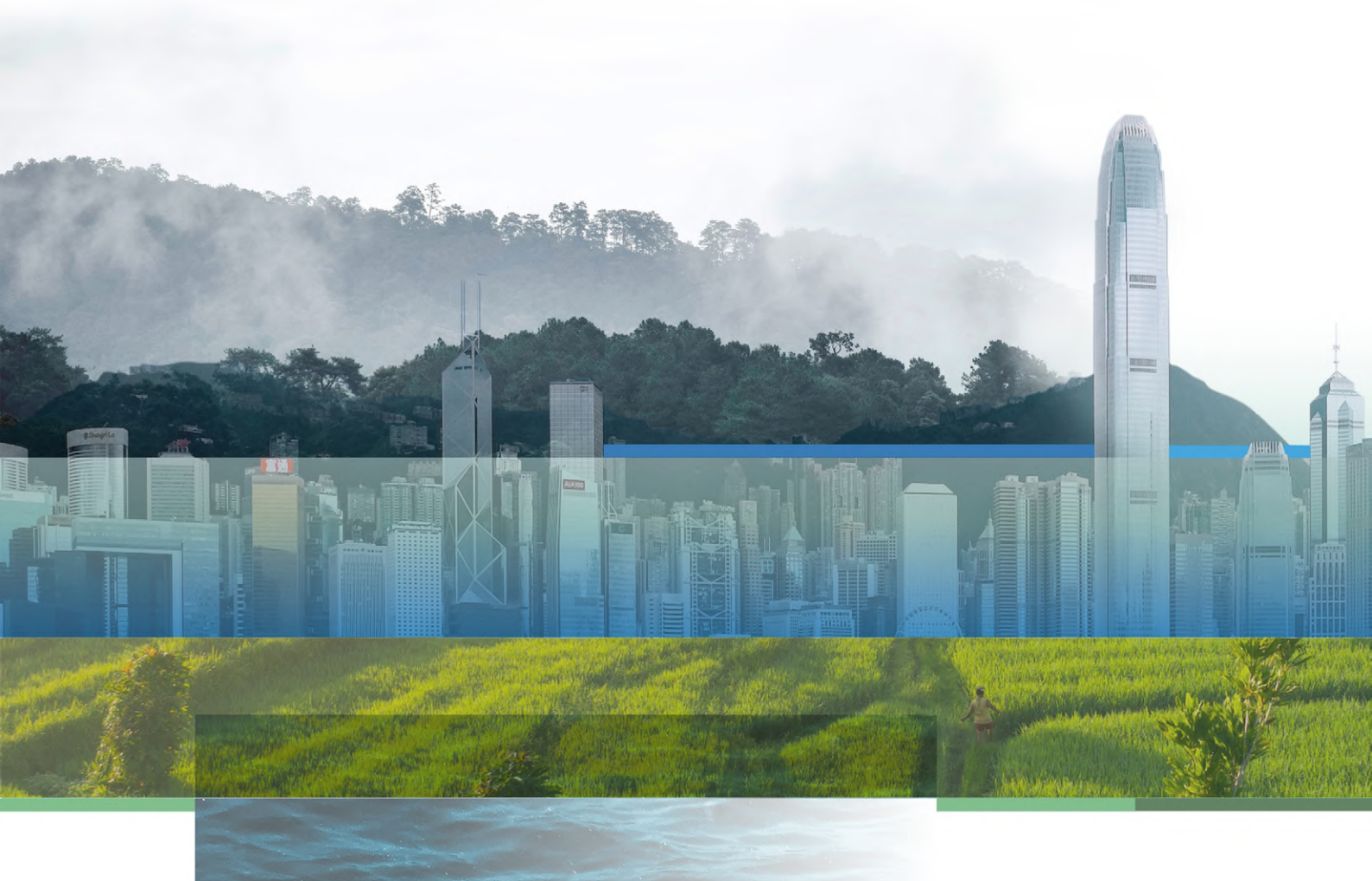

ADM CAPITAL



2022

Asia Private Credit

**SUSTAINABILITY
REPORT**

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OVERVIEW

We view ESG integration as part of our fiduciary duty in terms of mitigating environmental and social risks that might otherwise impact an investee company's financial viability. As a fund manager, we have an important role to play in supporting our portfolio companies' social and environmental outcomes, which we believe improve exits and lead potentially to a reduced cost of capital.

Message from Our Founders

The ADM Capital Foundation (“ADMCF”) was established in 2006 to help us think through the ugly underbelly of the Asian growth story and address the negative by-products of rapid development.

This annual Asia Private Credit Sustainability Report reflects our commitment to the responsible investment strategy we have developed since then.

At the heart of our investment approach is this principle: that economic prosperity can be achieved whilst respecting our planet and benefiting the communities in which we operate. Our private credit solutions are designed to empower businesses, support sustainable initiatives, and foster inclusive growth across Asia. By channelling capital towards environmentally conscious and socially responsible endeavors, we believe we can create a positive and lasting impact in our region, whilst delivering attractive commercial returns to our clients.

Extensive research and data collection over the past 25 years have contributed to the development of our strategy, ensuring we achieve the best risk-adjusted returns within that mandate. This process has only served to strengthen our conviction that financial growth and environmental stewardship go hand in hand.

Indeed, we have seen first-hand the transformative power of sustainability. We have witnessed sustainable businesses outperform their peers, attract better exits and drive positive change on a

larger scale. As a result, we understand that by embedding sustainability at the core of our operations, by integrating environmental, social and governance (“ESG”) considerations into our investment decisions, we not only mitigate risk but also unlock new opportunities for value creation.

Over the past year, we helped more than 40 companies improve their operations, guided by more than 700 completed Environmental Social Action Plan (“ESAP”) items, which are included in our loan covenants. We remain committed to helping borrowers deliver ESG value and have collected over 1,000 ESG KPI datapoints in 2022 alone through our direct engagements.

In this report, you will find a comprehensive overview of our sustainable practices, achievements, and ongoing initiatives as well as analysis of our ESG performance, including where we did well and where we need to do better. By publishing this information, our hope is that we can bolster our accountability and invite constructive dialogue.

This is our most detailed sustainability report to date, but gaps remain. Despite doubling our data coverage of greenhouse gas (“GHG”) emissions every year since 2020, we are still missing reliable data from ~30% of our portfolio companies. Our ongoing work to support small and medium-sized enterprise (“SME”) borrowers in disclosing and evolving their GHG emissions strategy will steadily close

this gap and facilitate improvements in their performance as well as our own.

As we accelerate our efforts to deliver transparent, rigorous, and relevant ESG data in alignment with evolving regulatory frameworks, ESG transparency remains at the heart of our investment and risk management process.

We are particularly proud of the partnerships we have forged with like-minded organizations, fostering collaboration and knowledge-sharing, to address common sustainability challenges. Our commitment extends beyond our investments: we actively engage with our portfolio companies to promote sustainable practices, ethical governance, and stakeholder inclusivity. By working together, we hope to create a multiplier effect that will ripple positive change throughout the ecosystem.

As we navigate the complexities of an ever-changing world, we remain steadfast in our pursuit of returns for our limited partners (“LPs”). Sustainability in private credit is an uneven course and there is always more work to be done. We will continue to refine our strategies, embrace innovation, and leverage emerging technologies to propel us further.

On behalf of our entire organization, we extend our sincere gratitude to our valued investors, partners, employees, and communities who have supported us. Your trust and collaboration have been instrumental in our success, and we look forward to continuing this shared journey.

Together, we can build a resilient and prosperous Asia that leaves a positive legacy for generations to come.

Chris Botsford & Rob Appleby
ADM Capital Co-Founders



Chris Botsford

Rob Appleby

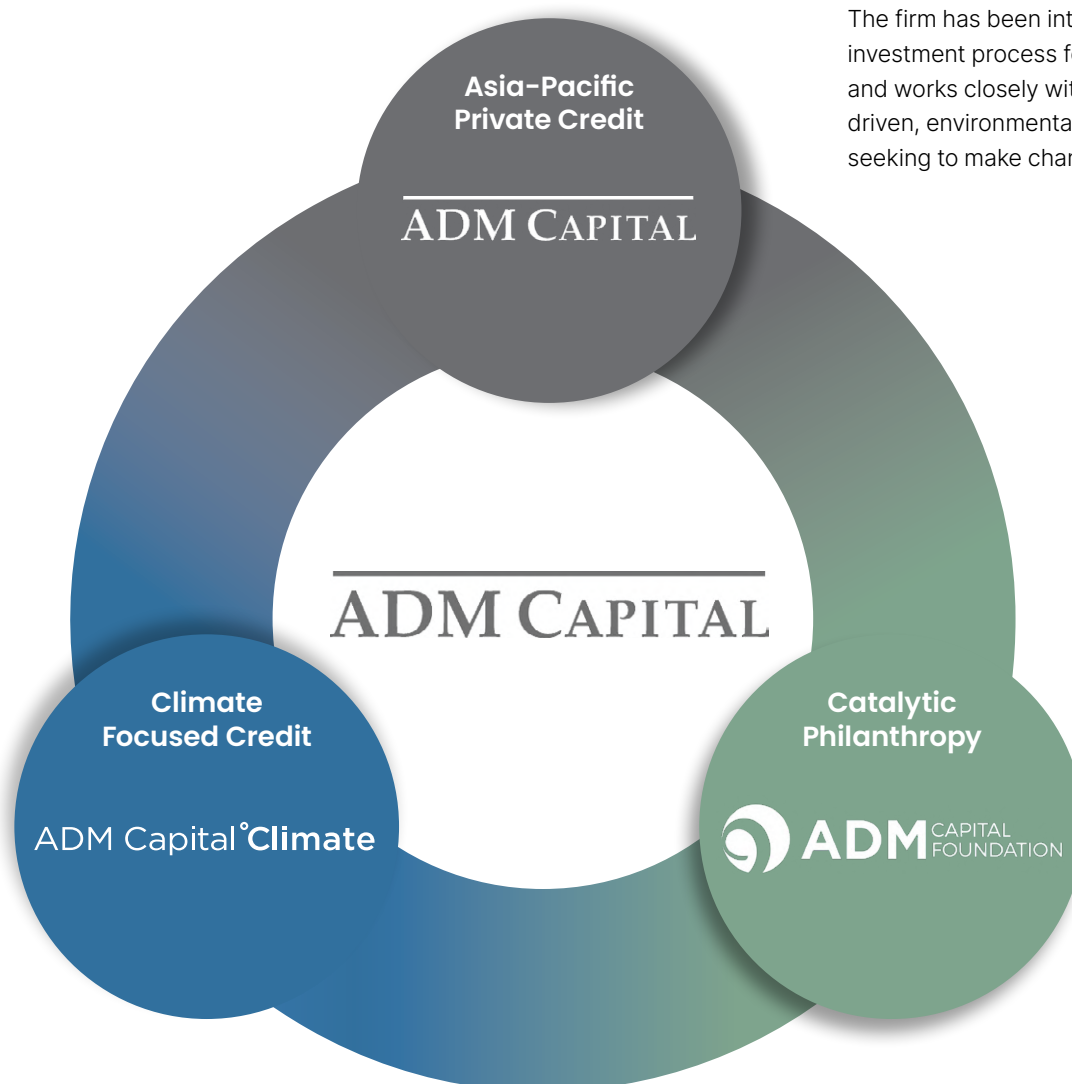
About ADM Capital

With more than 25 years of Asia-Pacific private credit experience, [ADM Capital](#) is a leading ESG-integrated alternative credit fund manager focused on providing flexible capital solutions to Asia-Pacific region's mid-market corporates and entrepreneurs.

ADM Capital focuses exclusively on private credit investment across developed and emerging Asian markets and manages ~USD2bn on behalf of a reputable institutional client base.

Headquartered in Hong Kong with a regional footprint, ADM Capital has successfully invested across market cycles and through various economic crises, prioritising downside protection, preservation of capital, and risk-adjusted performance. The secured direct lending strategy looks to generate uncorrelated returns and alpha over liquid credit markets, via proprietary sourcing strategies, tight deal controls, and strong collateral packages.

ADM Capital believes that the social and environmental aspects of businesses ultimately influence performance and refinancing risk. The firm has been integrating ESG into its investment process for more than 15 years, and works closely with the [ADMCF](#), an impact driven, environmentally focused foundation seeking to make change in Asia.



2022 Highlights

AUM:

USD 1.9bn
Asset
Class Focus:
**Private
Debt**
Cumulative
Direct Lending
Assets:
USD 5.9bn
6 offices:

 Hong Kong (HQ),
Beijing, Bangalore,
Jakarta, Singapore,
Sydney
Direct Lending
Experience:
25 years
since 1998
Number of
employees:
41
No of loans
made:
213
Fully exited
loans:
156

ESG-integrated Strategy:

**All investment strategies
integrate ESG risks and
opportunities**

Sustainability at a Glance


100%

 of eligible¹ deals
have undergone
third party ESG due
diligence against IFC
Performance Standards

72%

 of eligible portfolio
companies³ report
on GHG emissions

88%

 of eligible deals are
managed under or are
working towards an
Environmental Social
Management System⁵

47%

 of eligible portfolio
companies² have
more than 30%
female employees

25%

 of eligible portfolio
companies⁴ have
more than 30%
female senior
managers

23%

 of eligible portfolio
companies⁶ have
more than 30%
female board
members

1. Please refer to our ESMS for more detail.

2-4,6. Includes KPI eligible deals only. Please refer to our ESMS for more detail.

5. ESMS eligible deals include third party ESDD applicable deals, and exclude projects that are too small in the context of an ESMS. Deals that are not managed under or working towards an ESMS include mostly legacy deals prior to 2020. Please refer to our ESMS for more detail.

