Environmental or Social Characteristics of the Financial Product

1. Summary

Bluefield Solar Income Fund Limited (the "**Company**") promotes environmental or social characteristics in line with Article 8 of the Sustainable Finance Disclosure Regulation (SFDR). The Company promotes the following environmental characteristics: climate change mitigation; reduction of reliance on fossil fuels; and facilitation of the UK's transition to a net zero economy through the provision of renewable energy infrastructure and contribution to domestic energy security. The Company achieves these environmental characteristics through investment in renewable energy assets and supporting technologies.

As part of this the Company therefore excludes investments in companies referred to in Article 12(1)(a) to (g) of Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020, being (the "**Excluded Investments**"):

a. companies involved in any activities related to controversial weapons;

b. companies involved in the cultivation and production of tobacco;

c. companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;

d. companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;

e. companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;

f. companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; and

g. companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh.

The Company owns a large, diversified portfolio of operational solar energy assets, alongside a minority exposure to other renewable energy assets and energy storage assets. The Company measures the attainment of its environmental characteristics through 3 principal KPIs: amount of renewable energy generated; CO2e emissions avoided; and equivalent number of homes powered. Automated systems are in place to obtain generation data from the assets on site and facilitate reporting.

Bluefield Partners LLP (the "**Investment Adviser**") implements the investment strategy on behalf of the Company and has developed a rigorous approach to investment selection, appraisal, and commitment. All investments are subject to a robust internal approval process, and all investments are screened to exclude Excluded Investments, prior to issuing investment decisions. The Company's Board of Directors must approve all investment recommendations (including investment and divestment). As an FCA regulated entity, the Company's Investment Adviser evidences high standards of professional conduct.

As a renewable energy infrastructure fund, the Company has an intrinsic environmental focus. The Company recognises that management of material ESG issues (both risks and opportunities) is essential to the achievement of long-term, sustainable returns. Sustainability risks are integrated into the Company's investment process through a combination of negative screening, investment screening and due diligence. A comprehensive due diligence questionnaire is used to identify material ESG risks and opportunities and identify any data gaps associated with the asset which the Company may need to fill in order to comply with its ESG reporting requirements.

The Company has identified its material ESG risks and opportunities via a materiality assessment, drawing upon internal and external stakeholder perspectives alongside a landscape review of the ESG regulatory environment. These topics form the basis from which the Company's ESG strategy has been developed, including associated ESG commitments and KPIs. The Company's Investment Adviser has implemented systems to facilitate the collection, analysis, and monitoring of ESG data to evidence performance across the portfolio.

The Company considers the Principal Adverse Impacts (PAIs) of its investment decisions on sustainability factors. The SFDR prescribes 14 PAI indicators that the Company should consider in order to measure ESG progress and performance. The Company has also selected additional indicators, including "natural species and protected areas" and "human rights", by cross-referencing priority ESG topics, identified via its materiality assessment. Relevant PAIs have been integrated into both the Company's investment due diligence process and overarching ESG strategy, and are reflected in associated commitments and KPIs.

The Company promotes environmental characteristics but does not have as its objective sustainable investment. However, the Company considers that the vast majority of its investments are environmentally sustainable under the Taxonomy Regulation (contributing to the environmental objective of Climate Change Mitigation) and qualifying as sustainable investments under the SFDR.

Alignment with the Taxonomy Regulation is considered within the investment due diligence process undertaken as part of transactions. The Company has also undertaken several activities to better align its portfolio with the Taxonomy Regulation, including climate modelling analyses and activities relating to human rights, nature and circular economy considerations. Please refer to the Company's periodic disclosure, appended to its 2024 Annual Report and Financial Accounts, for further information.

When the Taxonomy Regulation came into effect, the Company already owned a large portfolio of assets. In 2022, to assess alignment of the Company's existing portfolio with the Taxonomy Regulation, an assessment was undertaken with an external ESG consultant (the "Consultant"). Detailed questionnaires were used to screen each economic activity against the technical screening and Do No Significant Harm (DNSH) criteria. A suite of evidence was collated from the Company's Bluefield service providers, including planning documents, policies, and contracts. Scores from each part of the assessment were used to determine an overall alignment score for the portfolio at that time. A limitation of the assessment was that one asset was analysed in-depth per economic activity type. However, relevant documentation applicable to the wider portfolio was also considered, to ensure the information reviewed was as representative as possible.

The Company does not invest in fossil gas and/or nuclear energy related activities that comply with the Taxonomy Regulation. Hence, the proportion of investment in fossil gas and/or nuclear energy related activities that comply with the Taxonomy Regulation is 0%.

