

SEEIT RESPONSIBLE INVESTMENT POLICY

JULY 2019

INTRODUCTION

SDCL Energy Efficiency Income Trust plc (“SEEIT”) makes investments in energy efficiency projects either directly or through wholly owned group companies (the “Group”). Each energy efficiency project usually has a special purpose company (“Project Company”) set up to manage that project.

SEEIT’s Responsible Investment Policy seeks to ensure that all investments and loans made to Project Companies adhere to Environmental, Social (including safety) and Governance (“ESG”) standards.

SEEIT will seek to ensure that any contractor or delivery partner (“Service Provider”) to the Group or project company, including the Investment Manager, will adhere to the following, or similar, provisions (and likewise require such in respect of any delegated activity) via the Service Providers’ respective ESG frameworks (including ESG systems, controls, policies, codes and procedures.)

SDCL, as Investment Manager to SEEIT, is tasked with promoting this Responsible Investment Policy to all Service Providers, and to monitor their performance with the aim of ensuring compliance and best practice is followed.

COMMITMENT AS A RESPONSIBLE INVESTOR

Any Service Provider providing services to the Group or a Project Company, should ensure that their ESG framework for any works or services they are providing includes:

- complying with all applicable laws;
- seeking their suppliers and contractors’ commitment to follow best practice, minimising adverse impacts and enhancing positive effects on the environment, workers, and all stakeholders;
- as appropriate, seeking their suppliers and contractors’ commitment to continuous improvements in terms of management of ESG matters;
- collaborating with other organisations to promote the adoption of best-in-class ESG standards;
- integrating ESG factors into any selection process by requiring suppliers and contractors to confirm that they will be compliant with these requirements, including seeking explanations as to how they will mitigate any applicable ESG risk factors;
- report periodically on ESG outcomes using metrics to be agreed on a case by case basis
- providing information, instruction, training and resources to their employees so that they can adhere to this policy whilst working for SEEIT, the Group, or SEEIT’s Project Companies;
- if a potential ESG breach is identified, the Service Provider will inform SDCL (who will keep SEEIT informed), and working with the Service Provider, will evaluate the nature and extent of the breach and agree suitable appropriate mitigating actions; and

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- at the time of any disposal of any investment by the Group, subject to any confidentiality restrictions, the Group, via SDCL, will arrange for the appropriate disclosure of the status of any material ESG concerns including the actions performed to manage them, in order to assist the next owner.

RESPONSIBLE INVESTMENT STANDARDS

Any Service Provider acting on behalf of SEEIT, the Group and its Project Companies will ensure that it always has the commitment, and capacity to effectively identify, monitor and manage all potential ESG matters facing the business.

SDCL, on behalf of SEEIT and the Group, will assess suppliers and contractors' activities in respect of SEEIT's investments and then monitor and record compliance of activities with the standards set out in this policy and report on any areas where there is a risk of failure to comply.

Where any material, or potentially material, ESG matter arises, the relevant Service Provider will report this to SDCL and all applicable counterparties and create an action plan to address the matter and report to counterparties on the implementation of this plan.

SDCL will ensure that contractors and major suppliers have the capacity, commitment and track record to uphold these standards and to seek ongoing improvement of operations against these standards.

ENVIRONMENTAL STANDARDS

The Investment Manager, acting on behalf of SEEIT and its Project Companies, will seek to ensure that any service provider will minimise the environmental impact of the applicable project as follows:

- Ensuring they operate in compliance with applicable local and national laws (as a minimum), but moreover seek leading practice substantially beyond minimum legal requirements. This includes both environmental and planning regulations (including requirements of the EU Environmental Impact Assessment Directive and the preparation of Environmental Impact Statements, as applicable).
- Understanding, and minimising through mitigating actions, the likely risk and impact of environmental damage resulting from the project. Greenhouse gas metrics should seek to reflect both direct and indirect emission impacts.
- The following environmental risks arising from the project require immediate disclosure and reporting by the Service Provider to SDCL (along with plans for applicable remedial actions), who will promptly brief SEEIT regarding:
 - Any material degradation of water, soil or air quality;
 - Production of material quantities of waste product;
 - Production or use of substances potentially hazardous to human, plant or animal life, including genetically modified plants and pesticides;

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- Emission of material quantities of greenhouse gases;
- Loss of biodiversity or habitat; and
- Ozone depleting substances.

SOCIAL STANDARDS

LABOUR AND WORKING CONDITIONS

Any Service Provider acting on behalf of SEEIT, the Group and its Project Companies will seek to minimise the negative social impact of the project, through:

- Compliance with all applicable local and national laws (as a minimum).
- They will seek to understand, and minimise, the likely risk and impact of negative social impacts resulting from the project.

