SEEIT

SDCL Energy Efficiency Income Trust plc

Annual Report and Audited Financial Statements

For the year ended 31 March 2021

Contents

1. Highlights and Overview

1.1 Summary of the year to 31 March 2021

- **Portfolio Valuation**[1] of £553 million at 31 March 2021, up from £320 million at 31 March 2020
- **Investment at fair value** on balance sheet of £573 million at 31 March 2021, up from £254 million 31 March 2020
- **Market Capitalisation** of £758 million at 31 March 2021, up from £296 million at 31 March 2020 and a total shareholder return[1] 30.0% since IPO to 22 June 2021
- **Investment of** approximately £255 million in 7 investments during the year and a further £136 million after the year end
- **Cash**[1] of £126 million at 31 March 2021 available for investments and the fourth interim dividend payable in June 2021
- **Capital raised** of £375 million during the financial year from three well-supported equity issues, with proceeds deployed into investments from the Company's pipeline
- **Carbon Savings** of 654,205 tCO2 (2020: 156,000[3] tCO2) from Company's portfolio, which also produced 895,212 MWh of electricity (2020: 113,000[3] MWh)

[1] In this Annual Report, there are a number of references to financial Alternative Performance Measures. For further details on these, please see the Glossary of financial Alternative Performance Measures ("APM")

[2] The target dividend stated above is based on a projection by the Investment Manager and should not be treated as a profit forecast for the Company

[3] Per SEEIT's ESG Report, October 2020

Net Asset Value ("NAV") per share[1] of 102.5p as at 31 March 2021, up from 101.0p as at 31 March 2020 and a total return on a NAV basis[1] in the year of 8.0%

Earnings per share[1] of 7.0p for year to 31 March 2021 (March 2020: 5.2p)

Profit Before Tax of £32.4 million for year to 31 March 2021, up from £11.6 million for the prior year to 31 March 2020

Aggregate dividends of 5.5p per share declared relating to the year ended 31 March 2021, in line with target

Target dividend[2] of 5.62p per share for year to March 2022, a 2.2% increase from 31 March 2021

1.2 Chair's Statement

On behalf of the Board, I am pleased to present the annual report and financial statements (the "Annual Report") for the SDCL Energy Efficiency Income Trust ("SEEIT" or "the Company") for the year ended 31 March 2021.

Twelve months ago, no-one could have foreseen the effect that the COVID-19 pandemic would have on the world, its human impact and the repercussions for the global economy. Despite this and other challenges that it brought about, the performance of the Company's underlying investment portfolio of energy efficiency infrastructure assets remained resilient, achieving growth in NAV, and was supported by Sustainable Development Capital LLP's ("SDCL" or the "Investment Manager") strong focus on asset management and asset enhancements.

During the past year, the Company has successfully invested approximately £255 million in new investments and a further £136 million after the year end, via SEEIT Holdco Limited ("Holdco"), the Company's single subsidiary and main investment vehicle for the group. This enabled us to deploy the £375 million of equity raised from three equity issuances in the year, all of which were very well supported by existing and new shareholders. This has allowed the Investment Manager to diversify the portfolio into key new markets such as district energy, electric vehicle ("EV") charging, green gas, solar and storage. We made our first investments in Sweden and Singapore, as well as further new investments in the UK and US.

The Board is pleased with the financial and operational performance of the Company during the year and the role that it is playing in climate change mitigation and delivering net zero targets. The Company now has a large portfolio of energy efficiency infrastructure assets that offers investors a diverse exposure to this growing sector.

Further information on the Investment Manager's activities is included in the Investment Manager's Report in Section 2.4.

Financial performance

Profit before tax for the year ended 31 March 2021 was £32.4 million (March 2020: £11.6 million) and earnings per share were 7.0p (March 2020: 5.2p). The Company's net asset value ("NAV")[4] at 31 March 2021 was £693.8 million (March 2020: £323.5 million) and NAV per share was 102.5p (March 2020: 101.0p).

The Company's investment portfolio ("Portfolio Valuation") was valued at £552.7 million at 31 March 2021, up from the Portfolio Valuation of £319.0 million at 30 September 2020 and £319.8 million at 31 March 2020, predominantly as a result of investments made in the second half of the year.

The Company's Ongoing Charges ratio[4] reduced to 1.13% (2020: 1.17%), reflecting the increased size of the Company's investment portfolio. Further detail on the Company's financial performance and the alternative performance measures of Portfolio Valuation and Ongoing Charges can be found in Section 3.1 Financial Review.

Investment cash inflow from the portfolio during the year ended 31 March 2021 was £42.1 million (2020: £17.1 million) on a Portfolio Basis[4] (see Section 3.1 for details), delivering 1.2x cash cover for dividends paid during the year.

Total return on a NAV per share basis for the year was 8.0%, comprising an increase in NAV from 101.0p at 31 March 2020 to 102.5p and total dividends paid during the year totalling 6.625p.

The Company's currency hedging strategy has been successful in limiting the impact on the NAV arising from material movements in foreign exchange rates. Further details on the Company's hedging strategy can be found in Section 3.1 Financial Review.

Dividends

In line with previous guidance, on 28 May 2021, the Company announced its fourth interim dividend for the year ended 31 March 2021 of 1.375p per share, providing an aggregate dividend of 5.5p per share declared for the year ended 31 March 2021. The Company paid a total of £30.4 million in dividends during the financial year which included the second semi-annual interim dividend for the year ended 31 March

[4] In this Annual Report, there are a number of references to financial Alternative Performance Measures. For further details on these, please see the Glossary of financial Alternative Performance Measures ("APM")

2020 and three quarterly interim dividends for the year ended 31 March 2021, the Company having transitioned from semi-annual to quarterly dividends from 1 April 2020.

After the Board and the Investment Manager reviewed the projected investment cash flows from the current portfolio, the Company announced in March 2021 new dividend guidance of 5.62p per share for the year to March 2022 (an increase of 2.2% p.a.) and progressive dividend growth thereafter. The Company intends to continue to pay interim dividends on a quarterly basis through four broadly equal instalments (in pence per share).

Investment activity

The Company's target geographies remain the UK, USA and Europe plus other countries where the Company can invest on a risk-adjusted basis to receive returns that support the Company's objective. During the year, new investments were made in the UK, US, Sweden and Singapore and, after period end, further investments were sourced in the US, Vietnam (via an existing Singapore investment vehicle) and the Republic of Ireland. Details of these new investments are provided in Section 2.4 Investment Manager's Report.

The Company has carefully targeted key markets as it continues to build its portfolio, that include district energy, EV charging, green gas, solar and storage. The weighted average number of contract years remaining across the portfolio increased from 11.3 at 31 March 2020 to 13.4 as at 31 March 2021 as a result of the longer-term horizon of investments made during the year. The Company invested a total of £255 million during the financial year and a further £136 million after the financial year.

The Company has entered into new, exclusive framework agreements during the year that demonstrate its ability to unlock pipelines of further investment opportunities from existing investments and relationships. These include an agreement with BasePower for a right to invest an expected £10 million per annum for the next five years in onsite energy projects in the UK and a second agreement of up to US$20 million, expected to be deployed over the next 12 months, in energy efficiency measures developed by SparkFund in the USA.

In August 2020 the Company conditionally committed up to £50 million to fund the construction of ultra-fast EV charging stations, with an initial agreement with a charge point operator signed in September 2020. In March 2021 an agreement was signed with bp pulse, the UK's largest operator of public EV charging points, and an agreement with another major charge point operator is also well advanced. The first sites are planned to commence construction shortly and are expected to be operational later in 2021, when they will earn revenues under long-term fixed price contracts.

The Board is pleased with the timely deployment of capital into these new investments during the year that are consistent with the Company's targeted technologies and geographic markets and demonstrate the Investment Manager's ability to source and secure attractive investments that meet the Company's investment strategy and objectives.

Funding

In June 2020, the Company published a new prospectus and a 12-month placing programme was put in place. The Company has utilised the share issuance programme three times since publishing the prospectus, raising a total of £375 million.

The equity raises in June 2020 (£105 million), October 2020 (£110 million) and February 2021 (£160 million) were strongly supported by existing shareholders and the Board was pleased to welcome a significant number of new shareholders. The Board would like to thank all these shareholders for their support.

To maintain capital efficiency and support the current pipeline, the Investment Manager has increased the revolving credit facility ("RCF") at the level of Holdco, to £115 million in June 2021 and anticipates a further increase in the near term.

Portfolio and COVID-19 update

The Company's portfolio performance was resilient during the year, with limited financial impact from the effects of the COVID-19 pandemic. All the operational assets in the portfolio continued to operate despite the COVID-19 pandemic, on account of providing key services to essential industries. Overall, to date, the pandemic has not had a material impact on the financial performance of the investment portfolio. The Investment Manager continues to monitor for any new impacts resulting from the consequences of the COVID-19 pandemic and associated governments' policies and restrictions.

Asset specific impacts of the COVID-19 pandemic included temporary interruption in the ability to supply and install solar PV equipment in the Onyx portfolio (since resolved), delay in the commissioning phase in the Huntsman Energy Centre construction project (on-going, but expected to be resolved during the year ending 31 March 2022), and loss of revenue due to idling of a blast furnace at Primary Energy (since resolved).

Sustainable future

The Company invests exclusively in projects which contribute to a greener future. The Company is dedicated to accelerating the transition to a net zero carbon economy and delivering long-term value for shareholders and society as a whole.

During the year, SEEIT published its first ESG report, with a second report due later this year. The marketplace in which the Company is investing is receiving increasing levels of interest from policymakers and financial markets. Governments and companies in all the Company's existing and target markets increased carbon reduction commitments and therefore the demand for further cost-effective and low carbon energy solutions.

During the year, the Company's portfolio achieved carbon savings of 654,205 $tCO2$ (2020: 156,000 $tCO2$) and produced 895,212 MWh of electricity (2020: 113,000 MWh). See Section 2.5 Sustainability Update for further details, including the Company and its group's contribution to the UN Sustainable Development Goals.

Board and Governance

In October 2020, the Board appointed Emma Griffin as a fourth independent non-executive Director of the Company. Emma brings a wealth of experience from existing positions on the boards of both UK FTSE100 and North American companies.

The Company seeks to maintain an open and constructive dialogue with its shareholders, primarily via meetings with the Investment Manager at regular intervals throughout the year. As part of good governance, the Chair held a series of shareholder meetings (via video due to lockdown restrictions) in 2020 to gain feedback directly from shareholders.

The Company is a member of the Association of Investment Companies ("AIC") and has chosen to comply with the latest AIC code on corporate governance during the year. The Company held an Annual General Meeting ("AGM") on 31 July 2020. 11 Resolutions were put forward to be voted on with all resolutions tabled being approved. In line with corporate governance best practice, the existing Directors offered themselves for re-election at the AGM and were duly re-elected.

The 2021 AGM is expected to be held in Q3 2021 and, based on current government guidance, this will likely take the form of the minimum attendance necessary to conduct the business of the meeting. The notice for the AGM is expected to be published in July.

With the development of the energy efficiency sector, the Board and Investment Manager have been considering some possible amendments to the current Investment Policy. The Investment Manager will consult on these in upcoming shareholder meetings, and if feedback is positive, we will bring forward some small amendments for shareholder approval at the forthcoming AGM following approval by the Financial Conduct Authority ("FCA").

Key risks

The Board, its Audit & Risk Committee and the Investment Manager monitor the risks that the Company and its investment portfolio may face on an ongoing basis. Where relevant, mitigants against these risks are put in place in line with the Company's risk appetite and then adjusted over time as necessary.

The key risks to the Company have not changed from the prior year and thus continue to be:

- Credit and Counterparty – risks relating to default by counterparties of energy service contracts:
- Operational – risk of interruption to operations and/or construction resulting in loss of expected revenue and ultimately a reduction in value of investments; and
- Global macroeconomic factors – rises in corporation tax, interest rates and inflation which, if not mitigated, may result in a reduction in value of investments.

The Board monitors the key credit risks arising within the portfolio which relate to applicable counterparties, for which they receive regular updates from the Investment Manager. There were no significant matters to address in this regard during the financial year and there were no major defaults by the Company's project counterparties.

Global macroeconomic factors have not had a material impact on the Company during the financial year, despite the uncertainty brought about by COVID-19. Interest rates, inflation rates and corporation taxes have either remained broadly within the Company's projections or mitigation mechanisms were applied, although the likelihood of such factors impacting the Company is now much higher than previously.

The Company also has relatively limited exposure to re-contracting risk. The substantial majority of projects in its portfolio are contracted for the medium to long-term, however, the Company's investment in the five projects involved in Primary Energy does assume that some re-contracting is achieved. The risk is mitigated by the fact that Primary Energy has a good track record of re-contracting, given inter alia that it is providing a combination of emissions control and renewable energy, providing essential services to the operations of the project clients and at a competitive price compared to the grid. This was again proven when the contract for the Ironside project was extended by a further ten years during 2020.

The Investment Manager continues to track the evolution and value of the EU Emissions Trading Scheme ("EU ETS") and carbon markets, which can generate at least short-term costs to some projects, for example Oliva Spanish Cogeneration, which pays EU ETS in respect of cogeneration and receives compensation given its environmental attributes later via the regulatory mechanisms. Certain projects in SEEIT's portfolio should also benefit directly from higher carbon pricing where projects result in greater avoided costs and reduced greenhouse gas emissions for the end user, for example the generation of renewable energy certificates ("RECs") by Primary Energy in the US.

Further information is provided in Section 2.4 Investment Manager's Report and Section 3.3 Risk and Risk Management.

Pipeline and Outlook

Despite the diversification across SEEIT's portfolio, it is bound together by the fact that its investments seek to deliver cost-effective, low carbon and reliable energy solutions to end users in the built environment, in industry and in transport. The projects involve the supply and distribution of energy or helping to manage or reduce the demand for energy at the point of use.

The Investment Manager believes that a range of technologies will be required to achieve carbon emission reductions over time and that it is therefore important to maintain flexibility in terms of which technologies to employ to address client needs and to secure required returns on investment. The Investment Manager will continue to seek to build a diversified portfolio for the Company and, particularly, to further diversify in terms of technologies that are compatible with a pathway towards decarbonisation. Beyond combined heat and power, solar, storage and district energy, the Investment Manager is evaluating investments in heat pumps, micro grids, cooling, low carbon fuel for transport (including green gases as well as well as electricity) and hydrogen.

An important feature of SEEIT's portfolio is the rights to invest in additional pipeline opportunities from a number of its existing project investments, often at pre-agreed rates of return. This has created an organic source of investment opportunities which the Investment Manager has a high degree of familiarity with to complement the pipeline of potential new portfolio investments identified through long-standing relationships with developers, financial intermediaries and counterparties. The Investment Manager remains highly selective and focused on where it can add value and to acquire opportunities via privately negotiated transactions where possible.

I would like to thank shareholders for their continued support of the Company as we look to continue delivering upon our objectives and making further investments as suitable opportunities arise.

Tony Roper
Chair

24 June 2021

2. Strategic Report: The Company

Up to 66% of energy lost
by the time it reaches the end user

2.1 The Role of Efficiency in the Energy Market

The growing global energy market is worth trillions of dollars, but remains highly inefficient, as users may only require a third of the energy generated.

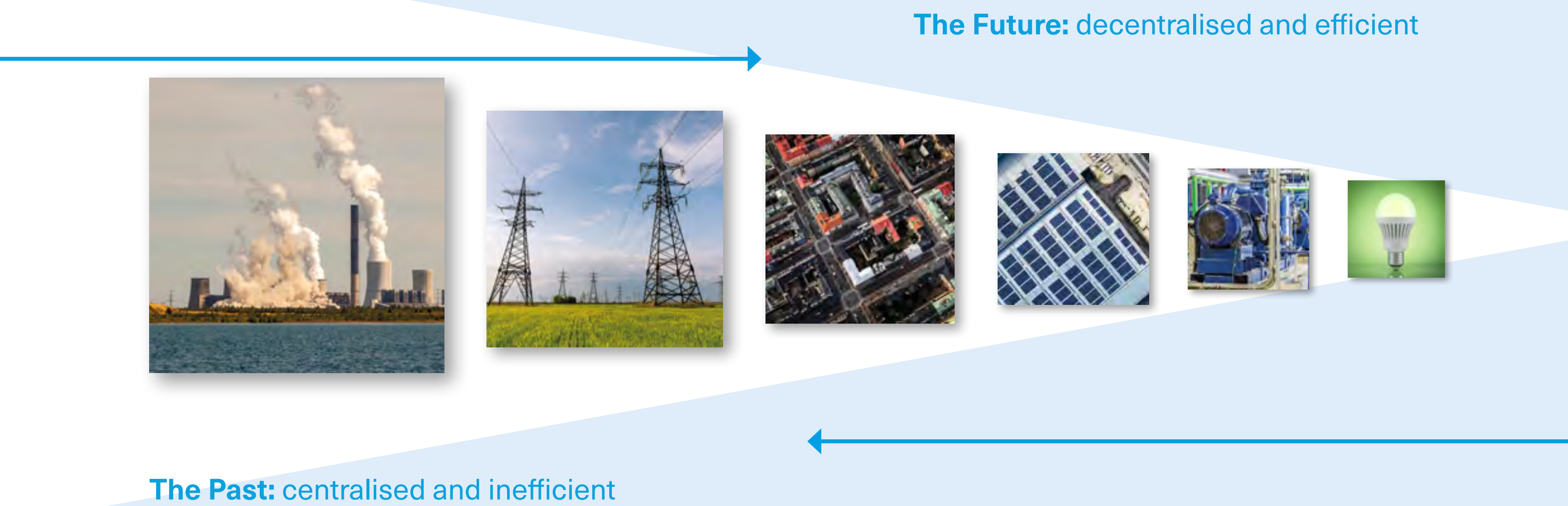
Energy efficiency solutions seek to solve a fundamental problem in the energy markets. While energy markets are worth trillions of dollars and energy is an essential service for society, energy markets remain highly inefficient. Most energy is wasted somewhere between the generation, transmission, distribution process and the point of use. This is enormously costly and involves substantial carbon emissions that could be avoided. It also involves substantial risks as the energy system has historically been designed around centralised grid systems that can fail. Indeed, were energy efficiencies to be fully realised – and there is an increasing number of cost-effective solutions involving efficiency and decentralisation – in some cases we may only need a third of the energy currently used in the energy system. This potential offers some of the largest and most cost effective solutions to greenhouse gas emissions reductions, as well as higher levels of productivity and resilience.

SEEIT's investments provide solutions to problems in the energy markets. They include investments in decentralised energy solutions, generating energy at, or close to, the point of use and investment in the distribution of green and efficient energy. They also reduce the amount of energy that users need through conservation measures.

Users of energy

The energy system can be highly inefficient, with energy losses on the supply side occurring all the way from the point of generation through the transmission and distribution system before it reaches the end user. While up to most energy can be lost on the supply side, further substantial losses occur on the demand side, at the point of use.

Around 40% of energy today is used in buildings and 20% in transport. Commercial, industrial and public sector buildings comprise a large proportion of the demand from buildings, including datacentres and hospitals, universities and schools, as well as the largest industrial energy users and greenhouse gas emitters such as steel, cement, chemicals and plastics.



2.1 The Role of Efficiency in the Energy Market
continued

The opportunity

The energy industry is increasingly focussing on the demand side of the equation, not just on how to get more and cleaner power into the grid, but how to get it to where it is needed most efficiently and how to ensure that as little of it as possible is wasted when it gets there. A previously under-served market is now attracting more attention from the energy industry, which is extending its focus from the supply to the demand side.

A combination of high energy prices, carbon emission reduction targets and energy security concerns has made energy efficiency a crucial component in the development of the modern energy economy. Corporate energy users have been attracted to cheaper, cleaner and more reliable energy solutions offered by decentralised energy and energy efficiency for some point, but it is now reaching the top of the Board agenda following new compulsory disclosure requirements and increased stakeholder focus on Corporate Social Responsibility (“CSR”) and Environmental, Social or Governance (“ESG”), underpinned by ambitious carbon emission reduction targets and a commitment to achieve net zero over increasingly aggressive timeframes.

Energy efficient solutions present an attractive proposition for end user clients, offering;

- **Reduction in energy costs** – avoiding or reducing the significant generation, transmission and distribution costs associated with a centralised grid;
- **Improved energy performance** – greater efficiency due to minimal grid losses and reduced energy intensity through employment of efficient technology;
- **Improved reliability** – reduced reliance on increasingly constrained centralised power grids;
- **Cleaner energy** – increased efficiency reduces the reliance on existing traditional centralised generation, reducing carbon intensity; and
- **Environmental impact** – energy efficiency is widely recognised as the most cost-effective solution in seeking to reduce greenhouse gas emissions.

Regulatory response

In addition to encouraging renewable sources of energy onto the grid, it is crucial to reduce inefficiency of supply and to reduce energy demand. Governments are now focussing on energy efficiency and decentralised energy. The European Commission’s ‘Green Deal’ recognises that, to achieve 2030 carbon emission reduction targets and economic productivity, it is insufficient to focus on the supply side alone. At the forefront of the Green Deal, the European Commission’s ‘Renovation Wave’ claims the largest share of budget of all proposed solutions, targeting the retrofit of 34 million buildings across Europe. Meanwhile, in the United States, the Biden-Harris administration’s focus on green infrastructure and the ‘Climate Plan’ stands out, as does the target to retrofit 4 million public buildings with energy efficiency solutions. The UK, which is host to the COP26 climate summit in 2021, has increased its de-carbonisation target to a world leading 78% by 2035 and in order to get there, energy efficiency and decentralised energy will need to play a crucial role.

Similarly, corporate reporting and associated regulation has developed considerably on a global scale. The Task Force on Climate-related Financial Disclosures (“TCFD”) was established by the Financial Stability Board, an international body, to improve climate-related corporate disclosure and allow for more informed investment, credit and insurance underwriting decisions in the context of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks as a whole. The EU taxonomy regulation published in June 2020 defined six environmental objectives to which a substantial contribution must be provided in order for economic activities to qualify as ‘sustainable’ and acts as an essential reference in a number of other forthcoming sustainable finance regulations in the EU. The Sustainable Finance Disclosure Regulation (“SFDR”), introduced by the European Commission from March 2021, imposes mandatory ESG disclosure obligations for asset managers and other financial markets participants to bring transparency in relation to sustainability risks, the consideration of adverse sustainability impacts in their investment processes and the provision of sustainability related information with respect to financial products.

