

## Alternative Investment Fund Managers Directive Pre-investment Disclosure Document

### Article 23 AIFMD

The regulatory regime in the European Union covering the management, administration and marketing of alternative investment funds, widely referred to as “AIFMD”, requires the alternative investment fund manager (the “**AIFM**”) of a fund such as Bluefield Solar Income Fund Limited (“**BSIF**” or the “**Company**”) to comply with an extensive set of requirements in connection with the marketing of shares in the capital of the Company in the European Union. The regime is intended to offer an appropriate level of protection to investors in investment products that do not fall under the European Union regime for regulation of certain investment products known as “UCITS”. BSIF is a Guernsey domiciled, internally managed non-EU alternative investment fund for the purposes of the AIFMD and the UK Alternative Investment Fund Managers Regulations 2013 (the “**UK AIFM Regulations**”), as the board of directors of the Company (the “**Directors**”) has overall responsibility for the Company’s activities, including its risk and portfolio management activities. BSIF itself is therefore its own AIFM for the purposes of AIFMD.

AIFMD has been implemented in the United Kingdom by a combination of HM Treasury Regulations and FCA Handbook rules and requires that, among other things, certain information is made available by the AIFM to potential investors prior to their making an investment in the Company. The required information is set out in Article 23 of the AIFMD. The UK AIFM Regulations also require the AIFM to disclose certain information on a periodic basis.

To the extent that the AIFM has determined that the requisite information is already set forth in the Company’s Annual Report and Accounts for the year ended 30 June 2020 (the “**Annual Report**”) (or in any other source document to which investors have access or which they may request), this supplement contains references to the relevant source materials; and to the extent that the AIFM has determined that the requisite information has not been provided to investors, this supplement contains additional disclosure items.

#### **1. A Description of the Investment Strategy and Objectives of the Company, Types of Assets the Company may invest in, Investment Techniques and Associated Risks and Investment Restrictions**

For information about the Company’s investment strategy and objectives, the types of assets in which the Company may invest, the investment techniques, principal risks and any investment restrictions, investors are directed to the following disclosures contained in the Company’s Annual Report 2020.

<b>Disclosure requirement</b>	<b>Heading in Annual Report</b>	<b>Page(s) in Annual Report</b>
Investment Strategy and Objectives	Investment Strategy	11
	1 Company’s Objectives and Strategy (Strategic Report )	19
	3 Investment Policy (Strategic Report)	23 - 24
Types of assets in which the Company may invest	1 Company’s Objectives and Strategy (Strategic Report )	19
	3 Investment Policy (Strategic Report)	23-24
Investment Techniques and Associated Risks	Investment Strategy	11
	7. Principal Risks and Uncertainties (Strategic Report)	27-31
Investment Restrictions	3 Investment Policy (Strategic Report)	23-24

## **2. Leverage**

The Company intends to make prudent use of leverage to finance the acquisition of investments, to make further investments and to enhance returns to investors.

Under the Company's Investment Policy there are restrictions on borrowing as follows:

The Group may make use of non-recourse finance at the SPV level to provide leverage for specific assets or portfolios provided that at the time of entering into (or acquiring) any new financing, total non-recourse financing within the portfolio will not exceed 50 per cent of the prevailing Gross Asset Value. In addition, the Group may, at holding company level, make use of both short term debt finance and long term structural debt to facilitate the acquisition of investments, but such holding company level debt (when taken together with the SPV finance noted above) will also be limited so as not to exceed 50 per cent of the Gross Asset Value.

An analysis of the current leverage used by the Company can be found on page 77 of the Annual Report in the section headed "Financing" which contains details of the Company's financing arrangements.

A summary of the debt strategy used by the Group can be found on page 12 of the Annual Report in the section headed "Debt Strategy".

The Group has incurred and may in the future incur indebtedness which will be serviced by a first call on cash flows from investments. Whilst the use of leverage may offer the opportunity for enhanced returns to the Group, and thus additional capital growth, it also adds risk to the investment.

