



# Responsible Investing Report 2023

# Important Notices

**Not an offer or solicitation.** This report is provided for informational purposes only and is not intended to be relied on as legal, tax, investment, accounting or other advice. This report does not constitute an offer to sell, or a solicitation of an offer to buy, interests in any Harbert Management Corporation ("HMC")-sponsored investment fund (each such fund, a "Fund"). Offers are only made by each Fund's Private Placement Memorandum ("PPM") or Confidential Offering Memorandum ("COM") to qualified investors and where permitted by law. Harbert Fund Advisors, Inc. ("HFA") serves as the investment adviser to most of the Funds and interests are offered in the United States through HMC Investments, Inc., member FINRA/SIPC.

**Past performance is not indicative of future results.**

**Opinions.** Some of the commentary contained in this report reflects the opinions of HMC on the current market environment, which may not be indicative of actual conditions and is subject to change. Nothing contained herein should be construed as research or investment advice.

**Case Study.** The case studies presented herein were selected using "non-performance based objective criteria" and may not be representative of all transactions of a given type. They are intended to be illustrative of types of investments that may be made by HMC Funds that take into consideration and implement certain ESG initiatives. It should not be assumed that all HMC Fund investments consider or implement ESG initiatives.

**ESG.** ESG initiatives described in the report, including those related to HMC's and the Funds' portfolio companies and investments (collectively, "Portfolio Investments"), are aspirational and not guarantees or promises that all or any such initiatives will be achieved. Statements about ESG initiatives or practices related to Portfolio Investments do not apply in every circumstance and depend on factors including the relevance or implementation status of an ESG initiative, the nature and/or extent of investment in, ownership of, control or influence exercised by HMC with respect to the Portfolio Investment, and other factors as determined by investment teams, portfolio operations teams, and/or other relevant parties on a case by case basis.

Certain of the ESG initiatives or practices described in the report are less applicable to or not applicable at all with respect to HMC's Private Capital and Absolute Return strategies. HMC does not consider or implement ESG initiatives for every Portfolio Investment. Any ESG initiatives considered do not take priority over HMC's objective to maximize risk adjusted returns for its investors.

The evaluation of ESG factors is generally qualitative and subjective by nature, and consequently there can be no assurance that any of the ESG initiatives described in the report will exist in the future, will be completed as expected or at all, will reflect the beliefs or values of any particular investor, or will apply to or be implemented uniformly across HMC, the Funds, and Portfolio Investments.

HMC's consideration of information and data voluntarily provided by a Portfolio Investment or obtained from third-party could be incomplete, inaccurate or unavailable, which could cause HMC to incorrectly assess the Portfolio Investment's ESG practices and/or related risks and opportunities. ESG considerations and responsible investing practices are continuously evolving, and there are different frameworks, methodologies, and tracking tools being implemented by other asset managers. Therefore, HMC's approach to ESG consideration is not expected to necessarily align with the approach used by other asset managers or preferred by prospective investors or with future market trends.

**No representation.** None of HMC, HFA, or any of their affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein should be relied upon as a promise or representation as to past or future performance of a Fund.

**Certain risks.** An investment in a Fund involves a high degree of risk and should be considered only by investors who do not require access to their capital and can withstand the loss of all or a substantial part of their investment. There can be no assurance that a Fund will achieve its investment objectives and performance may be volatile. A Fund may use leverage. The use of leverage may cause volatility in a Fund's performance. All investors should carefully review the "Risk Factors" and "Potential Conflicts of Interest" sections of a Fund's PPM or COM before investing, including the transfer and/or redemption restrictions applicable to interests in such Fund.

**Forward-looking statements.** This document may contain certain "forward-looking statements" that are based on our assumptions and judgments with respect to, among other things, future economic, competitive and market conditions. Such factors are difficult or impossible to predict accurately and many of them are beyond our control. Because of the significant uncertainties inherent in these assumptions and judgments, you should not rely unduly on these forward-looking statements, nor should you regard the inclusion of these statements as our representation that an HMC Fund will achieve any strategy, objectives or other plans. All forward-looking statements are made as of the date of this document. There is no obligation to update these forward-looking statements to reflect events or circumstances after the date hereof, nor is there any assurance that the policies, strategies or approaches discussed herein will not change.

**No duty to update.** The information contained herein is provided as of the date first set forth. None of HMC, HFA, or any of their affiliates assumes any duty to update any such information for subsequent changes of any kind.

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# About This Report

Harbert Management Corporation (“HMC”) is an investment management firm focusing on alternative assets. We are disciplined, opportunistic investors who invest alongside our clients on equal terms and conditions.

A privately owned firm founded in 1993, HMC serves foundations, endowments, fund of funds, pension funds, financial institutions, insurance companies, family offices, and high net worth individuals across multiple asset classes.

Over the past 30 years, HMC has prioritized responsibly assessing the impact of our business on the people, places, and assets in which we invest. While HMC’s investment strategies span multiple asset classes and continents, our approach to responsible investing is emphasized across our firm and drives our principles of investing. Meaningful partnerships, innovative practices, and strategic investments guide our responsible investment initiatives.

It is our belief that, together, we can build a more sustainable, resilient, and prosperous future through responsible business practices. We invite you to explore this report and learn more about where we are and where we are going on our sustainability journey.

Serving as our first report, the following content contains quantitative data from 2022 and 2023.

1993  
Formation

\$7.7B  
AUM†

86%  
AUM in  
Real Assets

175  
Employees

† Approximately \$7.7 billion in Regulatory Assets Under Management (“AUM”) as of December 31, 2023

## Letter from CEO

When I founded HMC 30 years ago, ESG was not a well-known acronym. At the time, I, along with four partners and numerous colleagues, had embarked on a new business venture in investment management. My father had initially hoped I would follow in his footsteps as an engineer and continue the family construction business. While I eventually made the decision to pivot and proceeded to build a new business in a different industry, my father's commitment to facing challenges with integrity, curiosity, and persistence helped shape HMC's ethos from the beginning and has continued to do so as we have grown into the global investment manager that we are today.

Our family business's long history of continuous beginnings, from construction upstart to global conglomerate and then from investment management start-up to present-day, has allowed us to readily meet the challenges we have faced with unparalleled corporate integrity and an unwavering commitment to all of our stakeholders. HMC was founded on principles of appropriately pricing risk, seizing untapped opportunities, and investing capital in a responsible manner.

As both fiduciaries and value investors our entire leadership team has significant capital at risk and therefore has a keen focus on the impact of our investments on our various stakeholders, both financial and otherwise. This perspective informs the view that business-relevant sustainability issues contribute to a company's long-term financial performance, and we therefore prioritize investments where we feel value can be created responsibly. While the concept of responsible investment is not new for us, I am pleased to share that we are formalizing that commitment in this inaugural report and sharing examples of the many and varied initiatives going on throughout HMC to further integrate sustainability into our business and create long-term value for our stakeholders.

In 2023, HMC made significant strides in implementing and documenting our responsible investing initiatives. The firm, a UNPRI signatory, continued to work internally and with our expert consultants to enact new policies, codify and document existing ones and share these developments with our clients and peers. As we continue to uphold the standards set by our Responsible Investing Policy, we remain committed to supporting additional avenues that responsibly and sustainably drive value creation.

HMC maintains a commitment to the communities in which we live, work, and invest. We strive to be good citizens and even better neighbors. Our internal, employee funded and run foundation, Harbert Employees Reaching Out ("HERO"), works to provide direct financial assistance when unforeseeable circumstances arise

and threaten the livelihood of community members. HERO has raised in excess of \$6.5 million for community causes over the last 25 years and we strive to continue to grow that impact.

Additionally, we continue to invest in our people. We consistently work to provide opportunities for professional development, mentorship, camaraderie, and inclusivity. Various initiatives including NextGen HMC, the Women's Forum, and our Annual Service Day foster an environment where all employees are empowered to grow and succeed. Investing in our people has played a key role in the firm's growth and success. This approach continues to help us to be more comprehensive and intentional in our integration of sustainable practices.

Lastly, we strive to improve our communities through the power of our capital. Our value-add approach to investing generates positive financial returns while also enhancing the quality of the underlying assets. We execute our business plans in a responsible manner engaging experienced consultants and service providers. Broadly, we partner with all relevant stakeholders to drive value and this engagement allows us to better understand and respond to the needs of the community.

In closing, I'll share that while this report serves as a testament to our commitment to sustainable and responsible investment practices, I acknowledge the many opportunities we have to continuously improve and innovate along our ESG journey. As we reflect on the progress made and challenges ahead, we remain dedicated to positively impacting our stakeholders, our people, our planet, and our communities.

Sincerely,



Raymond J. Harbert  
Chairman & Chief Executive Officer



# Harbert Management Corporation

## Investment Philosophy

We are first and foremost an investor in our own strategies. We suggest no investment to our co-investors unless HMC's or its affiliates' capital is also committed. We believe that fact alone is the best measure of our confidence in our ability to source, close, develop, and exit transactions profitably.

Our investment decisions are only made after methodical assessment, with an instinctive bent toward bold moves tempered by common sense, experience and, most of all, discipline. Within each platform, in order to build a portfolio with a composition that we believe balances risk and return, we invest in a variety of asset classes, always prioritizing our core tenets.

*HMC aspires to be a trusted, integrated alternative asset manager that consistently delivers alpha across the risk spectrum and attracts, develops, and retains high-quality talent.*

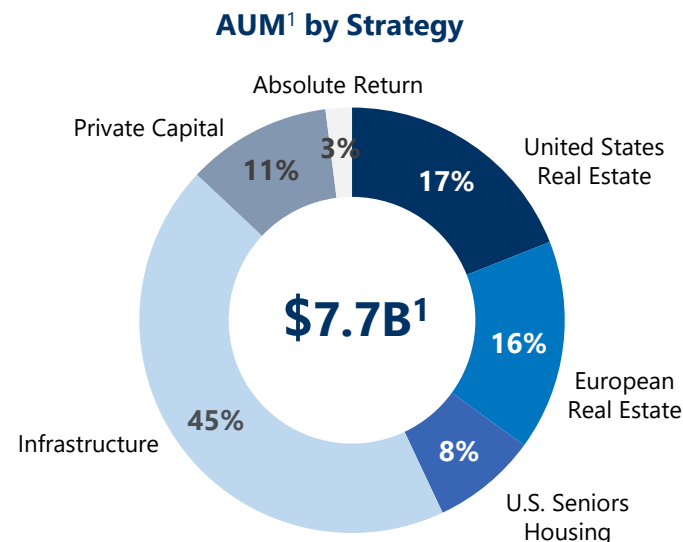
## Investment Principals and Core Tenets

**We are investors first.** Substantial HMC affiliate capital is invested in each fund vintage on the same terms and conditions as other investors.