The solution

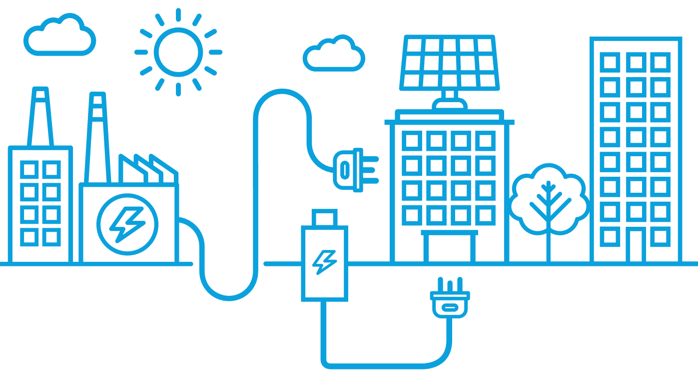
Providing cheaper, cleaner and more reliable solutions to these users' needs are one of the keys to reductions in greenhouse gas emissions and, at the same time, economic productivity.

Energy efficiency	Decentralised energy
■ LED lighting ■ Heating Ventilation and Air Conditioning (HVAC) ■ Building management systems and controls (BMS)	■ On-site heat and power generation or district energy ■ Rooftop and private wire solar and storage ■ Low carbon fuel and electricity for transport
✓ Can reduce energy demand in buildings by 30% plus depending on technology ✓ Can result in significant reductions in greenhouse gas emissions ✓ Reduced energy and maintenance costs, creating significant savings ✓ Can improve both economic productivity and help to drive revenues	✓ Can reduce generation, transmission and distribution losses ✓ Energy security and resilience through independence from grid ✓ Can create cleaner, lower carbon heat and power on site ✓ Lower cost heat and power supply over the medium to long term

The technologies to deliver cheaper, cleaner and more reliable energy solutions to the end user have become available at scale and are increasingly cost-effective. Energy efficient lighting has increased from a 2% market share a decade ago to over 60% market share today. Solar and storage can now deliver cheaper and cleaner energy from rooftops than the grid, even in less sunny countries like the UK. Engines and turbines can be located at or close to the point of use, running at high efficiency on low carbon fuels.

Similarly, low carbon energy for transport, including electricity for car charging and green fuels and hydrogen for heavy and long-distance vehicles are crucial solutions and present a major market opportunity for SEEIT. By investing in green energy distribution and demand reduction solutions at the point of use, SEEIT is able to help reduce energy wastage, while also incorporating a higher proportion of sustainable fuel in the production of energy. This serves to reduce or eliminate reliance on centrally generated power and avoids the significant generation, transmission and distribution losses associated with a centralised grid, saving money and reducing the carbon intensity associated with large energy-users.

SEEIT invests in projects which are sustainable from environmental, commercial and operational perspectives. Across the portfolio the Company's projects demonstrate the benefits of energy efficiency and decentralised energy – achieving the same level of output with less energy – and the Investment Manager continues to evaluate attractive investment opportunities in key target markets.



2.2 Investment Proposition

Listed in December 2018 on the Premium segment of the Main Market of the London Stock Exchange, SEEIT is the first investment company of its kind in the UK focused primarily on investments in operational energy efficiency projects located primarily in the UK, Europe and North America.

Investment objective

The Company's investment objective is to generate an attractive total return for investors comprising stable dividend income and capital preservation, with the opportunity for capital growth.

Investment Policy

The Company seeks to achieve its investment objective by investing principally in a diversified portfolio of Energy Efficiency Projects with high quality, private and public sector counterparties.

The contracts governing these Energy Efficiency Projects typically entitle the Company to receive stable, predictable cash flows over the medium to long-term in respect of predominantly operational Energy Efficiency Equipment. The Company's returns take the form of contractual payments by counterparties in respect of the Energy Efficiency Equipment used by them.

Whilst the Company invests predominantly in operational projects, the Company may under certain circumstances invest in projects that are in a construction or development phase, subject to applicable investment restrictions.

In respect of each type of Energy Efficiency Equipment, the Company seeks to diversify its exposure to service providers by contracting, where commercially practicable, with a range of different engineers, manufacturers or other service providers.

Energy Efficiency Projects may be acquired individually or as a portfolio from a single or a range of vendors. The Company may also invest in Energy Efficiency Projects jointly with a co-investor. The Company aims to achieve diversification by investing in different energy efficiency technologies and contracting with a wide range of counterparties.

The Company invests and manages its Energy Efficiency Projects with the objective of assembling a high quality, diversified portfolio.

Investment restrictions

In order to ensure a spread of investment risk, the Company has adopted the following investment restrictions:

- no Energy Efficiency Project investment by the Company will represent more than 20% of Gross Asset Value, calculated at the time of investment;
- the aggregate maximum exposure to any Counterparty will not exceed 20% of Gross Asset Value, calculated at the time of investment;
- the aggregate maximum exposure to Energy Efficiency Projects in either a development phase or construction phase will not exceed 35% of Gross Asset Value, calculated at the time of investment, provided that, of such aggregate amount, the aggregate maximum exposure to Energy Efficiency Projects in a development phase will not exceed 10% of Gross Asset Value, calculated at the time of investment; and
- the Company will not invest in other UK listed closed-ended investment companies.

Gearing

The Company maintains a conservative level of aggregate gearing in the interests of capital efficiency, in order to seek to enhance income returns, long-term capital growth and capital flexibility. The Company's medium-term gearing target is up to 35% of NAV, calculated at the time of borrowing (the "Structural Gearing").

The Company may also enter into borrowing facilities on a short-term basis to finance investments ("Acquisition Finance"), provided that the aggregate consolidated borrowing of the Company and the Project SPVs, including any Structural Gearing, shall not exceed 50% of NAV, calculated at the time of borrowing. The Company intends to repay any Acquisition Finance with the proceeds of a share issue in the short to medium-term.

Structural Gearing and Acquisition Finance are employed either at the level of the Company, at the level of the relevant Project SPV or at the level of any intermediate wholly owned subsidiary of the Company, and any limits set out in this investment objective and policy shall apply on a consolidated basis across the Company, the Project SPVs and such intermediate holding company. Structural Gearing and Acquisition Finance primarily comprise bank borrowings, though small overdraft facilities may be utilised for flexibility in corporate actions.

Use of derivatives

The Company may use derivatives for efficient portfolio management but not for investment purposes. In particular, the Company may engage in full or partial interest rate hedging or otherwise seek to mitigate the risk of interest rate increases and full or partial foreign exchange hedging to mitigate the risk of currency fluctuation.

The Company only enters into hedging contracts and other derivative contracts when they are available in a timely manner and on terms acceptable to it. The Company reserves the right to terminate any hedging arrangement in its absolute discretion.

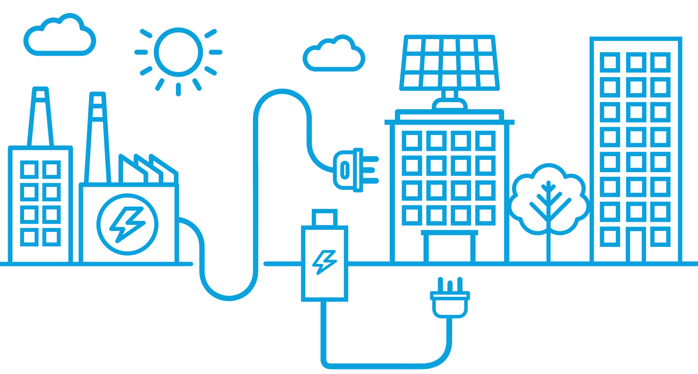
Cash management

Whilst it is the intention of the Company to be fully or near fully invested in normal market conditions, the Company may hold cash on deposit with banking institutions and may invest in cash equivalent investments, which may include short-term investments in money market type funds and tradeable debt securities ("Cash and Cash Equivalents").

There is no restriction on the amount of Cash and Cash Equivalents that the Company may hold and there may be times when it is appropriate for the Company to have a significant Cash and Cash Equivalent position instead of being fully or near fully invested.

Changes to the Investment Policy

The Board and the Investment Manager have been considering some possible small amendments to and clarifications of the Investment Policy. The Investment Manager will use upcoming shareholder meetings to consult on proposals regarding a potential increase to short-term gearing limits (thus enabling a larger RCF to be used between capital raises), as well as clarifying the scope of energy efficiency investments. If feedback is positive, a small number of proposed changes to the Investment Policy will be tabled for shareholder approval at the forthcoming AGM, as material changes to the Company's Investment Policy require the prior approval by ordinary resolution of Shareholders, following approval by the FCA.



2.3 Business Model

The Company's group structure

The Company has been established in the UK as an investment trust to provide an efficient manner in which shareholders can access investment into energy efficiency infrastructure investments.

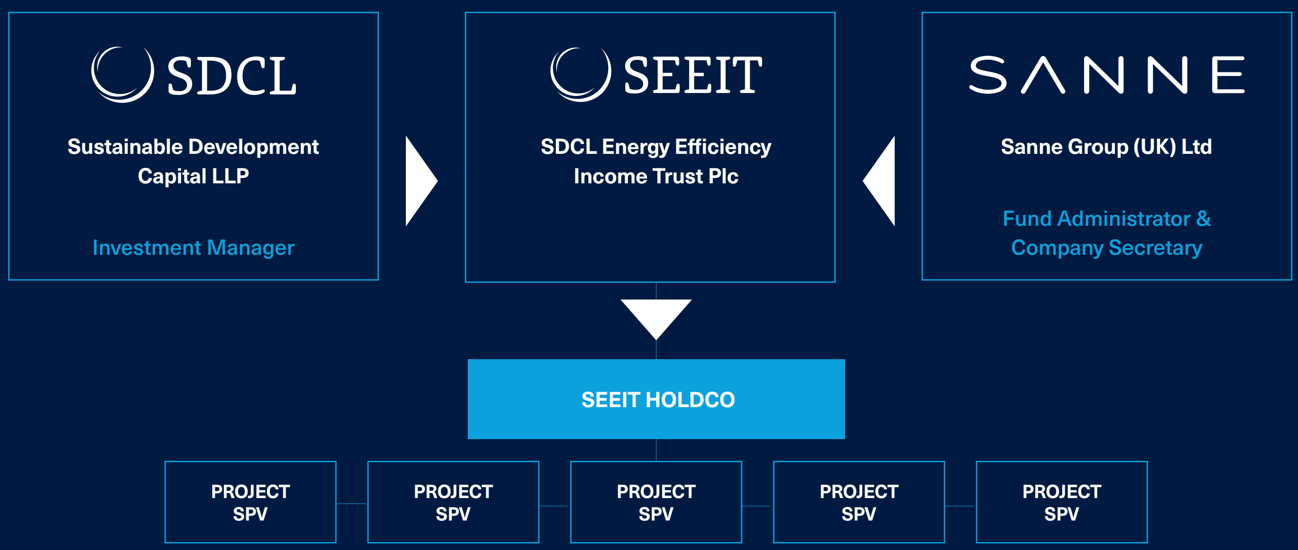
The Company has an independent Board of Directors (see Section 4), has no employees and has appointed Sustainable Development Capital LLP ("SDCL" or "Investment Manager") to manage the investments on its behalf (See Section 2.4 Investment Manager's Report).

In order for the Company to achieve its investment objective, it makes its investments via its sole direct subsidiary and main investment vehicle, SEEIT Holdco Limited ("Holdco").

The Investment Manager controls the actions of Holdco and its direct and indirect subsidiaries with the aim of assisting the Company to achieve its stated objective through making new investments via Holdco that are funded by the Company and managing the existing investments that Holdco has directly or indirectly invested in.

Holdco typically invests in project SPV's – special purpose vehicles that hold assets the Holdco invests in. The SPV's normally provide energy efficiency solutions to counterparties, often through long-term contracts with a fixed lifespan. The SPV – and by implication the portfolio of investments as a whole – therefore normally has a limited lifetime over which it provides target returns to Holdco and ultimately the Company. These SPV's are normally structured that they can be sold in an active secondary market for energy efficiency assets although each of the investments will also have been assessed individually to ensure appropriate alternative exit strategies are in place.

Sanne Group (UK) Limited (''Sanne'') has been appointed by the Company as a third-party service provider via an administration agreement.



Investment sourcing

The Investment Manager sources investments through its long-standing relationships with third-party developers, utility companies, project owners, energy service companies, financial intermediaries and directly from counterparties. Each prospective investment is assessed against the Company's investment objectives and Investment Policy as well as ESG screening and, if considered potentially suitable, an initial analysis and review of the opportunity will be undertaken. Each opportunity is scrutinised on the basis of the investment criteria outlined below.

In selecting potential energy efficiency and distributed generation projects, the Investment Manager employs established criteria and portfolio construction guidelines in order to source projects with some or all of the following characteristics:

- operational assets installed at energy intensive and inefficient commercial and public buildings and facilities;
- projects utilising commercially proven technologies, with an appropriate level of warranties and performance guarantees;
- contracting with energy efficiency equipment vendors and manufacturers, subcontractors and counterparties who are strong credit counterparties;
- passing performance risks down to engineering, procurement and construction ("EPC") contractors, operations and maintenance ("O&M") contractors, subcontractors, energy efficiency equipment vendors and manufacturers via warranties and guarantees;
- based upon measured and verifiable savings criteria as set forth in an energy services agreement ("ESA") governing the terms on which energy savings are apportioned between the counterparty and the Project SPV;
- projects based in the key target markets of the UK, Continental Europe, North America and selectively in Asia Pacific and other OECD countries;
- achieving economies of scale, either individually or through aggregation;
- appropriate ESG characteristics and where the Investment Manager considers that further ESG improvements can be achieved; and
- ability to achieve significant reductions in energy use and consequently emissions of greenhouse gases and other pollutants.

The above characteristics enabled the Investment Manager to select investments for Holdco that will help deliver the Company's investment objective. In doing so, the Investment Manager also assesses exit strategies of individual investments, determining the role each will play in delivering stable and predictable revenues over defined periods. These investments are described in greater detail in Section 2.4 Investment Manager's report.

Investment process

Once a potential opportunity that falls within the Company's Investment Policy has been identified, and the Investment Manager wishes to proceed with the investment in such project, the Investment Manager undertakes further analysis which sets out the investment structure, investment rationale, key environmental benefits, risks and returns, capital expenditure budget, proposed revenue model, necessary next steps and recommendations. The same process takes place whether the Company is in a competitive process, such as with the investment in Onyx, or in a bilateral negotiation, such as with the investment in Gasnätet.

Based on the analysis, the Investment Manager determines whether further detailed financial, legal and technical due diligence should be carried out by the team and/or third-party firms and advisers, or whether to proceed with further negotiation of deal terms with the relevant counterparties. Once the decision to proceed has been made, the Investment Manager is responsible for further business due diligence, while the appropriate financial, environmental, social, governance, tax, legal, technical and other due diligence processes is conducted by third-party firms and/or advisers.

The Investment Manager also seeks to ensure that the transaction terms with relevant counterparties such as developers, EPC contractors, O&M contractors, advisers, and revenue counterparties meet with the Investment Manager's ESG criteria (unless not applicable).

Once the detailed due diligence process has been completed, the Investment Manager prepares an updated analysis that comprises details of the investment opportunity, environmental characteristics, impact on portfolio construction and development, risks and returns, identification of any investment upside or portfolio enhancement, investment structure based on due diligence process and final contract terms, as a result of negotiations, as well as a financial model used to assess risk and return, including scenario and sensitivity analyses as appropriate.

2.3 Business Model
continued

The Investment Manager uses all material information collated on the investment through the diligence process, along with an analysis of the potential impact the investment would bring to the composition of a balanced portfolio, to decide on whether to proceed with the investment or not. The Investment Manager will, if the proposed investment meets the agreed criteria, notify the Board of its decision prior to committing to an investment, including the provision of further papers as required.

Whilst this has not been a key area of focus for the Company, where the Investment Manager intends to acquire projects from funds related to SDCL, such as in the case of the Singapore Energy Efficiency investment in November 2020, the Investment Manager will approach the Board at an early stage of the investment process to discuss any additional diligence or comfort, such as independent valuation or audits required. The Investment Manager will not execute an investment in any project where it constitutes a related party transaction without prior Board approval and will only proceed in accordance with the requirements of the FCA Listing Rules.

2.4 Investment Manager's Report

The Investment Manager

Sustainable Development Capital LLP, the appointed Investment Manager of the Company, is an investment firm with a proven track record of investment in energy efficiency and decentralised energy generation projects. Its proactive project development and industrial expertise gives it a significant competitive advantage in creating, originating, evaluating, financing and managing investments, as well as securing enhanced risk-adjusted returns.

SDCL was founded in 2007 by Jonathan Maxwell, and since 2012, has raised four funds exclusively focused on energy efficiency with projects in the UK, Europe, North America and Asia. The Investment Manager is headquartered in London with offices in New York, Dublin, Hong Kong and Singapore and has a team of over 45 people.

The Investment Manager is responsible for the active investment management and risk management of the portfolio in accordance with SEEIT's Investment Objective, Investment Policy and ESG policy and principles. The Investment Manager achieves this by:

- finding and then making investment decisions on new energy efficiency investment opportunities;
- providing strategic management of the portfolio and oversight of project operations;
- ensuring that SEEIT's Responsible Investment Policy and set of ESG principles are effectively applied in underlying investments;
- managing investment and operational risks of SEEIT;
- focusing on the identification of cost and efficiency improvements and optimisation of project value;
- maintaining a high standard of business conduct and integrity; and
- building strong relationships with suppliers, customers, communities and authorities among others.

Market review and outlook

The sectors in which SEEIT is investing are receiving increasing levels of interest from both policymakers and financial markets. Governments and companies in all of SEEIT's existing and target markets are continually increasing their carbon reduction commitments and therefore the demand for cost-effective and low carbon energy solutions is increasing. Meanwhile, the costs, inefficiencies and risks of energy systems reliant on centralised generation and the grid continue to be exposed, with the 2021 outages in Texas, USA caused by severe winter storms recalling memories of Superstorm Sandy on the US East Coast in 2012 and highlight the need for greater resilience in the energy system.

COVID-19, in parallel to its far-reaching societal consequences, reduced global economic output, energy demand and energy prices. SEEIT's portfolio was relatively defensive, given limited exposure to demand or energy prices and the fact that most of its clients were deemed essential and remained operational during national lockdowns. The pandemic led several governments to turn to energy efficiency as a source of post-COVID recovery, economic productivity and growth, as well as a pathway to substantially lower both costs and greenhouse gas emissions. Energy efficiency project investments performed notably strongly and reliably compared to assets linked to economic growth, energy demand or prices.

The EU taxonomy regulation and SFDR, both introduced during the financial year, represented significant developments in the EU's framework for sustainable energy investment, ESG disclosure and corporate reporting. SEEIT, through its Investment Manager, is adapting quickly to the new disclosure rules, taking steps to categorise and monitor all the Company's underlying investments in line with the new disclosure standards. This is part of the Company's broader strategy for reporting on climate-related and other ESG issues which includes working towards implementing the full scope of the disclosure recommendations of TCFD.

Investment update

During the financial year, the Investment Manager continued to secure new investments for the Company and actively manage the existing portfolio of project investments.

New investments were secured for SEEIT in key markets, including on-site solar generation, energy storage, district energy, green gas distribution and EV charging infrastructure. The portfolio has seen growth in existing markets, such as the United States and the UK, as well as in new markets in Asia (Singapore) and Europe (Sweden).

SEEIT's portfolio, supported by the Investment Manager's asset management activities, now covers a wide range of buildings and transport customers, including public sector (hospitals), data centres, (banking), industrial facilities (steel and agriculture), commercial (banks and retail, including restaurants) and low carbon fuels for transport such as EV and green gas.

While SEEIT's portfolio is diversified by various factors, it is bound together by the fact that its investments seek to deliver cost-effective, low carbon and reliable energy solutions to end users in the built environment, in industry and in transport. The projects involve the supply and distribution of energy or helping to manage or reduce the demand for energy at the point of use.

The Investment Manager believes that a range of technologies will be required to achieve carbon emission reductions over time and that it is therefore important to maintain flexibility in terms of which technologies to employ to address client needs and to secure the required returns on investment.

The investments made by the Investment Manager during and following the financial year ended 31 March 2021 fit well within the Company's investment criteria, by reducing energy consumption or related greenhouse gas emissions arising from supply, transmission, distribution and consumption. In doing so, the Company has been able to secure predictable long-term revenue and the opportunity for capital growth from these investments.

Investment activity since 31 March 2020

Project	Investment Close	Location	Amount
EV Network	August 2020	UK	Up to £50 million
GET Solutions	September 2020	UK	£5 million
Singapore Energy Efficiency	September 2020	Singapore	£2 million
Gasnätet	October 2020	Sweden	£107 million
Onyx	December 2020 (completed in February 2021)	USA	Up to US$150 million initially with further commitments over time
Primary Energy portfolio (follow on)	December 2020	USA	US$36 million
Spark US Energy Efficiency II	February 2021	USA	Up to US$20 million

Investment activity since 31 March 2021

Project	Investment Close	Location	Amount
SOGA	April 2021	Vietnam	US$3.6 million
RED Rochester	April 2021 (completion in May 2021)	USA	US$177 million
Tallaght Hospital	May 2021	Ireland	€6.5 million

EV Network

EV Network involves a conditional commitment to fund the rollout of EV charging stations across the UK. The Company made an initial £50 million investment commitment in August 2020 to the EV Network as its development partner in EV charging infrastructure. The EV charging sites will be developed and funded by EV Network to the point at which they are contracted and construction ready, at which stage they will be acquired by the Company. The commitment, subject to certain criteria being met, will be drawn down in tranches to fund the implementation of projects, with the most recent agreement signed with bp pulse, the UK's largest operator of public EV charging points. Once operational, EV charging sites will be contracted through 20-year, fixed price, CPI inflated Energy Service Agreements.

