River & Mercantile 2021 Sustainability Report

1. INTRODUCTION

As providers of equity and debt to companies or advice to asset owners, all financial institutions play a vital role in net Environmental gain, achieving positive Societal outcomes and ensuring companies are well Governed.

River and Mercantile is committed to creating value for investors. Central to this is the belief that a sustainable and socially responsible approach enables our fiduciary responsibility to both protect and enhance the value of assets over the long-term.

In our Sustainability Report for 2020-21, you will read about our contribution to the Environmental, Social & Governance (ESG) revolution to date, and in the years to come. There is our climate disclosure following the recommendations of the Task Force on Climate-related Financial Disclosures, our own greenhouse gas emissions and offsets as a Group and detail on our corporate social responsibility.

Roger Lewis
Head of ESG
November 2021

2. RESPONSIBLE INVESTMENT: INTEGRATING ESG

2.1 FIVE SUSTAINABILITY PILLARS

As the Group combines asset management and institutional solutions, the different divisions fulfil ESG in different ways but based around core principles. River and Mercantile is a sustainable business that aims to compound value for all stakeholders over the long term. It is a responsible steward of capital with a culture of longevity. It will strive for sustainability through the pillars of Responsible Stewardship, People, Community, Environment and Innovation, leading to positive long-term outcomes for all.

1. **Responsible Stewardship:** We recognise our duty for long-term responsible stewardship across all clients, assets and regions. We integrate ESG factors for client outcomes and for the sustainability of the environment, society and markets. We take exercising our shareholder rights and obligations seriously and engage with investees.
2. **People:** the Group values the differences that a diverse workforce brings to the organisation and is fully committed to the elimination of unlawful and unfair discrimination. Our employment policies reinforce our position on preventing discrimination against all protected characteristics. The Group's commitment goes further than policies and includes a commitment to building a culture that values meritocracy, openness, fairness and transparency. We have taken specific steps towards enhancing diversity by adopting a Diversity Action Plan which addresses leadership, the measurement of diversity through data, education for all of our staff, communication with our people and community, the setting of targets and sharing our practices through our external profile. The CFA Certificate in ESG is included in our Group study policy.
3. **Community:** We foster a sense of social responsibility and hold ourselves to high ethical and governance standards.
4. **Environment:** We seek to be a 'good ancestor', aware of the natural environment bequeathed to future generations. We also see increasing recognition and focus on the risks & opportunities of climate and the energy transition.
5. **Innovation:** Our strategy, processes & products identify and meet changes in clients' preferences, market fundamentals, data, the environment and society.

2.2 THE YEAR IN REVIEW

Reflecting back over the last twelve months, River and Mercantile has seen much ESG activity across the Group.

We have a structure for ESG polices in place, and these are made publicly available on our website (https://riverandmercantile.com/responsible-investment/). This includes excluding controversial weapons and coal.

In order to ensure that our investment beliefs, strategy and culture enable effective stewardship and to support our focus on the integration of our five sustainability pillars across the Group, in this period we created a new Group Head of ESG role and reviewed the ESG Committee structure. The ESG and Stewardship Committee is chaired by the Group Chief Executive and its members include senior employees from RAMAM and RAMIL and the Group's corporate function. Two working groups of the ESG and Stewardship Committee, the ESG Client Working Group and ESG Investment Working Group, are chaired by Group ESG to provide input, approvals and escalations.

We are being active in responding to consultations, putting our name on letters alongside other investors and participating in working groups run by associations we are members of. Notable examples are the Department for Work and Pensions looking at how Social is applied by pension funds, the Global Investor Letter to Governments on the Climate Crisis (https://theinvestoragenda.org/wp-content/uploads/2021/09/2021-Global-Investor-Statement-to-Governments-on-the-Climate-Crisis.pdf) and helping to define net zero for Infrastructure and Derivatives with the Institutional Investors Group on Climate Change.

