



Environmental, Social
and Governance Report
October 2022

Contents

Overview	01
Highlights	01
Foreword from the SEEIT Chair	02
Foreword from the Investment Manager	03
Energy Market/ESG Outlook	04
SEEIT's ESG Approach	06
ESG Overview	08
Focus Area One: Aiding the Transition to a Low-Carbon Economy	10
Portfolio Diversification	12
Case Studies	14
Best Available Technologies and the Energy Transition	18
Advocating for Energy Efficiency	20
Focus Area Two: Minimising Environmental Impact	22
Environmental Performance Data	22
Climate-Related Environmental Performance Data	24
Focus Area Three: Robust Governance	26
The SEEIT Board	26
ESG Management Process	26
Due Diligence Questionnaire	28
Annual Asset Management Questionnaire	29
Governance and Code of Conduct KPIs	30
Sustainability Ecosystem	31
Focus Area Four: Safe and Healthy Environment	32
Health and Safety KPIs	33
Benefits to the Community	34
Conclusion and Looking Forward	35

Highlights

Listed on the London Stock Exchange in 2018, SDCL Energy Efficiency Income Trust plc, “SEEIT” or “the Company,” is the first investment company in the UK to invest exclusively in energy efficiency infrastructure projects.

As over 65% of energy produced is typically lost somewhere in the conversion, generation, transmission and distribution process, the Company was founded with the intention to reduce energy waste by improving energy efficiency. The Company's investments in turn reduce carbon emissions and costs, strengthening energy security, the grid and the energy market as a whole.

Founded with an inherent focus on sustainability, Environmental, Social and Governance (ESG) matters have become an increasing part of the Company's operations alongside their emergence in regulations and corporate standards. The following report, which covers the period from 1 April 2021 to 31 March 2022, highlights SEEIT's ESG focus areas and the role of the Company in the energy transition.

ESG KPI Highlights Based on Year Ended 31 2022¹

1,060,617 tCO₂

Carbon savings from Company's portfolio
equivalent of removing 940,263 cars off the road
(Compared to 657,030 tCO₂ in 2021)

307,794 MWh

Renewable energy generated
equivalent of powering 20,657 households in the UK for the year
(Compared to 241,025 MWh in 2021)

275

Full time employees
employed by SEEIT asset companies

100%

Of the portfolio by value is covered by codes of conduct
or policies that relate to one or more aspects of business integrity and governance standards
(Compared to 100% in 2021)

98%

Of the portfolio by value has put in place cybersecurity measures
to safeguard the project from unauthorised access
(Compared to 95% in 2021)

100%

Of the portfolio by value had a Health and Safety (H&S) policy and management system in place with respect to the company or project(s)
(Compared to 98% in 2021)

¹ Emissions and energy generation data based on Environmental Performance Data as at 31 March 2022. All other ESG KPI data based on the results of the ESG KPI Analysis of responses to the Annual ESG Questionnaire as at 31 March 2022, covered in Focus Area Three: Robust Governance. Results are based on the percentage of portfolio companies that are in scope of and responded to the Annual ESG Questionnaire. 99% of the portfolio by value in scope of the questionnaire responded to the Annual ESG Questionnaire.

Pictured: Portfolio company Capshare



Foreword from the SEEIT Chair



Tony Roper
Chair of SEEIT

Due to unprecedented macroeconomic circumstances, such as global inflation, failing supply chains and energy supply shortages, the past year has been tumultuous. It has, nevertheless, led to increased attention on ESG matters, especially as they relate to climate change, net zero emissions and energy more broadly. As the Company’s Investment Policy and Strategy have always been related to sustainability through its focus on efficient, low-carbon energy, SEEIT has readily welcomed emerging ESG standards and regulations.

The Company has continued to contribute successfully to its ESG focus areas, with a particular emphasis on aiding the energy transition through each investment. In the year ended 31 March 2022, SEEIT invested approximately £305m in 12 decentralised energy investments, all of which improve efficiency and provide low-carbon, low-cost solutions to the client. Each investment has associated emission reductions and thus contributes to reaching net zero.

As a Board, we regularly hear from the Investment Manager about how the Company’s projects and portfolio as a whole are performing against their ESG criteria. We are especially interested in innovative projects the Investment Manager takes on to improve the sustainability performance of the portfolio.

Looking forward, SEEIT’s portfolio will continue to play a role in the energy transition by providing low-carbon, financially viable solutions to carbon intensive industries. As ESG standards and regulations continue to evolve based on the latest climate science and corporate standards, we will incorporate these changes in our ESG reporting and principles.

We hope you find this year’s report informative and interesting.



SEEIT’s portfolio will continue to play a role in the energy transition by providing low-carbon, financially viable solutions to high-emitting industries."

Foreword from the Investment Manager



Purvi Sapre
Investment manager

In the past year, the science has only become clearer. A 50% reduction in carbon emissions by 2030 is necessary to limit warming to 1.5°C, leaving only eight years to substantially change the way we use and produce energy on a global scale.

Due to its focus on energy efficiency, SEEIT can be integral to that change. Energy efficiency solutions seek to solve a fundamental problem in the energy markets, namely that the energy system remains highly inefficient, leading to most energy being wasted.

As this report will explain, much of this waste occurs on the supply side, through generation, transmission and distribution processes, before even reaching the end user. Further substantial losses occur on the demand side, at the point of use, where some 20-30% of energy is wasted in many infrastructure assets.

Solving the inefficiencies of the energy system through decentralised energy production and demand-reducing technologies is integral to the energy transition and climate mitigation. This is due to two main reasons:

- 1) In the next decade, we have to reduce emissions as quickly as possible, and energy efficiency offers low-cost solutions that can be deployed quickly (especially when compared to large-scale renewable or conventional energy projects).
- 2) Strengthening the grid and improving its efficiency will make it more reliable as it grows to accommodate more renewable sources of energy.

The energy industry is increasingly focusing on the demand side of the equation, not just on how to get more secure, clean power into the grid, but on how to get it to where it is needed efficiently and wasting as little as possible once it gets there.

The problem that the Company is trying to solve – the inefficiencies of the energy system – defines its operations and investments. This report seeks to set out how and why it does that, and what further social and governance factors it considers for its operations.

Energy Market/ ESG Outlook

By 2050...



global energy demand
must be 8% lower
than today

despite....



the population having
2 billion more people



and the economy being
over twice as large



Reducing energy consumption will mean that each unit of energy must be more efficiently used in buildings, industry, and transport.

In February 2022, just as the global economy began to recover from the impacts of the coronavirus pandemic, Russia, one of the world's largest fossil fuel exporters, invaded Ukraine. The invasion made an already uncertain market even more so, exacerbating inflation and supply chain issues, and adding a new problem to the mix: energy insecurity.

The invasion made Europe, and the rest of the world, rethink where its energy comes from and how it is used, as Russia supplied Europe with 40% of its natural gas and is the third largest producer of oil worldwide. To limit its reliance on Russia, the EU agreed to reduce its natural gas usage by 15% and its electricity use by 5% in winter 2022/23, and proposed a new piece of legislation, entitled RePowerEU, that puts decentralised on-site energy at the top of the agenda.

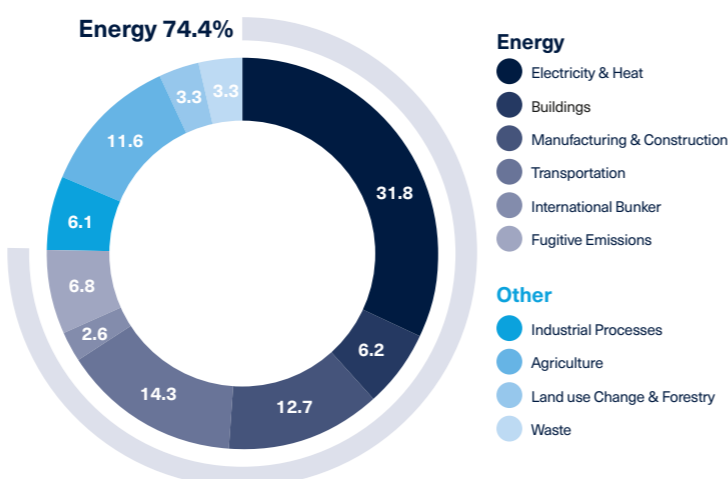
Recognising that it is one of the most cost and time effective solutions, energy efficiency is now at the centre of the EU's efforts, calling for an increase in the binding energy efficiency target from 9% to 13% by 2030.² The EU's initiatives will improve energy security quickly by decreasing overall energy use through energy efficiency.

A month after Russia invaded Ukraine, the Intergovernmental Panel on Climate Change (IPCC) published a report emphasising the importance of decreasing emissions now to limit climate warming.³ The report found that in order to limit warming to 1.5°C, greenhouse gas (GHG) emissions would have to peak within three years – by 2025.

Energy contributes to over 70% of GHG emissions, making it the most important sector to decarbonise to reach the IPCC's emission reduction goals.

Decentralised, renewable energy generation, which categorises many of SEEIT's assets, supply low-carbon energy and improve efficiency by avoiding transmission and distribution losses.

World Greenhouse Gas Emissions in 2019 by Sector



"It's now or never, if we want to limit global warming to 1.5°C," said IPCC Working Group III co-chair Jim Skea. "Without immediate and deep emissions reductions across all sectors, it will be impossible."

