Environmental, Social and Governance Policy: Home Long Income Fund

The Home Long Income Fund ("HLIF") is dedicated to fighting homelessness in the United Kingdom ('UK') through addressing the severe shortage of suitable housing for the homeless. HLIF will target exclusively investments in the UK, focussing on the delivery of high quality homeless shelters.

Each asset will be let to a specialist Housing Association who are Registered Providers of social housing or to a local authority ("Approved Tenant") on full repairing and insuring leases and we will not be responsible for any repairing, management or maintenance obligations.

We have a responsibility to conduct our investment business in a socially responsible way and, in managing a social impact fund, we recognise that our investors may have the same values. We seek to deliver superior investment returns whilst fulfilling the key objective of providing housing for homeless people.

We recognise that our business activities have both direct and indirect impacts upon the environment and, hence, we have significant responsibilities towards the environment. We are committed to managing those environmental impacts in the most effective and responsible manner and seek continuously to improve our level of environmental performance.

Where consistent with our fiduciary responsibilities, we will encourage the fund's tenants to reduce the carbon footprint of assets coming under their control by virtue of their leases and will explore ways in which the fund can support its tenants to meet this objective.

We measure the environmental performance of assets acquired by the fund, individually and across the portfolio, with environmental improvement plans put in place for individual assets. We will endeavour to report progress to our investors annually.

We engage specialist consultants to evaluate the sustainable characteristics of properties as part of our pre-acquisition due diligence, identifying risks to future financial performance and exploring opportunities to create additional value or to improve environmental performance. We will also endeavour to assess the impact of new acquisitions on the overall environmental performance of the fund.

We will not ordinarily acquire buildings that fall short of our minimum standards unless we are able to demonstrate that affordable improvements can be made. We will not ordinarily acquire buildings, for example, with an Energy Performance Certificate rating of less than D without having an affordable plan in place to improve the rating during the period of the fund's ownership.

Where making a forward commitment to acquire new developments, we will use our influence to encourage the developer and its contractors to consider sustainability-related issues in the design, construction and commissioning of buildings. We expect the environmental performance of new developments to exceed the minimum standards laid down by building regulations and planning policy.

We expect all new and refurbished buildings to have Energy Performance Certificates rated at C or higher and that the design will incorporate enhanced insulation, advanced energy efficiency and a suitable range of water-saving features.

Aside from managing assets in an environmentally responsible manner, we see sustainability as both a threat and as an opportunity. There is a risk that the future value of some properties may be adversely affected by issues of sustainability. We have systems in place to enable us to measure, monitor and then manage these emerging risks as an integral part of our overall approach to risk management.

Conversely, we believe that some assets may experience a positive price correction as a result of the move towards a lower carbon economy and we are always looking for opportunities to create added value through the creation of more sustainable assets when considering asset allocation and stock selection.

Issues

Sustainability is considered under these key headings:

- Financial performance
- CO_2 emissions
- Energy
- Accessibility
- Physical risks
- Water
- Waste
- Engagement
- Reporting

Some of these issues may have implications for the future financial performance of funds under management, and some relate to "best practice" and social responsibility.

Our policy is intended to:

- Promote environmental protection
- Prevent pollution
- Promote sustainable development
- Meet or exceed legal compliance and planning requirements
- Anticipate future policy impacts
- Establish risks from the physical impacts of climate change and
- Minimise waste

Due to the ever-changing nature of sustainability we will continue to improve and update the relevant criteria that are used within the investment process.

While keeping our focus on maximising individual asset's financial performance, we endeavour to take account of our sustainability objectives by incorporating them into our business planning and reporting. By integrating such issues into the investment appraisal process we aim to minimise downside risks and capitalise on opportunities for enhancing returns wherever possible.

Financial Performance

We endeavour to assess the likely implications of climate change policy on each individual asset and on the overall performance of each fund under our management.

In particular, we identify properties where there is a risk of losing income from existing tenants through migration to properties with better environmental qualities and quantify the potential impact of lower than average tenant retention rates, longer voids and higher costs on projected income returns.

