



OUR COMMITMENT TO SUSTAINABILITY



INTRODUCTION

The world's population is expected to reach 9.8 billion in 2050¹ and increasingly reside in urban centres, challenging the economic vitality of regional areas. This is expected to occur at a time when climate volatility is projected to increase, arable land per person is expected to decline² and water stress is expected to escalate.³

Riparian Capital Partners (RCP) recognises that, as a food and agriculture sector investor, we depend on a sustainable environment, prosperous communities and sound governance and that we are well positioned to positively contribute to improving environmental and societal outcomes.

This paper has been enhanced since our original commitment published in 2019. The paper is designed to outline our sustainability priorities and our commitments as an investment firm to our partners. Over time, we plan to share RCP's progress across a range of environmental, social and community measures.

ABOUT RCP

RCP, a specialist agriculture and food sector investment firm, was established with the specific purpose of identifying, acquiring and managing investments across the agriculture sector.

RCP is majority owned and controlled by its founding team and backed by minority strategic partner Pinnacle Investment Management ('Pinnacle'). Pinnacle is a multi-affiliate investment firm with funds under management of over \$80 billion.⁴

RCP invests in real assets that are critical to the production of essential agricultural goods, are fundamental contributors to food security and are predominantly located in regional areas. In doing so, we provide capital to support the growth, financial efficiency and sustainability of farms, agricultural infrastructure facilities and agribusinesses.

OUR PHILOSOPHY

At RCP, our ability to successfully manage Environmental, Social and Governance (ESG) factors is directly linked with our ability to sustainably deliver attractive returns to our investors. Our view is there is no bifurcation between investment returns and sustainability; indeed, as long-term investors in agriculture, we are incentivised to advance and enhance our ESG practices over time.

We view the analysis and management of ESG factors as an integral part of our business processes. We have publicly committed to implementing, monitoring and reviewing ESG practices across our business and the assets we manage.

RCP is a signatory to the United Nations Principles of Responsible Investing (UNPRI), has integrated UNPRI principals into investment and asset management processes and is a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).

Signatory of:

Supporter of:



¹ United Nations, Department of Economics and Social Affairs (2017), World Population Expected to Reach 9.8 billion, www.un.org.

² The World Bank, 'Arable Land', World Bank Open Data, Data retrieved on the 10th of June 2019.

³ MIT Joint Program (2014) The future of global water stress.

⁴ All figures are in Australian Dollars. As at 30 April 2021, Pinnacle Investment Management Group Limited Wilsons Rapid Insights Sydney, Pinnacle FUM is calculated at 100% of FUM managed by Pinnacle affiliates.

OUR SUSTAINABILITY PRIORITIES

Standardising our priorities provides consistency and focus across RCP’s business activities. RCP’s Sustainability Priorities (as outlined in Table 1 below) have been informed by the UN Sustainable Development Goals and our commitments as a signatory to the UNPRI. RCP acknowledges the environmental sensitivities

of agriculture and food production, especially where irrigation is central to production security. Our priorities acknowledge this fact, seek to ensure RCP is well positioned to contribute to positive societal outcomes and are tailored to Australia’s operating environment.