Jim Skea, IPCC Working Group III Co-Chair

In 2021, the International Energy Agency (IEA) published its flagship report, "Net Zero by 2050: A Roadmap for the Global Energy Sector," analysing how the global energy sector must evolve in order to limit warming to 1.5°C. Core to the report's findings was the importance of energy efficiency, finding that, by 2050, global energy demand must be 8% lower than today, despite serving an economy over twice as large and a population with two billion more people.⁴

The IEA's net zero (NZE) scenario sets out the policy measures and outcomes that it considers necessary to limit GHG emissions enough to keep global warming below 1.5°C. The IEA's NZE scenario has final energy consumption of 340 Exajoules (EJ) in 2050, compared to 410 EJ today. Reducing energy consumption will mean that each unit of energy must be more efficiently used in buildings, industry and transport.

According to the IEA's NZE scenario, energy efficiency delivers the second largest contribution in carbon emission reductions that are required by the end of the decade. Those measures come to a cumulative reduction of 13 gigatonnes of CO₂e, almost equivalent to the combined impact of wind and solar PV when they are scaled up.

Crucially, reductions through energy efficiency can be achieved using available technologies that deliver attractive investment returns driven by the avoided cost of saved energy, and these investments can be delivered quickly. Arguably, energy efficiency solutions are the only way that the requirement to halve emissions by 2030 can be achieved.

Despite a global focus on energy, current policies are far from delivering net zero. The IEA's NZE report analyses a Stated Policies Scenario (referred to as STEPS), which only considers

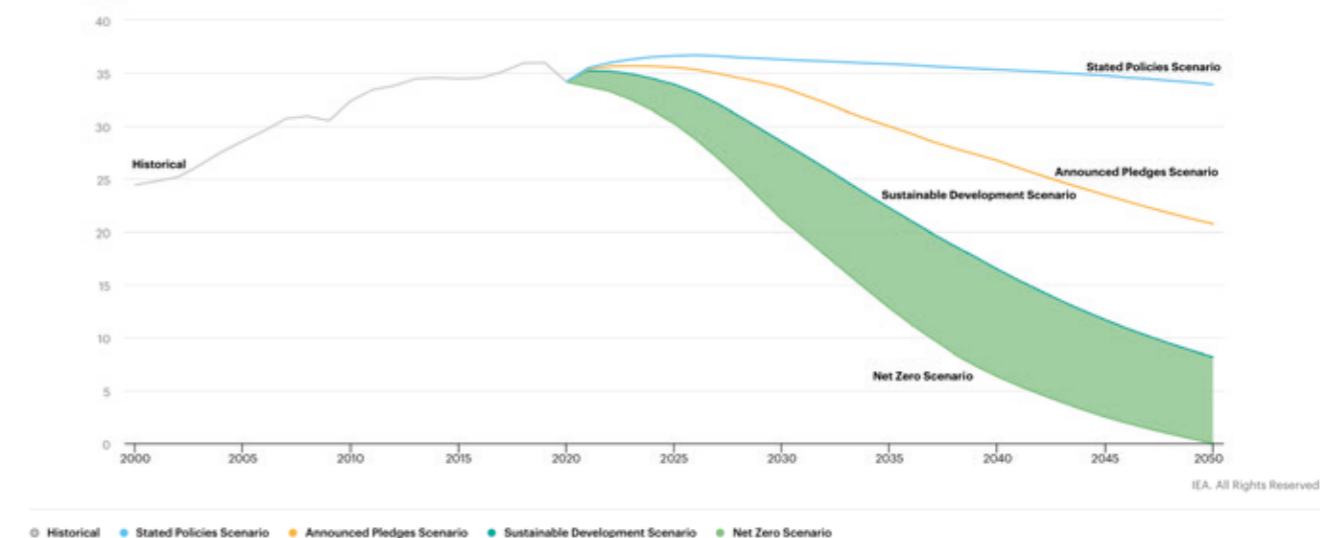
specific policies in place or announced by governments. In that scenario, CO₂ emissions rise from 34Gt in 2020 to 36Gt in 2030, remaining around that level until 2050. If emissions continue on this trajectory, the IEA's analysis of plausible scenarios suggests a consequent temperature rise of around 2.7°C by 2100.

Though the world is not currently on track, reaching net zero by reducing energy-related emissions is possible with current technologies. The EU and the US have started to recognise the importance of energy efficiency as it can quickly increase energy security and decrease emissions. However, current legislation and policies alone will not deliver net zero.

In fact, private investors could drive over two-thirds of the investment needed to reach net zero, according to the roadmaps published by UN Race to Zero and the Glasgow Financial Alliance for Net Zero.⁵ Private sector companies, such as SEEIT, are thus vital to the energy transition by funding solutions that reduce energy demand and decarbonise electricity grids. SEEIT focuses on energy efficiency to do just that, investing in solutions that reduce energy waste to decrease GHG emissions and improve resilience.

As this report sets out, aiding in the energy transition is one of the core focus areas in the Company's ESG strategy. The Company incorporates further social and governance considerations into its operations to ensure its investments comply with best-practices and emerging regulations. The aim of this report is to provide an update on the Company's ESG considerations, approach, and performance, while also highlighting the role it can play in the energy transition through investments in energy efficiency.

CO₂ from the energy sector and industrial processes, WEO scenarios compared to IPCC scenarios with temperature rise of 1.5-1.6° in 2100



² https://ec.europa.eu/commission/presscorner/detail/en/IP_22_3131

³ <https://www.ipcc.ch/2022/04/04/ipcc-ar6-wgiii-pressrelease/>

⁴ <https://www.iea.org/reports/net-zero-by-2050>

⁵ <https://climatechampions.unfccc.int/private-investors-could-drive-over-two-thirds-of-the-trillions-in-investment-needed-to-reach-net-zero/>

SEEIT's ESG Approach

ESG Focus Areas and Responsible Investment Principles

The Company has adopted four ESG focus areas to inform its operations and values. These focus areas are used as part of the screening and due diligence process to assess potential investments, and then as a framework for asset management and third-party engagement, such as with suppliers and customers.

The ESG focus areas provide the foundation for the Company's Responsible Investment Policy, which sets out SEEIT's overall approach to investment and incorporates important ESG criteria into its investment decision-making and asset monitoring processes. SEEIT's Responsible Investment Principles govern the Company's ESG management process to make sure that sustainability, and specifically the energy transition, are incorporated into its operations and those of its portfolio companies.

This policy applies to all of SEEIT's investments and is overseen on a day-to-day basis by the Investment Manager.

“

The Company has adopted four ESG focus areas to inform its operations and values.”

SEEIT's ESG Focus Areas

Aiding the transition to a low-carbon economy

see more on page 10 →

1,060,617 tCO₂

emissions saved through energy efficient solutions⁶

Aiding the transition to a low-carbon economy by maximising energy efficiency through investment strategy and operations.

Facilitating net zero emissions by solving energy waste

Choosing low-carbon, energy efficient investments that strengthen the energy grid

Robust Governance

see more on page 26 →

100%

of the portfolio by value has codes of conduct in place⁸

Securing robust governance and business integrity including assessing resilience to physical climate risk and engaging as an active participant on ESG with its delivery partners

Considering relevant ESG criteria for each potential investment

Implementing clear governance hierarchy

Minimising environmental footprint

see more on page 22 →

84%

of the portfolio by value has a process to identify and assess environmental risks and impacts^{7,8}

Pro-actively minimising the environmental footprint of its operations through managing negative impacts, such as waste, biodiversity loss, and emissions

Monitoring relevant climate risks and impacts associated with investments

Developing emission-reducing & efficient solutions for its investments

Safe and Healthy Environment

see more on page 32 →

275

Full-time employees⁸ employed by SEEIT portfolio companies

Providing safe, diverse, and inclusive environments for all workers, contractors and members of the community who use or come into contact with its projects

Overseeing asset H&S frameworks and, if necessary, providing support

Responding to H&S matters utilising established reporting processes

⁶ Calculated based on the environmental performance data of the portfolio companies as at 31 March 2022

⁷ Refers to the percent of the portfolio by value as at 31 March 2022 that has a process through which environmental risks and impacts are identified, assessed and prioritised with respect to the operation of the project

⁸ Based on the results of ESG KPI Analysis of responses to the Annual ESG Questionnaire, covered in Focus Area Three: Robust Governance. Results are based on the percentage of portfolio companies that are in scope of and responded to the Annual ESG Questionnaire as at 31 March 2022. 99% of the portfolio by value in scope of the questionnaire responded to the Annual ESG Questionnaire

ESG Overview

The Company's ESG management process is rooted not only in its ESG focus areas, but also in global ESG benchmarks such as UNPRI and the UN Sustainable Development Goals (SDGs).

United Nations Sustainable Development Goals

In 2015, 197 countries formalised a vision for a more sustainable future through the UN Sustainable Development Goals (SDGs), 17 interconnected global goals . The SDGs set out to address the world's most pressing social, environmental and economic challenges by 2030.



The Company is particularly aligned and focused on six of the UN SDGs.

- 7 AFFORDABLE AND CLEAN ENERGY**
Ensure access to affordable, reliable, sustainable and modern energy for all
- 8 DECENT WORK AND ECONOMIC GROWTH**
Promote sustained, inclusive and sustainable economic growth, employment and decent work for all
- 9 INDUSTRY INNOVATION AND INFRASTRUCTURE**
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- 11 SUSTAINABLE CITIES AND COMMUNITIES**
Make cities and human settlements inclusive, safe, resilient and sustainable
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION**
Ensure sustainable consumption and production patterns
- 13 CLIMATE ACTION**
Take urgent action to combat climate change and its impacts

United Nations Principles for Responsible Investment

In 2021, SDCL formalised its long-standing commitment to sustainable development by becoming a signatory to the UN Principles for Responsible Investment (PRI). The reporting process has helped elevate the visibility and understanding of responsible investment, and the spectrum of material ESG issues across the Company.



