Harbert Management Corporation
ESG Fact Sheet

Harbert Management Corporation

November 2021

ESG Committee and Policies

- The Responsible Investing Policy of Harbert Management Corporation ("HMC") emphasizes the commitment HMC has made to investing capital in a responsible manner and sets forth our objectives of integrating environmental, social and governance ("ESG") principles into all of our business practices; furthering principles of responsible investing through stakeholder engagement; and encouraging accountability through transparency with our investors and other stakeholders. Through its ESG initiatives, HMC has made a positive impact in a variety of areas, which we are proud to highlight.

- The HMC ESG Committee is composed of representatives of executive management, investment teams, and fund administration. The ESG Committee is responsible for developing and implementing HMC's Responsible Investing Policy as well as periodically reviewing the policy for necessary revisions or improvements. The 2020-2021 ESG Committee members are listed at the end of this document.

- The Chair of the HMC ESG Committee is supported by and has direct reporting responsibility to the Board of Directors.

- In 2020, the HMC ESG committee completed its first materiality assessment, evaluating HMC's management practices and their overall impact on stakeholders. The initial assessment was very positive overall and has led to follow-on initiatives, reaffirming HMC's commitment to ESG principles.

- Each HMC investment strategy is developing an ESG policy and protocols tailored to the factors applicable to its specific investment environment.

- HMC is currently integrating diligence and reporting standards that address ESG principles across our Real Asset strategies.

- HMC is a signatory to the United Nations Principles for Responsible Investment.

Environmental Responsibility

Environmental Policy

HMC recognizes the unique nature of the environment, as well as individual and corporate dependence on its continuing health, and it is therefore HMC's policy to conduct its business and affairs to comply with both the letter and spirit of all environmental laws and regulations.

Caney River Wind Farm
111 turbines, 200 megawatts
Howard, Kansas

Corporate Sustainability Practices

HMC is focused on sustainability across our firm. We pursue environmental performance improvements at our office locations, as described below:

- Through the use of corporate dashboards, HMC employs a data-driven approach to track and analyze electricity usage, pages printed and office supply spends across all major offices.
- In 2020, HMC developed Sustainable Office Guidelines to encourage green office practices throughout the firm. These guidelines were implemented firm-wide in 2021, and were designed to drive employee engagement in the following areas:
    - Responsible power consumption
    - Reduction in paper use
    - Recycling
    - Environmentally friendly kitchen practices
    - Commuting and travel
    - Green office supplies and equipment
- In 2019, HMC installed high-resolution video conferencing infrastructure across the firm's offices.
- In 2020, HMC acquired a Zoom Enterprise account to encourage video conferencing to reduce travel.
- In 2020, HMC acquired a DocuSign Enterprise account to encourage electronic document execution and reduce paper consumption.

Investment Fund Practices

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

- Harbert United States Real Estate strategy ("HUSRE") implements energy efficiency initiatives at its properties and seeks Energy Star and LEED certifications.
- HUSRE conducts High Performance Building Assessments when utilizing Fannie Mae's Green Financing program, on multifamily assets specifically.
- 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.

Investment Fund Practices, continued

- Harbert Infrastructure strategy ("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 ("GRESB") annual assessment of ESG performance.
- HIF routinely monitors and reports on the production and emissions practices of its underlying assets.
- HIF ensures that all of its underlying assets operate in accordance with their respective environmental permits and restrictions.

Commitments

- HMC is committed to pursuing corporate real estate in buildings with LEED, EnergyStar or other sustainability designations.
- To better understand HMC's global impact, the firm is refining the way we track and report resource consumption. HMC is establishing formal procedures that will allow the firm to set goals and benchmark environmental performance in the future.
- HMC is reevaluating procurement practices in pursuit of a formal green procurement policy.

Green FINANCING

U.S. GREEN BUILDING COUNCIL LEED CERTIFIED USGBC

energy ENERGY STAR PARTNER

Awards and Recognitions

- Harbert Power Fund V and Gulf Pacific Power disclose underlying investment information and receive a GRESB score.
- Through 2021, nine HIF investments received GRESB Five Star Ratings.
- Gulf Pacific Power, a separate account managed by the Harbert Infrastructure team for California Public Employees' Retirement System ("CalPERS"), ranked the #1 Americas Diversified Private Equity Infrastructure Fund for the second consecutive year in 2021.