We remain signatories to UNPRI and the UN Global Compact. We closely follow their principles, from incorporating ESG in investment and engagement for UNPRI to the human rights, labour rights, environment, and anti-corruption of UNGC. This has been enhanced with our membership of the GRESB real asset sustainability benchmark, becoming an investor signatory of CDP and our public support of TCFD and the Transitions Pathway Initiative.

For engagement, we are proud that RAMAM and RAMIL have been accepted by the UK Financial Reporting Council in the first round of the new Stewardship Code 2020 signatories. This demonstrates that we follow a robust framework for our engagement activities, on behalf of clients, and can show real outcomes. We have also started closely monitoring progress of agreed targets at investee companies, run bulk campaigns to encourage reporting of greenhouse gas emissions and for flagship funds, align our engagement discussions to the seventeen UN Sustainable Development Goals.

Source: River & Mercantile Asset Management funds, H1 2021

We have identified how to support clients with the UK Treasury's new green gilts for hedging, either at their request or ours. As we go to press, we can confirm our participation in the first issuance of £10bn in September 2021.

Within RAMIL, we completed a drive to score all our buy rated managers for their ESG credentials, ahead of engagement to understand and improve their ESG capabilities.

As a private asset class with no standard ESG research available, we built a scorecard to rate and benchmark infrastructure assets including renewable power sources such as wind farms or biomass plants for ESG. This is considered by investment committees alongside risk and return.

We take our obligations under SRD II seriously as this aims to encourage shareholder engagement with companies to ensure that decisions are made for long-term stability. SRD II requires greater transparency on engagement and voting as well as the publication of a shareholder engagement policy. Our response to these requirements can be found on our website: https://riverandmercantile.com/responsible-investment/.

All this is in addition to 'business as usual ESG', with proprietary processes and teams integrating ESG to investment and engagement decisions.

2.3 NETTING TO ZERO CARBON

We are excited to have made the Net Zero Asset Managers Commitment (NZAM) during our last financial year, and to have progressed preparations to join the Net Zero Investment Consultants Initiative.

For NZAM in particular at almost one year old, clients are rightly asking us 'now what'? To answer: the three commitments and ten pledges are now in the progress of being fully embedded. We need to fully understand the greenhouse emissions of companies we invest in, known as their Scopes 1 and 2 or our Scope 3. We need to engage with them to reduce emissions and have plans to monitor and to escalate. Offsets for carbon removal can be purchased, but these should be for small residual amounts only. Reporting progress and accountability is also important and required.

Our immediate priority for net zero is the interim 2030 target for 50 per cent. emissions reduction, in-line to meet the requirements of climate science to limit warming by mid-century. We are identifying the initial funds and percentage of AUM that will be in scope, their holdings and emissions as at the December 2019 start point, and then will adjust top level sector tilts and bottom up stock selection accordingly.

Expect further updates on our progress in netting to zero carbon emissions in future annual reports.

2.4 ESG STRATEGY

With a definition in mind of strategy as plans and actions that will lead us to greater success for ESG and need for direction over the coming years, our strategy shall include:

- Best practice and structure to our stewardship activities adds alpha and continues our FRC Stewardship Code commitment, but we must also consider internal engagement and how ESG affects people's roles.
- ESG data is core, and what do we need from third party providers to accompany our own detailed fundamental research of companies?

- With many frameworks, codes and associations emerging in various corners of ESG, it is really important for us to join ones with a clear reason for doing so, and to understand the benefits / costs / implications.

Surrounding all this to ensure the Strategy is delivered, while tactical opportunities can still be captured, is robust governance from the Group ESG function and all teams.

As with our net zero commitment, expect further updates on our strategic progress in future annual reports.