UN PRI:

- Principle 1:**
We will incorporate ESG issues into investment analysis and decision-making processes. 1
- Principle 2:**
We will be active owners and incorporate ESG issues into our ownership policies and practices. 2
- Principle 3:**
We will seek appropriate disclosure on ESG issues by the entities in which we invest. 3
- Principle 4:**
We will promote acceptance and implementation of the principles within the investment industry. 4
- Principle 5:**
We will work together to enhance our effectiveness in implementing the principles. 5
- Principle 6:**
We will each report on our activities and progress towards implementing the principles. 6

Focus Area One: Aiding the Transition to a Low-Carbon Economy



Around 67% of energy is wasted before reaching the end user. SEEIT’s investments reduce energy waste from generation to consumption. Part of the Company’s Responsible Investment Policy is choosing investments that aid the transition to a low-carbon economy through energy efficiency solutions.

How is energy wasted?

Energy is wasted at several points of processing and use due to inefficiencies of the system, beginning with generation and conversion, moving onto transmission and distribution, and then concluding with point of use/ demand losses.

The energy supply sector converts over 75% of total primary energy supply (TPES) into other forms, such as, electricity, heat, refined oil products, coke, enriched coal and natural gas.⁹ When primary energy is converted, for example to generate electricity, much of it is lost in the generation process, which produces a lot of heat that can rarely be utilised at the point of energy generation. According to the US Energy Information Administration (EIA), over 60% of primary energy used for electricity generation is lost in conversion and generation.¹⁰

Once energy is generated/converted, it is wasted within transmission and distribution systems that bring it to its point of use. Between 5-7% of TPES is wasted due to heat released into the air from line losses and conversion losses in transformers.

Finally, once at the point of use, energy is further wasted due to inefficiencies in converting the energy into useful services, such as heat, light and electronic processes. The amount wasted depends on the product and consumer use, but, as an example, incandescent bulbs are 90% energy inefficient LED lighting is much more efficient, requiring more than 75% less energy.

What is Energy Efficiency?

Energy Efficiency, put simply, means using less energy to complete the same task. All SEEIT’s assets work towards that goal and fall into three main categories.

SEEIT Energy Efficiency Solutions

Cleaner and more efficient supply

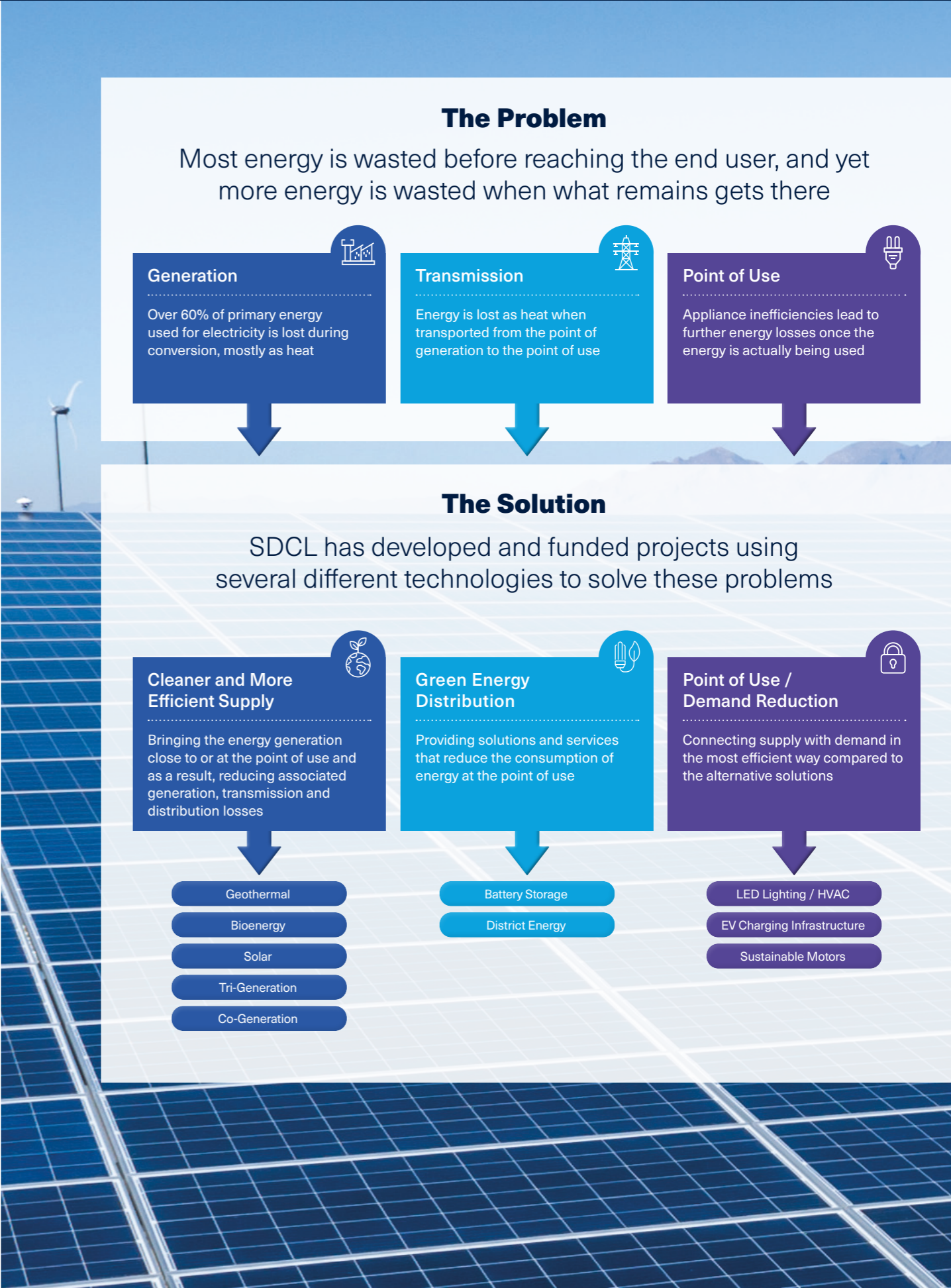
Bringing the energy generation close to or at the point of use and as a result, reducing associated generation, transmission and distribution losses

Green energy distribution

Providing solutions and services reducing the consumption of energy up to the point of use

Point of use/demand reduction

Connecting supply with demand in the most efficient way compared to the alternative solutions



⁹ https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter7.pdf
¹⁰ <https://www.eia.gov/todayinenergy/detail.php?id=44436#:~:text=When%20energy%20is%20transformed%20from,as%20when%20vehicles%20burn%20gasoline.>

Portfolio Diversification

SEEIT has a diversified portfolio that contributes to the energy transition by solving energy inefficiencies. The portfolio encompasses a wide range of technologies , with assets in the US, UK, EU and Asia.

- Cleaner & More Efficient Supply
- Point of Use / Demand Reduction
- Green Energy Distribution

Since the 2021 ESG Report, the Company has expanded and further diversified its portfolio as well as providing follow-on funding to existing investments. Recently, SEEIT has added new investments in geothermal district energy, liquid cooling for datacentres, energy efficient motors and a portfolio of solar projects in the UK.

1,060,617 tCO₂

Carbon Savings from Company's portfolio¹¹

Equivalent of removing 940,263 cars off the road
(Compared to 657,030 tCO2 in 2021)

