Bluefield Solar Income Fund

Sustainable Investment Policy

1. Introduction

Bluefield Solar Income Fund (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 recognises the importance of considering environmental, social and governance (ESG) risks and opportunities as part of its investment approach. As an investment company with a long-term horizon, the Company is well positioned to integrate ESG considerations and evaluate environmental and social impacts over time. This policy describes how ESG considerations are integrated into the investment process and operational management of the Company's portfolio.

2. Responsibilities

The Board of the Company has ultimate responsibility for and oversight of ESG risks and opportunities, and recognises the role of ESG and sustainability in driving long-term investment value. The Board's role is to ensure the long-term success of the Company by setting the strategy through which value can be created or preserved for the benefit of shareholders, whilst also generating positive impact for the Company's wider stakeholders. The Board delegates certain ESG-related oversight matters to its principal Committees and representatives.

An ESG Committee was established in 2022, comprised of all the Company Board members. The Board delegates certain ESG oversight matters to the ESG Committee, the chair of which formally reports to the Board on its proceedings after each meeting. Representatives of the Investment Adviser, including the Group ESG Manager, participate as attendees. The principal function of the Committee is to provide a forum for mutual discussion, support, and challenge to the Investment Adviser with respect to ESG, including with respect to the policies adopted by the Company, in respect to investment and divestment, and by the Investment Adviser with respect to asset management activities and their reporting on ESG matters to the Committee and Board. Details of the ESG Committee's activities throughout the year are included within the Annual Report.

Day-to-day management of ESG risks and opportunities is the responsibility of the Investment Adviser, who is responsible for managing the portfolio, fundraising, and investment strategy and implementation. ESG is considered as part of these activities. The Group ESG Manager, part of the Investment Adviser, is responsible for driving ESG matters across key stakeholders and business areas. ESG matters are routinely communicated through Board reports on a quarterly basis and the Group ESG Manager also has ad-hoc meetings with the Board as required.

3. ESG Framework

Through its production of renewable energy, the Company aims to support the UK's Net Zero Carbon Ambition by helping to mitigate climate change, whilst at the same time contributing to domestic energy security. In line with its purpose of 'Renewable Energy, Delivered Responsibly', the Company aims to drive shareholder value whilst promoting positive environmental and social impacts.

To deliver a best-in-class approach to integrating environmental, social and governance issues, the Company has developed an informed ESG strategy, centred around three pillars:

- Climate Change Mitigation;
- Pioneering Positive Local Impact; and
- Generating Energy Responsibly.

These pillars, which align with the UN Sustainable Development Goals ("SDGs"), reflect the Company's priority focus areas (as identified via a materiality mapping process), regulatory requirements and ESG reporting frameworks (e.g., the Sustainability Accounting Standards Board (SASB) standards). They underpin what will become the Company's biggest value and impact drivers.

4. Integration of ESG into the Investment process

Negative Screening

Checks are made against the Company's investment policy and exclusionary list (included as part of its ESG due diligence questionnaire).

Investment Screening

In line with its investment policy, the Company primarily invests in solar energy infrastructure, alongside a minority exposure to other renewable energy assets, including energy storage.

Due Diligence

An ESG questionnaire is used to identify material ESG risks and opportunities, which have been identified in line with SASB standards and the Sustainable Finance Disclosure Regulation (SFDR). In relation to target assets, due diligence topics include but are not limited to:

Topic	*Topic summary*
Greenhouse gas (GHG) emissions	To assess management of direct (Scope 1) greenhouse gas emissions, including that from fuel consumption at stationary and non-stationary sources, exposure to regulation

	associated with carbon emissions, and measures to mitigate emissions.
Water use	To assess management of water resources, water availability, access, and scarcity; water efficiency, intensity, and recycling.
Hazardous materials	To assess management and use of hazardous materials.
Ecological impacts	To assess impacts on ecosystems and biodiversity including (but not limited to) land use, ecosystem service benefits, biodiversity loss and habitat destruction, and deforestation.
Community relations	To assess community relations which may affect decision-making, transparency, and justice. This could also include any community aspects required under planning, partnerships with local schools and community programmes which have an impact on the wider community.

In relation to associated O&M services, which may form part of an acquisition, due diligence topics include but are not limited to:

Topic	*Topic summary*
Human rights including labour welfare	To identify the existing O&M contractor's ability to uphold commonly accepted labour standards in the workplace, including compliance with labour laws, internationally accepted norms and standards.
Data security	To identify risks related to the existing O&M contractor's management of sensitive, confidential, and/or proprietary data.
Business ethics	To identify risks and opportunities surrounding ethical conduct of business, including fraud, corruption, bribery and facilitation payments, fiduciary responsibilities, and other illegal behaviour that may have an ethical component.
Health and safety	To ascertain the existing O&M contractor's ability to maintain a safe and healthy workplace environment.