Table 1: RCP’s Sustainability Priorities

SUSTAINABLE DEVELOPMENT GOALS	PRIORITY	ACTIONS
 2 ZERO HUNGER	Increase Agricultural Productivity	RCP will seek to increase the sustainable productive capacity of farmland and water assets where possible through development activities, implementation of advanced farming systems, appropriate technology and supporting research and development.
 15 LIFE ON LAND	Farmland Health, Accreditation & Water Management	RCP will work with farming partners to adopt and apply for accreditation under third-party Best Management Practices , ⁵ promote the use of agronomic standards to improve soil and vegetation management and invest in practices to sustainably manage the efficient use of water on-farm.
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Participation in Water Markets	RCP will participate in Australian water markets in a manner that supports the; <ul style="list-style-type: none"> Targeted outcomes of the National Water Initiative⁶ and the regulation to achieve those outcomes; and Development and expansion of farming businesses and provides a source of capital to improve the financial efficiency and sustainability of farming operations.
 3 GOOD HEALTH AND WELL-BEING	Wellbeing of our Partners	RCP will implement and uphold standards to ensure: <ul style="list-style-type: none"> We build trusted long-term relationships with our partners; Employees on assets in which we invest work in a safe environment; and Companies across our investee supply chains at a minimum meet legislated labour awards and processes.
 8 DECENT WORK AND ECONOMIC GROWTH	Positive Community Impact	RCP will seek, through all of our activities, to bring new economic life to regional farming communities supporting the sustainability of farms and agricultural infrastructure facilities.
 13 CLIMATE ACTION	Positive Climate Impact	RCP will strive to build knowledge and capability to meet climate change, promote and invest in climate awareness initiatives and integrate climate measures into policy & planning.

SUSTAINABILITY AND OUR INVESTMENT PROCESS

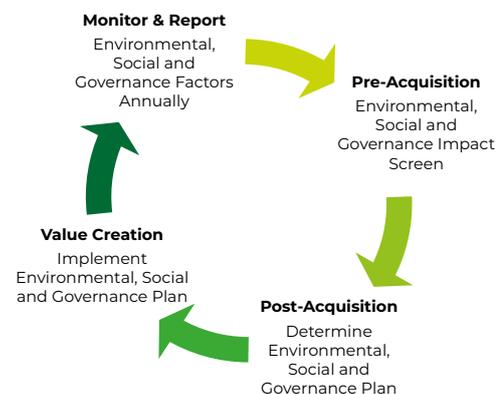
RCP is a long-term investor in the food and agriculture sector. We recognise the value we generate is directly linked to the stewardship of the assets in which we invest and the sustainability of our social license. Our social license in turn depends on the quality of our relationships with all stakeholders, our operational outcomes, our environmental impact and our ability to positively impact the communities in which we operate.

Consistent with our UNPRI obligations, RCP has incorporated ESG considerations into our investment processes, our policies and our procedures (as Figure 1 illustrates). The ESG approach is designed to provide discipline across the life cycle of our investments, some of which have investment horizons that extend beyond a decade. Individual ESG factors and key risks assessed pre-acquisition during investment due diligence, form the structural ESG management and monitoring program from which RCP will record progress periodically.

Our ESG risks and responsibilities vary across the assets (farmland, water, agricultural infrastructure and agribusinesses) in which we invest. Equally the opportunities to advance sustainability also vary.

While our sustainability priorities are consistent across the business, our framework (as outlined in Table 2 below) has been adapted to reflect the unique characteristics of the assets we invest in and the associated operating environment.

Figure 1: RCP’s Sustainability and Investment Process



⁵ RCP will seek to accredit relevant assets with applicable Best Management Practices (BMP) programs that exist. Best Management Practices programs examples include but are not limited to cotton myBMP, Smartcane BMP, HORT360, Dairying Better n Better for Tomorrow (DBnB).
⁶ The National Water Initiative (NWI) was created in 2004. Under the NWI, governments have made commitments to prepare comprehensive water plans, achieve sustainable water use in over-allocated or stressed water systems, introduce registers of water rights and standards for water accounting, expand trade in water rights, improve pricing for water storage and delivery and better manage urban water demands.



