



RiverRock Impact Report 2022

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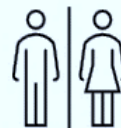
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2022 at a Glance



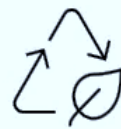
**75% Loans with ESG
Characteristics***



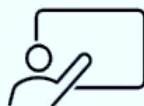
**Improved Gender
Diversity****



**GHG Emission
Reduction****



**357,607 kWh of
Renewable Energy*****



**100% ESG Training
for Staff**

*RiverRock Senior Loan Fund (RSLF1)

**Fund & Firm level

***RiverRock Brownfield Infrastructure Fund (RBIF1)





Letter from Our CEO

As part of its DNA, RiverRock Group provides small and mid-cap corporates in Europe with long-duration financial support and actively seeks out investments with the potential to make a positive impact on stimulating local economies. We aim to address the drivers of climate change and create economic benefits for society as a whole, as we believe that investments with such characteristics stand to outperform in the long term.

Our investment teams share an acute awareness of their duties as stewards of our clients' assets and this perspective underpins all of our investment decisions. Pre-investment, Environmental, Social and Governance factors play a major role during the proposal evaluation stage of each investment opportunity and post-investment. We consider such factors as fundamental components of our investment portfolio monitoring process. As part of its responsible investing approach and recognition of sustainability-related financial disclosures, RiverRock assesses its material ESG and sustainability-related risks, including climate risk, and will share these findings with its investors.

Despite the continued challenges posed by the Covid-19 pandemic, RiverRock weathered the storm as our engagement with investee companies allowed us to pre-empt any problems and roll out action plans to stabilise companies as required. Internally, RiverRock employees adapted comfortably to the enhanced working-from-home policy and an employee assistance program provided mental, physical and emotional wellbeing support to help our employees through this tough period.

Since 2017, Environmental, Social and Governance issues have been embedded in our investment process. This year our foresight was rewarded, as our customers and portfolio companies proved resilient in the face of economic shocks from the pandemic, both in the communities we serve and along the supply chains we finance. We are proud of the successes we achieved this year, both financially and non-financially: generating significant measurable positive impacts through the companies we invested alongside. To do this, we focused on engagement, climate risk and employee welfare amongst our investees.

Our infrastructure strategy was recognized as industry leading through PRI, receiving an 'A' rating in the 2021 UN PRI reporting.

Since 2021, RiverRock has implemented a double ESG rating methodology developed in-house which is used across all funds. This allows us to filter out investments which do not conform to RiverRock's ESG commitments. Additionally, we are incentivising our partners to improve their ESG risk management processes. ESG training is being provided to all RiverRock employees.

As we did last year, we held the UN's Sustainable Development Goals ("SDGs") at the forefront and are happy to share the results of our efforts in helping to deliver on SDGs 3 (Good Health and Wellbeing), 4 (Quality Education), 5 (Gender Equality), 6 (Clean Water and Sanitisation),



7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 9 (Industry Innovation and Infrastructure), 11 (Sustainable Cities and Communities), 13 (Climate Action), and 16 (Peace, Justice and Strong Institutions). RiverRock believes the Sustainable Development Goals provide a sound guide to identifying, creating and measuring impacts.

We are optimistic that our continued engagement with companies and education of employees, as well as supporting our local communities, will enable us to create significant positive impacts in the coming years and enable RiverRock to have continued success.

Alignment with our clients is central to everything we do, and we are proud to be supported by a diverse investor base, incorporating public institutions, public and corporate pensions, insurance companies and family offices. Long term success relies on the quality of our investment decisions and increasingly, this is achieved by doing so through the lens of sustainability.

