

ENVIRONMENTAL, SOCIAL & GOVERNANCE POLICY



INTRODUCTION

This document sets out Resonance's policy relating to Environmental, Social and Governance issues (ESG). It is a high level overview of the numerous ways in which ESG is embedded across our organisational and investment policies and processes. In many cases there are further more detailed policies and processes through which we ensure ongoing excellence in our approach to ESG. We are committed to continuously updating these policies and processes in light of our own learning and that of the wider impact investment sector.

SOCIAL AND ENVIRONMENTAL IMPACT AT OUR HEART

Resonance is solely focused on impact investment, and its impact funds are built around highly targeted social impact models with proven partners. Resonance has over 22 years of UK impact investment experience as an organisation to draw upon. The investment process for its funds has embedded social and environmental impact considerations at every level. As a certified Social Enterprise and B Corporation, Resonance practices ESG in all aspects of business and it is central to the value set within the organisation.

Resonance was founded in order to champion, promote and infuse ESG into the mainstream financial market and therefore ESG is 'part of our DNA' as reflected in our long-standing company vision of a world where:

- capital serves people and communities
- all are empowered to invest in enterprise for positive social impact
- resources are stewarded for future generations

LEADING IMPACT MEASUREMENT & MANAGEMENT

Given our exclusive focus on impact investment, Resonance has developed a sophisticated approach to impact measurement, management and reporting.

For each of our funds, we conduct a detailed exercise prior to fund launch to establish a 'theory of change' (i.e. how they create positive impact for people), in consultation with the relevant social enterprises involved. This in turn determines relevant impact measures which will allow the impact of the fund to be assessed and improved over time. These measures are summarised in the fund Information Memorandum and reported on in depth in an annual Social Impact Report (SIR) for each fund initiative.

For example, in our impact property funds for homelessness, for over a decade we have focussed on 4 key metrics with our housing partners in order to establish whether our funds were having the intended positive impact on the tenants, and these metrics have been informed by leading homelessness charities and housing partners. These metrics are:

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1. Improving housing options
2. Progressing towards work
3. Improving resilience against homelessness
4. Stable housing for children

In this example, in partnership with our housing partners, we collect multiple data points (qualitative and quantitative) for each of these 4 key metrics in order to inform whether the 'theory of change' is taking place and how the impact for people can be improved over time. Data from 2013 onwards suggests that this model is having some very positive impacts on the lives of people across the cities in which we have invested.

At an organisational level, Resonance also publishes an Annual Report in which we collect high level data on the impact of Resonance's overall activities in impact investment.

ENVIRONMENTAL IMPACT AND PATH TO NET ZERO

At an organisational level, Resonance has developed a Path to Net Zero strategy, which has been approved by the Board and a more detailed Path to Net Zero plan is now being developed and implemented over time.

In relation to the impact property funds, Resonance is implementing a bespoke adaption of the Salesforce platform to monitor the environmental position of the portfolio, including all EPC ratings pre-and post-refurbishment at the asset and aggregate level. This will allow us over time to evidence the additional energy efficiency created from our work refurbishing existing UK housing stock, a valuable and under-emphasised contribution to the climate emergency compared to new build.

The key targets that we look to for our homes are:

- Net Zero across all sources by 2043
- Energy Performance Certificate (EPC) grade 'C' or better for:
 - All new properties acquired by our deploying funds at the point of handover to Housing Partners
 - All properties previously acquired by our deploying funds or acquired from legacy portfolios, by end of 2028 at the latest
 - All properties across all of our non-deploying funds by 2030 at the latest

We are actively exploring viable options for carbon neutral heating for our homes. At the core of our thinking is ensuring that tenants can afford to keep warm in their homes. Our strategy will respond to developments in government strategy, strength of supply chain and availability of grants/subsidies.

We are currently exploring the most appropriate green building certificates for our portfolio, housing partners and importantly occupants of our homes. BREEAM and LEED Certification appears to match our portfolio requirements. However, we are mindful of the needs of the

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occupants of our homes and are exploring other options such as Living Building Challenge and Well Being Standard which also has an emphasis on health and wellbeing.

EXCELLENCE IN GOVERNANCE AT ALL LEVELS

At an organisational level, Resonance adheres to the highest standards for Governance, evidenced by our experienced and diverse Board, and by our external accreditation under B Corporation status (in which we were recently ranked in the top 5% of all B Corporations for Governance and Customer scores). In addition, we are a certified Social Enterprise with Social Enterprise UK.

