

Environmental, Social and Governance Policy



RE Royalties

TSX.V: RE

RERoyalties.com



Our Purpose



RE Royalties

RE Royalties (RE or the Company) was founded with the vision to provide capital to an underserved sector of the renewable energy market and support the transition to a low-carbon economy. The Company recognized the opportunity to leverage the revenue-royalty model from another industry (mining) to expand the pool of capital available to small-to-mid-scale renewable energy projects. RE provides innovative financing solutions for its clients, when traditional options are not available or suitable, and helps investors make a positive impact on the world.

The Company currently owns royalties from renewable energy projects in Canada, the United States and Europe, including solar parks, wind farms, and run-of-river hydro facilities. More broadly, the investment mandate is focused on transitioning to a low-carbon energy future; the Company considers opportunities in low-carbon energy sources, distributed energy, energy efficiency, energy storage, renewable fuels, and electric vehicles. With climate change a pressing issue globally, RE Royalties has become an important source of capital for the low carbon energy transformation.

ESG Goals



ESG Policy Goals

In addition to its clear focus on the transition to low carbon energy, RE firmly believes in the important role played by Environmental, Social and Governance (ESG) factors in the long-term financial performance of investments and companies. The Company is therefore taking steps to formalize the consideration of ESG factors in its investment policy, due diligence, monitoring and reporting. This ESG Policy marks the beginning of an initiative to align processes and reporting with the Company's existing vision and commitment to provide lasting positive impact to people and planet.

The Company's near-term goals for its ESG Policy are to:

- Enable more effective communication of positive impact and ESG performance to broader investor and stakeholder audiences in a consistent manner.
- Introduce a wider range of ESG factors into decision-making and investment analysis.
- Meet the needs of co-investment partners and institutional investors.
- Align with reporting and investment policies for Green Bond issuance.

Oversight

Oversight of the ESG Policy is provided by the Board of Directors through the Nominating and Governance Committee (NG Committee). The NG Committee is responsible for reviewing the policy and making recommendations to the Board, and ensuring it aligns with the Company's investment mandate and strategy. Development and implementation of the policy is the responsibility of the CEO, with oversight from the NG Committee.

Specific CEO responsibilities include ensuring ESG adoption at RE is increasingly incorporated into new investments and strategies, leading and supporting stakeholder engagement activities (including both investors and clients), ensuring sufficient inter-departmental information sharing and data collection activities to support appropriate and timely reporting of ESG factor information as RE's ESG program evolves. The ESG program leverages the entire team to cover operations, projects, sustainability, communications, strategy, and risk management.