Yours Sincerely

Michel Péretié
Partner & CEO



Key Initiatives during 2022

At RiverRock, ESG is at the cornerstone of all investment decisions. As part of an ever-evolving business group, we always strive to enhance and enrich our understanding of the environment we operate in, alongside the challenges that are posed. Driven by this spirit, we took a number of initiatives that broadened our scope and strengthened RiverRock's ESG risk management. Some of these initiatives included:

- **Transition Risk Assessment Model:** ESG team has designed and implemented an inhouse built transition risk assessment model, aimed to identify and proactively assess emerging transition risks (including policy & legal risks, technology risks, market risks, and reputation risk). RiverRock has an effective mechanism embedded in ESG risk management system to identify, assess, treat, monitor and report transitional risks both on asset and AIF level. As part of due diligence process, Portfolio Manager collects information on potential risks from investee companies. In addition, the PM team and Risk Management department independently reviews the investments to identify potential risks, assess likelihood and impact, and if needed, devise a mitigation plan. Key risks are reported to relevant stakeholders and decision makers. Initially, transition risk assessment is conducted for infrastructure fund assets, but it could potentially be extended to other fund assets as well.
- **Physical Climate Risk Assessment:** In recent past, climate change has posed as one of the top key risks to any business and the planet as a whole. We see it as a priority to understand the risks and implications, and design a strategy to better prepare for a rapidly changing physical environment. RiverRock's ESG team has been working on developing a physical climate risk assessment model to proactively identify and assess physical climate risks.
- **ESG Incident Reporting & Monitoring:** RiverRock has implemented a robust mechanism to report and monitor ESG related risk incidents. Any such incidents are reported to Risk Management department who perform a root-cause analysis and recommend action plans to prevent such incidents occurring in the future and/or to mitigate the impact. Risk Management maintains a database of all the incidents.
- **ESG Training & Workshops:** In coordination with HR, our Chief Impact Officer started a firm-wide training and successfully provided basic ESG training to all staff.



ESG Risk & Sustainability Management

RiverRock considers the UN's Sustainable Development Goals in its investment process and ensures the compliance of its investments working towards delivering these goals through pre-defined targets. We approach sustainability through a three-prong approach: under the umbrella of the SDGs, using a detailed ESG metrics checklist, then implementing impact indicators tied to fund-specific criteria which we monitor on a regular basis. RiverRock is also a Signatory of UNPRI.

RiverRock is delighted to be awarded an A rating in the UNPRI 2020 report. The United Nations Principles for Responsible Investment (UNPRI) in July 2020 granted RiverRock an A rating for Strategy and Governance and an A rating for Infrastructure. This reflected a strong improvement on last year and testament to RiverRock's evolution as a leader in sustainable investing. This score is an independent recognition of RiverRock's execution and commitment to transparency and best practices. The high scores from UNPRI attests to RiverRock's integrated Environment, Social and Governance (ESG) investment processes. RiverRock reported in the Fixed Income, Corporate Non-Financial asset class for the first time in 2020, scoring a B which is the median score among peers. RiverRock commits to an evolution of working internally and with portfolio partners on sustainability and impact measures. RiverRock is among the first funds with such a diversified set of strategies, from Working Capital and Direct Lending to Credit and Infrastructure, to sign up to UNPRI and implementing the best ESG practices across the Group.

Sustainability Risk Policy

As part of its responsible investing approach and recognition of sustainability-related financial disclosures, RiverRock integrates sustainability risks into the investment decision making process. In addition to following exclusionary criteria and a strict "do no harm" approach, we follow global norms on labour and business from organizations like the International Labour Organization (ILO) and go further by assessing how our counterparties address sustainability factors material to the strategies, such as climate risks, employment practices, respect for human rights, and governance, including anti-corruption and anti-bribery. As part of the SFDR legislation applied from March 2021, we are also assessing and disclosing our own climate risks more transparently.

Adverse sustainability impact

As part of our origination and due diligence process, we incorporate the consideration of principal adverse impacts of investment decisions on sustainability factors. We endeavour to exclude investments that have a material negative effect on sustainability - from communities to effects on biodiversity.

RiverRock actively seeks out investments with the potential to make positive impacts on poverty, the environment and society. RiverRock's in-house ESG rating framework estimates the positive impacts and applies a Sustainable Opportunity Rating to each potential investment.

Across its various funds and strategies, RiverRock works with multiple companies who have their own ESG policies and governance. In order to control and monitor these companies to ensure they are aligned with RiverRock's ESG standards, we grade each of them with an ESG Risk Management Rating.

This double ESG rating system enables RiverRock to be transparent with investors; disclosing each fund's ESG performance and evolution through time as new investments are made.



ESG Driven by SDGs





Our Funds



RiverRock Senior Loan Fund ("RSLF1")

As part of its responsible investing approach and recognition of sustainability-related financial disclosures, the PM team integrates sustainability risks into the investment decision making.

