understanding of the strategic importance of ESG and has supported the business positioning itself as a Sustainable Investment operator

Areas for development

- Identify an individual at Board level to be responsible for overseeing our sustainability strategy
- Implement a medium-term plan to continue to enhance diversity



Continuing with purposeful actions

Building on commitments made in 2020 and learning from our materiality assessment, our corporate sustainability plan can be categorised into six core pillars

Environmental awareness, understanding and action
Build our climate change governance, strategy, and measurement.

D&I awareness, understanding and action
Deliver on the commitments made in our new policy.

People and community
Ensure staff satisfaction remains high whilst contributing to communities more widely.

Communication and transparency
Expand our existing reporting and enhance resources for our stakeholders.

Accreditations and commitments
Continue to meet industry body requirements whilst expanding our contributions to various sustainability-related groups.

Policies, processes and system
Expand our policy coverage and ensure continued appropriateness of existing policy commitments.

06

The foundations of our sustainable investment approach

Delivery of our sustainable investment approach

Our approach to sustainable investment across each asset division is based on five core components:

01 Sustainable Investing Committee (*see page 43*)

02 Sustainable Investment Commitments (*see page 44*)

03 Sustainable Investment Policies (*see page 44*)

04 Sustainable Investment Framework (*see page 45*)

05 Asset class-specific ESG Decision Tools (*see page 45*)

These aspects are all managed within our **sustainability governance structure** shown opposite.

Sustainability governance structure

Supporting our work as a sustainable business and investor.

Board

Oversees our overall business strategy and management, including sustainability matters.

Remuneration Committee

Completes annual reviews including an assessment of individual's sustainable investment objectives.

Management Committee

The delivery of the business strategy has been delegated to the Management Committee who regularly review performance against our strategic targets, including our approach and implementation of sustainable investment practices.

Conflicts Committee

Consider conflicts arising in relation to investment activities for clients and the exercise of voting rights.

Risk Committee

ESG risks are included in our risk register and divisions are required to report on ESG-related risks to this Committee each quarter.

Sustainable Investing Committee (SIC)

Drives sustainability-related deliverables, develops best practice, enhances understanding across the business.

Asset divisions | Marketing | Sales & Distribution | Legal & Compliance

Divisional Heads and the Director, Sustainable Investment report to the Management Committee on progress against their sustainable investment strategy on a quarterly basis.