Our Sustainability Strategy

At ADM Capital, our investment strategy embeds ESG principles and provides a roadmap for value creation for our stakeholders. With Asia now facing the consequences of two decades of rapid economic growth and excessive resource extraction, deforestation and pollution, ESG factors are clearly material in terms of value and performance.

In 2006, we established our first *Statement of Environmental, Social and Ethical Values*. In the same year, we established ADMCF. The objective was to produce research and data, push for policy support from regional governments and for targeted action to address the environmental and social (“E&S”) challenges Asia faced as a producer of commodities and considerable manufactured product.

In 2012, we began integrating third-party E&S due diligence into our investment process, to mitigate identified E&S risks via a time-bound action plan that is enshrined in loan documents as a potential event of default for non-compliance.

As our ESG capabilities and understanding of associated risks developed further, we have continued to deepen our engagement with portfolio companies.

In 2018, we established an Environmental and Social Management System (“ESMS”) under which our lending is now managed, and an ESG Committee manages that process. Our policies have also broadened to include more specific and targeted perspectives on ESG broadly, Climate Change, Modern Slavery, Stewardship and Engagement, as well as Diversity, Equity and Inclusion.

Climate change continues to play an increasingly focal role in our sustainability strategy, particularly given our potential exposure to physical and transition risks across our Asia portfolio. Conversely, we are also keen to mitigate any potential negative impacts of our investments. To this end, we are looking at our Scope 1, Scope 2 and partial Scope 3 emissions and, most recently, the Climate Value-at-Risk (“CVaR”) in our portfolio projects with Intensel, a Hong Kong based climate-tech solutions provider. For a second year we produce a Task Force on Climate-related Financial Disclosures (“TCFD”) report with more transparency about our Scope 3 emissions than previously reported, also incorporating initial CVaR as well as Scenario Analysis. Next year, we hope to have full Scope 3 transparency and targets set for reductions — at least in our own operations. Meanwhile, we support our borrowers with regard to building climate resilience and measuring their own emissions. We are thus able to mitigate our own climate risk and shift our investment strategies, as relevant.

Our sustainability strategy also emphasises engagement with our lenders. We see this as an opportunity to support the transition to a low-carbon economy across the Asia-Pacific region. Since 2020, we have worked closely with borrowers to collect ESG KPI data to quantify the value add of our lending. This process helps our borrowers build knowledge in the sector which becomes the basis of improved risk management.

Finally, leveraging our expertise in private credit and our years of research and network building through the Foundation, ADM Capital is creating thematic funds that respond to our dual crises in climate and biodiversity. These will help us deliver additional impact through our core private credit strategy.

The Asia Climate Smart Landscape Fund for Indonesia (“ACLF”), one of the funds under development, will offer credit to SMEs in agriculture in Indonesia with a focus on decoupling commodity production and deforestation as well as on other E&S challenges. The Elkhorn Fund, focused on smart cities, will deliver positive climate action in forward-looking infrastructure related projects.

We believe that through our ESG-integrated strategy, we can manage risk across our portfolio according to our fiduciary duty and deliver strong risk-adjusted returns. We also believe that progressive tightening of our ESG engagement and management strategy will deliver benefit to our companies, our communities, and our environment in Asia.

ADM Capital ESG Committee



Lisa Genasci
(Chair). Managing
Director, Sustainable
Finance



Anni Zhang
Associate,
ESG & Sustainability



Max Botsford
Analyst, Carbon

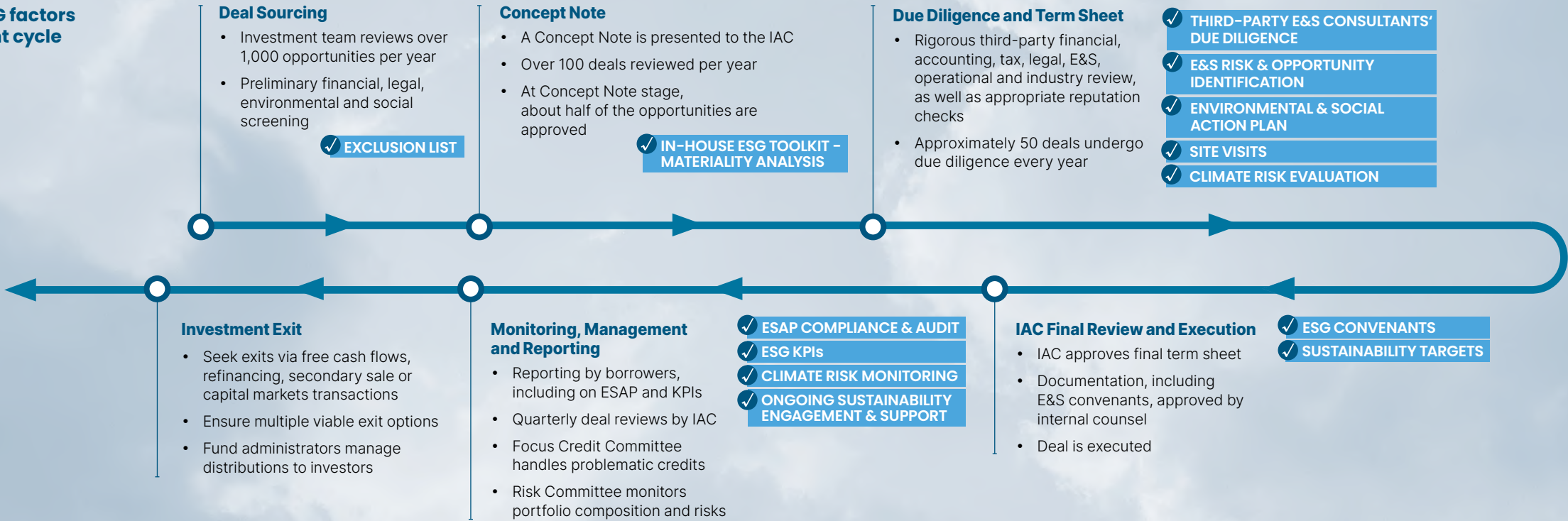


Phyuhpone Mokhant
Vice President,
Private Credit

ESG Integration Process
Asia Private Credit



Integrating analysis of ESG factors throughout the investment cycle



Our Policies

This year, we added two policies within our suite of governing documents. The first is an expanded external grievance mechanism, and the second, a new remuneration policy to link ESG performance with compensation.

At ADM Capital, the entire investment team is responsible for making sure our borrowers align with our ESG approach, understand and can respond appropriately. Our ESG Committee supports the team as needed and has an observer seat on the Investment Advisory Committee ("IAC").

ESG Policy

Governs and articulates our overarching ESG objectives, including an exclusion list in alignment with IFC Performance Standards



Climate Change Policy

Outlines our inclusion of climate considerations into its ESG objectives and processes



Anti-Slavery and Human Trafficking

Establishes our overarching modern slavery objectives and processes



Stewardship and Engagement Policy

Details how and why we engage with stakeholders relative to ESG considerations



Diversity and Inclusion Policy

Underlines our commitment to providing and promoting equal opportunities in our workforce



Compliance Manual & Employee Handbook

Informs our mission, values, history, and benefits, including channels for employees to raise concerns



NEW ON WEBSITE

Grievance Mechanism

Details a procedure to lodge a complaint for individuals or groups who are adversely affected by commercial activities conducted by ADM Capital



NEW

Remuneration Policy

Specifies the compensation and performance management with a view to align long-term interests of all stakeholders including employees, investors, and funds



Thematic Funds

ADM Capital is launching funds with more focussed direct lending mandates that look to help derive risk-adjusted returns from the vast shifts underway in the power, food and land use sectors toward a low-carbon future for Asia.

The Asia Climate-Smart Landscape Fund (“ACLF”)

ACLF aims to finance sustainable land use activities in Indonesia that generate climate, livelihood and gender impacts while delivering risk-adjusted financial returns for investors.

Building on our work with the Tropical Landscapes Finance Facility for Indonesia, ACLF is an ADM Capital credit product designed to offer longer-term lending to SMEs in the agribusiness sector in Indonesia with targets in emissions reduction, better land use management, improved livelihoods and gender.

The objective of ACLF is to provide capital to operating facilities adjacent to smallholder commodity supply chains. We hope to show how these supply chains can be decoupled from deforestation. This strategy will also be supportive of the large commodity buyers’ net-zero commitments by generating traceable and/or certified product from last mile commodity production.

Indonesia has the world’s third-largest tropical forests globally⁷, but this is changing rapidly. Every year since 2011, the archipelago has had the highest GHG emissions from land use change of any country and has annually been ranked among the top 5 net emitters globally.⁸

Also relevant is that 90 percent of rubber, cocoa and coffee are produced by smallholders⁹, while 40% of palm oil is also produced by smaller farmers¹⁰ and sold into mills that then supply the large buyers. The SME sector in agriculture, then, is key to decarbonize from a land use perspective.

We hope that our approach, which integrates people and conservation in a bankable investment, will lead the way for others to invest in business unusual.

Consistent with our core direct lending approach, loans are structured to provide income, limit downside and, where possible, achieve equity upside aligned with borrowers’ growth. The fund, which is currently raising capital, will benefit from a US Government DFC guaranty for 50% of principal invested at the project level.

Fund-Level Impact Targets:

12 million
tCO₂e over fund
life



8,000
new and
improved jobs



30%
businesses are 2X
Challenge compliant



125,000 ha
of landscape under
improved practice



7. Forest Crimes - UNODC Indonesia Office. (n.d.). United Nations : UNODC Regional Office for Southeast Asia and the Pacific. <https://www.unodc.org/roseap/en/indonesia/forest-crime.html>

8. The World Resources Institute. Global Historical Emissions. <https://www.climatewatchdata.org/embed/ghg-emissions>

9. Indonesia Investments. (2023, June 6). Cocoa in Indonesia - Indonesian Production & Export | Indonesia Investments. <https://www.indonesia-investments.com/business/commodities/cocoa/item241>

10. Francesburton. (2021, February 24). The Mighty Impact of Smallholder Palm Oil Farmers in Indonesia - Meridian Institute. Meridian Institute. <https://merid.org/smallholder-palm-oil-farmers-in-indonesia/>

Thematic Funds

(continued)

Asia Secured Lending Facility III (“Elkhorn”)

The Asia Secured Lending Facility III (“Elkhorn”) is our third vintage in an emerging-market-focused series of direct lending funds.

The Fund aims to address funding gaps in sustainable urban development in Emerging Asia by providing medium-term, senior and subordinated debt financing solutions to underbanked mid-market corporates.

ADM Capital observes a unique opportunity to extend private credit to support Asia’s urban transition to low-carbon economies. The fund offers investors an opportunity to deploy capital into Asia’s fast-growing infrastructure and smart city developments while fulfilling positive sustainability objectives.

Cities contribute 80% of the world’s GDP, however, they also account for 75% of global GHG emissions¹¹ and ~75% of global energy

consumption.¹² The speed of urbanisation in Asia is unprecedented, with 1.2bn new urban residents predicted by 2050¹³, when Asia will account for 2/3 of world’s megacities.¹⁴

Allocations will focus on sectors that address sustainable infrastructure, including energy, smart mobility and transport, water and other circular economy related opportunities.

Consistent with our core direct lending approach, loans are structured to provide income, limit downside and, where possible, achieve equity upside. Beyond the thematic focus on “Sustainable Cities”, ADM Capital will apply its best-in-class ESG-integrated investment process to ensure sustainability risks are mitigated and borrowers are incentivised to deliver incremental E&S progress throughout the tenor of our loan.



11. Standard, B., & B. (2022, January 18). Cities contribute 80% to global GDP, account for 75% emissions: Report. Cities Contribute 80% to Global GDP, Account for 75% Emissions: Report. https://www.business-standard.com/article/international/cities-contribute-80-to-global-gdp-account-for-75-emissions-report-122011800346_1.html
12. Urban Energy | UN-Habitat. (n.d.). Urban Energy | UN-Habitat. <https://unhabitat.org/topic/urban-energy>
13. Urbanization in Asia and the Pacific Region: Building inclusive & sustainable cities. (n.d.). Urbanization in Asia and the Pacific Region: Building Inclusive & Sustainable Cities. <https://unhabitat.org/asia-and-the-pacific-region>
14. Farrell, P. (2023, January 24). March of the mega-cities: World's total will rise to 37 by 2050. Mail Online. <https://www.dailymail.co.uk/news/article-11672473/March-mega-cities-Worlds-total-rise-37-2050.html>

