Our purpose

Our purpose is to generate attractive and sustainable returns for a wide range of investors through responsible and disciplined investment into growing portfolio of diverse economic infrastructure debt assets. These assets would otherwise be difficult for investors to access, given the specialist nature of the origination and credit assessment skills needed. Our investments support the provision of infrastructure on a sustainable basis and create social and economic benefits across the range of geographics in which we invest.

CONTENTS

| Introduction | 01 |
| Applying ESG principles to investments | 06 |
| Assessing the effect of climate change | 07 |
| ESG engagement with borrowers | 08 |
| ESG Goals | 09 |
| ESG at Sequoia Investment Management Company (the Investment Adviser) | 10 |
| Appendix A: Sequoia’s ESG scoring methodology | 12 |
| Appendix B: Climate change scenarios | 14 |
| Appendix C: Changes in this Policy since the 2021 Policy | IBC |
This document sets out the ESG policy of the Sequoia Economic Infrastructure Income Fund (“SEQI” or “The Fund”), which Sequoia Investment Management Company (“Sequoia”) adheres to in its role as Investment Adviser while also setting out details of Sequoia’s overall approach to the integration of sustainability risks in the decision-making process, which it will apply to SEQI.

The Fund’s ESG policy sets out:

- The global initiatives that guide our overall ESG principles including our climate pledge;
- The specific regulatory frameworks we adhere to; and
- The governance framework established at the Fund in respect of ESG.

The policy also details how we apply ESG principles to investments including details of its ESG scorecard, assessment of climate change impacts on its investments, and engagement with borrowers on ESG matters.

It is also necessary to have a clear set of goals against which to track and monitor progress in our ESG journey. We believe the goals we set out for ourselves in this policy are clear, objective, and measurable. We will separately periodically report progress against these goals.

Finally, the policy summarises ESG at our Investment Adviser, Sequoia Investment Management Company.
Global Initiatives

THE PRI

In May 2019, Sequoia signed up to the UN Principles for Responsible Investment (the “Principles”). These cover six high-level principles which Sequoia is fully incorporating in its investment processes and decisions:

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

THE UN GLOBAL COMPACT

Sequoia operates its business and its investment activities in accordance with the UN Global Compact:

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labour.
5. The effective abolition of child labour.
6. The elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
10. Businesses should work against corruption in all its forms, including extortion and bribery.
We support the Paris climate goals to limit the global average temperature increases to well below 2°C, and to pursue efforts to limit the temperature increase to 1.5°C.

We support the goal of the world reaching net-zero carbon emissions by 2050.

We will endeavour to dispose of investments which are contrary to our ESG policy.

We will use our ESG policy to score our loan book and, by investing in higher-scoring opportunities and disposing of lower-scoring opportunities, aim to improve the ESG score of our loan book over time where possible.

We will engage proactively with the companies we lend to, to encourage them to work towards the net zero goals.

We will, where appropriate, embed covenants into loan agreements to oblige contractually our borrowers to adopt and comply with appropriate environmental policies.

We will embed covenants into loan agreements to oblige contractually our borrowers to report appropriate environmental metrics.

We will engage with regulators and policy makers wherever we believe we can accelerate or improve action to combat climate change.

We will speak out publicly, and build or support coalitions of like-minded investors and thought-leaders, to drive change where we believe this will be effective.

We will report to Shareholders our compliance with our ESG policies.
THE SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)

The Fund complies with the reporting obligations of SFDR (as applicable, in particular Article 8). The current Adverse Sustainability Impact Statement is included in Appendix C and is on the fund’s website (www.seqifund.com).

THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

We aim to adhere to the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD) including the identification of climate-related risks and opportunities within our investments and addressing these risks.
Governance

**BOARD OVERSIGHT**

The Board of SEQI is ultimately responsible for implementation of this Policy and ensuring that its service providers each provide an attestation, at least on an annual basis, that the policy has been acknowledged and each service provider is providing services in line with the principles set out within the Policy. This Policy is considered a 'live document', with updates as required and approved by the Board on an annual basis. At a minimum, ESG is a standing agenda item at each quarterly board meeting, with the Policy being formally reviewed and approved in its entirety, at least annually.

