



Alpha Real Capital



Group Sustainable Investment Policy



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Our approach

Sustainability is a core component of our investment philosophy as well as our business strategy. Prioritising responsible investment aligns with the long-term nature of the financial assets in which our funds invest and the relationships we look for with our investment partners.

We believe that identifying, measuring and managing Environmental, Social and Governance (ESG) factors can play an important role in ensuring attractive risk-adjusted returns over the long term. Integrating sustainability within our investment process not only enhances risk management but in some cases allows us to quantify benefits through which we are able to assess our contribution to the broader sustainability agenda.

We believe that many assets in which our funds invest help us face the challenge of climate change and exhibit strong alignment with several of the UN Sustainable Development Goals. We constantly seek to better understand the concerns and meet the aspirations of our stakeholders with respect to sustainability.



Our commitments

- To ensure ESG factors are fully integrated in our investment process, from initial appraisal through to Investment Committee and ongoing management
- To seek to identify, measure and manage ESG-related risks, and where possible, benefits
- To incorporate sustainability in our engagement with stakeholders
- To continuously seek improvement in our ability to gather and disclose relevant data
- To promote a culture focused on sustainability
- To regularly consider and report our progress on sustainability issues

Definitions¹

Environmental Factors: Issues relating to the quality and functioning of the natural environment and natural systems, identified or assessed in responsible investment processes.

Social Factors: Issues relating to the rights, well-being and interests of people and communities, identified or assessed in responsible investment processes.

Governance Factors: Issues relating to the governance of companies and other investee entities, identified in responsible investment processes.

About us

Alpha Real Capital LLP ('Alpha') is a specialist real assets investment manager focused on secure income strategies. We provide market leading and innovative real asset solutions across a range of investments such as commercial ground rents, UK renewable infrastructure, social real estate and secured lending, combining operational real estate expertise and fixed income skills.

TIME Investments ('TIME') is a subsidiary of Alpha. TIME provides investment solutions for private investors, family offices and wealth managers, alongside Alpha which provides investment solutions for large institutional investors. Together, Alpha and TIME (the 'Group') has a 160 plus strong professional team with over £4 billion of assets under management, including capital commitments. We look for long-term relationships with our investment partners, tenants, lenders and other stakeholders.

We are a signatory to the UN Principles for Responsible Investment and are committed to delivering sustainable investment returns in a way that delivers positive environmental, social and economic benefits.

Delivering on sustainability

Management focus

The senior management team has long believed in the importance of sustainable investment. Our funds have been directly investing in renewables and social infrastructure for many years, and ESG factors are at the core of our investment process and decision-making. The senior team is committed to taking further steps to improve sustainability at firm, fund and asset level as well as continuing to enhance disclosure over time.

ESG Committee

We have created an ESG Committee which draws on a broad range of expertise from across the Group and offers guidance on best practice.

Chaired by the CIO, the ESG Committee is focused on idea generation and the subsequent execution of initiatives, as well as adopting a philosophy of continuous improvement for the existing sustainable investment framework.

Strategies

Many of the Group's investment strategies have inherently strong ESG credentials, for example social infrastructure including housing, healthcare and education, renewables infrastructure and forestry. As our funds invest directly into ESG-positive investments, what we say is what we do. Given the breadth of sectors and assets in which our funds invest, our approach is tailored to the particular characteristics of each investment. We are continuously seeking improvements to the way we identify, measure and manage these factors.

Skills

Our funds have a long track record of direct investment in assets such as renewables, infrastructure and social infrastructure, which has allowed us to develop a deep and practical understanding of ESG issues. This transferable expertise is now applied across all asset sectors. We are committed to continuing to develop and broaden sustainable investing expertise across the firm in the belief that sustainability is everyone's responsibility, not just that of a few individuals.

UN Principles for Responsible Investing

The Group subscribes to the following:

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

Monitoring and management

We use a range of tools to monitor and manage the sustainability characteristics of managed assets, including:

MSCI Climate VaR: measures the carbon intensity of real estate assets under various climate change scenarios

SDGs: We evaluate managed assets against UN Sustainable Development Goals.

Loop: Calculates the social value in £ that can be attributed to a social infrastructure portfolio

Ratings: For care or educational assets, we regularly review CQC and Ofsted ratings

Real Estate: We instruct surveyors to report on Minimum Energy Efficiency Standards, EPC, BREEAM and other environmental ratings, where appropriate

A holistic approach to sustainability

Firm level

As a firm, we believe it is important for us to understand and articulate our own sustainability footprint, and the improvements we can make on our journey towards carbon net zero. We have already made progress in areas such as waste recycling and energy efficiency and have plans to do more.

We promote Diversity and Inclusion (see Diversity and Inclusion policy) and encourage staff to contribute positively in the community (see Charity Volunteering policy). We have a zero-tolerance approach to modern slavery in our organisation and in any company with which we do business.

Alpha is authorised by the FCA as a full-scope Alternative Investment Fund Manager and has two independent non-executive directors on its Board. Our institutional business has an annual AAF 01/16 assurance report from BDO covering governance, internal controls and procedures. As a member of INREV, Alpha seeks to follow its guidelines on industry best practice.

Fund level

All investments across all funds adhere to this Sustainable Investing policy. We apply common standards in relation to the assessment of ESG factors including negative sector screens².