Table 2: RCP's Sustainability Framework

	Farmland	Water	Agricultural Infrastructure	Agribusinesses
Pre-acquisition Environmental Evaluation ⁷	✓	✓	✓	✓
Operating Partner ESG Evaluation	✓	n/a	✓	✓
External Occupational, Health & Safety (OH&S) Review	✓	n/a	✓	✓
Invest in Improving Asset Productivity and Resource Efficiency	✓	n/a	✓	✓
Track Management Practices to Government Initiatives	n/a	✓	n/a	n/a
Third-Party Best Management Practices Accreditation or Third-Party Certification	✓	n/a	✓	✓
Participation in Shaping Industry Issues	✓	✓	✓	✓
Established ESG Policies and Procedures	✓	✓	✓	✓
Regular Monitoring & Reporting	✓	✓	✓	✓

RCP's governance structure (including policies, procedures and the role of the Board, Investment Committee and Risk Committee) has been designed to provide an environment of effective oversight and accountability, including the oversight of RCP's ESG obligations and climate related risks and opportunities. It is the investment team's responsibility, together with RCP's operating partners,

to outline and implement an ESG plan for each asset / business consistent with undertakings of the firm's ESG Policy. The ESG Policy is reviewed and approved by the Board periodically. The Risk Committee is responsible for monitoring compliance with the Policy.

ADVANCING SUSTAINABILITY

RCP was established in early 2019 and is committed to maintaining sustainability practices consistent with our obligations to the UNPRI and our Sustainability Priorities. RCP's goal, as long-term investors in food and agriculture, is to continuously improve our understanding of sustainability and continuously strengthen our sustainability practices.

We support the Paris Agreement on climate change and align with the scientific community in acknowledging that reducing carbon emissions is a key challenge for the Global community. Furthermore, as an investor in agricultural real assets, we acknowledge the traditional custodians of the land and water across which RCP invests and pay our respect to First Nation Elders both past and present.

Together with the Pinnacle Charitable Foundation, we have proudly signed on as a corporate supporter of the Peter Cullen Trust's Women In Water (WiW) leadership program. [The Peter Cullen Trust](#), the [Pinnacle Charitable Foundation](#) and [RCP](#) have a shared desire to support the continued involvement of scientists and elevate the role of women in Australia's water and environmental management.



RCP will continue to incorporate sustainable investment themes throughout our portfolios. The anticipated impact of some of our expected investment themes are readily recognised while others, including investment activities in water, are not so obvious (as outlined below).

Water
Water is the critical and non-substitutable input not only for agriculture but also the environment more generally.
The Australian water market's impact is reasonably well known and acknowledged. The ability to trade water has "generated economic benefits valued in the hundreds of millions of dollars annually" ⁸ and "rivers and wetlands that received environmental water are in better condition". ⁹
Less well understood is that the involvement of financial participants such as RCP can;
<ul style="list-style-type: none"> • provide an alternative source of liquidity to enable farmers to improve financial efficiency and the sustainability of their farming operations; • provide an alternative capital source to support the development and expansion of farming operations; • enhance the range and availability of products available to farmers to manage water access and price risks; and • support the outcome of the NWI in relation to increasing market liquidity.

We are taking meaningful steps to established a focused approach to investing sustainably. We will continue to enhance our framework as the firm grows, as we seek to deliver on our commitments to our partners and as we learn more about opportunities to positively contribute to environmental and community outcomes.

⁷ RCP undertakes an environmental evaluation of each asset during due diligence. Where it is deemed necessary, RCP will appoint an external independent party/s to undertake a separate evaluation of the asset or specific components of the asset.

⁸ Australian Government, Department of Agriculture, History of Australian Water Markets. <http://www.agriculture.gov.au/water/markets/history>.

⁹ Wentworth Group of Concerned Scientists, 2017, Review of the Water Reform in the Murray-Darling Basin.



DISCLAIMER

This document is intended for investors, professional advisers and asset consultants only. The information contained in this document is for information purposes only and has been prepared for use in conjunction with a verbal discussion and should be read in that context.

This document is prepared by Riparian Capital Partners Pty Ltd ACN 630 179 752 (**RCP**) as corporate authorised representative of Pinnacle Investment Management Limited ABN 66 109 659 109 AFSL 322140 (**PIML**).

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“Riparian zone” refers to a broad zone spanning from the riverbank to the floodplains; it occasionally includes hill slopes that may influence the stream ecosystem.

Oxford Dictionary 2018