**OTHER MEASURES**

Remuneration at the level of the Fund Board is fixed and not linked to the performance of the Fund. Equally, the Fund Board have employed service providers such as the AIFM and Investment Adviser, to carry out Portfolio Management on its behalf and in line with the investment strategy set out in its prospectus. On this basis, the Fund Board is therefore not directly involved in the day to day investment considerations/activity and does not benefit financially by the Funds' performance through the remuneration arrangements.

With a view to gaining greater insight of the Fund’s upstream emissions and to engaging with suppliers on the steps they are taking to reduce these, the Board of SEQI periodically writes to each of its top ten service providers regarding their impact on the environment and their commitment to, and strategies for, meeting the Paris climate goals. We intend to maintain this dialogue over time and each supplier’s progress in reducing avoidable emissions will become a factor in our award of contracts to key service providers.
Applying ESG principles to investments

ESG principles are applied in three ways to the SEQI portfolio:

1. **Negative screening**
2. **Thematic investing (positive screening)**
3. **ESG scoring**

**NEGATIVE SCREENING**

The following subsectors or asset types are excluded:

1. Infrastructure related to the exploration and production of oil and gas, such as oil rigs and platforms, fracking facilities and facilities involved in tar sands. Note that midstream assets such as pipelines are not necessarily excluded but are subject to ESG scoring as set out below.
2. Infrastructure related to mining thermal coal.
3. Electricity generation from coal.
4. Military infrastructure, such as military housing.
5. Alcohol, gambling and pornography are already excluded by SEQI’s investment criteria.

**ESG SCORING**

An ESG scoring framework helps Sequoia to allocate capital between projects and to measure its progress over time in a quantitative way. Sequoia’s proprietary ESG scoring methodology has been designed to be as objective as possible. The score primarily reflects the current ESG performance of the investment but also reflects, to a limited extent, the “direction of travel”. For example, a business that currently contributes to climate change will receive some credit if it is investing meaningfully to reduce its contribution. The methodology blends the “E”, “S” and “G” components without allowing strength in one area to offset entirely weakness in another. For example, a polluting company will always get a poor score, even if it has excellent social and governance policies. Moreover, the Fund’s policy is not to lend to companies with a very low E score, of less than one, regardless of the overall ESG score. A brief summary of the ESG scoring methodology is set out in Appendix A.

Note that the ESG score is distinct to a credit rating. Some elements of ESG scoring will directly affect a borrower’s credit rating (for example, weak corporate governance has a negative contribution to credit quality) but nonetheless it is entirely possible for a business with a weak ESG score to have a strong credit profile, and vice versa. ESG scores must be taken into account in the investment process. Ceteris paribus, when evaluating potential investments, Sequoia will prioritise transactions with higher ESG scores, and when considering the potential disposal of investments, Sequoia will prioritise transactions with lower ESG scores. By investing in higher-scoring opportunities, and disposing of lower-scoring opportunities, the aim of the Policy is to improve the ESG score of our loan book over time. Albeit there will naturally be fluctuations in the portfolio ESG score over time rather than a monotonically increasing ESG score.

**THEMATIC INVESTING (POSITIVE SCREENING)**

Currently, SEQI has three ESG investment themes. Positive screening will be employed to increase the fund’s exposure to these investment themes, subject to existing concentration limits.

1. **Renewable energy**, such as solar, wind and geothermal generation, and directly-related businesses including companies that supply renewable energy.
2. **Enabling the transition to a lower carbon world**, such as grid stabilization, electric vehicles, traffic congestion reduction and the substitution of coal by gas.
3. **Infrastructure with social benefits**, such as healthcare, clean water and education.
Assessing the effect of climate change

OVERVIEW
As part of its investment analysis, Sequoia will, where relevant and possible, assess the consequences for its investments of three climate change scenarios: a 1.5-2°C case where the physical risks of climate change are modest but the transitional risks (e.g. stranded assets) are high; a 2-3°C case where emissions stabilise at current levels; and the “business as usual” case where temperatures rise at 3-6°C resulting in increased physical risks (e.g. rising sea levels).