**Our fund strategies employ fundamental, bottom-up investment analysis,** and we do not invest based solely on momentum or mathematical models.

**Our disciplined approach** to managing downside risk is critical to preservation of capital.

**Our institutional-quality operational infrastructure** provides our clients with the appropriate level of transparency across all strategies.

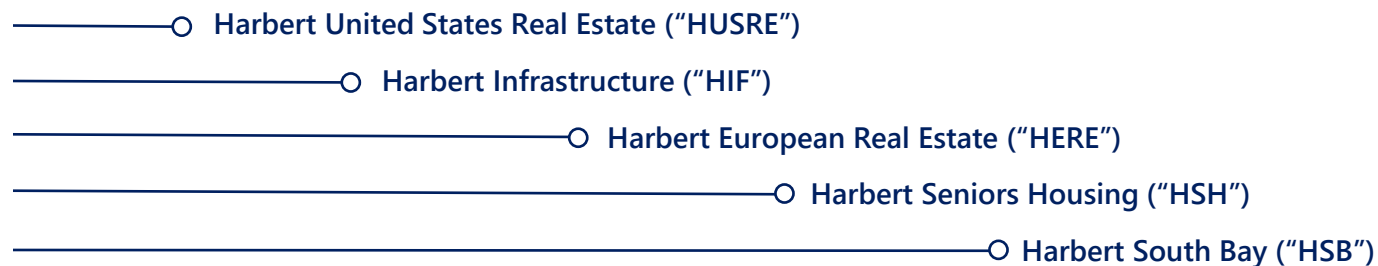


<sup>1</sup> Approximately \$7.7 billion in Regulatory AUM as of December 31, 2023

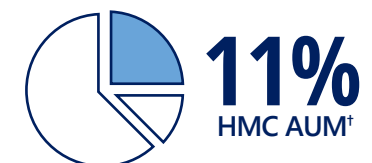
## HMC Business Strategy

*Across our real assets, private capital, and absolute return strategies, HMC seeks fundamentally based investment opportunities focused on markets and strategies that are not well-covered by large firms and are expected to generate double-digit net returns while preserving initial investment capital*

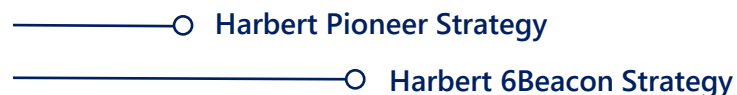
### Real Assets



### Private Capital



### Absolute Return



# HMC Responsible Investing Policy

*HMC prides itself on its history of managing the firm and its investment strategies with the utmost integrity. We believe that through documentation, commitment, and adherence to formal responsible investing principles, the management of our business can enhance the already positive impact being made in our communities.*

## Approach and Responsibilities

HMC's investment strategies consider environmental, social, and governance ("ESG") factors and responsible investing essential parts of the investment process that can mitigate risks and improve investor returns. Together, our investment and asset management teams evaluate ESG factors throughout an investment's lifecycle.

HMC's Responsible Investing Policy is intended to provide a broad framework for our approach to ESG integration in HMC's investment business. HMC's influence and control over our investments, whether in companies or real assets, varies significantly across and within certain asset classes.

In the case of some investments, we maintain control of the asset or company, while in other cases we may simply be a lender with no control or have only a minority shareholding and thus a more limited ability to influence the integration of ESG considerations. Consequently, some of HMC's investment strategies are better situated to more fully implement HMC's ESG objectives than others. Additionally, depending on the type of investment, HMC will assess ESG factors that are identified as "material" to that investment, meaning those ESG factors that would have the potential to impact economic value as well as environmental and social value for the investment and its broader stakeholders.

HMC's Board of Directors provides ultimate oversight of the firm's responsible investing efforts. The firm's Corporate Responsibility Committee is responsible for developing and implementing HMC's Responsible Investing Policy as well as regularly reviewing the policy for necessary revisions or improvements. The Corporate Responsibility Committee is composed of 10 representatives of executive management, investment teams, and fund administration. Each representative serves a three-year term, with the Committee Chairman serving as the standing member.

It is the firm's expectation that our Responsible Investing Policy will serve as a framework that evolves over time to reflect changes in business practices, consumer trends, technology, and regulation. The Responsible Investing Policy of HMC emphasizes the commitment HMC has made to investing capital in a responsible manner and sets forth our objectives of integrating ESG principles into applicable business practices; furthering principles of responsible investing through stakeholder engagement; and encouraging accountability through transparency with our investors and other stakeholders. HMC is committed to remaining transparent and informing our investors, employees, and stakeholders of the organization's responsible investing initiatives.

**We seek to deploy our capital in a manner that integrates ESG considerations into investment decisions where relevant. By considering applicable environmental, public health, safety, and social issues associated throughout the investment cycle, we believe our investment teams can create sustainable, long-term value for our investors.**



## HMC Corporate Responsibility Committee



**John Harbert**  
Senior Vice President, Strategy  
Committee Chair



**Travis Pritchett**  
President & Chief Operating  
Officer



**Thomas Hicks**  
Vice President & Director  
Risk Management



**Lee Purcell**  
Global Head of Capital  
Markets



**Bufkin Frazier**  
Vice President & Associate  
General Counsel



**Brandon Kusibab**  
Vice President  
Investor Reporting



**Kirk Stafford**  
Vice President  
Asset Management, HIF



**Ryan Benevides**  
Vice President  
Asset Management, HEREF



**Jon Shopay**  
Managing Director  
Asset Management, HUSREF



**Marlowe McCraney**  
Assistant Vice President  
Compliance & Data Strategy

### Stakeholder Engagement, Reporting, and Accountability

HMC is proud to publish its inaugural Responsible Investing Report which will be the platform for annually sharing information regarding HMC's responsible investing and ESG initiatives going forward.

We strive to openly share our ESG strategies and experiences with the marketplace to advance global ESG initiatives. HMC drives accountability through transparency with our investors and stakeholders about our responsible investing initiatives, accomplishments, and aspirations. For optimal transparency, some divisions within HMC will also publish their own ESG reports that are specific to their strategies and may be more relevant to certain stakeholders. We may also partner with key third parties (such as consultants and Non-Governmental Organizations ("NGOs")) for auditing and reporting purposes, ensuring we provide the ESG information that our stakeholders seek both accurately and transparently.

# HMC's Commitment to Responsible Investing

## Mission Statement

For over 30 years, HMC has been devoted to investing capital in a responsible manner. We are committed to corporate social responsibility and continually engage our stakeholders, which include our investors, investment teams, transaction partners, operating partners, and employees, to pursue opportunities that make a positive and long-lasting impact. We believe a sustained focus on ESG factors can lead to a healthier global economy with lower systemic risk resulting in greater asset appreciation and enhanced returns. While HMC's investment strategies span multiple asset classes and continents, our approach to responsible investing is emphasized across our firm and guides our principles of investing.

## Commitments

**Evaluation.** ESG factors identified as material to an investment are considered in investment due diligence.

**Implementation.** Proactively seek to achieve the highest green ratings such as Leadership in Energy and Environmental Design ("LEED"), EnergyStar, or other designations where applicable for real estate investments.

**Measuring.** Continue to track ESG risks and opportunities through the lifecycle of applicable investments in addition to firm resource consumption.

**Futureproofing.** Further establish formal procedures that allow the firm to set goals and benchmark environmental performance for the future.

## Investment Strategy Practices

Real Asset investment strategies lead HMC's incorporation of environmental considerations in their investment processes:

**HIF** invests in power assets including but not limited to: wind and solar assets as well as gas-fired generation which will continue to play an important role in the transformation of the U.S. power generation landscape to reduce carbon emissions.

**HIF** participates in the Global Real Estate Sustainability Benchmark annual assessment of ESG performance.

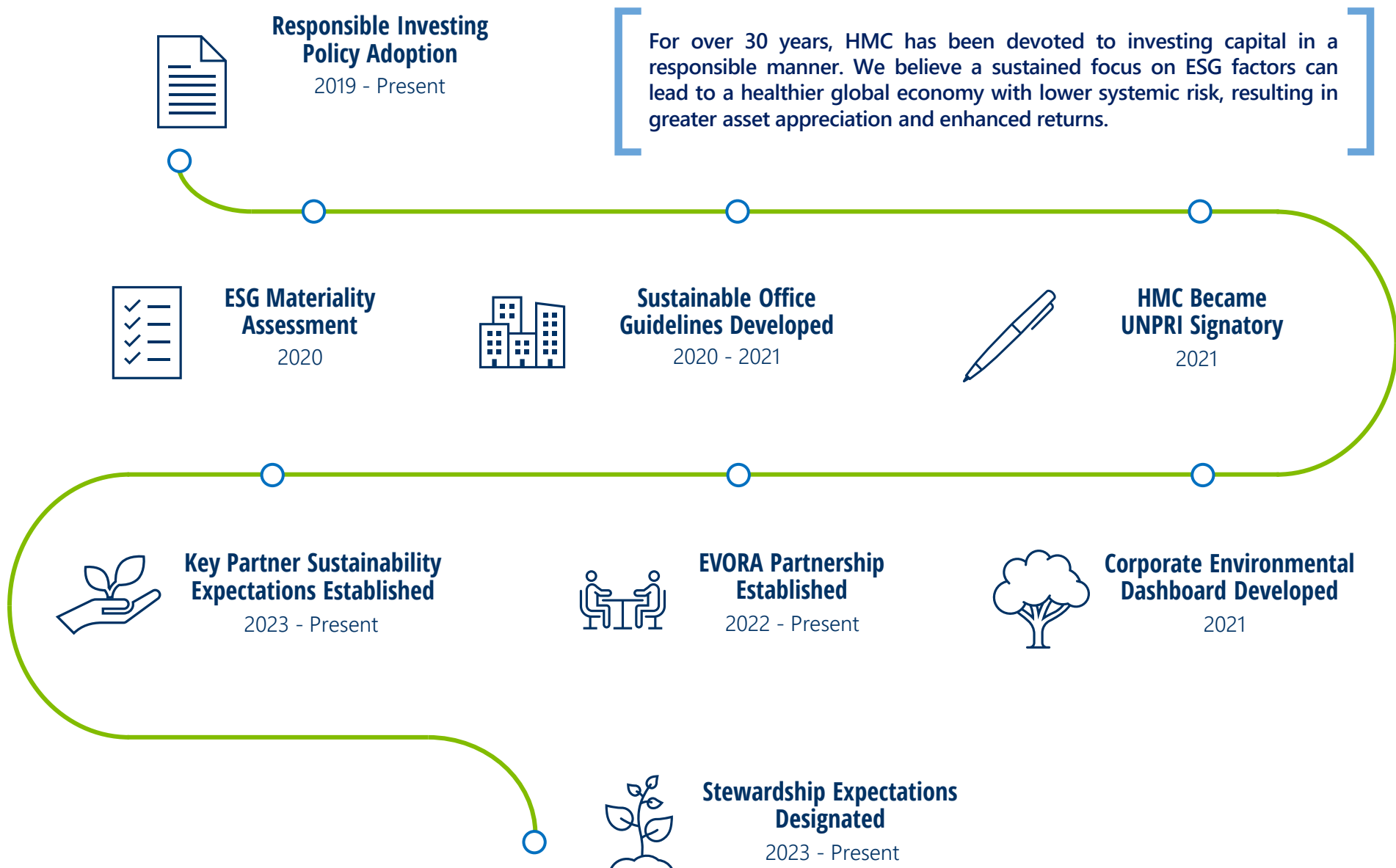
**HIF** routinely monitors and reports on the production and emissions practices of its underlying assets, ensuring that they operate in accordance with their respective environmental permits and restrictions.

