

Activate Capital

IMPACT INVESTING:
Enabling Sustainable
Communities

ESG Strategy | 2023

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ESG STRATEGY | 2023

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01 | CEO FOREWORD



Activate Capital was founded in 2015 as a catalyst to unlocking new home supply.

Our ESG Strategy, Impact Investing – Enabling Sustainable Communities is anchored in directing funds to the delivery of high quality, energy efficient, affordable homes in inclusive community settings.

With the support of our capital, our customers continue to deliver large numbers of sustainable houses and apartments to the private sale and the social and affordable sectors.

We are pleased to be an active contributing member of the **Irish Green Building Council** and a signatory of the United Nations supported **Principles for Responsible Investment (PRI)**.

The Activate team is proud of our progress and the impact we have made to date. Equally, we recognise we must evolve our sustainability journey in partnership with our customers.

ROBERT GALLAGHER, CEO



02 | STRATEGY OVERVIEW

Enabling Sustainable Communities through Impact Investing

02 | STRATEGY OVERVIEW

Activate Capital was founded in 2015 to address the prevailing shortage in housing supply by **accelerating new home construction**

We create real impact **through our capital allocation decision to fund scale delivery** of new energy efficient homes.

We support our customers in the creation of **inclusive communities** for all stages of the housing life cycle.

All homes constructed by our customers are high in energy efficiency, with a Building Energy Rating (BER) of A and **meet the Nearly Zero Energy Building ("NZEB") standard.**

We recognise, and support with our funding, the Government agenda of **increasing the delivery of more social and affordable homes.**

We operate within a **robust governance framework.** ESG factors are embedded into our decision making process and in our assessment of risk adjusted returns.

Activate Capital Impact in numbers*

18,250 housing units unlocked by Activate Capital funding since 2015

€1.5 billion committed to projects since inception

75 sites funded for scale housing and apartment developments

3,000 NZEB units funded and sold to date

Over 4,000 housing units being actively funded, including 1,600 apartments

25% of all new construction funding is for social and affordable home construction

* As at June 2023



The Activate Capital team with customer the Adwood Company and Minister for Housing Darragh O'Brien, at the opening of cost rental apartments at Kilcarbery Grange, Dublin. Activate Capital is proud to support the development of cost rental apartments which see tenants occupy units at a 25% discount to market rents.

02 | ADOPTING THE UN SUPPORTED PRI PRINCIPLES

We have set out below how we have embedded ESG factors into our operating model and how we have integrated the six principles of the UN supported PRI into our investment analysis and decision making process. We are signatories of the UN supported PRI, as are our institutional funders.



Full integration into our Risk Management Framework

PRI Principle 1: we will incorporate ESG issues into the investment analysis and decision making process, and **PRI Principle 3:** we will seek appropriate disclosure on ESG issues by the entities we invest in

ESG risks are considered from the initial transaction screening stage

Detailed internal and external ESG due diligence is completed with outputs shared in our Investment Committee papers.

Prospective Borrowers must share their own ESG policies and complete the Activate ESG Assessment questionnaire.

ESG outputs inform the final Investment Committee decision and investment documentation.

Pre investment close, a final ESG Transaction Checklist is completed.



Ongoing Education and Collective Ownership

PRI Principle 2: we will be active owners and incorporate ESG issues into our ownership policies and practices.

All employees contribute to the ESG Strategy and regular feedback is encouraged.

Ongoing ESG training is provided including attendance at industry events

At an asset level, we recognise our position as debt providers in the capital structure. We seek to positively influence the investments we make by promoting and encouraging best practice with our customers.



Investment Manager Level Initiatives

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry

We actively promote being a PRI signatory on our website.

Our ESG Strategy is publicly available.

As a firm, initiatives include enhanced employee wellness, making charitable donations and promoting responsible energy consumption and waste management.



Knowledge Building and Sharing

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Knowledge building and sharing is a key pillar of our ESG strategy.

We believe we can both learn from and share learnings with our customers.

We are active members of the Irish Green Building Council and contributors to industry ESG working groups.



Transparency & Reporting

Principle 6: We will each report on our activities and progress towards implementing the principles.

A robust governance structure is in place ensuring frequent stakeholder reporting.