Characteristics of the modelled scenarios come from the Sustainable Development Scenario presented in the IEA’s 2017 World Energy Outlook and from RCP 2.6 of the IPCC’s Fifth Annual Report. From time to time these scenarios are likely to be updated.

By adopting independent scenarios, Sequoia aims to have an analytical framework that is objective, clear and easily communicated to third parties. A summary of the scenarios is found in Appendix B.

INVESTMENT ORIGINATION
Each investment should be assessed in each of the three scenarios, with the goal of identifying (a) credit rating changes arising from climate change and (b) elevated climate event risk. These items should be assessed separately as a standard credit rating framework struggles to incorporate event risk.

Credit rating changes may arise (for example) by making different assumptions for power prices, carbon taxes, regulatory changes or stranded assets. In some cases, these changes may be capable of being quantified (e.g. using a different projection for power prices would result in different credit ratios); in other cases, there may be a large amount of subjectivity.

Note that some projects might benefit from some climate change scenarios.

One important consideration is the term of an investment versus the timescale for climate change. A hydropower plant that benefits from glacial melt might be apparently quite resilient over, say, a three-year timescale whilst facing a significantly more challenging outlook on a thirty-year timescale.

Elevated climate event risk may include (for example) extreme weather events, coastal flooding or drought. Even if a borrower is currently able to secure effective insurance against these events, it may not be able to do so in the future, if the events become more frequent or more intense. As these types of risks are difficult to quantify, exposure to event risk should be categorised as either Low, Moderate or High.

<table>
<thead>
<tr>
<th>Climate event risk categorisation</th>
<th>Typical characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOW</td>
<td>• Hardened assets</td>
</tr>
<tr>
<td></td>
<td>• Multiple back-up systems</td>
</tr>
<tr>
<td></td>
<td>• Government-backed long-term insurance</td>
</tr>
<tr>
<td></td>
<td>• Limited exposure to physical assets (e.g. a services business)</td>
</tr>
<tr>
<td></td>
<td>• Low risk locations</td>
</tr>
<tr>
<td>MODERATE</td>
<td>• Network of assets over a wide geographic area</td>
</tr>
<tr>
<td></td>
<td>• Some level of physical hardening</td>
</tr>
<tr>
<td></td>
<td>• Commercial insurance</td>
</tr>
<tr>
<td>HIGH</td>
<td>• High-risk location prone e.g. to coastal flooding</td>
</tr>
<tr>
<td></td>
<td>• Exposed to water supply shortages</td>
</tr>
</tbody>
</table>

ONGOING MONITORING
Each investment is monitored at least semi-annually. As part of the monitoring the Investment Committee (IC) of the Investment Adviser reviews the investment’s ESG score and any changes that may have occurred. The IC formally reconfirms or updates the scoring based on its review.
ESG engagement with borrowers

OVERVIEW
SEQI’s ESG policy is not limited to investment selection but can include a range of engagement strategies designed to encourage and promote positive behaviour in the companies that it lends to.

LOAN TERMS
Where appropriate, loan terms should include covenants or repeated representations to ensure that the borrower complies with its stated ESG objectives and to encourage it to improve its standards over time. These could include:

1. Obligations to comply with environmental standards and regulations.
2. Obligations to adopt net zero policies.
3. Obligations to reduce pollution over and above statutory minimums, including light and noise pollution.
4. Obligations to adopt or continue social policies such as living wages, non-discrimination, employee diversification and minority board representation.
5. Obligations to adopt or continue good governance policies such as independent directors, whistleblowing, complaints procedures and internal audit functions.

Sequoia can also consider adopting financial terms in a loan where (for example) the interest rate might fluctuate depending upon the borrower’s performance on an environmental metric such as carbon emissions.

ONGOING REPORTING AND MONITORING
Where appropriate, loan terms should also include an obligation on the borrower to report suitable ESG metrics. These could include:

1. Carbon emissions (broken down by scope 1, 2 and 3), carbon footprint and weighted average carbon intensity.
2. Energy performance including the total energy consumption from non-renewable sources, energy consumption intensity.
3. Water emissions.
5. Gender pay gap, board gender diversity, ethnic diversity, excessive CEO pay ratio.