Scope



ESG Risk Profile

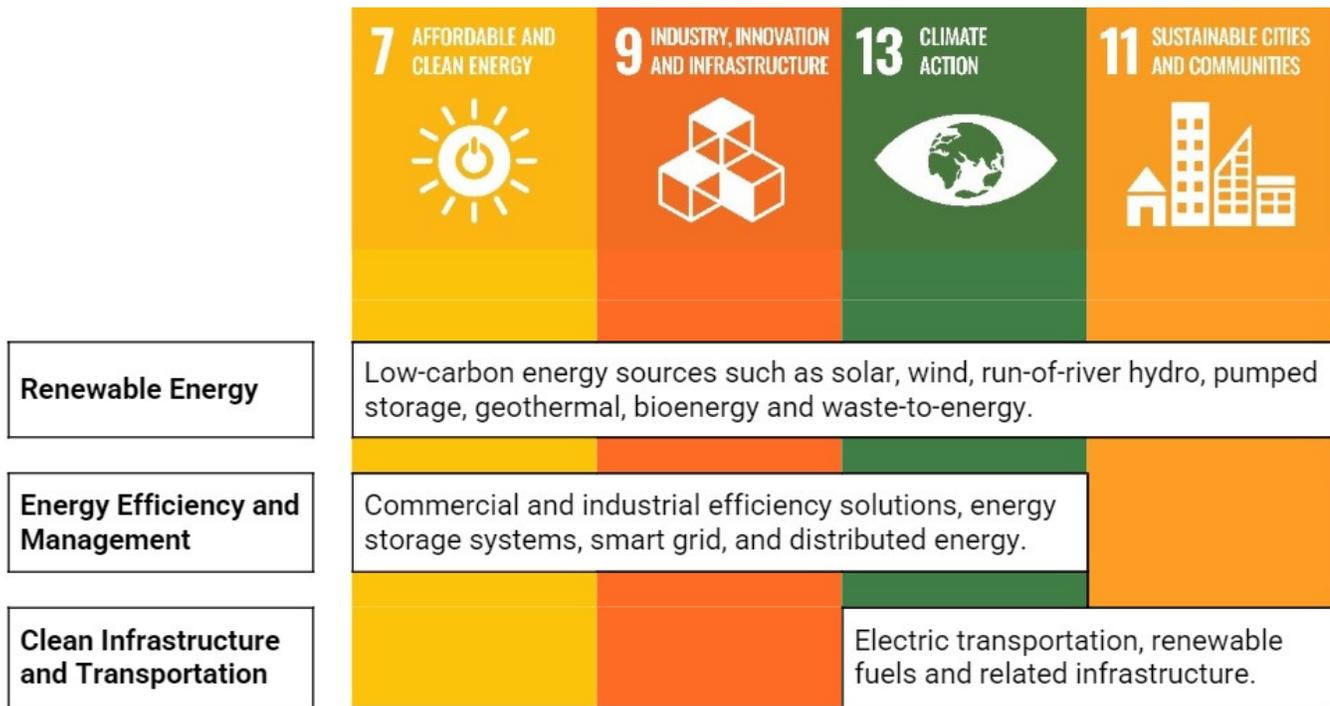
The Company operates with a small team in Vancouver, Canada, an inherently lower ESG risk location due to a clean energy grid, stable political and regulatory environments, and strong labour and human rights protections. The Company's primary exposure to ESG risks and opportunities is through its investments into other projects. The risk exposure is low relative to peers in the utility sector and asset management due to the Company's impact investment focus on low-carbon energy projects. Projects are generally in lower-risk OECD and EU countries with a focus on North America, Europe and Australia, further reducing exposure to ESG risks relating to political stability and regulatory environments. Investment preference is for operational or near-operation projects where data for ESG factor assessment is more quantifiable and readily available.

As a royalty-based financier, RE is not a direct owner and does not exert operational control over projects. As such, ESG factor assessment and reporting focus on investment decision-making and due diligence practices rather than active ownership and voting. With long-term royalty contracts, ESG due diligence performed today will continue into a future that is expected to have increased visibility and importance placed on ESG issues. In addition to integrating ESG into its Investment Policy, RE intends to develop ongoing (post-deal) provisions for reporting to ensure critical ESG criteria remain managed and within the mandate. Beyond investment selection, there is an opportunity to raise the profile of ESG in the due diligence process to advocate for, and in some cases require, specific ESG monitoring and reporting from clients. By nature of its corporate vision and investment strategy, the Company inherently pursues lower ESG risk investments, particularly on the Environmental dimension with an emphasis on low carbon energy projects.

Sustainable Investment Strategy

Our Investments

RE only engages with projects that align with its sustainability values and address some of the world's biggest environmental challenges. The Company invests in opportunities that provide low-carbon energy solutions or strong GHG emission reductions by providing short-term interest-bearing loans and/or capital in exchange for long-term revenue-based royalty streams. This climate-focused investment mandate is well-aligned with several UN Sustainable Development Goals (SDGs), and includes the following sectors:



Business Model

Additional specific sectors and opportunities may be considered where they align with the overall principles and investment mandate.