307,794 MWh

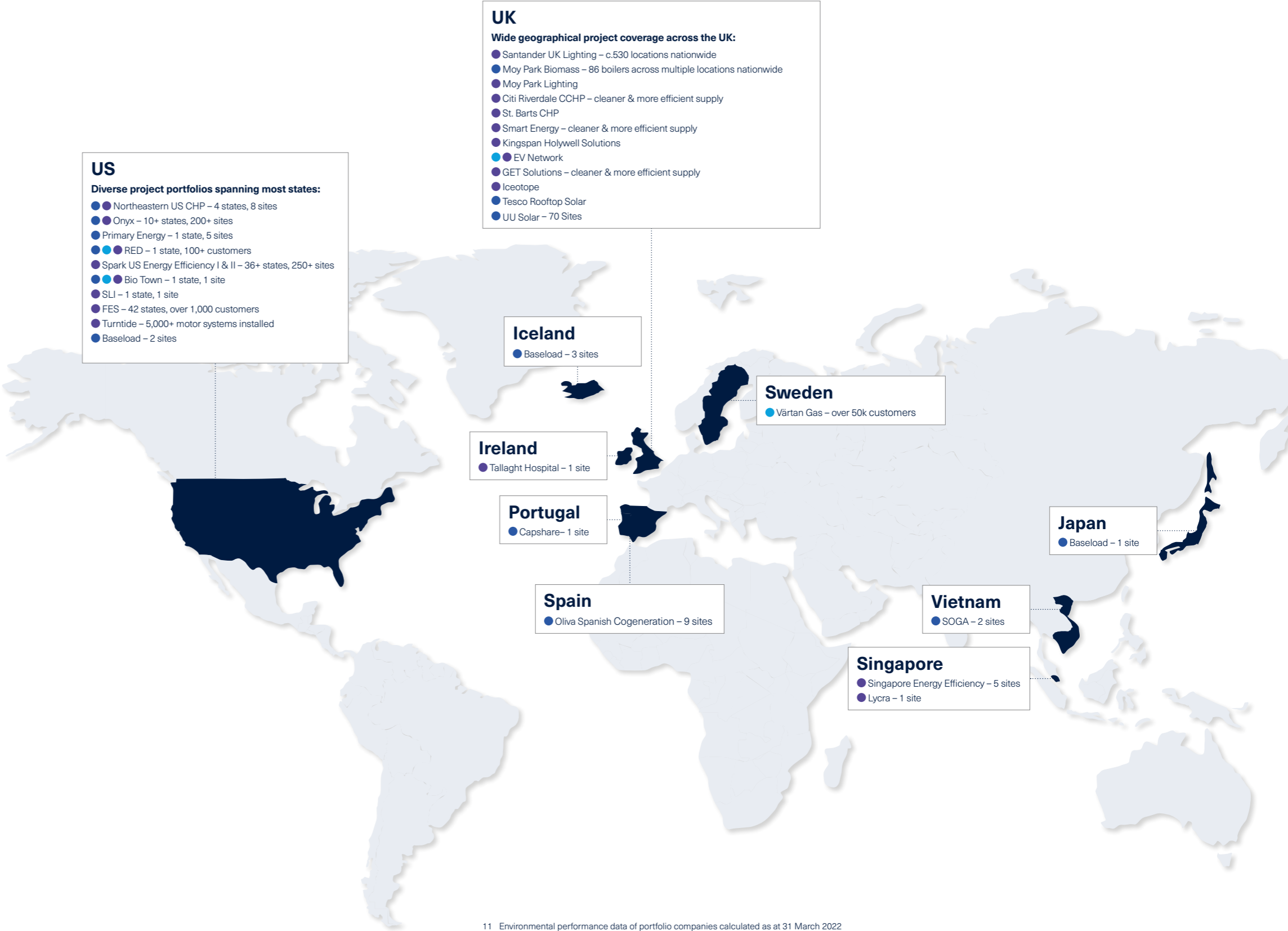
Renewable Energy generated¹¹

Equivalent of powering 20,657 households in the UK for the year
(Compared to 241,025 MWh in 2021)

242,161 MWh

Energy saved annually through demand side efficiency measures¹¹

Equivalent of powering 16,252 thousand households in the UK for the year
(Compared to 102,604 MWh in 2021)



11 Environmental performance data of portfolio companies calculated as at 31 March 2022

Case Studies

Turntide Technologies¹²

In 2022, SEEIT invested \$10m in Turntide Technologies, a manufacturer of energy efficient motor systems that do not use rare earth minerals. Alongside its primary investment in the company, SEEIT committed additional capital for projects to enable Turntide's products to be delivered as a service.

The innovative, variable-speed motor systems reduce carbon emissions and provide energy cost savings in the commercial real estate, agriculture and transportation industries. Within its electrification and transport business unit, Turntide offers a fully scalable electrification system, including batteries that can be used by electric vehicle and machine manufacturers.

Turntide's motor system can reduce energy consumption by over 60% and is manufactured using common materials, avoiding the environmentally damaging rare earth minerals used in other high-efficiency motors.

Increasingly ambitious net zero goals have driven demand for energy-efficient electrification solutions, but shortages of critical minerals have constrained supplies.

The demand for rare earth minerals is set only to increase as the global economy strives to reach net zero by 2050. According to the IEA, hitting this target will require six times more rare earth mineral inputs in 2040 than in 2022.

Turntide's use of common materials reduces the environmental footprint of the motors and limits potential supply chain disruptions to their production. Investments into innovative technologies such as those presented by Turntide can accelerate the transition to low-carbon energy by reducing emissions, energy demand and resource constraints.



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SEEIT enables large-scale deployments of environmental infrastructure, so we are excited to invest in Turntide Technologies, a company with a range of market-tested products and top-tier customers from across the built environment, agriculture, and electric vehicles and equipment.”

Jonathan Maxwell, CEO of Sustainable Development Capital LLP,
Investment Manager of SEEIT

¹² Asset acquired after the period ending 31 March 2022

Baseload Capital¹²

In April 2022, SEEIT signed an agreement to finance a portfolio of geothermal projects owned by Baseload Capital Sweden AB through a €25m senior debt facility.

Baseload develops, builds and operates small-scale geothermal projects that utilise existing heat sources, both geothermal and waste heat. The technology uses low-temperature resources that are found at shallower depths compared to conventional geothermal powerplants, making them less operationally complex and less expensive to drill. Baseload's projects use modular units that are quick to deploy and have a small footprint, reducing both construction time and risk.

The geothermal projects provide power and heat to end users under long-term fixed price take-or-pay contracts. The users are typically local utilities, municipalities or commercial and industrial counterparties. Baseload's current project portfolio is in Iceland, the US and Japan, and it is developing further projects in those markets and in Taiwan.

The low-temperature geothermal assets provide renewable baseload power generation direct to local communities, avoiding grid losses and displacing alternative fossil fuel forms of generation, which are required because of the typical intermittency of renewable generation. Captured geothermal fluid from the generation process provides heating to local district heating networks, displacing the use of boilers and avoiding discharge of geothermal fluid to the atmosphere. This leads to a reduction in CO2 emissions compared to traditional power generation.



“

The Baseload Capital investment provides heat and power generated locally from geothermal sources and is a great example of high efficiency renewable district energy generation.”

Purvi Sapre, Fund Manager of SEEIT

Case Studies

Sustainable Living Innovations

In October 2021, SEEIT made a \$5m debt investment alongside other investment partners to fund the energy efficiency measures in the 303 Battery Street building in Seattle, US.

The project involves a 15-story, 112-unit apartment building, designed and constructed by Sustainable Living Innovations. When completed, it will be the greenest apartment building in Seattle, and is expected to be certified as the first net zero energy designated multifamily high-rise building in the world. SEEIT's investment contributes to the direct energy efficiency systems, solar and control systems in the building, which collectively support the net zero energy designation.

A sale of the building has been pre-agreed with Equity Residential, one of the largest multi-family real estate investment trusts in the United States.

In its first year, the greenhouse gas emissions saved by the project are expected to be the equivalent of over 100,000 gallons of diesel fuel consumption. The building represents the future of low-carbon infrastructure, made possible through collaboration and energy efficiency.



“

The SLI investment is exciting as it represents a world first in energy efficient residential housing.”

Jonathan Maxwell, CEO of Sustainable Development Capital LLP, Investment Manager of SEEIT

FES Lighting

In November 2021, SEEIT invested \$21m in an operational portfolio of LED lighting projects across 42 states in the US, together with a 50% interest in Future Energy Solutions Lighting Holdings LLP ("FES"), the business that developed the projects.

FES provides energy efficient lighting solutions to enterprises across the US – in exchange for fixed monthly payments – using an innovative 'lighting as a service' model. Services include designing, delivering, installing and maintaining LED lighting for counterparties to save on energy and maintenance costs as part of long-term customer contracts.

FES operational portfolio consists of over 1,000 customers from a variety of sectors, including schools, hotels, retail outlets, car parks, car dealerships, supermarkets and casual dining, among others. The customer base comprises mostly small and medium sized enterprises. FES has an experienced management team, with an extensive pipeline of opportunities in the US supported by a sales force with a strong track record.

LED lighting systems typically produce 100,000+ hours of illumination over the lifetime of the fixtures and consume up to 90% less energy than traditional incandescent light bulbs, leading to greatly reduced energy expenditures for users. The associated environmental benefits include a significant reduction in CO2 emissions relative to traditional lighting technology, better lighting quality as well as longer lighting life span of the bulbs, leading to lower overall waste.



“

Switching to LED lighting is one of the simplest and most readily available changes that can be made to reduce CO2 emissions, with lighting accounting for nearly 5% of global CO2 emissions. We expect the 'lighting as a service' market to grow considerably in the coming years, presenting an attractive investment opportunity for SEEIT."

Jonathan Maxwell, CEO of Sustainable Development Capital LLP, Investment Manager of SEEIT

Best Available Technologies and the Energy Transition

A core part of the Company's investment strategy of aiding the transition to a low-carbon economy is using the best-available and most efficient technology for the client.

The Company is committed to aiding the transition to a low-carbon economy by purchasing projects that bring about efficiency gains or support the decarbonisation of industry. This means that SEEIT's investments are not always zero carbon, as technologies such as gas-fired combined heat and power (CHP) will have a role in the energy transition when their inherent efficiency gains deliver the lowest carbon solution when compared to available alternatives.

Right now, the Earth's climate is at an inflection point requiring the quickest means of reducing emissions to limit warming. Efficient solutions that are lower carbon than the alternative play a crucial role in this stage of the energy transition – especially as new technologies and policy incentives develop in the background.

That said, the Investment Manager recognises the climate related impact of using any sources of energy that are not zero carbon.

The Investment Manager notes that fossil gas is a fossil fuel, with significant associated carbon emissions relative to renewables. Fossil gas is also a large source of methane emissions due to leakage, contributing to about 29% of total US methane emissions in 2019 (accounting for about 3% of overall US greenhouse gas emissions). The Investment Manager understands the impact of the greenhouse gas emissions associated with fossil gas and will only consider such projects when there are no lower carbon alternatives commercially available or when it considers the asset has long-term decarbonisation potential.

Therefore, the Company limits the usage of fossil gas to specific assets that have both substantial efficiency benefits and are consistent with a potential lower carbon path in the future. SEEIT currently has three major investments that use fossil gas, marking the three largest sources of the Company's Scope 1 and 3 carbon emissions. These three projects provide energy to relatively high emitting sectors, including the steel industry, olive oil processing, and a business park with over 100 industrial customers. Despite generating emissions from the use of fossil gas, these projects have efficiency gains when compared to the counterfactual, for example if electricity was centrally drawn from the grid, if heat was generated separately from gas, or if biowaste was disposed of instead of being used to generate energy.