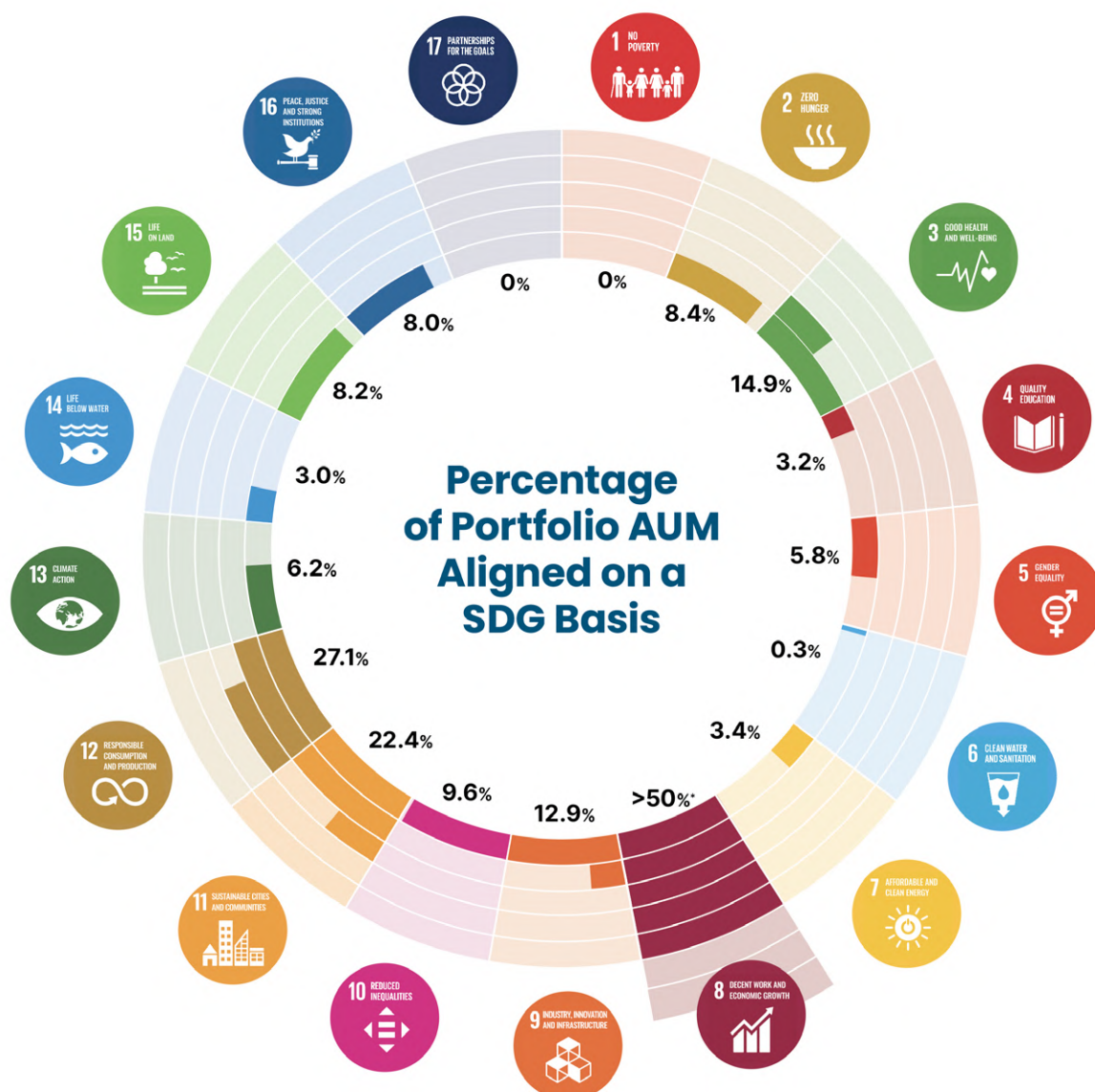
Our Portfolio and the SDGs

The Sustainable Development Goals (“SDGs”) were adopted as part of the 2030 Agenda for Sustainable Development, signed by 193 countries. They comprise 17 goals and 169 targets such as: the elimination of poverty and hunger, fighting climate change, supporting decent work and growth, and creating sustainable cities and communities.

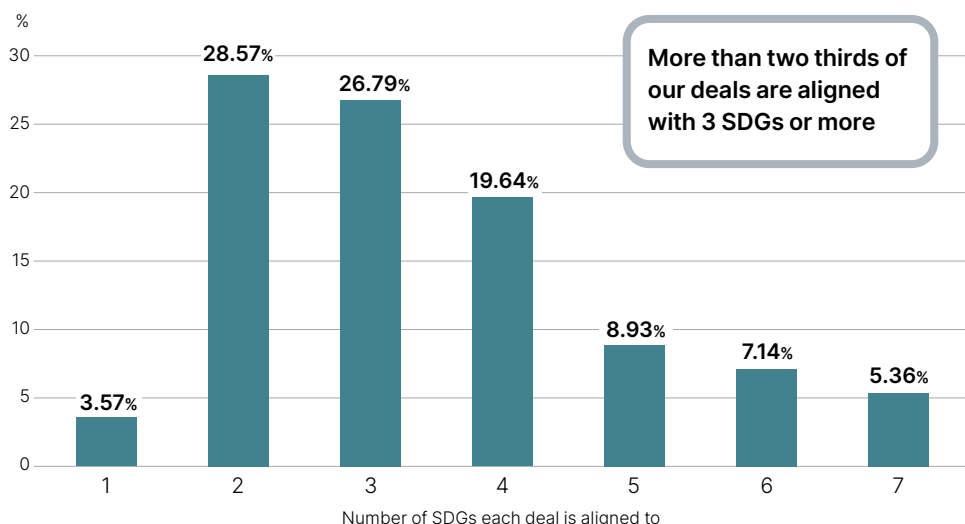
Aligning with the SDGs as part of the wider considerations and action for our planet is a means to build positive impact. Most recently overshadowed by climate action alone, the SDGs represent broader material ESG perspectives we consider as part of our fiduciary duty.

The SDGs serve as a universal framework for businesses to communicate performance, set targets and action, engage with various stakeholders and consider new market opportunities. The framework additionally fosters collaboration to solve the world’s most challenging tasks in sustainability.

We show below how our investments align with the SDGs, based on their industry, ESG KPIs, and firm-led commitments. As we progress toward fuller ESG data from our companies, we hope to be able to show how our borrower companies can help deliver the SDG goals by achieving targets of their own.



* 75.7% for SDG 8



CASE STUDY 1

Improving Employability through Skill-Based Education

This case study illustrates how we determine which SDGs our projects align to.

India's education sector is poised to breach USD 225bn in value by 2025. This is a significant surge from USD117bn in 2020, according to India Brand Equity Foundation¹⁵. However, the country's public expenditure on education has remained stagnant, hovering around a meagre 2.9% of GDP, falling far short of the government's ambitious target of 6% outlined in the new education policy¹⁶. This discrepancy is compounded by the inconsistent quality of education across the nation, with a majority of colleges deploying outdated curricula and employing undertrained teachers. As a result, graduates often find themselves lacking the practical skills necessary for career success, while companies face mounting difficulties in recruitment.

ADM Capital provided growth capital to iNurture Education Solutions, which seeks to address the pain points of the current education system by offering a wide range of programs geared towards skill development for success in new age careers. The company develops industry-relevant programs that help bridge the gap between formal education and the rapidly evolving job market, fostering career-ready young professionals ready to embrace and thrive in their chosen industries.

iNurture's 7 Core Values aligns with 4 SDGs

iNurture empowers all genders by providing equitable access to affordable and high-quality skill-based programs. In 2022 alone, it witnessed a 63% increase in

number of females enrolled from tier-2 cities and a 100% growth rate of female enrolments since 2020.¹⁷ iNurture also actively promotes discussions that acknowledge and celebrate the importance of gender diversity through virtual events like #EmbraceEquity.

With the support of ADM Capital's investment, iNurture is planning to double its workforce to nearly 1,200 employees while maintaining its conducive and rewarding work environment. iNurture is working towards democratising quality education and promoting equal opportunities for students through its technology-driven platforms that enable remote learning.



15. Education & Training Sector in India, education index of India - IBEF, India Brand Equity Foundation. (n.d.). <https://www.ibef.org/industry/education-sector-india>

16. India's National Education budget for 2023-24 | british council. (n.d.). <https://opportunities-insight.britishcouncil.org/blog/india%E2%80%99s-national-education-budget-2023-24>

17. International Women's Day: Indian women in Tier II cities are upskilling with specialised courses. EducationTimes.com. (n.d.). <https://www.educationtimes.com/article/job-trends-market-mantra/98485309/womens-day-special-indian-women-in-tier-ii-cities-are-upskilling-with-specialised-courses>

CASE STUDY 1

Beyond our ongoing engagement with the company, in early 2023, ADM Capital's ESG Committee visited iNurture's headquarters in Bangalore to discuss emerging opportunities in the sector. Sustainability was identified as a gap in the curriculum that would improve the employability of students, a core KPI closely correlated to profitability.

Shortly after the visit, ADM Capital inaugurated iNurture's new Centre for ESG Acceleration, a platform for students, faculty, and the wider education community to engage in discussions, research, and actions that drive positive change towards ESG goals. A key goal of the centre is to integrate sustainability into the curriculum through innovative teaching practices such as competitions, projects, working groups, mega events, awareness campaigns, internships, and mentorships.



iNurture's Core Values

	iNurture's Core Values promote sustainability and ethical practices in the education community
	Create a culture of social responsibility among our students, staff, and partner universities
	Develop innovative solutions to E&S challenges in the education sector
	Foster diversity, equity, and inclusion within the education industry
	Encourage responsible investment and financial decision-making
	Drive thought leadership and knowledge-sharing in ESG
	Promote ethical governance practices

ENVIRONMENT

From deeper and more frequent engagements with our portfolio companies on climate and other E&S risks, to actively seeking new economy opportunities and business models, as well as expanding our internal climate change risk assessment framework and analysis, our sustainability strategy continues to evolve.

Asia's Role in Climate Accountability

As the world's most populous continent, Asia is especially vulnerable to the physical, ecological, and socioeconomic impacts of climate change, human development, and other environmental shifts. Here, we see an increasingly worrisome backdrop of temperature extremes, rising sea projections, data showing biodiversity loss as well as more frequent typhoons, floods and droughts.

A region that includes the majority of global manufacturing and commodity production, Asia accounts for 52% of global GHG emissions.¹⁸

The COP27 climate summit held on 20 November 2022 in Egypt concluded by taking a first step toward establishing a fund to help vulnerable countries deal with losses caused by our changing climate. Yet, the talks also disappointed many by not taking any significant new steps toward curbing emissions.

Our global efforts to curb GHG emissions and adapt are currently not enough to tackle the speed and scale of climate impacts, resulting in lasting economic and non-economic damages. The [Emissions Gap Report 2022](#), released by United Nations Environment Programme ("UNEP"), showed that the combined climate pledges of 193 Parties under the 2015 Paris Agreement will put the world on track for a ~2.5°C temperature rise by the end of the century. To some scientists, even this is optimistic.

The reality is that only an urgent systems-wide transformation can deliver the enormous cuts needed to limit GHG emissions by 2030. And to be on track for the 1.5°C above pre-industrial levels that IPCC scientists recommend we don't exceed, we would need to see an additional 45% in reductions compared with projections from current targets.¹⁹

Without rapid societal transformation and further steep commitments for cuts, there is no credible pathway to a 1.5°C future. Given ADM Capital's engagement within Asia, we are cognisant that the stakes have increased in terms of how we make our investment decisions.

Thus, acknowledging the complex inter-dependence of ecologic; socioeconomic; and policy-related factors that shape Asia's environmental landscape, we continue to tighten our approach to managing E&S risks.

From deeper and more frequent engagements with our portfolio companies on climate and other E&S risks, to actively seeking new economy opportunities and business models, to expanding our internal climate change risk assessment framework and analysis, our climate strategy continues to evolve.

18. Home. (n.d.). Bp Global. <https://www.bp.com/en/global/corporate.html>

19. IPCC, 2018: Summary for Policymakers. In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA, pp. 3-24, doi:10.1017/9781009157940.001. <https://www.ipcc.ch/sr15/chapter/spm/>

Aligning Our Portfolio Towards a Low Carbon Economy

The transition to a low carbon world poses significant risks, as well as opportunities, for investors.

As the world's most populous continent, Asia is forecast to be especially vulnerable to the physical, ecological, and socioeconomic impacts induced by climate change and biodiversity loss.

Transitioning to a low carbon future requires a multifaceted approach with close collaboration among various stakeholders across sectors. As asset allocators, we understand climate change is no longer the problem of the future. How we allocate our capital to support climate-friendly projects and how we integrate climate risks into our investment decision process will directly influence the profitability of our funds today.

A unique challenge that we face through running sector-agnostic private investments across Asia-Pacific is that our investments encompass a broad range of stakeholders who lie at different points along the environmental regulatory spectrum and low carbon economy transition. They are affected differently by diminishing biodiversity. This requires us to adopt a bespoke approach when engaging with our borrowers, adapting our assistance to their specific regional and business context, while keeping a shared objective in mind.

We understand that achieving net zero requires making ethical judgements, balancing social and economic considerations, managing technology transitions and navigating political priorities. Therefore, it is key that a company's ESG transition plan ties in with its core business objectives.

CASE STUDY 2

Investing in Carbon Sequestration

This case study illustrates how we select projects where sustainability is a core business objective.

In October 2022, ADM Capital funded an asset manager to acquire an Australian cattle operation and transform it into a carbon sequestration project under the Human Induced Regeneration ("HIR") methodology, capitalising on the synergetic effect between sustainable grazing practices and landscape restoration activities.

COUNTRY

Australia

LOCATION

Two cattle stations totalling over 600,000 hectares in the Northern Territory, benefiting from reliable tropical climate and rainfall, serving as crucial breeding grounds supplying domestic and export markets.

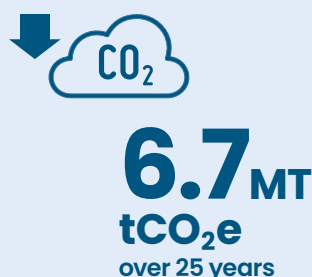
BACKGROUND

Australia's carbon industry began in the 1990's when the Federal government began making commitments to reduce emissions. Following the enactment of the 'Carbon Credits (Carbon Farming Initiative) Act 2011', agricultural carbon sequestration projects began to play an increasing role. In 2014, the Australian Government created the Emissions Reduction Fund ("ERF") to

incentivise businesses, households and landowners to reduce emissions and implement projects that store carbon. In 2022, the Australian government increased its NDC from 28% to 43% below 2005 levels by 2030, further driving demand for carbon positive projects.