In accordance with PRI requirements, Activate will report periodically on its activities

Signatory of



02 | ALIGNING TO SUSTAINABLE DEVELOPMENT GOALS



In creating our ESG Strategy we have done so with reference to the UN Sustainable Development Goals (“SDGs”). The SDGs that are most significant to Activate’s business are identified and discussed below.



Sustainable Cities & Communities

Enabling Sustainable Communities is the underlying core of our ESG Strategy. Activate funded developments include mixed tenure developments providing choice for all aspects of the housing lifecycle, additionally, by regulation a minimum of 10% of units must be allocated for social housing. They are well connected and benefit from major transport links and must have a minimum 20% allocation for open space providing opportunities for recreation and biodiversity enhancement. They are affordable both in terms of purchase price and ongoing running costs.



Climate Action

Activate funded developments, under Irish Building Regulations, must be nearly Zero Energy Buildings (nZEB) effectively requiring an A BER rating. The real estate sector in Ireland is already subject to strong regulatory oversight and strict building standards. As part of the Activate ESG Assessment, Borrowers are asked what percentage better than NZEB they are targeting for their development in order to ascertain potential alignment with the EU Taxonomy for climate mitigation in addition to a life cycle assessment to ascertain embodied, in use and disposal



Decent Work & Economic Growth

Activate Capital is focussed on supporting sustainable business practices within the real estate sector in Ireland. Our customers appoint suitably qualified professionals to ensure best in class health and safety working environments for staff, contractors, sub-contractors, professionals and visitors to their sites. Our customers comply with all regulatory requirements in relation to employment terms and conditions and the fair and equitable treatment of direct and contracted employees. We also seek that our customers provide us with their own Code of Conduct / Business Ethics policies as part of our due diligence process.



Responsible Consumption & Production

Our customers seek to work with selected suppliers, subcontractors and third parties and build schemes using carefully sourced materials to ensure that the finished product is of a high quality and is built safely, efficiently, cost effectively and with minimal environmental impact. As part of our due diligence process, customers are asked how many products they are using carry Environmental Product Declarations (EPD's) and what percentage of waste is recycled, reused or recovered.



CASE STUDY

Thriving Sustainable Communities

CASE STUDY | Thriving Sustainable Communities

Kilcarbery Grange

Sector: Social & Affordable Homes
Sponsor: Adwood

29-ha site in West Dublin developed in partnership with South Dublin County Council.

A new community which will ultimately accommodate over **1,000 A rated homes**.

First truly mixed-tenure Strategic Housing Development which will serve all elements of the housing life cycle including **social, cost rental, affordable for sale, private rental** and **owner-occupied** accommodation.

50% of units made available for social tenancies, affordable purchase and cost rental.

Cost rental is **not-for-profit** housing, offering long-term, secure tenancy at more affordable rents which start at **25% below** the average local rent.

Activate is working in partnership with its customer Adwood in parallel to approved housing body Tuath, the Housing Finance Agency and South Dublin County Council on this flagship residential delivery project.

370 families in occupation as of August 2023.





03 | STRATEGY IMPLEMENTATION

In all our investment strategies, Activate Capital views ESG risk factors as integral components of our investment process.

03 | STRATEGY IMPLEMENTATION

Our belief is that we serve our stakeholders best by providing them with appropriate risk adjusted returns and a robust analysis of ESG factors is a key consideration in achieving this objective.

We believe that creating shared value among all stakeholders in the value chain is a realistic objective that has a positive outcome for investors, borrowers, residents and ultimately wider society, while simultaneously protecting the environment and conserving natural resources for future generations.

Since adopting our ESG Strategy – “**Impacting Investing : Enabling Sustainable Communities**” in 2022, we have implemented it through the following three pillars:



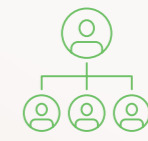
Knowledge Building

- Gold level member of the Irish Green Building Council (“IGBC”).
- Proactive contributor to ESG thinking groups with Irish Institutional Property (IIP) and the IGBC.
- Activate staff participation at industry events and workshops.



Integration

- ESG considerations embedded into business processes at both Investment manager and Asset level.
- Roll out of the Activate ESG assessment with customers.
- Process adopted by Portfolio Management & finance teams to embed on going monitoring and reporting requirements.



