SIMCo ESG Framework

Evidence and Procedures

31st March 2025

Negative screening

The negative screening policy aims to avoid actively or intentionally investing in certain sectors and assets that may cause significant harm to the environment and/or society.

During the first stage of the credit process post origination, the project / entity receiving financing is initially assessed for its compliance with the negative screening criteria.

The exclusion criteria apply to the primary nature and objective of the business. Incidental revenue streams associated with an asset will be considered such that any ancillary revenues arising from excluded activities should not constitute a material part of that business (i.e. more than 5% of its total revenues).

The following sub-sectors or asset types are excluded:

- Upstream 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) and downstream assets (such as refineries) as well as power generation from oil and gas are not necessarily excluded but, as with all assets, are subject to SIMCo's ESG scoring and monitoring processes.
- Thermal coal mining and directly related infrastructure, for example a dedicated thermal coal transportation asset like a railroad or wagons;
- Power generation from coal and any asset using thermal coal, but not coking coal; and
- Permanent military infrastructure for active operational forces or for military production.

Where there is any question over whether the transaction veers into any of the excluded categories, evidence should be saved to support its compliance with the negative screening criteria, such as a breakdown of the project's revenue streams.

From time to time we may fund transition projects that, in their current state, do not fulfil the negative screens but that have the aim of shifting their business away from excluded activities towards compliant ones, for instance a power plant phasing out coal in favour of cleaner energy sources. In such cases, there should be explicit documentation that cover this transition plan, such as covenants in the loan agreement, externally verified targets, or regulated public disclosures/reports.

Post acquisition, all assets are monitored for their continued compliance with the policy, which is noted on the ESG Scorecard that gets included in Investment Committee memorandums.

If over the course of a loan, a business changes in nature such that its main activity becomes one featured on our exclusion list or ancillary revenues from an excluded activity become material, SIMCo would look to engage with the company with the aim of seeking to bring it back within compliance. Where no resolution can be sought, SIMCo would look to dispose of the asset when the time and circumstances did so allow.

The Fund's percentage compliance is assessed using the number of projects throughout the year.

Thematic investing (positive screening)

SIMCo has three ESG investment themes:

- Renewable energy, such as solar, wind and geothermal generation, and directly related businesses including companies that supply renewable energy;
- Enabling the transition to a lower carbon world, such as grid stabilisation, electric vehicles, traffic congestion reduction, and the substitution of coal by gas; and
- Infrastructure with social benefits, which provides for basic human needs (such as clean water and food security) or brings a positive change by addressing social challenges and inequalities (such as healthcare, education and affordable housing) or advancing society as a whole (such as progressing telecommunications).

During the early stages of the credit process post origination, the project / entity receiving is initially assessed for whether it falls into any of the three themes.

Evidence should be saved to support any classification, such as photos of the asset or details of the nature of the company's operations.

Post acquisition, all assets are monitored to ensure the label is still applicable, which is noted on the ESG Scorecard that gets included in Investment Committee memorandums.

The percentage of the portfolio that falls within each theme is calculated on a NAV basis as at year end.

ESG scoring

Overview

An ESG scoring framework helps SIMCo to allocate capital between projects and to measure its progress over time in a quantitative way.

SIMCo'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.

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. When evaluating potential investments, we will prioritise transactions with higher ESG scores, and when considering the potential disposal of investments, we 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.

Data collection

Data can be collected through multiple sources:

- ESG questionnaires sent to new borrowers. These should be sent at the time a loan is made, and re-sent annually to monitor changes.
- Third-party due diligence materials e.g. environmental reports, biodiversity reports, etc
- In-house materials prepared by borrowers e.g. internal reports, board minutes, computer models
- Bond prospectuses
- Annual accounts
- Regulatory filings
- Site visits and meetings with management

In general, more emphasis should be placed on independent third-party reports. In general, however, internal documents should be covered by loan covenants to provide accurate and complete information.

The framework requires a high bar of evidence before adjustments to the ESG score are made in either direction, including awarding of points for any reported sustainability-related work or policies but also including assessing for the absence of any disconfirming evidence that would suggest negative credit may apply.

Timeframe of evidence

Assets are generally held for less than five years, during which period there tends not to be significant changes in company policies, plans, or the applicability of report findings. Accordingly, for most modifiers, evidence is requested from borrowers and stored on file at the time of origination and is presumed applicable unless evidence comes to light that suggests an update is required.

There are certain modifiers that get reassessed subsequent to inception due to their more dynamic and fluctuating nature. Where this is the case, this has been noted in the evidence requirements for the relevant modifiers in the table below.