Further, the Service Provider will procure that it and its supply chain ensure:

- not to employ or make use of forced labour of any kind;
- not to employ or make use of child labour;
- to pay wages which meet or exceed industry or legal national minima (including any prevailing 'living wage' standards);
- to treat employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, or HIV status;
- to allow consultative work-place structures and associations which provide employees with an opportunity to present views to management;
- for remote operations involving the relocation of employees for extended periods of time, to ensure that such employees have access to adequate housing and basic services; and
- uphold labour standards in accordance with the laws of the country in which the relevant entity operates and as defined by the fundamental principles of the International Labour Organisation Declaration.

HEALTH AND SAFETY STANDARDS

SEEIT will seek to ensure that any Service Provider providing services to SEEIT, the Group, or its Project Companies will seek to minimise the negative health and safety impact of its activities, through:

- Compliance with all applicable local and national laws (as a minimum).
- Seeking to understand, and minimise, the likely risk and impact of negative health and safety impacts resulting from the project(s) and by providing a safe and healthy workplace for its staff.

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Further, the Service Provider will ensure that any health and safety event (in the UK a RIDDOR reportable or similar in other jurisdictions) will be reported promptly to SDCL as Investment Manager to SEEIT, as follows:

- A notification of the event should be sent as soon as practical after the event has occurred.
- A full report based on a comprehensive investigation of the event, including mitigating actions and other actions required to prevent reoccurrence, should be issued as soon as practical.
- The Investment Manager will provide a consolidated report on RIDDOR events for each SEEIT Board Meeting, which the Board will review and challenge together with agreeing any appropriate mitigating actions to be taken. Furthermore, significant RIDDOR events will in any event be reported to the SEEIT Board forthwith.

GOVERNANCE: BUSINESS INTEGRITY AND GOOD CORPORATE GOVERNANCE STANDARDS

There are other standards, which any Service Provider providing services to SEEIT, the Group, or its Project Companies must adhere to, including:

- complying with all applicable laws and promote international best practice, including those laws and international best practice standards intended to prevent extortion, bribery and financial crime;
- having a clearly defined and transparent governance and management structure with effective procedures, controls and checks and balances in place, including the implementation of high standards in respect of board composition (or equivalent top tier governing body), management information and independent review. Whilst recognising that the following may not be realistic for smaller contractors, in which case additional assurance procedures may need to be applied by SDCL as mitigation, this includes (where commensurate with the scale of Service Provider):
 - An appropriate balance of executive and non-executive directors (or the equivalent top tier of management oversight, as applicable)
 - Appropriate safeguards to oversee audit and remuneration, including separated audit and remuneration sub-committees where justified by the scale of the organisation;
 - Regular board meetings (or equivalent top tier governing body) with agreed agenda and papers circulated in advance, including a regular board pack with relevant management information to enable full and proper scrutiny;
 - An annual programme of board agenda topics including an annual review of ESG matters arising;
 - Appointment of a respected firm of accountants, acting as auditors, who are independent of the board and shareholders (or equivalent top tier governing body and economic owners); and

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- Promote transparency, accountability and good governance through regular reporting of financial and other information to investors and lenders.
- Upholding the highest standards of business integrity and honesty;
- dealing with any regulators in an open and co-operative manner;
- prohibiting all employees from making or receiving gifts of substance in the course of business;
- prohibiting the making of payments as improper inducement to confer preferential treatment;
- prohibiting contributions to political parties or political candidates, where these could constitute conflicts of interest;
- properly recording, reporting and reviewing financial and tax information;
- using information received from the Company's partners only in the best interests of the business relationship and not for personal financial gain by any employee;
- using effective systems of internal control and risk management covering all significant issues, including ESG issues;
- Having suitable policies and a code of conduct on key business integrity matters such as bribery and corruption, gifts, anti-money laundering, extortion, financial crime, privacy and use of privileged information and the upholding of high standards of integrity and honesty grounded in sound business ethics, as well as the management systems required to successfully implement such policies and evaluate and report on compliance.
- Demonstrating a commitment to a zero-tolerance approach for any unethical practices.

SEEIT itself demonstrates its commitment to sound, transparent and clearly defined governance through the following:

- SEEIT has committed to adhere to the Association of Investment Companies Code of Corporate Governance ('AIC Code'), which sets out a framework for best practice amongst investment companies.
- The SEEIT Board, which will meet at least quarterly, comprises solely of Non-Executive Directors that are independent of the investment manager (SDCL).
- The SEEIT Audit Committee, comprising Non-Executive Directors, has responsibilities including monitoring the integrity of the financial statements, monitoring the adequacy and effectiveness of SEEIT's internal controls and risk management systems, reviewing SEEIT's systems and controls for the prevention of bribery and reviewing and material legal proceedings. The Audit Committee will formally report to the SEEIT Board on its proceedings after each meeting.