**HUSRE** and **HERE** implement energy efficiency initiatives at applicable properties and seek Energy Star and LEED certifications where possible.

**HUSRE** and **HERE** evaluate and install solar where practical and efficient at their properties.

**HUSRE** routinely invests in Energy Star appliances; LED lighting; low-flow faucets, showers, and toilets; composting and recycling programs; modern, efficient building management systems; "Smart" thermostats; and traffic mitigation plans such as bike sharing and shuttle vans.

# HMC's ESG Commitment Roadmap



## Collaborations, Ratings, and Third Parties

*As experts in managing investments, the various strategies within HMC rely on collaboration with other organizations for assistance with various aspects of our ESG strategy implementation.*

**Building Research Establishment Environmental Assessment Methodology ("BREEAM")** – Rates and certifies buildings in Europe to monitor, benchmark, and inform investors of investments and management of properties.



**Leadership in Energy and Environmental Design ("LEED")** – Certifies buildings worldwide based on their design, construction, operation, and maintenance. A key indicator utilized by multiple strategies as an important factor in determining ESG priorities for investments.



**Energy Star** – Run by the USA Department of Energy's Environmental Protection Agency, Energy Star rates, certifies, and helps to benchmark commercial buildings based on energy efficiency and responsible use.



**National Association of Real Estate Investment Managers ("NAREIM")** – Industry association dedicated to strategies within real estate investment management through benchmarking and sharing of best practices. HMC utilizes NAREIM for benchmarking on an annual basis.



**EVORA Global** – A sustainability consultancy and software provider with specialist expertise in the commercial real estate sector.



**United Nations Principles for Responsible Investment ("UNPRI")** – A reporting and rating system used by institutional investors to understand and account for the ESG implications of their investments. A signatory since 2021, HMC will complete their first full UNPRI report for the calendar year of 2023, submitting the report in 2024.



**Global Real Estate Sustainability Benchmark ("GRESB")** – Provides ESG performance data and peer benchmarks for infrastructure and real-estate investments. HMC uses GRESB to hold all infrastructure investments to a high sustainability standard.



**Urban Land Institute ("ULI")** – HUSRE is an active member of ULI, which prioritizes ESG, decarbonization/net zero carbon, housing attainability, and diversity, equity and inclusion ("DEI") to responsibly shape the future of the built environment.



# Integration Spotlight | Harbert European Real Estate

## Approach to Third Party Ratings

The HERE investment team is committed to a process of continuous improvement across our business wherever we own, manage or develop properties through our funds. HERE seeks ratings and certifications where possible from third parties such as BREEAM and LEED. In addition to the property ratings highlighted below, HERE's West Stars and Victoria projects are being built to BREEAM standards. Further, HERE's Beauvais project achieved BREEAM standards.

**70%**  
Harbert European  
Real Estate Fund V



Investments have green  
building certification<sup>1</sup>

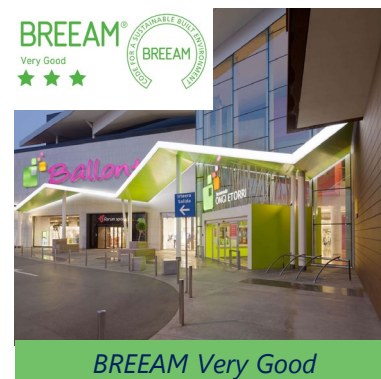


### Lyon

Location – France

Type – Logistics

Acquired September 2020



### Ballonti

Location – Spain

Type – Retail

Acquired July 2019



### Sonae

Location – Spain

Type – Retail

Acquired December 2019



### Castellana Norte

Location – Spain

Type – Office

Acquired February 2020

<sup>1</sup> Investments have a green building certification, including both BREEAM and LEED accreditations for buildings that are existing, were developed, or are under development within fund investments.

# Integration of ESG Principles

*At HMC, we seek to integrate ESG considerations into applicable business practices within the firm, impacting both investment strategies and company culture.*

## HMC’s Approach to ESG Integration in the Investment Process

For investments in relevant asset classes, we continually and intentionally incorporate ESG considerations into our investment evaluation processes and actively evaluate portfolio investments for ESG enhancements that are either accretive or return neutral. We also pursue relevant and high-quality ESG research and data to enhance our knowledge and understanding of successful initiatives.

When assessing investment suitability, we may consider a variety of factors, including but not limited to: capital stewardship, accountability, transparency, leadership quality, strategy execution, competitive dynamics in industry, management of human capital, and efficient use of resources.

The evaluation of ESG factors is highly dependent on the potential investment’s jurisdiction, industry, asset type, and management. Each investment team employs an approach that is best suited to the asset classes they manage and corresponds with their philosophy and process. Some specific examples of the broad range of ESG issues we may consider in our investment research process through the life of an investment are listed below:

We recognize that different asset classes, portfolio strategies, and investment opportunities have differing responsible investing requirements, but we seek to integrate ESG into our decision-making processes whenever possible.



**Pre-acquisition.** HMC analyzes inherent ESG risks and relevant management activities<sup>1</sup> throughout the investment review stages, and any material findings are documented and retained.



**Monitoring and continuous improvement.** HMC monitors ESG performance where relevant with a focus on helping management teams identify and respond to opportunities for further improvement.



**Post-closing.** The investment team conducts a detailed review of ESG practices where relevant to an investment to identify areas for improvement and opportunities to gain environmental certifications.



**Exit.** Where relevant, HMC discloses available ESG information, gathered through the pre-acquisition and HMC fund ownership periods, to potential buyers at the exit stage.

<sup>1</sup> To the extent that information is available.



## Integration Spotlight | Harbert Infrastructure

### HIF's Systematic Approach to Sustainability

When making investment decisions, HIF reviews ESG factors for each potential investment and incorporates these factors into the investment decision process. Beyond the creation of an HIF-specific ESG Policy, HIF has also developed an ESG Considerations Checklist, Sustainable Development Goals, and a protocol for measuring ESG performance.

### HIF's ESG Considerations Checklist

HIF has developed an ESG Considerations Checklist which is used as a guide, and depending on the potential investment, may or may not be a comprehensive checklist. As the review of ESG considerations is performed, any identified risks, possible mitigants, and other relevant information are noted to ensure its inclusion in the investment decision process. HIF summarizes ESG findings from due diligence, and any recommendations, as part of its investment summary package.

When material ESG issues are identified, they are included in discussions with the Investment Committee. As needed, external advisors may be engaged to carry out additional ESG-related due diligence. Where management or performance on a material issue needs improvement, HIF intends to work with company management to support the development of a mitigation and corrective action plan. In this case, once the investment is made, these issues are regularly monitored and reports on progress or action needed are prepared, as applicable.

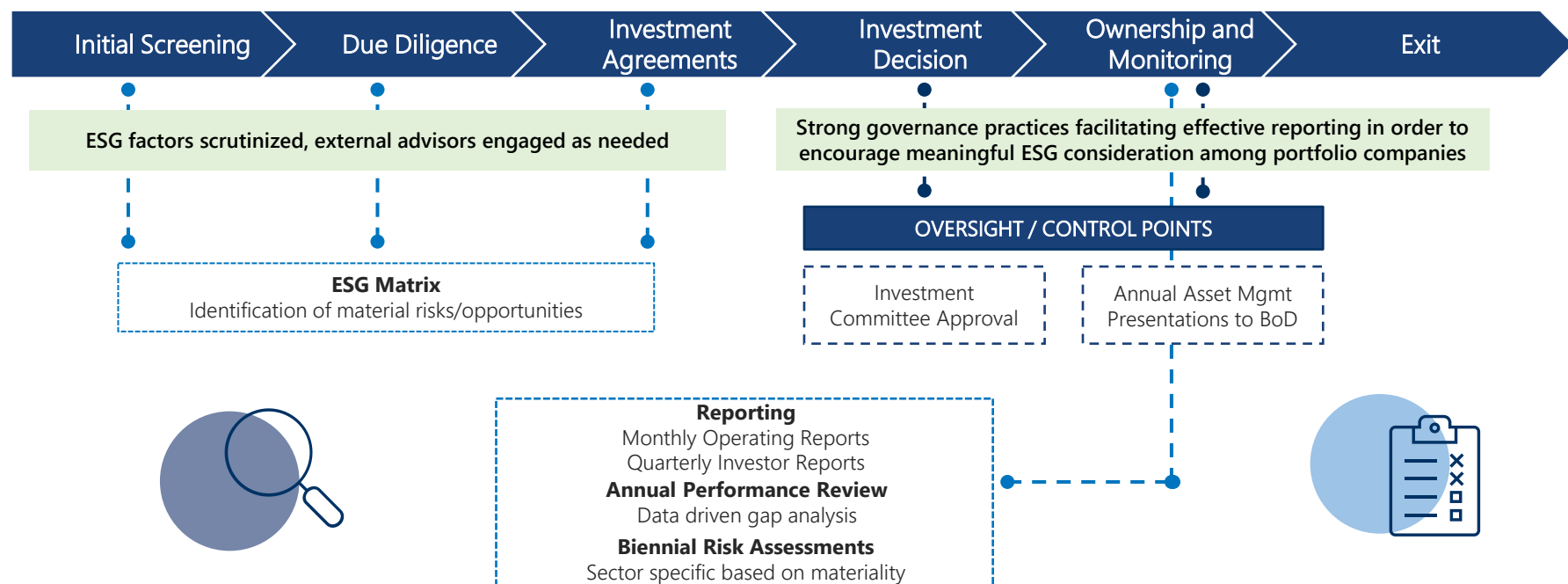
Regarding all investments, regular periodic investment level reports are made to cover environmental, health, and safety performance or issues. These reports are reviewed and discussed by investment company management with HIF's team members on a regular basis. HIF reports at least annually to investors on any ESG considerations at the investment company level.