GET Solutions

GET Solutions is an investment in an initial portfolio of 15 highly efficient combined heat and power ("CHP") assets at premises of the Intercontinental Hotel Group. The assets are designed to provide the base-load energy generation to meet the operational needs of the hotels, irrespective of their levels of occupancy. The initial portfolio comprised four operating projects, two installed projects and nine ready to build projects, all of which are now operational. The projects have all been developed by GET Solutions, a specialist provider of energy services that has worked with over 40,000 business clients over the last 20 years. The contractual structure of the projects provides predictable revenues with potential for upside for the Company in the event that certain levels of consumption are achieved. The Company owns the project assets that provide essential services to the buildings throughout the 15-year life of the project contracts. There is a follow-on pipeline of up to 51 highly efficient CHP projects in the UK hotel sector and additional rights to invest in a substantial pipeline of more than 100 energy efficiency installations with GET Solutions in the UK.

Singapore Energy Efficiency

Singapore Energy Efficiency is an investment in a portfolio of six operating cooling and energy efficiency assets, including chillers and bespoke energy-efficient air compressors that are installed at the premises of five leading industrial counterparties in Singapore, including subsidiaries of large multinational institutions. The assets are leased under fixed contracts, with a total remaining portfolio life of approximately 6 years. The acquisition represents the Company's first energy efficiency investment in Singapore and provides a platform from which it can explore future opportunities in this and other attractive jurisdictions in the region.

Gasnätet

Gasnätet is an investment in Gasnätet and Värtan Gas Stockholm AB ("VGSAB"). The VGSAB group owns and operates Stockholm's established operational regulated gas distribution network, the majority of which is sourced from locally produced biogas (c.70%), supplying and distributing to over 50,000 residential, commercial, industrial, transportation and real estate customers in Stockholm. It is an essential infrastructure service that helps to reduce pollution and greenhouse gas emissions by reducing and reusing waste gases both at the point of production, for example at municipal waste water treatment plants and, at the point of use, through the displacement of natural gas in buildings and diesel in transport. The grid is an essential component of an integrated gas distribution system and is aligned with national and regional strategies to attain carbon neutrality by 2040, with the Company working towards increasing the proportion of green gas in the network to 100% over time. Revenues, which are primarily regulated, are predominantly based on fixed tariffs with relatively low sensitivity to customer demand or consumption. In addition to existing revenues, the Investment Manager has identified opportunities for growth, for example from serving new transport customers, as commercial and municipal vehicle fleets continue to switch to cleaner fuels, including biogas. Furthermore, there are opportunities for the Investment Manager to work with the in-house management team to deliver new energy and infrastructure services to customers by developing the network and through vertical integration.

Onyx

Onyx involved the investment in a 100% interest in four sub-portfolios totalling over 175 MW across over 200 operational, construction and late-stage development rooftop, carport and 'private wire' ground mounted solar PV assets. The four portfolios provide renewable energy generated on-site directly to the end-user and are expected to become fully operational over the next 12 months. The operational projects are contracted under long-term power purchase agreements with predominantly investment grade commercial and industrial counterparties, including municipalities, universities, schools, hospitals, military housing providers, utilities and corporates. In addition, the Company acquired a 50% interest in Onyx's follow-on pipeline, which is projected to exceed 500MW over the next 5 years through Onyx's highly experienced and dedicated project development and asset management team based in New York. In addition, the Company will have a right of first refusal to purchase pipeline portfolios at a pre-agreed rate of return. The investment provides the Company with a substantial initial portfolio and a scalable pipeline of opportunities in a major growth market.

Primary Energy

A further 15% interest in Primary Energy, a portfolio of recycled energy and cogeneration projects located in Indiana, USA, was acquired in December 2020, after the initial 50% interest acquired in February 2020. The Company also agreed terms under which it could increase its stake and further enhance returns for shareholders. The 298MW portfolio consists of five operating projects which generate low-cost, efficient energy with substantial environmental benefits via three recycled energy projects, one natural gas combined heat and power project and a 50% interest in an industrial process efficiency project. Four of the five projects relate to steel mills that are now owned by Cleveland-Cliffs Inc. (''Cleveland-Cliffs'') following its acquisition of ArcelorMittal USA, making Cleveland-Cliffs the largest flat-rolled steel producer as well as the largest iron ore pellet producer in North America. One of the five projects services Midwest Steel, a subsidiary of United States Steel Corporation. The projects are fully integrated into the steel mill facilities, including fuel handling and emissions control equipment and systems that are critical for the operations of the facilities.

Spark US Energy Efficiency II

A new agreement with Sparkfund was signed in February 2021 representing a follow-on investment commitment on a conditional basis of approximately $20 million in a new portfolio of projects achieving construction completion over the next 12 months. These projects include energy efficiency and resiliency measures such as lighting, heating, ventilation and air conditioning, backup generation and building management systems and controls. The investment follows a US$22 million investment in a portfolio of loans, leases and subscription agreements relating to energy systems outsourcing and energy efficiency projects with Sparkfund in September 2019.

SOGA

In April 2021, the Company invested in a 4.5 MWp portfolio of operational commercial and industrial rooftop solar systems and secured a 20 MWp pipeline of late-stage development and ready-to-build assets at multiple sites in Vietnam. The investment was made via a Singapore-based platform. The Company entered into a partnership with Shire Oak Green Asia ("SOGA'"), an experienced developer of renewable energy projects with a strong presence in Vietnam, including locally based engineering capacity and asset management services. The counterparties are multinational corporates using Vietnam as a manufacturing hub, as well as established large Vietnamese companies, diversified across industries including automotive, food & beverage, garment & textile, furniture and agricultural products. The projects will generate on-site electricity for consumption by the counterparties, reducing the carbon footprint of their manufacturing processes.

RED

The Company completed the investment in RED-Rochester, LLC ("RED"), a commercial district energy system that provides exclusive utility services to commercial and industrial customers within the 1,200 acre Eastman Business Park, in May 2021. RED is one of North America's largest district energy systems with 117 MW of steam turbine generators plus boilers, chillers and other equipment. As the exclusive provider of utility services to the park, RED offers 16 on-site services including electricity, steam, chilled water, wastewater, compressed air, nitrogen, lake water treatment, industrial water distribution and high purity water distribution. RED has over 100 commercial and industrial customers, typically contracted on a 20-year fixed-term basis with automatic five or ten year renewals, linked to their tenancy on the Eastman Business Park. The contracts provide stable and predictable cash flows with a relatively fixed cost base and substantial mitigation against volatility in demand. Some two thirds of the value of RED's offtake contracts are derived from investment grade or equivalent counterparties. Since 2016, RED has delivered 40+ additional energy efficiency projects across its operations that have resulted in annual savings of over US$4 million and carbon savings of over 50%. Additionally, the Investment Manager has identified a further pipeline of potentially accretive energy efficiency initiatives that it believes can deliver additional cost and carbon savings.

Tallaght Hospital

Tallaght Hospital involves an investment in the installation of a range of energy efficiency equipment, including LED lighting and high efficiency CHP, providing cleaner and more efficient on-site energy generation for the large County Dublin hospital. The contract consists of fixed, indexed linked revenues, payable by the hospital counterparty, monthly for 15 years once the equipment is installed.

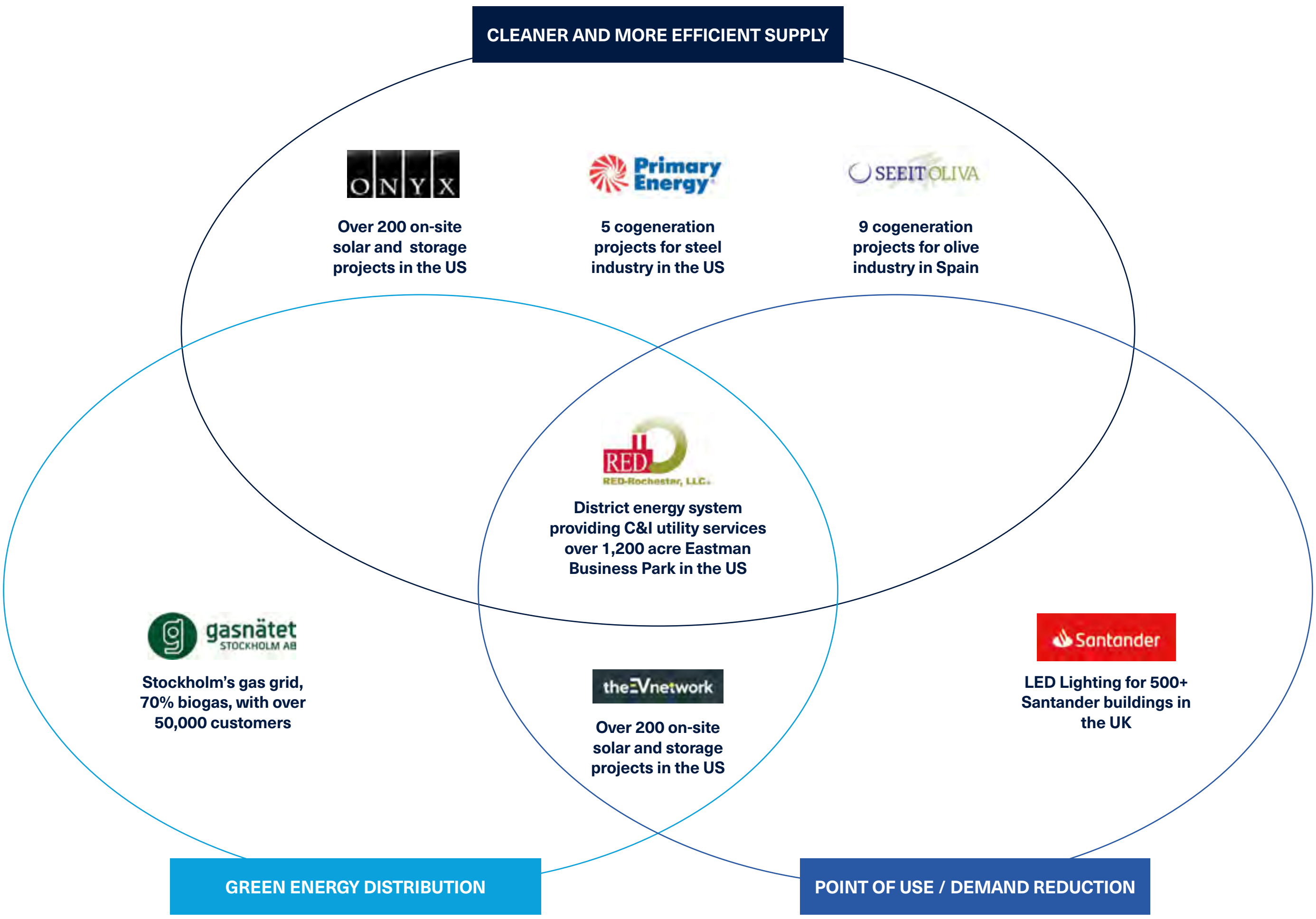
Portfolio construction

The Company focuses on investments that provide effective and reliable energy solutions that typically fit into one or more of three key categories:

- Cleaner and more efficient supply, such as in Onyx (on-site solar), Primary Energy (on-site cogeneration for the steel industry) and Oliva Spanish Cogeneration (on-site cogeneration for olive industry)
- Green energy distribution, such as Gasnätet (Stockholm's gas grid) and EV Network (fast EV charging)
- Point of use/demand reduction such as Santander UK Lighting (LED lighting) and EV Network (fast EV charging)

Portfolio Characteristics

Examples of SEEIT's diversified portfolio of cost effective, lower carbon and reliable energy solutions



The Company invests with the objective of assembling a portfolio of energy efficiency projects, diversified by:

Investment stage: whilst the Company invests predominantly in operational energy efficiency and distributed generation projects, the Company may under certain circumstances invest in projects that are in construction or their development phase;

Equipment/Service providers: the Company diversifies its exposure to equipment manufacturers, engineers and other service providers through investing in different energy efficiency technologies and contracting with a wide range of counterparties;

Geography: the existing portfolio comprises projects located in the UK, EU, Asia Pacific and the USA. In addition, the company is actively pursuing further investments in other jurisdictions that provide attractive risk-adjusted returns across, including the UK, EU, North America, the Asia Pacific region and, selectively, other OECD countries; and

Counterparty: the Company provides services to range of high quality counterparties in both the private and public sectors, across many industries. The majority of the portfolio by value derives revenues from investment grade or equivalent counterparties, and in some instances adopts significant diversification in the number of counterparties, such as in the case of Gasnätet's 50,000+ customers.

SEEIT's portfolio is mostly operational, consistent with its investment objectives and with a view to generation of cash and earnings to cover dividends. New investments during the financial year have extended the weighted average term of projects from approximately 11 years to approximately 13.4 years, providing long-term visibility of cash flows.

SEEIT may invest up to 35% of its gross asset value, calculated at the time of the investment, in development and construction phase projects (including a 10% limit on development), subject to relatively short construction periods and low construction risks, i.e. projects that the Investment Manager considers can be commissioned within a short period of time following commitment and at low risk that the commissioning of the project will overrun (both in terms of time and budget).

During the financial year, SEEIT's commitments to development and construction phase projects increased from approximately 5% to approximately 15% of gross asset value, following the acquisition of Onyx which represented an represented attractive investment opportunity with a higher proportion of non-operational stage assets. The Board considers that this increase is consistent with the objective of securing long term value and organic growth for SEEIT's portfolio, while remaining in line with the Company's risk appetite.

The Board believes that the allocation to both operational and construction phase projects offers significant opportunity for growth. For instance, in the case of operational projects, there is an opportunity to expand the range of services to customers connected to district energy networks in SEEIT's portfolio, such as Stockholm's gas grid, Gasnätet, and SEEIT's investment at the second largest business park in the United States, RED.

There is also an opportunity to add value to existing investments through increased market share in some cases, for instance by leveraging a top 10 market position in commercial and industrial on-site solar and storage in the United States, through SEEIT's joint venture with Blackstone, Onyx, by increasing margins and capacity in our projects serving Spain's olive industry, Oliva Spanish Cogeneration and by securing contract extensions, as was achieved by Primary Energy in 2020. In other markets, SEEIT has the opportunity to increase scale, for example through its investment in EV charging infrastructure services via EV Network for major clients such as bp pulse.

SEEIT has continued to diversify by geography, with further expansion into the United States and Europe (Sweden, Ireland and Spain) and the UK. In addition, albeit to a more limited extent, SEEIT has established some exposure to new and high-quality markets in Asia, primarily providing energy services to multinational clients in locations such as Singapore and, since the year-end, in Vietnam. This expansion provides access to a large pool of attractive new investment opportunities for the Investment Manager to evaluate. The Investment Manager is focused on securing value over exposure to an individual country, although it would expect most of the portfolio to be broadly evenly allocated as between North America and Europe in the medium to long-term.

As SEEIT's portfolio has continued to grow, it has also significantly diversified. For instance, it now has exposure to some 500 individual project sites in the United States, over

500 sites in the UK and over 50,000 customers in Sweden. Its projects provide essential, cost-effective and green energy services such as power, heat, cooling and lighting to clients from very different industries, from agriculture in Spain, to steel in the United States to datacentres, banking, hospitals, transport, cooking and food retail in the UK, Ireland and Sweden. While this diversification by industry and geography limits exposure to market cycles in normal market conditions, the essential services provided by the client base led to a general continuation of operations, even during the challenging and extraordinary market conditions caused by the global COVID-19 pandemic. As such, while the COVID-19 crisis impacted on some of the Company's assets and hindered some development and construction activity, the portfolio demonstrated resilience and the crisis had limited impact on SEEIT's overall financial performance.

Diversification by technology was also an important feature and achievement since March 2020. SEEIT's portfolio considerably expanded in solar and storage, in green gas distribution, in energy recycling and energy and cooling efficiency as well as in EV charging infrastructure.

SEEIT's portfolio has also been constructed with a prudent view on counterparty credit risk. Approximately 65% of the portfolio by value (as at June 2021) derives revenues from investment grade or equivalent counterparties. In the cases where a counterparty is not investment grade or equivalent, risk mitigants are often in place, such as security packages associated with debt investments, ownership of assets or equipment, or other forms of guarantee. In addition, credit risk exposure can be heavily mitigated by significant diversification of counterparties, such as in the case of Gasnätet's 50,000+ customers. There were no material credit defaults or events during financial year, notwithstanding the global economic crisis, although the Board and the Investment Manager remain focused on the economic risks associated with the COVID-19 pandemic and its aftermath through careful asset management by the Investment Manager and ongoing engagement with stakeholders.

The Board and the Investment Manager continue to focus on risks that can be identified and mitigated. As such, SEEIT's investments have limited exposure to unmitigated power or commodity price risk. Prices of energy services are usually fixed or pre-determined and any fuel costs are typically passed through to the client. SEEIT's project investments have limited, or in many cases no demand or volume risk. A number of projects have fixed contracts consisting of revenues with availability-based characteristics, where revenues are principally derived from making a project's assets or services available for use and that do not depend substantially on the demand for or use of the project. Other cases have capacity-based characteristics, where revenues are principally derived from a contractual right of first dispatch, whereby an off-taker agrees to pay for a volume of output to the extent that it has demand for it. The Investment Manager has also sought to limit exposure to regulatory risks. For instance, in Sweden, energy services are delivered below the regulatory cap and in Spain, the main commodity price risks are mitigated through a regulatory regime that applies and adjusts over the medium-term.

Acquisitions and pipeline

SEEIT's portfolio of investments increased substantially in value during the year, from approximately £320 million to approximately £695 million (including investments made after the year-end).

The Investment Manager secured most of SEEIT's major investments during the year through bilateral or private negotiations, including large investments such as Gasnätet from iCON, the increase in its stake in Primary Energy from Fortistar and a recent investment, after the financial year-end, of RED from Stonepeak. Smaller investments such as SEEIT's investment in projects with GET Solutions, in a portfolio in Singapore and in framework agreements such as with Sparkfund were also secured outside of competitive auction processes. While the original framework with EV charging infrastructure development, EV Network, was won through a competitive process, the Investment Manager actively assisted in bilateral negotiations of the underlying projects with charge point operators such as bp pulse.

Investment sizes were quite diverse from approximately £2 million to nearly £140 million. While larger investments offer the benefits of scale and underlying diversification – for example via over 100 customers at RED, over 200 projects in Onyx and over 50,000 customers in Gasnätet – smaller investments offer value and diversification through replication or are otherwise strategic platforms for targeting a client, an industrial sector, a technology, a new geography or a delivery partner.

An important feature of SEEIT's portfolio is that a number of its existing project investments include rights to invest in additional pipeline opportunities, often at pre-agreed rates of return. This has created an organic pipeline that offers the flexibility to secure value and growth where pre-agreed pricing allows for efficient investment in projects generating

Geographical Diversification

Portfolio of projects spanning most U.S. states, the UK, Europe and Asia

UK

Wide geographical project coverage across the UK:

- Huntsman Energy Centre
- Santander UK Lighting – c.530 locations nationwide
- Moy Park Biomass – 86 boilers across multiple locations nationwide
- Moy Park Lighting
- Citi Riverdale
- CCHP
- St. Barts CHP
- Smart Energy – 4 sites
- Kingspan Holywell Solutions
- Supermarket Solar – Targeting 20 locations nationwide
- EV Network – Targeting 112 locations nationwide
- GET Solutions – 15 locations nationwide

Sweden

- Gasnätet – c.54k customers

Ireland

- Tallaght – 1 site

Vietnam

- SOGA – 2 sites

Spain

- Oliva Spanish Cogeneration – 9 sites

US

Diverse project portfolios spanning 38 states:

- RED – 1 state, 100+ customers
- Onyx – 10+ states, 200+ sites
- Spark US Energy Efficiency I & II – 36+ states, 250+ sites
- Primary Energy – 1 state, 5 sites
- Northeastern US CHP – 4 states, 8 sites

Singapore

- Singapore Energy Efficiency – 5 sites

robust returns. The Investment Manager will continue to seek to secure attractive investment opportunities for SEEIT through new investments but will remain highly selective and focused on where it can add value and preferably via privately negotiated transactions. By contrast, during the financial year, the Investment Manager withdrew or declined a large number of investments where competitive auction prices made forecast returns unattractive, particularly in the more established sub sectors such as Nordic district energy and cogeneration in the United States.

The diversification of the portfolio by energy efficient technology, remains a priority for the Board and the Investment Manager in assessing new investment opportunities, with careful evaluation of technologies that fit well into the Company's investment remit. Examples of new technologies the Investment Manager has been exploring on a selective basis as part of its investment strategy include heat pumps, micro grids, cooling, low carbon fuel for transport (including green gases as well as well as electricity) and hydrogen.

Active asset management by the Investment Manager

The Company's investment objective, as described in Section 2.2 is to generate an attractive total return for investors comprising stable dividend income and capital preservation, with the opportunity for capital growth. The Investment Manager seeks to achieve this for the Company through selecting investments that will contribute positively to the investment objective. Once invested, the Investment Manager then places a large emphasis on actively managing the portfolio of assets, both to optimise value and to minimise risks. For instance, during the financial year it put in place measures to improve the cost efficiency of fuel gas by bringing in-house the management and gas procurement in its Oliva Spanish Cogeneration portfolio in Spain, supported the extension of one of the major contracts in the Primary Energy portfolio and established priorities to expand revenue streams and increase biogas content in the Gasnätet grid in Stockholm.

SEEIT's assets are managed through a combination of coordinated full time presence on-site, teams of professional advisers and active day to day involvement by the SDCL management team, focused on driving value. The SDCL team has grown from 27 individuals at the time of SEEIT's IPO to over 45 individuals (including three senior staff focused solely on asset management) as at June 2021, to meet the demands of the evolving portfolio. The Investment Manager is particularly focused on health and safety, value enhancements, identifying and mitigating risks and developing the skills of individuals involved in managing projects as well as those delivering day to day services.