THE PROJECT

By transforming the cattle station into a carbon sequestration project, the property is expected to remove 6.7 million tons of carbon from the atmosphere over a 25-year period, while continuing to operate as a cattle business. Ecological benefits will be delivered alongside financial returns through more productive grazing herds, better soil health, improved drought resilience, denser biomass and increased biodiversity.



CASE STUDY 2

REGENERATION

Borrower will set aside 60% of the land to promote native vegetation regrowth to reach at least 2 meters in height and a minimum canopy cover of 20%. This is achieved via improved land management practices such as controlled cool burning, livestock rotation and invasive plant species control. Improved practices will generate government approved carbon credits to be sold on the National Carbon Credit Platform.

✓ Fire Control

While pastoralists typically use hot fire to suppress forest regeneration in favour of grass for grazing, in this project, fire risk will be managed via cool burns and strategic cattle grazing to protect trees, in addition to establishing fire breaks to contain the spread of wildfires.

Hot vs Cold Burn: Hot burning, with flames exceeding 1.5m in height, burns all vegetation including native plant species,

baking the soil, destroying seeds and depleting soil nutrients. This practice is one of the key impediment to sustainable forest regrowth and regeneration of canopy cover. Cool burning, on the other hand, consists of knee-high flames immediately following the wet season to control weed and fuel load to reduce overall fire risk. Cool burns preserve seeds and roots, nutrients and soil moisture, allowing trees as well as grass to regrow. The practice of cool burning has been undertaken by indigenous communities for centuries.

✓ Strategic Grazing

To ensure ground cover is maintained, cattle stocking rate will be capped. Solar-powered water points throughout the station will be turned on and off and minimal fencing will be used so that cattle can be herded across the property to prevent overgrazing, thereby encouraging forest regeneration.

ENVIRONMENTAL SOCIAL ACTION PLAN

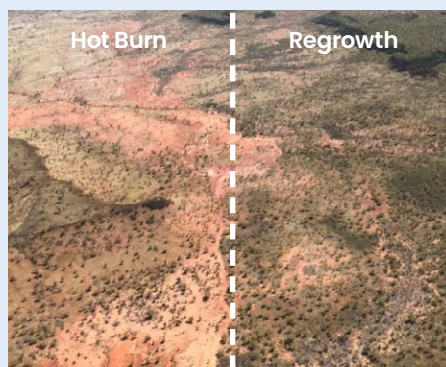
An ESG due diligence was conducted against the IFC Performance Standards prior to funding to assess ESG risks. In addition to improved land management practices as part of the HIR scheme, the ESAP set milestones for the borrower to establish an overall ESMS, build internal ESG risk management capacity, conduct a climate vulnerability study, implement an external grievance mechanism, engage with the local indigenous community, as well as protect local heritage sites.



>20%
canopy cover

more than
660,000 ha
under management

60%
land area set aside for
vegetation regrowth



ADM Capital's Carbon Footprint

In order to make a meaningful and effective Pledge to Net Zero and set a practical decarbonization pathway, we've been working towards establishing an accurate emissions baseline since 2019. In 2022, we continued to improve the granularity of our Scope 3 data (the main contributor to our emissions), capitalizing on our inhouse tools and frequent engagements with our portfolio companies.

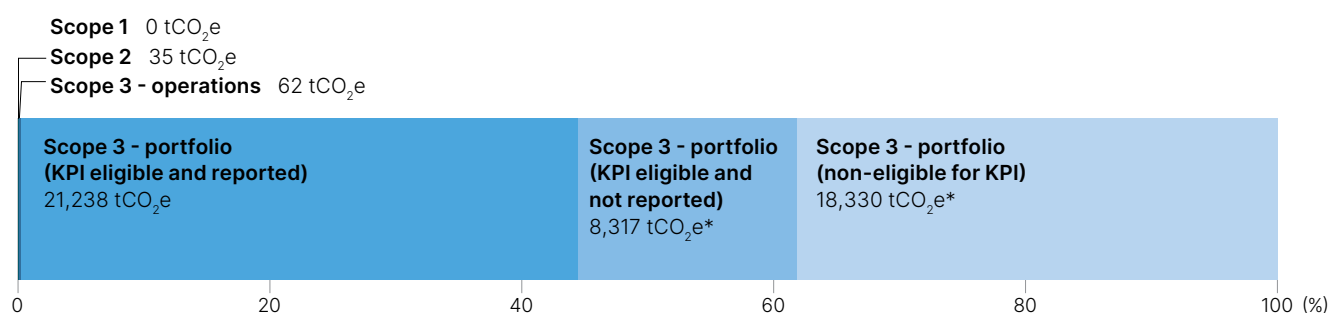
Improving Data

From the available data we collected, it is estimated that as a firm we were directly and indirectly responsible for the emissions of more than 21,335 tCO₂e of GHGs over 2022. This includes emissions from our operations at

our Hong Kong headquarters (<1%), as well as financed emissions reported at the portfolio level. Our actual Scope 3 emissions would be 2.25x larger if we included projections for missing data.

Data Gaps

~38% of our portfolio is non-eligible for ESG KPIs. This is based on limitations including complex deal structures where we are not the sole financier and therefore have limited access to data, NPL portfolios, legacy deals, and other considerations outlined in our ESMS.²⁰ These limitations prevent us from directly obtaining reliable KPI numbers from our portfolio companies.



* based on projections by AUM

Portfolio Investment Scope 3 Emissions

The bulk of our emissions are generated by the companies we invest in. Despite growing regulatory demands to account for GHG emissions, these are still under-reported by private companies, particularly in developing Asia. The carbon audit process typically requires multiple internal (e.g., fuel, electricity, refrigerants, etc.) and external (e.g., carbon emission factors) sources of information, posing challenges for SMEs who lack capacity and specialised knowledge.

Carbon Accounting Tool for Our Borrowers

To track our borrowers' carbon footprints, we have incorporated GHG emissions into our regular ESG KPI reporting template. We continue to rely on our turnkey Carbon Calculator, which simplifies the GHG emissions calculation process by converting readily available metrics, such as fuel mass and electricity consumption, to carbon emissions. With this inhouse proprietary tool, our portfolio companies can estimate their emissions with ease. This streamlined carbon audit process and increased

20. Please refer to our ESMS for more details on ESG KPI eligibility.

Portfolio Investment Scope 3 Emissions

(continued)

engagement levels over the past two years have allowed us to get one step closer to establishing a baseline of our fund level emissions, with more companies reporting than ever before.

Expanding Data Coverage

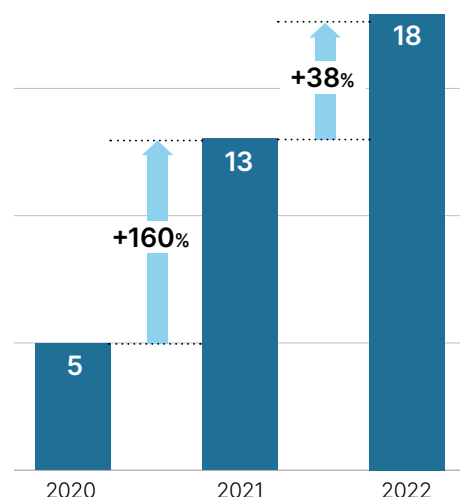
In 2022, 18 deals, or 72% of AUM that is ESG KPIs eligible, reported their Scope 1 and Scope 2 emissions. This is a significant improvement since 2020, when we started our emissions collection process with 5 pilot deals. This year, we were able to obtain an additional 24 data points for Scope 3 across our semi-annual reporting, but before we can verify the integrity of such data with relative certainty, we will focus on Scope 1 and Scope 2 figures.

Across the 18 eligible deals in 2022, the total reported emissions on Scope 1 and Scope 2 are 21,238 tCO₂e. This amounts to a **weighted average²¹ of 707 tCO₂e per deal, 39% lower than our 2021 figures of 1,150 tCO₂e per deal.** Our portfolio is less energy intensive overall when compared to last year.

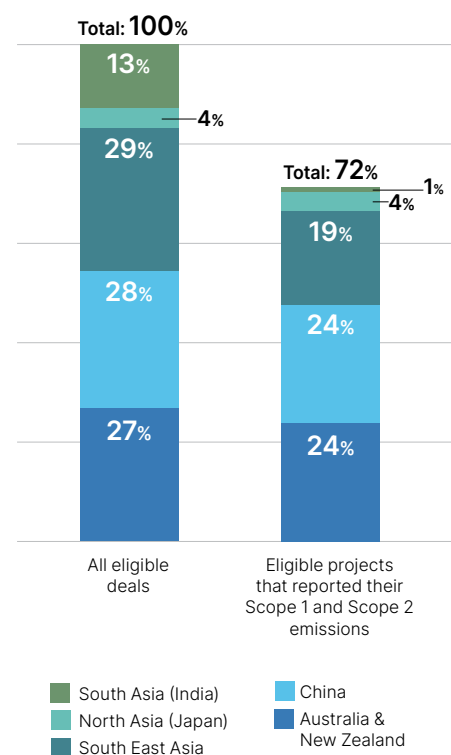
For comparability purposes, we also calculated emissions per USD100mn invested. This data point stayed level, or +1% from 2021 to 2022.

With limited guidance for carbon accounting in the private credit space, we are still exploring methodologies around our financed emissions. The next step would be to select, measure and calculate suitable carbon intensity figures to set reliable emission baselines for time.

Number of deals reporting GHG emissions data



Scope 1 and Scope 2 Data Availability by Region



21. by investment size

in tCO ₂ e	2021 (Annualised)	2022 (Annualised)
Emissions across all reported deals	11,752	21,238
Scope 1		11,513
Scope 2		9,725
Emissions per USD100mn AUM	2,745	2,786
Scope 1		1,510
Scope 2		1,276
Weighted average emissions per deal	1,150	707
Scope 1		380
Scope 2		326

ADM Capital's Operational Emissions

On the other side of our footprint reporting, operational emissions from our Hong Kong headquarters amounted to 97 tCO₂e, or 0.5% of our overall levels. This includes business trips as well as electricity consumption and waste. Our operational emissions may seem trivial when compared to our portfolio emissions, but we believe in leading by example and trying our best to minimize every aspect of our overall footprint.

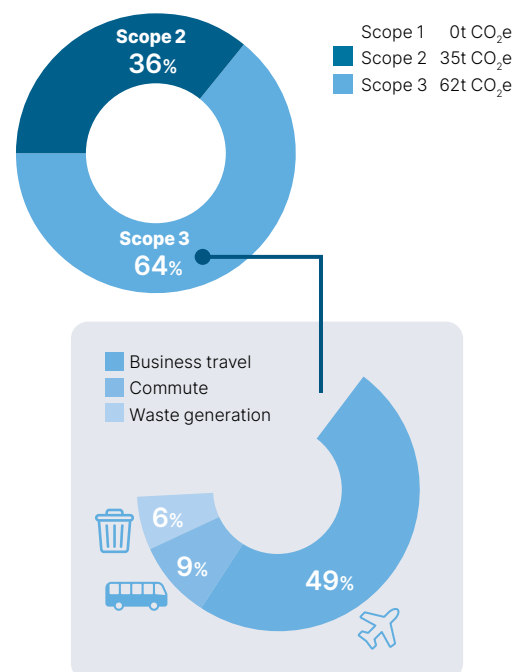
Scope 1

We have negligible levels of Scope 1 emissions, as we emit minimal GHGs from refrigerants, and we do not have any company-owned vehicles.

Scope 2

Our Scope 2 emissions come from our office electricity consumption, calculated with carbon emission factors determined by HK Electric:

Emissions from Operations 2022

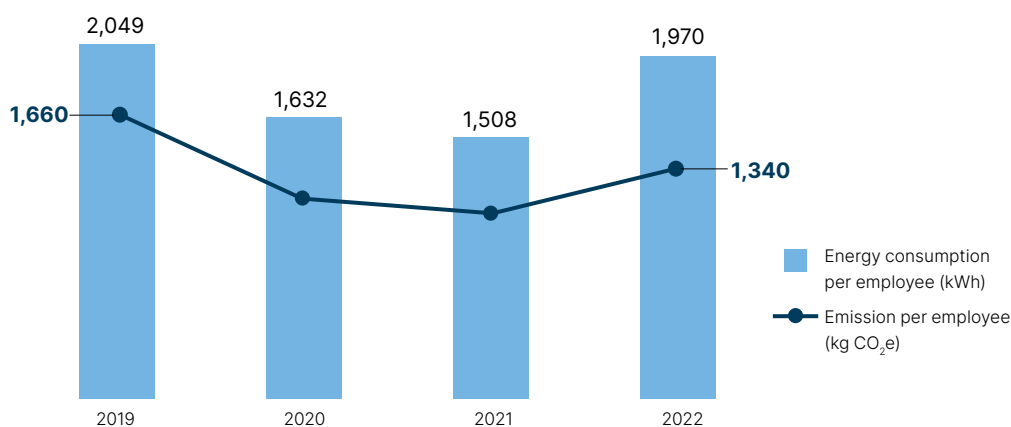


Period	Consumption (kWh)	δ	HK Electric emissions factor (kg/kWh)	Gross emissions (kg CO ₂ e)
2019	51,232	-	0.81	41,498
2020	40,790	-20%	0.71	28,961
2021	40,316	-1%	0.71	28,624
2022	51,572	28%	0.68	35,069

ADM Capital's Operational Emissions

(continued)

Energy Consumption and Emission per Employee



Our overall Scope 2 emissions in 2022 was 35,069 tCO₂e (1,340 tCO₂e per employee), +23% from 2021 (+25% per employee), mainly due to staff returning to the office post-COVID. When compared to our 2019 “normative” baseline, our Scope 2 emissions have reduced by 15% overall (-19% per employee).