2. No Sustainable Investment Objective

The Company promotes environmental characteristics but does not have as its objective sustainable investment. However, the Company considers that the vast majority of its investments are environmentally sustainable under the Taxonomy Regulation (contributing to the environmental objective of Climate Change Mitigation) and qualifying as sustainable investments under the SFDR.

Consideration of adverse impact indicators

The Company takes into consideration the PAIs of its investment decisions on sustainability factors. The SFDR prescribes 14 mandatory PAI indicators that financial market participants must consider in order to measure their ESG progress and performance; these are disclosed within the Company's annual PAI statement. Additional indicators have been selected by cross-referencing priority ESG topics aligned with the Company's ESG strategy, identified through a materiality assessment. An additional two PAI indicators were identified and disclosed:

- **Lack of a human rights policy**: Share of investments in entities without a human rights policy

- **Natural species and protected areas**: Share of investments in investee companies whose operations affect threatened species; Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas.

The Company considers and discloses against the following PAI indicators:

1. GHG emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity-sensitive areas
8. Emissions to water
9. Hazardous waste and radioactive waste ratio
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
15. Natural species and protected areas
16. Lack of a human rights policy

Sustainability considerations are integrated into the Company's investment process (please refer to the Company's Article 23 disclosure and Sustainable Investment Policy for further information) and PAI indicators are included within the Company's investment ESG due diligence questionnaire. PAI indicators were also a key consideration during the development of the Company's ESG strategy and are reflected within associated commitments and KPIs, a full breakdown of which is included within the Company's 2024 Annual Report. Integration of the Company's ESG strategy into portfolio-related activities supports the monitoring of PAIs across the asset lifecycle[1].

On 28 June 2024, the Company published its second PAI statement, detailing the PAIs of its investment decisions on sustainability factors. The assessment covered the period of 1 January to 31 December 2023 and is available on the Company's website.

Consideration of social safeguards

[1] Where asset lifecycle is referred to throughout this report, it references development, investment, and operational stages of the asset lifecycle. It does not include the manufacturing or end-of-life processing of materials.

The Company recognises the importance of fair treatment of those involved in the delivery of its infrastructure projects along the supply chain and is committed to appropriate due diligence and implementation of policy and practice, to help combat modern slavery and human trafficking. The Company has zero tolerance for any form of human rights abuse, as reflected in the Company's Modern Slavery Statement, available on its website.

Human and labour rights are key priorities for the Company, particularly in relation to materials sourcing and supply chain management. Such is reflected within the Company's ESG strategy. SFDR PAI's relating to the OECD Guidelines and UN Guiding Principles are included within the Company's investment ESG due diligence questionnaire. Human rights are also considered more broadly within this, including in relation to any O&M arrangements which may form part of the investment opportunity.

The Company has adopted a Human Rights Policy and Supplier Code of Conduct, informed by the UNGC and OECD frameworks. The Company has also undertaken a review of its human rights' due diligence processes; please refer to the ESG report within the Company's 2024 Annual report for further information.

3. Environmental or Social Characteristics of the Company

The Company is an investment company focused on the acquisition and long-term management of a diversified portfolio of renewable assets in the UK. As the first solar focused investment company listed on the London Stock Exchange (LSE), the Company's mandate has since widened to include minority investment in other renewable asset types, including onshore wind and storage technologies.

The Company promotes environmental characteristics in line with Article 8 of the SFDR. The Company promotes the following environmental characteristics: climate change mitigation; reduction of reliance on fossil fuels; and facilitation of the UK's transition to a net zero economy through the provision of renewable energy infrastructure and contribution to domestic energy security. The Company achieves these environmental characteristics through investment in renewable energy assets and supporting technologies.

As part of this the Company excludes investments in Excluded Investments.

In recognition of its positive environmental contribution, the Company has attained the following accreditations:

- Guernsey Green Fund
- London Stock Exchange Group (LSEG) Green Economy Mark
- The International Stock Exchange (TISE) Sustainable

The Company recognises that the management of material ESG issues (both risks and opportunities) is essential to the achievement of long-term, sustainable returns. As such, the Company takes an informed approach to the identification, management and monitoring of ESG issues, with the intention of enhancing its positive impacts and reducing negative ones. The Company has identified its material ESG topics via a materiality assessment, drawing upon internal and external stakeholder perspectives alongside a landscape review of the ESG regulatory environment, and these form the basis from which an ESG strategy has been developed, including associated ESG commitments and KPIs.

