



SDCL Efficiency Income Trust (SEIT)

Responsible Investment Policy

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1 Introduction

The purpose of this Responsible Investment Policy (“the Policy”) is to set out Sustainable Development Capital LLP’s (“SDCL” or the “Investment Manager”) approach to responsible investing for SDCL Energy Efficiency Income Trust (“SEIT” or the “Company”).

The Policy applies to SEIT and its investments, is overseen on a day-to-day basis by SDCL as the Company’s Investment Manager and is aligned to SDCL’s own Responsible Investment Policy.

The Policy set out within this document is applicable to all individuals directly employed at SEIT’s investments as well as any contractors engaged directly or via an agency. For the purposes of the Policy, all individuals within scope of the Policy are hereafter referred to as “Employees.”

The Policy should be read and considered in conjunction with the Investment Manager’s other ESG-related policies which complement and add detail to the Policy. Other ESG-related policies are summarised in SDCL’s Responsible Investment Policy, which can be found on [SDCL’s Website](#).

1.1 Definitions

For the purposes of this policy, the following terms are defined as:

“Taskforce for Climate-Related Disclosure (“TCFD”)”: The Task Force on Climate-related Financial Disclosures, or TCFD, is a global organisation formed to develop a set of recommended climate-related disclosures that companies and financial institutions can use to better inform investors, shareholders and the public of their climate-related financial risks.

“Net Zero Asset Manager’s Initiative (“NZAM”)”: The Net Zero Asset Manager’s Initiative is an international group of asset managers committed, consistent with their fiduciary duty to their clients and beneficiaries, to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius.

“UN Principles for Responsible Investment (UN PRI)”: The UN Principles for Responsible Investment (PRI) is an international organisation that works to promote the incorporation of environmental, social, and corporate governance factors (ESG) into investment decision-making.

“Sustainable Financial Disclosure Regulation (“SFDR”)”: The EU’s “Sustainable Finance Disclosure Regulation” is a disclosure and labelling scheme that aims to reduce greenwashing, protect retail customers and highlight sustainable funds.

“Article 9 Fund”: A designation under SFDR that describes a Fund with sustainable investment as an objective.

“Sustainable Investment Objective”: The Sustainable Investment Objective refers to the sustainability-related purpose of an Article 9 fund under the Sustainable Financial Disclosure Regulation (SFDR). SEIT is an Article 9 Fund under SFDR with the sustainable investment objective of climate change mitigation through investment into energy efficiency projects.

“ESG Factors”: Environmental, social and governance issues that are identified or assessed in responsible investment processes. Environmental factors are issues relating to the quality and functioning of the natural environment and natural systems. Social factors are issues relating to the rights, well-being, and interests of people and communities.

Governance factors are issues relating to the governance of companies and other investee entities.

“ESG Management Process”: the ESG Management Process refers to the Investment Manager’s integration of ESG factors into key investment operations, including but not limited to investment due diligence, asset management, reporting and risk and compliance.

“ESG Standards”: ESG Standards refer to the expectations the Investment Manager has for various ESG Factors.

“Stewardship”: The use of influence by investors to protect and enhance overall long-term value, including the value of common economic, social and environmental assets, on which returns and client and beneficiary interests depend.

2 The Policy

The Policy sets out the Investment Manager’s approach to integrating ESG factors into the Company’s investment operations, from due diligence to asset management, together referred to as the “ESG Management Process.” The Policy aims to provide clear guidelines, structure, and escalation processes to ensure that SEIT and its investments are aligned on sustainability, social responsibility, and governance objectives and standards.

The Investment Manager recognises the importance of responsible investment stewardship through active collaboration with both new and existing investments, and their third parties and contractors in order to ensure that investments adhere to the ESG Standards set out in the Policy. The Investment Manager will engage in a continuous dialogue with its stakeholders to foster a shared commitment to responsible investment principles and address evolving ESG challenges.