Borrowers will also be asked to complete annual post-investment ESG questionnaires. These will cover quantifiable ESG metrics/KPIs when appropriate, such as CO2 emissions, Health and Safety records, CQC ratings, etc, as well as confirmation of the borrower’s overall ESG policies and procedures.

ESG performance and credentials will be monitored regularly for each investment in the semi-annual monitoring process. If a borrower’s ESG scores deteriorate, Sequoia will contact the management of the borrower to determine a strategy to improve performance. If the borrower is unwilling or unable to do this, Sequoia may look to dispose of the loan.

VOTING
Although lenders do not, as a matter of course, have voting rights in the companies that they lend to, from time to time they are required to consent to loan modifications (such as waivers of specific loan provisions). In such situations, SEQI and Sequoia’s policy is not to consent if the overall net effect of the requested modification would be negative for the ESG profile of the investment.
**ESG goals**

The following are our ESG goals that we periodically report against:

1. **Strictly comply with Negative Screening criteria.**  
   See ‘Applying ESG principles to investments’ section (page 6).

2. **Over time, increase portfolio weighted average ESG Score.**  
   See ‘Appendix A: Sequoia’s ESG scoring methodology.’

3. **Progress Thematic Investing (Positive Screening).**  
   See ‘Applying ESG principles to investments’ section (page 6).
ESG at Sequoia Investment Management Company (the Investment Adviser)

Sequoia encourages sustainability in the workplace through a range of initiatives including those set out below.

**CARBON NEUTRAL PLEDGE**
The Investment Adviser runs its business on a carbon-neutral basis and is committed to continuing this policy. Sequoia believes that this is the right thing to do as a business to help to meet the international target set out by the 2015 Paris Agreement to limit global warming to below 2°C.

The Investment Adviser achieves this by offsetting its carbon emissions (predominantly international travel, IT and office space) by planting Giant Sequoia trees in the UK and investing in other carbon capture schemes.

Wherever possible, it is Sequoia's preference to reduce its carbon emissions, rather than offsetting them. This can be achieved through energy efficiency, reduced international travel (see below) and green procurement. Offsetting, therefore, should be primarily aimed at unavoidable emissions.

**TRAVEL**
The Investment Adviser promotes healthier journeys to work and seeks to reduce environmental pollution caused by travel through, for example, its bike-to-work scheme, where Sequoia offers loans to employees wishing to purchase cycles and associated safety equipment as a tax-free benefit.

Where possible, the Investment Adviser looks to replace international business travel by video conferencing.

**CHARITY AND THE COMMUNITY**
Sequoia has a generous charitable giving program by which it donates amounts (to a cap) to charities selected by its employees.

**DIVERSITY AND EQUAL OPPORTUNITY**
Sequoia is an equal opportunities employer. It does not discriminate by gender, sexual orientation or race and actively promote diversity. Sequoia has a highly multinational team from a variety of social backgrounds.

**CORPORATE GOVERNANCE**
- Anti-bribery and tax evasion policy
- Personal trading policy
- Employee Handbook (incl. policies on whistleblowing and diversity and equal opportunities)
- Compliance manual (incl. gifts policy)
- Sequoia Ethical Code of Business Conduct

**MODERN SLAVERY POLICY**
Modern slavery is a crime and a violation of fundamental human rights. It takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. Sequoia has a zero-tolerance approach to modern slavery and it is committed to acting ethically and with integrity in all its business dealings and relationships and to implement and enforce effective systems and controls to ensure modern slavery is not taking place anywhere in its own business or its supply chain.

**REMUNERATION POLICY**
The Investment Adviser’s remuneration policy is in line with the business strategy, objectives, values and interests of the company and the funds or investors of the funds it serves. It also ensures it maintains and applies a sound and prudent remuneration process, which does not impair compliance with its duty to act in the best interest of the funds, which identifies and manages any conflicts of interest, promotes sound and effective risk management and does not encourage risk taking which is inconsistent with the risk profile of the company, or the risk profiles and constitutional documents of the alternative investment funds under management.