As the Company's portfolio evolves with the energy transition, consideration will consistently be given to opportunities to further decarbonise GHG emitting assets, through lower carbon energy supply options such as renewable gas, green hydrogen, etc. As policy schemes and technology develop, the Investment Manager will also examine opportunities for carbon capture.

The Investment Manager acknowledges that despite the efficiency gains of its highest emitting assets, those projects will have to decarbonise to align with net zero. Therefore, as it develops the Company's net zero strategy, the Investment Manager is taking a critical look at available energy supply options, while considering the very real economic and logistical factors related to decarbonisation. As a long-term owner of assets, the Investment Manager is committed to maintaining the value of its portfolio by balancing the economic realities of decarbonisation with the required timeline to mitigate the impacts of climate change.

“Right now, the Earth's climate is at an inflection point requiring the quickest means of reducing emissions to limit warming. Efficient solutions that are lower carbon than the alternative play a crucial role in the energy transition”



Oliva Spanish Cogeneration

Oliva Spanish Cogeneration is a portfolio of nine operational assets that support the production of olive oil in southern Spain. Five of the assets are CHP units, which use heat wasted in conversion to produce more energy, leading to a systems efficiency of 70-80%. These CHP assets account for all of Oliva's carbon emissions.

The other four assets are either olive pomace processing plants or assets that use the olive biomass pomace waste to produce energy. These biomass plants result in 195,723 MWh of renewable electricity generation. Overall, the asset results in period carbon savings of 161,627 tCO₂e due to its system efficiencies and use of pomace.

Carbon emissions saved	167,191 tCO ₂
Renewable electricity generated	195,723 MWh
Scope 1 emissions	362,532 tCO ₂
Scope 2 emissions	2,368 tCO ₂



RED Rochester

RED Rochester is a commercial district energy system, providing 16 on-site services to 100+ customers in Eastman Business Park, one of the largest industrial parks in North America.

One of the largest utilities offered by RED is different types of steam for its commercial and industrial customers, produced using fossil gas. There are five boilers that use fossil gas to produce steam, which is in turn used to also produce power in a combined heat and power facility, leading to greater system efficiency.

RED has been committed to progressively increasing the efficiency and sustainability of the district energy system, with the management team deploying over \$100m since 2016 into dozens of energy projects and initiatives.

Scope 1 emissions	365,223 tCO ₂
Scope 2 emissions	5,149 tCO ₂

Advocating for Energy Efficiency

SDCL continues to advocate for energy efficiency, championing its cost, emissions, and resiliency benefits through events, affiliations, thought leadership pieces and media activities.

The Investment Manager believes that advocating for low-carbon solutions will improve the Company’s business opportunities and leadership status.

Events

Glasgow COP26: A Day for Cities, States and Regions

In 2021, during the UN COP26 meetings in Glasgow, SDCL hosted elected and appointed representatives from the US, the Scottish government and European sub-national governments at a day-long side event for cities, states and regions. The event covered sustainable solutions around heating and cooling, water, buildings and energy, transportation, environmental justice and the just transition.

SDCL was represented at COP26 both at official events at the heart of the conference and at side and parallel events, such as the Atlantic Council’s Climate Action Solution Centre.

London Climate Action Week: Towards Net Zero for Buildings

For 2022’s London Climate Action Week, SDCL partnered with the Mayor of London’s office and C40 Cities to organise an event titled Business Climate Challenge: Towards Net Zero for Buildings. The event emphasised the importance of energy efficiency solutions to meet London’s ambitious target of net zero by 2030. The event highlighted London’s building decarbonisation programs and brought together industry leaders, policy makers, businesses, and other relevant public/private sector representatives to discuss concrete energy efficiency solutions.

Climate Week NYC: An Uncharted Path to Net Zero

During Climate Week NYC, held in New York City in September 2022, SDCL hosted an investor lunch, which focused on the importance of energy efficiency in the transition to decarbonised energy. The event began by contextualising the energy transition with the US’s Inflation Reduction Act, followed by speeches from SDCL’s leadership covering the ways the Company and SDCL fit within that transition.

Affiliations

Glasgow Financial Alliance for Net Zero

During COP26, SDCL announced its commitment to the Glasgow Financial Alliance for Net Zero (GFANZ), a coalition of leading financial institutions representing some 40% of global financial assets – equivalent to approximately \$130tn – which aligns them to accelerate the transition to a net zero economy. As part of its commitment to GFANZ, and specifically the Net Zero Asset Managers Initiative, SDCL is currently developing the Company’s net zero strategy.

Atlantic Council

The Atlantic Council is a nonpartisan organisation that galvanises US leadership and engagement in the world that SDCL frequently engages with to advocate for efficient clean energy solutions. Through its involvement with the Atlantic Council, SDCL has had the opportunity to meet key decision makers at several important climate events, such as COP26 and Climate Week NYC.

Green Finance Institute

SDCL is a member of the Green Finance Institute’s Coalition for the Energy Efficiency of Buildings (CEEB). The Green Finance Institute is an independent, commercially focused organisation supported by the UK Treasury, the Department for Business, Energy and Industrial Strategy and the City of London Corporation. CEEB convenes global experts from the finance, property and energy sectors, and across policy, academia and non-profit organisations, to develop the market for financing a net zero carbon and climate resilient built environment in the UK and internationally.

Energy Efficiency Financial Institutions Group

The Energy Efficiency Financial Institutions Group (EEFIG) comprises over 200 organisations working on energy efficiency investments throughout the European Union. Currently, EEFIG has eight working groups that are leading investigation into areas of key investment challenges for Europe, such as energy efficiency investment criteria, the evolution of financing practices and links between energy efficiency and lending default. SDCL is an active member of the Energy Efficiency First working group, which aims to ensure energy efficiency considerations are taken into account in all investment and lending decisions. The working group continues to develop and promote sustainable finance best practices as well as advising the EU Commission on recommended legislative measures to improve energy efficiency impact.

UK Green Buildings Council

SDCL is a member of the UK Green Buildings Council, which is a member-based organisation dedicated to radically improve the sustainability of the built environment, by transforming the way it is planned, designed, constructed, maintained and operated. Affiliation with the council allows SDCL to leverage its experience in energy efficiency to advocate for realistic and sustainable solutions for the built environment.

European Council for an Energy Efficient Economy

The European Council for an Energy Efficient Economy (ECEEE) is Europe’s largest and oldest non-governmental organisation that is dedicated to providing evidence-based knowledge and analysis of policies around energy efficiency. In 2022, SDCL attended the ECEEE’s summer study programme in order to share its perspective on the potential of private capital to fund and develop energy efficiency solutions and thus accelerate the energy transition.

Media and Press Appearances

SDCL has also worked to promote energy efficiency solutions through thought leadership pieces, op-eds, news articles and media appearances. Below are a few examples of recent media engagement.

Media Appearances

- CNBC Power Lunch
- The Switch Podcast
- Bloomberg Radio
- The Tape Podcast by Bloomberg
- Benzinga Interview

Thought Leadership Pieces / Op-Eds

- “Resource Efficiency is Crucial for Sustainable Development,” *Atlantic Council*
- “It’s Time for an Energy Reduction Act,” *Environment Finance*
- “The Threat from Methane Emissions Must Spur Investment in Renewable Natural Gas,” *ICON*

News Coverage

SDCL was referenced in the news 126 times between June and September 2022.

Focus Area Two: Minimising Environmental Impact



10%

of the portfolio by value has operations located in or near biodiversity-sensitive area
all projects in a biodiversity sensitive area have an EMS in place that is ISO14001 certified or equivalent to ensure any risk to biodiversity is prevented and managed¹³

77%

of the portfolio by value has an Environmental Management System (EMS) in place to manage environmental risks and impacts in line with their specific circumstances and risk exposure (compared to 99% in 2021)¹⁴

84%

of the portfolio by value has a process through which environmental risks and impacts are identified, assessed and prioritised with respect to the operation of the project¹³

The Investment Manager works closely with its project management teams to ensure local environmental impacts, such as biodiversity, waste and air quality, resulting from construction and operations are managed to meet or exceed all required standards. The company monitors performance through prompt reporting of any local environmental incidents and through its annual ESG survey.

Over the whole portfolio, such local environmental impacts are mostly very limited, reflecting the nature of on-going operations which are often within the site of existing industrial or commercial activity with limited incremental impact from the Company’s activities. As noted in the KPIs set out below, across the portfolio there were two environmental incidents in total that resulted in a violation. The Investment Manager worked closely with the two portfolio companies on the root-cause analysis for the incidents, resulting in mitigation actions and resolution with no residual impacts. The Company will be working closely with the projects management teams to ensure all necessary environmental management measures are in place to minimise the risk of incidents in future.

Environmental Performance Data

The Investment Manager is dedicated to mitigating the Company’s environmental impacts through its ESG management process, which is supported by comprehensive data gathering and analysis. One of the largest datasets the Investment Manager gathers is related to energy generation and related emissions.

The Investment Manager uses energy generation and emissions data from each of its assets to determine the following.

1

Energy generation

The Company’s assets generate a combination of heat and electricity, from both renewable and non-renewable sources. The Investment Manager defines renewable sources as those that do not use fossil fuels, including biomass for energy generation.

The non-renewable sources refer to natural gas, as previously noted.