The Investment Manager finds that transparency and disclosure in achieving the Company’s sustainable investment objectives and complying with its policies drives accountability and progress. The Investment Manager will report on performance against the Standards set out in the Policy as part of the Company’s regular reporting, as well as through any relevant additional mandatory and voluntary reporting.

2.1 SDCL’s Commitments to Responsible Investment Standards

SDCL, as Investment Manager, is committed to the six principles of the UN Principles for Responsible Investment (“UN PRI”), which are to:

1. Incorporate ESG issues into investment analysis and decision-making processes;
2. Be active owners and incorporate ESG issues into ownership policies and practices;
3. Seek appropriate disclosure on ESG issues by the entities into which investments are made;
4. Promote acceptance and implementation of the Principles within the investment industry;
5. Work together to enhance effectiveness in implementing the Principles; and
6. Report on activities and progress towards implementing the Principles.

SDCL is a signatory to the UN PRI and will apply these standards in relation to the Company and its investments.

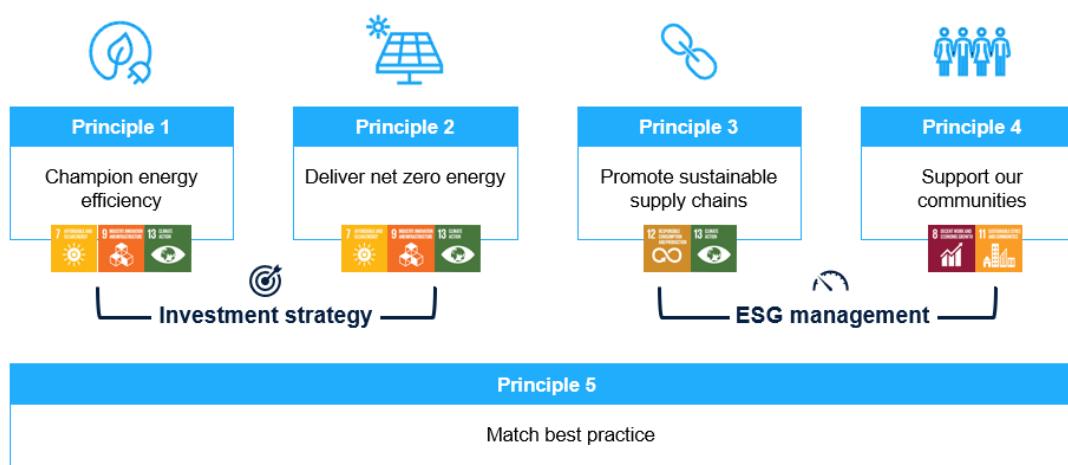
In addition to UN PRI, SDCL aims to adhere other sustainability frameworks in line with the Company's obligations under SFDR as an Article 9 Fund, as set out in Annex 1.

2.2 SEIT's Core Responsible Investment Guidelines

The Policy is designed to reflect SEIT's core responsible investment guidelines, which have been highlighted as part of SEIT's Sustainability Framework (the "Framework"). Made up of 5 core principles, the first two of the Framework emphasise the Company's objective of sustainable investing through investments in energy efficiency and low-carbon energy solutions.

These company-specific objectives are underpinned by more general sustainable investment principles including sustainable supply chains, supporting our communities, and matching best practice according to the voluntary and mandatory ESG frameworks SEIT aligns to. The implementation of and progress against the Framework will be reported as part of the Company's regular reporting.

Each principle of the Framework has been developed in line with the UN Sustainable Development Goals, as shown below.



2.2.1 Principle 1: Champion energy efficiency¹

Improving energy efficiency is one of the quickest, cheapest, and cleanest ways to reduce primary energy consumption and carbon emissions caused by energy use. The critical target of halving global emissions by 2030 cannot be met without improving energy efficiency.

Energy efficiency is at the core of SEIT's investment policy and therefore drives its investment strategy and portfolio. This objective further formalises SEIT's commitment to energy efficiency as a key element of its investment strategy and objective of reducing GHG emissions.

¹ SEIT's definition of an "Energy Efficiency Project" is set out in Annex 3.