With Hong Kong’s electricity predominantly sourced from coal-fired power plants, the city has set ambitious targets to phase out coal by 2035 and achieve carbon neutrality by 2050. We recognize the importance of aligning our own operations with the city’s emissions reduction goals, striving to increase awareness of energy-saving practices among our staff and implement energy-efficient systems.

Operational Scope 3 emissions

In addition to our portfolio investments, the other part of our Scope 3 calculations includes our operational emissions from business travel, office commute and waste generation.

Prior to the COVID-19 pandemic, business travel accounted for over 80% of our operational emissions. However, with travel restrictions implemented in the Asia Pacific region over COVID and much of 2022, ADM Capital experienced a reduction in business trips. Business travel in 2022 only accounted for 49% of our operational emissions (~60% compared to 2019), as we continue to rely more heavily on video conferencing.

For more detailed breakdown of our waste, employee commute, and business travel methodology and calculations, please refer to our 2022 TCFD report available on www.admcapital.com.

Measuring Climate Risks

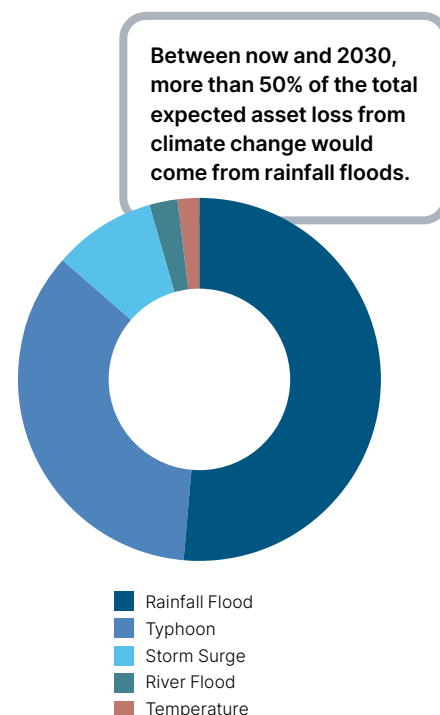
Climate-related hazards have posed extreme risks to countries where ADM Capital lends. Events such as the regular and widespread floods in Australia, the typhoons in the Philippines, and the changing precipitation patterns in China have left the region vulnerable to damage in agriculture, water resource and public health.

The profitability of our investments is also directly tied to such events, leaving us vulnerable to physical asset damage and operational disruptions. As such, ADM Capital has taken additional measures to improve our understand of climate-related physical risks, and our portfolio's Climate Value-at-Risk ("CVaR").

We began an annual climate change risk assessment in 2019, enhancing the depth, breadth, and applicability in each iteration. Our new partnership with the climate risk technology firm Intensel has allowed us to harness the latest climate modelling data. So far, we have analysed the physical climate risks of 15 key deals with this new methodology and will continue to extend coverage to the remaining portfolio.

For detailed methodology and results of our analysis, please refer to our 2022 TCFD report available on www.admcapital.com.

ADM Capital Physical Climate Risk Exposure for RCP 4.5 2030

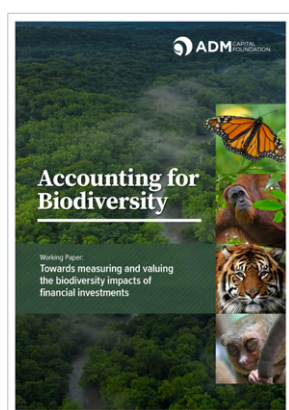


Accounting for Biodiversity with ADM Capital Foundation

As the climate and biodiversity crises of the 21st century become increasingly material to all industries and sectors, we have taken a proactive step and embarked on our own effort to integrate nature positive themes and develop methods of biodiversity accounting alongside our Asia Climate-Smart Landscape Fund ("ACLF").

Deforestation and habitat loss remain major challenges in many parts of Asia, particularly in tropical rainforest regions such as Indonesia and Malaysia. Biodiversity is a key component of all ecosystems and plays a critical role in maintaining their health and carbon storage abilities. In most cases, ecosystems that have higher species diversity and abundance are more effective carbon sinks. This relationship means that protecting biodiversity is crucial if we are to address the climate crisis.

While there exist a broad range of guidance and frameworks geared towards valuing and measuring biodiversity impacts, risks, and opportunities within the context of sustainable finance, we see comparatively few examples of applying such frameworks to real-world portfolios or investment projects.



ADM Capital's two decades of engagement with SMEs across Asia, the last ten years of which were executed through a sustainability lens, has provided the perfect opportunity to trial, develop, and implement analytical tools to consider the biodiversity impacts of investments and manage related risks.

ADM Capital's ACLF offers an outstanding opportunity to apply the early stages of this framework. The fund is geographically focused in Indonesia, which contains the world's third largest tropical rainforest along with globally significant biodiversity hotspots. Indonesia is also the third largest GHG emitter, with an estimated 60 percent of those emissions originating from land use change from forest to agriculture.²² The impacts on biodiversity are dramatic: Indonesia has the highest number of threatened mammal and bird species in the world, with many more continuing to decline.

Published in January 2023, the ADM Capital Foundation working paper on biodiversity accounting provided examples of our initial approach towards developing a scientifically robust and practical framework to measure biodiversity impacts and manage nature-related risks.

By being as transparent as possible about the data sources employed, analytical process developed, and challenges encountered at the onset of this journey, we hope that this paper can provide other industry practitioners with practical insights to kickstart, guide, or inform their own biodiversity accounting process.

While there can be no one size-fits-all methodology for tracking changes in biodiversity at different project sites, there are three key principals that we considered when developing our own methods for accounting for biodiversity impacts.



22. Forest Crimes - UNODC Indonesia Office. (n.d.). United Nations : UNODC Regional Office for Southeast Asia and the Pacific.
<https://www.unodc.org/roseap/en/indonesia/forest-crime.html> <https://www.unodc.org/roseap/en/indonesia/forest-crime>.

First, is the importance of establishing a clear biodiversity baseline. This is achieved by making a detailed assessment of the factors influencing biodiversity at the project site – namely plant and animal species, habitats, and human activity – and using this to estimate what would happen to biodiversity in the absence of the project’s development.

Second, is the development of specific project management strategies to maximise benefits to biodiversity based on the initial risk assessment. These strategies could involve partnering with, for example, smallholder coffee farms that can act as buffer zones to protect surrounding habitats from illegal land clearing and hunting. Smallholder farmers could be incentivised with premium pricing and training to adopt more sustainable growing practices and to monitor adjacent forests for signs of illegal activities. Finally, the sales of the responsibly grown coffee could be used to fund further conservation initiatives in the surrounding area, in partnership with local NGOs and community groups.

Third, is the establishment of a robust methodology for the in-depth monitoring of biodiversity impacts through the lifetime of a project. This requires on-site data collection, which in the past has proven technically complex, time consuming, expensive and therefore impractical for the purpose of investment decision making.

However, the emergence of new technologies such as environmental DNA analysis, drone-based imaging sensors, and acoustic monitoring techniques are enabling more efficient on-site data collection, which can provide robust evidence of biodiversity benefits at a project site.

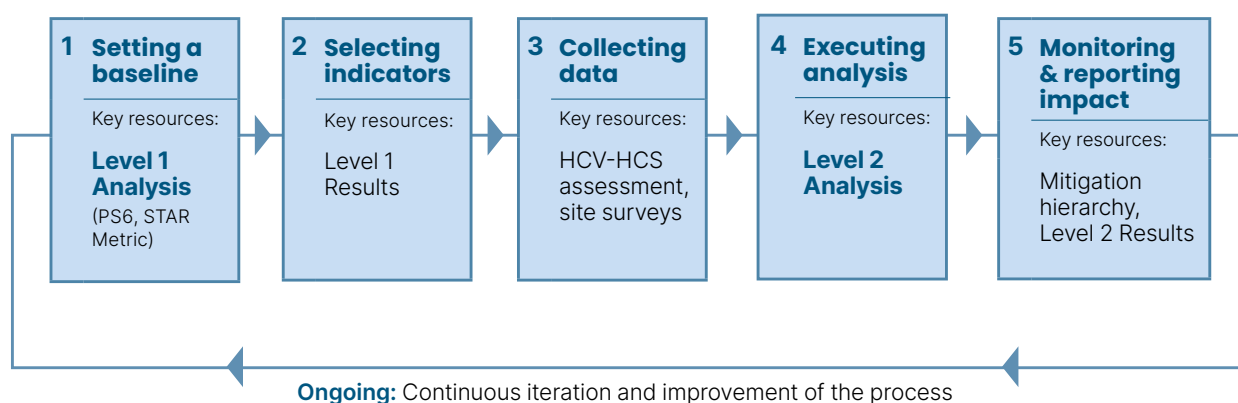
The fostering of partnerships between private companies, and local NGOs, academic institutions, or research institutions, incentivised by finance and commitments in financing documents can also prove critical. Such groups can provide data and knowledge that may otherwise be challenging and costly for a project.

The world’s natural ecosystems are diverse and hugely complex. This makes developing standardised methods and techniques for measuring changes in biodiversity challenging to say the least. But just as biodiversity can be impacted by investment activities, the degradation of ecosystems can increase operational risks and economic losses for businesses and investors.

Our [Accounting for Biodiversity](#) working paper documents the first stage framework of our evolving approach to biodiversity. We look forward to continuing updating, improving, and refining as our own capabilities develop alongside the maturity of ACLF and other impact initiatives.

Framework Development Process

Please refer to ADMCF’s “Accounting for Biodiversity” working paper for more details.



SOCIAL

 diginexLUMEN

We deepened our engagement with more frequent touch points to collect robust data around labour and gender diversity, with an emphasis on supporting our companies to potentially identify forced labour in their supply chains, specifically in construction and hospitality. We provided our borrowers with access to an online labour risk assessment tool we helped develop with DiginexLumen, which includes an anonymous Worker Voice component to verify employer claims.

Investment Stewardship

We demonstrated our ability to create value for our LPs through strong direct engagements with our portfolio companies and sponsors.

Engaging with Our Investees

We deepened our engagement with more frequent touch points to collect robust data around ESG risk management. While conversations covered a broad range of topics from green building certificates to feral animal management, our emphasis was on GHG emissions – arguably the most acute and pressing environmental problem globally.

The Ukraine war has brought energy security and fossil fuel dependence into sharp focus for regions globally. It has raised the stakes for a successful and rapid transition to clean energy, with consumers suffering from soaring energy prices and resource volatility. It is thus crucial for our borrowers to understand how they might be negatively impacted from dependency on highly polluting fuel supplied by a handful of major producers, and that they can avoid such risk as utilities shift towards more reliable, local sources of low carbon energy.



Engagement Tools: ESAPs, KPIs, Sustainability Targets

Many market players tend to invest in a narrow set of mandates and avoid perceptively “riskier” assets in traditional industries with little innovation. In truth, many core industries still lack the capital needed to develop more sustainable practices and reduce their GHG emissions.

By taking a bespoke approach in assessing ESG risks of each of our portfolio companies, we can better focus on capacity for improvement. To facilitate an accelerated transition, we have developed three essential tools to monitor and manage ESG risks closely:

1. **Environmental Social Action Plan (“ESAP”)**
2. **ESG Key Performance Indicators, and**
3. **Sustainability targets**

The ESAP guides the implementation of a robust ESG risk management framework. ESG KPIs reflect the results. Sustainability targets incentivise companies to go above and beyond.

1. **ESAP:** a time-bound action plan drafted by third-party ESG consultants based on a gap analysis against IFC Performance Standards, ADM Capital ESG policies, and other relevant industry best practices (e.g., Leadership in Energy and Environmental Design (“LEED”)).
2. **ESG KPIs:** a set of quantitative measures (E, S, G) and a list of survey questions that we ask our portfolio companies to report on semi-annually.
3. **Sustainability Targets:** quantitative or qualitative goals linked to price ratchets in loan structures to incentivise sustainability efforts.

All three tools are embedded in our loan covenants and are guided by our ESMS and policies. We will showcase the data we are able to collect from each of these tools in the next sections.



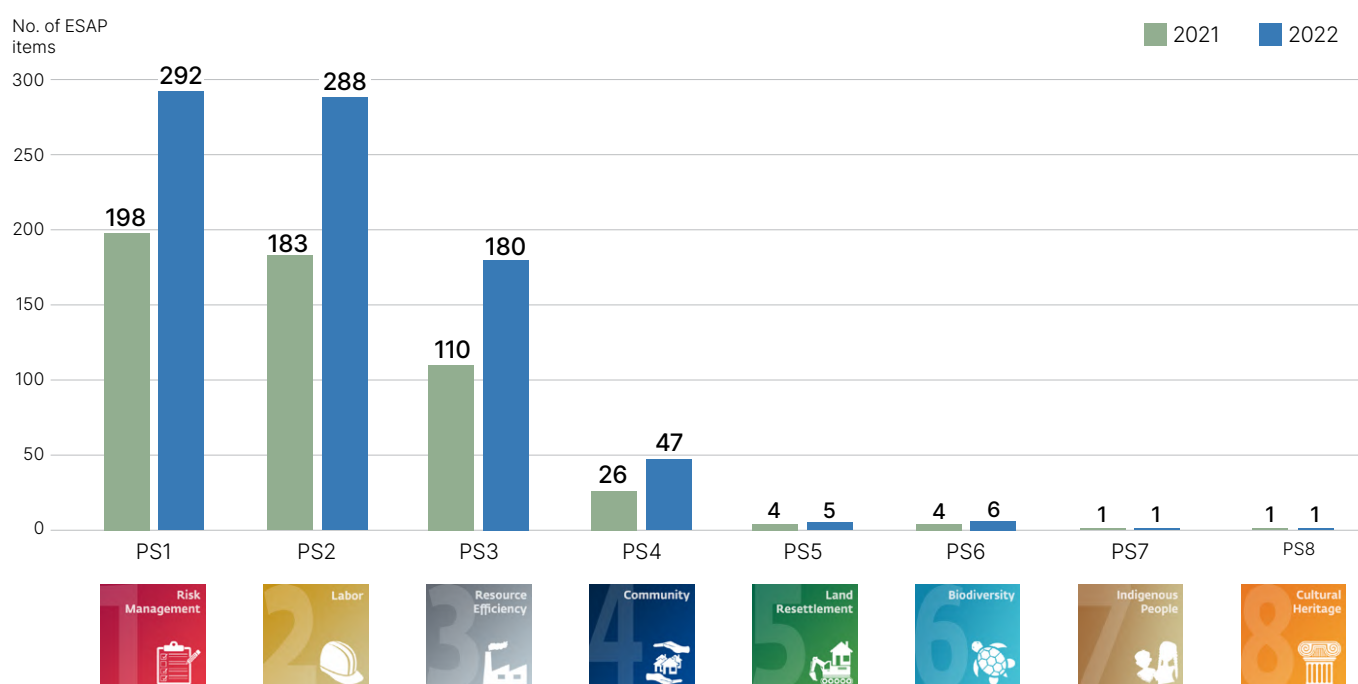
Mitigating Identified E&S Risks: ESAPs

The ESAP serves as a clear, step-by-step ESG road map with planned and timebound milestones for each company. The completion rates of these items are monitored based on pre-agreed timelines. When a project lags in ESAP completion, our ESG Committee steps in to provide support.