Using information supplied by asset companies on this energy generation, the Investment Manager can determine the carbon emissions associated with using non-renewable sources by using appropriate emission factors for each type of fuel used.

2

GHG Emissions (Scope 1, 2, & 3)

The Investment Manager calculates scope 1, 2 and 3 emissions arising from its portfolio following the guidance from the Greenhouse Gas Protocol, which is the most comprehensive and globally standardised framework to measure and manage GHG emissions.

As the majority or sole owner of its project companies, in accordance with the GHG Protocol, the Company considers the scope 1 and 2 emissions of its underlying investment portfolio to be its own scope 1 and 2 emissions. Similarly, the scope 3 emissions of its portfolio companies are accounted as the scope 3 emissions of the Company.

The Investment Manager engages with the asset companies to determine which scope its emissions

fall into based on GHG protocol guidance and relies on the correct reporting of the asset companies to determine its emissions data. Data is collected to allow detailed analysis and reporting of scope 1 and 2 emissions across the portfolio.

In respect of scope 3 emissions available data is more limited, due mainly to the complex and varied supply chains serving the asset companies, which makes accurate scope 3 reporting very challenging. The Company is focused on improving its scope 3 emissions reporting not only to better understand the nature and quantity of these emissions, but to enable more effective management, for example, through procurement strategies that target suppliers with lower emission footprints.

3

Carbon Savings

As energy efficiency is the foundation of the Company’s investment proposition, calculating the energy and carbon emissions saved due to its investments is key to evaluating the impact of the Company’s activities.

Emissions saving data is calculated, where possible, on energy generation or savings figures, and then the appropriate factors are based on avoided emissions from the counter- factual situation without the energy saving project being in place, such as emissions associated with grid electricity. Each of the Company’s assets function differently from one another, so energy savings must be calculated individually based on specific efficiency attributes and project location. Overall, energy generation/ savings figures are calculated in two main ways:

- 1) by comparing that asset’s energy efficiency or emissions intensity with that of its relevant peers or the local electricity grid; and
- 2) by calculating energy used before and after the installation of the Company’s energy efficiency solution.

Here are a few relevant examples

Primary energy: Calculations are based on measured electricity output of each site. Savings are calculated by comparing the equivalent market CO2 production (via local carbon intensity factors sourced from the EPA) with the measured amount of gas used on site.

Oliva: Calculations are based on primary energy savings, against which power plants in Spain are certified annually. Primary energy saving data (MWh) are converted to CO2e using the emission factor for natural gas published annually by the Spanish ministry of the environment.

Onyx: Savings are based on measured generation figures from each site, factored as displaced grid electricity consumption.

¹³ Not asked in 2021.
¹⁴ The decrease in the percentage of the portfolio covered by EMS is due to the acquisition of new projects that did not previously have them in place.

Climate-Related Environmental Performance Data

The principal environmental performance data of SEEIT’s portfolio is set out in the tables below which cover, respectively: portfolio energy generation and savings; scope 1, 2 and 3 GHG emissions; and carbon intensity indicators.

Portfolio Energy Generation and Savings^{15,16}

	IMPACT													
	Period Carbon Savings		Renewable Electricity Generated		Renewable Heat Generated		Non-Renewable Electricity Generated		Non-Renewable Heat Generated		Energy Efficiency (Electricity)		Energy Efficiency (Thermal)	
	tCO2e		MWh		MWh		MWh		MWh		MWh		MWh	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
EU	167,191	160,898	195,723	195,910	-	-	721,754	720,198	487,511	459,068	-	-	-	-
Oliva Spanish Cogeneration	161,627	157,215	195,723	195,910	-	-	721,754	720,198	487,511	459,068	-	-	-	-
Värtan Gas	5,564	3,684	-	-	-	-	-	-	-	-	-	-	-	-
USA	872,106	475,060	75,294	9,542	-	-	1,417,920	791,983	718,082	14,739	188,076	51,571	-	-
Onyx	29,030	3,679	75,294	9,542	-	-	-	-	-	-	-	-	-	-
Primary Energy	716,651	451,280	-	-	-	-	1,259,942	786,422	-	-	-	-	-	-
Spark US Energy	15,719	20,101	-	-	-	-	-	-	-	-	44,145	51,571	-	-
Northeastern US CHP	-	-	-	-	-	-	4,860	5,561	10,212	14,739	-	-	-	-
RED Rochester	-	-	-	-	-	-	153,118	-	707,870	-	-	-	-	-
FES Lighting	110,707	-	-	-	-	-	-	-	-	-	143,931	-	-	-
UK	16,597	18,335	745	1,993	36,031	33,580	43,867	30,446	51,079	34,085	38,831	40,229	3,691	4,101
Moy Park Biomass	9,660	9,003	-	-	36,031	33,580	-	-	2,882	2,050	-	-	-	-
Santander UK Lighting	6,071	6,869	-	-	-	-	-	-	-	-	24,610	26,008	3,691	4,101
Hunstman Energy Centre	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Citi Riverdale CCHP	(3,983)	(2,075)	-	-	-	-	24,065	17,752	23,358	17,642	-	-	-	-
Moy Park Lighting	3,020	3,242	-	-	-	-	-	-	-	-	14,221	14,221	-	-
St Barts CCHP	322	322	-	-	-	-	12,531	11,003	12,111	11,003	-	-	-	-
Supermarket Solar UK	161	448	745	1,993	-	-	-	-	-	-	-	-	-	-
GET Solutions	1,346	526	-	-	-	-	7,271	1,691	12,728	3,390	-	-	-	-
ASIA	4,723	2,738	-	-	-	-	-	-	-	-	11,562	6,702	-	-
SEEIPL	4,723	2,738	-	-	-	-	-	-	-	-	11,562	6,702	-	-
TOTAL PORTFOLIO	1,060,617	657,031	271,762	207,445	36,031	33,580	2,183,541	1,542,627	1,256,672	507,892	238,469	98,502	3,691	4,101

Portfolio GHG Emissions

	SCOPE 1				SCOPE 2				SCOPE 3	
	Direct Emissions				Indirect Emissions				Other Emissions	
	tCO2e		MWh		tCO2e		MWh		tCO2e	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
EU	366,020	363,787	2,794,579	2,804,691	2,487	1,996	14,646	11,258	8,210	3,806
Oliva Spanish Cogeneration	362,532	361,863	2,775,506	2,794,191	2,368	1,950	12,798	10,265	-	-
Värtan Gas	3,488	1,924	19,073	10,500	119	46	1,848	993	8,210	3,806
USA	365,223	-	1,993,948	-	5,149	-	48,408	-	256,920	153,095
Onyx	-	-	-	-	-	-	-	-	-	-
Primary Energy	-	-	-	-	-	-	-	-	256,920	153,095
Spark US Energy	-	-	-	-	-	-	-	-	-	-
Northeastern US CHP	-	-	-	-	-	-	-	-	-	-
RED Rochester	365,223	-	1,993,948	-	5,149	-	48,408	-	-	-
FES Lighting	-	-	-	-	-	-	-	-	-	-
UK	6,162	2,257	74,090	50,122	-	-	-	-	15,832	16,220
Moy Park Biomass	1,450	1,180	48,361	44,242	-	-	-	-	801	827
Santander UK Lighting	-	-	-	-	-	-	-	-	-	-
Hunstman Energy Centre	-	-	-	-	-	-	-	-	-	-
Citi Riverdale CCHP	-	-	-	-	-	-	-	-	10,622	10,629
Moy Park Lighting	-	-	-	-	-	-	-	-	-	-
St Barts CCHP	-	-	-	-	-	-	-	-	4,409	4,764
Supermarket Solar UK	-	-	-	-	-	-	-	-	-	-
GET Solutions	4,712	1,077	25,729	5,880	-	-	-	-	-	-
ASIA	-	-	-	-	-	-	-	-	-	-
SEEIPL	-	-	-	-	-	-	-	-	-	-
TOTAL PORTFOLIO	737,405	366,044	4,862,617	2,854,813	7,636	1,996	63,054	11,258	280,962	173,121

15 Data calculated as at 31 March 2022, mirroring reported that in the 2022 SEEIT Annual Report.
16 Data calculated as at 31 March 2022, mirroring that in the 2022 SEEIT Annual Report.
- Try where possible to capture fundamental data regarding project performance. Examples of this data include energy generated (kWh) and fuel consumed (kWh).
- Use publicly available emissions factors from government sources specific to the project location.
- Where a project was commissioned, or purchased, by SEEIT mid-way through the reporting period, only the portion of the period after commissioning or purchase date should be recognized.
- Where SEEIT recognize a fraction of the total project savings, the total project savings should be reduced pro-rata with the ownership percentage.

Environmental Impact Management

One of the primary ways that the Investment Manager oversees the Company’s environmental impact and risk is by tracking ESG metrics both quarterly and annually. By tracking, quarterly, environmental performance data such as energy generation and scope emissions, in addition to monitoring holistic ESG KPIs – such as environmental incidents occurring in the period – on an annual basis, the Investment Manager can analyse the performance of the portfolio against the Company’s ESG standards.

The 2022 ESG KPI Analysis, which is discussed in detail below in Focus Area Three: Robust Governance, highlighted that some of the Company’s recent acquisitions have recorded a number of environmental incidents related to transient operational conditions that have been addressed by project management on an on-going basis. The Investment Manager will work closely with management teams at the asset level to improve these ESG KPIs over the next year.

2

Environmental incidents that resulted in a violation

Both incidents were acted on through a root-cause analysis and relevant mitigation actions to prevent future occurrences.