SIMCo's ESG scoring methodology

The "raw" ESG score, ε, can range between -1.5 and 6.5. ε 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.

The ESG score is presented as a number from 0 to 100 by using the following formula: ESG score = 12.5(ε+1.5)

<u>Illustrative table of E Scores</u>

Sub-sector	Score
Solar, wind, hydro, geothermal Energy transition assets, such as carbon capture, utilisation and storage (other than standby generators which scores 4, and electricity generation from nuclear which score 4 since Sep '23 when the methodology was reviewed and sub-sector score for Nuclear changed from 1) Waste-to-energy (other than woodchip, which scores 4) Energy storage	5
Rail, rolling stock, light rail Water utilities, de-salination plants Biofuels Helium supply (depending on supply and use cases) EV value chain, such as charging Micro mobility District heating	4
Equipment manufacturing (other than renewable energy equipment, which scores 5) Logistics facilities Ferries Electricity distribution and transmission Electricity and gas supply businesses (other than businesses supplying exclusively renewable electricity, which score 5) TMT infrastructure Broadband and fibre to the home Data centres Student accommodation, social housing Social infrastructure, education infrastructure Healthcare assets, care homes Agricultural infrastructure (being infrastructure assets / projects predominantly involved in farming or the production, storage, transportation or extraction of materials used in or produced by farming)	3
Aircraft leasing, airports and airport services Shipping, ship leasing (other than vessels used in offshore wind, which score 3) Ports Midstream assets (other than oil pipelines and refineries, which score 1) Electricity generation (including PPAs) from gas Roads, service stations, car parking	2
Landfill (other than gas or electricity generation from pre-existing landfill sites, which score 3)	1

For businesses active in more than one sector (e.g. diversified utilities) an average score weighted by EBITDA contribution could be used where appropriate and possible.

Project phase

We invest in infrastructure that is in either in construction or is operational. The nature and significance of certain ESG issues varies depending on what phase the project is in. The ESG score is assessed based on the current stage of the project.

On occasion, some deals will have both constructional and operational components simultaneously, for instance a trainline that has certain lines up and running but meanwhile has other connections still being built. In these cases, the score will be considered using the stage in which the majority of the project sits.

The score may change in subsequent monitoring as a project shifts from construction into operation.

Entity assessed

A number of deals require different entities to be assessed when considering E, S or G.

For instance, there are cases in which the loan is being made to a special purpose vehicle, and thus the entity to which the loan is being made may not technically have any employees or management team. In these cases, whilst the environmental issues of the specific project should be considered, the most relevant entity up the chain should be used to judge the social and governance factors.

In some situations, SIMCo may look downstream. Service providers that support companies in the renewables sector, say, would receive credit through environmental modifiers relative to peers that provide services to less clean businesses.

Use of judgement in applying criteria

Inevitably, when assessing some aspects of a borrower's ESG performance, it will sometimes be necessary to apply judgement. For example, when considering whether a project is significantly or somewhat visually intrusive, determining whether a water, waste or biodiversity plan is effective, or deeming the pollution profile and recycling commitments materially better or worse than peers.

These assessments, as well as when certain modifiers are not considered material or relevant for a deal, are based on the experience, detailed knowledge of the deal, and expert judgement of SIMCo's credit team and sustainability specialist. The investment committee, however, when reviewing these items will try to ensure that, to the greatest extent possible, judgement and subjectivity are kept to a minimum, and also that the standards that are being applied being done so consistently and fairly across the portfolio. Judgments will need to be supported by evidence, data and argument, and will be subject to challenge in the investment committee, rather than being entirely a matter of personal opinion.

Investment Committee discretionary criteria

While the criteria in general are designed to be as objective as possible, the methodology includes a number of discretionary items (which can be either positive or negative) which are determined by the SIMCo Investment Committee. These are designed to capture aspects of the borrower's ESG performance not otherwise covered in the other criteria, with care being taken to avoid double counting. Examples include:

- Social (+); philanthropic and ethical initiatives firm's volunteered information about such as donations or support for local charities that were not already captured in the previous modifiers (e.g. job creation in deprived areas or providing public amenity to deprived social groups)
- Social (-); unethical source of revenue
- Environmental (+); outright commitment to internationally-recognised and detailed disclosures, net zero plans, wholesale pivot of operations to reduce emissions or reduce consumption of hydrocarbons beyond legislative requirements

ESG scoring policy

These criteria are likely to evolve over time in response to enhanced levels of disclosure and data collection, evolving priorities for the fund, and feedback from the Fund's investors. Where possible, future modifications to the ESG scoring policy will be made in a way that preserves like-for-like comparisons over time; for example, by using a scoring system which has no net effect on portfolio scores but allows increased differentiation between borrowers based upon their ESG performance.