2.5 THE YEAR AHEAD

Thinking ahead now, important milestones will include:

- Identifying top themes for 2022 to drive our engagement and voting
- Adding SFDR Article 8 and 9 funds to our product offering, given that these are funds that promote Environmental or Social characteristics and clearly demonstrate turning 'talk into action' for ESG
- Adding momentum to the net zero plan, formalising our approach to climate with a Group Climate Policy and further integrating the full lifecycle carbon (plus other GHGs like methane) and climate scenarios to our investment consulting and investment management activities
- Agreeing and beginning to implement the ESG Strategy

All this returns to our belief set out above of the role financial institutions play in net Environmental gain, achieving positive Societal outcomes and ensuring well Governed companies.

3. RIVER AND MERCANTILE CLIMATE DISCLOSURE

INTRODUCTION

We are committed to implementing the recommendations and best practices of the Task Force on Climate-related Financial Disclosures (TCFD), as set by the Climate Standards Disclosure Board (CSDB). This is in order to provide all our stakeholders, including investors, with decision-useful information on the climate-related risks and opportunities that impact our business, and the governance structures in place to manage. We are proud to be amongst the 1,500+ organisations that publicly support these disclosures. This forms part of our wider approach to ESG factors.

The very nature of financial institutions means they can have a significant impact on climate as providers of debt or equity to companies. These financed impacts can be positive (offshore wind, hydrogen) or negative (carbon heavy facilities and the risk of stranded assets). As an active and responsible investor, the impacts of climate change are strategically important to our business.

We manage climate as two distinct aspects as an investor and as a corporate. In this section of our Sustainability Report, we provide our comprehensive corporate TCFD disclosure that covers the eleven recommended disclosures across the four core elements of Governance, Strategy, Risk Management and Metrics & Targets below (source: TCFD, Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures, 2017). We also reference and include the Supplemental Guidance for Asset Managers when appropriate.

These disclosures accompany our wider climate strategy, participation and advocacy via the Institutional Investors Group on Climate Change, climate policy and net zero carbon Investor Climate Action Plan.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

3.1 GOVERNANCE

a) Describe the Board's oversight of climate-related risks and opportunities.

At a Board level, our Group Chief Executive has overall responsibility for climate-related risks and opportunities, and for the Group's response to climate change.

The Board monitors progress against mitigating all other risks by meeting frequently during the year (meetings are detailed in the Annual Report). It considers specific reports, reviews business and financial performance, as well as strategy, key initiatives, risks and governance. This includes climate-related issues when relevant.

The Board monitors and oversees progress against climate-related issues via the Group Board Risk Committee and the Group Investment Committee. Every second or third quarter, a briefing is provided to the Board by the Group ESG and Stewardship Committee on sustainability, and climate is core to this. Recent examples of content include climate consultations by regulators and TCFD itself, carbon-budgets set by the UK Committee on Climate Change and application of scenario analysis to clients' assets. A report summarising the assessment of direct climate-related risks the Group faces is provided to the Group Board Risk Committee annually.

Board training on climate-related risk to ensure effective ongoing oversight and management of these risks will be considered in future.

The Group ESG function, which is responsible for climate, feeds into the Board via the ESG Committee, as explained in the following section.

b) Describe management's role in assessing and managing climate-related risks and opportunities

Overall responsibility for managing the risks and capitalising upon the opportunities of climate is assigned to Group ESG. This responsibility is discharged via our Group Climate Policy, ESG Committee and Investment & Client Working Groups. These form the primary mechanisms for monitoring and assigning responsibility of climate-related issues across the organisation. Specifically, the Policy covers coal exclusions, climate in investment consulting and in investment management, engaging with investees for climate and disclosures.

The quarterly ESG Committee is chaired by the Group Chief Executive and members are the Executive team. The monthly Working Groups are chaired by Group ESG and comprised of all investment and client facing roles, with escalation and required approvals made to the ESG Committee. Wider developments in climate are monitored by Group ESG. This includes development of prices on carbon emissions, net zero carbon commitments and regulatory requirements (such as the EU's SFDR and Taxonomy).

Through various tools and data inputs, climate is considered in investment strategies at both top-down allocation and bottom-up fundamental research levels.