Stakeholder Engagement

- Engage at least once annually with our investors to understand their evolving ESG requirements.
- Share good ESG practices with customers and outputs from the Activate ESG assessment.
- Quarterly reporting of ESG metrics to the Board of Activate Capital.
- Engagement with local community through supporting relevant charities.



CASE STUDY

Urban Revitalisation & Placemaking

CASE STUDY | Urban Revitalisation & Placemaking

Stoneybatter Place

Sector: Purpose Built Student Accommodation
Sponsor: Elkstone / Harrison Street

Stoneybatter Place is a high density 142 bed PBSA development in Dublin City Centre

The development facilitated the **regeneration** of a 1.85 acre brownfield site

Centrally located within walking distance of TUD Grangegorman & public transport nodes.

Designed to achieve **BREEAM Very Good** certification & **NZEB +10%**

Wellness hub includes yoga and gym spaces in addition to rooftop gardens and terrace.

Engagement with **local community** through utilising local artists.





04 | INVESTMENT LEVEL DECISION MAKING

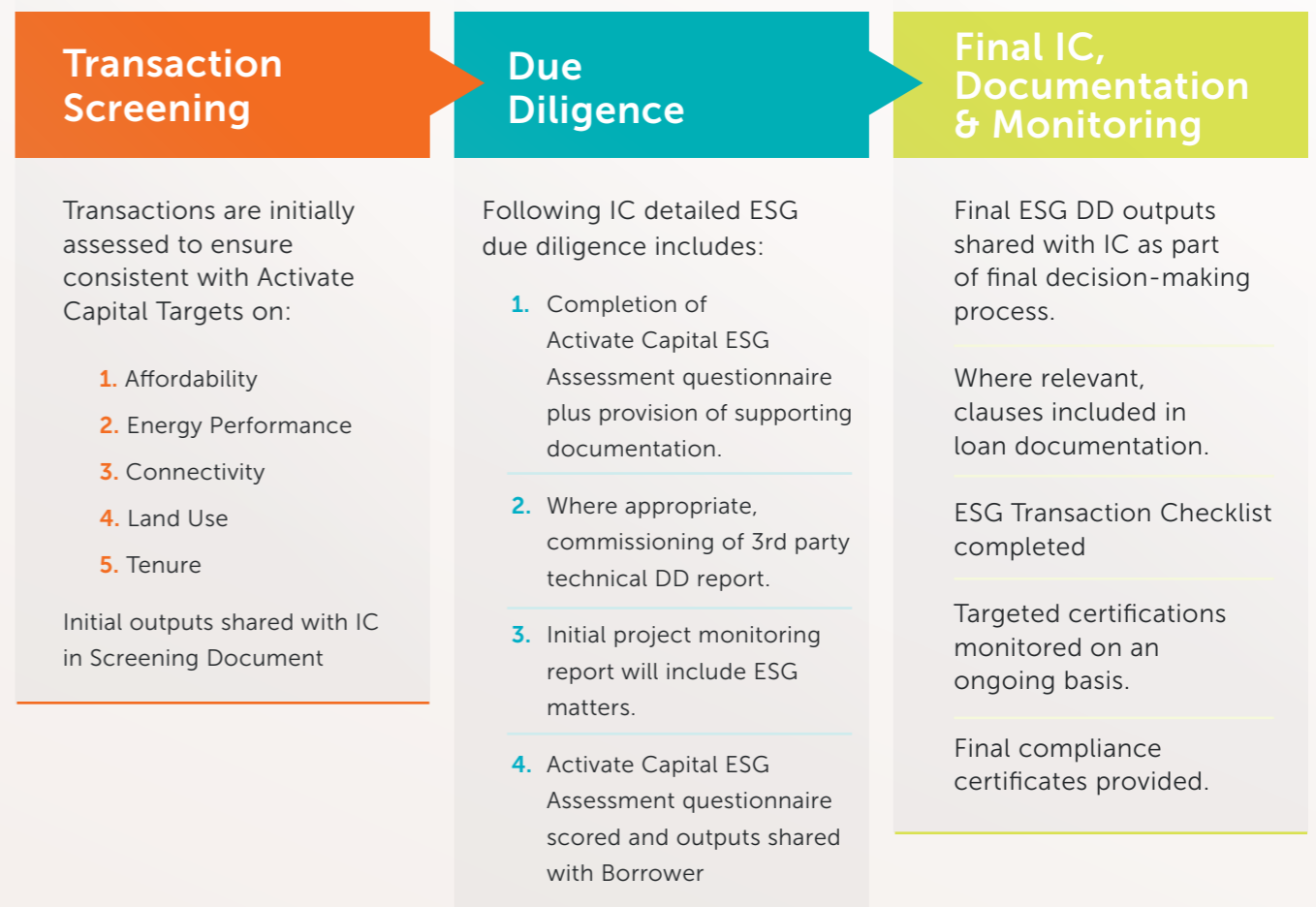
Transaction Screening

Due Diligence

Final IC, Documentation & Monitoring

04 | INVESTMENT LEVEL DECISION MAKING | PROCESS

Since adoption of our ESG Strategy in 2022 all transactions are assessed for ESG purposes as part of our Investment Committee (“IC”) process, this is detailed as follows:





04 | INVESTMENT LEVEL DECISION MAKING | OUR ASSESSMENT FRAMEWORK

A key part of the investment process is Borrower completion of the Activate ESG Assessment questionnaire.

Created in conjunction with external consultants, a score is developed based on the detailed questioning for each category of Environmental, Social and Governance which are weighted accordingly.

This assessment forms an integral component in the Investment Committee determining whether to proceed with a transaction.

04 | INVESTMENT LEVEL DECISION MAKING | OUR ASSESSMENT FRAMEWORK



Environmental

By what extent is NZEB is being exceeded for the development.

What Green Certifications will be obtained.

Has a Climate Risk & Vulnerability assessment been completed.

Has a life cycle assessment been completed.

How many products have EPD's.

What percentage of waste will be recycled, reused or recovered.



Governance

Borrowers are expected to share their own ESG strategy / policy documentation.