The Investment Adviser ensures that variable remuneration is not paid through methods that facilitate the avoidance of the remuneration requirements, with the Investment Adviser’s board retaining the primary responsibility for ensuring that the ultimate goal of having a sound and prudent remuneration policy and structure, is not improperly circumvented.
Appendices

Appendix A: Sequoia’s ESG scoring methodology 12
Appendix B: Climate change scenarios 14
Appendix C: Changes in this Policy since the 2021 Policy IBC
The “raw” ESG score, $\varepsilon$, is equal to the sum of the following items:

1. A score of 1-5 representing the environmental impact of the sector and sub-sector the business is in (the “E score”).

2. A modifier of between +0.5 and -0.5 reflecting the borrower’s positioning and direction of travel within its sector and sub-sector, relative to its peers (the “E modifier”). (For example, a ferry operating on bio-fuels would receive credit versus one operating on conventional fuels.)

3. A modifier of between +1 and -1 reflecting the borrower’s corporate governance (the “G score”).

4. A modifier of between +1 and -1 reflecting the borrower’s social impact (the “S score”).

Modifications to the E score, item (2) above, must be evidenced based and capable of independent verification. The total of items (3) and (4) will be capped at +1.

$\varepsilon$ can range between -1.5 and 6.5. The ESG score is presented as a number from 0 to 100 by using the following formula:

$$\text{ESG score} = 12.5(\varepsilon + 1.5)$$

### ILLUSTRATIVE TABLE OF E SCORES

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar, wind, hydro, geothermal</td>
<td>5</td>
</tr>
<tr>
<td>Energy Transition Assets (other than standby generators using hydrocarbons, which score 4)</td>
<td></td>
</tr>
<tr>
<td>Waste-to-energy (other than woodchip, which scores 4)</td>
<td></td>
</tr>
<tr>
<td>Rail, rolling stock, light rail</td>
<td>4</td>
</tr>
<tr>
<td>Water utilities, de-salination plants</td>
<td></td>
</tr>
<tr>
<td>Biofuels</td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td></td>
</tr>
<tr>
<td>Plus any sub-sector below which is leading in environmental criteria</td>
<td></td>
</tr>
<tr>
<td>Equipment manufacturing (other than renewable energy equipment, which scores 5)</td>
<td>3</td>
</tr>
<tr>
<td>Logistics facilities</td>
<td></td>
</tr>
<tr>
<td>Ferries</td>
<td></td>
</tr>
<tr>
<td>Electricity distribution and transmission</td>
<td></td>
</tr>
<tr>
<td>Electricity and gas supply businesses (other than supply businesses selling exclusively renewable electricity, which score 1)</td>
<td></td>
</tr>
<tr>
<td>TMT infrastructure</td>
<td></td>
</tr>
<tr>
<td>Student accommodation and education infrastructure</td>
<td></td>
</tr>
<tr>
<td>Healthcare assets</td>
<td></td>
</tr>
<tr>
<td>Agricultural infrastructure (being infrastructure assets or projects predominantly involved in farming or the production, storage, transportation or extraction of materials used in, or produced by, farming – other than biofuels, which score 2)</td>
<td>2</td>
</tr>
<tr>
<td>Aircraft leasing, airports and airport services</td>
<td>2</td>
</tr>
<tr>
<td>Ship leasing (other than vessels used in offshore wind, which score 3)</td>
<td></td>
</tr>
<tr>
<td>Ports (other than those involved in the transportation of thermal coal, which score 1)</td>
<td></td>
</tr>
<tr>
<td>Midstream assets (other than oil pipelines and refineries, which score 1)</td>
<td></td>
</tr>
<tr>
<td>Electricity generation (including PPAs) from gas</td>
<td></td>
</tr>
<tr>
<td>Roads, service stations, car parking</td>
<td></td>
</tr>
<tr>
<td>Electricity generation (including PPAs) from nuclear</td>
<td>1</td>
</tr>
<tr>
<td>Landfill (although gas or electricity generation from pre-existing landfill sites will score 3)</td>
<td></td>
</tr>
</tbody>
</table>

For businesses active in more than one sector (e.g. diversified utilities) the sub-sector with the largest EBITDA contribution is used.
### TABLE OF E MODIFIERS