Focus Area Three: Robust Governance



100%

of the portfolio by value is covered by codes of conduct or policies that relate to one or more aspects of business integrity and governance standards (compared to 100% in 2021)

0%

of the portfolio by value has been involved in any instances of non-compliance with laws, regulations or industry voluntary codes or guidelines that resulted in material fines, prosecutions or significant legal charges¹⁷

98%

of the portfolio by value has put in place cybersecurity measures to safeguard the project from unauthorised access (compared to 95% in 2021)

The Company, with the support of the Investment Manager, tries to secure robust governance and business integrity, including assessing resilience to physical climate risk and engaging on ESG with its delivery partners. The Investment Manager does this through the Company’s ESG Management Process, which incorporates ESG considerations into due diligence and asset management, its review of strategic risks and opportunities, and its monitoring of the sustainability ecosystem, which includes disclosure requirements and best-practices.

The SEEIT Board

ESG considerations are included when reviewing or setting strategy, major plans of action, risk management policies, annual budgets and business plans. The Company’s board is informed about climate-related issues affecting the portfolio and potentially impacting SEEIT’s strategy and business prospects quarterly, and through regular reporting by the Investment Manager for discussion during quarterly board meetings. Additional matters arising outside of the regular reporting cycle which the Investment Manager considers require Board notification and/ or a decision on actions will be notified to the Board immediately.

The SEEIT Board is well-balanced, with a diversity of perspectives and backgrounds, and together provide holistic feedback on the Company’s ESG considerations.

ESG Management Process

The Investment Manager is responsible for implementing the Company’s ESG policy under instruction and supervision of the Board. The Investment Manager does this through the Company’s ESG Management Process, which integrates ESG considerations into company operations, from deal origination to asset management.

The investment appraisal process is conducted in two main stages with early identification of climate-related and other ESG issues during the first phase, followed by a second phase of detailed due diligence to resolve any identified concerns and confirm that climate-related targets can be met during project operation.

Once an asset has been acquired, the Investment Manager engages with that asset company through quarterly ESG reporting and an annual ESG questionnaire. This allows the Investment Manager to monitor the performance of the Company’s asset companies, engage in any necessary interventions and inform the Board accordingly if required. Additionally, the Investment Manager continues to closely engage with each asset throughout its lifetime to search for innovative projects that can improve the asset’s efficiency, lower its associated emissions and enhance overall value.

Responsible Investing and Sustainability in Practice



See following page for an explanation of each stage.

17 Not reported in 2021

Due Diligence Questionnaire

This year, the Investment Manager updated the Company's ESG due diligence questionnaire to reflect best practices and emerging regulations. As illustrated above, the questionnaire is split into a three-stage process, beginning with initial general “gateway” questions, followed by a red flag review, and then a detailed due diligence form. The questions in the due diligence form are grouped by ESG principle and specific topic, in addition to the relevant guidance and/or mandatory disclosure requirement. Most questions specifically relate to the EU's do no significant harm (DNSH) principles and principle adverse indicators, both required under the Sustainable Finance Disclosure Regulation (SFDR).

SEEIT ESG principle/ focus area	Topic
Low carbon transition	Significance of contribution
	GHG emissions
Minimising the environmental footprint of operations	Management of environmental risks
	Biodiversity
	Pollution Prevention
	Water management
	Circular Economy
	Waste
Governance and resilience: Securing robust governance and business integrity including assessing resilience to physical climate risk and engaging on ESG with delivery partners.	Training
	Climate change risk and adaptation
	Risk management
	Robust governance and business integrity
	Diversity and Inclusion
	Responsible business conduct
Providing safe environments for all workers, contractors and members of the community	Responsible supply chain
	Whistleblowing / grievances / complaints
	Cybersecurity
	Health and safety

Stage 1: gateway:

An initial screening is required to assess the project's compliance with SDCL's sustainable investment objectives and to identify any high-profile issues that could stop the deal from going ahead.

Stage 2: red flag review:

Following this, a red flag review covers a more thorough review of potential ESG issues, including:

- identification of material breaches of the fund's and Exclusions List;
- identification of material ESG issues; and
- identification of additional due diligence required.

The ESG Red Flag Review Checklist will help to identify priority ESG issues.

In some cases, additional technical due diligence will be needed to assess compliance with regulatory standards and SEEIT's investment objective, for example to verify whether carbon savings will meet the substantial contribution to climate change mitigation threshold as set out under the EU Taxonomy.

Stage 3: Detailed Due diligence:

Following initial review and approval by SDCL's Investment Committee (IC), a detailed ESG due diligence plan will be prepared. In addition to any feedback from IC meetings, the due diligence covers the following aspects:

- assessment of the transaction's ESG risks, impacts and opportunities;
- assessment of the asset company's compliance against applicable standards/requirements, such as the EU taxonomy, do no significant harm criteria, including guidance on the information to be reviewed;
- confirmation of ESG inherent risk categorisation;
- assessment of the asset company's ESG commitment, capacity and track record (where applicable); and
- preparation of due diligence reports; and
- engagement of consultants (where appropriate).

In some cases, additional technical due diligence will be needed to assess compliance with regulatory standards and SEEIT's investment objective, for example to verify whether carbon savings will meet the substantial contribution to climate change mitigation threshold as set out under the EU taxonomy.

Annual Asset Management Questionnaire

Monitoring of each asset company against the Company's ESG focus areas is conducted quarterly through emissions reporting and annually through a holistic ESG questionnaire. The quarterly reporting tracks the performance of the asset and compiles energy related data, and more specifically carbon savings and scope emissions (as discussed in Focus Area 2: Minimising Environmental Impact).

The annual questionnaire predominately covers social and governance issues and is mapped against the Company's four ESG focus areas and topics – mirroring those covered in the due diligence questionnaire. The annual questionnaire is updated periodically to reflect emerging trends and standards, meaning that in 2022 it was updated to include questions regarding the following:

- respect for human rights, including human trafficking;
- codes of conduct;
- diversity and inclusion policies; and
- polluting activities, including emissions and waste.

This year, the Investment Manager has also added a section on supply chains, specifically looking at scope 3 emissions and the ability of asset companies to monitor and report on the sustainability of their supply chains. The addition of a section on supply chain emissions is an example of how the annual questionnaire can help to inform and strengthen the Company's ESG workstreams going forward, especially as the Investment Manager considers new ESG efforts, such as mitigating supply chain related emissions. The process for getting responses to the questionnaire and then compiling them is supported by external advisors and then reviewed by the Investment Manager. The compiled responses to the asset management questionnaire then form the basis for calculating the Company's ESG KPIs and for planning ESG management in the coming period.

ESG KPI Analysis Process

Based on the responses to the annual questionnaire, the Investment Manager works with its external ESG consultant to analyse the results and calculate key performance indicators for the asset companies. The ESG KPIs are calculated first by the external consultant, and then go through a validation process, beginning with the ESG and Asset Management teams, then through to the SEEIT Investment Committee and Board. Those ESG KPIs are grouped by the ESG Focus Areas and highlighted throughout this report.

The ESG KPIs cover the period 1 April 2021 to 31 March 2022 for the companies within the portfolio during that period. Projects may be out of scope of the analysis depending on when the Company invested in them and what stage they are in.

Three projects representing 0.7% of the portfolio by value did not respond to the survey and have thus been excluded from the analysis. The dataset analysis is therefore based on the remaining 16 projects which together comprise 99.3% of total value of all portfolio projects as at 31 March 2022. Where all 16 projects provide a positive response to a question this is indicated as 100% of responses.

The ESG Report does highlight some projects that are out of scope of the ESG KPI Analysis as the Company invested in them after the period end of 31 March 2022, such as those referenced in the case studies. The ESG KPI Analysis is used to benchmark the performance of the portfolio against the Company's ESG considerations, especially as the Company grows and changes overtime. The Investment Manager uses the KPI analysis to identify areas where attention is needed to address ESG performance and works with project management to agree and implement appropriate measures to mitigate impacts and improve performance at the asset level.

Overall, the Investment Manager will actively engage with the Company's project teams to implement necessary measures to improve ESG performance where required.

Governance and Code of Conduct KPIs

One of the datasets the asset management questionnaire gathers are metrics around governance at the portfolio level. This dataset is then analysed as part of the ESG KPI analysis (which is described in more detail on page 29).

In 2022, the ESG questionnaire was revised to include additional questions about codes of conduct, supply chains and respect for human rights, including human trafficking. These metrics reflect the need for better understanding of supply chains and how these should be managed in order to ensure transparency and identify where interventions may be required. In this first year of surveying these metrics the Investment Manager identified a need for greater scrutiny on these aspects from some of the Company's portfolio companies. The Investment Manager will be working with the portfolio management teams to address these issues in the coming year.

Governance Summary²¹

The asset management questionnaire includes questions on the specific matters covered by codes of conduct. The following responses are to the question: does your organisation operate a code of business conduct or equivalent policies that expressly specify minimum conduct and integrity standards with regard to the following?