3.2 STRATEGY

Climate-related risks and opportunities cover all aspects of our business, from pre-investment research and investment decisions through to generating financial return to meet our clients' required outcomes.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

We define time horizons as short (current financial year), medium (1-5 years) and long (5+ years) term. Assessments to determine risks and opportunities cover current regulation, emerging regulation, technology, legal, market, reputational, products and services, acute physical and chronic physical.

Specific risks we have identified in each time horizon include:

Type	Time	Impact
Transition: Market	Short-term	Future changes in energy prices, driven by energy demand & supply, impacting investee companies' costs. Impacts to investee companies' revenue from new environmental or carbon taxes. Changes to investor preferences and demand for green/ESG funds.
Physical: Acute	Medium-term	Damage to assets (ours or investees') from extreme weather events. This can lead to write-downs to asset book values and increases in insurance premiums if the probability of extreme weather increases.
Transition: Reputation	Medium-term	Increased stakeholder concern or negative stakeholder feedback for failing to comply with ESG or climate requirements. Sectoral stigmatisation flowing to investments in the same sector, such as coal.
Transition: Policy	Medium-term	Ongoing requirement for compliance at a corporate entity level. Impacts to investees, for example from carbon taxes.
Physical: Chronic	Long-term	Reduced asset performance due to changing long-term weather patterns. Higher temperatures may influence the functioning of equipment at investee companies and lead to an increase of fuel consumption or lower performance/ staff productivity levels.

Specific opportunities we have identified in each time horizon include:

Type	Time	Impact
Markets	Short- to medium-term	Continued growth in demand driven by the global energy transition for new types of power generation and transport, and for companies or infrastructure assets in these sectors. Benefits as a responsible investor, by evidencing the positive ESG impacts delivered through our investments.
Products & Services	Short- to medium-term	Revenue opportunities from investments in the renewable energy market, driven by the Paris Agreement (2015) and signatories' own Nationally Determined Contributions. Investor desire for climate-friendly investment strategies/products and providing such funds.
Resource Efficiency and Energy Source	Medium-term	Reduced operating costs and increased production capacity at investee companies.

Engagement with investee companies is a core part of managing these risks and opportunities, in particular where material risk exists, or where we are significant shareholders. Topics have included encouraging Scopes 1 and 2 greenhouse gas disclosure, emissions reduction and either commencing or enhancing TCFD disclosures.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Our strategy as a Group is influenced by climate in the following ways:

- Investment decisions: Climate-related risks and opportunities are considered through our pre investment due-diligence processes and factored into decision making. Issues like stranded assets, accelerated depreciation and limited revenue-generating ability for companies due to climate are core in fundamental research
- Products and services: New opportunities to invest and derive financial returns, as in the short- to medium-term we expect to see continued growth in demand for investment in decarbonisation and the wider energy transitions
- Adaptation and mitigation activities: climate and UN Sustainable Development Goal #13 (Climate Action) is a core subject of our stewardship activities. This includes monitoring the emissions of companies whose stocks we hold
- Per our Group Exclusions Policy, companies whose operations create excessive climate change impacts are excluded. These are specified as any with greater than 30 per cent. revenue from the following:
  - Mining companies that extract thermal coal
  - Mining companies developing significant new thermal coal assets
  - Mining companies that extract other non-renewable energy sources with high Greenhouse Gas impacts: oil and tar sands
  - Power generation companies with electricity generated by coal that do not have credible plans to move to renewable or low carbon alternatives such as gas
  - Power generation companies that plan to expand coal power generation capacity
- Operational: ESG requirements and stakeholder expectations continue to grow in the short to medium-term. As an investor we are exposed to increasing compliance burden, with financial and reputational risks for failure to respond

Our financial planning has been influenced in the following way:

- Operating costs: We acknowledge that climate data at asset-allocation and bottom-up stock picking levels is essential, as well as various industry memberships and participation. We therefore include costs for climate solutions in our ESG budget

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We use climate-related scenarios to inform our risk management framework (detailed in the following section), which in turn is one element of our business strategy.