Table of E Modifiers

Throughout these criteria, materiality is measured by reference to industry standards, taking account of a project's sector, jurisdiction, scale and technology employed. A material outperformance will be in excess of statutory or regulatory requirements and will typically be the result of conscious effort and/or investment by the borrower. A material underperformance will generally be evidenced by a repeated failure to meet statutory or regulatory requirements.

Criteria	Score range	Scoring system	Evidence required
Full environmental due diligence showing no material issues	0 to 0.1	0.1 Yes. A full environmental due diligence reports has been prepared by a reputable third party and the report shows no material issues. Issues are immaterial in this context if (a) there is no regulatory or legal obligation to cure the issue (even if the borrower intends to) or (b) there is such an obligation but the cost to the borrower is able to fund the cure out of its free cash flow. 0 No.	Copy of environmental due diligence report. The form, content and scope of the report should be consistent with international project finance syndicated loan standards. Other reports could include: Project Environmental Impact Assessment (EIA) and/or environmental scenario analysis. For public bonds, a detailed description of the due diligence reports, including conclusions, in the prospectus is acceptable evidence.
Infrastructure has indirect result of reducing pollution	0 to 0.5	0.5 Yes. The project has the result of reducing pollution. The following activities score 0.5: energy efficiency projects (e.g. low energy lighting, property insulation), electric vehicles, LPG and LNG shipping, assets used in the renewable energy sector (e.g. repair ships for offshore windfarms), grid stabilisation / energy transition. 0.25 Partial. The project is likely to result in some indirect reduction in pollution. The following activities score 0.25: mass transit (excluding airports / aviation), residential broadband 0 No. Note: the lists of activities above will be reviewed annually.	This category is driven by the nature of the business rather than evidence provided by the borrower.
Fully funded environmental remediation plan	0 to 0.5	0.5 Fully funded remediation plan. The remediation costs have been calculated, and the borrower already has funding in place to cover that, or is committed to building up a sinking fund over time to cover the remediation costs. Such contributions should be reflected in the business plan and rank at least *pari passu* with debt service obligations.	A copy of the project remediation plan (if applicable) and evidence of funding programme. The latter can consist of verified cash (or investments), currently held by the borrower in a locked account, and/or a plan for adding to that account over time which is reflected in the business plan.

		0.25 Partially funded remediation plan. The remediation costs have been calculated and the borrower intends to build up a sinking fund over time to cover the remediation costs but payments into the sinking fund are out of future profits and/or require the borrower to raise additional capital in the future. 0 The borrower does not have a remediation plan, or this is not relevant to the borrower's business, or the borrower does have a remediation plan does not have an effective strategy for funding it.	For public bonds, a detailed description of the environmental remediation plan, plus a description of how this will be funded, in the prospectus is acceptable evidence.
Effective waste management plan	0 to 0.1	0.1 Yes. A management plan is considered effective if it enables the borrower to comply with relevant industry regulations and guidelines. This includes waste / water / biodiversity management plans set by statutory or regulatory requirements. 0 No or not applicable *Note, as part of the methodology review in Sep '23, 'waste and water management plan' was decoupled to function as two separate modifiers.*	Copies / evidence of waste / water / biodiversity management plans, such as extracts from Environmental Management Systems. For biodiversity, consideration of the borrower's effect on local biodiversity, or policies to address adverse impacts as part of an overall ESG policy. A plan is deemed to be ineffective if breaches of statutory or regulatory requirements occur under it. Accordingly, the absence of such occurrences acts as evidence for plans functioning effectively.
Effective water management plan	0 to 0.1		
Effective biodiversity management plan	0 to 0.1		
Use of farmland or natural buffers; visual impact of the project	-0.2 to 0	0 No visual impact / positive visual impact. The project is in keeping with its surrounding (e.g. a property in an urban setting) or enhances them. -0.1 Some visual impact. The project is visible from some, but not all, viewpoints but is broadly in line with its surroundings (for example, a facility on an industrial park). -0.2 Significant visual impact. The project is visible from a wide range of viewpoints and is not in keeping with its surroundings.	Photographs, supporting land maps, drawings / plans and / or visualisation documents used to determine the visual impact of the project.
Project's air emission profile, relative to its peers	-0.25 to 0.25	0.25 Project is materially better than its peer group. 0 Project is in line with its peer group, or the measure is not relevant for this project, or insufficient data is available to form a judgement.	Evidence could vary case by case but could include third-party pollution assessments; substantial investment in pollution reduction strategies; use of innovative technologies to reduce pollution.
Project's water pollution, relative to its peers	-0.25 to 0.25		

