

Responsible Investment Policy

Introduction

Duke Royalty Limited (“Duke”) is a leading provider of royalty finance to companies in the UK and Europe. We are long term partners to businesses: our capital enables business owners to grow their businesses without compromising control or ownership and is intended to remove refinancing risk.

We seek to be responsible investors. We believe that understanding the operational aspects of a business, in addition to its financial profile, allows us to manage risk effectively and generate value. Although we are passive investors and do not have operational, equity or board control of the companies we invest into, our investment method does seek to align our returns with the long-term growth of the business. Therefore, we work in partnership with management to grow and develop the business and solve problems together. In this way, the more the company grows, the better our returns are.

Environmental, Social and Governance (“ESG”) considerations impact the way in which we manage the business, our investment decisions and our management of royalty partner relationships. As fiduciaries we recognise that by following a broad set of policy commitments relating to ESG factors, we will better align ourselves and our investors with the broader objectives of society. Furthermore, because our investment products are structured over decades, we believe that long term success as a business is directly correlated to the way that business approaches and manages their place relative to environmental, social and governance considerations.

Our responsible investment policy

The purpose of this policy is to outline our commitment towards incorporating ESG considerations throughout the investment process. This recognises the importance of not only managing risk but identifying opportunities to deliver value through taking a proactive approach to ESG management. In framing this policy, we have sought to incorporate or align with recognised global standards which include, but are not limited to, the Principles for Responsible Investment (www.unpri.org) and the UN Global Compact.

Exclusions list

We will not invest with royalty partners who:

- deny human rights;
- engage child or forced labour directly or within their supply chain;
- manufacture weapons that are designed primarily for destructive purposes e.g. anti-personnel mines, cluster weapons;
- are in the business of mineral, coal, or oil and gas extraction;
- produce products that are illegal under Guernsey, UK or relevant local laws;
- produce tobacco products;
- cause serious environmental damage;
- provide research, development or technical applications relating to electronic data programs or solutions which support the above exclusions list.

Integrating responsible investment principles across the investment lifecycle

We incorporate ESG factors across the investment lifecycle, alongside more traditional financial and business performance considerations. We view these activities as a way of managing not only business risk, but to deliver opportunities to increase shareholder return and create long-term sustainable value. The process we follow to integrate ESG considerations in our investment activity is highlighted in the diagram below:



Pre-completion

- ESG is a key consideration from initial screening phase of new deals
- Due diligence conducted to identify and understand ESG risks and opportunities
- ESG specialists consulted where specific risks have been identified

Post-completion

- External ESG assessment post-deal, if further external input is required
- Implementation plan to ensure key material risks and opportunities, identified either at time of investment or during our investment, are addressed by management

Managing ESG in our royalty partners

We apply an ESG assessment framework to understand the material risks and opportunities within our royalty partners. As a minimum requirement we expect companies to comply with all applicable laws and regulations in the countries in which they operate. Our framework covers a broad range of impact areas, which include but not limited to:

- **Environmental** - We require our royalty partners to ensure that their business do not have any material environmental impacts. We encourage companies to identify and implement measures to reduce their environmental impact. This will include energy, waste and water reduction.
- **Social** - We require royalty partners to be equal opportunities employers and provide learning and development opportunities for employees. We do not tolerate unfair, discriminatory, illegal or immoral work practices either in the royalty partner, or within the supply chain. We also encourage open communication to ensure companies provide a safe working environment which promotes positive staff wellbeing. Finally, we believe in being good corporate citizens in the communities we operate in, and giving back to charities and good causes, and encouraging employees to do the same.
- **Governance** - We view corporate governance as the combination of processes and structures implemented by the board in order to inform, direct, manage and monitor the activities of the organisation towards the achievement of its objectives. Our focus on governance is to ensure our royalty partners have a board which delivers strong leadership, are effective and well balanced, accountable, award sufficient levels of remuneration, behave in an ethical manner and engage with shareholders.

Other specific issues we explore under governance include safeguards against acts of bribery and corruption, cyber security and data protection.

Implementation

We commit to communicating this Policy to all royalty partner boards and will regularly discuss ESG management at our portfolio review meetings. We will report any relevant material ESG concerns to investors in our annual report, or otherwise on a case-by-case basis (as appropriate).

Any identified ESG issues will be reported to the investment team, with actions to minimise risk and/or realise potential opportunities agreed with the senior management team of the royalty partner. We have committed to ensure that each royalty partner who receives an external ESG assessment post Duke-investment implements any resulting recommendations which improve upon current performance.

Managing ESG internally within Duke and alignment with our core values

We will uphold the same standards internally within Duke Royalty as we ask of our royalty partners. We believe that this aligns our goals with our royalty partners and our stakeholders and ensures that we are living our standards.

ESG principles also are in line with our core values. Our core values provide the foundations to this approach and are integral to the implementation of this responsible investing policy:

- **Transparency:** We treat our partners and stakeholders with honesty, integrity, fairness and respect, contributing to strength and longevity of our relationships. This extends to the transparency of our governance and investment process.
- **Accountability:** We are accountable to each other, our stakeholders, our royalty partners, and the communities where we do business. We aim to be responsible investors and a good corporate citizen.
- **Creativity:** We believe change is the only way forward and seek out different perspectives to meet business challenges and situations. Ours is a flexible financial solution designed to meet the evolving needs of small to mid-sized business owners.
- **Focus:** We aim to be a trusted partner for small to mid-sized businesses. We keep a focus of our approach to investing and our investment criteria. We are sensible and keep things as simple as possible for our royalty partners.
- **Teamwork:** We collaborate and support each other and our partners, as we recognise the value of diversity of thought in problem solving and innovation, and support diversity within our team.

This policy has been discussed with and circulated to all Duke staff. Duke's board and management will be responsible for the implementation of this policy and will complete a periodic review to ensure its continued relevance.

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