As an investment consultant to pension schemes, we use three common reference scenarios in the Ortec Finance Climate MAPS tool (Paris-orderly transition, Paris disorderly and Paris-failed) to assess the hypothetical value to our clients' assets of various future temperate scenarios.

3.3 RISK MANAGEMENT

As a financial institution, our business is exposed to both risk and opportunity from climate change. Our risk framework enables us to identify, understand and manage all risks, include climate.

a) Describe the organisation's processes for identifying and assessing climate-related risks

b) Describe the organisation's processes for managing climate-related risks

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

The 2021 climate-related risk assessment focused on 'harm to firm', identifying and assessing climate-related risk exposures that could directly impact on RMG, and determining how these exposures should be managed.

The Group does not view the risks associated with climate change as a new risk category but rather an aggravating factor for risk categories already assessed using the Group's risk management framework. Thus, the Group's approach to the management of climate-related risk is to treat it as another risk factor to be assessed and managed using existing risk assessment tools. Both bottom-up and top-down approaches are used to identify and assess the climate-related risks it faces.

Bottom-up: Using the risk and control self-assessment process.

Top-down: A scenario analysis approach is used to explore and develop an understanding of how climate-related risks might plausibly impact the Group over time. Scenario analysis a useful tool for the identification and assessment of strategic, financial and operational risks from climate change as it can be used to take account of the various uncertainties associated with climate change.

The scenario analysis approach involves:

- Identifying the climate-related risk exposure factors that could result in a material impact for RMG taking into account transition and physical risks, and potential financial, physical and reputational impacts
- Combining the identified exposure factors to create plausible risk events that are then assessed for their impacts on RMG in three versions of the future world created by the Network for Greening the Financial System: 1. Global warming is limited in an orderly way; 2. Global warming is limited in a disorderly way; 3. Hot House world. These assessments consider short, medium and long-term time horizons
- Identifying management actions to manage risk events

Summary of Risk-Assessment Results

The most severe risks are that the Group's product offering does not meet investors' or asset owners' climate needs, or that the Group's products are deliberately misrepresented as being more climate-friendly than they are. We have put in place actions and oversight to mitigate each of these risks.

3.4 METRICS AND TARGETS

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

For climate impacts to the investment activities in the Strategy disclosure above, metrics and other data are considered as follows.

- For asset liability matching and strategic asset allocations, outputs from Ortec Finance include macro-economic and financial impacts
- For transition risk at portfolio-level and their alignment to the Paris goals, we use PACTA to understand the gap between high emission activities and low-carbon solutions, or alignment
- For transition risk at company-level, we support TPI and its metrics of management quality & carbon performance. CDP data is also referenced for current and historical periods to allow for trend analysis. For both transition and physical risk at company-level, we refer to weighted average carbon intensities, ESG research and scoring from third party providers, and other data such as CDP results and TCFD disclosures

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

As an organisation categorised by TCFD as Financial/Asset Manager, our main exposure to climate risk and opportunity is to revenue (on the income statement) and assets & liabilities (balance sheet). This exposure covers 1. GHG emissions, 2. energy, 3. water, 4. land use, 5. location and 6. risk mitigation, and applies to both ourselves as a corporate (in particular numbers 1 and 2, as detailed below) and to our investments.

We report our greenhouse gas emissions annually in accordance with the Greenhouse Gas Protocol, published by the World Resources Institute (a U.S. based environmental NGO). Calculations and reporting are performed by an independent, external sustainability consultant, Be Zero Carbon. Furthermore, as a UK listed company, we have a regulatory obligation to report GHG emissions.

GHG emissions are reported as tonnes of carbon dioxide equivalent (tCO2e) and are broken down into three scopes of operational boundaries.