Our exclusion policy is in line with ESG criteria and includes (among others) the exclusion of investments into: weapons and ammunition, prisons and detention centres, sex trade, human cloning, coal mining, nuclear energy, gambling, nuclear energy, and tobacco.

In addition to the exclusion list and a strict do no harm approach, we go further by assessing sustainability risks through a two level selection process that also excludes certain industries and companies whose customers/counterparties count more than 10% of sales in sectors we deem harmful. By doing so, we encourage our counterparties to allocate to sectors that improve the environment and society.

The market is supporting the ESG drive by adding 'ESG ratchets' to most new loans. These set a number of pre-defined sustainability KPI's and if met, the coupon is reduced. In 2021, we did 25 new loans of which 8 had these ratchets (32%). In 2022, we happened to do the same number (25) of new loans, of which 18 had these ratchets (72%). We expect near 100% of loans to benefit from these ratchets by 2025.

These targets included things such as:

- 1) Measuring CO2
- 2) Hiring more women
- 3) Contributing more in society
- 4) Creating an ESG internal team

RSLF selected SDGs



We deployed new capital to companies pioneering sustainable alternatives to antiquated, incumbent, technologies including a €20 million loan to one sustainable frying-pan pioneer

We expanded the share of the portfolio loans with definite ESG targets that translate to lower margin ratchets once successfully hit by the borrowers

Investee companies have supplemented their management teams with dedicated ESG Directors

76% of investee companies have a dedicated CSR statement on their website, thanks in part to our engagement





RBIF1 - Asset by Asset ESG Performance

GCP

- 3,017 police workers

Achievements:

- Installation of Solar panels on roofs
- 157,000 kWh of renewables generated from renewables sources
- LED lights installed to increase the energy efficiency
- Online meetings substituted by in-person meetings: impact on air pollution
- Hired a specific ESG advisor to assist on ESG initiatives
- Asset enrolled into GRESB since 2022



Exterimmo

Ecolya

- 8,663 students
- Annual competition among students on how finding innovative ways to reduce energy consumptions

Nov'Ecole

- 3,157 students

Achievements:

- Part of the energy climate plan of the City of Paris:
- 40.6% of consumption reduction
- 42.5% of GHG emissions reduction



Vigo

- 1,020 hospital beds
- 230,607 kWh produced by solar panels

Achievements:

- Measurement of Co2 emissions (1,557)
- Measurement of energy consumptions (29,378,976) kWh
- Offered free parking to medical staff during Covid-19
- Provide free TV to all patients during Covid-19
- Implementation of a Compliance Committee
- Implementation of policies covering the following:
- Equality plan, Sexual harassment protocol, Ethical code of conduct



Pinhal Interior

- 93km road that connects the interior north and central regions of Portugal and remote urban areas

Achievements:

- Reduction GHG emissions initiatives:
- Charger parks for electric vehicles and plug-in hybrid vehicles
- Inclusion of the carbon cost of purchasing in service decision making
- 32 electric charging point in the Pinhal Interior Sub-concession
- Acoustic barriers to minimize noise pollution
- 0.6 km of safety barriers
- External Portuguese Board member: relevant track record and bringing governance best practice





RiverRock Direct Lending Opportunities (“RDLO”)

By financing Italian healthcare receivables, RiverRock Direct Lending Opportunities is providing working capital funding to a sector in need. The fund is helping reduce regional geographic inequalities, focusing on private hospitals in areas where the average day sales outstanding for invoices is 160 days (vs. an average of 60 days in Europe).

As part of the origination and due diligence process, RDLO incorporates the consideration of principal adverse impacts of investment decisions on sustainability factors through a multi-level process from an exclusions list, to an ESG checklist.

Helped private healthcare institutions with poor financial help from banks or government to increase their capacity during the pandemic crisis

25 Italian hospitals and medical centers have been facilitated with working capital solution

RDLO selected SDGs



RiverRock MiniBond Fund (“RMF”)

In addition to following exclusionary criteria and a strict do no harm approach, RMF follows global norms on labour and business from organizations like the ILO and goes further by assessing how counterparties address sustainability factors material to the strategies, including anti-corruption and anti-bribery.

As part of the origination and due diligence process, RMF incorporates the consideration of principal adverse impacts of investment decisions on sustainability factors through a multi-level process from an exclusions list, to an ESG checklist.