		-0.25 Project is materially worse than its peer group. To be considered materially better or worse, available information will be consulted, such as those listed in the evidence requirements, for the project and their peers and a quantitative comparison made where possible or, in lieu of comparable numeric KPIs, qualitative comparisons will be made.	Where the judgement of the investment team (e.g. following a site visit) is being relied upon, the analysis and conclusions should be clearly set out.
Project's noise pollution, relative to its peers	-0.1 to 0.1	0.1 Project is materially better than its peer group. 0 Project is in line with its peer group, or the measure is not relevant for this project, or insufficient data is available to form a judgement. -0.1 Project is materially worse than its peer group. To be considered materially better or worse, available information will be consulted, such as those listed in the evidence requirements, for the project and their peers and a quantitative comparison made where possible or, in lieu of comparable numeric KPIs, qualitative comparisons will be made.	
Project's light pollution, relative to its peers	-0.1 to 0.1		
Project's contribution to climate change, relative to its peers	-0.25 to 0.25	0.25 Project is materially better than its peer group. 0 Project is in line with its peer group, or the measure is not relevant for this project, or insufficient data is available to form a judgement. -0.25 Project is materially worse than its peer group. To be considered materially better or worse, available information will be consulted, such as those listed in the evidence requirements, for the project and their peers and a quantitative comparison made where possible or, in lieu of comparable numeric KPIs, qualitative comparisons will be made.	Evidence could vary base by case but could include: carbon footprint calculations and benchmarking to its peer group; significant investment by the borrower in carbon capture technology; policies for offsetting unavoidable emissions; etc. Where the judgement of the investment team (e.g. following a site visit) is being relied upon, the analysis and conclusions should be clearly set out.
Efficient use of materials and/or commitment to recycling, relative to its peers	-0.25 to 0.25	0.25 Project is materially better than its peer group. 0 Project is in line with its peer group, or the measure is not relevant for this project, or insufficient data is available to form a judgement.	Recycling policy or similar and/or evidence of an effective strategy for the use of materials and recycling. Where the judgement of the investment team (e.g. following a site visit) is being relied upon, the

		-0.25 Project is materially worse than its peer group. To be considered materially better or worse, available information will be consulted, such as those listed in the evidence requirements, for the project and their peers and a quantitative comparison made where possible or, in lieu of comparable numeric KPIs, qualitative comparisons will be made.	analysis and conclusions should be clearly set out.
Others at the discretion of the investment committee	-0.25 to 0.25	At the discretion of this investment committee, this item is designed to capture items not covered in the criteria above.	Investment committee minutes

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

Table of G Scores

Criteria	Score range	Scoring system	Evidence required
Internal audit function	0 to 0.1	0.1 Yes. The borrower has an internal audit function. 0 No.	Internal company documents outlining the form and structure of the internal audit function. Meetings / calls with the internal auditors. For listed companies and public bonds, prospectuses, published accounts and regulatory filings are acceptable evidence.
Independent board members; independent oversight counsel	0 to 0.2	0.1 if a majority of the board is independent and/or non-executive. 0.1 for oversight in the form of independent third-party inspections, audits or assurance above the minimum required by law. 0.2 for both. 0 for neither.	Report detailing board structure and oversight. For listed companies and public bonds, prospectuses, published accounts and regulatory filings are acceptable evidence. Board composition should be reviewed periodically and assessed for the most recent period, with updates reflected if applicable.
Effective policies for board and senior management diversity	0 to 0.1	0.1 Yes. A policy is deemed to be effective if it has resulted in a diversified board and senior management team. At a minimum this means 30% female representation. 0 No. Note: If the borrower claims to have policies for diversity, but does not demonstrate diversity in practice, then its policies are assumed to be ineffective.	Copy of diversity policy. For listed companies and public bonds, prospectuses, published accounts and regulatory filings are acceptable evidence. Board and senior management composition should be reviewed periodically and assessed for the most recent period, with updates reflected if applicable.