Percent by value that said yes	
Anti-bribery, anti-corruption and prevention of extortion	73%
Gifts and hospitality	78%
Anti-money laundering, prevention of financial crime or the facilitation of tax evasion	70%
Privacy, data protection and use of confidential information	98%
Respect for human rights including prevention of human trafficking	36%

Code of Conduct Summary

Percent by value that said yes	
Does your organisation have a supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)?	60%
Do you have a grievance/complaints handling mechanism/process in place to receive, process and remedy grievances?	78%
Do you have policies for the protection of whistleblowers?	58%
Does your organisation have a due diligence process to identify, prevent, mitigate and address adverse human rights in the supply chain including forced or child labour?	25%

Sustainability Ecosystem: Disclosure Requirements and Best Practices

The Investment Manager monitors changes in mandatory and voluntary ESG disclosures on an on-going basis. The Investment Manager is currently in the process of conducting a gap analysis against the sustainability ecosystem to inform specific ESG workstreams for 2023 in order to ensure the Company is doing both what is required and what is considered to be best practice. The Company's statutory ESG Reporting is included in its Annual Report, which can be found on the SEEIT website.

Task Force on Climate-Related Financial Disclosures

The Investment Manager understands the importance of adhering to the Task Force on Climate-Related Financial Disclosures to maintain consistent climate-related financial risk disclosures and indicate the opportunities for investments related to the energy transition. Though the Investment Manager fully considers the opportunities relevant to the energy transition – as seen in its overall strategy to invest in low-carbon, energy assets – the Investment Manager recognises there is more work to be done to fully comply with the regulation. Thus, the Company is on track for full TCFD compliance in 2023.

In line with TCFD's suggestion, the Company's full TCFD disclosure can be found in the 2022 Annual Report.

Strategy Risks and opportunities

SEEIT aims to hold assets for their useful operating life, typically up to 30 years or sometimes longer through proactive maintenance and refurbishment to extend useful life. The strategic ESG considerations involved in the acquisition and management of such assets take account of longer-term climate-related targets. In the shorter term,

the Investment Manager's focus for acquisitions will include integrating a project into its asset management systems and ensuring operations are running smoothly and, in the case of construction projects, completing construction and successfully commissioning assets.

These shorter-term considerations will normally apply over a period of one to two years. Based on these considerations and in line with Task Force on Climate-Related Financial Disclosure (TCFD) methodology, SEEIT generally considers short-, medium- and long-term planning horizons to be one to two years, ten to 15 years, and 20 to 30 years, respectively. SEEIT focuses on enhancing long-term asset performance and sustainability through energy efficiency improvements and implementation of appropriate renewable or low carbon energy resources.

The Investment Manager assesses risk primarily in terms of the capability of those assets to deliver sustainable solutions in accordance with the Company's investment strategy. It considers potential policy changes or technology improvements, while maintaining net income to deliver financial returns.

From a strategic perspective of TCFD disclosure, climate risks relate to both long-range planning for SEEIT's existing portfolio and planning for the acquisition or development of new projects. While each project faces climate challenges, the impact and opportunities differ. A key strength in SEEIT's strategic focus lies in minimising risks and adding value to the portfolio together with the flexibility within its investment mandate to seek a wide range of opportunities to deliver sustainable energy outcomes.

The Sustainability Ecosystem

● Voluntary ● Mandatory

Environment	Social	Governance
UN Sustainability Goals (Global)		
UN Principles for Responsible Investment (Global)		
OECD Guidelines for Multi-National Enterprises (Global)		
UN Guiding Principles on Business and Human Rights		
Sustainable Finance Disclosure Regulation (SFDR) (EU) ¹		
UN Race to Net-Zero (Global)		
Taskforce on Climate-Related Financial Disclosure (Global)		
Streamlined Energy & Carbon Reporting (UK)		
International Sustainability Standards Board (ISSB) (Global)		
EU Taxonomy (EU)		

Focus Area Four: Safe and Healthy Environment



275

Full time employees employed by SEEIT asset companies

100%

of the portfolio by value had an health and safety policy and management system in place with respect to the company or project(s)¹⁸

100%

of the portfolio by value has processes through which health and safety hazards, risks and impacts are identified, assessed and prioritised with respect to the operation of the project (compared to 98% in 2021)

98%

of the portfolio by value introduced or reinforced measures to ensure the safety of workers during the Covid-19 pandemic (compared to 98% in 2021)

82%

of the portfolio by value is covered by a critical incident management/response plan for the company or project(s)



Case Study: Primary Energy

Primary Energy, a portfolio of projects that provide electricity and steam to steel blast furnaces, conducts annual wellness challenges through a series of educational initiatives. The business kicks off each year with a biometric screening conducted by Empower Health, which measures overall health with a 52-panel blood draw. This baseline information allows employees to understand their overall health. As an employer, Primary Energy takes each employee's overall wellness seriously by providing a wide range of relevant resources.

In 2022, Primary Energy challenged its employees to track their steps for the entire month of July. The business made a donation to the winner's favourite charity. Employees also competed in friendly team competitions to build camaraderie and strengthen their exercise routines/habits. Primary Energy has held a variety of health initiatives each year since 2017, and will continue to do so in the future.

The Company is committed to providing a safe and inclusive environment for all workers, contractors and members of the community who use or come into contact with its projects.

Through the Investment Manager, SEEIT will strive to ensure that all people who come into contact with its project investments encounter a safe environment and are protected from harm when using or operating its projects, through:

- compliance with all applicable local and national laws (as a minimum);
- ensuring safe working conditions (measured through the number of notifications for RIDDOR (reporting of injuries, diseases and dangerous occurrences regulations') events or equivalent, for non-UK investments);
- requiring prompt notification of any RIDDOR or equivalent event to SDCL as Investment Manager, and by SDCL to SEEIT, followed by 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;
- establishing robust critical incidence response plans, and ensuring that employees are trained on critical incidence response processes; and
- monitoring and resolving promptly any complaints in relation to the operation of the projects received from the local community.

Health and Safety KPIs

As part of the ESG KPI analysis, the Investment Manager – with support from external consultants – reviews key health and safety metrics. These include labour standards, health and safety incidents, and employee well-being. Some of these KPIs have been highlighted in the table on the right.

As the Company's portfolio grows, the Investment Manager will continue to monitor employee wellbeing, health, and safety and engage with management teams at the asset level to identify and implement areas for improvement.

Labour Standards Summary

Percentage of the portfolio by value that responded "Yes"	
Do you have a commitment as an organisation that those who are employed by you or do work on your behalf will be paid the prevailing living wage?	76%
Where SEEIT has control of board appointments or the equivalent, do you have 30% or more female board directors?	47%
Does your organisation operate a diversity and inclusion policy and/or anti-discrimination policy?	76%
Are there measures in place to ensure that your organisation's suppliers, vendors and subcontractors uphold labour standards and human rights in accordance with the laws of the country in which they operate, and in adherence to the ILO International Labour Standards and the UN Guiding Principles on Business and Human Rights?	75%

Health and Safety At Work Summary

How many legally reportable incidents occurred during the period	8
How many injuries in total happened during the period?	10

Employee Well-Being Summary

Do you run any initiatives to promote and/or improve the health, safety and wellbeing of your employees?	99%
Is your organisation running any initiatives in place specifically targeting mental health of workers?	99%

18 Not reported in 2021

Benefits to the Community

As well as focusing on providing a safe environment for all employees and contractors working for asset companies, the Company’s activities also bring benefits to the communities where its asset companies operate. These can be indirect such as through helping to improve the local environment or more directly by supporting education and other community activities which contribute to better health and well-being of the people we work with.

Electric Vehicle Network



Converting to electric vehicles brings significant emissions savings, but often the reduction of air pollution is overlooked. With no tailpipe emissions, electric vehicles result in significantly less fine particulate matter, also known as PM2.5, being emitted. On-road transportation is one of the largest sources of PM2.5, which has been proven to adversely affect well-being, and physical and mental health. Several diseases of pulmonary, cardiac, vascular and neurological systems, including acute lower respiratory illness, heart disease, and lung cancer have been linked to PM2.5.¹⁹

Electric Vehicle Network, an EV charging infrastructure development company, contributes to the reduction of PM2.5 by providing EV charging points.

RED Rochester



As part of an effort to engage with the local community, RED Rochester has started an internship programme to employ local students and help them develop their career. The team at RED Rochester has developed connections with local colleges to pursue this. RED currently has two interns, with the aim to hire another one in the next few weeks and two more in spring 2023.

Primary Energy



In addition to the positive environmental and social outcomes achieved by the projects, Primary Energy is actively contributing to other local initiatives. The company has supported many local charities, including provision of food and monetary assistance to those particularly hit hard by Covid-19. As a member of the Wildlife Habitat Council, Primary Energy also took part in the regeneration of the native dune and swale habitats along the southern shore of Lake Michigan.

Primary Energy's employees were not able to volunteer in person in 2022 due to Covid-19 safety restrictions, however the need for assistance is greater than ever as families and the elderly have been impacted by the pandemic. Donations across northwest Indiana and Illinois, where the company is based and many of its employees reside, were distributed throughout June 2021. Primary Energy targeted a local community food pantries that supply resources to those hit particularly hard by Covid-19.

Conclusion and Looking Forward

Overall, this past year has been one of progress and growth for the Company, necessitating a similar advancement of its ESG considerations and practices.

The Investment Manager believes the Company is well positioned to positively contribute to the energy transition, in line with its first ESG Focus Area. In parallel, the Company will continue to pursue the ESG objectives set out in its three other focus areas, minimising its environmental impact, ensuring robust governance, and providing safe and inclusive environments for its employees.

This past period, the Investment Manager focused on expanding its reporting to ensure alignment with emerging regulations, while also ensuring a rigorous approach to ESG screening of new projects.

Over the next period, the Investment Manager aims to continue to advocate for energy efficiency and further decarbonise energy intensive industries, in addition to progressing on key workstreams, such as the Company's net zero strategy.

19 <https://www.nature.com/articles/s41598-021-00862-x>



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