



Alpha Real Capital

ESG & Responsible Investing Policy

**'NREV**

 **AREF**  
The Association of Real Estate Funds

 **PRI** | Principles for Responsible Investment

# ESG & Responsible Investing Policy

## 1. Policy purpose

Alpha Real Capital (“Alpha”) puts a strong emphasis on identifying and measuring the Environmental, Social and Governance (“ESG”) factors of investments, both during acquisition and on an ongoing basis, so that the risks can be assessed and mitigated as appropriate.

This policy describes the application of Alpha’s ESG and responsible investment philosophies and is reviewed at least annually.

ESG and responsible investing considerations are made at three levels, with our approach at each of these levels summarised in this policy.

### Firm level

- Overarching principles
- Environmental
- Social
- Governance

### Fund level

- Common approach to funds and strategies
- Fund or mandate specifics

### Investment level

- Current ESG considerations by asset class
- Aspirations

## 2. Firm level

### 2.1 Overarching principles

This policy sits within Alpha’s holistic risk framework and is regarded as a core component.

We believe that investing responsibly on behalf our clients can meaningfully influence investment outcomes, particularly over the longer term.

As a signatory to the UN’s Principles for Responsible Investing (“UNPRI”), we subscribe to the following six guiding principles, which form an integral part of the way we conduct our business:

- We incorporate ESG issues into investment analysis and decision-making processes;
- We are active owners and incorporate ESG issues into our ownership policies and practices;
- We seek appropriate disclosure on ESG issues by the entities in which we invest;
- We promote acceptance and implementation of these principles within the investment industry;
- We work together to enhance our effectiveness in implementing these principles; and
- We report on our activities and progress towards implementing these principles.

### 2.2 Environmental

As a firm, we provide a safe environment for staff to work in. We also seek to implement positive actions that improve our environmental outcomes, including in areas such as waste recycling and energy efficiency, as we move towards carbon net-zero.

## 2.3 Social

We embrace diversity and inclusion and Alpha encourages staff to contribute positively to our community, e.g. participation in charitable and voluntary work and corporate donations.

Alpha abides by the laws and values of the Equality Act 2010 and is an equal opportunity employer; Alpha is also committed to ensuring that all staff can work in a workplace where health and safety is provided in accordance with applicable laws and regulations.

Alpha has a zero-tolerance approach to modern slavery in our organisation and in any other companies that we do business with.

## 2.4 Governance

We recognise the paramount importance to our investors of strong corporate governance and transparency.

Alpha benefits from having two independent Non-Executive Directors on its Board.

Alpha is authorised by the FCA as a full scope Authorised Investment Fund Manager. Alpha adheres to an internal compliance code, incorporated into the contracts of team members, covering client confidentiality, data protection, price-sensitive information, personal interest disclosure, conflicts of interest, anti-money laundering procedures, matters relating to the bribery act and whistleblowing.

Alpha's institutional business has an AAF 01/16-assurance report from BDO on its governance, internal controls and procedures, which is reviewed and renewed annually.

As a member of INREV, Alpha seeks to follow its guidelines on industry best practice, particularly in respect of governance and the transparent provision of information to investors. Alpha's core values include a commitment to clear and relevant communications.

# 3. Fund level

## 3.1 Common approach to funds and strategies

### 3.1.1 Environmental & Social

Alpha's strategies are committed to delivering sustainable investment returns in a way that recognises the benefits of positive environmental, societal and economic outcomes.

All investments adhere to the firm's ESG and responsible investment policy.

Where applicable, Alpha seeks to use common standards across its investments in relation to ESG assessment and risk mitigation. These are explained in more detail in section 4 but an example would be seeking to include a standard "green clause" for real estate investments, which asks tenants to comply with environmental law and to have regard to environmental good practice, energy and water efficiency and waste reduction.

All funds adhere to the following Alpha negative sector screens, precluding investments in companies, projects or real estate associated with the following: cluster munitions, white phosphorus, landmines.

### 3.1.2 Governance

All funds follow a rigorous investment approval process and the Investment Committee Terms of Reference are documented separately.

As part of this investment process and ongoing portfolio oversight, ESG risk management issues are highlighted. Where applicable, ESG reporting is embedded in fund reporting and commentary.

## 3.2 Fund or mandate specifics

Additional ESG or responsible investment practices or restrictions / guidelines may be present at an individual mandate or fund level, informed by investor preferences and reflecting the types of investments being made. These will be documented in the Investment Management Agreement or constitutional documents of the particular fund / mandate, as well as any fund-specific ESG policy.

## 4. Investment level

ESG considerations are embedded into the investment process for each investment decision and the ongoing management processes.

The specific form of risk assessment and the ability to mitigate ESG risks will vary across asset classes and from investment to investment.