Harbert Infrastructure | Desert Sunlight - Desert Center, California

## Integration Spotlight | HIF's Systematic Approach to Sustainability

HIF made a commitment in 2013 to incorporate a review of ESG factors in the course of its due diligence of investments, to monitor ESG factors in portfolio investments made, and to the extent reasonably practical in each investment, mitigate the potential impacts of ESG factors. HIF will undertake its ESG policy activities subject to, at all times, its duty to provide the best investment returns possible for its investors.



Environmental		Social		Governance	
<ul style="list-style-type: none"> <li>Air Pollution</li> <li>Climate Adaption</li> <li>Energy Use</li> <li>Greenhouse Gas Emissions</li> <li>Hazardous Substances</li> </ul>	<ul style="list-style-type: none"> <li>Material Sourcing &amp; Resource Efficiency</li> <li>Resilience</li> <li>Waste/Water Use</li> <li>Noise Pollution</li> <li>Contaminated Land</li> </ul>	<ul style="list-style-type: none"> <li>Community Development</li> <li>Local Employment</li> <li>Employee Engagement</li> <li>Health and Safety</li> <li>Inclusion and Diversity</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder Relations</li> <li>Child Labor</li> <li>Forced Labor</li> <li>Labor Standards</li> <li>Freedom of Association</li> <li>Anti-Discrimination</li> </ul>	<ul style="list-style-type: none"> <li>ESG Oversight</li> <li>Conflicts of Interest</li> <li>Cyber Security</li> <li>Data Protection</li> <li>Delegation of Authority</li> <li>Executive Compensation</li> </ul>	<ul style="list-style-type: none"> <li>Fraud</li> <li>Lobbying Activities</li> <li>Political Contributions</li> <li>Investor Rights</li> <li>Whistle-Blower Protection</li> <li>Bribery &amp; Corruption</li> </ul>



# Integration Spotlight | HIF's Systematic Approach to Sustainability

## HIF's Sustainable Development Goals

In adopting ESG principles into the investment acquisition and management process, HIF seeks to further certain goals and standards:

- Environmental compliance is the right thing to do and is critical for investment performance.
- Support the payment of competitive wages and benefits to employees; provide a safe and healthy workplace; consistent with applicable law, respect the rights of employees.
- Be good neighbors; encourage meaningful company and employee involvement in supporting the communities in which we invest.
- Use governance structures that provide meaningful representation for investors at the investment company level; that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest.
- Strive to improve the companies in which we invest. Improvement includes furthering long-term sustainability through improvement of economic performance, minimizing adverse impacts from ESG issues through regular review, and mitigation where appropriate.
- Encourage portfolio companies to advance these principles in a way that is consistent with their fiduciary duties.

## HIF's ESG Performance Measurement

In addition to the reports from investment companies and HIF's reports to investors, HIF also participates in the GRESB Infrastructure ESG performance initiative.

GRESB conducted its first annual infrastructure assessment program in the year 2015. The annual assessment provides objective scoring and peer benchmarking of ESG performance of infrastructure companies and funds. After participating in the inaugural GRESB annual assessment for 2015, HIF has participated in each subsequent annual assessment.

**89**  
All HIF-Managed  
Assets 2023  
Combined  
Average  
GRESB Score

**#1**  
HIF's Rocky Caney  
2022  
U.S. On-Shore  
Wind Power  
Generation  
Asset

**90**  
All HIF-Managed  
Assets As of 2023  
Average Fund  
Rating

**#1**  
HIF's Gulf Pacific  
Power 2023  
U.S. Diversified  
Private Equity  
Infrastructure  
Fund

## 2023 GRESB Asset Rankings

Gulf Plain Winds ★★★★★  
Gulf Pacific Power ★★★★★  
Desert Sunlight ★★★★★  
Rocky Caney ★★★★★

Vandolah ★★★★★  
Astoria Energy I ★★★★★  
Astoria Energy II ★★★★★  
Mulberry ★★★★★

Orange ★★★★★  
Orlando ★★★★★  
NCA ★★★★★  
Washington ★★★★★

## The HMC Employee Experience

*We seek to integrate sustainable practices into the day-to-day activities of our business by incorporating principles of corporate responsibility at the community, workplace, and individual level.*

**Workplace.** HMC is an equal opportunities employer, and we respect the diversity of our people. Our employees are the “best of the best” who use their initiative, good judgment, and creativity to drive superior performance for HMC and our investment strategies. Our aim is to attract, motivate, develop, and retain a diverse group of talented people who make informed career and lifestyle choices within a supportive working environment.

**Community.** HMC seeks to positively impact the communities in which it has a local presence, including those communities with HMC office locations as well as investment locations throughout the U.S. and Europe. In support of this objective, the Harbert Employees Reaching Out Foundation ("HERO"), HMC's charitable foundation that is organized and supported by its employees, focuses on making a difference in the communities of Birmingham, Alabama, where our headquarters is located.

**Individual.** HMC encourages employees to pursue similar philanthropic and volunteer activities including non-profit board participation, charitable giving, and volunteering. HMC has an internal intake and review process for firm-level charitable giving and encourages employees to submit requests for organizations in which they are involved.

**Leadership.** HMC's Senior Management and shareholders have contributed an estimated \$50 million philanthropically over the last ten years to several non-profit, higher-education, and charitable organizations.



**HERO Summer Toy Drive  
for Community Partner**

**\$50M**

HMC Senior  
Management &  
Shareholders



Philanthropic contributions  
by HMC leadership over  
10 years



**HERO Crockpot Cook-Off  
Fundraiser**

## The HMC Employee Experience

*HMC prioritizes sustaining a working environment where employees can grow and succeed. We offer a dynamic, professional experience where employees enjoy engaging relationships with talented colleagues in an exciting and collaborative culture.*

**Employee Engagement.** HMC sponsors social and team building events periodically throughout the year to promote employee camaraderie and a positive firm culture. The firm has encouraged participation in the annual Pensions & Investments survey, reviewed feedback, and adjusted practices and policies accordingly. HMC was named as one of the “Best Places to Work in Money Management” by Pensions & Investments in 2023, 2022, 2021, 2020 and 2019. In 2020, HMC was ranked # 5 in the 100-499 employee category.

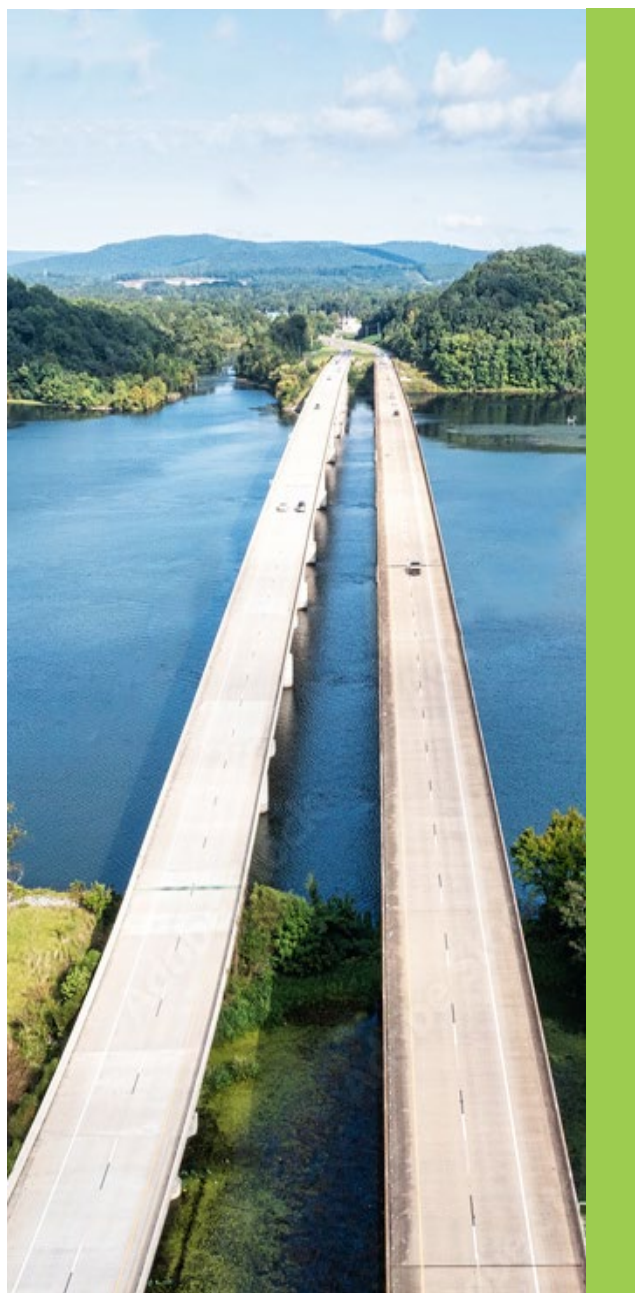
**Employee Recognition.** Each year, the John M. Harbert III award is presented to an employee who demonstrates a strong work ethic, recognizes and capitalizes on opportunities and does so with the entire organization in mind. All employees are invited to nominate a fellow employee who exemplifies these characteristics.

**Employee Development.** Continued professional development by employees is encouraged and often a requirement for membership in professional organizations by employees. Expenses are reimbursed for membership in professional organizations and participation in conferences and educational seminars oriented to an employee’s responsibilities and that further the employee’s performance, expertise, professional certification or job skills.



2023 John M. Harbert III Award  
Bonney O'Shea

HMC provides a comprehensive benefits package to employees and competitive, market-based salaries. Salaries are reviewed each year using industry-specific market compensation data such as NAREIM’s benchmarking resources to ensure that our employees are fairly compensated in view of skills provided, work performed, and responsibility undertaken.