Effective whistle-blower policy	0 to 0.1	0.1 Yes. A policy is considered effective if at least four of the following five criteria are met: (a) confidentiality maintained (as much as possible under relevant legislation) (b) protection from retaliation (c) independence from an employee's reporting line (d) employees encouraged to speak out / a culture of openness (e) clear and well communicated whistle-blowing mechanisms. 0 No.	Copy of whistle-blower policy. For listed companies and public bonds, a description of the policy is prospectuses, published accounts and regulatory filings is acceptable evidence.
Others at the discretion of the investment committee	-0.5 to 0.5	At the discretion of this investment committee, this item is designed to capture items not covered in the criteria above.	Investment committee minutes

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

Table of S Scores

Criteria	Score range	Scoring system	Evidence required
Job creation in socially deprived areas	0 to 0.5	0.5. Yes. The project operates in a socially deprived area (defined for this purpose as an area with a median household income in the lower quartile of the country it operates in) and generates at least one full time employee for each £10 million of capital deployed (debt plus equity funding). 0.25 Partial credit. The project operates in a socially deprived area (defined as above) and generates at least one full time employee for each £25 million of capital deployed (debt plus equity funding). 0 No.	For the purposes of determining whether an area fits the definition of a "socially deprived area", the latest published government statistics or other income data sources that are available at the time of investment or at the time hiring is made if the business creates jobs in new locations during the course of our loan. For job creation, the actual employment numbers of the project for the most recent available period.
Effective consultation mechanisms with local populations	0 to 0.1	0.1 Yes. The borrower needs to demonstrate a track record of effective consultation covering (1) mechanism for consultation including public meetings, virtual meetings, website, hotline, etc and (2) evidence that the management engages in these mechanisms and that they are not merely cosmetic. 0 No.	For part (1), the mechanisms, the borrower at least two of the following: evidence that public meetings have taken place; call or email log of public engagement; website forum/chatroom or similar; public disclosures by the borrower on consultation mechanisms For part (2), at least one of: log of replies to public questions or comments (beyond automated replies); board minutes showing a discussion of public concerns; modification to the borrower's plans in response to public

			consultation; public disclosures by the borrower on consultation mechanisms Note: as an alternative, and to the extent relevant, consultation mechanisms with indigenous peoples are also covered by this criterion.
Mechanism for complaints for local populations	0 to 0.1	0.1 Yes. The borrower has a mechanism for complaints for the local population. 0 No.	Copy of complaints process, or public disclosure by the borrower on complaints mechanisms.
Providing public amenity at low cost / subsidised cost for deprived social groups	0 to 0.2	0.2 Yes. The definition of deprived social groups may vary on a case-by-case basis but could include lowest-quartile household income, students, pensioners and people with disabilities. Providing a public amenity refers to the benefit to the end users of the infrastructure. 0.1 Some. There is an initiative in place but this is a small part of the business targeting a single deprived social group. 0 No or not applicable.	Policy for public amenity and / or policy for subsidised cost for deprived social groups.
Significant local opposition	-0.3 to 0	-0.3 Yes. There is a high degree of local opposition, i.e. local opinion is overall negative. -0.15 Some. There is a low to moderate degree of local opposition, i.e. local opinion is mixed but overall there is a majority in favour of the project. 0 There is no material level of local opposition.	Review of local and/or national press articles. This modifier should be reviewed periodically and assessed for the most recent period, with updates reflected if applicable. While assessments will focus on news from the most recent period, historic opposition may still amount to some or significant opposition if the effects persist into the most recent period under consideration.
Living wage or similar policies	0 to 0.1	0.1 Yes. There is a living wage policy or, in countries that do not have a living wage, there is a policy in place that operates similarly, for instance it ensures wages are above local/market averages. 0 No.	Copy of wage policy, public disclosures or third-party accreditation Credit will also be given if Living Wage policies are required under local law or regulatory frameworks. For listed companies and public bonds, prospectuses, published accounts and regulatory filings are acceptable evidence.

Preservation of historical or cultural elements	-0.4 to 0.1	0.1 Project has preserved historical or cultural elements including capital spend on preservation or improving public access. 0 Not relevant. -0.4 Project has caused harm to historical or cultural elements and/or has materially reduced public access.	Paper describing policy for the preservation of historical or cultural elements, i.e. historical or cultural mitigation and management plans and/or assessment reports.
Health & Safety policies and procedures	-0.5 to 0	-0.5 No. The project does not have Health & Safety policies and procedures. 0 Yes. The project does have adequate, evidenced Health & Safety policies and procedures. For borrowers in jurisdictions where it is a legal requirement to have a Health & Safety policy, the default assumption is that they do have one (even if not shared) unless there is evidence that it is ineffective (e.g. prosecution or litigation).	Copy of Health & Safety policies and copies of relevant certifications For listed companies and public bonds, prospectuses, published accounts and regulatory filings are acceptable evidence.
Others at the discretion of the investment committee	-0.5 to 0.5	At the discretion of this investment committee, this item is designed to capture items not covered in the criteria above.	Investment committee minutes

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