## **3. Modification of Investment Strategy**

In accordance with the Listing Rules of the Financial Conduct Authority, any material change to the Company's published Investment Policy will require the prior approval of both the Financial Conduct Authority and the shareholders of the Company (by way of an ordinary resolution). In considering what is a material change the Company will have regard to the cumulative effect of all the changes since the Company's shareholders last had the opportunity to vote on the investment policy.

The Investment Policy is set out on pages 23 and 24 of the Annual Report.

## **4. Contractual Relationship between the Company and Investors, Applicable Law and the Enforcement of Judgments**

BSIF is a renewable energy investment company whose shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange's main market for listed securities. The Company was incorporated with limited liability under the laws of Guernsey. The constitutional document of the Company is its memorandum and articles of incorporation ("**Articles**") which may only be amended by way of a special resolution. A shareholder's liability to the Company will be limited to the amount uncalled on their shares. The Company has one class of shares in issue, namely ordinary shares, with standard rights as to voting, dividends and payment on winding-up and no special rights and obligations attaching to them. Transfers to US persons are restricted but otherwise there are no material restrictions on transfers of shares. The shares are not redeemable at the option of investors.

As the Company is incorporated under the laws of Guernsey, any disputes between an investor and the Company will be resolved by the Royal Courts of Guernsey in accordance with Guernsey law. A final and conclusive judgment, capable of execution, obtained in the Supreme Court and the Senior Courts of England and Wales (excluding the Crown Court) would be recognised and enforced by the Royal Courts of Guernsey without re-examination of the merits of that case, but would be subject to compliance with procedural and other requirements of the Judgments (Reciprocal Enforcement) (Guernsey) Law, 1957.

As the Company is incorporated under the laws of Guernsey, it may not be possible for an investor located outside that jurisdiction to effect service of process within the local jurisdiction in which that investor resides upon the Company. All or a substantial portion of the assets of the Company may be located outside of the local jurisdiction in which an investor resides and, as a result (except as explained above), it may not be possible to satisfy a judgment against the Company in such local jurisdiction or to enforce a judgment obtained in the local jurisdiction's courts against the Company.

## 5. Information on the AIFM, Depositary and Service Providers

### *AIFM*

The Company is categorised as an internally managed non-EEA AIF for the purposes of the AIFMD and the UK AIFM Regulations. The Directors are responsible for managing the business affairs of the Company and have overall responsibility for the Company's activities, including its risk and portfolio management activities. The Company has appointed Bluefield Partners LLP (the "**Investment Adviser**") as investment adviser to provide advice to the Directors to enable the Directors to make informed decisions for the Company, including but without limitation in respect of the portfolio and risk management of the Company and its investment portfolio.

BSIF makes its investments via a group structure which currently comprises BSIF and its wholly-owned UK subsidiary, Bluefield SIF Investments Limited (**Holdco** and together with the Company the "**Group**"). Holdco invests directly or indirectly in the SPVs which own the solar assets.

The Directors have delegated responsibility for day to day management of the assets comprised in BSIF's portfolio to the Investment Adviser, but all investment decisions will be taken by the Board, having regard to advice from the Investment Adviser. The Directors also have responsibility for exercising overall control and supervision of the Investment Adviser.

### *Depositary*

The Company is categorised as an internally managed non-EEA AIF and so is not subject to the AIFMD requirements relating to the appointment of depositaries.

### *Service Providers*

The Investment Adviser, the Company Secretary, the Administrator and other key service providers are detailed on page 3 of the Annual Report. A description of the duties of the Investment Adviser can be found on page 115 of the Annual Report. A description of the duties of the Administrator, the Auditor and other key service providers to the Company are contained in this Disclosure Document. All key service providers are appointed directly by the Company. Service providers are appointed following appropriate evaluation and once the Directors have ensured that the contractual arrangements with key service providers are appropriate. Investors enter into a contractual relationship with the Company when subscribing for Shares in the Company; they do not have any direct contractual relationship with, or rights of recourse to, the service providers in respect of any of such service provider's default pursuant to the terms of the agreement it has entered into with the Company.

