

SDCL's ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRINCIPLES

Sustainable Development Capital LLP (SDCL) has developed a set of Environmental, Social and Governance (**ESG**) principles which expand on the four focus areas of its ESG Policy. These are used as part of the screening and diligence process to assess potential new investments, and then as a framework for engaging with third party O&M providers who are responsible for the day-to-day operations of each of the projects (**O&M Providers**) and other service providers to SDCL and/or the funds it manages.

The four ESG focus areas SDCL considers in looking at its investments are as follows:

- Aiding the transition to a low carbon economy by maximising energy efficiency through its investment strategy and operations
- Minimising the environmental footprint of its operations through managing negative impacts, such as waste, biodiversity loss, and emissions
- Securing robust governance and business integrity, including assessing resilience to physical climate risk and engaging on ESG with its delivery partners
- Providing safe environments for all workers, contractors and members of the community who use or come into contact with its projects

SDCL's ESG principles build on these focus areas to set out a framework for assessing new projects and engaging with O&M Providers and other service providers to SDCL.

All O&M Providers will be asked to adhere to the following general principles in their provision of services, as well as the more detailed requirements set out in relation to each of SDCL's four focus areas, and to meet on a regular basis with SDCL to discuss compliance:

- 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;
- collaborating with all other parties to the project to promote the adoption of best-in-class ESG standards;
- report periodically on ESG outcomes using metrics to be agreed on a case by case basis

provide appropriate information, instruction, training and resources to their employees so that they can adhere to this policy whilst working for SDCL, the funds it manages, or Project Companies managed by SDCL;

- if a potential ESG breach is identified, the O&M Provider will inform SDCL as soon as reasonably practicable (who will keep SDCL informed), and working with SDCL, will evaluate the nature and extent of the breach and agree suitable appropriate mitigating actions; and
- at the time of any disposal of any investment by any if the fund sit manages, subject to any confidentiality restrictions, 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.

Aiding the transition to a low carbon economy

SDCL, through the investments it manages, will aid the transition to a low carbon economy through:

- the deployment and/or operation of ‘Best Available Technology’¹ equipment and lower carbon solutions (measured through kWh saved or other applicable system efficiency improvements measurements);
- Utilisation of waste gases or other waste (measured through tonnes of waste utilised); and
- Minimising resource usage (measured through resource saved or avoided)

SDCL will support the achievement of net zero carbon targets through reduced greenhouse gas emissions (measured through kgCO₂ saved).

Minimising environmental footprint

SDCL will seek to minimise the environmental footprint of its own and the investments it manages through:

- Ensuring projects and O&M Providers 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).
- Monitoring, measuring and minimising through mitigating actions, the likely risk and impact of environmental damage resulting from the project, considering waste, biodiversity loss, air quality, and emissions
- For construction projects, ensuring the sourcing and use of sustainable materials to the extent possible, and incorporating best practice procurement requirements to minimise the depletion of rare earth minerals, or other non-replenishable materials
- Maximising resource use through the successful extension of project life
- Robust governance and business integrity

SDCL will adhere to the highest standards of corporate governance practice in the investments it manages through engaging with O&M Providers and other service providers to SDCL and the funds it manages to ensure they:

- Comply 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;
- have a clearly defined and transparent governance and management structure with effective procedures, controls and checks and balances in place
- deal with any regulators in an open and co-operative manner;
- use effective systems of internal control and risk management covering all significant issues, including ESG issues;
- have 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 confidential 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;
- demonstrate a commitment to a zero-tolerance approach for any unethical practices;
- have a robust process for assessing, monitoring and mitigating risks arising from climate change which may impact the project or its operation.

¹ At the time of purchase

Safe and healthy environment

SDCL will ensure that all people who come into contact with its managed 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 events ('Reporting of Injuries, Diseases and Dangerous Occurrences Regulations') or equivalent, for international investments);
- requiring prompt notification of any RIDDOR or equivalent event to SDCL, 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;
- monitoring and resolving promptly any complaints in relation to the operation of the projects received from the local community.

SDCL will provide a consolidated report on RIDDOR events and community complaints for each fund under management and will agree with the appropriate fund governing body any appropriate mitigating actions to be taken.

SDCL will also promote fair and decent employment by engaging with O&M Providers and other service providers to SDCL and the funds it manages to promote and, where applicable, require adherence to the following standards both themselves and within the supply chain of SDCL's projects:

- 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 encourage diversity, inclusion and a positive environment in the workplace;
- 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;
- to 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;
- to cultivate positive relations with stakeholders and local communities of the Project Companies; and
- to consider the social impact of projects which SDCL manages.