Due diligence is undertaken in relation to the requirements of the SFDR. Screening against the SFDR's 'Principal Adverse Impact' (PAI) indicators, including the 14 mandatory indicators and the Company's chosen optional indicators, helps identify data gaps associated with the asset which may need to be filled in order to comply with ESG reporting requirements.

Each asset is also assessed against the SFDR's 'Do No Significant Harm' (DNSH) criteria and the Taxonomy's minimum social safeguards (with relation to bribery and human rights issues), to identify if the target presents any evidence to cause significant harm to the six environmental objectives laid out within the EU Taxonomy criteria. Finally, due diligence in relation to climate risk is undertaken in line with the Taskforce on Climate-related Financial Disclosures (TCFD) guidance, to help the Company understand potential climate-related risks and how to best manage these should the asset be acquired.

Where required, the Investment Adviser may outsource ESG due diligence to a competent third party.

Vetting and Monitoring

Legal checks are undertaken on key counterparties to ensure that they are reputable, particularly as regards anti-money laundering, anti-bribery and anti-corruption, and sanctions breaches.

ESG continues to be integrated into the vetting and monitoring of third-party service providers including use of an ESG due diligence process in association with engineering, procurement, and construction ("EPC") site contractors.

Investment Approval

As a self-managed fund, all acquisitions must be approved by the Company Board. Following pre-investment due diligence, the Investment Adviser submits an investment committee paper to the Board, which includes a dedicated ESG section describing any material risks or opportunities identified.

Management and Reporting

Post-acquisition, there is active management of sustainability issues over the operational lifetime of the assets. Each asset will be subject to routine ESG data reporting (including the SFDR's PAI indicators and the Company's wider ESG KPIs) to allow the remote monitoring of ESG performance and fulfilment of ESG reporting requirements. Depending on the reporting requirement, ESG data may be collected on an annual or quarterly basis. The Company will first report against its KPIs in 2023 and they will be reviewed annually, to ensure they remain aligned to the evolving ESG landscape.

Collaboration between the Bluefield service providers, including between development, investment, asset management and O&M teams, aids the integration of the Company's ESG strategy into portfolio related activities. Robust data will be needed to evidence ESG performance, and the Investment Adviser is working to implement systems to facilitate the collection, analysis, and monitoring of ESG data across the Company's portfolio. Over time, such data collection will allow evaluation of trends and performance comparisons between different assets, to help inform management activities and future acquisition choices.

As at 29 June 2023

To communicate its ESG expectations and to support delivery of its ESG strategy, the Company will adopt a suite of policies at SPV level, including a Sustainable Procurement Policy, a Waste Management Policy, and a Supplier Code of Conduct. Commitments within these policies will be enacted through the activities of the Company's delivery partners, including suppliers and contractors, helping drive ethical practices across the Company's operations and supply chain.

End of Investment Life

In line with its long-term investment strategy, once an asset is operational, the Company will typically manage that asset across its entire investment life. In this sense, the Company is well positioned to formally integrate ESG considerations and evaluate its environmental and social impact over time.

End of life considerations refers to the processes undertaken once assets are withdrawn from operation, including how the materials are repaired, recycled, reused, or disposed of. These processes are difficult to define given the long lifespan of renewable technology, which is often 25+ years, and the uncertainty around what recycling practices will look like in several decades time, or how technology may develop to facilitate this. Best practice will be followed in the recycling of assets in line with industry standards at the time of decommissioning.

5. ESG frameworks & Regulation

The following frameworks were referred to when identifying material ESG aspects and developing the Company's ESG strategy:

- Sustainability Accounting Standards Board (SASB)
- UN Sustainable Development Goals (UN SDGs)
- Recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD)
- EU Sustainable Finance Disclosure Regulation (SFDR)
- EU Taxonomy for Sustainable Activities

In addition, the Investment Adviser has been a signatory to the Principles for Responsible Investment (PRI) since 2019 and continues to enhance its approach to the integration of ESG into investment practice. Such is reflected in the Company's enhanced consideration of ESG within the investment process, including creation and use of a standalone ESG questionnaire and outsourcing ESG due diligence to a competent third party.

Integration of Sustainability Risks into Remuneration Policy

In line with its investment objective, the Company's strategy is to deliver attractive returns through investment in renewable energy infrastructure, primarily solar PV assets. In addition, as per the Company's Sustainable Investment policy, sustainability risks and opportunities are considered as part of the investment process. It is the Board's responsibility to ensure successful oversight and delivery of the Company's investment strategy, which is intrinsically environmentally focused and requires the integration of sustainability risks at each stage of the investment process.

The Board is subject to a fixed remuneration package, which is publicly available within the Company's Annual Accounts.

Adopted by the BSIF Board 29 June 2023

Last updated: 29 June 2023