<table>
<thead>
<tr>
<th>Description</th>
<th>Score impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full environmental due diligence showing no material issues</td>
<td>0.1</td>
</tr>
<tr>
<td>Infrastructure has indirect result of reducing pollution</td>
<td>Up to 0.5</td>
</tr>
<tr>
<td>Fully funded environmental remediation plan</td>
<td>Up to 0.5</td>
</tr>
<tr>
<td>Effective water and waste management plan</td>
<td>0.1</td>
</tr>
<tr>
<td>Effective biodiversity management plan</td>
<td>0.1</td>
</tr>
<tr>
<td>Use of farmland or natural buffers; visual impact of the project</td>
<td>-0.2 to 0.0</td>
</tr>
<tr>
<td>Project’s air pollution profile, relative to its peers</td>
<td>-0.25 to 0.25</td>
</tr>
<tr>
<td>Ditto water pollution</td>
<td>-0.25 to 0.25</td>
</tr>
<tr>
<td>Ditto noise pollution</td>
<td>-0.1 to 0.1</td>
</tr>
<tr>
<td>Ditto light pollution</td>
<td>-0.1 to 0.1</td>
</tr>
<tr>
<td>Project’s contribution to climate change, relative to its peers</td>
<td>-0.25 to 0.25</td>
</tr>
<tr>
<td>Efficient use of materials and/or commitment to recycling, relative to its peers</td>
<td>-0.25 to 0.25</td>
</tr>
<tr>
<td>Others at the discretion of the investment committee</td>
<td>-0.25 to 0.25</td>
</tr>
</tbody>
</table>

Note: the sum of the E Modifiers cannot be more than +0.5 or less than -0.5.

### TABLE OF G SCORES

<table>
<thead>
<tr>
<th>Description</th>
<th>Score impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit function or external audit not part of annual audit</td>
<td>0.1</td>
</tr>
<tr>
<td>Independent board members; independent oversight counsel</td>
<td>0.1 to 0.2</td>
</tr>
<tr>
<td>Effective policies for board and senior management diversity</td>
<td>0.1</td>
</tr>
<tr>
<td>Effective whistle-blower policy</td>
<td>0.1</td>
</tr>
<tr>
<td>Others at the discretion of the investment committee</td>
<td>-0.5 to 0.5</td>
</tr>
</tbody>
</table>

Note: the sum of G Scores cannot be more than 1 or less than -1.

### TABLE OF S SCORES

<table>
<thead>
<tr>
<th>Description</th>
<th>Score impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job creation in socially deprived areas</td>
<td>Up to 0.5</td>
</tr>
<tr>
<td>Effective consultation mechanisms with local populations</td>
<td>0.1</td>
</tr>
<tr>
<td>Mechanism for complaints for local populations</td>
<td>0.1</td>
</tr>
<tr>
<td>Providing public amenity at low cost / subsidised cost for deprived social groups</td>
<td>Up to 0.2</td>
</tr>
<tr>
<td>Significant local opposition</td>
<td>-0.3 to -0.1</td>
</tr>
<tr>
<td>Living wage or similar policies</td>
<td>0.1</td>
</tr>
<tr>
<td>Preservation of historical or cultural elements</td>
<td>-0.4 to 0.1</td>
</tr>
<tr>
<td>Health &amp; Safety policies and procedures</td>
<td>-0.5 to 0</td>
</tr>
<tr>
<td>Others at the discretion of the investment committee</td>
<td>-0.5 to 0.5</td>
</tr>
</tbody>
</table>

Note: the sum of S Scores cannot be more than 1 or less than -1; please refer to ESG Scoring and Evidence Procedures, 11th July 2022 (SEQI fund website).
APPENDIX B:

Climate change scenarios

Business as Usual Scenario

A reference case where countries execute on the low range of commitments to reduce greenhouse gas emissions announced by mid-2017 leads to a world characterized by relatively little policy action, continued reliance on fossil fuels and resulting extensive changes in the climate due to failure to contain global temperature increases.

This scenario presents high physical risk from increased severe weather events, creating increased importance on hardening assets and managing exposure through insurance, geographic diversification and other measures. Renewables, energy storage, LNG and energy efficiency are likely to continue to grow significantly in this scenario but at more modest rates than in the other scenarios.