In relation to the impact property funds, for our Housing Partners, we have a robust initial due diligence and ongoing monitoring process for our housing partners around governance, financial viability, and tenancy management capability that is monitored by the property fund leadership team monthly and by the Resonance board on a quarterly basis. This incorporates any regulatory ratings for Registered Providers. Our portfolio team closely monitor the repairs and complaints processes of our Housing Partners which reports monthly to Resonance executive directors, and maintain detailed compliance records for the properties in the portfolio including on stock condition.

Our Housing Partners have extensive engagement with tenants to ensure tenancy sustainment and progression for individuals and families housed, depending on the specific circumstances of each. This is actively monitored and reported on as part of Resonance's impact management activity, and reported on in detail in annual Social Impact Reports for each fund initiative.

We also hold a Housing Partner Forum in person every six months which brings together the project leads at our Housing Partner organisations. The annual impact reporting and our tenant forum (led by an independent consultant on our behalf) ensures that tenant feedback is received and acted upon.

IMPACT EMBEDDED IN THE INVESTMENT PROCESS

Since Resonance is a dedicated impact fund manager, the management of social and environmental impact is integral to the operation of all our teams. Our impact management process includes personnel from our Fund Management team, Communications team, and Operations team and, in the homelessness property funds, we also work with an external consultant to provide scrutiny and analysis to the process.

For example, in the impact property funds for homelessness, Resonance's fund management team identifies, purchases, and arranges the refurbishment of properties before they are leased to Housing Partners. The selection of properties takes into account their suitability for the social impact objective of move-on accommodation for homelessness, and has direct input from the Housing Partners from the initial identification of a potential investment and throughout the full process.

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EQUALITY, DIVERSITY & INCLUSION

Resonance is committed to being a champion of equality, diversity and inclusion both within the organisation and amongst the social enterprises we invest in. Resonance is an active member of the Diversity Forum and we have signed their Social Investment EDI Manifesto to show this commitment to raising standards not only within Resonance but across the sector. By working together with other members, we find practical ways to address challenges and barriers while creating a more inclusive social investment sector.

The Resonance EDI survey is repeated on an annual basis and is included in our recruitment process. Our approach to EDI goes beyond gender and ethnicity but extends to those with disability, those from differing socio-economic backgrounds and those with lived experience. Our genuine view is that involving people with diverse experiences leads to better decision making. Strength through diversity – this is not a box ticking exercise.

Regular reviews of our policies and practices enable us to foster a more equitable and inclusive workplace for our colleagues. Further basic EDI training is part of our mandatory training plan for the whole team.

We are an accredited member of the Living Wage Foundation and use these rates to set our entry level salaries for our interns and apprentices. CVs are now anonymised, and we have extensively improved our flexible working policy, enabling those with parental or caring responsibilities to more easily re-enter/stay in the work place.

Plans for further development of our EDI approach include further improvements to our recruitment such as exploring additional and more wide-reaching networks in which to advertise, review of the wording used in our job packs and becoming a member of the disability confident employer scheme.

EXTERNAL STANDARDS AND REGULATION

Organisational Accreditations

As noted above, Resonance has been an accredited B Corporation since 2018 and is also a certified Social Enterprise with Social Enterprise UK.

Organisational Affiliations

Resonance has a long-standing and active affiliation with a wide range of sector networks working in impact investment and ESG, for example we are a member of Impact Europe (formerly the European Venture Philanthropy Association) and Pensions for Purpose in the UK.

Organisational Awards

Resonance has over a decade of awards from both the property and impact investment sector, including most recently being shortlisted for Impact Manager of the Year in 2021 at the LAMP Investment Awards, being a winner of the Housing Heroes Awards by Inside Housing in 2022, and winning Investment Company of the Year at UKREiiF in 2023.

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SFDR

Our funds clearly fulfil the requirements of SFDR Article 9 since: (i) they have 'sustainable investment' as their objective; (ii) the definition of 'sustainable investment' includes 'an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality' (which our impact funds clearly do); (iii) although we don't use an 'index' to benchmark our sustainability performance we do include 'an explanation of how that objective is to be attained' within our fund documentation and Social Impact Reports; and (iv) in terms of disclosure we already publish our Social Impact Reports on our website. Although we do not currently have European investors in the funds, none the less committed to evidencing formal compliance with SFDR as part of our overall implementation of SDR compliance in the UK.

SDR

We have actively prepared for the introduction of SDR in the UK during 2024 and expect our funds to achieve the 'Sustainability Impact' label since they are designed to achieve a pre-defined positive, measurable social and environmental impact.

Daniel Brewer
Chief Executive Officer

Simon Chisholm
Chief Investment Officer

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