



RER Capital PLC - ESG Policy Handbook

August 2025

Prepared by: RER Sustainability Team

Contact:

Jonathan Lloyd-Jones & Alistair Evans
info@recyclingenergyrecovery.com
+44 203 397 991

Website: www.recyclingenergyrecovery.com/investors

Introduction

RER Capital PLC ("RER") is an innovative secured debt issuance platform dedicated to advancing the circular economy and sustainable finance. As a pioneer in financing projects that promote resource efficiency, waste reduction, and environmental regeneration, RER integrates Environmental, Social, and Governance (ESG) principles into its core operations. This ESG Policy Handbook outlines our comprehensive approach to sustainability, building on our Green Bond Framework and Sustainability Strategy 2030, which targets net-zero financed emissions by 2050 and a 50% reduction in portfolio emissions by 2030.

This handbook serves as a guiding document for internal stakeholders, investors and partners to ensure transparency, accountability and alignment with global standards such as the International Capital Market Association (ICMA) Green Bond Principles (GBP), UN Sustainable Development Goals (SDGs) and relevant market taxonomies, including EU Taxonomy for Sustainable Activities. This handbook incorporates our sustainability policy and strategy, sustainable investment policy, ESG risk management practices, governance structure, and materiality assessment processes.

RER is committed to continuous improvement, regularly reviewing and updating this handbook to reflect evolving regulations, market practices, and stakeholder expectations.

Sustainability Policy and Strategy for the Group

Sustainability Policy

RER Capital PLC is committed to fostering a sustainable, low-carbon economy through innovative financing solutions that prioritize environmental protection, social equity and strong governance. Our policy is rooted in the principles of the circular economy, where resources are reused, regenerated and repurposed to minimise waste and maximize value.

We pledge to:

- Align all activities with global sustainability frameworks, including the Paris Agreement, UN SDGs (particularly SDGs 7: Affordable and Clean Energy; 9: Industry, Innovation, and Infrastructure; 12: Responsible Consumption and Production; and 13: Climate Action), and ICMA GBP.
- Finance projects that deliver measurable environmental benefits, such as carbon sequestration, emissions reduction and sustainable agriculture, while avoiding activities linked to fossil fuels, deforestation or other similarly harmful environmental practises.
- Promote social responsibility by ensuring fair working conditions, respect for human rights and community engagement in all financed projects.
- Uphold the highest standards of governance, transparency and ethical conduct to build trust with investors and stakeholders.
- Integrate ESG considerations into every aspect of our operations, from project selection to reporting, to drive long-term value creation without compromising financial returns.

This policy applies to all RER entities, subsidiaries and partnerships, including our collaboration with ReGenEarth on initiatives such as Project Char, which focuses on Biochar production for carbon sequestration and soil enhancement.

Sustainability Strategy

Our Sustainability Strategy 2030 outlines a roadmap to achieve net-zero financed emissions by 2050, with interim targets including a 50% reduction in portfolio emissions by 2030. Key elements include:

- **Environmental Focus:** Prioritize investments in circular economy projects, such as Biochar and Recovered Carbon Black (rCB) production, methane capture and waste-to-energy solutions. We aim to sequester or avoid at least 1 million tons of CO₂e annually by 2030 through financed projects.
- **Social Focus:** Support inclusive growth by financing projects that create jobs in sustainable sectors, enhance food security (e.g., via soil fertility improvements) and promote water and erosion resilience. We commit to zero tolerance for human rights violations and ensure compliance with international labour standards.
- **Governance Focus:** Establish robust oversight through our Sustainable Finance Committee (SFC) to monitor progress, manage risks and ensure alignment with evolving regulations such as the EU Green Bond Standard.
- **Innovation and Partnerships:** Collaborate with entities such as ReGenEarth to integrate technologies such as pyrolysis facilities into existing infrastructure (e.g., Anaerobic Digestion sites), turning waste liabilities into valuable revenue streams.
- **Metrics and Targets:** Track performance using key indicators such as CO₂e sequestered/avoided, renewable energy generated (GWh) and alignment with SDGs. Annual reviews will incorporate stress testing and scenario analysis to adapt to climate risks.
- **Stakeholder Engagement:** Engage investors, communities and regulators through transparent reporting and feedback mechanisms to refine our strategy.

By 2030, we envision RER as a leader in sustainable finance, with an ambitious aim to finance \$1 billion of green projects.

Sustainable Investment Policy

RER's Sustainable Investment Policy guides the allocation of capital to projects that generate positive environmental and social impacts while delivering competitive financial returns. This policy is aligned with ICMA GBP and excludes investments in harmful activities.

Key Principles

- **Eligible Investments:** Proceeds from issuances (e.g., Biochar Bonds) are allocated exclusively to Eligible Green Projects (EGPs) and Eligible Standard Projects (ESPs). EGPs include Biochar production, pyrolysis facilities, sustainable biomass sourcing and R&D for carbon sequestration. ESPs may include temporary sustainable investments (e.g., green or socially responsible money market funds) for unallocated proceeds.
- **Exclusion Criteria:** We exclude investments linked to fossil fuel extraction, coal-based energy, deforestation, nuclear energy, tobacco, weapons or activities we deem to be violating human rights or environmental laws. Projects relying on fossil fuel-based energy for daily operations are ineligible.
- **Impact-Oriented Allocation:** At least 70% of proceeds must be directed to EGPs, with the remainder in ESPs for diversification and return maximisation. Allocation prioritises projects with quantifiable benefits, such as CO₂e sequestration (aligned with SDG 13) and sustainable agriculture (SDG 2).
- **Diversification and Risk Management:** Portfolios are structured to balance risk through stratified allocation, with annual reviews to ensure compliance with our ESG Risk Framework.
- **Transparency:** All investments are documented in a Green Project Portfolio, with public reporting on allocation and impacts.