Holding Ourselves Accountable through ESAP Audits

For the first time in 2022, we began an annual verification of ESAP completion through third-party consultants with five pilot investments. We will continue to increase the number of audited deals in 2023 as we hold ourselves and our borrowers accountable.

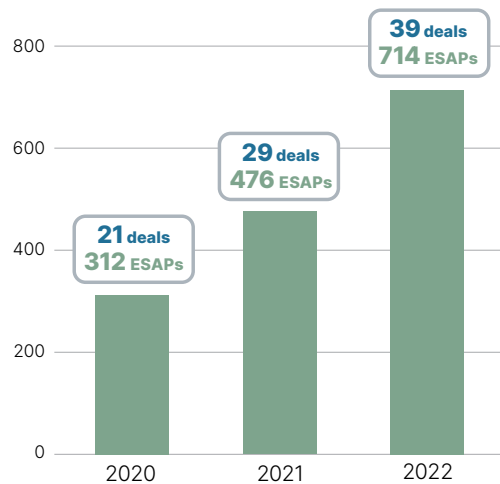
ESAP Topic Breakdown by IFC Performance Standards



Mitigating Identified E&S Risks: ESAPs

(continued)

ESAPs 2020-2022



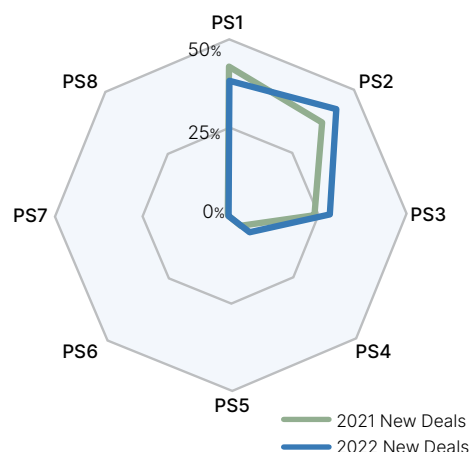
An Expanding List of ESAPs

When we break down all ESAP items across our portfolio by IFC Performance Standard (“IFC PS”) topics, we see that IFC PS 1-3 are most relevant in our deals.

We continue to help our borrowers build internal ESG capacity and establish ESMS in alignment with IFC PS1 - Assessment and Management of Environmental and Social Risks.

As we expand the scope of our ESG due diligence to cover climate risks more comprehensively, we see a growing emphasis on IFC PS 3 – Resource Efficiency and Pollution Prevention, with more items attributed to energy conservation and setting water use targets.

ESAP Items Breakdown by Topics



We also see an increase in ESAP items related to IFC PS 2 – Labor and Working Conditions in new deals as we continue to focus on diversity, modern slavery and supply chain risks. We urge our borrowers to dig deeper with regard to the labour practices of their primary suppliers, contractors and subcontractors.

IFC Performance Standards



Assessment and Management of Environmental and Social Risks

92% deals include ESAP items covering topics related to:

Environmental Social Management Systems (“ESMS”)	- E&S Policies - Risk assessments and monitoring programs - Implementation of policies
ESG Capacity & Training	- Hiring additional ESG staff or consultants - Conducting ESG trainings
Climate Change Vulnerability Assessment	
Regulatory Compliance & Permits	



Mitigating Identified E&S Risks: ESAPs

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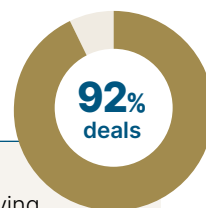
IFC Performance Standards



Labor and Working Conditions

92% deals include ESAP items covering topics related to:

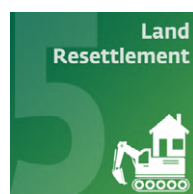
Diversity, Equity & Inclusion	- Gender Equity - Harassment and Bullying
Contractor & Subcontractor Management	
Health, Safety & Well-being	- Workers Accommodation - Internal Grievance Mechanism - Occupational Health & Safety
Modern Slavery Risks	
Emergency Response & Incident Monitoring	



Resource Efficiency & Pollution Prevention

77% deals include ESAP items covering topics related to:

Energy Conservation & Targets	- GHG Accounting - Energy efficiency strategy
Chemical Management	- Contamination & Remediation - Storage & Handling
Waste Monitoring & Reduction	
Water Conservation	



Community, Biodiversity & Others

41% deals include ESAPs items covering topics related to IFC PS 4,5,6,7,8:

Biodiversity Protection & Management
Stakeholder Engagement & External Grievance Mechanism
Policies around Land Acquisition & Resettlement
Community Health & Safety
Risk & Impact on Indigenous People and Cultural Heritage Sites



Mitigating Identified E&S Risks: ESAPs

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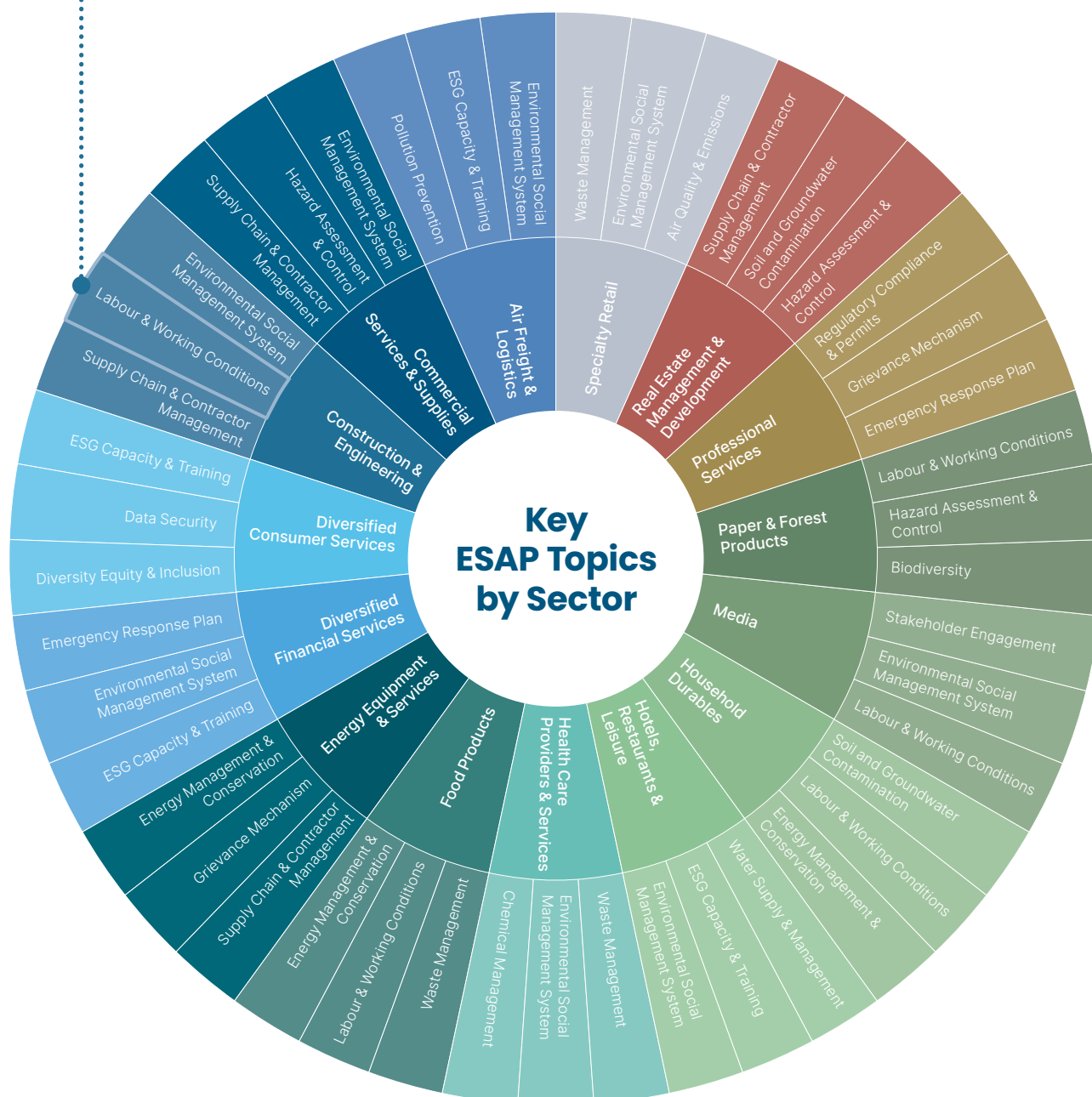
Aligning ESAPs with Our ESG Policies

The ESAPs ensure that our borrower's sustainability vision is aligned with ours, and that they are held accountable for progress. As part of our commitment to actively support borrowers who contribute to a low carbon economy highlighted in our Climate Change Policy (2019), we have added ESAP items pertaining to GHG Accounting in our new deals in 2022, particularly for those operating in heavy emitting sectors such as construction.

ESAP Item Example



In alignment with our Anti-Slavery and Human Trafficking Policy (2019), we asked a borrower to remove a temporary housing establishment in the basement of its operations and find proper off-site housing for its contractors, many of whom were migrant workers.



Mitigating Identified E&S Risks: ESAPs

(continued)

Managing ESG Standards by Region

One of the key challenges in managing ESG risks is that ADM Capital's investments span Asia Pacific. We notice a material difference in the level of ESG understanding across the region. To ensure we maintain a consistent ESG standard across our portfolio, we focus on building our borrowers' ESG capacity. This includes encouraging companies to hire in-house ESG talent or at least employ external consultants. We also provide borrowers with various proprietary tools, resources, and direct support.

When we break down all ESAP items related to labour and working conditions by country, we see a focus in China, India and Indonesia. However, it is important to note that each country has a unique risk profile. In China,

we see many ESAPs related to overtime and remuneration policies, whereas in India, employee safety and emergency response plans take precedent. In Southeast Asia, we focus on putting in place detailed safeguards around employee well-being at the project level, whereas improvements in grievance mechanisms and considerations for the indigenous community are more material in Australia and New Zealand.

Supply chain and contractor management is also a key focus in our ESAPs. The breakdown by country in the below map shows that supply chain risks remain material across regions. Areas for improvement are identified, demonstrating that such risk is usually more closely correlated to the industry rather than the geographic location.

ESAPs related to Labour and Working Conditions by Country

(number of ESAP items)



ESAPs related to Supply Chain and Contractor Management by Country

(number of ESAP items)



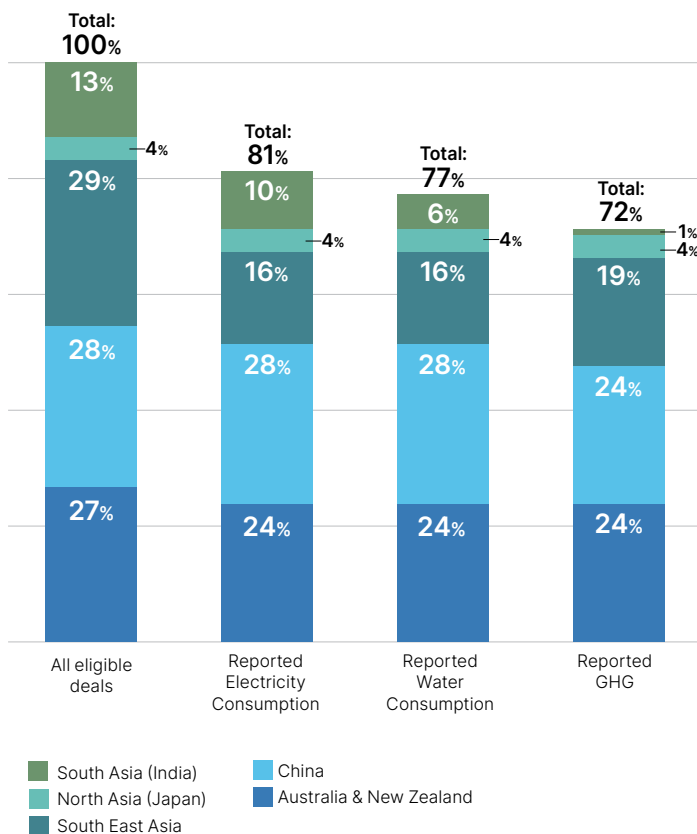
Pushing ADM Capital Value Creation: ESG KPIs

ESG management relies on data to be effective. ESG KPIs provide us with important data points beyond financial metrics to assess and manage risk in our portfolio. We track a total of 29 metrics across E, S & G – 10 environment metrics, 15 social metrics and 4 governance metrics. We collected over 1000 KPIs data points in 2022, more than doubling that of 2021.