[ ENVIRONMENT ]

# HMC's Commitment to the Environment

*HMC recognizes the unique nature of the environment, as well as individual and corporate dependence on its continuing health. Therefore, HMC is committed to conducting its business and affairs in compliance with both the letter and spirit of all environmental laws and regulations.*

## Commitment to Environmental Sustainability

The firm is improving the ways in which we track and report resource consumption, while also establishing formal procedures that will allow the firm to set goals and benchmark environmental performance in the future. Additionally, to better understand our global impact, we are reevaluating HMC's procurement practices in pursuit of a formal green procurement policy.

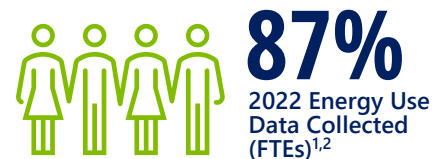
Through our investment strategies, HMC is committed to a variety of sustainability efforts. Real Asset investment strategies lead HMC's incorporation of environmental considerations in their investment processes.

## Understanding Our Impact

In early 2021, HMC established the **HMC Sustainable Office Guidelines**. HMC encourages its employees and offices to adopt these sustainable office practices, as appropriate, to both improve operations as well as save company and natural resources.

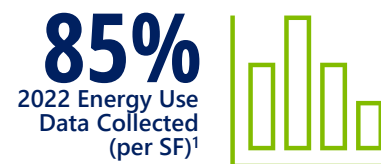
Through the use of a **Corporate Environmental Dashboard**, HMC employs a data-driven approach to track and analyze resource usage. This dashboard is utilized to collect and organize data including electricity usage, pages printed, and office supply spends across our offices spanning five countries, on a quarterly basis<sup>1</sup>. Of our thirteen offices, eight of those participate in energy tracking, and nine offices participate in printer tracking.

<sup>1</sup> Participating offices only  
<sup>2</sup> Full Time Employee ("FTE")



Number of FTE <sup>2</sup>	179 FTEs
FTE <sup>2</sup> Printing Data Tracked	155 FTEs

To better understand our global impact, HMC is pursuing environmental performance improvements by refining the way we track and report resource consumption.



HMC Corporate Offices <sup>1</sup>	94,437 SF
Energy Data Tracked	80,705 SF

## Integration Spotlight | Harbert Infrastructure

*HIF invests in a diverse scope of power assets ranging from renewables such as wind and solar assets and non-renewable assets such as gas-fired generation, which will continue to play an important role in the transformation of the U.S. power generation landscape to reduce carbon emissions.*

### Supporting the Energy Transition



**Energy Use:** HIF's assets and operations consume energy from non-renewable and renewable sources, HIF commits to monitoring the quantities of energy imported, energy generated from fuels, energy exported and sold as well as energy consumed, and aims to reduce energy usage where possible.



**Waste:** HIF seeks to monitor the volumes of waste disposed in different waste streams and aims to reduce the volume of waste sent to landfills. HIF is considering ways to implement effective waste minimization strategies that prioritize options for reuse, recycling, and then recovery over other disposal options to minimize ecological impact and promote circular economy principles.



**Biodiversity and Habitat:** HIF recognizes that wind and solar farms require large areas of land to operate effectively. We will work with relevant stakeholders and experts to ensure that our assets' impacts are thoroughly considered at the outset and during the design and planning approval process. We will strive to ensure operational assets have appropriate wildlife management plans covering the operations of the assets.



Harbert Infrastructure | Caney River Wind Farm – Howard, Kansas



## Integration Spotlight | Harbert Infrastructure

### HIF's Environmental Commitments



**Greenhouse Gas Emissions:** HIF acknowledges that emissions monitoring is a crucial aspect of its operations. HIF commits to monitoring, managing, and minimizing greenhouse gas emissions from all its investments, utilizing the Best Available Control Technology ("BACT") principles per the U.S. EPA permitting regulations. HIF recognizes the importance of alignment with global commitments to reduce carbon emissions in the Paris Climate Change agreement, working toward net zero by 2050.



**Material Sourcing and Resource Efficiency:** HIF recognizes that wind and solar technologies use rare earth materials in their manufacturing which has the potential for environmental impact. We will seek to consider circular economy principles through the production, logistics, use and consumption, and end of life of materials.



**Visual Impact:** HIF recognizes that visual impact on the landscape, heritage, and people can be an issue for large developments such as wind and solar farms. HIF seeks to work with all stakeholders to identify mutually beneficial ways to mitigate visual impacts from its renewable energy assets.



**Water Usage:** HIF uses water in its operational processes and recognizes that water is a valuable and precious natural resource. HIF does not consider its water usage to significantly impact water sources locally or regionally, but will continue to monitor its usage, especially if there are any unusually large withdrawals. HIF will consider its impact or contribution to local water stresses, targeting minimal water stress on surface water, groundwater, and the municipal water supply wherever possible.



**Noise and Vibration Pollution:** HIF recognizes that noise and vibration from windfarm sites can be a concern and cause potentially harmful impacts on human or animal life. HIF will pursue cooperation with neighbors and ensure compliance with applicable permits through prudent operating practices. We will ensure issues are identified, and where possible, mitigated throughout site allocation, design and engineering, and operational management.



**Radar and Shadow Flicker:** HIF recognizes that shadow flicker and television signal interference can result from wind farm operations. HIF will seek to ensure that operations do not create a nuisance to our neighbors from these impacts.

## Integration Spotlight | Harbert Infrastructure

*The following is from a brief interview with Kirk Stafford, Vice President of Asset Management of Harbert Infrastructure Fund and member of the Corporate Responsibility Committee.*

### **What has HIF been doing to improve their environmental impact, and what has been the motivation behind any changes made?**

Over the last decade, HIF has witnessed a meteoric rise in the broader market's focus on environmental sustainability and impact. Internally, we have been focused on environmental impact for decades as it is inextricably tied to our ability to deliver attractive risk-adjusted returns to our investors.

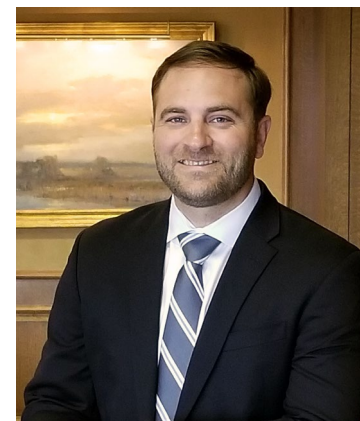
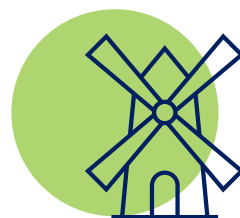
We are always looking for ways to be good citizens of the local communities in which our assets are located. Our Northern Star portfolio provides an adaptive reuse example through working with a local community to transform an abandoned coal mine into a space for recreational activities, including soccer and baseball fields.

### **Many investors have also been calling for clarity through structured ESG reporting. How has HIF chosen to answer that call?**

We report ESG factors to our investors on a quarterly and annual basis. We also participate in third-party assessments such as GRESB, which we've participated in since its first assessment in 2015. HIF understands the benefit that assessments like GRESB provide to investors looking to understand on a standardized basis a fund's portfolio impacts. Of course, there will be growing pains when trying to implement a process like this across a broad spectrum of managers and asset types, but we have witnessed improvement annually.

### **Your portfolio includes solar, wind, and natural gas. Doesn't investing in natural gas go against your investors' interests in renewables?**

HIF views natural gas generating assets, particularly peaking assets, as critical to a successful energy transition. As the decarbonization, reshoring of manufacturing and electrification themes intensify, power demand is rising. We have witnessed a retrenching of transition plans in certain markets across the globe including in the United States wherein retired gas capacity is being brought back online to provide grid stability. HIF believes that logical transition plans will include an all of the above approach with gas power generation declining over time as the grid stabilizes around new technologies.



Kirk Stafford, Vice President  
Asset Management, HIF

**"We are constantly assessing and reassessing new technologies or improvements to mitigate environmental risk with risk-adjusted returns in mind"**



## Integration Spotlight | HIF's Desert Sunlight Solar Project

*Desert Sunlight highlights HIF's commitment to invest in sustainable, reusable, low-carbon infrastructure.*

### Desert Sunlight's Environmental Impact

Desert Sunlight is a 550MW photovoltaic ("PV") solar farm located six miles north of Desert Center, in Riverside County, California. HIF invested in Desert Sunlight in 2016 and has played a role in transforming the U.S. power generation landscape to reduce carbon emissions. The solar farm can generate **1,060GWh of electricity per year (equivalent to approximately 160,000 homes in California)**, which is essentially equivalent to offsetting **300,000 tons of carbon dioxide emissions annually**.

The solar farm also has a positive impact on the local economy, generating a gross (indirect) benefit of **\$336 million** for Riverside County.

**2.6Mt**  
Harbert Infrastructure



2.6 million tons of  
CO<sub>2</sub>e avoided in 2022  
renewable projects<sup>1</sup>



Harbert Infrastructure | Desert Sunlight - Desert Center, California

<sup>1</sup> According to the U.S. EPA Avoided Emissions and geneRation Tool (ADVERT), HIF's renewable projects (Desert Sunlight, Rockey Caney, Gulf Pacific Power) contributed to avoidance of 2,596,760 million tons ("Mt") carbon dioxide emissions ("CO<sub>2</sub>e") in 2023.

## Integration Spotlight | Harbert U.S. Real Estate

*To adequately address sustainability throughout the investment lifecycle, the HUSRE strategy combines the execution of ESG initiatives at the acquisition level with a focus on expansion of data collection and reporting capabilities as it relates to ongoing asset management.*

### Energy and Resource Use

Where possible, HUSRE implements energy efficiency initiatives at its properties. The strategy routinely invests in Energy Star appliances; LED lighting; low-flow faucets, showers, and toilets; composting and recycling programs; modern, efficient building management systems; “Smart” thermostats; and traffic mitigation plans such as bike sharing and shuttle vans. HUSRE additionally evaluates opportunities for solar implementation across the portfolio and installed solar panels saving the equivalent of 100 home’s annual energy usage at Madera Ridge in San Diego, California.