Sustainable Investing Committee

Rebecca Craddock-Taylor
Director, Sustainable Investment and Chair of the SIC

Bozkurt Aydinoglu
Investment Director, New Energy

Peter Bachmann
Managing Director, Sustainable Infrastructure

Lizzie Darbourne
Group Marketing Director

Heather Fleming
Head of Institutional Business

Matthew Giles
Investment Director, Forestry

Edward Goldsworthy
Investment Manager, New Energy

Andrew Hampshire
COO and CTO

Stevie Ingamells
Associate Director, Sustainable Infrastructure

Adam Khanbhai
Investment Director, Strategic Equity

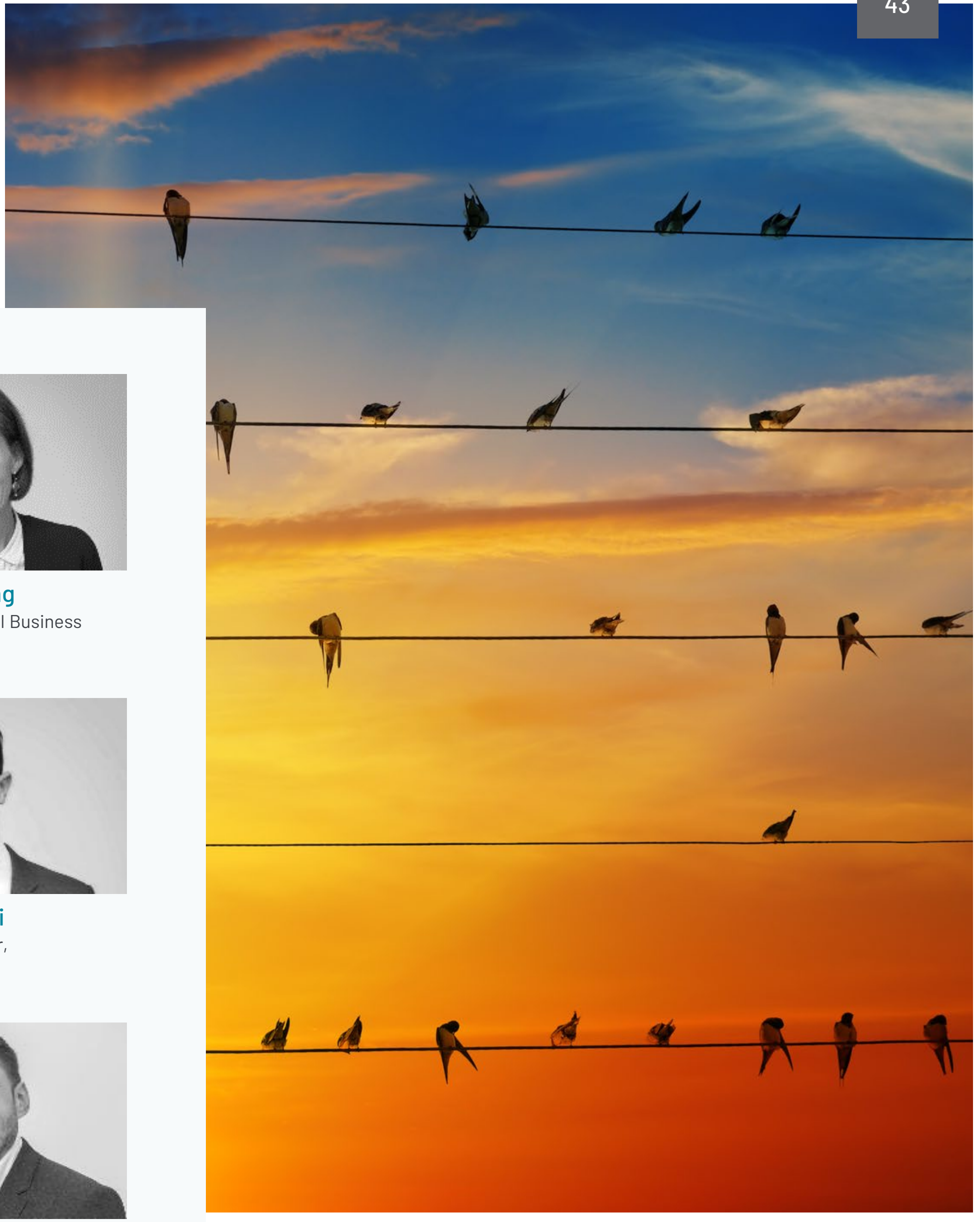
Thomas Makey
Investment Director, Gresham House Ventures

Vitoria Mann
SIC observer, Risk and Compliance Manager

Emily Saunders
SIC Secretary

Alexandra Seeboruth
SIC observer, Compliance Analyst

Joe Thomas
Investment Director, Housing



Signatory of:
PRI Principles for Responsible Investment
UKSIF UK Sustainable Investment and Finance Association
PENSIONS FOR PURPOSE

Sustainable investment commitments

- Take steps to consult and understand the views, concerns and ambitions of our stakeholders in seeking sustainable outcomes from the investments we are involved in.
- Integrate Environmental, Social, Governance and economic benefit considerations into our selection, evaluation, governance and engagement processes across the lifecycle of each investment. We drive rigour and consistency in this by applying our Sustainable Investment Framework and system, including clearly defined processes and expert tools and methods.
- Ensure our team understands the imperative for effective ESG management and is empowered and equipped to carry this out through management support and training.
- Conduct regular monitoring of ESG risks, opportunities and performance in our investments and over time, reporting to our investors.
- Conduct our business activities in line with the UN-supported Principles for Responsible Investment, including an annual report on our progress towards implementation.