4. Investment Strategy

Investment strategy used to meet the promoted environmental or social characteristics

The Company owns a large, diversified portfolio of operational solar energy assets, each located within the UK, with a focus on utility scale assets and portfolios on greenfield, industrial and/or commercial sites. The Company will continue to be primarily invested in long life UK solar energy infrastructure, alongside a minority exposure to other renewable energy assets and energy storage assets. The Company's portfolio is expected to generate returns over a 25 year, or greater, asset life.

The Investment Adviser implements the Company's investment strategy and has developed a rigorous approach to investment selection, appraisal, and commitment. All investments are subject to a robust internal approval process, and all investments are screened to exclude Excluded Investments, prior to issuing investment decisions. All investment recommendations provided by the Investment Adviser (including investment and divestment recommendations) are subject to review and approval by the Company's experienced Board of Directors.

The policy to assess good governance practices of investee companies

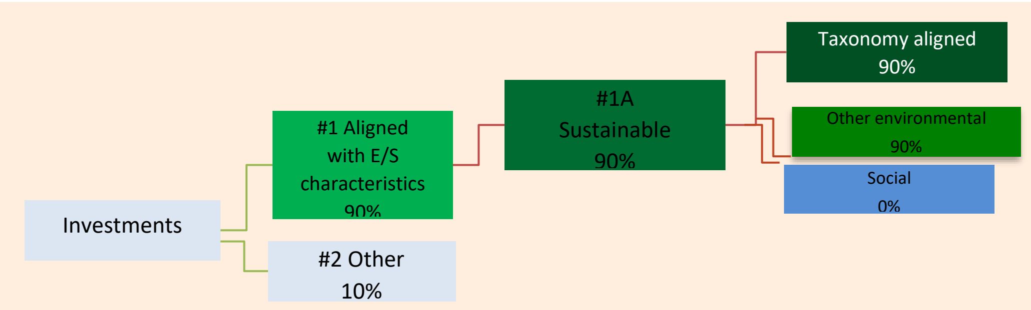
N/A. The Company invests in infrastructure assets only through Special Purpose Vehicles (SPVs) and/or holding companies.

5. Proportion of Investments

The Company is an investment company focused on the acquisition and long-term management of a diversified portfolio of renewable assets in the UK. The Company will continue to be, primarily, invested in long life UK solar energy infrastructure alongside a minority exposure to other renewable energy assets.

The Company considers that all of its investments in renewable energy infrastructure and supporting technologies support the Company's environmental characteristics of climate change mitigation, reduction of reliance on fossil fuels, and facilitation of the UK's transition to a net zero economy through the provision of renewable energy infrastructure and contribution to domestic energy.

Please see below the asset allocation of the Company:



6. Monitoring of Environmental or Social Characteristics

The Company has developed an ESG strategy based on the sustainability-related topics that are most material to its activities. As part of this, a robust set of sustainability indicators have been created, including those which measure the environmental characteristics promoted by the Company. The Company measures the attainment of its environmental characteristics through 3 principal KPIs: amount of renewable energy generated; CO_2e emissions avoided; and equivalent number of homes powered.

The Company monitors its broader ESG performance through its commitments and KPIs, which are reviewed annually. The integration of the Company's ESG strategy into portfolio-related activities enables sustainability indicators to be monitored across the asset lifecycle.

Sustainability risks are integrated into the Company's investment process through a combination of negative screening, investment screening and due diligence. A comprehensive due diligence questionnaire is used to identify material ESG risks and opportunities and identify any data gaps associated with the asset which the Company may need to fill in order to comply with its ESG reporting requirements. In addition to an exclusionary list, the questionnaire includes questions relating to material ESG risks and opportunities, developed in line with the Sustainability Accounting Standards Board (SASB) standards. The questionnaire also captures sustainability indicators derived from the SFDR framework, including in relation to PAIs and climate screening, and the Taxonomy Regulation's criteria for environmentally sustainable economic activities. The Company's Investment Adviser is a signatory to the Principles for Responsible Investment (PRI).

The Company is aware that robust data is needed to evidence its ESG performance, and it is working with its Investment Adviser to improve systems to facilitate the collection, analysis, and monitoring of ESG data across its investments.

7. Methodologies

Renewable Energy Generation

The Company measures the attainment of its environmental characteristics through the following KPIs:

- Amount of renewable energy generated.
- CO2e emissions avoided.
- Equivalent number of homes powered.

Asset management service providers have in place automated systems to obtain generation data from and facilitate reporting. 'CO2e emissions avoided' are calculated using generation data and the appropriate greenhouse gas conversion factor from the UK Government. 'Equivalent number of homes powered' is calculated using UK Office of Gas and Electricity Markets' (Ofgem) Typical Domestic Consumption Values for a medium-sized household.