ESG compliance and leadership

During the year, SEEIT published its first ESG report, with a second report due later this year. The Investment Manager has become a signatory to the United Nations Principles for Responsible Investment ("UNPRI") to ensure that the UN's six principles of responsible investment are embedded in the Company's behaviours and practices and applied to all SEEIT investments.

There have been significant developments with the EU's on-going implementation of its framework for sustainable energy investment during the year, notably the publication of the delegated acts for climate change mitigation and adaptation under the Taxonomy Regulation (2020/852), and the entry into force in the EU of the Sustainable Finance Disclosure Regulation (2019/2088).

The Taxonomy Regulation, in particular, has focused attention on the role of natural gas in the transition to a low-carbon economy. Current plans for natural gas as part of the Taxonomy Regulation have been withdrawn, pending further discussions between member states with a target for updated plans to be published later in 2021. The EU has given positive indications that it will introduce measures which will acknowledge the role of natural gas as an important part of the energy mix in the pathway toward reducing the carbon-intensity of the energy system. The net zero emissions ("NZE") case put forward in the International Energy Agency's ("IEA") recent report "Net Zero by 2050" nonetheless assumes consumption of natural gas will reduce by 55% between 2020 and 2050 (in comparison with coal by 90% and oil by 75%) and provided also that natural gas with carbon capture, utilisation and storage ("CCUS") becomes widely used to produce hydrogen for use as a fuel by shipping, road transport and heavy industry.

The Investment Manager is monitoring developments closely but is meanwhile taking steps to categorise and monitor all the Company's project assets in line with the Taxonomy.

This is part of its broader strategy for reporting on climate-related and other ESG issues which includes implementing the full scope of the disclosure recommendations of the TCFD. This report incorporates the TCFD disclosure requirements for asset owners across the four main themes of: governance; strategy; risk management and metrics & targets which are set out respectively in sections 4.3 (sub-section 'Governance of climate-related risks'); 2.5 (all sections); 3.3 (sub-section 'Management of climate-related risks) and 2.7 (sub-section 'Climate-related KPIs') of this report. In parallel with its work to fully reflect the taxonomy classifications in the Company's monitoring and reporting the Investment Manager plans to further incorporate the requirements of the TCFD over the course of the year.

The Investment Manager also serves as a member of key bodies such as the Green Finance Institute and the UK Green Building Council. The Investment Manager considers people and employment as well as the environment in all of its business conduct. The Investment Manager has been advocating globally for energy efficiency in the context of the post COVID-19 recovery planning, as well as for its role in the energy transition and has recently appointed a new Executive Director of Communications and Sustainable Cities.

Sustainable Development Capital LLP is a signatory.

PRI Principles for Responsible Investment

SEEIT carries the Green Economy Mark, which recognises equity issuers with green revenues of 50% or more.

GREEN ECONOMY LONDON STOCK EXCHANGE

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Following the investment in RED, SEEIT's portfolio of project companies employ collectively over 200 full time employees.

Financing

The Investment Manager has used a combination of equity issuance and credit facilities to make new investments. The Investment Manager recently extending the quantum of SEEIT's RCFs to maximise capital efficiency and may consider recommending a modest increase in overall gearing levels to support new investments.

Financial performance

SEEIT's net asset value has been relatively stable and resilient, notwithstanding the challenging global economic conditions. SEEIT achieved a cash dividend cover of approx. 1.2x for the dividends paid during the last year and earnings per share of 7.0p per share covered the 6.6p per share of dividends paid. The Company transitioned to quarterly dividends from 1 April 2020 and accordingly, the Company paid an aggregate of 6.6p per share in the financial year to make the transition to quarterly dividends. On a pro forma basis where dividends paid are adjusted down to quarterly equivalents and removing the impact of a transition year, cash cover for dividends was approximately 1.3x. The Company is targeting a dividend[5] of 5.62p per share for the year to March 2022, a 2.2% increase from 31 March 2021.

Liquidity in SEEIT's shares has significantly improved and total assets have doubled. Total shareholder return has been c. 30.0% since inception to 22 June 2021 and total return on a NAV growth plus dividends paid in the year was 8.0%.

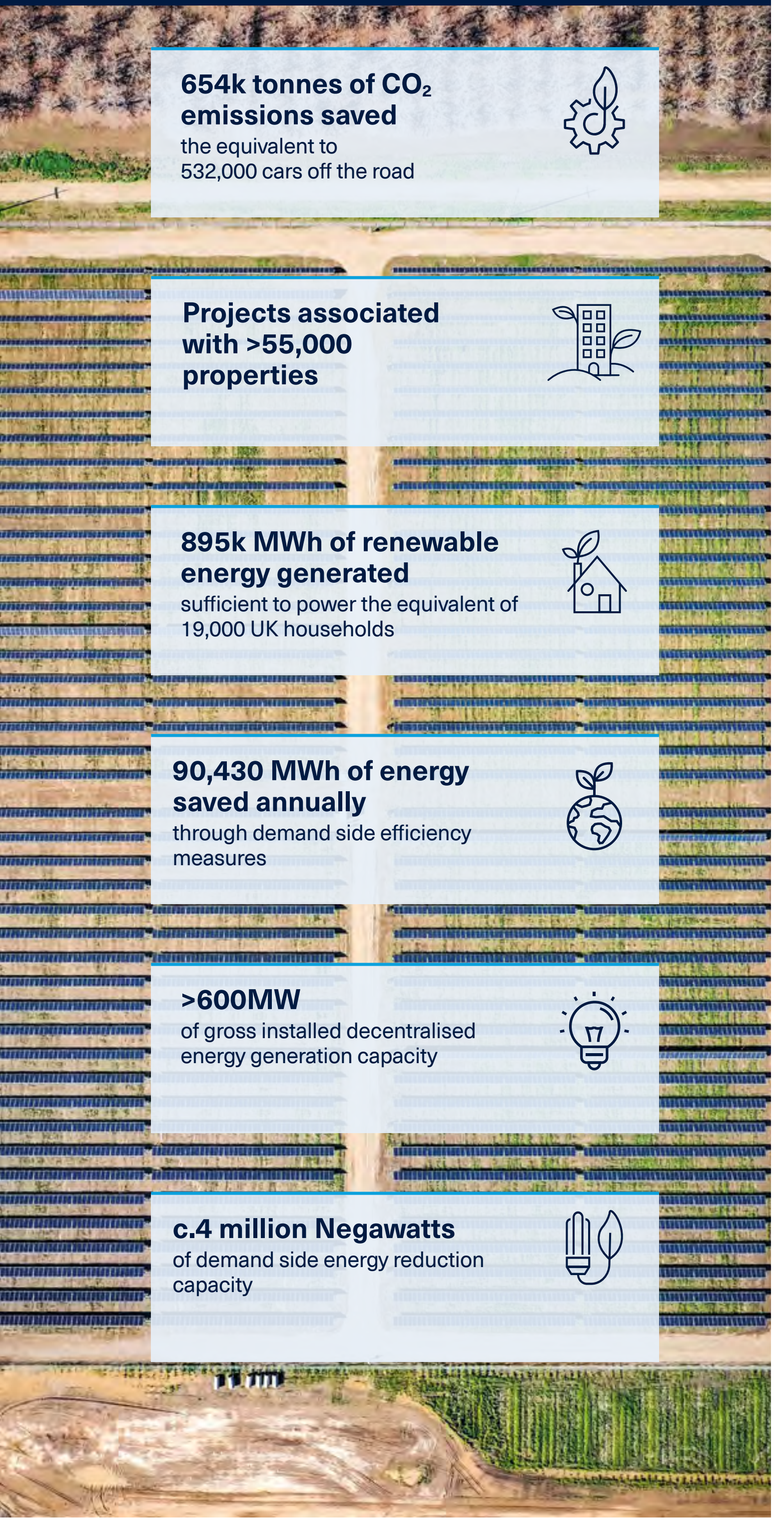
Further detail on the Company and group's financial performance and valuation can be found in Section 3.1 and Section 3.2.

[5] The target dividend stated above is based on a projection by the Investment Manager and should not be treated as a profit forecast for the Company

2.5 Sustainability Update

ESG Highlights

(1 April 2020 - 31 March 2021)



654k tonnes of CO_2 emissions saved
the equivalent to 532,000 cars off the road

Projects associated with >55,000 properties

895k MWh of renewable energy generated
sufficient to power the equivalent of 19,000 UK households

90,430 MWh of energy saved annually
through demand side efficiency measures

>600MW
of gross installed decentralised energy generation capacity

c.4 million Negawatts
of demand side energy reduction capacity

Carbon reporting

During the year, the Company's portfolio produced 895,212 MWh (2020: 113,000 MWh) of electricity and has provided carbon savings of 654,205 tCO2 (2020: 156,000 tCO2), which has been calculated proportional to the Company's holding of each underlying investment and the period of the ownership.

The calculation approach in each case follows several key principles, to maintain a consistent approach. The principles are:

1. Where possible to capture fundamental data regarding project performance. Examples of this data include energy generated (kWh) and fuel consumed (kWh);
2. Use publicly available emissions factors from government sources specific to the project location; and
3. Where a project was commissioned, or purchased, by the Company during a reporting period, only the portion of the period after commissioning or purchase date has been recognised.

SEEIT's Responsible Investment Policy

SEEIT's Responsible Investment Policy[6] seeks to ensure that all investments and the associated contractors and delivery partners apply a set of defined ESG principles, as noted below. The Investment Manager is tasked with promoting the policy to all service providers who are responsible for the day-to-day operations of the projects (O&M providers) and to monitor their performance, to ensure compliance and best practice.

SEEIT's responsible investment policy covers four focal areas:

- **Net zero carbon transition:** Aiding the transition to a net zero carbon economy by maximising energy efficiency through SEEIT's investment strategy and operations;

- **Environmental impacts:** Minimising the environmental footprint of SEEIT's operations through managing negative impacts, such as waste, biodiversity loss, and emissions;

- **Governance and resilience:** Securing robust governance and business integrity, including assessing resilience to physical climate risk and engaging on ESG with SEEIT's delivery partners; and

- **Workplace and community:** Providing safe environments for all – for workers, contractors and members of the community who use or come into contact with SEEIT's projects,

SEEIT has developed, in conjunction with the Investment Manager, a set of ESG principles that build on each of the four focus areas. The Investment Manager follows an ESG procedure that ensures SEEIT's ESG policies and principles are reflected in its screening and diligence process to assess all potential projects prior to a decision to invest, and then as a framework for managing and monitoring assets and engaging with O&M providers.

[6] SEEIT's Responsible Investment Policy is available at: www.seeitplc.com/what-we-do/#ourResponsibility

2.5 Sustainability Update
continued

SEEIT's contribution to the UN Sustainable Development Goals

In 2015, 197 countries came together behind a common vision for achieving a better and more sustainable future for all. This vision is manifested in 17 interconnected global goals - the United Nations' Sustainable Development Goals ("SDGs") - that aim to address the world's most pressing social, environmental, and economic challenges by 2030.

Generating positive social and environmental outcomes is fundamental to SEEIT and how the Company and its portfolio are run. SEEIT's ESG objectives and efforts are aligned with and support the SDGs agenda. SDCL looked at the expected outcomes and established practices of each individual project in SEEIT's portfolio against the 17 SDGs and their 169 underlying targets.

As at the financial year-end this analysis showed that the Company's portfolio contributes to 11 of the 17 SDGs, with a particular focus on two goals: 7 **SDG 7 – Clean and affordable energy** and 9 **SDG 9 – Industry, innovation and infrastructure**, and that all Company activities are underpinned by the principles of 17 **SDG 17**. The diagram below illustrates the correlation with each of the SDGs as a heat map, with red indicating the highest correlation and green the least.

The analysis also looked at the number of targets that are supported under each of the 11 SDGs. This is represented below by a heat map showing the highest number of targets supported in red and the fewest in green[7]:

The analysis also looked at the number of targets that are supported under each of the 11 SDGs. This is represented below by a heat map showing the highest number of targets supported in red and the fewest in green[7]:

[7] Each SDG counts equally regardless of how many targets it includes, ie supporting 2 out of 4 targets gets the same score as supporting 5 out of 10 targets. Then the SDG scores for each project are added to derive the heat map.

2.6 Investment Portfolio Summary

Portfolio Analysis

The below table provides a summary of the Company's total portfolio as at 31 March 2021:

Country	Project	Phase	Customer	Industry	Technology	Overview
Singapore	Singapore Energy Efficiency – SEEIPL 1	Operational	Panasonic, Speedytech	Industrial: Manufacturing	Energy-efficient air compressors and water-cooled chillers	Energy efficient measures for small and medium-sized businesses
	Singapore Energy Efficiency – SEEIPL 3	Operational	Denselight, REC Solar	Industrial: Manufacturing	Energy-efficient air compressors and water-cooled chillers	Energy efficient measures for small and medium-sized businesses
	Singapore Energy Efficiency – FE EE	Operational	Denselight, Greif	Industrial: Manufacturing	Energy-efficient air compressors and water-cooled chillers	Energy efficient measures for small and medium-sized businesses
Spain	Oliva – Cepalo	Operational	Spanish energy market and Sedebisa	Industrial: Food production	CHP	Efficient energy generation including thermal energy for drying of recycled waste
	Oliva – Sedebisa	Operational	Olive byproduct market and Bipuge	Industrial: Food production	Industrial process efficiency solutions	Drying of recycled waste for biomass feedstock and olive oil production
	Oliva – Bipuge	Operational	Spanish energy market and olive processing plants	Industrial: Food production	Biomass	Power generation from recycled waste from olive oil production
	Oliva – Celinares	Operational	Spanish energy market and Colinares	Industrial: Food production	CHP	Efficient energy generation including thermal energy for drying of recycled waste
	Oliva – Colinares	Operational	Olive byproduct market and Biolinares	Industrial: Food production	Industrial process efficiency solutions	Drying of recycled waste for biomass feedstock and olive oil production
	Oliva – Biolinares	Operational	Spanish energy market and olive processing plants	Industrial: Food production	Biomass	Power generation from recycled waste from olive oil production
	Oliva – La Roda	Operational	Spanish energy market and olive processing plants	Industrial: Food production	CHP	Efficient energy generation including thermal energy for olive processing
	Oliva – Celvi	Operational	Spanish energy market and olive processing plants	Industrial: Food production	CHP	Efficient energy generation including thermal energy for olive processing
	Oliva – Cepuente	Operational	Spanish energy market and olive processing plants	Industrial: Food production	CHP	Efficient energy generation including thermal energy for olive processing
Sweden	Gasnätet	Operational	Various (50,000+ customers)	Retail: Commercial	Green gas distribution	Regulated green gas distribution network

2.6 Investment Portfolio Summary
continued

Country	Project	Phase	Customer	Industry	Technology	Overview
United Kingdom	Moy Park Biomass	Operational	Moy Park	Industrial: Food Production	Biomass boilers	Efficient heating
	Santander UK Lighting	Operational	Santander plc	Commercial: Banking	Lighting and energy efficiency measures	Energy efficient measures for buildings with lighting enhancement
	Huntsman Energy Centre	Construction	Huntsman	Industrial: Polyurethane manufacture	Steam raising boilers	Recycling and reduction of waste gases from chemical manufacturing
	Citi Riverdale CCHP	Operational	Citibank	Datacentres: Banking	Combined Cooling, Heat and Power (CCHP)	Efficient power, heating and cooling for a data centre
	Moy Park Lighting	Operational	Moy Park	Industrial: Food Production	LED lighting	Efficient lighting
	St Barts CCHP	Operational	St Bartholomew's Hospital	Healthcare: Hospital	CHP	Efficient power, heating and cooling for a hospital
	Supermarket Solar UK	Operational	Tesco plc	Commercial: Retail	Rooftop solar	Onsite solar energy generation
	Kingspan Holywell Solutions	Operational	Kingspan	Industrial: Manufacturing	Lighting and energy efficiency measures	Energy efficient measures for building materials manufacturing.
	EV Network	Development & Construction	Charge point operators	Infrastructure	EV charging stations	Rapid and ultra-fast EV charging stations
	GET	Construction & Operational	Hotels	Hospitality sector	CHP	Efficient generation of heat and power
	SmartEnergy	Operational	Various	Industrial: Various	CHP, HVAC, BMS and other EE solutions	Energy efficient measures for small and medium-sized businesses

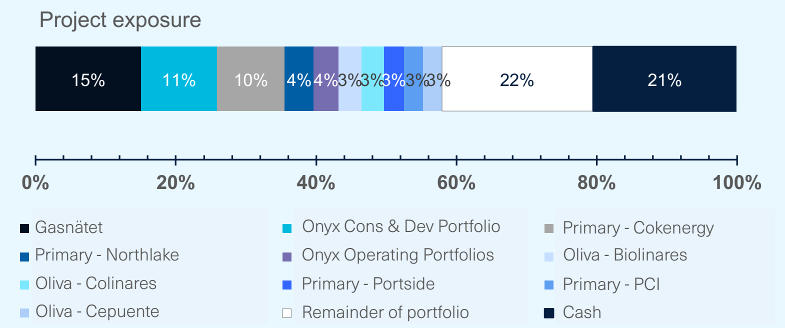
2.6 Investment Portfolio Summary
continued

Country	Project	Phase	Customer	Industry	Technology	Overview
United States	Primary Energy – Cokenergy	Operational	Cleveland Cliffs	Industrial: Steel production	Steam turbines	Energy generation from recycling waste gases from steel production
	Primary Energy – Northlake	Operational	Cleveland Cliffs	Industrial: Steel production	Steam turbines	Energy generation from recycling waste gases from steel production
	Primary Energy – Ironside	Operational	Cleveland Cliffs	Industrial: Steel production	Steam turbines	Energy generation from recycling waste gases from steel production
	Primary Energy – PCI	Operational	Cleveland Cliffs	Industrial: Steel production	Industrial process efficiency solutions	Energy efficient process for steel production
	Primary Energy – Portside	Operational	US Steel	Industrial: Steel production	CHP	Efficiency energy generation
	Spark US Energy Efficiency	Operational	Various (260+ contracts)	Commercial: Various	Lighting and energy efficiency measures	Energy efficiency measures for small and medium-sized companies
	Onyx – operational portfolios	Operational	Various	Commercial & industrial: Various	Rooftop solar and storage	Onsite solar energy generation
	Onyx – construction portfolios	Construction & Development	Various	Commercial & industrial: Various	Rooftop solar and storage	Onsite solar energy generation
	Onyx - development	Development	Various	Commercial & industrial: Various	Rooftop solar and storage	Onsite solar energy generation
	Northeastern US CHP	Operational	Various (6)	Commercial: Various	CHP	Efficient power and heat generation for the public and private sectors

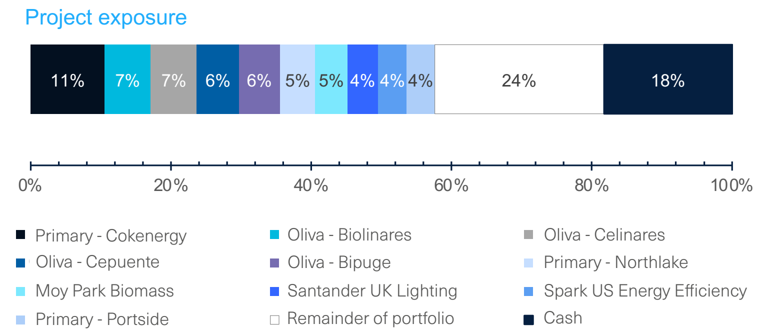
2.6 Investment Portfolio Summary
continued

Portfolio diversification by project

As at 31 March 2021[2,3]

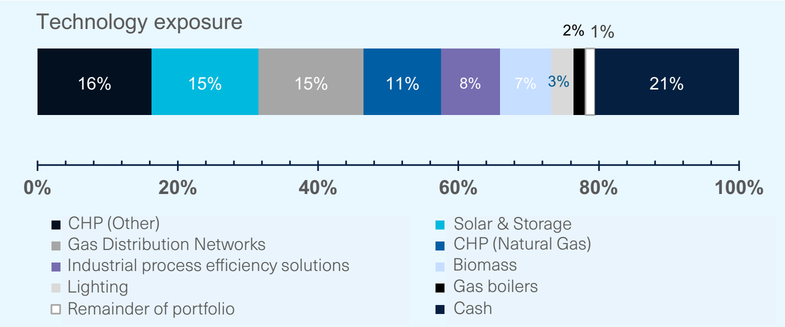


As at 31 March 2020[1,3]

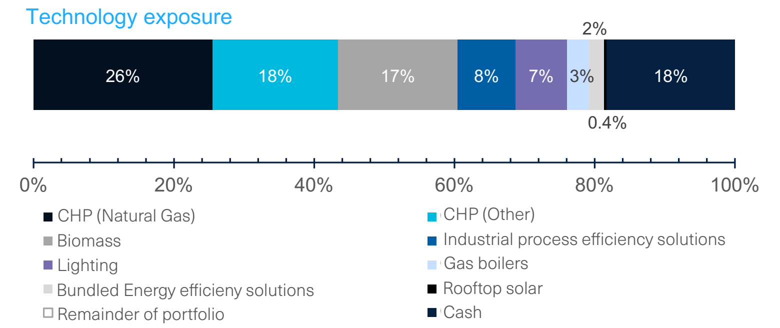


Portfolio diversification by technology

As at 31 March 2021

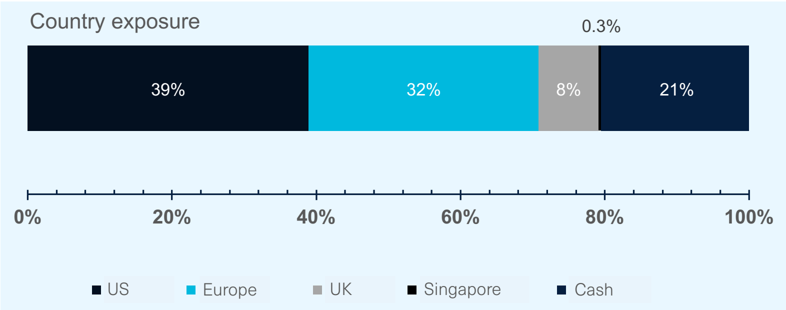


As at 31 March 2020

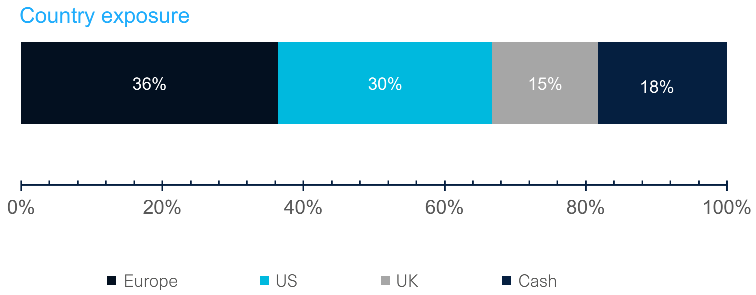


Portfolio diversification by geography

As at 31 March 2021[2,4]

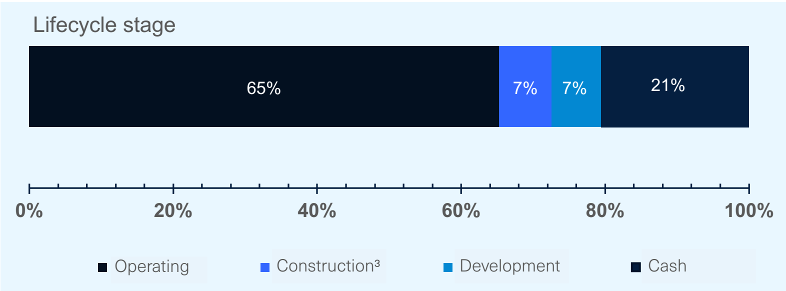


As at 31 March 2020[1,4]

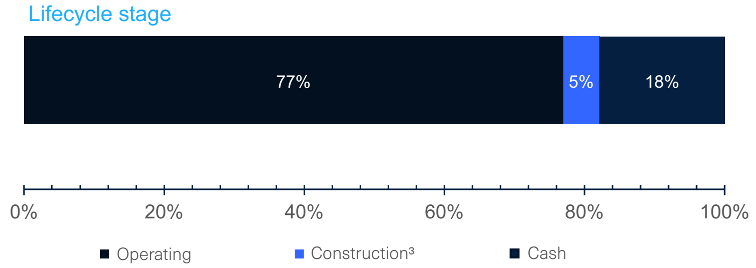


Portfolio diversification by investment stage

As at 31 March 2021



As at 31 March 2020



2.7 Company Key Performance Indicators ("KPIs")

The Company sets out below its financial, operational and climate-related KPIs which it uses to track the performance of the Company over time against the objectives as described in the Strategic Report and in accordance with the reporting requirements of the TCFD. The Board believes that the KPIs detailed below provide shareholders with sufficient information to assess how effectively the Company is meeting its objectives. The Board monitors these KPIs on an ongoing basis.