As part of the implementation of the Policy, the Investment Manager will use KPIs relevant to the Company's portfolio to quantify the energy impact of its investments and incentivise improvements.

2.2.2. Principle 2: Deliver net zero energy

Principle 2 of the Framework recognises that energy efficiency solutions must be paired with low-carbon, renewable energy generation to reach net zero emissions in line with the Paris Climate Agreement. Principle 2 underpins the Company's commitment to providing customers with low-carbon energy by choosing investments that are aligned to net zero and engaging with current investments on their net zero trajectory.

As part of the Investment Manager's net zero target under the Net Zero Asset Manager's Initiative, SDCL aims for 100% of its funds under management to be covered by net zero plans aligned to the 1.5°C Paris Climate Agreement target by 2030. SDCL intends for SEIT to align with this goal and is engaging with the Company's new and existing investments on the creation of net zero targets and plans.

2.2.3 Principle 3: Promote sustainable supply chains

Promote sustainable supply chains has been chosen as one of the Framework's principles to reflect the Company's goal to provide customers with sustainable energy services from both an environmental and social perspective.

SDCL aims to ensure that the supply chains related to the Company and its investments are sustainable from a social and environmental perspective. The Company will implement this policy by setting clear standards for its investment's immediate suppliers, including third-party operators, vendors/tier 1 suppliers, and Operations & Maintenance providers ("O&M providers") through various policies, including SDCL's Human Rights Policy, which is summarised in SDCL's Responsible Investment Policy.

To evaluate supply chain standards, SDCL will conduct targeted supply chain assessments during investment due diligence to assess adherence to human rights, fair labour practices, health and safety standards, and alignment with global guidelines including the OECD, UNGP, and UNPRI. The Investment Manager also intends to monitor investment's third-party alignment with these standards on an ongoing basis through its annual ESG asset management questionnaire.

2.2.4 Principle 4: Support our communities

In addition to providing customers with sustainable services, the Investment Manager is focused on ensuring that its communities, namely the employees at SEIT's portfolio companies, work in well-managed, supportive and flourishing workplaces. Therefore, the Company is promoting policies and initiatives in each of its workplaces that promote:

- Diversity and inclusion
- Professional Training and development
- Physical and mental wellbeing
- Local charitable activities

2.2.5 Principle 5: Match best practice

The first four principles of the Sustainability Framework focus on the Company's ESG focus areas. The fifth principle acknowledges that there are many frameworks and standards in the

ESG field that the Investment Manager intends for the Company to comply with. Following best practice for the Company means fulfilling all its sustainability-related mandatory and voluntary obligations, as well as aligning with broader responsible investment principles.

These best practice objectives and standards are implemented through this Policy and align with SDCL's other ESG-related policies, which are summarised in SDCL's Responsible Investment Policy.

The Company's mandatory and voluntary obligations vary on an ongoing basis due to new regulatory regimes and commitments made by the Investment Manager, but relevant ones will be reported on as part of the Company's Annual Report.

3 Exclusions Policy

SEIT will not invest in sectors or activities which are inconsistent with the Company's commitment to sustainability. These criteria are guided by the principles of ethical and responsible investment. The full list of exclusions is included in Annex 2.

4 Governance and Monitoring of Responsible Investment

4.1 SEIT ESG Committee

The governance of the SEIT Responsible Investment Policy is structured to ensure the highest level of oversight and commitment. Ultimate responsibility for the policy lies with the SEIT Board, which is guided by its ESG Committee. The SEIT ESG Committee is entrusted with the policy's implementation, annual review, and amendment as necessary. The Policy, upon formulation or modification, will be subject to approval by the SEIT Board, reinforcing the alignment of responsible investment principles with the overall strategic vision of the Company.

The SEIT ESG Committee will conduct an annual review of the Policy to ensure its continued relevance and effectiveness. Furthermore, the committee will oversee the implementation of the Policy across the Company's portfolio, ensuring alignment across the Company's investments.

The SEIT ESG Committee's core responsibilities are set out in its Terms of Reference, which can be found on the [SEIT website](#).