- **Scope 1**: direct emissions from sources owned or controlled by the Group that release emissions into the atmosphere, for example combustion within boilers on our premises
- **Scope 2**: electricity indirect emissions from consumption of purchased power for use within our buildings
- **Scope 3**: other indirect GHG emissions, comprised of fifteen areas of activity that are a consequence of an organisation's actions. For the, Group we break Scope 3 into operational (Categories 5, 6 and 7) and financed (Category 15) emissions. Understanding our Category 15 financed emissions is a core first step in our net zero carbon commitment, and will be followed by engagement to reduce emissions, and then offsetting the remainder. We do not consider the remaining Scope 3 categories to be applicable as these are sources not owned or controlled by the Group

We quantify and report our Scope 1 and 2 emissions and voluntarily report our operational Scope 3 Indirect emissions. This content of our TCFD disclosure can be found in the carbon reporting section that follows.

c) Targets to manage climate-related risks and opportunities, and performance against targets

The Group does not yet currently set specific climate or GHG emission reduction targets.

As part of our ESG Strategy, targets, including those suggested by TCFD, shall be considered under our Environmental corporate sustainability pillar, in order to manage climate risks, save costs and prepare for upcoming regulation.

As part of our net zero asset managers commitment, a proportion of assets under management and funds will have a 50 per cent. emissions reduction target by 2030 against a 2019 baseline. This will be announced in July 2022, at one year of us making the commitment. We expect the percentage of AUM in scope to increase each year, ultimately up to 100 per cent.

4. RIVER AND MERCANTILE CARBON EMISSIONS REPORTING

4.1 OVERVIEW

This statement of carbon emissions and environmental impact is compliant with the Streamlined Energy and Carbon Reporting (SECR) requirements. It covers the following:

- Global energy use
- Greenhouse Gas (GHG) emissions relating to heating fuels, electricity and reimbursed transport expenses
- Intensity ratios
- Information relating to sustainability actions

This report covers the River and Mercantile entities located in London, Chicago, Boston, and staff working remotely.

Reporting Period: 1st July 2020 - 30th June 2021

	Scope	UK Energy Use (kWh)	GHG Emissions (tCO_2e)*
Natural Gas Consumption	Scope 1	23,986.1	4.4
Purchased Electricity	Scope 2	555,638.8	147.7
Operational: Company Transport, Electricity Losses, Shipping & 'Well to Tank' (fuel) emissions.	Scope 3	-	15.1
Total		**579,624.9**	**167.2**

** Tonnes of carbon dioxide equivalent, a standardised measure of six greenhouse gases defined by the Kyoto Protocol, 1997*

Based on the emissions above, the carbon intensity of River and Mercantile is:

- 0.56 tCO_2e per Full-Time Employee
- 0.0054 tCO_2e per square foot of office space

Given that this is the first year that River and Mercantile is required to comply with the SECR, no reporting from previous years is included. As per SECR guidelines, any future reports will include year-on-year comparisons. Additionally, the COVID-19 pandemic led to significant changes in company operations including work-from-home policies and travel restrictions, leading to a different emission profile than would be expected during a typical operating year.

4.2 SUSTAINABILITY AND ENERGY EFFICIENCY ACTIONS

Given our Environmental sustainability pillar, we have made the following goals:

- Switching tariffs to a renewable energy provider where possible
- Conducting a green audit of the entire business, including Scope 3 emissions
- Creating posters and other visual reminders for employees to 'switch off lights when not in the room' and to 'turn off computers at the end of the working day'
- Implementing facilities management approaches in order to reduce the carbon footprint within our offices. Our offices are equipped with recycling facilities for paper and plastics and encourage conservation of water and other resources. We have water dispensers, reusable dinnerware, and dairy free alternatives to milk. We have also made efforts to reduce our printing requirements
- Various other initiatives are available. We offer the UK Government's Cycle to Work scheme, and bike storage and electric vehicle charging stations are available at some office buildings. Our travel reimbursement policy encourages staff to use public transport, where available, when attending client meetings
- Our offices all have video conferencing facilities so we can reduce travel requirements for ourselves and our clients. We use standard technology systems so that documents can be transmitted electronically

4.3 METHODOLOGY

This methodology follows the GHG Reporting Protocol, specifically under the operational control approach for all facilities controlled by River and Mercantile. All energy and GHG calculations were completed using the 2020 and 2021 UK Government GHG Conversion Factors for Company Reporting (DEFRA). Note that Scope 2 emissions were calculated using a location-based method.

