

## **SDCL's RESPONSIBLE INVESTMENT POLICY**

### **Introduction**

Sustainable Development Capital LLP (**SDCL**) manages investments in energy efficiency projects and provides its investors with access to projects which are designed to achieve relatively high, stable and predictable cash flows whilst aiding the transition to a low carbon economy. Improving energy efficiency and reducing wastage through the energy delivery system is a critical part of delivering the transition to the net zero economy, and was identified by the UK Committee on Climate Change in May 2019 as part of the core strategy required to meet the UK's net zero target for 2050.

Energy efficiency and distributed energy assets are often installed on-site at the premises of customers that are heavy end users of energy, such as commercial and industrial businesses, hospitals and other public sector entities. SDCL only invests in projects which deliver a positive impact through an increase in energy efficiency, or renewable energy consumption or a reduction in carbon emissions, waste or usage. SDCL believes that the quality of its investments is enhanced by ensuring that all relevant material risks are identified and managed, and this includes incorporating consideration and management of material Environmental, Social and Governance (**ESG**) risks and opportunities into its operations.

### **Purpose and Scope**

The purpose of this policy is to set out SDCL's approach to responsible investment and the incorporation of considerations into its investment decision-making and monitoring processes. This policy applies to all of the funds SDCL manages.

### **Approach, Commitment and Standards**

As a manager of investments in assets which deliver positive outcomes in aiding the decarbonisation of the economy, SDCL believes that incorporating the consideration of material ESG factors into these investments has a positive impact on the performance of its projects, and contributes towards the creation of long-term value for its investors.

SDCL is committed to the 6 principles of the UN Principles for Responsible Investment (**UN PRI**), which are to:

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

SDCL is a signatory to the UN PRI in 2020 and will apply these standards in relation to the investments SDCL manages.

As a manager of long term investments with a strategy aimed at tackling climate change, SDCL is closely concerned with the implications of climate change risks and opportunities for its business strategy and investments. SDCL supports the recommendations of the Task Force for Climate-Related Disclosure (**TCFD**) and will be taking steps to implement the disclosure recommendations as part of the further development of its responsible investment strategy.

### **Implementation approach**

SDCL's focus in looking at the material ESG issues in its investments covers 4 principal areas:

- Aiding the transition to a net-zero carbon economy by maximising energy efficiency through its investment strategy and operations
- Pro-actively 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 as an active participant 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 has developed a set of ESG principles which expand on these four focus areas. 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 service providers who are responsible for the day-to-day operations of each of the projects and other service providers to SDCL.

For the minority of investments which involve construction rather than the acquisition of operating assets, the ESG principles will be used to inform the decision-making process around selection of contracting parties and where possible will be incorporated into the contractual terms for third party providers.

### **Transparency and disclosure**

SDCL believes that transparency and disclosure in achieving its responsible investment objectives and complying with its policy drives accountability and progress, and accordingly will be developing a set of key performance indicators to align with its ESG focus areas and principles, and aims to disclose these in its next annual report and accounts and where applicable through the reporting frameworks for each of its funds.

### **Governance and oversight**

This policy has been approved by SDCL's senior management, which is responsible for overseeing compliance with it on a regular basis. This policy will be reviewed annually.