Business Code of Conduct and/or Ethics policies to be shared.

Social and/or environmental targets to be disclosed.

How does the Borrower consider ESG issues in its tendering process and supply chain.

In addition to the scoring output generated by the questionnaire, the Activate team also considers the quality of the response and supporting documentation.

Feedback is provided to customers on areas that scored well and also areas that require improvement.

Over the last 12 months we have been establishing a scoring baseline across transactions and have been providing customers with feedback.

Our expectation is that scoring will improve over time.



Social

What percentage of the scheme will be for social housing.

What local amenities and bio diversity enhancements are proposed.

What percentage of units will be able to avail of Government affordability incentives.

Will the Borrower include social issues in its tendering process.

What major infrastructure will the development benefit from.



CASE STUDY

NZEB in Practice

CASE STUDY | NZEB in Practice

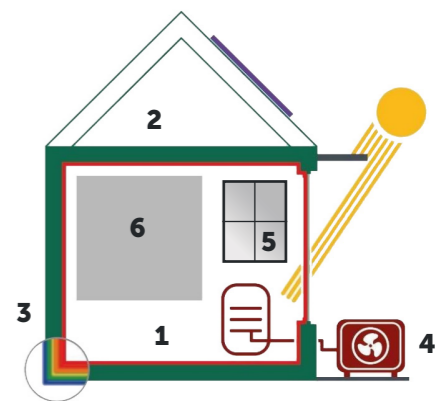
Ballymakenny Park

Sector: Phased Housing

Sponsor: Castlethorn

A new development which will result in the construction of over 1,000 homes in Drogheda. The first project being delivered in collaboration with HISco to deliver key infrastructure unlocking the delivery of 1,000's of new housing units.

- 1** Air-tightness membranes ensuring draft free homes and minimal heat loss
- 2** Superior levels of insulation designed to reduce heat loss through floors, walls and roofs
- 3** Wired for electric car charging
- 4** High efficiency air to water heat pump system.
- 5** Homes are fitted with high performance, double glazed windows
- 6** Mechanical heat recovery ventilation extracts warm, stale air from kitchens and bathrooms and supplies fresh air into bedrooms and living rooms. The system recovers up to 90% of the heat energy in the stale air and uses it to warm fresh air coming into the home





05 | AT INVESTMENT MANAGER LEVEL

While Activate Capital makes its biggest impact through its investments, the Team at Activate believes it should live and promote good ESG practices within the business, in this regard we have taken the following initiatives

05 | AT INVESTMENT MANAGER LEVEL



Environmental

Responsible waste disposal is promoted through the promotion and accessibility to recycling waste disposal.