We endeavour to ensure that risks from sustainability-related issues are consistent with the fund's low appetite for risk and devise strategies for reducing over-exposure to sustainability-related risks, during asset allocation and stock selection decisions and in the day to day management of the fund.

We identify the cost of improvements that may be required, either to protect the future quality of an asset or as a result of statutory interventions and ensure that they are properly reflected in individual asset plans.

We monitor the emerging impact of sustainability-related issues on values and will amend performance projections and offers for future transactions in the light of hard evidence as it emerges.

CO_2 Emissions

We recognise that greenhouse gases are a major contributor to climate change and controlling CO_2 emissions from properties under our management is therefore an essential part of our environmental strategy.

Where data is available, we will endeavour to calculate emissions from each property under our management and, where data is unavailable, make reasonable estimates as the basis for setting targets for future reductions.

We establish the volume of emissions (in tonnes) from each property and, when new properties are acquired, we will assess the relative impact of each acquisition on overall emissions.

We will also endeavour to calculate the "Carbon Intensity" (tonnes of CO_2 per £m invested) and over time, we will seek to reduce the total volume of CO_2 emitted by properties in the fund. This may be achieved through encouraging the tenants to adopt more sustainable property management and through the physical improvement of selected assets.

Current emissions are used as a basis against which measurable targets for year on year CO_2 emissions reductions are set.

Energy

Energy is the most significant contributor to CO_2 emissions from the built environment and we are committed to conserving supplies and reducing consumption. Due to the proposed leasing structure of the fund, we do not expect to have direct control over the way that energy is used by our tenants. We will have limited ability to improve energy efficiency as responsibility for buildings has been devolved to our tenants. However, we will engage with our tenants to encourage the more efficient use of energy and to promote energy efficiency improvements.

Few tenants are obliged to provide details of consumption and large organisations are often unable to identify consumption at individual buildings where they are part of a large operational estate. Where appropriate, we undertake a high-level assessment of energy efficiency and identify ways in which energy efficiency can be improved. Where a Cost Benefit Analysis suggests that energy savings are proportionate to the costs, we invite tenants to undertake a more detailed assessment and then we give favourable consideration to applications for consent to alter.

Accessibility

We recognise that, after the consumption of energy, the most significant source of CO_2 emissions is from transport and that assets which are less inaccessible, based on the criteria set out below, may prove less attractive to occupiers and decline in value.

We examine the accessibility of all assets under our management and limit the extent of the fund's potential exposure to less accessible properties.

There is no common measure of accessibility but our analysis is based on three factors:

- Distance from public transport. Over-reliance on private transport generates higher emissions than properties which are well served by public transport. Offices, residential and retail properties which are more than one kilometre from suitable public transport may be considered inaccessible.

- Congestion. Properties which rely on road transport (distribution facilities, retail warehouses, industrial properties) should be within easy reach of the national motorway network and accessible from a major trunk road without being ensnarled in stationary traffic. Properties which are more than a 15 minute drive-time from the nearest motorway or major trunk road may be considered inaccessible.

- Car parking. The adequate provision of car parking can be a major contributor to the value of properties. Under-provision, displacing vehicles into neighbouring streets, will have a negative impact on the quality of the surrounding area. Over-provision may encourage the unnecessary use of private transport. Buildings which differ +/- 20% from local standards may be considered inaccessible.

Physical Risks

We recognise that some property is at risk of flooding and that, in some locations, the risk of flooding may worsen over time as a result of climate change-related issues. In some cases, the risk is not reflected in current market values but that may change.

We identify which assets are at risk from flooding and forecast the extent to which values may be compromised. We can then ensure that the exposure of the fund is consistent with its overall approach to risk.

On acquiring new assets, we have regard both to the impact of flood issues on the future performance of each asset and its impact on the overall exposure of the fund as a whole to flood-related risks.