The nature of the business model and activities also support the following goals:



Increasing access to finance for small to mid-scale sustainable companies



Mobilizing sustainable finance
Industry advocacy for impact investment and membership in the Responsible Investment Association

ESG Consideration

The Company considers ESG factors in three primary areas:

1) Impact-focused investment selection: The Company provides funding solely in companies and projects that make a positive environmental impact with a focus on the target sectors of renewable energy and fuels, energy efficiency and clean transportation.

2) Risk assessment and due diligence: For potential investment targets, the Company assesses ESG criteria risks and opportunities (for example GHG reduction potential, clean energy production, social impact, food security and land use, country stability and legal frameworks).

3) Impact quantification and reporting: The Company monitors and reports on the positive impact achieved by the projects in its portfolio including GHG emission reductions, clean power capacity, and annual clean energy production.

The Company considers the following ESG factors as relevant to the business, linked to its strategy and financial performance. It reviews these within its decision-making and reporting frameworks for new investments; ongoing stakeholder engagement may inform changes or additions to this list.

Environmental	Social	Governance
<ul style="list-style-type: none">• Clean energy production (electricity and fuels)• GHG emissions, air quality (e.g. PM2.5, PM10)	<ul style="list-style-type: none">• Employment diversity, employee relations• Project workforce, use of local labour	<ul style="list-style-type: none">• Executive pay, Board diversity, transparency and fair dealing
<ul style="list-style-type: none">• Water and land use, biodiversity, wildlife, fisheries and riparian habitat impact	<ul style="list-style-type: none">• First Nations and aboriginal relations, stakeholder consultation, community impacts	<ul style="list-style-type: none">• Degree of disclosure coverage including ESG issues
<ul style="list-style-type: none">• Extreme weather events, annual generation changes due to climate impacts	<ul style="list-style-type: none">• Human rights, health and safety• Community involvement and charitable social causes	<ul style="list-style-type: none">• Anti-bribery, corruption, political stability

Engagement



ESG Engagement and Advocacy

One of the fundamental value propositions of RE's business model is that it allows clients to maintain control and ownership over their projects and businesses. As a passive partner, RE's ability to engage on ESG integration is therefore established at the initiation of the deal, either through due diligence or ongoing requirements (e.g. covenants).

As RE enhances its ESG framework, it will engage with potential clients with the goal to improve their management and reporting of ESG risks and opportunities. This will enable greater transparency from the bottom up, and will provide an opportunity to reduce risks and create value for clients and RE's shareholders.

RE is engaging directly with investors and other stakeholders on ESG issues and is reaching a broader investing audience through online outreach and involvement with the Responsible Investment Association. As the company expands its available data and reporting capabilities, it will provide more information including more detailed information on portfolio ESG performance.



Industry Standards

RE intends to continue developing its capability and processes to improve its ESG, Impact, and UN Sustainable Development Goals (SDG) related monitoring, decision-making, and reporting. The Company is leveraging a large body of existing and emerging standards in industry; it is working to adapt these in a way that is appropriate and suited to its unique business.

RE is currently reviewing available guidelines and standards to inform its sustainability program, including:

- ICMA Green Bond Guidelines;
- Carbon Disclosure Project;
- Taskforce for Climate-Related Financial Disclosures Recommendations;
- Global Reporting Initiative (GRI);
- Sustainability Accounting Standards Board (SASB);
- UN Global Compact Principles for Responsible Investment; and
- UN Sustainable Development Goals.



Vision

It is RE's long-term goal to achieve integrated reporting of sustainability factors alongside financial information. Future actions in support of this goal may include:

- Improve quantitative data availability for comparison over time;
- Develop capabilities for timely digital accessibility (ongoing reporting);
- Formalize ESG criteria for Investment Policy, Investment Memoranda (for NG Committee review);
- Incorporate ESG disclosure requirements for due diligence and ESG-related post-deal reporting;
- Incorporate ESG reporting into MD&A; and
- Expand rights to post-deal monitoring for portfolio projects with respect to ESG risk and opportunities to ensure investments remain within policy guidelines.



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