GRESB®

- Desert Sunlight, a solar PV asset in California, ranked the #1 U.S. Solar PV Power Generation Asset in the operations and maintenance category and achieved GRESB Five Star Status.
- Rocky Caney Wind Portfolio ranked as a Top 3 U.S. On-Shore Wind Power Generation Asset in the operations and maintenance category.
- Astoria Energy I ranked as a Top 3 U.S. Gas-Fired Power Generation Asset in the operations and maintenance category and achieved GRESB Five Star Status in its inaugural assessment.
- Washington County Power achieved GRESB Five Star Status.
- Harbert Infrastructure managed assets achieved a combined average score of approximately 87% and all assets achieved GRESB Four or Five Star Status.

Social Responsibility

Harbert Employees Reaching Out ("HERO")

HERO provides direct financial assistance to people who have been affected by natural disasters, medical conditions or temporary financial hardships to help them regain their independence and self-sufficiency.

Harbert Employees Reaching Out

- HERO is administered by a board of HMC employees and encourages all employees to recommend philanthropic grants and ideas for consideration.
- Since inception, approximately 761 HERO grants have been awarded in excess of $4.9 million.
- The HERO Small Business Relief Fund was launched in April 2020 to help local small businesses impacted by the COVID-19 pandemic. The program was funded by HMC shareholders and employees. In under five weeks the HERO team evaluated over 300 applications and funded over $1 million of grants to provide direct financial assistance to 67 qualifying small businesses.
- The HERO Christmas project has provided gifts to over 1,500 children in need since its inception. The Christmas project provides gifts of $200 per child and a gift card to the family of $100. HMC's employees shop directly for the children and deliver the gifts to each family.

HERO volunteers

- HERO has sponsored the Birmingham YWCA Woodlawn Easter Egg Hunt since 2014 with employees volunteering to fill and hide eggs and chaperone the event.

Community Impact and Investment

- HMC corporate headquarters employees volunteer as drivers for Meals on Wheels.
- HMC has been a top "per capita" donor to United Way of Central Alabama for several years.
- HMC is establishing an annual community service day to be sponsored by HMC corporate headquarters and encouraging all employees to participate.
- Approximately $50 million has been contributed by HMC's senior management over the last five years to non-profit, higher-education, and charitable organizations.

Employee Engagement

- During the COVID-19 pandemic, HMC encouraged working remotely for employees where possible and provided appropriate technology and IT staff to support this option.
- HMC sponsors social and team building events periodically throughout the year to promote employee camaraderie and a positive firm culture.
- All HMC offices maintain a business casual dress code with casual Fridays.

Employee Engagement, continued

- HMC provides professional office facilities supplied with appropriate technology to allow employees to work efficiently and effectively.
- HMC was ranked #5 "Best Places to Work in Money Management" in the 2020 *Pensions & Investments* (100-499 employee category) list. HMC was also included in the 2019 list.
- HMC has encouraged participation in the annual *Pensions & Investments* survey, reviewed feedback, and adjusted practices and policies accordingly.

Human Capital Management

HMC believes in and practices the philosophy of providing equal opportunities for all applicants, employees and contracting parties based upon their training, experience, performance and overall qualifications.

- HMC is committed to maintaining a work environment that is free from discrimination and harassment. HMC prohibits discriminatory practices and harassment on the basis of race, religion, national origin, sex, sexual orientation, gender identity, gender expression, age, marital status, disability, or veteran status, or any other reason prohibited by law, whether the discrimination/ harassment is caused by another employee, a supervisor, a visitor or any other person.
- HMC provides an annual equal opportunity training program that is conducted to educate all employees on what constitutes discrimination and harassment.
- HMC solicits employee input annually to determine if any problems exist and to ensure they are addressed.

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.
- Annually, firm-wide recognition is given to each employee reaching five year incremental employment tenure milestones. Each employee reaching a milestone also receives a corporate gift of his or her choosing.

Kenny Beck
2020 Recipient
John M. Harbert III Award

Employee Development

- Continued professional development by employees is encouraged and often a requirement for membership in professional organizations by employees.
- HMC is sponsoring two high potential female employee applicants for the Momentum Women's Executive Leadership and Upward Early Career programs.
- 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.
- A wide variety of industry subscriptions and educational materials are provided to employees and/ or reimbursed.

Diversity and Inclusion

- The 2020 HMC ESG materiality assessment highlighted the need for more focused attention on increasing diversity within the HMC workforce. HMC continues to cultivate a more diverse workforce and inclusive workplace because the firm believes that having team members with varied backgrounds and perspectives improves business results. Progress is being made, but much is left to do. 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. To this end, HMC is increasing business leader accountability for diversity and is redoubling hiring efforts by closely monitoring all hiring processes.

- HMC is a participant in the University of North Carolina's Real Estate Diversity Initiative (REDI) program to provide mentorship and summer internships to underrepresented groups.

- HMC participates in the Holy Family Cristo Rey ("HFCR") work study program. HFCR takes an innovative approach to inner-city education, providing students from families of limited economic means with a college preparatory education and real-world work experience in their corporate work study program.