Financial KPIs

KPI	Definition	31 March 2021	31 March 2020	Commentary
NAV per share (pence)	NAV divided by no. of shares outstanding as at 31 March	102.5p	101.0p	NAV has increased compared with the prior year, after taking into account dividends paid during the year
Share price (pence)	Closing share price as at 31 March	112.0p	92.5p	The share price has recovered after initially being affected by market conditions from the global uncertainty around COVID-19 in March 2020
Dividends per share (pence)	Aggregate dividends declared per share in respect of the financial year	5.5p	5.0p	The Company met its stated dividend target of 5.5p per share for the year ended 31 March 2021
Dividend cash cover (x)	Operational cash flow divided by dividends paid to shareholders during the year	1.17x	1.55x	Dividends were covered by cash flows for the year ended 31 March 2021
Total Return in the year (%)	NAV growth and dividends paid per share in the year	8.0%	6.2%	Total return combines the increase in NAV and dividend distributions, and reflects continued underlying delivery to shareholders
Ongoing charges ratio (%)	Annualised ongoing charges (i.e. excluding investment costs and other irregular costs) divided by the average published undiluted NAV in the period, calculated in accordance with AIC guidelines	1.13%	1.17%	Ongoing charges have reduced on a comparative basis as economies of scale were achieved through growth in the size of the Company's NAV

Operational KPIs

KPI	Definition	31 March 2021	31 March 2020	Commentary
Weighted average project life (years)	Weighted average number of years assumed to be remaining in project contracts	13.4	11.3	Increased due to new investments made during the year
Largest investment as a % of GAV (%)	Value of largest investment divided by the sum of all investments held in the Portfolio together with any Cash and Cash Equivalents, calculated at period end	15%	13%	The Company continues to stay well within the limits set by its Investment Policy, demonstrating diversification of the portfolio
Largest five investments as a % of Portfolio Valuation (%)	Total value of five largest investments divided by the sum of all investments held in the Portfolio together with any Cash and Cash Equivalents, calculated at period end	44%	43%	Maintained good diversification

Climate-Related KPIs

Climate-related targets

The Company seeks to measure, monitor and report climate-related KPIs that are consistent with all relevant international standards, both statutory and voluntary, for assessing the sustainability of the Company's activities. As well as TCFD these include Streamlined Energy and Carbon Reporting ("SECR") and the requirements of the SFDR and Taxonomy Regulations as these evolve.

The Company's target is that its investments should contribute to substantial climate change mitigation and that its performance against the measured KPIs should be used to demonstrate if this target has been achieved.

KPI	Definition	31 March 2021	31 March 2020	Commentary
Total Carbon Emissions (Scope 1, 2 and 3)	SEEIT follows the Greenhouse Gas Protocol definition of Scopes: - Scope 1 emissions are direct emissions from owned or controlled sources. - Scope 2 emissions are indirect emissions from the generation of purchased energy. - Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.	424,490 tCO2 (Of which 27,638 tCO2 was in the UK)	171,054 tCO2 (Of which 15,871 tCO2 was in the UK)	Absolute emissions have increased between 2020 and 2021 due to increased overall size of portfolio
Total Carbon Emissions (Scope 1 and 2)	Total Scope 1 and 2 Carbon Emissions	378,527 tCO2 (Of which 11,360 tCO2 was in the UK)	152,442 tCO2 (Of which 763 tCO2 was in the UK)	Absolute emissions have increased between 2020 and 2021 due to increased overall size of portfolio
Energy consumption used to calculate above emissions (kWh)	Underlying global energy use in kWh	2,918,968,259 (Of which 103,026,874 was in the UK)	1,156,757,486 (Of which 51,033,512 was in the UK)	Absolute emissions have increased between 2020 and 2021 due to increased overall size of portfolio
Carbon Footprint	Total Scope 1 and 2 Carbon Emissions / Total portfolio value (tCO2e/£M)	685	478	Increase in Carbon Footprint is due to additional data gathering in 2021. In 2020 no data covering Scope emissions was included in reporting. Period of ownership also impacts this metric.
Exposure to Carbon-Related Assets	Percentage of portfolio assets by asset value tied to the energy and utilities sector (excluding renewable)	83%	88%	Decrease in exposure to carbon related assets reflects an overall move towards lower-carbon assets over the last year.

The calculation approach in each case follow several key principles, to maintain a consistent approach. The principles are:

1. Where possible to capture fundamental data regarding project performance. Examples of this data include energy generated (kWh) and fuel consumed (kWh);
2. Use publicly available emissions factors from government sources specific to the project location;
3. Where a project was commissioned, or purchased, by SEEIT mid way through the reporting period, only the portion of the period after commissioning or purchase date should be recognised; and
4. Where SEEIT owns less than 100% of a project, the total project savings should be reduced pro-rata with the ownership percentage.

2.8 Section 172

Section 172(1) Statement

The Directors fulfilled their duties under Section 172 of the Companies Act 2006 to act in good faith and to promote the success of the Company for the benefit of shareholders and stakeholders as a whole.

Section 172 of the Companies Act 2006 ('Companies Act') states that:

A Director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

Section 172(1)	Description
(a) the likely consequences of any decision in the long term	In managing the Company, the aim of the Board and of the Investment Manager is always to ensure the long-term sustainable success of the Company and, therefore, the likely long-term consequences of any decision are a key consideration. In managing the Company during the year under review, the Board and Investment Manager believe they acted in the way which we considered, in good faith, with a view to promoting the Company's long-term sustainable success and to achieving its wider objectives for the benefit of our shareholders as a whole, having had regard to our wider stakeholders and the other matters set out in Section 172 of the Companies Act. For further information please see Section 2.2 Investment Proposition and Section 2.3 Business Model.
(b) the interests of the company's employees	As a closed-ended investment company, the Company does not have any employees, however the interests of employees within project companies are considered when making decisions for the Company's benefit.
(c) the need to foster the company's business relationships with suppliers, customers and others	The Board's approach is described under "Stakeholders" below.
(d) the impact of the company's operations on the community and the environment	The Board places a high value on the monitoring of ESG issues and sets the overall strategy for ESG matters related to the Company. The Board takes responsibility in managing any climate-related risks for the group, including transparent disclosure of these risks, and takes mitigating actions to reduce or eliminate them where possible. A description of the Company's Responsible Investment Policy is set out on page 27 and is available on the Company's website and further detail on climate-related risks is set out in Section 2.5 Sustainability Update and Section 3.3 Risk and Risk Management.
(e) the desirability of the company maintaining a reputation for high standards of business conduct	The Board's approach is described under "Culture and Values" below. For further information please also see Section 2.5 Sustainability update.
(f) the need to act fairly as between members of the company	The Board's approach is described under "Stakeholders" below. For further information please also see Section 4.3 Corporate Governance Statement.

The issues, factors and stakeholders the Directors consider relevant in complying with Section 172(1) (a) to (f) are described in detail below. The Investment Manager provides updates to the Board at quarterly meetings on the above items, including the rationale behind investment decisions, its relationships with the Company's shareholders and key stakeholders and the Company's reputation in the broader market. This is further supported by reports from a number of advisers such as the Company's broker and financial PR consultant.

Further, the Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they have discharged their duties under Section 172(1) of the Companies Act 2006 in promoting the success of their companies for the benefit of "members as a whole". The Board's approach is described under "Stakeholders" below.

Culture and values

The Directors' overarching duty is to promote the success of the Company for the benefit of investors, with due consideration of other stakeholders' interests. The Company seeks to maintain high standards of business conduct and corporate governance and ensures via the Investment Manager that appropriate oversight, control and suitable policies are in place to ensure the Company treats its stakeholders fairly.

The Board seeks to ensure the alignment of its purpose, values and strategy with this culture of openness, debate and integrity through ongoing dialogue and engagement with its key stakeholders. The Board, made up of 50% male and 50% female members, aims to achieve a supportive business culture combined with constructive challenge and to provide a regular flow of information to shareholders and other stakeholders. During the year, the Board decided to appoint a new Director, Emma Griffin, who brings with her experience and skills to promote the long-term success of the Company. Both the Board and the Investment Manager support equal opportunities for recruitment and when managing existing employees, regardless of age, race, gender or personal beliefs and preferences.

Although SEEIT has no employees, the Company is committed to respecting human rights in its broader relationships. SEEIT does not tolerate corruption, fraud, the receiving of bribes or breaches in human rights. Both SEEIT and the Investment Manager have anti-corruption and bribery policies in place in order to maintain standards of business integrity, a commitment to truth and fair dealing and a commitment to complying with all applicable laws and regulations.

The Company has a number of policies and procedures in place to assist with maintaining a culture of good governance including those relating to diversity, anti-bribery (including the acceptance of gifts and hospitality), tax evasion, conflicts of interest, and directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies regularly through Board meetings and the annual evaluation process. The Board seeks to appoint the most appropriate service providers for the Company's needs and evaluates their services on a regular basis. The Board considers the culture of the Investment Manager and other service providers through regular reporting and by receiving regular presentations as well as through ad hoc interactions.

The Board and Investment Manager work closely together in developing and monitoring the Company's approach to environmental, social and governance matters. SEEIT fully endorses the United Nations-supported Principles for Responsible Investment and the Investment Manager has become a signatory to the UNPRI to ensure that the six principles are embedded in the Company's behaviours and practices and applied to all SEEIT investments.

Stakeholders

The Board challenges the Investment Manager to balance the interests and concerns of all stakeholders effectively and to best address these at all stages to ensure continuing positive stakeholder engagement. The Company is committed to maintaining good communications and building positive relationships with all stakeholders. To achieve this, the Company, either directly or via the Investment Manager, interacts with a variety of stakeholders important to its success. The Company seeks to achieve the correct balance between engagement and communication, whilst working within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.

The Company has identified the following key stakeholders:

- Shareholders;
- The Investment Manager;
- The Company's key service providers;
- The Company's investment business partners; and
- Lenders at project level and corporate level

2.8 Section 172
continued

Stakeholders	Why they are important	Engagement
Shareholders	As the Company is an investment trust, its shareholders are also its main stakeholders. Continued shareholder support and engagement are critical to the existence of the Company and to the delivery of the long-term strategy	The Company currently has over 300 shareholders, comprising mainly institutional and retail investors. Through the Company's engagement activities, it strives to obtain investor endorsement for the Company's strategic objectives and how they are executed. Since IPO, the Company has issued a significant number of additional shares through capital placings which have provided the capital for the Company to execute its investment strategy. To continue meeting the Company's investment strategy and invest in additional pipeline investments, the Company requires additional funding. As such, existing and prospective investors are important stakeholders. During the year, the Board reviewed and challenged the Investment Manager's pipeline of opportunities and authorised the Prospectus and Share Issuance Program published on 19 June 2020. Following extensive engagement with shareholders, the Company completed successful capital raises on 24 June 2020, 16 October 2020 and 12 February 2021, the result of which significantly enlarged the shareholder base and increased liquidity in the Company's shares. The Company also engaged, directly or via the Investment Manager, with shareholders in the year through meetings, market announcements and various written materials, including the Company Factsheet available on the Company's website. At every Board meeting, the Directors receive updates on the share trading activity, share price performance and any shareholders' feedback, as well as any publications or comments in the press. Through a combination of the above engagement activities, clear reporting and shareholder support, the Board has been able to ensure its investment pipeline and fund-raising programme have been aligned with the investment strategy and that funds have been available to secure the current asset portfolio. The Company will continue to engage actively with shareholders in future.
The Investment Manager	The Investment Managers' performance is critical for the Company to deliver its investment strategy and meet its objectives.	Constructive and ongoing engagement with the Investment Manager is important to ensure that the expectations of shareholders are being met and that the Board is aware of any challenges to the investment strategy or management of the Company's portfolio of investments. The Company conducts both ongoing and an annual review of the Investment Manager's performance and terms of engagement and feedback is provided after such reviews. The most recent annual review took place in March 2021. The Board and the Investment Manager maintain an open and ongoing dialogue on key issues facing the Company with a view to ensuring that key decisions relating to, inter alia, potential investments, portfolio performance and the Company's investment strategy are aligned with achieving long-term value for shareholders. This open dialogue takes the form of at least quarterly scheduled board meetings and frequent informal contact, as appropriate to the subject matter.

Stakeholders	Why they are important	Engagement
Key service providers	The Company has a number of other key service providers, each of which provides a vital service to the Company and ultimately to its shareholders. The Company's key service providers are the Administrator and Company Secretary, Auditor, Corporate Broker, Depositary and Registrar.	The Company reviews all key service providers to the Company and the terms of their engagement on an ongoing basis. During the year, the Company conducted a review of the terms of all service provider engagements along with their fee levels to ensure an appropriate level of support was being provided to the Company. The Company seeks to ensure a two-way engagement between the Board and key service providers on service delivery expectations and feedback on important issues experienced by service providers during the year. Each provider is required to have in place suitable policies to ensure that they maintain high standards of business conduct, treat customers fairly, and employ corporate governance best practice.
Investment business partners	The Company has various business partners including, crucially the Counterparty hosts to whom the Company's investments are providing critical energy services to as well as sub-contractors who provide key services to individual or groups of portfolio companies, such services include operations and maintenance, technical asset management and EPC construction that are considered vital to the success of the investments.	As the Company acquires new portfolio investments, the Investment Manager undertakes a review of the contracting terms of all counterparties to ensure they are fair and appropriate. The Investment Manager seeks to maintain long-term collaborative partnerships with these counterparties to ensure relationship stability and that the Company's investment return targets are achieved. The Company, through the active management of the portfolio by the Investment Manager, seeks to ensure that these sub-contractors uphold the business reputation of the Company, complies with its policies and is aware of the impact on the environment and community when it delivers these services to the Company's investments.
Lenders at project level and corporate level	The availability of funding and liquidity are crucial elements in ensuring the Company's ability to execute against investment opportunities as they arise.	Considering how important the availability of funding is, the Company aims to demonstrate to its lenders through regular reporting and dialogue that it is a well-managed business, and in particular, that the Investment Manager is focused on providing regular and careful management of risk within the investment portfolio and the Company as a whole.

3. Strategic Report: Portfolio Review

3.1 Financial Review

Financial information

In accordance with IFRS 10 the Company carries its investment in Holdco at fair value as it meets the conditions of being an Investment Entity (see Note 2 for details). The fair value of Holdco includes the fair value of the underlying investments which is described in further detail in Section 3.2 Valuation of the Portfolio.

In order to provide shareholders with more transparency into the Company's capacity for investment, ability to make distributions, operating costs and gearing levels, results have been reported in the pro forma tables below on a non-statutory "Portfolio Basis" to include the impact if Holdco were to be consolidated on a line-by-line basis. The Directors consider the non-statutory Portfolio Basis to be a more helpful basis for users of the financial statements to understand the performance and position of the Company.

This is because key balances such as cash and debt balances carried in Holdco and all expenses incurred in Holdco, including debt financing costs, are shown in full rather than being netted off. The "Portfolio Basis" is presented as an alternative performance measure.

The pro forma tables that follow show the Company's result for the year ended 31 March 2021 compared to the pro forma balance sheet at 31 March 2020 and the pro forma Income statement and Cash Flow for the year to 31 March 2020.

The impact of including Holdco is shown in the Holdco reallocation column which reconciles back to the statutory financial statements ("IFRS") and constitute a reallocation between line items rather than affecting NAV and Earnings - NAV per share and Earnings per share are the same under the Portfolio Basis and the IFRS basis.

Summary Financial Statements

Portfolio Basis Summary Income Statement

	Year to 31 March 2021			Year to 31 March 2020		
£'000	Portfolio Basis	Holdco reallocation	IFRS (Company)	Portfolio Basis	Holdco reallocation	IFRS (Company)
Total income	41,089	(3,255)	37,834	17,054	(2,554)	14,500
Expenses and Finance Costs	(8,684)	3,255	(5,429)	(5,442)	2,554	(2,888)
Profit before Tax	**32,405**	**–**	**32,405**	**11,612**	**–**	**11,612**
Earnings	32,405	–	32,405	11,612	–	11,612
Earnings per share (pence)	**7.0**	**–**	**7.0**	**5.2**	**–**	**5.2**

On the Portfolio Basis, Total Income of £41,089k (2020: £17,054k) represents the return from the portfolio recognised as income comprising dividends, interest and valuation movements. Further detail on the valuation movements is given in Section 3.2 Valuation of the Portfolio.

On an IFRS basis, Total income of £37,834k (2020: £14,500k) comprises income received by the Company and valuation movements in its investment (see Note 5). Both Total Income and Expenses and Finance Costs are lower than on the Portfolio Basis, as costs incurred by the Holdco are included by netting off within Total Income under IFRS, not under Expenses and Finance Costs. The costs incurred by the Holdco not included on an IFRS basis include transaction abort costs, foreign exchange movements related to hedging and financing expenses related to the RCF.

The increase in Total income compared to the prior year is mainly as a result of the increase in the size of the portfolio and thereby generating a higher amount of revenue from interest and dividends, in addition to the movements in fair value as described in Section 3.2. The increase in Expenses and Finance costs is also mainly due to the growth of the size of the portfolio with total fees accruing to the Investment Manager of £4,042k for the year (2020: £1,973k), comprising the 0.9% p.a. management fee of the Adjusted NAV up to £750m and 0.8% in excess of this amount.

Neither the Investment Manager nor any of its affiliates receives other fees from the Company's portfolio of investments.

Profit before tax of £32,405k (2020: £11,612k) included net foreign exchange losses of £4,590k (2020: £2,261k gain) incurred by Holdco comprising a £22,211k loss on revaluing of non-GBP investments for the year ended 31 March 2021 offset by gains on hedging of £17,621k. The foreign exchange gains and losses are reflected in the investment value of Holdco.

3.1 Financial Review
continued

In the year, the Company and Holdco incurred £1,063k (2020: £624k) of abort costs on unsuccessful bids, including £600k for bids that were in progress (mainly legal, technical and tax due diligence) and completed after the year-end.

On both the Portfolio Basis and IFRS basis, Earnings were £32,405k (2020: £11,612k) and Earnings per share were 7.0p (2020: 5.2p).

Portfolio Basis Balance Sheet

	As at 31 March 2021			As at 31 March 2020		
£'000	Portfolio Basis	Holdco reallocation	IFRS (Company)	Portfolio Basis	Holdco reallocation	IFRS (Company)
Investments at fair value	552,672	19,902	572,574	319,802	(65,707)	254,095
Working capital	14,933	(15,761)	(828)	(4,209)	5,465	1,256
Debt	-	-	-	(62,826)	62,826	-
Cash	126,200	(4,141)	122,059	70,763	(2,584)	68,179
Net assets attributable to Ordinary Shares	**693,805**	**-**	**693,805**	**323,530**	**-**	**323,530**
NAV per share	**102.5**	**-**	**102.5**	**101.0**	**-**	**101.0**

On a Portfolio Basis, Investments at fair value are £552,672k (2020: £319,802k), representing the Portfolio Valuation. The increase of £232,870k is predominantly due to investments during the year although further detail on the movement in Investments at fair value is given in Section 3.2 Valuation of the Portfolio.

On a Portfolio Basis, cash at 31 March 2021 was £126,200k (2020: £70,763k); mainly reflecting cash from equity capital raised and cash received from investments, net of cash used for investments. The Company is expecting to utilise the cash balance in paying the fourth quarterly interim dividend on 30 June 2020, and approximately £100m million was utilised in May 2021 to complete the investment in RED. On an IFRS basis, cash at 31 March 2021 was £122,059k (March 2020: £68,179) which reconciles to the Portfolio Basis through the cash held by Holdco at this date.