### *Company Secretary*

Ocorian Administration (Guernsey) Limited ("**Ocorian**") acts as Company Secretary to the Company. The Company Secretary is required to provide company secretarial services including convening meetings of Directors, keeping the statutory books and records of the Company, maintaining the Company register, convening general meetings of the Company, preparing and delivering company announcements and other company secretarial duties properly or reasonably performed by the secretary of a company or as the AIFM may reasonably require.

### *Registrar*

Link Market Services (Guernsey) Limited has been appointed (the “**Registrar**”) as the Company’s registrar in relation to the transfer and settlement of Shares held in certificated and uncertificated form.

The register of Shareholders may be inspected at their office at PO Box 627, St Peter Port Guernsey, GY1 4PP, during normal business hours.

The Company has delegated certain investor record-keeping and administration duties to the Registrar, together with associated data processing tasks in respect of the Company. In line with the regulations that govern such operational outsourcing, the Company retains full responsibility for all work performed on its behalf and investors’ rights are not affected by this delegation.

#### *Brokers*

Numis Securities Limited acts as the Company’s corporate broker, providing the Company with corporate broking and associated financial advisory services.

#### *Administrator*

Ocorian also acts as Administrator to the Company. It is responsible for the safekeeping of any share and loan note certificates in respect of the Group’s investments, the implementation of the Group’s cash management policy, production of the Company’s accounts, regulatory compliance, providing support to the Board’s corporate governance process and its continuing obligations under the Listing Rules, the Disclosure Guidance and Transparency Rules, UK MAR, and for dealing with dividend payments and investor reporting. In addition, the Administrator is responsible for the day to day administration of the Company (including but not limited to the calculation, in conjunction with the Investment Adviser, of the Net Asset Value of the Company and the Ordinary Shares) and for general secretarial functions required by the Companies Law (including but not limited to the maintenance of the Company’s accounting and statutory records).

In performance of all such duties, the Administrator is at all times subject to the control and review of the Board.

#### *Auditor*

KPMG Channel Islands Limited acts as the Company’s auditor. The Auditor is responsible for auditing the annual financial statements that have been prepared by the AIFM in accordance with auditing standards and, as appropriate, regulations, and for providing its report to shareholders in the annual report and financial statements. In addition, applicable law and regulation may require other reports to be prepared for the Company and, as the appointed auditor of the Company, the Auditor will undertake such work under the auditor service agreement between the Company and the Auditor.

#### *Solicitors*

Norton Rose Fulbright LLP acts as the Company’s solicitors in respect of matters of English law. Carey Olsen acts as the Company’s solicitors in respect of matters of Guernsey law.

## **6. Protection from Professional Liability Risks**

As an internally managed non-EEA AIF, the Company is not required to comply with Article 9(7) of the AIFMD relating to professional liability risk.

## **7. Delegation Arrangements and Management of Conflicts**

### *Delegation Arrangements*

From time to time, the AIFM may delegate certain management functions to third parties. As explained above, the AIFM has delegated:

- certain risk and portfolio management activities to the Investment Adviser, subject to the Company's investment policy and the investment guidelines that are adopted by the Directors from time to time;
- the company secretarial duties of the Company to Ocorian;
- certain record keeping duties to Link Market Services (Guernsey) Limited; and
- administration of the Company to Ocorian.

#### *Conflicts of Interests*

The Investment Adviser and any of its members, directors, officers, employees, agents and connected persons, and any person or company with whom they are affiliated or by whom they are employed (**Interested Parties**) may be involved in other financial, investment or other professional activities which may cause potential conflicts of interest with the Company and its investments. Interested Parties may provide services similar to those provided to the Group to other entities and will not be liable to account for any profit earned from any such services. In particular Bluefield Services Limited, a company under common control with the Investment Adviser, provides asset management services to the Group.

The Investment Adviser and its directors, officers, employees and agents will at all times have due regard to their duties owed to members of the Group and where a conflict arises they will endeavour to ensure that it is resolved fairly. Subject to the arrangements explained above, the Company may (directly or indirectly) acquire securities from or dispose of securities to any Interested Party or any investment fund or account advised or managed by any such person. An Interested Party may provide professional services to members of the Group (provided that no Interested Party will act as auditor to the Company) or hold Shares and buy, hold and deal in any investments for their own accounts, notwithstanding that similar investments may be held by the Group (directly or indirectly).