### Partner, Manager, and Supplier Requirements

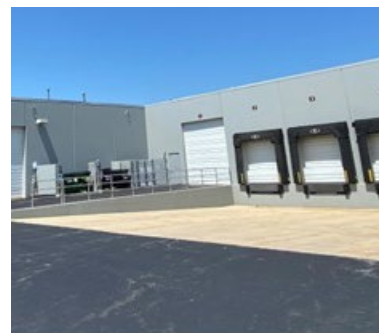
HUSRE generally has direct control over its assets but relies on operating partners and property managers to manage the day-to-day operations. Therefore, it is important that the investment team considers the responsibility of all parties who play a role in the environmental outcomes. HUSRE developed and rolled out its **Supplier ESG Code of Conduct** in 2023 with all significant partners and property managers agreeing to abide by the code.

Additionally, **Property Manager Sustainability Requirements** along with a **Monitoring and Measurement** framework were developed. These documents establish targeted expectations around assessments of property managers and standardizing the collection of environmental performance data and the reporting process. HUSRE has shared these with its operating partners and property managers in preparation for the roll-out of environmental reporting requirements across the portfolio.



Gateway | Dallas, TX

Invested **\$790,000** in **smart home technology** with energy efficient thermostats, leak detection sensors and LED lighting to **reduce carbon emissions** and **water consumption**



CHP Portfolio | Chicago, IL

Invested over **\$1,100,000** in **capital improvements** with another **\$2,800,000 planned through 2027** on HVAC upgrades, new LED lighting, and improved systems to **reduce water waste**

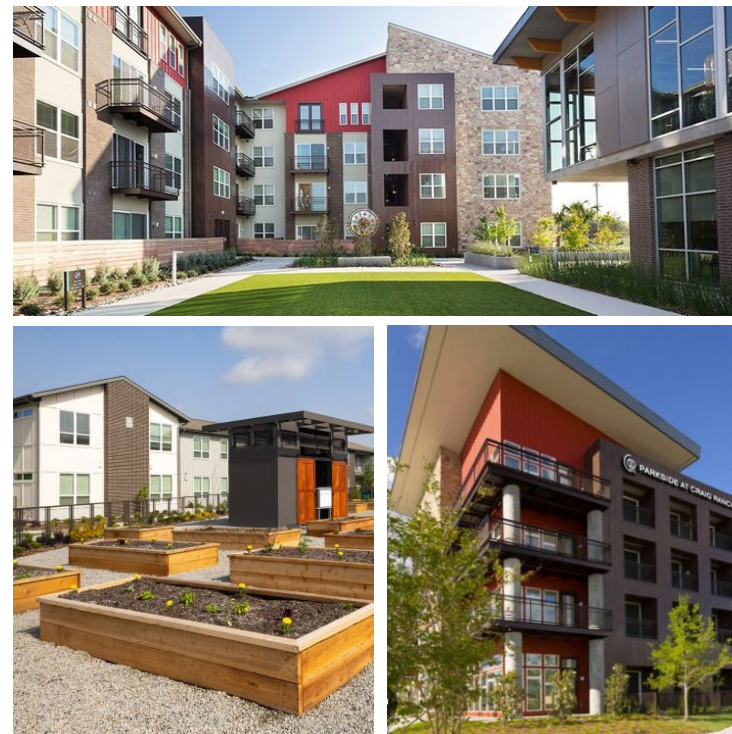
## Integration Spotlight | HUSRE Parkside at Craig Ranch

*Parkside at Craig Ranch highlights HUSRE's commitment to responsibly invest in the improvement of sustainability at the property level. The property is part of a 2,200 acre master-planned, mixed-use development that provides quick access to employers, dining and entertainment.*

### HUSRE's Commitment to Responsible Investing

As a primary investor in value-add properties, HUSRE has the opportunity to directly influence environmental impacts – such as significant reduction of carbon emissions – by refurbishing existing properties, as opposed to building anew. HUSRE's Parkside at Craig Ranch, an 1,824 unit multi-family property, serves as an excellent example of HUSRE's commitment to responsibly invest in the improvement of sustainability at the property level. The investment team focused on the following environmental improvement opportunities as key considerations:

- Install new, energy efficient equipment and appliances (**energy efficient kitchen appliances, energy efficient thermostats**, remote control access for air conditioning and lights).
- Increase the amount of **LED lighting** in units, lobbies, leasing office, exterior areas.
- Install **energy efficient solar outdoor lights**.
- Develop **on-site recycling** and **gardening compost** for residents and provide **biodegradable** trash bags for the dog parks.
- Install **smart irrigation** – which automatically adjusts watering schedule to actual conditions on site, **improving energy** and **water efficiency** and **high efficiency water fixtures**.
- Increase bike storage on the property to **encourage recreation** and **environmentally friendly transportation**.



Parkside at Craig Ranch – McKinney, Texas

## Integration Spotlight | HUSRE Parkside at Craig Ranch

### HUSRE's Commitment to Responsible Investing

By closely partnering with the property manager, BH Management Services, HUSRE made a significant positive impact on both the environmental outcomes of the investment and the surrounding community through volunteering initiatives. In total, HUSRE invested \$1.72 million in smart home technology with energy efficient thermostats, leak detection sensors, and LED lighting to reduce carbon emission and water consumption. HUSRE also completed an LED retrofit in four parking garages which is estimated to annually reduce carbon emissions by 11.8 tons, the equivalent of 16,172 kWh saved annually. The **Positive Rent Reporting** program was adopted which also assists renters with improving their credit scores by providing positive payment information to credit agencies.

In addition to providing opportunities for tenants to improve their credit scores, Parkside has organized volunteer days for onsite employees, allowing for over 300 hours of volunteering to be completed by employees on an annual basis. The volunteer hours benefit the **North Texas Food Bank**, **Toys for Tots**, and the **Storehouse of Collin County** through local food, clothing, toys, backpacks, and school supplies drives. Over the course of two years, HUSRE's commitments and initiatives at Parkside evidence HUSRE's prioritization of sustainability at the development level and consistent dedication to positive environmental outcomes.

**\$8.9M**  
Harbert US Real Estate



Capital improvements  
spent and committed  
through 2027

**\$1.72M**



Invested in smart home  
technology to reduce  
carbon emission and  
water consumption

**11.8tn**



LED retrofit estimated  
to save 16,172kWh →  
the equivalent of 11.8  
tons of carbon dioxide  
reduced annually

**300 hours**



Of volunteer hours  
completed by employees  
on an annual basis





[ SOCIAL ]

## Investing in Our Communities

*The Harbert Employees Reaching Out Foundation ("HERO") was formed in 1998 by the employees of HMC and its affiliated companies to provide direct financial grants and other appropriate assistance to individuals or families in crisis due to a natural disaster, medical condition, or temporary financial hardship.*

### HERO

Since its inception in 1998, HERO has raised **approximately \$6.5 million** and has awarded **approximately \$5.4 million in grants**. In addition to the numerous grants awarded, HERO has made contributions to those in need ranging from the New York Fireman's Fund after September 11, 2001, to those impacted by the tornadoes in North Alabama in April 2011.

In 2023, HERO provided grants to improve the quality of life for families impacted by long-term medical conditions or disabilities by providing wheelchair lifts, replacing worn out leg braces, converting bathrooms to be handicap accessible, and purchasing beds that can better accommodate the individuals' needs.

HERO has been privileged to assist people referred by employees or through its community partners. It is HERO's intent to help restore the recipients' independence and self-sufficiency to the greatest extent possible. HERO is a 501 (c)(3) non-profit foundation.



**805**  
Grants  
Since 1998



Grants awarded  
by HERO

# Investing in Our Communities

*A primary aim of HERO is to provide direct financial assistance when unforeseeable circumstances arise and threaten the livelihood of community members. In addition to providing aid and assistance upon request or as needed, the HERO committees work year-round to fundraise and engage employees in philanthropic community outreach.*

## HERO Small Business Relief Fund

The **HERO Small Business Relief Fund** ("HSBRF") was created in April 2020 to meet the immediate needs of surrounding communities as they responded to the unprecedented economic impact of COVID-19. The HSBRF rapidly raised more than **\$1 million** of internal charitable capital. The fund provided rapid-response grants to small businesses that allowed them to continue operations and services in the greater Birmingham area, with recipient businesses representing **twenty-seven different local neighborhoods**.

Receiving more than 330 applications, HSBRF was able to fund **approximately 20% of applicants** with an **average grant size of \$16,000**. John Harbert led the HSBRF initiative alongside 25 colleagues who worked diligently to evaluate the large number of applications.

John Harbert reflects, "Our whole firm is grateful to be in a position to help out and proud to have responded so quickly, **with over \$1 million dispersed in under five weeks**. We knew the need was both acute and immediate and we worked to address it as swiftly as possible."

**+\$1M**  
HSBRF



Over \$1 million  
dispersed in under  
5 weeks

**20%**  
HSBRF



Of applicants  
funded with  
average grant of  
\$16,000

## HERO Children's Christmas Project

Annually, HERO coordinates with various local agencies to gather wish lists for families in need. Volunteer employees are assigned wish lists, and HERO collects gifts from assigned shoppers and oversees delivery.

The **Children's Christmas Project** started with 12 children in 1999 and has grown rapidly, providing gifts for 68 families and 144 children across five partner agencies in 2023. Since inception, **approximately \$661,000** has been allocated to this project.

**~\$661k**  
HERO Children's  
Christmas Project



Raised  
since 1999



HERO Children's Christmas Project Volunteers

## Investing in Our Communities

### HERO Service Day

One of HMC's most engaging service outreaches is through the organization of an **Annual Service Day Event** where HMC employees work alongside communities in need of support. In November 2022, HMC partnered with **East Lake Initiative** ("ELI") and the **University of Alabama at Birmingham** ("UAB") for a day of service at the East Lake Community Garden.

ELI provides holistic services such as housing, economic development, health and nutrition, and education to families in underserved communities. Over 35 HMC employee volunteers spent the day preparing the **East Lake Community Garden** for the winter season. This garden provides year-round fruit, vegetables, and flowers to residents in the area through the **ELI Thrive Food Bank**. In November 2023, over 30 HMC employee volunteers returned to the garden for another day of service.

HERO's partnership with ELI highlights both groups' mission of empowering those who have experienced hardships through providing the support needed to regain self-sufficiency and restore independence.



HMC Employees at ELI



### HERO Golf Tournament Fundraiser

Each year, HERO hosts the Annual HERO Golf Tournament for employees and community sponsors.

The **25th Annual HERO Golf Tournament** was held in August 2023 at Vestavia Country Club. **Twenty-seven teams** participated, and the tournament was successful in raising **approximately \$77,000**, all of which goes directly to the foundation.