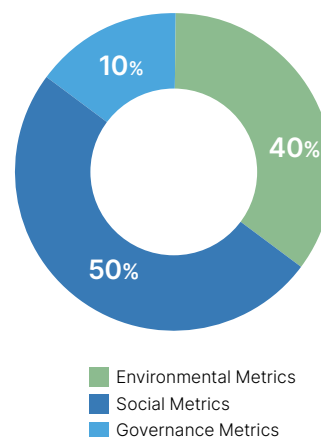
Environmental Metrics – Electricity and Waste

On average, ~70% of our portfolio companies²³ are able to report on their electricity and waste data. Compared to last year, we have invested in more companies that use recycled water. One of our borrowers reported 100% recycled water use – relying solely on rainwater to run their business.

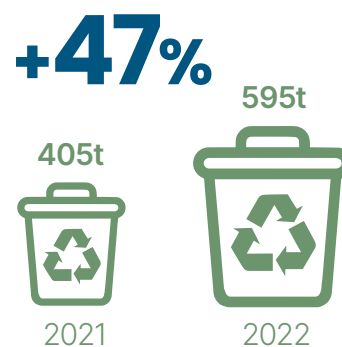
Environmental KPIs Reported by Geography and AUM



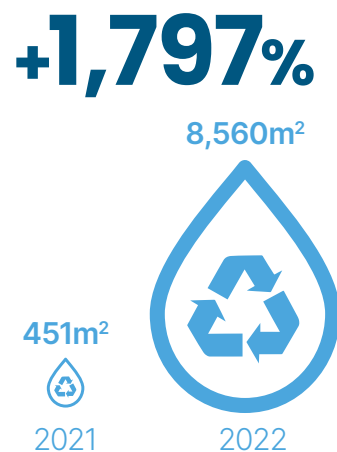
Breakdown of ESG KPIs by Focus Area



Recycled Waste (total portfolio level)



Recycled Water (total portfolio level)



23. Includes KPI eligible deals only. Please refer to our ESMS for more detail.

Pushing ADM Capital Value Creation: ESG KPIs

(continued)

Social Metrics – Gender Diversity

In line with our Diversity, Equity and Inclusion Policy, gender diversity is a key metric we track across our portfolio companies. The companies we invest in have a weighted average of 29% female employees across all staff.

47% of our portfolio companies²⁴ have more than 30% female representation in their workforce.

25% of our portfolio companies²⁵ are 2X eligible by having more than 30% of female representation in their senior leadership.



29%
female representation
across all staff within
companies we invest in



47%
of portfolio companies
have **more than 30%**
female employees



25%
of portfolio companies
have **more than 30%**
female senior managers

Best in Class: Sustainability Targets

Increasingly, we push our portfolio companies to adopt industry best practice and to become leaders in sustainability. We set sustainability targets to help them uncover possibilities and inspire growth. Our two in-house EDGE experts

on our investment team engage borrowers to discuss improvements in building energy efficiency. EDGE is part of IFC's green building strategy.

CASE STUDY 3

From ESG Compliance to Industry Leaders – Halo Creative & Design

In 2021, ADM Capital invested in Halo Creative & Design, and we continued to support the team on their ESG journey. So far, Halo has developed an Environmental Social Management System in alignment with IFC Performance Standards, implemented a GHG accounting framework and streamlined operations with energy efficiency improvements. The

company is currently working with us to assess potential modern slavery risks in their factories and evaluate physical climate risk exposure across assets.

Halo has come a long way since we first funded the company. Their progress exemplifies how direct engagement is an effective lever

for asset managers to empower change. Each year, we strive to add more breadth and depth to the sustainability topics we engage our borrowers on. Through continuous effort, we can support our borrowers in managing ESG risks effectively.

^{24,25.} in terms of AUM

CASE STUDY 3

"ADM Capital's guidance has been instrumental in implementing our recently launched ESG program, giving us the catalyst to grow our business in a more accountable, sustainable way. The partnership with ADM Capital, together with their experience and expertise acted as a catalyst to enable us to build a solid, cohesive ESG strategy.

Working together with ADM Capital and Pacific Risk Advisors Ltd, in 2021, Halo conducted an Environmental & Social Due Diligence review in accordance with local regulation and IFC Performance Standards. Based on the outcome of this review, an ESAP was implemented. This resulted in Halo developing a long-term ESG transformation roadmap.

With a deep-seated commitment to minimising our impact on the environment, our most high-profile sustainability story is that of our sustainable tannery in Brazil and its unique, technically advanced water management system. The tannery uses 85% less water and 40% less chemicals during the tanning process, and uses 80% less energy than other regular tanneries. This concept was engineered entirely in-house. The tannery achieved a gold rating from the Leather Working Group, for the first time, in 2022.

This year, we continue to innovate in sustainably produced leathers with the introduction of coffee husk tanning, a revolutionary new process which uses organic waste from the coffee industry and supplements farmers' incomes.

In 2018 we introduced the first upholstery collection to be made using 100% organic, veg-dyed linens. We are also increasingly turning towards wood-based materials to provide a more sustainable alternative to traditional high impact materials, and achieved 100% traceable wood sourcing in 2022.

The reduction of carbon emissions is an important focus area for Halo. Using the carbon calculator manual and template developed by ADM Capital, we have been able to assess and report our carbon emissions as part of the ESG KPIs requested by ADM Capital and implement techniques to reduce this. All of the electricity used by our tannery in Brazil comes from renewable sources and solar panels have been installed at our workshop in Mexico to achieve 100% renewable 'off grid' energy use. Other initiatives include the Dome Home by Timothy Oulton Studio, China's first residential building accredited with Passivhaus status.

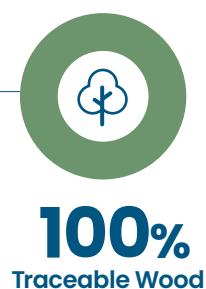
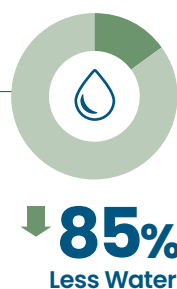
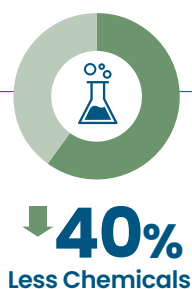
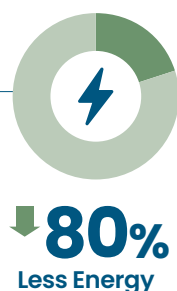
100% 
electricity used in Mexico workshop comes from renewable sources

Additional areas we are targeting to drive sustainability in our 3-year ESG strategy include a tree planting scheme, the recycling of waste materials, and further exploring low impact materials and manufacturing processes.

Halo has always prided itself as being an inclusive company that promotes diversity. The breadth of cultures, backgrounds and thoroughly international outlook of our people is a strength, and nurturing our diverse wealth of talent is fundamental to our success. A renewed focus on people and culture is key to our 2023/2024 strategy.

With the financial support and ESG guidance of ADM Capital, we have already built positive momentum and now have a clear roadmap in place for the coming years. We are thrilled to continue our cooperation with ADM Capital to expand our innovation footprint, strengthen our presence in key markets and deliver an exciting phase of global growth in a more sustainable way."

Halo Creative & Design



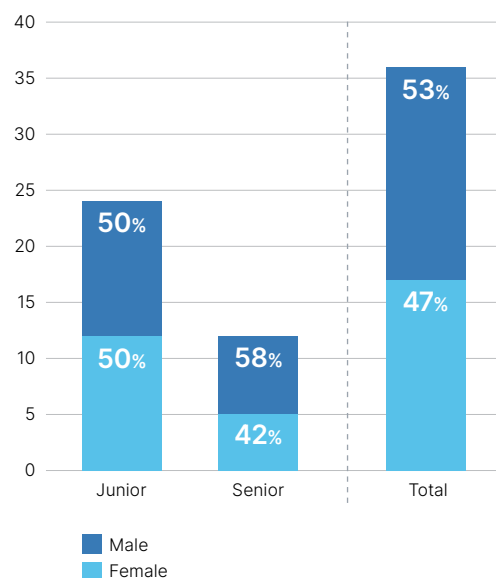
Our People

Diversity

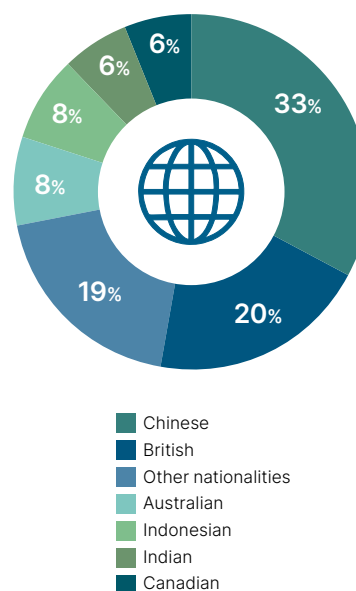
ADM Capital is 2X Eligible with 42% of women in senior leadership roles, 40% women on the investment committee, and an overall 47% of women in the workforce. Our Diversity, Equity and Inclusion policy guides our activities and commitments in this regard.

Gender and ethnic diversity bring perspectives and experiences to the table. We believe this can lead to more creative problem-solving, innovative ideas, and better decision-making. We engage in active diversity and unconscious bias discussions internally and externally.

Employee Breakdown by Gender and Seniority



Employee Breakdown by Nationality



“ADM Capital champions workforce diversity in its portfolio companies by setting an example in our own operations. We are proud to report that we are 2x eligible, with over 40% of the team comprising women in senior leadership roles, and – different nationalities in the team. Such diversity has enhanced our creative problem solving approach to investing, while optimally balancing our judgment calls on risk-returns in the portfolio.”

Sabita Prakash
Managing Director



Training



Our ESG Committee continued to provide ESG trainings for our staff. On-going ESG training in 2022 included sessions on ESG trends, industry ESG deep dives into real estate and agriculture sectors, and sessions around science-based targets. We continue to provide training sessions to new joiners on ESG processes, policies, milestones and roadmaps. This year, we also focused on hands-on training

for our investment team to develop a deeper understanding on Environmental Health & Safety issues in a regional context, methods for GHG accounting, and IFC Performance Standards implementation.

In addition, as we see an increase in transition-type deals requiring a more tailored and hands-on approach in designing sustainability targets and managing risks, our ESG committee worked closely with deal teams and potential borrowers to identify ESG risks and transition opportunities. This has not only led to more robust E&S safeguards in our term sheet, but also better integration between ESG initiatives and business profitability (e.g., cost savings through reduced energy use or adoption of renewable energy). We also engaged in extensive discussions around how to best assess physical and transitional climate risks in our business context as there is still limited guidance available.

“

It is always a blast to brainstorm the best approach towards ESG integration given complex dynamics of the China deals – without compromising our house standards. Glad we have superb counsel and localised resources from the ESG Committee putting us in the driver’s seat in ESG conversations. We are proud to have designed bespoke ESAPs that are practical and meaningful in each specific transaction context.”

Clement Chen
Director



Culture



“Compared with people at low-trust companies, people at high-trust companies report 74% less stress, 106% more energy at work, 50% higher productivity, 13% fewer sick days, 29% more satisfaction with their lives, and 40% less burnout.”²⁶

Neuroscience of Trust

We believe a positive workplace is one where we treat colleagues as family – where we trust each other and are interested in each other’s wellbeing. We offer support, compassion and kindness in times of need. We forgive mistakes and do not assign blame. We work to inspire each other, finding meaning in our work. We prioritise trust, respect, gratitude and integrity.

Building a strong workplace culture

A Strict Zero Tolerance Policy on Workplace Bullying and Harassment 	Our Anti-Bullying & Harassment Policy and our Diversity, Equity and Inclusion Policy highlight our commitment to create a workplace where everyone, including employees, contractors, agency staff, and others engaged in work at ADM Capital is treated with dignity and respect. No form of misconduct, be it physical, verbal or non-verbal will be tolerated.
Transparency 	In our weekly Monday Morning Meetings, our executive committee shares broader strategies, challenges and focus; our deal team shares learnings and market information; our business development, ESG and risk teams share trends and insights. By keeping communication channels open, we are more productive in our roles, with the bigger picture in mind.
Facilitating Personal Growth 	We support our staff to develop professionally and personally. We see a major benefit in investing in the long-term careers of our staff. 47% of our staff has been with the company for over 5 years, and close to a third for 10 years or more.
Caring for Our Environment 	Sustainability is not just integrated throughout our investment process but also in our daily operations. Our HK headquarters is in a building with “double platinum” ratings from both BEAM Plus and WELL Building Standard™. We recycle our waste where we can and select local vendors for our events. We partner with service providers with a commitment to sustainability.

“

“Our weekly Monday Morning Meetings allows us to share valuable industry insights and best practices across our respective sector and geographies. We’re constantly sharing and improving, so we always stay ahead of the game and deliver best-in-class results for our clients.”

Emmanuele Frontini
Vice President



“

“Three teams in five years in the same firm wasn’t something I had initially envisioned. I started with Valuation and Risk team, then moved to the IR and Business Development team, which later opened the door to my current role, Investments for Southeast Asia. Being surrounded by people who see the potential and believe in you is truly encouraging and at ADM Capital, anyone who is focused and courageous are given the similar chance of career growth.”