4.2 Escalation & Divestment

It is the responsibility of the relevant SDCL teams to ensure day-to-day compliance with the Policy. The Investment Manager recognises that the Fund's sustainability considerations and targets may evolve overtime and commits to regularly reviewing the environmental characteristics of its portfolio against those standards. If a portfolio company's operations are found to be in contradiction with the Fund's evolving energy transition and climate ambitions, the Investment Manager will seek to engage with that portfolio company to better align it with the Fund's standards. Divesting from or selling that portfolio company may be considered if escalation and engagement is not and will not be successful and, in that circumstance, divestment will be recommended first to the SEIT Investment Committee and then to the SEIT ESG Committee or equivalent governing body.

Similarly, in the event that a breach of the Policy arises, such as a portfolio company failing to operate in a manner consistent with the environmental, social and governance expectations set out in the Policy, the Investment Manager will seek to engage with that portfolio company to better align it with the Company's standards. If that issue is unable to be resolved through engagement, the Investment Manager will raise it to the SEIT Investment Committee for its consideration and, when relevant, to the SEIT ESG Committee or equivalent governing body. If consistent breaches to the Policy occur or if the SEIT Investment Committee finds that engagement with the portfolio company will not result in its alignment to the Company's standards due to the nature of the breach, divesting from or selling that portfolio company will be considered and, if relevant, recommended to the Company's Investment Committee and then ESG Committee for discussion and approval.

4.3 Risk Management

The Policy provides the Investment Manager a framework to assess investments against the Standards and identify both sustainability-related opportunities and risks. Through the implementation and monitoring of the Policy via the ESG Management Process, an investment's sustainability-related risks will be assessed during due diligence and asset management. These risks include, but are not limited to, climate-related risks, risks associated with the other sustainability objectives under SFDR, risks to human and workers' rights, social risks, biodiversity risks, risks to the local community, etc. These risks will be assessed and reviewed in-line with the Company's overall risk management framework.

In pursuance of the Policy, the sustainability-related risks of an investment will be highlighted to the SEIT Investment Committee during due diligence and will be assessed on an ongoing basis through ESG asset management activities. In particular, material climate-related risks of the portfolio will be assessed and reviewed on an annual basis, with updates provided to the SEIT Investment Committee and then SEIT Audit and Risk Committee.

4.4 Review

SDCL is committed to continuous improvement of the Policy to reflect lessons learnt, evolving best practices and new insights into environmental sustainability. The Policy will be reviewed by the SEIT ESG Committee at least annually and will be updated as appropriate.

5 Active Ownership and Stewardship

The Investment Manager believes that active ownership and stewardship are an essential part of responsible investing, not only to support the achievement of investment objectives and longer-term value creation but also to facilitate collaboration, feedback and involvement of a broader group of stakeholders to achieve common aims. The Investment Manager therefore aims to ensure that the collective impact of its stewardship efforts effectively advances its environmental and social investment objectives.

Active ownership is also inherent in the Company's investment policy as the Company predominately invests in projects where it has a controlling stake. In those instances, the Company has a direct role in the oversight of such companies through its control of boards or other governing bodies.

When the Company does not have direct control of management, such as under certain joint ventures or non-equity investments such as debt, the Investment Manager aims for the related investment agreements to ensure investee management is aligned with the

Company's responsible investment policies and that measures are in place to monitor and manage alignment.

The Company does not currently align to any specific stewardship codes or guidelines, but its active ownership and stewardship activities are guided by the following principles:

- **Engagement:** The Investment Manager believes in the power of active engagement with companies to promote good governance, sustainable business practices, and long-term value creation. The Investment Manager will engage with companies on governance, strategy, performance, and ESG issues through direct dialogue with management, collaboration with other stakeholders, and asset management surveys that monitor the ESG performance of an investment.
- **Integration of ESG Factors:** Material ESG factors are integrated into the ESG Management process, from due diligence to asset management. Active ownership and stewardship activities consider the impact of ESG issues on investment performance, risk, and the sustainability of investee companies.
- **Transparency:** The Investment Manager is committed to transparency in its active ownership and stewardship practices. The Company will disclose its engagement activities and progress toward stewardship objectives to its clients, beneficiaries, and other stakeholders through regular reporting, including results reporting and meetings, where appropriate.
- **Collaboration:** The Investment Manager will actively seek opportunities to collaborate with other investors, industry groups, and stakeholders to amplify the effectiveness of its active ownership and stewardship efforts. Collaboration enhances the ability to address systemic issues and drive positive change in the market.