Water

We recognise that water is a scarce commodity in some regions and that, over time, scarcity is likely to affect an increasing number of territories. We consider ourselves to be under an obligation to use all natural resources, including water, responsibly.

To this end, we promote the use of water-saving measures in buildings devolved to our tenants.

We also have regard to water saving opportunities during the regular repair, refurbishment and replacement of water-related services that are undertaken directly by the fund.

Waste

We support the principle of “re-use, recycle, reduce” and its application to waste.

We encourage our tenants to recycle waste and to reduce waste sent to landfill sites.

Engagement

We recognise that the largest impact we can make on the environment is through influencing the behaviour of others – our staff, our agents, our contractors, our suppliers and our tenants.

We ensure all our employees are aware of our policy, objectives and targets and that relevant individuals have the knowledge and skills necessary to implement the strategy in their day-to-day roles. We provide appropriate training to our staff.

Through our procurement policies and practices we encourage our suppliers of goods and services to minimise the impact of their operations on the environment.

We will endeavour to engage with our tenants to encourage the sustainable management of areas under their direct control and in the way that common parts and shared services are used. We encourage tenants to make improvements to energy efficiency and, where appropriate, prepare high level “sustainable design guides” for tenants’ reference in preparing plans for fit outs and periodic refurbishments.

We identify tenants whose businesses are most influenced by sustainability-related issues and who have the most advanced Environmental Policies and explore ways in which tenants’ aspirations to reduce carbon emissions can be supported and encouraged.

Reporting

We recognise the importance of setting targets for the management of sustainability-related risks and exploitation of opportunities to add value. We set long term targets for key initiatives and monitor progress year on year.

We recognise the importance of benchmarking the performance of our assets against other investment properties and the performance of funds under our management with other funds. Sustainability benchmarking is a complex topic and there are, at present, a large number of independent benchmarks available. We will endeavour to work with our clients to identify which is most suitable for their purposes.

Governance

Our commitment to good governance is set out in our Governance Charter and is summarised below:

Our corporate operations are overseen by an Executive Board and our investment activities are overseen by an Investment Committee chaired by our Chief Investment Officer. These committees work together to ensure proper execution of our investment strategies, consistent application of our policies, compliance with our procedures and compliance with local and regional regulatory requirements.

The Executive Board is responsible for setting the strategic direction of the firm, for establishing appropriate investment programmes and for designing and implementing the policies and procedures that govern our operations, including our ESG practices.

Our approach to good governance is set out in detail in our “Governance Charter” and, for the purposes of this policy, is summarised below:

Compliance

We are committed to conducting business with the highest integrity and in compliance with the letter and spirit of the law. All employees must adhere to our management policies and procedures.

The Chief Compliance Officer is a member of our Executive Board and is primarily responsible for the implementation, monitoring, review and enforcement of our policy and procedures.

The Chief Compliance Officer implements and oversees global legal and regulatory compliance and risk management. Responsibilities include, among other things, making regulatory filings, reviewing, updating and maintaining policies, advising on new laws and reviewing conflicts of interest.

Employees in every department undergo training so that they are informed of their compliance obligations and how to identify compliance issues.

Risk Management

Our governance model is designed to manage investment risk and operational risk.

Investment Risk

Investment risk is overseen by the Investment Committee which monitors all capital transactions undertaken by the firm. This committees ensures that investment teams place the proper emphasis on preservation of capital, identification and management of investment risk and appropriate pricing of risk at the portfolio and property level.

The Investment Committee is responsible for monitoring portfolio risk and reviewing each of the investment portfolios on a half-yearly basis.

Operational Risk

The Chief Compliance Officer is a member of the Risk Committee, reporting to the Executive Board, and is tasked with identifying, capturing, assessing, managing and monitoring the operational risks including litigation, insurance and regulatory compliance, tax and IT disaster recovery procedures.

Ownership

Jamie Beale, as fund manager, is the owner of this policy. It shall be subject to annual review. The fund manager shall be accountable to the Chief Executive Officer and Executive Board for compliance with and execution of this policy.