At least 57% of our counterparties are following or implementing energy conservation strategies. In one specific case, the company is investing part of the RiverRock funds in renovating their facilities through installing a new photovoltaic system with fast charge power columns for electric vehicles

A water conservation strategy was implemented by 42% of RMF's clients in 2021

RMF selected SDGs





RiverRock Accounts Receivable Finance (“RARF”)

Basel III has led to a bank driven undersupply of credit that limits the ability for European SMEs to finance growth. This trend has created a need for alternative funding sources away from traditional banks. Hence, new forms of financial intermediation have evolved, driven by the rapid emergence of direct lending asset managers. RARF support the viability of European SMEs through the funding of working capital.

As part of the origination and due diligence process, RARF incorporates the consideration of principal adverse impacts of investment decisions on sustainability factors through a multi-level process from an exclusions list, to an ESG checklist. As part of the origination and due diligence process RARF incorporates the consideration of principal adverse impacts of investment decisions on sustainability factors through a multi-level process from an exclusions list, to an ESG checklist. RARF tracks the wider impact of its portfolio investments on societal, environmental and ethical factors across Europe.

155 SMEs have already been provided with working capital funding

Support sustainable businesses in various sectors such as healthcare and education with daily liquidity all over Europe

RARF selected SDGs





The Path Ahead: 2023

Looking ahead to 2023, we are excited for the continued growth of our investee companies and engagement with our counterparties, to continue to raise the bar on sustainability. We aim to focus especially on climate risks, their potential impact and effective strategies to manage these risks. We expect the macro environment to improve and stabilize; this will not only support our financial performance but ease the operations of our companies.

At the Group level, our focus will be on providing high quality training to our staff and enhancing their understanding of the ESG environment, emerging market and regulatory challenges and to equip them with suitable resources needed to effectively manage such challenges.

Next year, RiverRock will commit publicly to support the goal of net zero greenhouse gas emissions by 2050 or sooner, by becoming a signatory of the Net Zero Asset Managers Initiative. We will set our 2050 and interim targets and begin the annual reporting process in line with TCFD recommendations.

At asset level, RBIF1 is aiming to implement an energy audit (Skate), a project to start using Sustainable Aviation Fuel (Eliance), around € 800,00 CAPEX plan 2023-2025 to implement energy efficiency (Cocoon), and to reduce greenhouse gas emissions by 30% and 20% energy (Exterimmo). RSLF is aiming to align 100% of its loans with ESG characteristics.

We are planning to launch two new SFDR Article 8 funds in 2023, increasing total number of Article 8 funds to 3. RiverRock's Article 8 funds include RiverRock Absolute Return Alternative Credit Fund ("ARAC"), RiverRock Brownfield Infrastructure Fund 2 (RBIF2) and RiverRock Senior Loan Fund 2 (RSLF2).

We are looking forward to onboarding additional mission-aligned investors as we seek to increase our financial and non-financial impacts in the year ahead. In addition, we are looking to launch new funds focusing more on impact investing and growing our presence in this space.



Annex 1 TCFD report

Governance

Under RiverRock's Environmental and Social Management System (ESMS), climate risk assessments are conducted for each investment.

RiverRock's Executive Committee, composed of the firm's partners including Michel PERETIE and Mario CORDONI, plays a crucial role in overseeing climate-related risks and opportunities. The Executive Committee actively engages in the governance of climate-related matters to ensure alignment with the organization's strategic goals and risk management practices. This oversight is done through ad-hoc committee and ESG incident register.

Management within RiverRock plays a central role in assessing and managing climate-related risks and opportunities. This includes conducting climate risk assessments for each investment, identifying vulnerabilities, and developing adaptation plans.

Management ensures that climate risk assessments are integrated into RiverRock's decision-making processes, providing valuable insights for informed investment decisions. They work closely with investee companies to encourage the adoption of climate-friendly practices and the development of adaptation plans to minimize climate change shocks.

RiverRock's governance structure involves the participation of Co-Chief Investment Officers (Co-CIOs) and the Chief Impact Officer in escalated discussions concerning 'high' ESG-related risks. Investments identified with high-risk factors are subject to a rigorous approval

process that includes the implementation of risk remedies to address and manage these risks effectively. The Executive Committee will also be notified of these discussions and approvals.