6 Reporting

The Investment Manager finds that transparently reporting the implementation of the Policy and the Company's sustainability characteristics is critical to the success of the Policy. In line with relevant frameworks and regulations, SDCL intends for all sustainability claims made in reporting to be fair, clear, not misleading and complete and subject to SDCL's external communication processes relevant to that piece of reporting.

SDCL will report on the Company's implementation of and progress against the Framework through regular and transparent reporting, specifically in the Company's Annual Report. The reporting will include applicable KPIs that demonstrate the alignment of the portfolio with the Framework.

This reporting will be reviewed in line with the other data reported within the Company's annual report and accounts, including through review by the SEIT Investment Committee and Board.

Annex 1: Sustainability Frameworks

- The Standards set forth by the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Under the OECD Guidelines, SDCL is committed to contributing to economic, social, and environmental progress while maintaining transparency through the disclosure of relevant information. This commitment extends to respecting human rights, promoting fair employment practices, fostering environmentally sustainable measures, and opposing corruption in all its forms.
- The ten principles of the United Nations Global Compact (UNGC), which encompass human rights, labour, environment, and anti-corruption. These guidelines collectively underscore SDCL's dedication to ethical and responsible conduct, fostering positive impacts within the global communities and environments where it operates.
- the UN Guiding Principles on Business and Human Rights (UN GPBHR), aligning itself to the three pillars of the Framework of: protect, respect and remedy, with respect to preventing human rights abuses in company operations and providing remedy actions if such abuses take place.
- The Principles & Rights set out in the eight Fundamental Conventions of the Declaration of International Labour Organisation on Fundamental Principles & Rights at Work (ILO). SDCL is committed to aligning with the fundamental principles set out in the ILO, which set international labour standards on a broad range of subjects related to the world of work, including human rights at work, employment policy and human resources development.

Annex 2: Exclusions

SEIT's exclusions include but are not limited to:

- Controversial Weapons
- Civilian Firearms
- Tobacco
- Gambling
- Adult Entertainment

Annex 3: Definition of an Energy Efficiency Project

SEIT defines an “Energy Efficiency Project” as a project, the objective of which is to achieve one or more of the following criteria:

- reduce energy consumed and/or related GHG emissions arising from the existing and/or future supply, transmission, distribution or consumption of energy;
- reduce its Scope 1 GHG emissions (“Direct GHG emissions occur from sources that are owned or controlled by the company”) and Scope 2 GHG emissions (“electricity indirect GHG emissions from the generation of purchased, or generated on-site, electricity consumed by the company”) as defined by the GHG Protocol, directly and/or in conjunction with offsets that may be used to deliver additional net emissions reduction benefits;
- increase the supply of renewable energy generated on the premises of a Counterparty or generated at a site directly associated with the premises of a Counterparty;
- reduce emissions and energy consumption in non-domestic sectors, which include:
 - all forms of energy supply, conversion, distribution or transmission not originating within a private domestic dwelling, including district heating systems and CHP systems;
 - demand for energy in non-domestic buildings including commercially owned or used property and public sector owned buildings;
 - demand for energy in industrial and light manufacturing plant and machinery, operations and logistics;
 - demand for energy in the transport sector; and
 - through the deployment of energy efficiency measures in public and private infrastructure, such as in utilities (including the installation of smart metering equipment) and street lighting; or
- otherwise satisfy, in the Investment Manager’s reasonable opinion, any other criteria or measurement of energy efficiency in an industry or sector, or by using energy efficiency technologies that are compatible with the Company’s investment objective and policy.