An Interested Party may contract or enter into any financial or other transaction with any member of the Group or with any shareholder or any entity, any of whose securities are held by or for the account of the Group, or be interested in any such contract or transaction. Furthermore, any Interested Party may receive commissions to which it is contractually entitled in relation to any sale or purchase of any investments of the Group effected by it for the account of the Group, provided that in each case the terms are no less beneficial to the Group than a transaction involving a disinterested party and any commission is in line with market practice.

The Directors have noted that the Investment Adviser has other clients and have satisfied themselves that the Investment Adviser has procedures in place to address potential conflicts of interest.

### **8. Valuation Procedures**

As an internally managed non-EEA AIF, the Company is not subject to the provisions concerning valuation procedures in Article 19 of the AIFMD.

The Company's key accounting policies as well as its critical accounting judgments, estimates and assumptions are set out on pages 110 to 113 of the "Notes to the Financial Statements" in the Annual Report, and its policy in relation to the valuation of investments is described on pages 72 to 76 of the Annual Report.

The Investment Adviser is responsible for advising the Board in determining the Directors' Valuation and, when required, carrying out the fair market valuation of the Company's investments.

Valuations are carried out on a six-monthly basis as at 31 December and 30 June each year with the Company committed to conducting independent reviews as and when the Board believes it benefits the Shareholders to do so (in the period 2013-2019 two independent valuation reviews were commissioned).

As the portfolio comprises only non-market traded investments, the Investment Adviser has adopted valuation guidelines based upon the IPEV Valuation Guidelines as adopted by Invest Europe (formerly known as the European Venture Capital Association), application of which is considered consistent with the requirements of compliance with IFRS 9 and IFRS 13.

### **9. Liquidity Risk Management and Redemption Rights**

The Company is authorised as a closed-ended investment company pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Scheme Rules 2015, and redemptions of shares at the option of Shareholders are not permitted; however, the Company's Ordinary Shares are admitted to trading on the main market for listed securities of the London Stock Exchange and are freely transferable.

As an internally managed non-EEA AIF, the Company is not subject to the provisions concerning liquidity management in Article 16 of the AIFMD. In that context, as regards liquidity risk management, the discount management mechanisms which may be employed by the Company involve: (i) the ability to purchase Ordinary Shares in the market pursuant to a general authority sought from Shareholders at each annual general meeting of the Company; and (ii) the ability to make tender offers from time to time.

The exercise by the Board of the Company's powers to repurchase Ordinary Shares pursuant to the general repurchase authority or by way of a tender offer is entirely discretionary and investors should place no expectation or reliance on the Board exercising such discretion on any one or more occasions. The Board ensures that the Company maintains a level of liquidity in its assets having regard to its obligations and monitors liquidity accordingly.

## **10. Fees, Charges and Expenses**

The Investment Adviser is entitled to an annual fee which accrues daily and is calculated on a sliding scale as follows:

- 0.80 per cent. of the NAV up to and including £750 million;
- 0.75 per cent. of the NAV above £750 million and up to and including £1 billion; and 0.65 per cent. of the NAV above £1 billion.

The annual fee is payable monthly in arrears in cash, and is calculated on the prevailing NAV reported in the most recent quarterly NAV calculation as at the date of payment.

The annual fee will be borne by the members of the Group to reflect the extent to which the services provided by the Investment Adviser are provided to the relevant member of the Group. It is expected that the majority of the Investment Adviser's fees will be borne by Holdco as most of the Investment Adviser's services are and will be provided to it in respect of the Special Purpose Companies in which the Group invests.

The Company also incurs fees, charges and expenses in connection with bank fees and charges, marketing, company secretarial fees, administrative fees, auditors' fees, lawyers' fees and corporate brokers' fees. There is, however, no maximum cap on the total amount of fees, charges and expenses which may be indirectly borne by investors. There are no expenses charged directly to investors by the Company.