- HMC is seeking to hire minority employees by recruiting from Historically Black Colleges and Universities (HBCUs), participating in internship programs targeted to minority candidates, and by directing recruiting firms to provide more diverse slates of candidates.

Employee Benefits, Health and Wellbeing

- HMC provides a comprehensive benefits package to employees which includes both a 401(k) plan and a Roth 401(k) plan, each with company match through Fidelity.

- HMC provides a comprehensive health benefits package to employees through Blue Cross and Blue Shield of Alabama including medical, vision, and dental insurance options.

- HMC provides company-paid life insurance, long-term disability insurance and accidental death and dismemberment insurance.

- HMC provides up to twelve weeks paid parental leave for the primary caregiver, and two weeks paid parental leave for the non-primary caregiver.

- A variety of additional benefits are provided by HMC including but not limited to bereavement leave, an office wellness room for new mothers, annual flu shots and monthly B12 shots on-site at headquarters, among others.

- 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 provide support and advice while an employee is going through this major life transition and returning to the workplace.

Kathryn O'Neal
2021 New Parent Advocate

Compensation

The overall HMC compensation structure allows us to attract and maintain the needed level of employee talent to generate top-tier performance and remain competitive with peers in the marketplace.

- HMC employees are paid market-based salaries and are eligible to qualify for an annual discretionary bonus. Base compensation provides competitive, market-based wages to fairly compensate the employee in view of skills provided, work performed, and responsibility undertaken.
- Bonus compensation is determined annually and paid to employees whose performances during the year merit additional consideration beyond their base wages.
- All HMC employees participate in a formal annual performance review process that is overseen by the firm's Compensation Committee.
- HMC investment team members participate in the incentive fee paid by the applicable fund. The overall compensation structure for fund managers is heavily weighted to the incentive fee component which is generally subject to a vesting schedule and clawback requirement.
- Beginning in 2021, HMC will conduct an annual compensation fairness review.

Governance Responsibility

Ownership and Organization

HMC is privately held by 22 of its employees and officers. Each shareholder shares in the profitability of the entire firm and is therefore vested in the success and future of HMC. Leadership's "tone at the top" creates an ethical atmosphere that guides employee behavior and accountability.

- The HMC Compensation Committee works with departmental managers to oversee formal annual performance reviews for all employees.
- HMC's Fund Administration departments are comprised of experienced professionals who provide investor reporting, risk management, internal audit, legal, compliance and accounting and tax services for HMC-sponsored funds, allowing the investment teams to focus solely on investment management.
- 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.
- 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 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; 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.
- The HMC Private Market Valuation Committee approves the valuation policies used by each private market fund and ensure that they are reasonably designed to value each portfolio holding in an appropriate and timely manner. The Vice President of Private Market Valuation and Analysis and the Vice President 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.

HMC Senior Leadership Team

Raymond J. Harbert
Chairman &
Chief Executive Officer

J. Travis Pritchett
President &
Chief Operating Officer

Charles D. Miller
Executive Vice President &
Global Head of Distribution

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

John W. McCullough
Executive Vice President &
General Counsel

John F. Bryant
Executive Vice President &
Senior Managing Director,
Absolute Return Strategies

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, marketing) all participate in the carried interest and therefore have a direct interest in the performance of HMC-sponsored funds.

Regulatory and Compliance

- 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.

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

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

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

- 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 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.

Regulatory and Compliance, continued

- 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.

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

Auditors

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

    - **PricewaterhouseCoopers** — Auditor since HMC inception in 1993
    - **EY** — Auditor since 2003
    - **Warren Averett** — Auditor since 2014. Tax relationship since 2004
    - **Deloitte** — Auditor since 2017
    - **RSM** — Auditor since 2017

Privacy and Information Technology

- The HMC Privacy Policy provides that investor information shall be kept confidential and strictly safeguarded; it may only be used or disclosed as needed or required by law.

- The HMC IT department has policies focused on cybersecurity issues, 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.

2020-2021 ESG Committee Members

Travis Pritchett
President & Chief Operating Officer, Harbert Management Corporation
Committee Chairman

Holly Kincaid
Executive Assistant to the President
Committee Secretary

Melissa Babb
Senior Managing Director, Marketing

Michael Bauder
Vice President & Chief Compliance Officer

Bufkin Frazier
Vice President & Associate General Counsel

John Harbert
Associate, U.S. Real Estate Group

Thomas Hicks
Vice President & Director of Risk Management

Kathryn O'Neal
Vice President, Real Estate Funds

Jordan Redella
Director, Seniors Housing Group

Kirk Stafford
Associate, Harbert Infrastructure Group