HMC Team Members at the 2023 HERO Golf Tournament



HERO Volunteer at 2023 Golf Tournament



## Prioritizing Health and Wellness | Harbert South Bay (“HSB”)

*Offering a future-focused approach to wellness, HSB's The Variel demonstrates its commitment to positively impacting the communities our developments serve.*

### The Variel

From development to design to day-to-day, HSB's The Variel provides world-class senior care and living by enriching the lifestyles of seniors and creating a fresh, uplifting, and thoughtful environment. Just six months after the first residents were welcomed to their new homes at The Variel, this HSB property was recognized for its innovative approach.

The Variel placed third in the 2022 **Senior Housing News' Architecture & Design Awards** in the **Wellness: Health and Fitness** category. The annual Senior Housing News Architecture & Design competition recognizes leading-edge design and creativity, considering a set of design and aesthetic criteria to identify leaders and innovators in the senior living industry.

**#3**  
HSB's The Variel  
2022

Senior Housing  
Architecture & Design Awards  
Wellness: Health & Fitness



The Variel – Woodland Hills, California

## Prioritizing Health and Wellness | HSB's The Variel

### MOSAIC Personalized Care

The Variel presents a unique and creative option for memory care residents with their trademark MOSAIC Personalized Care. MOSAIC is a novel approach that provides varying degrees of assistance for those experiencing cognitive decline or memory loss. Josh Johnson, co-founder of Momentum Senior Living, The Variel's management company, emphasized that The Variel was purposely designed to house those with memory care on the top floor of the building.

He explains, "By capturing the broadest amount of sunlight and night, we help our memory care residents who suffer from sundowning by leveling the light/dark, sleep/wake cycles." This type of offering sets a new precedent for senior living architecture and design, underscoring the shared goal of all parties involved to create health-forward, enriching, and easeful experiences for memory care residents.



MOSAIC Memory Care Floor | The Variel – Woodland Hills, California

"We saw it as part of our job to make sure our inherently busy, energetic residents live in an environment that helps them remain independent and active."

### The Zenergy Wellness Center

The Variel also ensures world-class health and wellness practices are accessible to all tenants. The Zenergy Wellness Center and Program is a distinctive amenity of The Variel and highlights the commitment to providing healthy lifestyles to tenants, an important aspect of the social impact of HSB.

Johnson spoke to the significance of this amenity and its aims to encourage independence and active wellness in the award submission: "A unique way we achieved that is through our personalized Zenergy Wellness Center. It combines a variety of exercise equipment, yoga and tai chi spaces, spa, massage, physical therapy with full-time therapists on staff, golf simulator and more in a single area of the community. The entire Zenergy program also incorporates access to lifelong learning programs, social activities and other life-fulfilling opportunities for all."



Zenergy Wellness Center | The Variel – Woodland Hills, California

"Architecturally, we were able to design the area so it captures more daylight, which helps to sync residents' circadian rhythms."

# Promoting Equality, Diversity, and Inclusion

*HMC continues to cultivate a diverse workforce and inclusive workplace because the firm believes that having team members with varied backgrounds and perspectives improves business outcomes. HMC recognizes the need for and promotes the diversification of the investment management workforce.*

## HMC's Commitment to Inclusion

The 2020 HMC ESG materiality assessment highlighted the need for increasing diversity within the HMC workforce. Given the small number of people HMC hires each year and how often talent is cultivated from within, this effort takes time, but has the full commitment of senior management and is a firm-wide mandate.

HMC is increasing business leader accountability for diversity and is redoubling hiring efforts by closely monitoring all hiring processes. Striving to reduce barriers to entry for promising young and diverse talent, HMC has engaged in partnerships with academic institutions and internship offerings, in addition to employee-led inclusion initiatives.



## Holy Family Cristo Rey Corporate Work Study Program

To further our investment in the development of a diverse workforce, HMC has been a Corporate Partner of the Holy Family Cristo Rey ("HFCR") Catholic High School in Birmingham, Alabama.

HFCR requires all students to participate in a Corporate Work Study Program, pairing rigorous academics with professional work experience to prepare students for both college and a career.

This dual mission serves students from communities underrepresented in higher education and families for which economic reality restricts their access to quality college and career preparatory education.

In this program, HFCR and HMC work towards complementary and mutually shared goals: remove institutional barriers to the workforce, decrease economic inequality, and advance racial equity.



**"Without intentional investments in people and communities of color, and the organizations that work to address the removal of systemic barriers, real change will remain out of reach."**

# Promoting Equality, Diversity, and Inclusion

## Real Estate Diversity Initiative Program

The University of North Carolina Kenan Flagler Business School's Real Estate Diversity Initiative ("REDI") Program's overall goal is to create a pipeline of competitive minority candidates for future positions, while facilitating a collaborative environment to support diversity specifically in the commercial real estate workforce.

HMC has been engaged with the REDI program for several years and was fortunate enough to hire one of our most promising and committed REDI interns, Robbie Tillman. After interning at HMC as a Financial Analyst in the summer of 2021, Robbie went on to finish his education and graduated from the University of North Carolina ("UNC") with a degree in Communications and specialization in Real Estate in May of 2023.

In August 2023, Robbie accepted HMC's offer to work as a full-time Financial Analyst with the HUSRE Investment Team. Now that Robbie has graduated and entered the workforce, he continues to engage with the REDI program, but this time, from a different point of view. Robbie reflects, "I was recently reminded of my gratitude for HMC and REDI when I received a last-minute opportunity to interview a REDI candidate who will potentially intern for the firm next summer. That was one of the most fulfilling moments of my young career. To say the least, I'm grateful for REDI ... thankful that HMC is in a position to continue its relationship with the program."



## New Parent Advocate Role

HMC recognizes that transitioning back to work for new parents can be challenging. Employees have been out of their normal workflow for an extended period of time, and they will be returning to work with new responsibilities, schedules, and home obligations. To support our employees who become parents, HMC has established the role of New Parent Advocate to act as a sounding board and mentor for expecting and new parents.

The New Parent Advocate is available to assist with establishing mutual expectations with the manager and employee for transitioning back into the workplace after parental leave and providing additional advice and mentoring as needed.

Overall, the role was created to provide support and advice to new parents as they experience a major life transition and return to the workplace.



Robbie Tillman  
2021 REDI Intern  
HUSRE Financial Analyst



Ashley McCutchin  
2023 New Parent Advocate  
Private Funds Controller

HMC is proud to work alongside programs such as UNC's Real Estate Diversity Initiative and even more proud to play a part in the success of our employees.



## Promoting Equality, Diversity, and Inclusion | Women's Forum

*The HMC Women's Forum launched in December 2021 with the objective of promoting professional development, coaching, and networking among the female professionals at HMC.*

### Professional Development Initiatives

Founded by HMC's female leadership, Kathryn O'Neal, Amanda Brown, and Melissa Babb have provided educational programming and professional development through round table discussions, presentations, and casual coffee conversations facilitated by both female professionals at HMC and outside resources such as consulting groups and mentorship program directors.

In addition to the educational and professional development element, these gatherings aim to create opportunities for building relationships and mentorship among female professionals across all HMC offices.

The Women's Forum held four in-person events in 2022, hosting outside speakers from Blankenship & Seay and Momentum Leaders as well as holding employee-led events. Additionally, a DISC Personality Assessment was organized by the Women's Forum and provided to all employees. In 2023, the Women's Forum expanded on its initial objectives to include conference opportunities and dedicated training programs.



Kathryn O'Neal  
Women's Forum  
Co-Founder



Amanda Brown  
Women's Forum  
Co-Founder



Melissa Babb  
Women's Forum  
Co-Founder

### Women's Leadership Program Partnership

HMC became a corporate partner of **Momentum Leaders**, a women's leadership program which empowers a diverse group of promising women to develop leadership skills that positively impact business, culture, and politics in Alabama. In 2023, two members of HMC's HIF team were participants in the **Upward Career Leadership** classes, with Kayla Jones joining the **Early Career** cohort for those with 3-5 years of professional experience and Ellen Knowles joining the **Mid-Career** cohort for those with 6-15 years of experience. In September of 2023, Senior Tax Manager Lindsey McCurdy was selected for participation in the **Executive Leadership Program**.

Kayla joined HMC's Infrastructure Fund team in 2021, and since then, has faced exciting new challenges and opportunities for growth. After a promotion to Associate of Portfolio Reporting, Kayla was nominated by HMC's Board of Directors to participate in Momentum's Career Program. Kayla reflects, "There are so many people [at HMC] who are invested in wanting me to succeed. It's been extremely refreshing, and I really appreciate their leadership and dedication to my growth."



Kayla Jones  
HIF Associate  
Momentum Upward  
Early Career Cohort



Ellen Knowles  
HIF Controller  
Momentum Upward  
Mid-Career Cohort



Lindsey McCurdy  
Senior Tax Manager  
Momentum Executive  
Leadership Program

## Empowering the Next Generation

*HMC launched NextGen in April 2023 with the intention of solidifying a sense of community and alignment between HMC's senior management and young professionals. NextGen's overarching mission is to support and invest in the next generation of investment management professionals.*

### NextGen HMC

NextGen aims to accomplish this mission by providing social, educational, and professional development opportunities to HMC's young professionals. In turn, these initiatives allow HMC's leadership to aggregate and respond to new perspectives, all the while developing stronger ties between senior management and early career professionals.

While NextGen was initially proposed by the Corporate Responsibility Committee, the group is led by three of HMC's early career professionals. The group meets three times a year to carry out each of the three initiatives, and NextGen also provides resources that can be accessed on an as needed basis, such as a resource bank for relevant podcasts, books, and articles.

The social arm of NextGen emphasizes the importance of peer-to-peer learning and support, sharing best practices, and building community. In April 2023, NextGen organized the first **Social Event** to establish a sense of community and connection among junior team members in a less formal setting.

Whether through quality continuing education, hands-on training from upper management, or intentional exposure to HMC's firm wide mission, values, and strategies, our young professionals are provided with resources to further their career trajectories within HMC and make a positive impact on the industry.

The purpose of the educational development initiative is to provide young members of the firm with a better understanding of the industries and sectors in which HMC operates. In October 2023, NextGen hosted the first **Educational Development Workshop** in which John Harbert (Senior Vice President of Strategy) and Raymond Harbert Jr. (Executive Vice President & Chief Financial Officer) shared HMC's history and provided a high-level introduction to the firm's strategies.