This collaborative approach between the Executive Committee and management reinforces RiverRock's commitment to proactively managing climate-related risks and seizing opportunities while ensuring that its investments are in line with sustainable and responsible practices.

Strategy

RiverRock acknowledges the paramount importance of climate risk assessment in today's circumstances, particularly within its private equity strategy. In response to this recognition, RiverRock has prioritized the development of comprehensive climate risk assessments for its infrastructure fund RBIF.

RBIF systematically evaluates transition risks and opportunities over varying timeframes. In the short term, a key opportunity identified is the potential for energy efficiency improvement for all assets within the portfolio. RBIF is committed to enhancing the efficiency of its assets, not only reducing operational costs but also contributing to its long-term sustainability goals.

Furthermore, RBIF has recognized the imperative of decarbonization. A detailed decarbonization plan has been first developed with the support of an external consultant for one of its assets, aligning with RiverRock's commitment to the Net Zero Asset Managers initiative. This plan outlines the steps to reduce carbon





advancements, and shifts in market behavior under different climate pathways.

Within this analysis, RBIF systematically scores and assesses changes related to regulatory environments, technology landscape, and market dynamics, considering how these changes might unfold in each scenario. Financial drivers are then mapped onto the transition scenarios to derive a comprehensive understanding of the potential impact of transition risks on the organization's assets.

In instances where the final risk rating indicates a high level of exposure, RBIF proactively develops mitigation plans. These plans are formulated to effectively manage and reduce the identified transition risks. By employing these metrics and the associated scenarios, RBIF enhances its capacity to make informed investment decisions, navigate risks, and capitalize on opportunities while fostering a low-carbon economy.

Transition Risk Metrics

RBIF employs a comprehensive set of metrics to assess transition risks, which consider both financial driver analysis and transition scenarios analysis. These metrics are instrumental in evaluating the potential impact of transition risks on the organization's assets, while aligning with the broader strategic objectives.

The metrics encompass two distinct scenarios from International Energy Agency, namely Stated Policies Scenario (STEPS) and Announced Pledges Scenario (APS). The latter, consistent with the goal of limiting global warming to below 2 degrees Celsius, is of particular significance. These scenarios serve as frameworks to evaluate the effects of regulatory changes, technological

Scenario IEA Asset	STEPS		APS			
	2030	2050	2030	2050		
GCP	Minimal	Minimal	Minimal	Minimal		
VIGO	Minimal	Minimal	Minimal	Minimal		
Exterimmo	Minimal	Minimal	Minimal	Minimal		
Triavium	Low Opp	Minimal	Minimal	Minimal		
Eliance	Minimal	Minimal	Minimal	Minimal		
Cocoon	Low Opp	Low Opp	Minimal	Low Opp		
YannV2	Minimal	Minimal	Minimal	Minimal		
High Opp	Med Opp	Low Opp	Minimal	Low Risk	Med Risk	High Risk

The results of this assessment indicate that the transition risks remain globally low for RBIF. The four Public-Private Partnership (PPP) projects benefit from risk-sharing mechanisms with public owners, effectively transferring the majority of transition risk responsibilities to these public stakeholders. This risk-sharing arrangement provides stability and



overall resilience of the organization's assets.

Targets

RiverRock's commitment to addressing climate-related risks extends to the establishment of meaningful metrics and targets, aligned with its strategy for a low-carbon economy. While specific targets have not yet been set, RiverRock is dedicated to being a part of the Net Zero Asset Managers initiative. This commitment reflects RiverRock's intent to proactively contribute to global efforts in mitigating climate change by aligning its investments with a net-zero emissions pathway.

RiverRock recognizes that setting clear and ambitious targets is a crucial step toward enhancing its resilience and contributing to a sustainable future. The organization acknowledges the importance of robust, science-based targets that are aligned with the latest climate science and international climate agreements.

As part of its commitment to the Net Zero Asset Managers initiative, RiverRock aims to establish targets in the coming year that will guide its efforts in reducing its carbon footprint and transitioning its portfolio toward a net-zero emissions trajectory. These targets will reflect RiverRock's dedication to actively managing climate-related risks and seizing opportunities in alignment with a 2°C or lower scenario.