An analysis of net cash movement is shown in the cash flow analysis below.

On an IFRS basis, Investments at fair value were £572,574k (2020: £254,095k), reflecting the Portfolio Valuation adjusted for cash, working capital and debt held by Holdco. A reconciliation between the Portfolio Valuation at 31 March 2021 and Investment at fair value shown in the financial statements is given in Note 11 to the financial statements, the principal differences are as per the table below.

	March 2021 £'000	March 2020 £'000
Portfolio Valuation	552,672	319,802
Holdco cash	4,141	2,584
Holdco debt	-	(62,826)
Holdco net working capital	15,761	(5,465)
Investment at fair value (see Note 11)	**572,574**	**254,095**

NAV per share at 31 March 2021 was 102.5p (2020: 101.0p). NAV per share has increased by 1.5p since last year, reflecting the earnings in the year of 7.0p, interim dividends paid during the year of 6.6p and accretive share issues in the year of 1.1p.

Analysis of growth in NAV

	NAV per share (pence)
NAV per share at 1 April 2020	101.0
Earnings per share to 31 March 2021	7.0
Interim dividends paid[1]	(6.6)
	101.4
NAV accretive share issues[2]	1.1
NAV per share at 31 March 2021	**102.5**

[1] Consisting of a second interim dividend of 2.5p per share paid in June 2020 for the year ending 31 March 2020 and three interim dividends of 1.375p per share each paid for the year ended 31 March 2021.

[2] Arising from issuing of shares in the Company in June 2020, October 2020 and February 2021 at a price higher than the prevailing NAV per share.

Portfolio Basis Cash Flow Statement

	For the year ended 31 March 2021			For the year ended 31 March 2020		
£'000	Portfolio Basis	Holdco reallocation	IFRS (Company)	Portfolio Basis	Holdco reallocation	IFRS (Company)
Cash from investments	42,104	(6,099)	36,005	17,087	(13,033)	4,054
Operating and finance costs outflow	(6,433)	1,749	(4,685)	(4,028)	1,723	(2,305)
Net cash inflow before capital movements	**35,671**	**(4,350)**	**31,321**	**13,059**	**(11,310)**	**1,749**
Cost of new investments including investment costs	(255,220)	(61,431)	(316,651)	(254,312)	70,719	(183,593)
Share capital raised net of costs	368,003	-	368,003	222,058	-	222,058
Movement in borrowings	(64,665)	64,665	-	62,826	(62,826)	-
Movement in capitalised debt costs and FX hedging	2,060	(440)	1,620	(4,015)	2,395	(1,620)
Dividend paid	(30,413)	-	(30,413)	(8,422)	-	(8,422)
Movement in the year	55,436	(1,556)	53,880	31,195	(1,022)	30,172
Cash at start of the year	70,763	(2,584)	68,179	39,569	(1,562)	38,007
Cash at end of the year	**126,199**	**(4,140)**	**122,059**	**70,763**	**(2,584)**	**68,179**

Cash inflows from the portfolio on a Portfolio Basis were £42,104k (2020: £17,087k), in line with expectations. The increase in cash received compared with the previous period reflects the increase in the size of the portfolio.

The cost of new investments by the SEEIT group on a Portfolio Basis of £255,220k (2020: £254,312k) includes investment acquisition costs as described in the Valuation Movements below.

On an IFRS basis, costs of new investments of £316,651k (2020: £183,593k) reflects funding extended by the Company to Holdco in the year to make portfolio investments and for repayment of the RCF that Holdco utilised to make new investments.

Net cash flow before capital movements in the year on a Portfolio Basis was £35,671k (2020: £13,059k) and covers dividends paid of £30,413k in the year (2020: £8,422k) by 1.17 times. From the year beginning on 1 April 2020, the Company is paying dividends on a quarterly basis compared to semi-annually previously therefore the dividend cover above is for dividends paid for the equivalent of five quarters. The pro forma dividend cover on a full year (four quarters) basis is 1.3 times.

Share capital raised (net of costs) totalled £368,003k (2020: £222,058k) reflecting the net proceeds of shares issued during the year through three separate capital raisings under the share issuance programme.

Hedging for the group is undertaken by Holdco and therefore the Company should have no cash flows for this on an IFRS basis. Holdco enters into forward sales to hedge foreign exchange rate exposure in line with the Company's hedging policy set out below (see 'Foreign Exchange Hedging'). On a Portfolio Basis, there was a net cash inflow of £2,060k on foreign exchange hedging in the year.

Ongoing charges

Ongoing charges, in accordance with AIC guidance, are defined as annualised ongoing charges (i.e. excluding investment costs and other non-recurring items) divided by the average published undiluted net asset value in the year. On this basis the Ongoing charges ratio is 1.13% (2020: 1.17%) for the full year. The Ongoing charges percentage has been calculated on the Portfolio Basis to take into consideration the expenses of the Company and Holdco.

As expected, the Ongoing Charges ratio has reduced year on year, benefitting from the growth in the net assets meaning the fixed (ongoing) costs of the Company is spread across a larger base.

Group drawings and gearing levels

The Investment Manager periodically considers refinancing options aligned to the pipeline of potential transactions and in the interest of efficient capital management and foreign exchange hedging. After the year-end, Holdco increased the RCF to £115 million and ING and Intesa Sanpaolo joined Investec as lenders. The facility includes an uncommitted accordion of £90 million and has also been extended to June 2024. It is expected that a fourth bank will be added shortly resulting in a further increase in the available commitments.

Foreign exchange hedging

The Company applies foreign exchange hedging through currency hedges entered into by Holdco. The objective of the Company's hedging strategy is to protect the value of both near-term income and capital elements of the portfolio from a material impact on NAV arising from movements in foreign exchange rates, and to provide stability and predictability of Sterling cash flows.

This is achieved on an income basis by hedging forecast investment income from non-Sterling investments for up to 24 months through foreign exchange forward sales. On a capital basis, this is achieved by hedging a significant portion of the portfolio value through rolling foreign exchange forward sales. The Investment Manager also seeks to utilise corporate debt facilities in the local currency to reduce foreign exchange rate exposure.

As part of the Company's hedging strategy the Investment Manager will regularly review non-Sterling exposure in the portfolio and adjust the levels of hedging accordingly and in doing so will also take into account the cost benefit of hedging activity.

Net foreign exchange losses in the year ended 31 March 2021 was £3,600k, representing less than 1% of NAV.

Going concern

The Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details of the processes carried by the Company in determining that the going concern basis continues to be appropriate can be found in Section 4.2 Report of the Directors.

3.2 Valuation of the Portfolio

Introduction

The Investment Manager is responsible for carrying out the fair market valuation of the SEEIT group's portfolio of investments (the "Portfolio Valuation") which is presented to the Directors for their consideration and approval. A valuation is carried out on a six-monthly basis, as at 31 March and 30 September each year. The Portfolio Valuation is the key component in determining the Company's NAV.

The Company has a single investment in a directly and wholly owned holding company (Holdco). It recognises this investment at fair value. To derive the fair value of Holdco, the Company determines the fair value of investments held directly or indirectly by Holdco and adjusted for any other assets and liabilities. The valuation methodology applied by Holdco to determine the fair value of its investments is described below.

For non-market traded investments (being all the investments in the current portfolio), the valuation is based on a discounted cash flow methodology and adjusted in accordance with the IPEV (International Private Equity and Venture Capital) valuation guidelines where appropriate to comply with IFRS 13 and IFRS 9, given the special nature of infrastructure investments. Where an investment is traded in an open market, a market quote is used.

The Investment Manager exercises its judgment in assessing the expected future cash flows from each investment based on the project's expected life and the financial models produced for each project company and adjusts the cash flows where necessary to take into account key external macro-economic assumptions and specific operating assumptions.

All the operational investments included in the valuation have an underlying contract for energy services. The valuation is based on the future expected cash flows derived from these contracts. For the March 2021 valuation the assumed future cash flows match the maturity of the underlying contract or regulatory life of the asset except in the case of four of the assets in Primary Energy and the assets in Oliva Spanish Cogeneration where it is assumed that future contract extensions are achieved and hence the expected cash flows are currently projected to extend beyond the maturity date of the existing contract with the counterparty.

The fair value for each investment is then derived from the application of an appropriate market discount rate (on an unlevered basis) to reflect the perceived risk to the investment's future cash flows and the relevant year-end foreign currency exchange rate to give the present value of those cash flows. Where relevant, project level debt balances are then netted off to arrive at the valuation for each asset. The discount rate takes into account risks associated with the financing of an investment such as investment risks (e.g. liquidity, currency risks, market appetite), any risks to the investment's earnings (e.g. predictability and covenant of the income) and a thorough assessment of counterparty credit risk, all of which may be differentiated by the phase of the investment.

The Investment Manager uses its judgement in arriving at the appropriate discount rate. This is based on its knowledge of the market, taking into account intelligence gained from its bidding activities, discussions with financial advisers in the appropriate market, and publicly available information on relevant transactions.

For the valuation as at 31 March 2021, the Directors commissioned a report from a third-party valuation expert to provide their assessment of the appropriate discount rate range for each project (excluding small projects with an aggregate value of less than 2% of the Portfolio Valuation) in order to further benchmark the valuation prepared by the Investment Manager.

The valuation methodology is unchanged from the Company's IPO and has been applied consistently in each subsequent valuation.

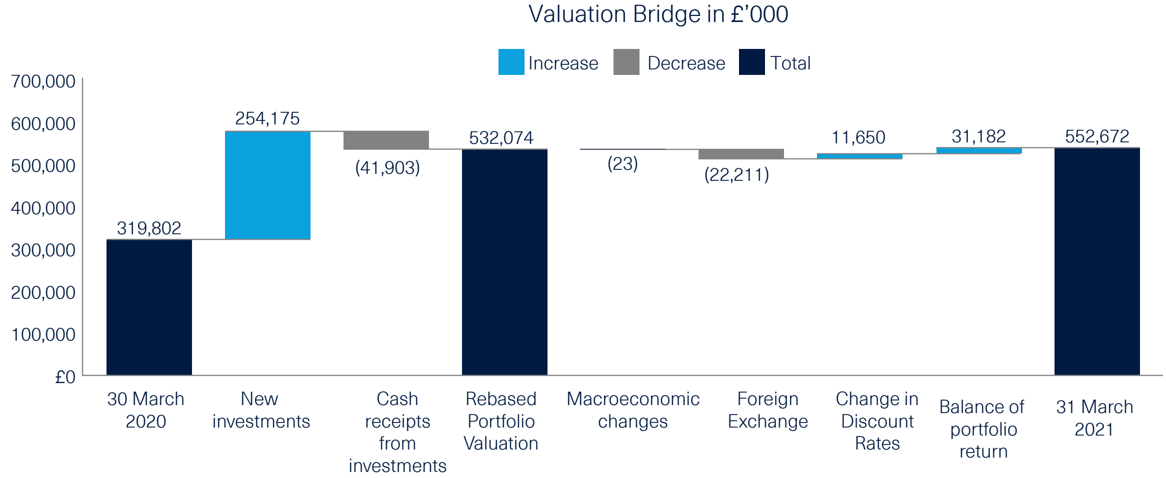
Portfolio valuation

The Portfolio Valuation as at 31 March 2021 was £552,672k, an increase of £232,870k compared to the Portfolio Valuation of £319,802k as at 31 March 2020 and an increase of £233,705k compared to the Portfolio Valuation of £318,967k at 30 September 2020 – the increase is mainly a result of the investments during the year.

3.2 Valuation of the Portfolio
continued

Valuation movements

A breakdown of the movement in the Portfolio Valuation in the period is illustrated in the chart and set out in the table below.



Valuation Movements During the Year To 31 March 2021 (£'000)

Portfolio Valuation – 31 March 2020		319,802
New Investments	254,175	
Cash from Investments	(41,903)	
		212,272
Rebased Portfolio Valuation		**532,074**
Changes in Macroeconomic Assumptions	(23)	
Changes in Foreign Exchange	(22,211)	
Changes in Discount Rates	11,650	
Balance of Portfolio Return	31,182	
		20,598
Portfolio Valuation – 31 March 2021		**552,672**

The opening Portfolio Valuation at 31 March 2020 was £319,802k. Allowing for investments of £254,175k and cash receipts from investments of £41,903k, the rebased Portfolio Valuation is £532,074k.

Additional investments of £254,175k in the year include the following:

- a £4,997k investment in GET Solutions
- a £1,065k investment in EV Network
- a £2,139k investment in Singapore Energy Efficiency portfolio
- a £31,698k investment in Primary Energy portfolio
- a £110,400k investment in Gasnätet
- a £457k investment in Spark US Energy Efficiency II portfolio
- a £103,418k investment in Onyx

Return from the Portfolio

Each movement between the rebased valuation of £532,074k and the 31 March 2021 valuation of £552,672k is considered in turn below:

(i) Changes in macroeconomic assumptions:

Inflation assumptions: An adjustment was made to near-term assumptions applied to the investments in Spain and Sweden where there is a ramp up to reach the long-term assumption, positive and adverse changes of approximately £1.8 million each resulted in a net decrease in the valuation of £23k. There were no other changes to inflation assumptions.

Tax rate assumptions: The UK corporation tax rate assumptions were amended in line with recent UK government announcements however as a result of utilising tax group relief within the UK part of the group, this had negligible impact on the valuation as at 31 March 2021. The risk of rising tax rates has been reflected in discount rates (see '(iv) Balance of portfolio return' below for more details).

(ii) Changes in foreign exchange rates:

The loss of £22,211k in the period reflects the strengthening of GBP against US Dollar, Euro and Swedish Krona in the year or since new investments were made. This reflects the movement in underlying investment values and is shown before the offsetting effect of foreign exchange hedging that is applied at the level of Holdco in line with the overall foreign exchange strategy which resulted in a gain of £17,621k. Overall foreign exchange movements did therefore not have a significant impact on NAV in the period with a net loss from foreign exchange hedging and movement in the assets of £3,600k.

(iii) Changes in valuation discount rates:

The discount rate used for valuing each investment represents an assessment of the rate of return at which infrastructure investments with similar risk profiles would trade on the open market.

During the year there were selected reductions of discount rates that in aggregate resulted in an increase in the valuation of £11,650k. The Investment Manager observed strong competition and downwards pressure on discount rates in the US markets, notably in onsite generation assets, and as a result lowered the discount rates used for the investments in Primary Energy and Northeastern US CHP. Downward pressure was also observed in the Spanish, Swedish and UK markets and a discount reduction was applied to selected investments in these geographies.

The Directors of the Company have received a report from a third-party valuation expert to benchmark the discount rates used by the Investment Manager. The Directors noted that the discount rates used by the Investment Manager were within the ranges advised by the third-party expert.

The weighted average discount rate for the portfolio as at 31 March 2021 was 7.0% on an unlevered basis (March 2020: 7.5% and September 2020: 7.5%). Approximately 0.4% of the reduction in the year resulted from new core investments acquired at an unlevered discount rate below the prevailing weighted average, although these investments were acquired with leverage that allows the total return of that investment to be at or in excess of the Company's target returns. The remaining approximately 0.1% reduction in the year reflected a general reduction of discount rates observed for the energy efficiency asset class.

(iv) Balance of portfolio return:

This refers to the balance of valuation movements in the year (excluding (i) to (iii) above) and which provided an uplift of £29,420k. The balance of portfolio return reflects the net present value of the cash flows unwinding over the period at the average prevailing portfolio discount rate and various additional valuation adjustments described below. The balance of portfolio return accounted for an increase above the rebased valuation of £532,074k of 5.9% although it is approximately 7.3% when adjusting for the Onyx acquisition which was a material acquisition that occurred near the end of the year and did not contribute to the return on account of the fair value being equal to the upfront cost.

The valuation includes a provision of approximately £9 million for EU-ETS costs in Spain where five of the projects in the Oliva Spanish Cogeneration portfolio pays EU ETS in respect of cogeneration and where the market has experienced significant and sharp rises in these costs over the last few months. Under the RoRi regime, the projects receive compensation given its environmental attributes. The March 2021 valuation includes an assumption that compensation is received in later years under the RoRi regime but the Investment Manager has applied a significant provision for this compensation falling below market expectations and the intended make-whole spirit of the regulatory mechanism. Should no compensation be received, it is expected to have a further approximately £7m impact on the valuation.

3.2 Valuation of the Portfolio
continued

A report was commissioned from an independent third-party specialist technical adviser for this valuation to review the commercial viability of useful life extensions in underlying assets in Primary Energy. The report confirmed the viability of extending cash flows for a further 10 years beyond the prevailing assumption of 2044. The Investment Manager however applied a significant risk premium above the applied discount rate for these projects when valuing this ten year extension.

Operational savings identified in Gasnätet of approximately £5 million has been materially offset by a general increase on insurance costs across the portfolio in future years.

Impact of COVID-19 on the valuation

The Investment Manager has reviewed the impact of the COVID-19 pandemic on the portfolio during the year, and, the overall impact on the financial performance and cash flow projections has not had a material impact on the Portfolio Valuation and NAV.

As described further in Section 2.3, the COVID-19 pandemic caused some operational and financial disruption to certain assets, of which the key impacts are listed below:

- It was the direct cause for the idling of a blast furnace where the Ironside contract's revenues were impacted between April and August 2020.
- The construction commissioning phase of Huntsman Energy Centre and installations of rooftop solar on Tesco sites in the UK were delayed during the initial hard lockdown period in the UK spring.
- In Spain, the localised lockdowns and impact of the initial wave of the COVID-19 pandemic caused electricity prices to drop below our assumptions – this caused lower than expected returns in the period which is however mitigated by the RoRi regulatory mechanism which provides a level of downside protection through boosted overall returns that only materialises in future years.
- Lower than expected revenue from delivering gas to restaurant customers in Stockholm in the Gasnätet project, which has also been assumed to continue in the near term and therefore continue to adversely affect near-term cash flows and valuation.

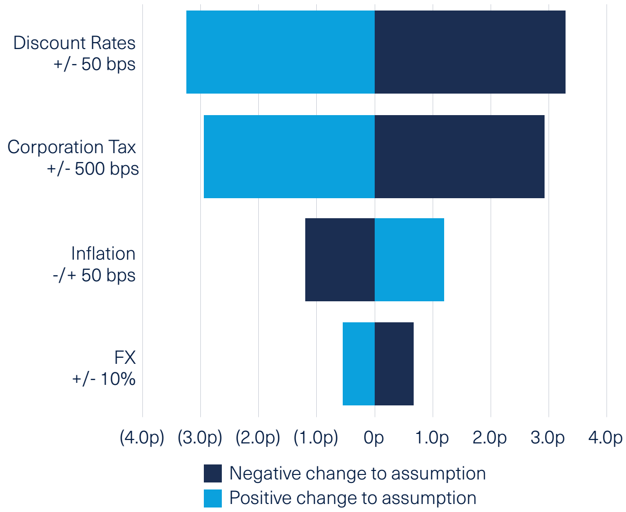
Notwithstanding some of these specific impacts of the COVID-19 pandemic, and with the exception of Ironside noted above, all operational assets continued to provide energy services throughout the period. As a result of this, cash flows have remained good and the overall valuation has not experienced a material impact from the COVID-19 pandemic.

Valuation assumptions

		31 March 2021	30 September 2020	31 March 2020
Inflation rates	UK (RPI)	2.75% p.a.	2.75% p.a.	2.75% p.a.
	UK (CPI)	2.00% p.a.	2.00% p.a.	2.00% p.a.
	Spain (CPI)	1.0% to 1.4% until 2023, 2.00% p.a. long-term	1.40% - 2.00% p.a.	1.40% - 2.00% p.a.
	Sweden (CPI)	1.4% to 1.7% until 2023, 2.00% p.a. long-term	n/a	n/a
	Singapore (CPI)	2.00% p.a.	n/a	n/a
	USA (CPI)	2.00% p.a.	2.00% p.a.	2.00% p.a.
Tax rates	UK	19% to 2023, 25% thereafter	19%	19%
	Spain	25%	25%	25%
	Sweden	21.4%	n/a	n/a
	Singapore	17%	n/a	n/a
	USA	21% Federal and 3-9% State rates	21% Federal and 3-9% State rates	21% Federal and 3-9% State rates
Foreign exchange rates	EUR/GBP	0.85	0.91	0.88
	SEK/GBP	0.08	n/a	n/a
	SGD/GBP	0.54	n/a	n/a
	USD/GBP	0.73	0.77	0.80

Key sensitivities

The following chart illustrates the sensitivity of SEEIT's NAV per share to changes in key valuation input assumptions (with the labels indicating the impact of the sensitivities on the NAV in pence per share):



For each of the sensitivities, it is assumed that potential changes occur independently of each other with no effect on any other base case assumption, and that the number of investments in the portfolio remains static throughout the modelled life.

Discount rate sensitivity

The weighted average discount rate that is applied to each portfolio company's forecast cash flow, is the single most important judgement and variable for the purposes of valuing the portfolio.

A 0.5% increase in the discount rates would result in a NAV per share decrease of 4.1p based on the Portfolio Valuation as at 31 March 2021. A 0.5% decrease in the discount rates would result in a NAV per share increase of 4.4p based on the Portfolio Valuation as at 31 March 2021.

Corporation tax rate sensitivity

This sensitivity considers a 5% p.a. movement in corporation tax rates in each country where an investment is held – for the valuation as at 31 March 2021 this included UK, Spain, Sweden, Singapore and USA. The profits of each portfolio company are subject to corporation tax in the country where the project is located.

A 5% p.a. increase in corporation tax rates would result in a NAV per share reduction of 3.0p based on the Portfolio Valuation as at 31 March 2021. A 5% p.a. decrease in corporation tax rates would result in a NAV per share increase of 3.0p based on the Portfolio Valuation as at 31 March 2021.