The Company's Ongoing Charges Percentage (which include the Investment Advisory Fee), as calculated in accordance with guidance published by the Association of Investment Companies, for the last reported financial year amounted to 1.10%.

## **11. Fair Treatment/ Preferential Treatment of Investors**

As its Ordinary Shares are admitted to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange, the Company is required to comply with, *inter alia*, the relevant provisions of the Listing Rules, the UK version of the EU Market Abuse Regulation (which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time including by the Market Abuse (Amendment) (EU Exit) Regulations 2019 (SI 2019/310)) and the Disclosure Guidance and Transparency Rules and the City Code on Takeovers, all of which operate to ensure fair treatment of investors. No investor in the Company obtains, or has obtained, preferential treatment or has the right to obtain preferential treatment.

## **12. Availability of the AIF's latest annual report**



The Company's latest annual report is available on the Company's website: [www.bluefieldsif.com](http://www.bluefieldsif.com).

### **13. Procedure and Conditions for the Issue and Sale of Shares**

The issue of new shares by the Company, either by way of a fresh issue of shares or by way of the sale of shares from treasury, is subject to the requisite shareholder authorities being in place and all FCA Listing Rule requirements having been met. Shares in the Company can also be bought in the open market through a stockbroker.

### **14. Latest NAV of the AIF**

The Company's NAV is published by way of an announcement on a regulatory information service and is also available on the Company's website: [www.bluefieldsif.com](http://www.bluefieldsif.com). As well as being available on the Company's website, its share price is also available at [www.londonstockexchange.com](http://www.londonstockexchange.com) and appears in the Financial Times and other national newspapers.

### **15. AIF's historical performance**

The Company's historical performance data, including copies of the Company's previous annual reports and accounts, are available on the Company's website: [www.bluefieldsif.com](http://www.bluefieldsif.com).

### **16. Prime Brokerage**

The Company has not appointed a prime broker.

### **17. EU Sustainable Finance Disclosures Regulation and EU Taxonomy Regulation**

Where required under the Sustainable Finance Disclosures Regulation (EU) 2019/2088 (the "SFDR") and / or the Taxonomy Regulation (EU) 2020/852 (the "TR"), additional disclosures required in accordance with the SFDR and / or the TR will be made available on the Company's website: [www.bluefieldsif.com](http://www.bluefieldsif.com).

#### *Integration of sustainability risks*

In relation to the manner in which sustainability risks are integrated into the Company's investment decisions, the Board considers sustainability risks to be environmental, social or governance ("ESG") events or conditions that could cause an actual or potential material negative impact on the value of the investment. Consequently, the Company manages such risks accordingly.

The Company recognises that management of material ESG issues (both risks and opportunities) is essential to the achievement of long-term, sustainable returns. As such, the Company is taking an informed approach to the identification, management and monitoring of ESG issues, with the intention of enhancing its positive impacts and reducing negative ones. To achieve this, the Company has invested in a materiality assessment, undertaken by an independent ESG specialist. Through stakeholder engagement, the materiality assessment will identify a prioritised list of material ESG topics, which will be considered by the Board and used to guide next steps in refining the Company's ESG strategy.

Sustainability risks are integrated into the Company's investment process through the following methods:

- negative screening – with checks made against the Company's investment policy and restrictions. Integration of processes for ensuring compliance with social and governance safeguards is in progress, 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 – assessment of key sustainability risks and opportunities, including the potential of target solar photovoltaic (“PV”) sites to generate renewable energy, matters relating to health and safety, and the identification of opportunities to engage in community benefit schemes. Environmental checks will also be carried out – for operational assets, these involve checking whether a Landscape and Ecological Management Plan (“LEMP”) is in place and identifying any major areas of non-compliance, while for development assets, these would involve the engagement of planning consultants;
- vetting and monitoring – undertaking legal checks on third party service providers to ensure that they are reputable, particularly as regards anti-money laundering, anti-bribery and anti-corruption, and sanctions breaches. Integration of ESG into vetting and monitoring of third party service providers is in progress and in 2021 a comprehensive ESG due diligence process was created in association with engineering, procurement and construction (“EPC”) site contractors;
- investment approval – approval of acquisition of solar PV sites by the Board, with due diligence findings and reference to the Principles of Responsible Investment included in the submitted investment committee papers;
- management and reporting – active management of sustainability issues, including implementation of social and environmental initiatives, and reporting on greenhouse gas emissions and other ESG key metrics to stakeholders; and
- end of investment life – where solar PV 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 being 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.