Improved shower facilities and bike parking provided to encourage active transportation to work. >70% of Activate Capital employees actively commute via bike or public transport.

Access to the Transport for Ireland tax saver scheme.

Access to the Bike to Work scheme. Provision of KeepCups and Re-usable water bottles.

In 2023 Activate has completed a base line preliminary testing of its Scope 1 & 2 Emissions. Activate will be considering this further in conjunction with its external ESG consultant as part of enhanced action.



The Activate Capital team participating at Dragons at the Docks – Activate Capital was a sponsor for 2023 for this key fundraising event for the Simon Community.



Social

Charitable donations. Key beneficiaries include Dublin Simon Community, Focus Ireland, ISPCCE and the UNICEF Ukraine Appeal

Matching employee charitable contributions within annual limits.

Run a well regarded mentored internship program since 2016. We commit to hiring 2 interns annually on a paid basis. To date, 16 individuals have benefited from this program.

Have provided Transition Year work experience programs.

Provision of one Corporate Social Responsibility ("CSR") day per employee per annum.



05 | ESG AT INVESTMENT MANAGER LEVEL | Governance



We operate robust, institutional-quality governance practices, under-pinned by a comprehensive Risk Management Framework (RMF), communicated through high-quality Stakeholder Reporting

Comprehensive Risk Management Framework governing all business activities

Quarterly risk review sessions and Board reporting

ESG risk factors embedded within the RMF



Extensive suite of compliance policies, including Credit, AML, Sanctions, Anti-Corruption, Tax and IT, Anti Slavery and Human Trafficking

ESG Transaction Completion checklist completed prior to transaction close.

LMA standard loan documentation with robust control frameworks across all lending activities

Quarterly investor reporting, including comprehensive portfolio analysis and market updates.

Quarterly Board Meetings, informed by comprehensive Board packs including ESG updates

Board and IC, independent of Executive

3rd party provision of AML, KYC and security trustee services

Panels of top-tier transaction due diligence providers, including legal, planning, cost, valuation, project monitoring and ESG.

ESG Strategy created in consultation with 3rd party experts

Activate Capital has been a **gold member of the IGBC since 2021** and is active in the membership, attending the IGBC's quarterly "**Community of Practice**" events as well as being invited to speak on conference panels.



The IGBC is affiliated with the World Green Building Council, a network of over 80 national Green Building Councils worldwide making it the largest organisation globally influencing the green building market.

Knowledge Building is a key pillar in Activate's ESG strategy implantation and in this regard the IGBC's learning hub is a valuable education tool for Activate Capital employees.





06 | OUR METRICS TO DATE



Activate Capital measures its impact through a combination of financial and non financial metrics, metrics and targets are reviewed and renewed annually.

Over the last 12 months we have identified, measured and reported on the following metrics.

Item	Target	ACTUAL (Q2 2023)
Energy Performance	Minimum A3 BER	>70% Targeting A2
Affordability	75% to fall within Government affordability initiatives	87%
Land Use	Increase number of units developed on brownfield sites to > 50%	49%
Access to Transport	90% of units within 1km of major public transport	94%

In addition to our internal metrics, following the roll out of our ESG Questionnaire, we have observed the following progression across our customer portfolio

22% +

Customers put in place an ESG policy following the Activate DD process

56%

Are targeting an NZEB of +10% in line with the EU Taxonomy

67%

Have engaged with the IGBC EPD database

44%

Have completed a life cycle assessment to identify embodied, in use and disposal carbon

07 | OUR FUTURE COMMITMENTS

We have made significant progress in successfully integrating ESG matters into our operating model.

This, however, continues to evolve and we have identified future commitments and further areas of focus over the next 12 month period, these include:

1. PRI Reporting:

As a new signatory of PRI we will complete our first reporting year in 2024.