The sensitivity is shown on the basis that corporation tax rates remain as the sensitised level for the remainder of any period in which cash flow is assumed for that project and that no mitigations that may be available are applied. Key mitigants available include portfolio structuring changes including gearing, and the option available to the Company to use interest streaming of dividends to shareholders in the future, whereby a portion of the dividend distribution is designated as interested, allowing net taxable interest income to be reduced.

The sensitivity mainly shows the unmitigated impact of changes in US, Swedish and Spanish tax rates. The exposure to UK corporation tax at project level has negligible sensitivity to the sensitised movements in UK corporation tax rates, including the impact of the expected future tax rises announced by the UK government, because of UK entities within the group being able to offset aggregate profits and losses.

Inflation rate sensitivity

This sensitivity considers a 0.5% p.a. movement in long-term inflation in the underlying investment cash flows.

A 0.5% p.a. increase in inflation rates would result in a NAV per share increase of 0.8p based on the Portfolio Valuation as at 31 March 2021. A 0.5% p.a. decrease in inflation rates would result in a NAV per share reduction of 0.7p based on the Portfolio Valuation as at 31 March 2021.

The Company's portfolio includes investments that benefit from fixed or escalating revenues that are not directly linked to inflation. This includes the assets in Primary Energy where periodic recontracting is assumed in the valuation. It is assumed that the renewed revenue contracts entered into in future years reset the revenues at such a level that it materially offsets increases to project level costs such as O&M that is materially inflation-linked. Within the portfolio of Oliva Spanish Cogeneration assets there is some natural offsetting or protection between revenues and costs for inflation increases and decreases. The assumption in the Gasnätet project is that the regular renewals of customer contracts (typically annually) include inflationary increases to the tariffs charged, however it is also assumed that this would not result in the charges being above the regulatory cap and therefore the full inflationary increase is not passed on to the customer each time. In the current portfolio there are several assets with no or negligible exposure to inflation, notably the assets in the UK and the senior debt loan investments in Spark US Energy Efficiency I and II.

The Investment Manager aims to construct and maintain a portfolio that generates year-on-year revenue growth on a

3.3 Risk and Risk Management

progressive basis. The Investment Manager does not aim to construct and maintain a portfolio of assets with direct inflation-linked returns, however it targets any potential portfolio downside inflation impact to be broadly offset through revenue growth over the medium to long-term. Should the long-term exposure increase adversely, the Investment Manager will consider implementing mitigant strategies that include, but are not limited to, hedging.

Foreign exchange rate sensitivity

This sensitivity considers a 10% movement in relevant non-GBP currencies, which in the case of the Portfolio Valuation at 31 March 2021 is US Dollar, Singapore Dollar, Swedish Krona and Euro, from the foreign exchange rates used at 31 March 2021 – the sensitivity is shown below pre and post mitigation from hedging.

This sensitivity is presented after considering the effect of hedging implemented by the Company. Using historical levels of hedging and the Company's hedging strategy as described in Section 3.1 Financial Review as a guide, at an assumed level of 90% hedging, a 10% increase (strengthening of GBP) in foreign exchange rates would result in a NAV per share reduction of 0.7p and 10% decrease (weakening of GBP) in foreign exchange rates would result in a NAV per share increase of 0.8p.

Without any hedging, a 10% increase (strengthening of GBP) in foreign exchange rates would result in a NAV per share reduction of 6.8p based on the Portfolio Valuation as at 31 March 2021. A 10% decrease (weakening of GBP) in foreign exchange rates would result in a NAV per share increase of 7.9p based on the Portfolio Valuation as at 31 March 2021.

Please refer to Note 3 in the Notes to the Financial Statements for further detail.

Risk management framework

The Company has a risk management framework that covers all aspects of the Company's activities, including systems and procedures designed to ensure that all applicable risks pertaining to the Company, its portfolio and any stakeholders can be identified, monitored and managed.

The Investment Manager is a key service provider to the Company and is tasked with operating a number of key controls within the Company's risk management framework.

The risk management framework is overseen by the Company's Audit & Risk Committee, which meets at least on a quarterly basis. The remit of the Audit & Risk Committee includes a requirement to monitor and keep under review the adequacy and effectiveness of the internal financial controls, internal controls and risk management systems relied on by the Company.

The Audit & Risk Committee receives regular risk management reports from the Investment Manager to support its assessment, in addition to updates to the risk register, whereby each risk is rated, risk mitigating factors detailed and applicable controls highlighted. The Audit & Risk Committee and the Investment Manager discuss and consider emerging risks and possible mitigants on a regular basis and, where required, additionally with the Company's other advisers.

Part of the Company's wider risk management framework captures the activities of key service providers, including the Investment Manager, which has its own risk management function with appropriate systems and controls on which the Company places reliance.

The Company monitors a number of key risk indicators and metrics which are categorised as follows:

Risk Type	Description	Indicator Examples
Credit	Incorporates risks arising from credit of counterparties.	• Offtaker credit, subcontractor credit
Market Regulatory	Incorporates risks arising from new laws and regulations as well as government policy and actions.	• Carbon regulations, regulated revenues
Investment	Incorporates risks arising from asset performance.	• Operations, construction
Regulatory, Reputational and Compliance	Incorporates risks arising from fund and asset compliance with relevant standards, policies and best practice.	• Anti-Money Laundering ("AML"), conflicts of interest, Health and Safety • ESG compliance • Climate related risks in compliance with TCFD
Macroeconomic	Incorporates risks arising in the wider economy.	• Interest rates, inflation, tax, accounting
Financial	Incorporates risks arising from ongoing investment performance.	• IRR, yield, NAV, leverage • Also includes portfolio diversification and contract length
Operational	Incorporates risks arising from the management of the portfolio.	• Resourcing, processes, procedure, cyber and physical security

Risk appetite

The Company has operated during the year by reference to a risk management framework as follows:

- Energy efficiency investments should be sought that are principally lower risk (within the asset class), including energy efficiency projects with appropriate private and public sector counterparties and primarily with contracts governing such projects entitling the Company to receive stable, predictable cash flows in respect of predominantly operational energy efficiency equipment, utilising reliable technology from proven manufacturers.
- Where projects can be commissioned within a short period of time following investment and at low risk of project overrun, both in terms of time and budget, the Company may invest while such projects are in a development or construction phase. Whilst such projects are higher risk in comparison with operating assets, such development and construction opportunities may nonetheless be considered for inclusion as a limited component within the Company's portfolio, based upon their respective anticipated risk-adjusted returns and positive contribution to the portfolio's key metrics, typically through diversification.
- The Company will not invest in projects subject to significant perceived reputational risks or those that do not help in minimising the environmental footprint through SEEIT's operations.
- Portfolio construction will be undertaken with a view to diversification of exposure to a range of engineers, manufacturers, service providers, technologies, counterparties and geographies.
- The Company will maintain a conservative level of gearing consistent with its current Investment Policy and target returns, setting a target structural gearing of up 35% of NAV, whilst gearing will be permitted on a short-term basis to reach 50% of NAV to finance investments.
- The Company does not have an appetite for material unhedged currency exposure (non-Sterling) and, accordingly, will look to enter into hedging arrangements, to the extent considered both practical and cost-effective to provide certainty on near term cash flows and protect capital values.
- The Company is a closed-ended fund, investing in a portfolio of energy efficiency projects which are targeted to generate a combined portfolio income in excess of the target dividend yield. Accordingly, investing in highly illiquid investments is within the risk appetite of the Company, although any borrowing or other cashflow obligations would be factored into the Company's liquidity management strategy.
- The Company recognises the risk that counterparties to energy related contracts may not be able to honour their contractual payment obligations and accordingly typically seeks primarily investment grade (or equivalent) counterparties and may also seek parent company guarantees as available to mitigate the risk.

Principal risks

The table below summarise the key prevailing risks to the Company as reviewed by the Board and the Investment Manager and detail of the mitigation of such risks as applicable. The key risks faced by the Company are materially the same as in the prior year although the likelihood of certain risks crystalising may have moved over time. Risks are typically not expected to change materially from through the year, as operational and financial performance of underlying projects are measured over the medium to long term and are typically consistent between periods. Key emerging risks are further detailed below the key prevailing risks. These emerging risks are denoted with an * within the table below:

Risk Type	Risk Description	Mitigation
Credit	**Counterparty risks relating to potential default** Default risks relating to counterparties for energy services contracts and relating to key service providers are the Company's largest inherent risks.	• Thorough counterparty due diligence is undertaken on prospective investments, which includes credit rating assessments to determine whether credit counterparties are of sufficient quality. • On-going counterparty risks are monitored with potential to be mitigated via credit risk management disciplines relating to counterparties (including off-takers, through credit risk assessments and diversification across such counterparties). • Additional protections such as parent company guarantees may also be available. • Otherwise, prospective investment due diligence processes include assessments as to the likely rate of recoverability of project capital, in the event of any counterparty default, for example via the potential for alternative off-taker arrangements or through expected continuing plant operations due to the underlying profitability of such plants as distinct from overall counterparty group profitability.

Risk Type	Risk Description	Mitigation
Market Regulatory	**Market regulation changes that could result in negative financial impact or volatility of revenues** * *Specifically, regarding EU ETS, the risk is recognised that the costs of such EU ETS certificates may continue to rise materially, adversely impacting the cashflows of the Oliva Spanish Cogeneration portfolio.*	• Manager seeks to diversity technologies exposure across the portfolio and will aim to use "best available technology" to minimise this risk * • *The Spanish RoRi mechanism is designed to mitigate, over the medium-term to long-term, against fluctuations in commodity prices and is an important part of the revenue stream for the Company's investment in Oliva Spanish Cogeneration. Calculations of payments under the mechanism are re-based every 6 years and reset mid-term with an adjustment for gas prices made every 6 months and remaining costs and revenues adjusted every 3 years.* • *However, due to short and medium-terms price increases, the assets have experienced additional cost. The mechanics of the RoRi should adjust over the long-term for fluctuations of EU ETS costs that are incurred by some of the Oliva Spanish Cogeneration assets.* • *There is a risk that costs of EU ETS certificates may continue to rise materially, adversely impacting the cashflows of the Oliva Spanish Cogeneration portfolio. Exposure to rising EU ETS Certificate pricing during the year was mitigated by advance purchases of such certificates at favourable prices.* • *The Investment Manager has implemented a number of actions to reduce the short- and medium-term impact including advance purchases of such certificates at favourable prices as well as hedging costs to protect operational margins. However, the scope for advance purchasing of such certificates at moderate prices may be diminished, in the period ahead, if the prevailing trend of rising certificate prices continues which would likely impact near term, and potentially medium-term, cash flows.* • *Over the longer term, the Investment Manager is assessing options such as carbon capture and procurement of green gas to address this risk.* • *Despite these risks, SEEIT's portfolio will also benefit from higher carbon pricing across certain projects as energy efficiency projects result in greater avoided costs and reduced greenhouse gas emissions for the end user.*

3.3 Risk and Risk Management
continued

Risk Type	Risk Description	Mitigation
Investment	**Re-contracting**	• The Company also has relatively limited exposure to re-contracting risk. The majority of projects in its portfolio are contracted for the medium to long-term. The value of the Company's investment in the five projects involved in Primary Energy assumes that some re-contracting is achieved. But this risk is mitigated by the fact that Primary Energy has a good track record of re-contracting, given inter alia that it is providing a combination of emissions control and renewable energy, providing essential services to the operations of the project clients and at a competitive price compared to the grid. This was again proven when the contract for the Ironside project was extended by a further ten years during 2020.
	Operations Underperformance across operational assets	• Experienced and skilled contractors are employed for projects and appropriate contractual performance assurances may further mitigate such risks. • Due diligence undertaken on prospective investments seeks to identify risks relating to decommissioning and on-going maintenance. Leading equipment manufacturers are selected, and the Company seeks to only adopt tried-and-tested technology, in mitigation of operational risks. • Range of established technologies across which SEEIT has invested in is broad so systemic issues are limited.
	Construction Delayed construction/cost overruns resulting in financial underperformance	• Technical due diligence at project design stage, the use of conservative construction time-period assumptions, the appointment of leading construction engineers and the use of tried-and-tested technology should all contribute towards mitigation of this risk. • Contractual protections negotiated with developers can also be used to ensure the Company is not itself directly at risk for the costs of construction delays. • The Company's Investment Policy limit on the level of exposure to development and construction projects also helps mitigate the effect of this risk by ensuring it remains a relatively small proportion of the total invested portfolio.
	Risks relating to availability of feedstock, unhedged energy price exposures or regulated revenues The Company may face feedstock shortages leading to higher production costs or inability to produce the required amount of energy using desired inputs. Prices for energy inputs may also rise with changing market conditions which could affect economic returns	• At the stage of prospective investment due diligence, careful consideration is provided to any potential exposures relating to future feedstock availability or prices, or any reliance of energy pricing or subsidies. • In Oliva, there is reliance upon the Spanish RoRi mechanism, which makes payments administered by the regulator. • In Gasnätet, allowable revenues are capped based on a fixed formula, however projected revenues remain materially below the regulated cap. • The Investment Manager reviews market prices, where residual market-related exposures may remain unhedged, with a view to reducing such pricing exposures and uncertainty. • A gas procurement entity was established in Spain during the year which is expected to deliver savings in purchase prices of gas delivered to Spanish cogeneration assets, relative to previous prices obtained via third-party brokers.

Risk Type	Risk Description	Mitigation
Macroeconomic	**Corporation tax** Changes to corporate rules could increase tax payments * *Over the period, the UK announced higher corporation tax rates and the US has announced a proposal to increase corporation tax, which was widely anticipated. The proposal has yet to be approved by US Congress and the Senate.*	• Comprehensive tax and structuring advice is taken prior to making new investments, structuring these appropriately within the overall low risk approach to taxation of the Company. * *The Company is able to use intragroup profits and losses efficiently that allows it to negate the rise in UK corporation tax rates completely.* *Risk of rising corporation tax rates in the US has been partially reflected in the valuation through applying a higher discount rate than otherwise.* *Significant new investment in the US provides opportunity for structuring and consolidations that may reduce impact or rising corporation tax rates.* *The Company, by virtue of being a HMRC approved investment trust, can potentially utilise interest streaming to reduce the overall impact or rising corporation tax rates across the portfolio.*
	Inflation Inflation may be higher or lower than base case expectations	• The Investment Manager continues to monitor effect of inflation on a regular basis through detailed stress testing and sensitivity analysis. • The Investment Manager is building the portfolio to mitigate against material changes to inflation. Further mitigation is the recontracting feature within some of the assets which should allow for incorporation of inflationary impact at the time of recontracting.
	FX Cashflows and asset value may be impacted by fluctuations in exchange rates	• The Investment Manager uses forward foreign exchange contracts and periodically borrowings in foreign currency to mitigate the risk of short-term volatility in foreign exchange rates on investment returns from non-sterling investments. • The Investment Manager monitors foreign currencies regularly and adjusts the level of hedging according to changes in market conditions.

3.3 Risk and Risk Management
continued

Risk Type	Risk Description	Mitigation
Regulatory, Reputational and Compliance	**ESG compliance of counterparties** Risk that assets or partners are not adhering to relevant ESG policies and requirements (e.g. labour laws) * *The Company notes recent reports regarding employment practices in solar manufacturing in certain parts of China. This may lead to sanctions against China which could lead to supply chain disruption that has the potential to have a material impact in the operations of solar developers*	• The Investment Manager undertakes ESG onboarding and checklists for all new investment to ensure compliance with ESG standards. • For all greenfield opportunities or where contracts can be amended, appropriate compliance and monitoring requirements will be included. • Where existing contracts cannot be amended, manager will use best endeavours to ensure compliance and regular monitoring of counterparties. * • *The Investment Manager is working with direct counterparties to understand and ensure compliance with best practice where possible.* • *The Company's counterparties all have robust ESG policies and are aligned with the Company on ESG standards.* • *The Investment Manager recognises that compliance throughout the whole supply chain is more difficult to monitor and will endeavour to work with third parties where possible to ensure best practice.*
	Impact upon assets of technological changes and/or accelerated 'net zero' targets, resulting in loss of value The Company may plan to hold energy efficiency assets generating cashflows over the long-term, however its assets may be impacted through technological changes, or otherwise impacted through accelerated international timeframes to reach 'net-zero' carbon emission targets.	• The Board and Investment Manager monitor portfolio technology diversification and any environmental-related risks, including with respect to the timeframe within which natural gas cogeneration assets remain acceptable as a target technology. • Such investments achieve a high degree of combined thermal and electrical efficiency, making important and demonstrable contributions to the transition towards 'Net-Zero' status. • Due diligence on prospective investments includes, as applicable, consideration of the adaptability and flexibility of prospective assets to achieve progressive environmental impact targets with a view to a potential longer-term transition towards alternative fuel sources such as biogas and hydrogen.
Operations	**Cyber Risk** The Company's range of different assets may be exposed to a number of cyber and/or fraud related risks, which require a tailored mitigation plan according to the specifics of each portfolio asset.	• Cyber security controls are operated by service providers and other contractors in respect of portfolio assets. • Appropriate security access controls are in place at host energy efficiency equipment sites, reflecting the essential nature of energy services provided to such hosts. • The Investment Manager is undertaking a risk-based portfolio review of cyber risk exposures, with the benefit of external consultant support, to identify the further scope for any process and control enhancements.

Risk Type	Risk Description	Mitigation
Financial	**Risks relating to renewal of debt facilities** The Company, via Holdco, may not be able to arrange new rolling credit facilities on acceptable terms, affecting planned investment allocations. Debt at project level that is not scheduled to amortise to nil may not be replaced with cost-effective debt when it matures.	• The robust and resilient nature of the portfolio should limit the risk of obtaining satisfactory new borrowing facilities. • The Company only seeks a moderate level of leverage. • Portfolio liquidity and cash flow management is designed to enable repayment of any maturing debt facilities, as appropriate, in case of any sudden reduction in credit availability. • Flexible borrowing facilities are in place within certain of the project companies, providing for capital efficiency at the project company level.
Regulatory, Reputational and Compliance	**Political regulations changes that could result in negative financial impact or volatility of revenues**	Portfolio has limited exposure to regulatory risk and is not reliant on subsidies or substantial exposure to the public sector. Where there is some exposure, the regulatory impact has been limited through the following ways: • Gasnatet: Assumptions used in the base case have incorporated potential negative developments in terms of regulatory cap being reduced. • Oliva does have exposure to regulations through the RoRi mechanism. Whilst any adjustments to this could impact the cashflows to the assets, the mechanism has some protection through the Royal decree, which has the force of a law in the Spanish legal system.

Key Emerging risks

COVID-19

The impact upon the Company of the COVID-19 pandemic can be divided into two components; the operating issues arising directly from the pandemic (including health and safety related impacts) and the longer-term impacts in relation to portfolio investments arising from negative macroeconomic effects.

COVID-19 impacted the portfolio to a relatively modest degree during the previous twelve months, but broadly the operation of portfolio projects has adapted well to accommodate the pandemic environment.

Longer-term however, substantial impacts may emerge in respect of stressed economic conditions and political responses.

Risk Type	Risk Description	Impact and Mitigation
Operations	Health and Safety	• Enhanced COVID-19 site practices were promptly implemented for employees and contractors and remain under on-going review, including, temperature checking on-site and when entering buildings, segregation of work teams and employees working from home for all but critical circumstances.
	Cyber	• Key controls operate at local host sites and apply with SDCL (including through service provider Tribeca and internal SDCL anti-fraud controls). • Progressive upgrading of cyber risk controls in line with threat evolution. • The Investment Manager experienced no significant issues as employees working from home has proved effective.
Credit	Counterparty Default.	• No material non-payment from offtakers as most offtakers were deemed as essential industry during the lockdown and continued to operate. • The Company works with strong credit counterparties who have not experienced any credit related issues during the COVID period. Subcontractors could be replaced given the established technologies used if this did occur.

3.3 Risk and Risk Management
continued

Risk Type	Risk Description	Impact and Mitigation
Investment	Asset Performance	• Some assets have experienced slower than usual repair and maintenance services due to restrictions on employees and equipment being available. Enhanced planning and preparation has been conducted to minimise this disruption. • Some offtakers restricted operations temporarily but this was for a short period and operations are now predominantly back to normal.
	Construction	• This has primarily impacted construction assets in the UK with restrictions on getting staff on site. Further delays could be seen if further lockdowns are put in place. • Some assets in development have experienced a slowdown on development time for projects given that the offtakers have primarily been focused on COVID-19 management rather than energy management. It is expected is that this will start to resolve as restrictions are lifted in all jurisdictions.
Regulatory	Political/Regulatory	• No immediate regulatory impact on the SEEIT portfolio though future government intervention could have a negative or positive impact the assets.
Macroeconomic	Corporation tax	• Increased risk across the portfolio arising from governments' response to the economic and social consequences of the COVID-19 pandemic, which may result in an increase in corporation tax rates to fund their recovery expenditure – higher corporation tax announced in the UK and proposed in the US and potential to see similar trends across Europe. • See Principal Risks above for mitigants.

Brexit

Whilst the Company has not experienced any material impact from Brexit, the Investment Manager will continue to review any developments in the relationship between the EU and the UK, both in the near term as businesses adjust and over the longer term as UK and EU regulation may diverge over time.

Risk Type	Risk Description	Impact and Mitigation Actions
Credit	Counterparty Default	• No immediate impact from Brexit. Any negative impact post Brexit, particularly a further recession would result in credit pressures for UK based companies and higher risk of default. • Risk that manufacturing and other services will move out of the UK which will result in the shutdown of sites or uncertainty over the long-term viability of the offtaker sites. • If the above risks crystallise, this will reduce the market opportunity for SEEIT to find robust and creditworthy opportunities in the UK.
Operations	Asset Performance	• Any restriction on personnel movement and disruption to supply chain could impact O&M activities and result in increased costs and delay to remedial activities. The Investment Manager has held frequent video meetings with project company management teams throughout the pandemic with a view to managing such risks. • Brexit-related disruption risks have been managed, including contingency planning for key supplies.
Market Regulatory	Political/Regulatory	• Changes to UK fiscal policy may arise following Brexit. The UK government's policy agenda is monitored though no immediate impact identified.
Macroeconomic	Corporation tax	• Similar to COVID-19, pressures on government budgets may result in fiscal action. • See Principal Risks above for mitigants.