There is a common Investment Committee across all funds which provides detailed scrutiny and a rigorous approach, including a quantitative analysis of risks and benefits where possible.

There may be assessment of additional ESG factors or responsible investment practices present at fund level, depending on investor preferences and nature of the investments being made. For example, in certain asset classes we look to benchmark transactions with a view to identifying a “green” premium or discount.

Asset level

Real Estate: 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. Our ESG due diligence process aims to identify, measure and manage such risks, for example the potential impact of climate change. We are proactive in engaging with relevant stakeholders and managing local community relations.

Social Infrastructure: Social infrastructure describes physical assets across a range of sectors such as healthcare, housing and education which deliver tangible and quantifiable societal benefits that help to address the S of ESG. Our funds aim to increase capacity through financing modern, purpose-built regulation-compliant infrastructure, while delivering a positive outcome for the local community and investors. Our ESG due diligence process in this sector also incorporates our Real Estate process, as detailed above.

Renewable Infrastructure: Our funds invest directly in UK renewable infrastructure with a focus on wind and solar. These assets exhibit inherently strong environmental benefits which we measure in terms of average UK household energy consumption and CO₂ emissions. Our ESG due diligence also incorporates thorough analysis of legal, operational and environmental risks as well as engagement with local communities.

Infrastructure equity: The UK Infrastructure Income Fund invests in bridges, roads, rail networks, hospitals and renewable energy. Investments in the fund undergo detailed analysis including assessment of ESG characteristics and are reviewed by the Group Investment Committee.

Forestry: Our funds invest directly into forestry assets which deliver strong ESG benefits including increasingly being recognised as an important component in the fight to mitigate climate change. Forests also provide strong ESG benefits within their local area such as protecting and promoting biodiversity and contributing to clean water within the surrounding ecosystem. All our woodlands are managed in an environmentally appropriate, socially beneficial and economically viable manner to achieve the Forestry Stewardship Council (FSC) certification. Investments in the fund undergo detailed analysis which is reviewed by the Group Investment Committee.

² For example, investments in companies, projects or real estate associated with cluster munitions, white phosphorus or landmines.

Climate Change

We recognise the challenge posed by climate change and the need to respond. As a responsible manager of long-term assets, we believe it is critical that we are able to identify, measure and manage climate risks.

For real estate assets, we assess transition policy and physical risks over the time horizon to 2100, under three temperature increase scenarios of 3°C, 2°C and 1.5°C, using MSCI Climate VaR. This assessment takes place both for existing assets and as part of the due diligence process for new investments. For non-real estate assets such as renewables infrastructure or forestry, we estimate the positive impact of the carbon offset using illustrations such as the number of UK homes we could power with the renewable energy produced, the number of tonnes of CO₂ that would be theoretically offset or the equivalent in terms of number of trees planted. New TCFD-aligned governance and reporting will require increased disclosure from private assets. We intend to work with our stakeholders to help our investors meet their reporting needs.

Governance and stewardship

As the manager on behalf of landlords, shareholders or lenders, we seek to engage with tenants or management teams on ESG related topics, at initial negotiations and also at ongoing monitoring meetings such as annual reviews. Our ability to exert influence depends on the scale and nature of the investment and the type of asset.

For example, the long income market is based on “triple net” leases where the landlord does not typically have direct control over the day to day management or operations of an asset. Where this is the case, we seek to influence tenants to support more sustainable practices and improve ESG key performance indicators. We are increasingly asking our tenants or developers to provide us with their ESG policies and articulate how they are seeking improved environmental outcomes. In addition, for new investments we seek to include a “green clause” as standard in lease documentation, which asks tenants to use energy and water efficiently and reduce waste.

In other cases such as direct investments in renewable infrastructure, our funds acquire, own and operate the assets. These assets are typically long term in nature, and ESG factors are embedded into the due diligence process at the time of initial investment as well as ongoing monitoring. All renewable energy projects we manage are subject to rigorous maintenance programmes, and we continuously monitor and audit our managed renewable assets to ensure any potential environmental issues are mitigated. Where necessary, we actively engage with local communities and local authorities through meetings and annual panels. Our actions focus on habitat improvement and management through conservation.

Supporting and promoting sustainable investment

We believe our business has a role to play in supporting and promoting sustainable investment through participation in industry bodies and working with business intelligence partners. We are a signatory to the UN Principles of Responsible Investment and seek to align our investments with UN Sustainable Development Goals. Alpha is a member of INREV and aims to follow its guidance on best practice, particularly in respect of governance in the transparent provision of information to investors. Selected funds have participated in GRESB, and we anticipate increasing the number of funds that do so over the medium term. Alpha is a member of Pensions for Purpose, and we review the external initiatives in which we participate on a regular basis.

Alpha is aware of the new governance and reporting framework for certain UK pension funds in relation to the risks associated with climate change. We are already taking steps to identify, measure and manage climate related risks and undertake scenario analysis using the MSCI Climate VaR tool. We will seek to align our reporting with TCFD, and while the quantity and granularity of the data available for private assets continues to be a challenge, we are engaging with our stakeholders on this topic.

TIME is aware of the Sustainable Finance Disclosure Regulation (SFDR) and recognises the reporting requirements that are soon to come into effect for ESG disclosure, both at a company level and in relation to the UK retail investment products we manage. TIME is taking steps to ensure that our sustainability commitments and the integration of sustainability risks within investment processes are appropriately disclosed.