#### *Promotion of environmental and social characteristics*

With the information available to date, the Board considers that the Company promotes environmental or social characteristics in accordance with Article 8 of the SFDR. The Company is committed to creating an informed ESG strategy based on the outputs of its materiality assessment. As part of this, ESG objectives will be tracked through the creation of ESG key performance indicators.

The Company acknowledges that assets held within its portfolio have the potential to impact people and the environment, which means that there is a responsibility for the Company and its service providers to act with care, consideration and integrity. The Company discharges these responsibilities through its governance structure in order to mitigate risks and to create a positive impact beyond commercial objectives.

ESG considerations are important to the Company given its intrinsic environmental focus, with ESG initiatives in place across the portfolio, including environmental (e.g. CO<sub>2</sub> savings and biodiversity) and social (e.g. community benefit schemes and health and safety) activities. For new build assets, a detailed ESG due diligence process has been developed to enhance the Company’s understanding of the ESG credentials of its EPC contractors. The Company also takes a rigorous approach to governance and ensures that it operates in accordance with local and national laws and regulations relevant to the jurisdictions in which it operates. The Company has been a member of the Association of Investment Companies since July 2013.

ESG activities are also undertaken by the Investment Adviser and Bluefield subsidiaries, which work on the Company’s portfolio. Examples include creation of a diversity and inclusion strategy (in progress), health and safety management, and corporate social responsibility activities such as charity events / donations. In addition, the Investment Adviser is a signatory to the United Nations Environmental Programme’s Principles for Responsible Investment.

The Company is committed to reducing reliance on fossil fuels and facilitating the UK transition to renewable and sustainable methods of energy generation. Decarbonisation of the power sector in the UK has made significant progress in the last ten years. The rise of renewable energy generation, like solar, has played a



major role in this process. Since its inception, the Company has saved over 850,000 tonnes of CO<sub>2</sub> from being released into the atmosphere. During the period between 1 July 2019 to 30 June 2020, the Company;

- generated over 495,000,000 kWh of renewable energy;
- achieved over 125,000 tonnes of CO<sub>2</sub> savings; and
- powered over 170,000 homes with renewable energy.

The positive environmental impact of the Company has been recognised and in 2019 the Company was awarded the LSE Green Economy Mark and achieved Guernsey Green Fund status.

No index has been designated as a reference benchmark.

### **18. Periodic Disclosures**

The AIFM will, at least as often as the annual report and accounts are made available to shareholders, make the following information available to shareholders:

- any changes to: (i) the maximum level of leverage that the AIFM may employ on behalf of the Company and; (ii) any right of reuse of collateral or any guarantee granted under any leveraging arrangement;
- the total amount of leverage employed by the Company;
- the percentage of the Company's investments which are subject to special arrangements resulting from their illiquid nature;
- the current risk profile of the Company outlining: (i) measures to assess the sensitivity of the Company to the most relevant risks to which the Company is or could be exposed; and (ii) if risk limits set by the AIFM have been or are likely to be exceeded and where these risk limits have been exceeded, a description of the circumstances and, the remedial measures taken; and
- the risk management systems employed by the AIFM outlining the main features of the risk management systems employed by the AIFM to manage the risks to which the Company is or may be exposed. In the case of a change, information relating to the change and its anticipated impact on the Company and the shareholders will be made available.

The AIFM will inform shareholders as soon as practicable after making any material changes to its liquidity management system and procedures.

The information described above will be provided to shareholders by way of a regulatory news service announcement on the London Stock Exchange.