
Gresham House
Specialist investment
Sustainable investment update:
Sustainable Infrastructure
April 2024

Real Assets

Our range of real asset investment products provide protection from inflation through proven, long-term sustainable, asset-backed investments.

In many cases, they also provide the potential for uncorrelated returns to equity markets as well as diversified sources of income.

How we integrate ESG

Our Real Asset investments sit within the Sustainable and Impact categories of our Spectrum of Capital. ESG factors are assessed 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 and produce positive real-world outcomes.

ESG integration into the investment process for our Real Assets

1. Sourcing

Sustainability considerations are integrated from the point of investment product design and in the initial sourcing of new investment opportunities.

2 Initial Appraisal

ESG risks and opportunities are considered at this stage. This may lead to further investigation at Due Diligence stage. If certain risks are unlikely to be managed or mitigated, we may not proceed.

3. Due Diligence

The ESG Decision Tool and stakeholder meetings, including with specialised consultants, ensure our teams assess material ESG risk or opportunities to be managed or that could drive value.

4. Investment Appraisal and Acquisition

A summary of ESG findings are included in Investment Committee papers. This will include proposed action plans to mitigate or capitalise on ESG factors.

5. Ongoing management and asset operation

Plans developed at the Appraisal and Acquisition stage are implemented by our teams. All assets are managed in line with relevant sustainability requirements or standards for the asset class.

Sustainable Infrastructure

Gresham House's Sustainable Infrastructure strategies invest in future-proofed sustainable solutions for all aspects of our lives, from how we live, work, learn, travel, eat, stay healthy and protect nature.

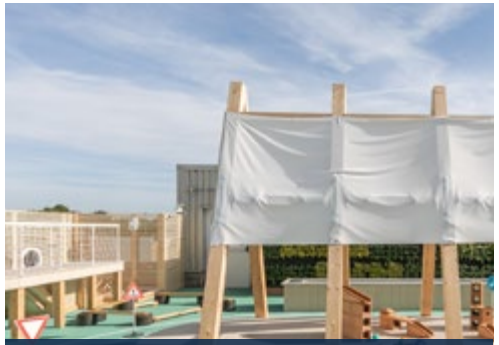
We take a thematic approach to investing, allocating to the following sub-sectors in a diversified and holistic way to take advantage of the most attractive opportunities available in each:

Decarbonisation

Infrastructure that enables the lowest cost migration to clean energy in harder to abate industries.

Digital inclusion

Infrastructure to provide better access, connectivity and productivity for all parts of society.



Health & Education

Infrastructure to improve access to high quality specialised health and education.

Regeneration

Restoration of nature and biodiversity enhancement through 'nature based solutions'.

Resource Efficiency

Infrastructure that can make better use of our finite natural resources.

Waste Solutions

Infrastructure to convert waste into a valuable product and energy.

Assessing our impact using the Impact Frontiers' Five Dimensions of Impact

Our Sustainable Infrastructure division aims to intentionally generate positive impact alongside a financial return.

In order to monitor and measure the impact of our investments, we apply our proprietary impact framework that is closely tied to the principles of the Impact Frontiers (formerly Impact Management Project).

The framework ensures that impact is considered at every stage of the investment process through the following four steps:

1 **Identify intended impact type and affected stakeholders:** we outline whether the investment is looking to avoid harm, benefit stakeholders or contribute to solutions and identify the core stakeholders who will be affected by the investment

2 **Source aligned opportunities:** we will only invest in opportunities that contribute positively to society or the environment. This is assessed using the Impact Frontiers' Five Dimensions of Impact:

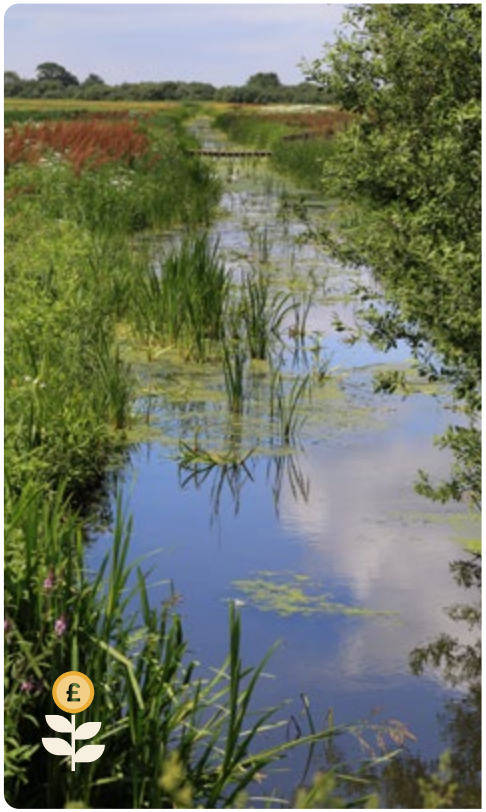
- what outcome we are looking to make
- who will experience that outcome
- how significant the effect will be
- how it contributes to a business-as-usual scenario
- what might risk that impact not being achieved

3 **Outline expected investor contribution, set targets and measure:** we apply a combination of four key levers to influence the outcomes of our investments: – signal that impact matters – engage actively – grow new/undersupplied capital markets – provide flexibility on risk adjusted returns We then set measurable impact objectives and monitor these over time to ensure positive impact is achieved

4 **Take action within our control:** building on the first three stages, we outline how these come together to ensure that we are able to generate positive impact throughout the period of investment

The above outlines the impact we have had over the previous 12 months across all of our Sustainable Infrastructure strategies.