This policy ensures investments support a resilient, low-carbon future, as demonstrated in Project Char, where Biochar integration into AD sites generates carbon credits and turns digestate into valuable products.

ESG Risk Management

RER employs a comprehensive ESG risk management framework to identify, assess, mitigate, and monitor risks across investments, operations, and supply chains. This ensures adherence to international regulations, human rights standards, and ethical working conditions.

Managing ESG Risks in Investments

- **Risk Identification:** Potential investments undergo ESG due diligence using tools like the Equator Principles and EU Taxonomy. Risks such as habitat disruption, emissions, or supply chain vulnerabilities (e.g., unsustainable biomass sourcing) are screened.
- **Mitigation Measures:** Projects with identified risks are subject to enhanced monitoring, exclusion, or corrective action plans. For example, Biochar projects must use certified sustainable feedstocks to avoid deforestation.
- **Ongoing Monitoring:** Annual audits and stress testing evaluate financial and environmental risks, with reallocation if assets become ineligible.

Ensuring Working Conditions and Human Rights

- **Labour Standards:** We require all financed projects and partners (e.g., ReGenEarth SPVs) to comply with International Labour Organisation (ILO) conventions that ensure fair wages, safe working conditions, and no child or forced labour.
- **Human Rights Due Diligence:** Aligned with the UN Guiding Principles on Business and Human Rights, we conduct assessments to prevent adverse impacts on communities, including indigenous rights and community displacement. Violations trigger immediate exclusion or remediation.
- **Supply Chain Oversight:** Suppliers must adhere to our Responsible Sourcing Code, prohibiting unethical practices and promoting diversity and inclusion.

Compliance with International Regulations

- **Regulatory Alignment:** Investments comply with laws in relevant jurisdictions, including EU Taxonomy, UK Modern Slavery Act, and Paris Agreement commitments. We monitor updates to standards such as SASB for carbon accounting and TCFD for climate risk disclosure.
 - **Sanctions and Anti-Corruption:** Strict adherence to anti-bribery laws (e.g., UK Bribery Act) and sanctions regimes, with third-party audits to verify compliance.
 - **Enforcement:** Breaches result in penalties, contract termination, or legal action. Training programs ensure staff awareness of these obligations.
-

Governance Overseeing RER Capital and ESG-Related Risks

Governance Structure

RER Capital PLC is a special purpose financing vehicle owned via a charitable trust structure however RER (Recycling Energy Recovery Holdings Limited) is governed by a Board of Directors, supported by the Sustainable Finance Committee (SFC) and executive management.

- **Board Responsibilities:** Oversees strategic direction, risk management and compliance. Directors include experts in finance, commodities and circular economy businesses.
- **Sustainable Finance Committee (SFC):** The management team of RER meets quarterly to evaluate projects, update policies and monitor ESG performance. Members include RER's directorship and may expand to include external advisors.
- **Role in ESG Oversight:** The SFC liaises with external auditors (e.g., Ethifinance) and SPO providers for verification. It advises on KPIs, carbon accounting and alignment with taxonomies, ensuring double materiality principles (financial and impact materiality) are applied per TCFD and SASB.

Managing and Overseeing ESG-Related Risks

- **Risk Oversight Process:** The SFC conducts multi-step evaluations: screening for environmental benefits, risk assessment (including fringe risks and stress testing), and alignment with ICMA GBP. ESG risks are integrated into enterprise risk management, with annual reviews and public disclosure.
- **Accountability Mechanisms:** The Board reviews SFC reports annually, with escalation protocols for high-risk issues. External independent auditors verify compliance, and stakeholders can provide feedback via our Investor Relations site.
- **Updates and Adaptation:** The SFC monitors regulatory developments (e.g., EU Green Bond Standard) and updates frameworks accordingly, with significant changes validated by an SPO.

Materiality Assessments for Projects and Activities

RER conducts materiality assessments to identify and prioritise ESG issues most relevant to each project and activity, ensuring alignment with stakeholder expectations and regulatory requirements.

Assessment Process

1. **Identification:** For each project (e.g., Biochar facilities in Project Char), we map ESG factors using double materiality principles: financial materiality (impact on RER's value) and impact materiality (project's effects on environment/society). Sources include stakeholder consultations, industry benchmarks (SASB, TCFD) and internal data.
2. **Evaluation:** Quantitative and qualitative analysis rates issues by significance. Metrics include CO₂e sequestered/avoided, CORCs generated as well as SDG alignment and risks like nutrient leaching. For Biochar, we assess carbon sequestration potential, soil health benefits and pesticide degradation.
3. **Prioritisation:** Issues are ranked in a materiality matrix, focusing on high-impact areas (e.g., Scope 1 emissions for AD sites). The SFC reviews and approves.
4. **Integration and Monitoring:** Material issues inform project selection, risk mitigation and reporting. Assessments are conducted pre-investment and annually, with updates for new risks (e.g., regulatory changes).
5. **Reporting:** Results are disclosed in annual Impact Reports, including methodologies and alignment with ICMA's Harmonized Framework.

This process ensures projects like Project Char deliver verifiable benefits, such as turning AD digestate into Biochar for carbon credits and soil enhancement.

Reporting and Framework Updates

RER publishes annual Allocation and Impact Reports, verified by external auditors, to detail ESG performance. This handbook will be reviewed annually by the SFC, with updates communicated to stakeholders.

Disclaimer

This handbook is for informational purposes only and does not constitute investment advice. Refer to the full disclaimer in our Green Bond Framework for further details.