2. Scoping:

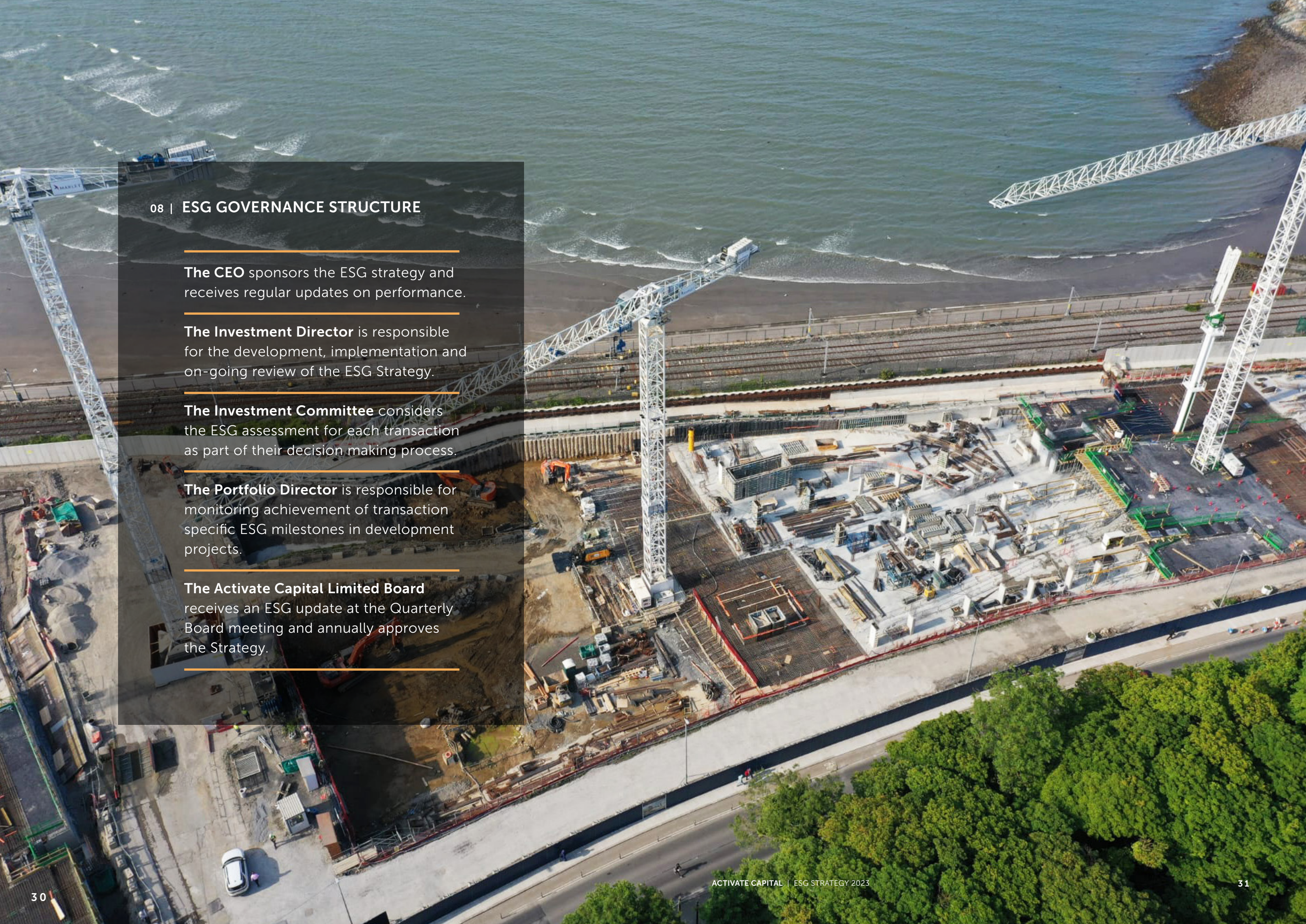
We will finalise our Scope 1 & 2 emissions and in conjunction with our external consultants examine how best to reduce. Recognising our position as a debt provider in the capital structure, we will determine how best to assess and consider Scope 3 emissions.

3. Training:

A continued emphasis on employee education and passionate advocacy

4. 2024 Strategy Update.

We will seek to complete and onboard the Task Force on Climate Related Financial Disclosures ("TCFD") recommendations.



08 | ESG GOVERNANCE STRUCTURE

The CEO sponsors the ESG strategy and receives regular updates on performance.

The Investment Director is responsible for the development, implementation and on-going review of the ESG Strategy.

The Investment Committee considers the ESG assessment for each transaction as part of their decision making process.

The Portfolio Director is responsible for monitoring achievement of transaction specific ESG milestones in development projects.

The Activate Capital Limited Board receives an ESG update at the Quarterly Board meeting and annually approves the Strategy.

Activate Capital

Innovative funding with capital strength