Real world outcomes	2022	2023
Scope 1&2 GHG emissions (tCO_2e)	2,146	5,402
Scope 3 GHG emissions (tCO_2e)	1,139	4,010
Carbon intensity (Scope 1,2&3 tCO_2e/£mn invested)	9.9	16.9
Used cooking oil processed into biofuel (litres)	4,336,125	6,713,500
Solid recovered fuel (SRF) diverted from landfill and turned into pellets (tonnes)	0	12,425
Total hectares supporting nature recovery completed in year	329	469
Premises passed with "ready for service" full fibre/gigabit-capable broadband	66,308	168,475
Total nursery places managed	1,919	2,832



Pioneering habitat banks as a new infrastructure asset class

In 2021, Gresham House's Sustainable Infrastructure division invested in Environment Bank Ltd (EBL). Through the provisions of the Environment Act 2021, which provides the legislative catalyst to define a biodiversity marketplace, Environment Bank creates landscape scale habitat banks from unproductive land.

This is a new infrastructure asset class which creates and sells biodiversity net gain (BNG) to developers who require it to satisfy planning obligations in England, and/or to corporates who wish to become nature positive. Habitat banks thereby form part of the solution to the existential threat of biodiversity decline and climate change.

Case study: delivering Emberton Habitat Bank at Wood Farm, Milton Keynes

Emberton habitat bank is a 38 hectare site on Wood Farm, north-east of Milton Keynes.

The proposed habitat bank is located within Wood Farm, a working farm and campsite. The location of the habitat bank will provide connectivity to parts of Wood Farm where habitat creation has previously been undertaken, such as a recently planted woodland.

Habitats on site currently comprise two large fields with very limited arable weed or botanical interest.

Strategic significance of the site

The site at Wood Farm is located within the National Habitat Network, within Biodiversity Enhancement Zone 2. These are areas which connect existing areas of primary and associated habitats and where the creation of additional green infrastructure is desirable.

Creating habitats within this area will connect existing ancient woodland and local wildlife sites within the surrounding area.

There are opportunities to buffer and extend these priority habitats while also increasing the connectivity to the wider landscape. Wood Farm also includes opportunities for the restoration of lowland meadow and the creation of hedgerows which are identified within the Biodiversity Action Plan.

Overview of habitat proposals

The target habitats include lowland meadow, other neutral grassland, mixed scrub and native species rich hedgerows. These habitats have been identified taking into consideration the wider landscape character of the area, the environmental conditions of the site and in collaboration with the landowner.

Details are included within the Habitat Enhancement and Management Plan which is a schedule to the Habitat Management agreement entered into between Environment Bank and the landowner.

Over the next 30 years, this site will become established, reach target condition and be maintained as high quality habitats delivering biodiversity net gain.

CGI render of proposed habitat bank in Milton Keynes

Case study: turning waste into a replacement for fossil fuels at Waste Knot Energy

Investment overview

Gresham House's Sustainable Infrastructure division first invested into Waste Knot Energy (WKE) in 2020. WKE plans to deliver several waste pelletisation projects, using advanced manufacturing technology to turn non-recyclable commercial and industrial waste materials into high calorific value, Solid Improved Recovered Fuel (SIRF) pellets.

These refined waste pellets can directly replace coal and pet coke in energy intensive and high emitting manufacturing processes, such as cement and steel production.

Impact credentials

Assuming it operates at full capacity, WKE provides an enabling technology in the SIRF value chain that produces an estimated total carbon benefit of 795,828t CO_2e every year. Over its assumed 30-year life, that equates to savings of around 24 million tonnes of CO_2e across the value chain.[1]

1. Monksleigh & Sol Environment analysis of Waste Knot. Assumptions cover initial mechanical biological treatment of waste into SRF, benefits of avoiding sending waste to landfill, transport of SRF to WKE facilities, process of transforming SRF into pellet form and the carbon benefit of replacing PET coke with WKE SRF pellets in the cement kiln process.

The first facility is based in Middlesbrough and will process c.300,000 tonnes of non-recyclable SIRF waste per annum and turn it into c.250,000 tonnes of pellets.

Transitioning from construction to operational

Over the past two years, management has faced many hurdles in bringing the project to this stage, notably around site design and planning. Over that period the deal team worked with the current management team to redefine the business plan and ensure WKE's commercial viability.

As a result, most of these challenges have been successfully addressed, and the business is now delivering on the revised plan and timeline established at the beginning of 2023.

In 2024, the plant anticipates processing 205k tonnes of SIRF and selling 162k tonnes of pellets. The plant aims to be at full production capacity by Q4 2024.

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