Phyuhpone Mokhant
Vice President



26. The Neuroscience of Trust. (2017, January 1). Harvard Business Review. <https://hbr.org/2017/01/the-neuroscience-of-trust>

Partnerships & Industry Collaboration

Sharing Our Perspective

Featured on [Nikkei](#), [Environmental Finance](#), [Jakarta Post](#) and [The Business Times](#), we share our perspective on how to better support SMEs amidst biodiversity and climate crises in Asia and how to use sustainable debt financing as a vehicle to reinforce change.

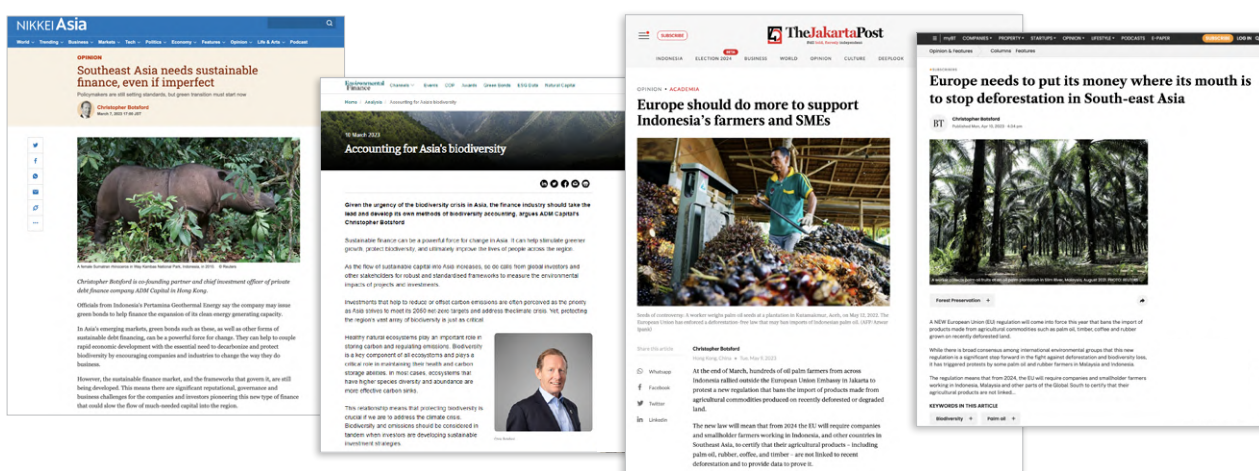
The urgent climate and biodiversity consequences of business-as-usual investments, particularly in Southeast Asia, mean that we must find a way to overcome these challenges and make sustainable finance work — and do so quickly.

Sustainable debt finance can help enforce sustainability standards by mandating compliance, disclosure and the auditing of performance by the companies who receive financing. For example, an ESAP to remediate identified E&S challenges can be enshrined in

transaction documents. Performance against specific mandated performance indicators can be regularly audited by third-party consultants and reported to investors, with non-compliance counted as a potential default event.

Although not a silver bullet, sustainable finance is a force for change. Given the urgency of the environmental challenge, smallholders, companies and investors must be given the room to innovate, explore new ways to finance and deliver the transition from “brown” to “green.”

Without the carrot and stick provided by sustainable finance, this transition will almost certainly be slower. But sustainable finance needs to mature quickly. All forms of sustainable investing should be held to clear standards for performance and disclosure.



Sustainability-linked Credit Lines

While we continue to be a signatory of the PRI, a member of the Hong Kong Green Finance Association, and a working partner of the SDG impact steering group of the United Nations Development Programme (“UNDP”), we have also partnered with HSBC and SCB on two new sustainability-linked credit lines. These credit

lines hold us accountable to the underlying ESG performance of our investments. We demonstrate our sustainability commitments through ESAP completion rates, which are verified annually by an independent third-party consultant.



HSBC



Mobilising Capital for Nature-Based Solutions with DFIs

In mid-2022, the **U.S. International Development Finance Corporation (“DFC”)** provided a partial credit guaranty of USD100mn to the ADM Capital Asia Climate-Smart Landscape Fund (“ACLF”), which represents catalytic capital to help local Indonesian enterprises achieve climate-smart land management and emissions reduction. Other targets serve to advance women’s participation, and improve livelihoods.



“

There is a lot of inertia in investment, an impetus to continue whatever has worked previously. It’s time to un-silo our thinking, stop seeking perfection and start delivering climate-positive financing.”

Lisa Genasci

at the 2022 Partnerships for Forests Annual Forum

Hosted by **Partnerships for Forests (“P4F”)** and the **Blended Finance Taskforce (“BFT”)**, the forum gathered over 100 public, private and philanthropic leaders to discuss how to unlock capital for nature-based solutions.

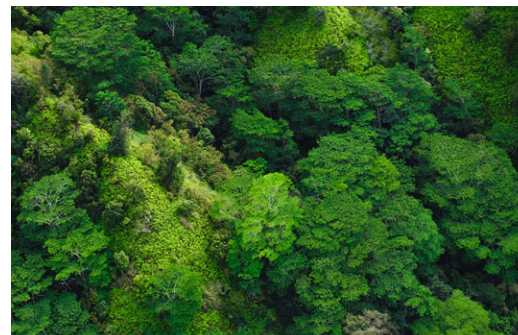


Funded by the UK Foreign Commonwealth and Development Office, P4F has supported the ACLF through financial assistance to develop methodologies and tools to measure impact in a cost efficient and scalable manner within the local business context. We continue to work closely with P4F in refining our impact process and extending our partnerships with relevant stakeholders.



Carbon: Voluntary Carbon Market (“VCM”) Engagement

In October, ADM Capital Climate established the Asia Carbon and Environmental Products (“ACEP”) Warehouse and Think Tank in partnership with environmental product specialist Ultimate Carbon and Allinfra, a technology firm developing a blockchain-based platform for the exchange of climate commodities. The joint venture has enabled a focused collaborative effort to engage in voluntary carbon markets (“VCMs”), with the primary aim of increasing cashflows from corporate end-users to the carbon project development level.



ADM Capital Foundation

A significant part of our stewardship lies in the work of ADM Capital Foundation (“ADMCF”), established in 2006 by the partners of ADM Capital to promote research driven environmental change across Asia.

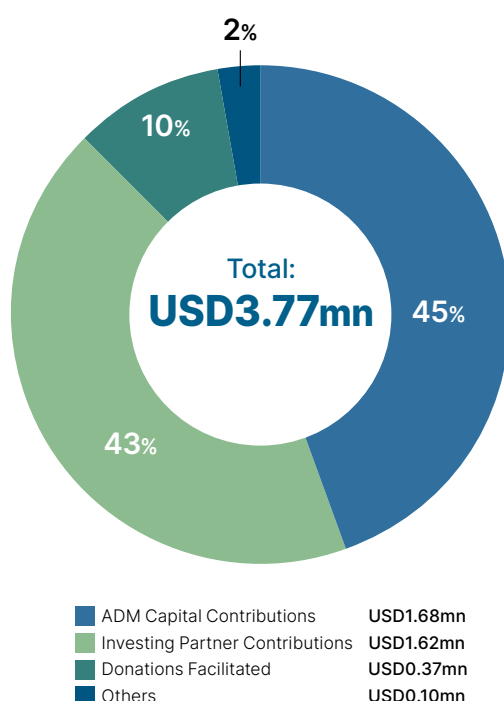
ADMCF produces timely insights that allow ADM Capital to understand key environmental developments first-hand, covering a broad range of topics relating to biodiversity, climate change, water scarcity, food security, public health, and other key areas. Drawing from insights produced in-house and in partnership with local and international partners, ADMCF provides guidance in terms of both risk management and value addition to ADM Capital.

A Perfect Storm, Justice, Ambition, Transformation

From Climate and Water Risks, Transitioning to Net Zero, Protecting Wildlife, Living Oceans, World Without Waste, Finance for Nature and a Legacy Kid’s program, ADMCF’s [2022 Annual Report](#) highlighted the work of its programmes.

The recent environmental debates and target setting globally on biodiversity and climate have reinforced the rationale for much of the foundation’s programmatic work over the past 15 years. The Foundation’s past achievements and agenda for the work ahead is more relevant than ever as it continues to push towards transformational change amid multiple environmental crises.

Funding in 2022



A Short Summary of Each Programme



China Water Risk (“CWR”), which spearheads ADMCF’s **Water Risk** Programme, guides finance institutions and corporates towards building resilience - importantly stress testing, driving leaders and pushing laggards in the region.

Complementary to this work, ADMCF’s project partner Civic Exchange worked to identify and socialise clear **decarbonisation pathways** in Hong Kong and the Greater Bay Area (“GBA”) for the transport and buildings sectors. CWR and Hong Kong Green Finance Association (“HKGFA”) joined with Civic Exchange in undertaking ambitious research and capacity building in support of Hong Kong’s development into a transition finance hub.

Finance for nature was also a key programmatic area for the Foundation, a 2022 milestone for the programme concluded with the release of

MARCH



CWR Report Together We Can: 8 Habit changes for below 2°C

MAY



Wild, Threatened, Farmed: Hong Kong's Invisible Pets

JULY



Recommendations of the Zero Emissions Mobility Consortium

AUGUST

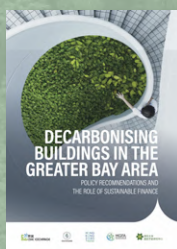


How HK can survive rising seas – see CWR's Online Safety Survey New 8-Factsheet Survival Guide



M'Lop Tapang's Online Safety Survey Analysis and Finding

SEPTEMBER



Decarbonising Buildings in the Greater Bay Area: Policy Recommendations and the Role of Sustainable Finance

OCTOBER



Position Paper on the Live Exotic Animal Pet Trade

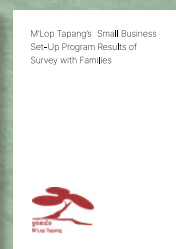


Decarbonising Hong Kong's Roads: Pathway Towards a Net-Zero Road Transport System

NOVEMBER



Futureproofing APAC Banks & Savings – Stress Test Right Today



M'Lop Tapang's Small Business Set-Up Program Results of Survey with Families

Water and Climate
Protecting Wildlife
Transitioning to Net Zero
Legacy Children at Risk

its [Accounting for Biodiversity](#) working paper, which provides examples of a process towards developing a scientifically robust and practical framework for the private sector to measure biodiversity impacts and manage nature-related risks.

Since 2019, the Foundation has been advocating for and informing domestic legislation on key **plastic product and waste streams** through Drink Without Waste and Eat Without Waste.

ADMCF's **wildlife programme** focuses on two themes, combating wildlife crime and protecting exotic species. The Global Initiative to End Wildlife Crime saw momentum grow for an additional Protocol under the United Nations Convention Against Transnational Organized Crime ("UNTOC") to address any gaps that may exist in the current international legal framework to prevent and combat illicit trafficking in wildlife. Closer to home, its exotics programme published [research](#), which illustrates that Hong Kong is a leading importer of live exotics for the pet trade.

ADMCF's **Living Oceans** programme focuses on three main areas: threatened species, sustainable consumption and Asia's Large Marine Ecosystems ("LMEs"). ADMCF continued to support research to identify the extent of the Convention on International Trade in Endangered Species of Wild Fauna and Flora ("CITES") regulated species in the small shark fin market and worked closely with the seafood industry through the Hong Kong Sustainable Seafood Coalition and Choose Right Today. ADMCF co-invested in developing an International Union for Conservation of Nature ("IUCN") regional Situation Analysis on biomass fishing to generate momentum for policy reform across the region.

ADMCF's **legacy kids** programme supports two key organisations, M'Lop Tapang which supports at-risk Cambodian Children, and RATI (Araambh India Initiative) which focuses on creating safe spaces from sexual violence for at-risk children.

LOOKING FORWARD

ADM Capital is committed to supporting our SME borrowers in this transition. We pursue risk-controlled, sustainable returns for our LPs with the highest standards of integrity. Together, we can build a resilient and prosperous Asia that leaves a positive legacy for generations to come.

We are committed to learning from others and being transparent about our own challenges. By sharing what we learn, we strive to not only help our borrowers mitigate ESG risks and improve performance metrics, but also to support our industry peers toward robust reporting.

Looking to 2023 and beyond, we will continue to engage and educate our SME borrowers to collect accurate ESG data and streamline our data management system as our data sets become increasingly complex. We will follow the latest sustainability frameworks and disclosure guidance for Private Credit managers to report our data according to industry best practice.

We will also improve our suite of tools and on-board new systems to incorporate other key topics such as climate risk modelling, biodiversity accounting, and governance factors

into our investment process to continue to refine our ESG risk management framework. Not only are we preparing for upcoming regulatory changes, but we want to assist our portfolio companies to integrate the best-in-class ESG risk management and sustainability strategies.

Sustainable debt financing is a force for change that can help to stimulate greener growth, protect biodiversity and ultimately improve the lives of people across Asia. Through a focus on our new thematic funds, we hope to help SMEs adopt more sustainable practices and deliver incremental E&S progress throughout the tenor of our loans, contributing to a low carbon future.

It is more critical than ever that we put our words into action, and work collaboratively. At ADM Capital, we are committed to support our SME borrowers in the systemic transitions we face. We pursue risk-adjusted, sustainable returns for our LPs with the highest standards of integrity. Together, we can build a resilient and prosperous Asia that leaves a positive legacy for generations to come.

“

We invest in, lend to and engage with our borrowers so that we can reduce negative impacts, manage risk, and create long term value in our continuous learning journey to better ESG integration. We are committed to learning from others and being transparent about our own challenges.

Lisa Genasci
Chair, ESG Committee



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Asia Debt Management Hong Kong Limited
1008 ICBC Tower, 3 Garden Road,
Central, Hong Kong

Tel: +852 2536 4567

Fax: +852 2147 2813