BUSINESS AS USUAL SCENARIO

Aligns IEA’s CPS and IPCC’s RCP 8.5

Global carbon levels increase by 30% from today’s levels

Carbon prices are relatively limited on emissions

Global electricity demand nearly doubles from today’s levels

The world is on a 2100 trajectory toward:

- Generation Mix 2040
  - Renewables: 31%
  - Fossil Fuels: 60%
  - Nuclear: 9%

- CO₂ concentrations 3-4 times higher than in pre-industrial levels by century end

- 3-6°C increase from pre-industrial levels

- Sea level rise of 0.5-1.0 meter and more heat waves and changes in rainfall patterns by 2100
Greener Scenario

Countries fully enact existing policies to achieve prior commitments and related emissions targets. These policy and target likelihoods were assessed by IEA in the 2017 WEO’s NPS and have been updated since the Nationally Determined Contributions were established for the Paris Agreement. This scenario avoids the worst impacts of climate change, but even with expanded climate initiatives, the world continues on a trajectory of more than a 2°C temperature increase, resulting in moderate climate changes.

While current and announced policies on reducing carbon dioxide emissions will help limit global temperature increases, they are not expected to achieve a 2°C target. This scenario shows increasing policy support for growing renewables capacity and enhanced infrastructure, while still preparing for changes in the climate. In this scenario there is a risk of stranded assets (e.g. hydrocarbon power generation) and regulatory change.

**GREENER SCENARIO**

Aligns IEA’s NPS and IPCC’s RCP 6.0

- Global carbon levels decrease by 14% compared to the Business as Usual Scenario
- Carbon prices implemented in select countries
- Global electricity demand is 6% lower than in Business as Usual Scenario, even as electric vehicles play an increasingly larger role
- Stabilising atmospheric CO₂ concentrations at twice those of pre-industrial levels by century end
- 2-3°C increase from pre-industrial levels
- Sea level rise of 0.32-0.63 meter

The world is on a 2100 trajectory toward:
APPENDIX B:

Climate change scenarios continued

1.5-2°C Scenario

A vision – assessed by IEA in the 2017 WEO’s SDS – of where the energy sector needs to stand in 2040 to not only stay within a 2°C temperature increase, but also to achieve related policy goals including near universal access to electricity. Under this scenario, the world has a near even chance of staying within the 2°C temperature increase, thereby mitigating extreme impacts to climate and their associated physical risks.

Experts continue to highlight that global climate policy in general is not currently on track to limit warming to a 2°C increase. In striving to achieve the 1.5-2°C Scenario, there are opportunities in energy storage, renewables, electricity grid stabilization and, ultimately, decarbonizing the energy sector. However, there is an elevated risk of stranded assets and regulatory change.

1.5-2°C SCENARIO

Aligns IEA’s SDS and IPCC’s RCP 2.6

- Global carbon levels decrease by 55% compared to the Business as Usual Scenario
- Carbon price schemes are established in all advanced economies, and emerging countries implement cap and trade schemes
- Global electricity demand is 12% lower than in the Business as Usual Scenario, due to:
  - Electrification of all emerging economies
  - Strong energy efficiency measures
  - Tripling of electric vehicle deployment compared to the Greener Scenario

The world is on a 2100 trajectory toward:

- 1.5-2°C increase from pre-industrial levels
- Sea level rise of 0.26-0.55 meter
- Generally mitigating the worst climate change impacts, but they are not completely avoided
APPENDIX C:

Changes in this Policy since the 2021 Policy

APPENDIX A: SEQUOIA’S ESG SCORING METHODOLOGY (P. 12)
Minor changes have been made to the ESG Scoring framework to reflect new infrastructure sub-sectors that the Fund is lending to. These changes were published on the Fund’s website on 11th July 2022.

OMITTED SECTIONS FOR INCLUSION IN NEW ESG REPORT
Certain sections have been omitted from this Policy ('Progress Made Towards ESG Goals' & 'Appendix C: Adverse Sustainability Impact Statement') and included in a new ESG Report.