Taxonomy Regulation Assessment

Alignment with the Taxonomy Regulation is considered within the investment due diligence process undertaken as part of transactions. The Company has also undertaken several activities to better align its portfolio with the Taxonomy Regulation, including climate modelling analyses and activities relating to human rights, nature and circular economy considerations. Please refer to the Company's periodic disclosure, appended to its 2024 Annual Report and Financial Accounts, for further information.

When the Taxonomy Regulation came into effect, the Company already owned a large portfolio of assets. In 2022, the Company engaged the Consultant to undertake a review to determine the existing portfolio's alignment to the Taxonomy Regulation. The assessment was conducted in four parts to follow the Taxonomy Regulation at the time:

- Assessment of the Company's economic activities eligibility under the Taxonomy Regulation.
- Review of the Company's economic activities against the technical screening criteria (TSC) to determine whether they make a substantial contribution to the environmental objectives of climate change adaptation and climate change mitigation.
- A Do No Significant Harm (DNSH) assessment was carried out to confirm that the Company's activities do no significant harm to the environmental objectives considered under the Taxonomy Regulation. It is noted that the DNSH assessment was conducted based on the specific TSC defined and specific to the economic activity.
- Review of the Company's procedures at the time to ensure minimum social safeguards, as well as compliance with the regulatory framework in which each economic activity operates.

It is noted that the Company's financial information (absolute and percentual) was also included in relation to each of the above-mentioned criteria, namely, total turnover, the proportion of their capital expenditure (CapEx) and the proportion of their operating expenditure (OpEx) related to each economy activity.

The initial stage of the project considered the Company's main business activities and economic activities. For such, detailed questionnaires were created by the Consultant to screen each economic activity against the TSC and DNSH criteria. Scores from each part of the assessment were used to determine an overall alignment score for the Company's portfolio.

The assessment was conducted in relation to the 2022 calendar year and included the following economic activities:

- Electricity generation using solar photovoltaic technology
- Electricity generation from wind power
- Installation, maintenance, and repair of renewable energy technologies

The economic activity of 'Storage of electricity' was excluded from this assessment as the only constructed battery projects within the portfolio were offline and not in use (and, if operational, would not represent a material proportion of revenues). This economic activity will therefore form part of the Company's future pipeline of work.

A representative asset of each economic activity type was selected as a 'case study' for the assessment, to allow for an in-depth analysis and asset-specific evidence to be reviewed. In addition, to ensure that the information provided was as representative as possible, relevant documentation applicable to the wider portfolio was also considered. The results of the assessment were provided as a report from the Consultant.

Principle Adverse Impact (PAI) Assessment

The SFDR prescribes 14 PAI indicators that the Company should consider in order to measure ESG progress and performance. Additional indicators have been selected by cross-referencing priority ESG topics aligned with the Company's ESG strategy.

PAI indicators are included within the Company's investment ESG due diligence questionnaire and were a key consideration during the development of the Company's ESG strategy. As a result, PAI indicators are reflected within associated commitments and KPIs (a full breakdown of which is included within the Company's 2024 Annual Accounts). Integration of the Company's ESG strategy into portfolio-related activities supports the monitoring of PAIs across the asset lifecycle.

8. Data Sources and Processing

Renewable Energy Generation

Generation data is obtained directly from the Company's portfolio of renewable assets via automated systems and is processed by the Company's key service providers. The data is centrally stored and reviewed, with weekly data quality checks and continual validation. Data is processed through a combination of automated and manual processes.

Taxonomy Regulation Assessment

Alignment with the Taxonomy Regulation is considered within the investment due diligence process undertaken on new assets, with specific provisions included within the pre-investment ESG due diligence questionnaire. Information may be obtained from sellers and/or data rooms.

Regarding the initial taxonomy assesssment in 2022, for each economic activity, evidence in the form of policies, planning documents, environmental assessment reports, management manuals, suppliers and engineering, procurement and construction (EPC) contracts, certificates, assessments and other relevant documentation were obtained from the relevant service providers that manage the Company's portfolio. Original copies of the documentation were provided for the Consultant's review, specifically addressing the TSC defined per each economic activity. The Consultant had no financial interest in the Company's Taxonomy Regulation assessment and no conflict of interest has arisen with the Consultant conducting the review.

Principle Adverse Impact (PAI) Assessment

In 2024, the Company undertook its second PAI assessment to understand the PAIs of its investments on sustainability factors, by reference to the relevant sustainability indicators set out in the RTS. The results of this assessment, covering the calendar year 2023, are available to view on the Company's website.