The first **Professional Development Workshop** took place in December 2023 with HMC's President and Chief Operating Officer, Travis Pritchett, sharing his 18-year history at HMC and path from junior investment team member to now leading the firm. This session focused on Travis's professional development within HMC as he transitioned roles, teams, and offices. Across all initiatives, HMC recognizes the importance of retaining early career employees and invests in young talent accordingly.



Travis Pritchett, COO Meets with NextGen Members



**[Governance]**

## Formalizing Accountability

*HMC is committed to ensuring that the leadership and organization of the firm emphasizes oversight and implements accountability for responsible investment.*

### HMC Board of Directors



**Raymond J. Harbert**  
Chairman &  
Chief Executive Officer



**J. Travis Pritchett**  
President &  
Chief Operating Officer



**John W. McCullough**  
Executive Vice President &  
General Counsel



**Raymond J. Harbert, Jr.**  
Executive Vice President &  
Chief Financial Officer



**John F. Bryant**  
Executive Vice President  
Senior Managing Director

HMC leadership's "tone at the top" creates an ethical atmosphere that guides employee behavior and accountability. HMC is privately held by 24 shareholders. Each shareholder shares in the profitability of the entire firm and is therefore vested in the success and future of HMC.

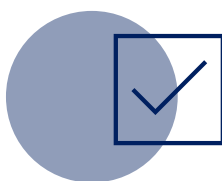


# Formalizing Accountability

## Fund Administration

HMC's Fund Administration departments consist of experienced professionals who provide investor reporting, risk management, internal audit, legal, compliance, accounting, and tax services for HMC-sponsored funds, allowing the investment teams to focus solely on investment management. This separation also provides Checks and Controls on the investment teams, as our fund administration handles investor funds and independently calculates returns and other relevant metrics. Unique to a firm of our size, HMC has five in-house attorneys that provide guidance and regulatory oversight for both the fund administration and investment teams.

The HMC Internal Audit department is responsible for ensuring that the system of internal controls operates effectively. The HMC Risk Management and Internal Audit departments have direct access to the Board of Directors.



## Private Market Funds

Each HMC private market fund has an investment committee generally composed of investment team members, at least one member of HMC's Board of Directors, and a representative of the legal department. The committee provides an open forum for the free exchange of ideas and suggestions and has been empowered to establish a formal process to supervise each fund's investment strategy. The HMC Private Market Valuation Committee approves the valuation policies used by each private market fund and ensures that they are reasonably designed to value each portfolio holding in an appropriate and timely manner. The Vice President of Private Market Valuation & Analysis and the Vice President & Director of Risk Management each review and approve quarterly valuations for each private market fund. The members of the Private Market Valuation Committee are independent of the investment teams.

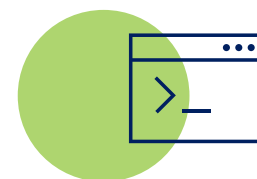


## Public Market Funds

The HMC public market funds have established risk parameters that are monitored daily by the HMC Risk Management department which is independent of the investment teams.

The HMC Pricing and Brokerage Committee oversees the brokerage activities of public market funds. The committee approves each fund's valuation procedures and ensures they are reasonably designed to value each portfolio holding in an appropriate and timely manner. The committee analyzes order handling and best execution statistics and reviews prime brokerage, executing brokerage and ISDA relationships.

The members of the Pricing and Brokerage Committee are independent of the investment teams.



## Protecting Our Investors

*HMC is committed to protecting the capital invested in our funds and preventing any financial or reputational harm to our investors or business operations through a thorough, tailored compliance program that adheres to the regulatory requirements of the jurisdictions in which we operate.*

### Comprehensive Compliance

**HMC Affiliates** are subject to regulatory supervision by the **SEC**, **FINRA** and **FCA**. These affiliates have consistently received positive results from periodic exams and have received no referral or enforcement actions from any of their regulators.

**Harbert Fund Advisors, Inc. (HFA)** voluntarily registered as an investment adviser with the **SEC** more than ten years before it was required to do so. HFA serves as Investment Manager to most HMC-sponsored funds.

**HMC Investments, Inc.**, a **FINRA-registered broker-dealer**, provides regulatory permissions, licensing, and training parameters for marketing staff, unlike most of our competitors. As of early 2023, HMCI consists of approximately **37 General Securities Representatives** with approximately **6 General Securities principles**.

**Harbert European Fund Advisors, Ltd. ("HEFA")** has been granted authority to perform certain regulated activities in the United Kingdom by the Financial Conduct Authority. HEFA's authorized activities include marketing HMC-sponsored funds and arranging transactions for the European real estate funds.

HMC's **Chief Compliance Officer** has direct access to the Board of Directors and presents findings from the annual compliance review. This executive session provides the CCO and the Board an opportunity to have a frank discussion on any potential issues.

HMC has engaged **third-party consultants** to validate internal and external compliance with HMC's policies and procedures.

HFA maintains an **Anti-Money Laundering Program** that is reasonably designed to combat the financing of terrorism and comply with the **USA PATRIOT Act**.

The **HMC Code of Ethics** sets forth core values and beliefs as well as the standards of business conduct expected of all HMC employees.

The **HMC Conflicts of Interest Policy** is designed to mitigate and manage potential conflicts of interest. HFA discloses all identified potential conflicts of interest within its Form ADV Part 2A on file with the SEC.

The **HMC Electronic Communications Policy** is designed to direct and train HMC employees to use HMC's technology infrastructure for all business-related communications.

The **HMC Pay to Play Policy** addresses lobbying and political contributions and is designed to curtail so-called "pay to play" schemes in which advisers try to curry favor with politicians by donating to their campaigns.

The **HMC Gifts and Entertainment Policy** is designed to prevent actions which might induce or reward someone to improperly perform their duties with a view to obtaining a business advantage.

HMC provides a **Continuing Education** Program for employees designed to build their knowledge of the industry, compliance requirements, the products they sell, and the ever-changing regulations under which the firm operates.

# Protecting Our Investors

## Privacy & Information Technology

The **HMC Privacy Policy** and **Cybersecurity Policy** provide that investor information shall be kept confidential and strictly safeguarded, with particular attention to market systems, customer data protection, disclosure of material cybersecurity risks and incidents, and compliance with legal and regulatory obligations under the federal securities laws.

The **HMC Business Continuity Plan** is designed to address operational and other risks related to a significant disruption in operations in order to minimize the impact to investors and preserve the continuity of services.

## HMC Auditors

HMC is proud to have a long audit history with several top accounting firms:

**PricewaterhouseCoopers** – Auditor since HMC inception in 1993

**Ernst & Young** – Auditor since 2003

**Warren Averett** – Auditor since 2014; Tax relationship since 2004

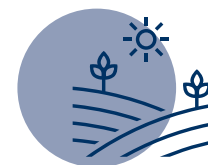
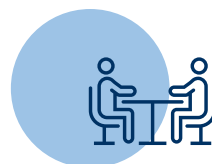
## Alignment of Interest

HMC affiliates invest in each fund on the same terms and conditions as other investors, aligning their interests with those of our investors. HMC's remuneration practices further align the interests of personnel with those of investors. Fund managers as well as senior corporate executives responsible for the infrastructure that supports them (legal, compliance, accounting, reporting, and marketing) all participate in the carried interest of HMC-sponsored investment funds and therefore have a direct interest in the performance of their funds.

Each person responsible for these functions has "skin in the game." Our compensation structure for fund managers is weighted to emphasize carried interest, so the relevant, responsible officers are rewarded when their funds perform well for their investors.

# Sustaining Our Commitments

*HMC is committed to proactively and consistently assessing and improving our policies and procedures to reflect HMC's commitment to robust governance and compliance functions as well as sustainability.*



## Exclusion Policy

HMC is committed to investing in companies and projects that align with our values, mission, and standards. We believe that certain investment opportunities, because of their exposure to extreme social or environmental risk, do not fit these criteria and create exposure to additional financial risks. The consideration of exposure to such risks is consistent with the responsibilities upheld by HMC and the ideals set forth in its Responsible Investing Policy. Therefore, we believe that we have a responsibility to our stakeholders, which include our investors, investment teams, transaction partners, operating partners, and employees, to identify specific investments in which HMC-sponsored funds will not participate.

Any investments that do not meet the exclusion policy criteria will be divested or excluded from the investment portfolio as soon as possible.

## Stewardship Policy

HMC's Stewardship Policy covers the entirety of its investment strategies, including Real Assets, Private Capital, and Absolute Return. This policy is intended to set forth a variety of tools HMC may use to achieve its stewardship objectives. HMC's influence and control over our investments, whether in companies or real assets, varies significantly across and within certain asset classes. In the case of some investments, we maintain control of the asset or company, while in other cases we may simply be a lender with no control or have only a minority shareholding and thus a more limited ability to influence stewardship practices.

Consequently, the stewardship practices implemented for each investment strategy, or even for assets within a single investment strategy, may vary but in each case will operate to support HMC's overall stewardship objectives.

## Responsible Investing Policy

This policy is intended to provide a broad framework for our approach to ESG integration in HMC's investment business. Because HMC's influence and control over our investments vary significantly across and within certain asset classes, some of HMC's investment strategies are better situated to more fully implement HMC's ESG objectives than others.

Depending on the type of investment, HMC will assess which ESG factors that are identified as "material" to that investment, meaning those ESG factors that would have the potential to impact economic value as well as environmental and social value for the investment and its broader stakeholders.

## Conclusion

*"HMC's excellent long-term absolute and relative performance has been the main driver of our growth. Further, a reputation of ethical and fair business practices is critical in any industry, but it is of tantamount importance when you have fiduciary responsibility of others' capital."*

- Raymond J. Harbert

As we navigate the complexities and opportunities of the dynamic corporate responsibility landscape, we remain steadfast in our goal of driving positive change for current and future generations while creating lasting value for our investors and clients.

HMC's dedication to responsible investment is more than just a reflection of our desire to foster positive outcomes for both our business and the world around us – this dedication also establishes a strategic advantage that positions our investments and firm for long-term success in a dynamic and evolving future.

By combining our investment expertise with innovative technology and sustainable practices, we strive to help address the challenges faced by our stakeholders with integrity, curiosity, and persistence.



## To Find Out More, Please Contact Us

*HMC is an investment management firm focusing on alternative assets with approximately \$7.7 billion in Regulatory Assets Under Management as of December 31, 2023. HMC serves endowments, foundations, pension funds, financial institutions, insurance companies, high net worth families and individuals*

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