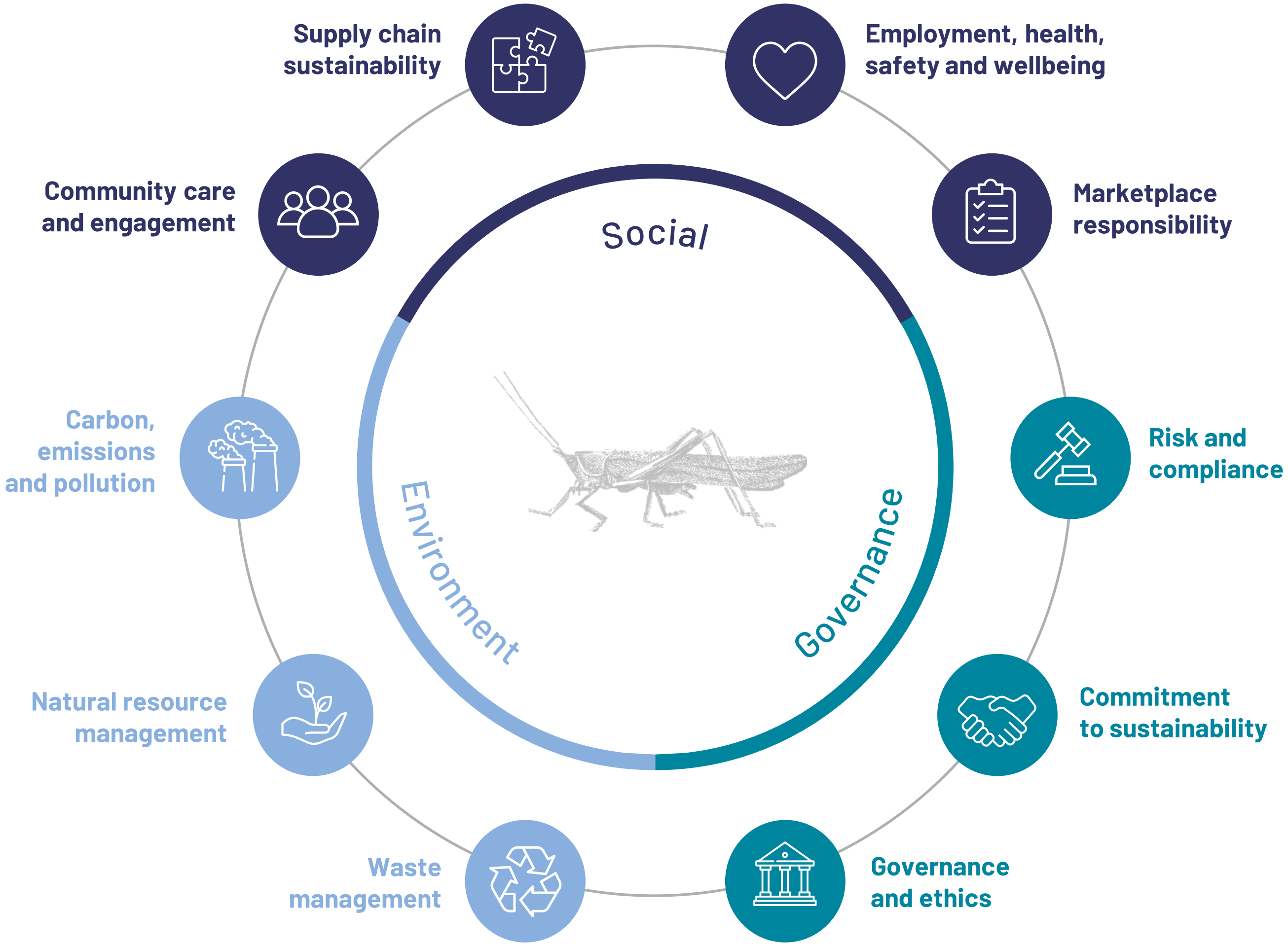
Policy structure

Sustainable Investment Framework

The Sustainable Investment Framework (SIF) is based on ten ESG themes.

It is used to structure analysis, monitor and report on ESG risks and opportunities within the lifecycle of our investments as an aid to more consistent integration.

The themes are used by the investment teams to identify a broad range of ESG risks which may materially impact proposed transactions, as well as directing our focus towards more sustainable outcomes.



ESG Decision Tools

Each asset division has an ESG Decision Tool for their asset class.

The tools are based on the ten themes in the Sustainable Investment Framework and several sub-factors are considered under each broader theme.

The tools support the investment teams in identifying potential material ESG risks that need to be managed and mitigated, and help shape the due diligence process prior to investment. They focus on material ESG risks, which can then be tracked, monitored, and managed over time.

The tools will not tell the investment teams whether to invest or not, instead they aim to provide a rational and replicable assessment of key ESG risks which should be considered prior to investment.

It is up to the investment teams to decide whether they are sufficiently comfortable with these risks to proceed with an investment.

07

Appendix

Additional measurement

Measure	2020	Definition
Number of employees	122	Total number of employees
Full time staff	93%	Percentage of employees who are full time
Employees in pension scheme	77%	Percentage of all employees who contribute to the corporate pension scheme
Employees participating in ShareSave scheme	49%	Percentage of all employees deciding to use the ShareSave scheme
Employees participating in Bonus Share Matching scheme	47%	Percentage of all employees deciding to use the Bonus Share Matching scheme
Women on the Board	14%	Percentage of women on the Board of Directors

Measure	2020	Definition
Women in workforce	39%	Women as a percentage of total employees
Women in Senior Management roles	32%	The percentage of women holding senior positions in the business, where senior positions are defined as the Management Committee, GHAM Board or unit heads
Employees using Give as You Earn	15%	Percentage of employees choosing to submit to Give as You Earn
Corporate Charitable Giving	£66k	Corporate charitable giving only. The Management Committee made individual donations to bring the total amount up to over £100k
Compliance with code of conduct	100%	Percentage of employees who have completed training and agreed to comply with code of conduct

Since 1857
Gresham House
Specialist asset management

For more information please contact:

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