9. Limitations to Methodologies and Data

Taxonomy Regulation Assessment

The main limitation of the initial assessment in 2022 was that in-depth analysis per economic activity class was not conducted per activity asset. However, as described, relevant documentation applicable to the wider portfolio was considered.

Principle Adverse Impact (PAI) Assessment

PAI data is collected from the Company's service providers on a quarterly basis. Within its annual PAI statement, where data is unavailable, the Company provides detail of where estimates or assumptions were applied.

The Company has worked to strengthen the collaborative relationships that it has with its key service providers, to help improve the availability and quality of sustainability data. The Company's Investment Adviser issues a quarterly data request to key service providers to collect asset-level data, such as waste generation, biodiversity impacts and environmental incidents. Quarterly data is also collected from EPC partners, to track the PAIs of construction activities. Data is collated from a wide range of sources, including contractor service and repair reports, invoices, and other forms of internal records. Relationships between the Bluefield service provider companies support efficient data collection for a large portion of the Company's portfolio. However, data collection from external third parties remains a challenge, particularly as many providers across the industry are still developing data collection processes. As a result, in some instances, estimated data is accepted.

10. Due Diligence

The Company's approach to ESG due diligence is focused on the integration of sustainability risks into its investment process. This is achieved through the following methods (please refer to the Company's Sustainable Investment Policy for further information):

- Negative screening – with checks made against the Company's investment policy (which includes confirming no project is an Excluded project), and exclusionary list (included as part of its ESG due diligence questionnaire). Processes for ensuring compliance with social and governance safeguards continue to be embedded, in particular around respect for human rights, labour rights, anti-bribery, anti-corruption, and sanctions;

- Investment screening – the Company invests primarily in long-life UK solar energy infrastructure alongside a minority exposure of 25% of the Company's gross asset value (calculated at the time of investment) to other renewable energy assets (including non-subsidised assets) and energy storage assets.

- Due diligence – a comprehensive due diligence questionnaire has been created to identify material ESG risks and opportunities and understand any data gaps associated with the asset which the Company may need to fill in order to comply with its ESG reporting requirements. In addition to an exclusionary list, the questionnaire includes questions relating to material environmental, social and governance risks and opportunities, developed in line with SASB standards. Requirements of the SFDR, including in relation to PAIs and climate screening, and the Taxonomy Regulation's DNSH criteria, are also captured. Where required, the Company may outsource ESG due diligence to a competent third party;

- Vetting and monitoring – undertaking legal checks on key counterparties to ensure that they are reputable, particularly as regards anti-money laundering, anti-bribery and anti-corruption, and sanctions breaches. Diligence is undertaken on O&M contractors associated with target assets, including in relation to labour practices and health & safety. Integration of ESG into vetting and monitoring of third-party service providers is ongoing and a dedicated ESG due diligence process is in place in association with EPC contractors;

- Investment approval – approval of acquisition of renewable energy assets by the Board, with a dedicated ESG section within the submitted investment committee papers to enable any material risks or opportunities identified as part of ESG due diligence to be highlighted;

- Management and reporting – active management of sustainability issues over the operational lifespan of the assets through implementation of the Company's ESG strategy, with ESG performance evidenced to stakeholders via progress against publicly disclosed commitments and KPIs; and

- End of investment life – where renewable energy assets are held to the end of useful life and are decommissioned, best practice will be followed in the recycling of those assets in line with industry standards at the time of decommissioning, recognising their long-life span.

Sustainability risk factors are integrated into the Company's investment decisions and thus can influence the types of assets in which the Company may invest. In particular, sustainability risks to which the Company is exposed may, if they manifest and are not mitigated, cause a negative impact on the value of the Company's investments.

11. Engagement Policies

The Company invests in infrastructure assets, held within SPVs which have no employees. The Company's Investment Adviser monitors the ESG performance of its investments through the collection and analysis of asset and portfolio-level data.

Engagement with key service providers is the primary method for implementing sustainable business practices by the Company. To communicate its ESG expectations, the Company has adopted a suite of policies, including: a Sustainable Procurement Policy; Human Rights Policy; Waste Management Policy and Supplier Code of Conduct. The Company has been integrating policy adherence into new contracts with third-party O&Ms, asset managers and EPCs, given their role in servicing the Company's portfolio.

12. Designated Reference Benchmark

Not applicable.

13. Investment aligned with the Taxonomy Regulation in relation to fossil gas and/or nuclear energy.

The Company does not invest in fossil gas and/or nuclear energy related activities that comply with the Taxonomy Regulation. Hence, the proportion of investment in fossil gas and/or nuclear energy related activities that comply with the Taxonomy Regulation is 0%.