The data used in this report was based on operational data gathered by River and Mercantile and prepared with the assistance of BeZero Carbon LTD.

The collected data consisted of invoices for all UK sites and employee mileage which was later reimbursed by River and Mercantile. In the case that the energy consumption was only provided by the amount of the utility bills paid, the office floor area was used to estimate energy consumption.

The total emissions attributable to River and Mercantile in compliance with the SECR guidelines were calculated to be **167.3 tCO2e** for the reporting period.

Our full operational carbon footprint for the period, beyond emissions covered by SECR, is **369 tCO2e**.

As a net zero asset manager, we hold ourselves to account in the same way as our investee companies. We have therefore commenced heading towards being a net zero firm, beyond just carbon neutrality, by taking more carbon out of the atmosphere than we put in there. This has been achieved by purchasing offsets worth **460 tCo2e** and will be followed by engagement with our staff to reduce future emissions.

As we are a UK and US based firm, we have included high quality offsets for UK reforestation projects that contribute to the UK's own net zero commitment. The other projects were selected on the basis of being located in the world's biggest emitters. There is also a focus on soil given its significant carbon capture properties and methane given the materially higher amount of heat that it traps. From BeZero Carbon's offsetting portfolio, credits from the following projects were retired:

- Afforestation in the UK: reforestation project in rural Scotland. Accredited by Woodland Carbon, with a strong regulatory environment and ongoing monitoring to mitigate risks, including permanence and reversibility risk over the 100-year time horizon
- Grassland conservation in the USA: protecting land from conversion to crops, thereby retaining the millions of tonnes of CO_2 that are stored in plants and in the soil
- Avoidance of Methane emissions from landfill in India avoids the generation of methane emissions from municipal solid and food waste through composting

We are proud participants in the UN Climate Neutral Now initiative with our greenhouse gas emissions reporting, reduction and accredited offsets.

5. CORPORATE SOCIAL RESPONSIBILITY

5.1 MODERN SLAVERY

We are committed to preventing acts of modern slavery and the occurrence of human trafficking in our business and supply chain. We expect our suppliers to uphold human rights. We have a Modern Slavery Statement, which is available on our website, and continue to survey our largest suppliers for compliance with the Modern Slavery Act.

5.2 ANTI-BRIBERY, CORRUPTION AND ANTI-FACILITATION OF TAX EVASION

The Group is committed to good conduct and to carrying out all business in an honest and ethical manner. We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery, corruption and tax evasion facilitation. As part of this all-new joiners are required to complete countering bribery and corruption training in their induction training and ongoing annual training.

5.3 DATA PROTECTION / CYBER SECURITY

All employees are required to take part in a monthly online training module on cyber awareness. Employees are also subjected to random phishing simulations to test reaction to suspicious emails and web links. The Group is certified with Cyber Essentials, a Government-backed scheme designed to guard against the most common internet based cyber security threats.

5.4 COMMUNITY

The Group and its employees were collectively involved in various charitable activities in the countries in which it operates. We aim to make an impact within the communities we operate, whilst fostering a sense of community amongst employees through collaborative volunteer events as well as raising funds for charity.

We support our employees in their endeavours through a number of initiatives:

- Give as You Earn (GAYE) payroll giving scheme.
- Two annual paid volunteer days.
- Donation matching up to £1,500 annually.
- Fundraising events run by the Group's employee-led Charity Committee.