### 4.1 Current ESG considerations by asset class

#### 4.1.1 Real estate

At Alpha, we recognise that the way in which buildings are designed, built, managed and occupied can significantly influence their impact on the environment and affected communities – both positively and negatively. During the investment appraisal and due diligence processes we seek to identify and manage the impacts and mitigate risks where possible.

We believe that we can manage effectively our environmental related risks, associated with, for example, climate change (more severe and regular floods, increasing storm damage costs and changes in energy prices), site contamination and remediation, use of hazardous materials and waste management (rising landfill and disposal costs). Similarly, we are able to manage challenges relating to local community relations and engage with relevant stakeholders.

Our standard acquisition process requires that appropriate experts are appointed and reports are obtained as part of the ESG due diligence process.

In terms of ongoing monitoring and management, we review the output of regular, relevant ESG assessments, such as EPC ratings and, in the case of care or educational assets, CQC and Ofsted ratings. To the extent that these fall short of expectations or required standards, we will engage with management teams of those properties regarding their remediation plans. Whilst we are not always able to intervene directly in the management of assets (e.g. because of the nature of triple-net leases), we do seek to influence ESG outcomes by encouraging tenants to do so. Naturally, tenants are also required to demonstrate ongoing compliance with all environmental, health and safety and other laws and building regulations.

Increasingly, we are asking our tenants or developers to provide their ESG policies to us or to articulate how they might seek to achieve improved ESG outcomes.

#### 4.1.2 Renewables

On behalf of our investors, Alpha funds acquire, own and operate renewable energy operating assets. Given the long-term nature of these renewable infrastructure assets, we take responsible investing seriously, with ESG considerations embedded within our investment and ongoing processes.

For instance, Alpha's investment and operations processes require that appropriate environmental, planning and property searches are carried out as part of the overall due diligence process.

Our asset managers and appointed representatives are required to comply with all relevant laws and regulations, and managers are expected to be aware of the potential environmental risks associated with acquisition and long-term operations, including environmental, health and safety, energy use, pollution and waste management legislation.

#### **Environmental and social stewardship for renewables:**

The day-to-day management of renewable assets includes ensuring that all projects comply with the relevant environmental regulations. As part of our commitment to sustainable business we have introduced the below actions and procedures to ensure our positive impact on the environment:

- All renewable energy projects managed by Alpha are subject to rigorous maintenance programmes which ensure proper operation of all our equipment and that all threats are dealt with in a timely matter.
- We continuously monitor and audit our renewable assets to ensure any potential environmental issues are mitigated.
- Through discussions with internal and external stakeholders we are constantly working to improve the scope of maintenance services on our assets.

- Any hazardous substances present on our sites are handled and inspected in line with good industry practices to guarantee safe operations.
- As part of risk mitigation strategy, we track and report every issue that occurs on our sites which guarantees the risk of potential reoccurrence is reduced.

Where needed, we also actively engage with local communities and local authorities through meetings and annual panels. This engagement is especially important to us as it allows us to have a good relationship and understand the challenges of the communities we are involved with. Our actions focus on:

- Where needed, through our habitat management work, we ensure that our decisions do not negatively impact but rather improve the existing local habitats.
- We work with experienced environmental specialists to guarantee the conservation of local habitats.
- We actively look for opportunities to have a positive impact on the community.
- We seek to discuss possible support and funding opportunities for community-led projects.

## Reporting

We report the environmental benefit of portfolio generation in terms of average UK household energy consumption, carbon footprint and CO2 equivalent savings.

## 4.2 Aspirations

We are continuously looking to improve the way we measure and assess ESG credentials of the assets we acquire and manage, identifying and mitigating any risks but also assessing the ESG benefits they can and do deliver to the areas and communities they serve.

Through our membership of INREV and other bodies and as a UNPRI signatory, we seek to improve the quality of ESG outcomes.

Where we don't have direct control over the day-to-day management or operation of real assets, we seek to influence tenants to support more sustainable practices and to improve the assets' KPIs from an ESG perspective.

For example, over time, we would hope to understand the ESG challenges of our tenants, how they might improve energy efficiency of their properties, and encourage them to share more environmental performance data.

We also seek to improve the way we quantify for investors ESG outcomes; for example, we have worked with the Social Profit Calculator ("SPC") to quantify the social value generated from one of Alpha's social real estate portfolios. We believe that ESG assessments of our investments should focus not just on the risks, but also on the positive impacts that those investments can deliver and we seek to adopt a similar approach when assessing our other portfolios.

For more information, please get in touch with your usual Alpha Real Capital representative, or contact: [clientsolutions@alpharealcapital.com](mailto:clientsolutions@alpharealcapital.com)