Climate-related risks

The Climate-related and other ESG considerations are reviewed, analysed and managed as an integral part of the Company's overall risk management procedures for investment appraisal and project management. The Investment Manager has during the period implemented a specific process for assessing climate-related risks before making investments as part of its due diligence process for each investment opportunity.

This involves a two-stage process carried out to first identify any red flags against a check list of climate-related considerations. In addition, a detailed assessment of a wide range of ESG issues is undertaken as well as any project specific due diligence that is required based on the initial red flag assessment. Detailed due diligence will also give consideration to external climate-related risks such as regulatory and market impacts which are included in scenario and sensitivity analyses conducted for each project and assessed in terms of the impact on project returns over different time periods.

Risk Type	Risk Description	Mitigation
Market Regulatory	**Policy and Legal changes** Short to medium-term risk to revenues or costs through changes in carbon-related charges, emissions standards or energy prices.	• Generally the Company seeks to mitigate these risks by ensuring any impact is primarily borne by the beneficiary of the asset rather than the Company as owner. • Longer term, the pipeline development strategy is able to take account of policy and regulatory changes as the Company retains flexibility to pursue opportunities in different technologies or regions which are identified as policy priorities.
Operations	**Technology changes** In the medium-term some technologies may face the risk of regulatory intervention due to higher emissions standards being imposed.	• This is mitigated by revenues from the projects being secured through long-term agreements. • Additionally, as the asset owner, the Company may be able to upgrade or switch technologies if this is commercially attractive.
Investment	**Feedstock supply** Short-term climate-related market risks to the portfolio relate mainly to unexpected changes in feedstock prices caused by, for example, unusual weather events, which may affect some projects.	• In general, the Company seeks to pass material price risk on to hosts so there is no direct impact on the Company. • Medium-term market risks from climate-related events are similarly limited but such risks may increase over time if the financial impact on a host is not relieved. This is mitigated by focusing on hosts with good credit ratings where the Company provides critical energy services. • Furthermore, any climate-related market risks are likely to be systemic in nature and not exclusive to the Company and therefore alternatives are unlikely to avoid the same risks. • Longer term portfolio risks are limited by the duration of underlying service agreements and likely to manifest in other trends such as technology shift to accommodate market conditions.
	Natural/physical events Could impact infrastructure of the Projects as well as disrupt the supply chain.	• Physical risks to the portfolio from climate change can potentially be significant, although for much of the portfolio longer-term exposure is limited by the fixed life of assets under management. • In line with TCFD requirements the Company will be conducting detailed assessment of physical risks to assets in order to better assess this type of risk.

3.3 Risk and Risk Management
continued

Strategic impact of climate-related risks

SEEIT aims to hold assets for their useful operating life, which is generally in the range 5 to 15 years but may often be longer or may be extended through refurbishment or replacement in order to maintain on-going operating capability for longer periods. The strategic considerations involved in planning investment in and management of such assets will take account of longer term climate-related targets such as net zero by 2050 (or sooner) and may involve planning for technology transition in order to maintain a path towards net zero within or ahead of that timeframe.

The Company believes that the overall impact of the climate-related issues affecting the Company is generally positive for the following reasons:

- The Company's investments are designed to provide solutions to climate-related issues and this provides a natural hedge against climate-related impacts as these may be expected to increase demand for the kind of solutions the Company provides.
- The Company's supply chains are equally engaged in providing solutions to climate-related problems and this helps ensure both short and medium-term reliability of suppliers which are prioritising such solutions and also longer term innovation as research and development efforts lead to new and more effective solutions which the Company may decide to deploy.
- The complexity and capital requirements of effective longer term climate-related solutions favours the Company which believes it has the necessary resources to identify investment and development opportunities where it is well placed to add value and in turn access additional capital when required to fund the investment or development of such opportunities.

Notwithstanding these competitive advantages the Company considers how climate-related risks could affect its portfolio and where possible seeks to minimize exposure to such risks through appropriate commercial measures, physical risk management and choices of technology.

In line with evolving TCFD practice the Company will seek to develop further climate-related scenario analysis based on a range of long-term climate outcomes and incorporating more detailed physical risk assessment.

Climate-Related Opportunities	
Resource Efficiency	As a core objective of the Company's business, delivering resource efficiency is a key target for all portfolio projects. This applies across all time horizons. Longer term the Company believes it will benefit from strong technology partnerships and a highly skilled investment team with the experience and expertise to identify trends and position the company to take advantage in whichever markets, regions or technologies they arise.
Energy Source	Similar to resource efficiency, utilising more efficient and sustainable sources of energy such as decentralised generation is a core objective of the Company. As one of the most effective contributors to reducing climate-related impacts of energy generation this is a commercial opportunity the Company believes it is well placed to benefit from. Many of the Company's projects are designed to deliver this kind of solution. This applies across all time horizons.
Products and Services	In the medium to long-term the Company believes it has significant opportunities to offer additional products and services to clients within its existing portfolio and to attract new clients as their requirements for solutions to climate-related problems increases.
Markets	In the medium to long-term, the Company believes it has significant opportunities to identify and enter new markets as demand for solutions to climate-related problems grows in the context of objectives for net zero. The Company believes it is strongly placed to identify and gain access to opportunities in new markets, both geographically and in terms of investment structures, through taking advantage of its relationships with a wide range of government institutions, development banks, insurance companies and other key stakeholders seeking short, medium and long-term solutions to climate-related problems.

3.4 Viability Statement

The viability assessment period

The Directors have assessed the prospects of the Company over a five-year period to 31 March 2026. Consistent with prior years, the Directors have determined that a five-year period is an appropriate period over which to provide this viability statement as this period accords with the Company's business planning exercises and is appropriate for the investments owned by the Company and the nature of the Company.

Assessment process

In making this statement the Directors have considered the resilience of the Company, taking account of its current position, the principal risks facing the business in severe but plausible downside scenarios, and the effectiveness of any mitigating actions.

The Company benefits from investments where the majority have predictable long-term cash flows and a set of risks that can be identified and assessed and would not be expected to change materially from one period to the next. The investments are each supported by detailed financial models and the investments that have financing in place have done so on a non-recourse basis to the Company. The Directors believe that the diversification within the portfolio of predominantly operational investments helps to withstand and mitigate for the risks it has identified that the Company may face.

The Investment Manager prepared and the Directors reviewed five-year cash flow projections as part of business planning, including as part of the approval process of the Company's budget and business plan, and to approve dividends on a quarterly basis after reviewing medium-term cash flow projections. The projections consider cash flows, dividend cover, Investment Policy compliance and other key financial indicators over the period. These projections are based on the Investment Manager's expectations of future asset performance, income and costs, and are consistent with the methodology applied to provide the valuation of the investments during the year.

The Directors received updates from the Investment Manager during the year of the actual and likely impact of COVID-19 on the portfolio which included reports on any operational disruption to the underlying investments and the impact on the projected cash flows from the investments as part of the Investment Manager's valuation updates.

The Investment Manager provided analysis on these projections at various points through the year that considers the potential impact of the Company's principal risks actually occurring in severe but plausible downside scenarios.

The Audit & Risk Committee had the opportunity to review and challenge the scenario analysis which included the potential adverse impact of the scenarios detailed below on the Company's projected near-term, medium and long-term cash flows and the associated effect on ability to pay dividends, to settle ordinary liabilities and on earnings and the NAV.

Scenarios reviewed and impact

The Investment Manager selected these scenarios on the basis that each could be reasonably assumed as a downside but plausible impact caused by COVID-19 affecting the Company directly or indirectly

- significant one-off adverse changes to foreign exchange rates of 20%, placing immediate liquidity demands on the Company and Holdco of approximately £13 million;
- global corporation tax rate rises of 10%, resulting in a 5% reduction in value of the Portfolio Valuation and therefore NAV of the Company;
- counterparty credit deterioration, resulting in an immediate full credit default by the largest counterparty causing a loss of future revenues and approximately 15% reduction in value of the Portfolio Valuation and therefore NAV of the Company;
- significant cash drag after capital raisings should £150m be raised but not deployed, resulting in a decline of NAV over time if projected dividend payments by the Company are maintained; and
- a significant adverse impact of a 50% increase of EU-ETS costs in Spain, resulting in a 7% reduction in value of the Portfolio Valuation and therefore NAV of the Company.

The Audit & Risk Committee reviewed and challenged the Investment Manager on each of the scenarios presented, including reviewing the likelihood of the risks of the scenarios materialising and the potential mitigants that the Investment Manager may apply to reduce any potential downside risk. The Audit & Risk Committee concluded that the scenarios, each prepared individually, demonstrated good resilience of the Company against adverse factors impacting its portfolio. The Investment Manager also provided the Audit & Risk Committee with a severe scenario that calculated the extent of the loss in revenue required to threaten the Company's solvency. The outcome of this scenario provided comfort that the Company should remain viable over the period assessed.

Confirmation of viability

Based on the reviews conducted throughout the year, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2026.

On behalf of the Board

Tony Roper,
Chair

4. Board and Governance

4.1 Board of Directors

As at the date of this Annual Report, the Board consist of four Directors who have complementary and relevant skills and backgrounds.

During the year following a recruitment process, Emma Griffin was appointed as a Director of the Company and in order to balance the workload, she replaced Chris Knowles as Chair of the Remuneration Committee. Chris remains the Senior Independent Director ("SID").

The Directors are of the opinion that the Board as a whole has an appropriate balance of skills, experience and diversity.

Anthony (Tony) Roper
Chair

Appointed:
12 October 2018

Experience:
Tony started his career as a structural engineer with Ove Arup and Partners in 1983. In 1994 he joined John Laing plc to review and make equity investments in infrastructure projects both in the UK and abroad and then in 2006 he joined HSBC Specialist Investments to be the fund manager for HSBC Infrastructure Company Limited (now HICL Infrastructure plc). In 2011, Tony was part of the senior management team that bought HSBC Specialist Investments from HSBC, renaming it InfraRed Capital Partners.

Tony was a managing partner and a senior member of the infrastructure management team at InfraRed Capital Partners until June 2018 during which time he oversaw the successful launch of The Renewables Infrastructure Group on the London Stock Exchange.

Tony is a non-executive director of Affinity Water Limited and is the Chair of Aberdeen Standard European Logistics Income plc.

Tony has an MA in Engineering from Cambridge University and is an ACMA.

Helen Clarkson
Director and Chair of the Audit and Risk Committee

Appointed:
12 October 2018

Experience:
Helen joined The Climate Group in March 2017 as Chief Executive Officer. In addition to leading the growing Climate Group team, she sits on the Board of the We Mean Business Coalition.

Prior to joining The Climate Group, Helen worked at Forum for the Future where she founded the organization's US office. At Forum, Helen led work with large US corporations such as Target, Walmart, Nike, Gap, and Levi Strauss & Co. to solve complex sustainability challenges at both the organizational and broader systemic level. Helen joined Forum from Médecins Sans Frontières where she worked on humanitarian missions in countries including Democratic Republic of Congo, Sudan, Pakistan and Nigeria.

Helen qualified as a Chartered Accountant with Deloitte and has an undergraduate degree in Philosophy from Cambridge University, and a master's degree from Birkbeck College, University of London.

Emma Griffin
Director and Chair of the Remuneration Committee

Appointed:
21 October 2020

Experience:
Emma Griffin joined the Board as an independent non-executive Director of the Company on 21 October 2020.

Emma is an experienced director with both UK and North American experience. She has broad capital markets and significant international investment expertise, gained as both an executive and non-executive director. From 2002 to 2013 Emma was a founding partner of Oriel Securities, which was sold to Stifel Corporation, and in her early career she worked for HSBC James Capel and Schroders.

Emma currently serves as a non-executive director of St James's Place plc and of IA Financial Group (listed on the TSX in Canada). She is also a director of privately owned ED&F Man Holdings and serves on the board of Claridge, a private investment firm, and on the Board of one of its largest individual investments.

Emma has an MA from Oxford University in Latin and Greek.

Christopher (Chris) Knowles
Senior Independent Director

Appointed:
12 October 2018

Experience:
Chris has over 40 years' experience of project, infrastructure, climate and environmental finance and economics. He spent the majority of his career at the European Investment Bank ("EIB"), from 2005 to 2017 heading the infrastructure and environmental investment funds business. In this capacity, he had pan-European responsibility for a diverse portfolio of activities, including equity funds for infrastructure and clean energy, energy efficiency, carbon finance, natural capital and structured finance.

From 2000 to 2005 he led the lending operations team responsible for EIB's financing in the transport and infrastructure sectors in Spain, closing €4 to 5 billion of financing annually for Europe's largest national infrastructure programme, much of it in PPP form. He spent the 1990s doing broadly similar jobs throughout the Central European region, Finland and Greece and the 1980s in the African and Caribbean regions. Prior to EIB he worked for the Lesotho National Development Corporation, the European Commission and Lazard Brothers.

Chris also serves as non-executive director on a number of private equity and debt funds pursuing ESG and impact strategies in Europe, Latin America, Africa and Asia. He is also a member of various advisory committees including that for the Climate Bond Initiative and the OECD Centre for Green Finance & Investment.

Chris holds degrees in Economics and Management from the University of Durham.

4.2 Report of the Directors

The Directors are pleased to present the Annual Report for the year ended 31 March 2021. In accordance with the Companies Act 2006 (as amended), the Listing Rules and the Disclosure Guidance and Transparency Rules, the Corporate Governance Statement, the Directors' Remuneration Report, the Report from the Audit & Risk Committee, the Nomination Committee and the Statement of Directors' Responsibilities should be read in conjunction with one another and the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report, as the Board considers them to be of strategic importance. Therefore, a review of the business of the Company, recent events and outlook can be found in Section 2 along with information regarding environmental, social and governance issues.

Corporate Governance

The Company's Corporate Governance Statement is set out in Section 4.3 and forms part of this report.

Details regarding independent professional advice and insurance are set out in the Corporate Governance Statement on page 79.

Principal activity

The Company is a closed-ended UK investment trust that invests in energy efficiency infrastructure projects. Further details can be found in the Strategic Report. The Directors do not anticipate any change in the principal activity of the Company in the foreseeable future.

Investment trust company status

The Company has been approved as an investment trust under Sections 1158/1159 of the Corporation Tax Act 2010. The Company is required to meet relevant eligibility conditions and ongoing requirements as an investment trust, in particular that the Company must not retain more than 15% of its eligible investment income. The Directors are of the opinion, following advice from the Investment Manager, that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011.

Directors

The Directors in office at the date of this report and their biographical details are shown in Section 4.1 Board of Directors.

Details of the Directors' terms of appointment can be found in the Corporate Governance statement in Section 4.3. The beneficial interest of the Directors and their connected persons in the ordinary shares of the Company are set out in Section 4.6 Directors' Remuneration Report.

The Investment Manager

The Company and the Investment Manager entered into the Investment Management Agreement pursuant to which the Investment Manager has been given responsibility, subject to the overall supervision of the Board, for active discretionary investment management of the portfolio in accordance with the Company's investment objective and policy.

The Investment Manager is authorised and regulated as an "alternative investment fund manager" ("AIFM") by the FCA and, as such, is subject to the FCA Rules in the conduct of its investment business.

As the entity appointed responsible for risk management and portfolio management, the Investment Manager is the Company's AIFM. The Investment Manager has full discretion under the Investment Management Agreement to make investments in accordance with the Company's Investment Policy. This discretion is, however, subject to: (i) the Board's ability to give instructions to the Investment Manager from time to time; and (ii) the requirement of the Board to approve certain investments where the Investment Manager has a conflict of interest in accordance with the terms of the Investment Management Agreement.

The Investment Manager also has responsibility for financial administration and investor relations, advising the Company and its group in relation to the strategic management of the Portfolio, advising the Company in relation to any significant investments and monitoring the Company's funding requirements.

The Board keeps the performance of the Investment Manager under continual review. The Directors believe that the continuing appointment of the Investment Manager, on the agreed terms, is in the best interest of the Company and its shareholders as a whole.

Further information on the SDCL group can be found at their website: https://www.sdclgroup.com/

AIFM requirements

AIFM requirements have continued to apply since 1 January 2021 (Brexit), through existing transposed rules replicating EU AIFM Directive, within the rules of the UK's FCA. AIFM requirements impose detailed and prescriptive obligations on fund managers, include prescriptive rules on measuring and capping leverage, the treatment of investors, liquidity management, the use of "depositaries" and cover for professional liability risks. The AIFM requirements further imposes conditions on the marketing of entities such as the Company to investors in the UK.

Independent auditor and disclosure of information

PricewaterhouseCoopers LLP has expressed its willingness to continue in office as independent auditor of the Company and resolutions for its re-appointment and to authorise the Audit & Risk Committee to determine its remuneration will be proposed at the forthcoming AGM.

Further information about the Company's independent auditor, including tenure, can be found in the Section 4.5 Audit & Risk Committee's Report.

Financial risk management

The principal risks and uncertainties facing the Company are set out in Section 3.3 Risk and Risk Management. Information about the Company's financial risks and policies for managing these risks are set out in Note 15 to the financial statements.

Foreign Account Tax Compliance Act ("FATCA") and the OECD Common Reporting Standards ("CRS")

The Board, in conjunction with the Company's service providers and advisers, will ensure the Company's compliance with FATCA's and CRS's requirements to the extent relevant to the Company.

Share capital

The issued share capital of the Company as at 31 March 2021 and at the date of this report was 677,087,135 ordinary shares. At 31 March 2021, the total voting rights of the Company were 677,087,135 and at the date of this report are 677,087,135.

The Company has one class of ordinary shares which carry no rights to fixed income and have no restrictions attached to them. Shareholders are entitled to all dividends paid by the Company and, on a winding up, provided the Company has satisfied all of its liabilities, the shareholders are entitled to all of the surplus assets of the Company.

Shareholders are entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each ordinary share held, subject to any UK Government guidance as has been seen during the COVID-19 pandemic.

Articles of Association

The Company's Articles of Association may be amended by the shareholders of the Company by special resolution (requiring a majority of at least 75% of the persons voting on the relevant resolution).

The Articles of Association were amended following the passing of a special resolution of the shareholders at the AGM held in July 2020 to provide the Company with greater flexibility to hold quorate general meetings with the quorum for general meetings being reduced from three members (present and entitled to vote in person or by proxy) to two members (present and entitled to vote in person or by proxy) to bring in line with best practice.

Share repurchases

At the AGM held in July 2020, the Company was granted the authority to purchase up to 14.99% of the Company's ordinary share capital in issue at the date that the AGM notice was published, amounting to 63,878,947 ordinary shares. No ordinary shares have been bought back under this authority. Renewal for this authority will be sought at the forthcoming AGM.

4.2 Report of the Directors
continued

Significant voting rights

As at 31 March 2021, the Company is aware or had been informed of the following notifiable interests in the voting rights of the Company, in accordance with Disclosure Guidance and Transparency Rule 5.1.2:

	Number of Ordinary shares held	% of voting rights
Investec Wealth & Investment Limited	88,085,310	13.01
M&G Plc	74,300,278	10.97
CCLA Investment Management Limited	29,892,568	4.41

The Company has been informed of the following changes to notifiable interests between 31 March 2021 and the date of this report:

	Number of Ordinary shares held	% of voting rights
Investec Wealth & Investment Limited	94,960,162	14.02
M&G Plc	74,424,403	10.99

Dividends to shareholders

The Company's policy is to pay interim dividends on a quarterly basis so typically there is no final dividend payable.

The total aggregate interim dividends attributable to shareholders for the year amounted to £30,413k (2020: £8,422k).

In June 2020, the Company paid a second interim dividend in respect of the year ended 31 March 2020 of 2.5p per share. This was the last semi-annual interim dividend prior to the Company switching to quarterly interim dividends.

In September 2020, the Company paid a first interim dividend in respect of the year ended 31 March 2021 of 1.375p per share.

In December 2020, the Company paid a second interim dividend in respect of the year ended 31 March 2021 of 1.375p per share.

In March 2021, the Company paid a third interim dividend in respect of the year ended 31 March 2021 of 1.375p per share.

On 28 May 2021, the Board declared a fourth interim dividend of 1.375p per share with respect to the year ended 31 March 2021, payable on 30 June 2021.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Section 2.4 Investment Manager's Report.

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Section 3.1 Finance Review. In addition, notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has prepared and the Directors have reviewed a cash flow forecast covering the minimum period of twelve months from the date of approval of this report, taking into consideration potential changes in investment and trading performance and applying a 10% reduction in revenues to test the resilience of cash flows in the near term. The forecast demonstrates an expectation to continue to generate positive cash flows for the foreseeable future that as a minimum will meet liabilities as they fall due. The Directors reviewed a severe downside scenario where the Company would not receive any further income from its investment for the next 12 months from signing of the financial statements and taking into account all committed payments for running the Company, the Company would have sufficient cash reserves to continue as a going concern.

The Company's portfolio of investments benefit from a range of long-term contracts with a diversified set of counterparties across multiple sectors and jurisdictions. A key risk facing the Company is that counterparties to the investments may not be able to make their contractual payments. The Directors reviewed a severe downside scenario where the Company would not receive any further income from its investment for the next 12 months from signing of the financial statements and taking into account all committed payments for running the Company, the Company would have sufficient cash reserves to continue as a going concern.

As at 31 March 2021, the Company's net current assets was £121 million, including cash balances of £122 million. Further amounts of cash are held by the Company's direct and indirect subsidiaries, which are sufficient to meet current obligations as they fall due. The major cash outflows of the Company is the payment of dividends and payments relating to the investment in new assets, both of which are discretionary.

The Company's single subsidiary, Holdco, has a RCF that has adequate headroom in its covenants that have been tested for historic and forward interest cover and group loan to value limits. As at 31 March 2021 the facility was undrawn.

The Company is a guarantor to the RCF (see Note 19) but has no other guarantees or commitments.

In the year to 31 March 2021 and up to the date of this report, the outbreak of the COVID-19 pandemic has continued to have a negative impact on the global economy which has raised some uncertainties and additional risks for the Company. The Directors of the Company and the Investment Manager continue to follow government guidelines in relation to COVID-19 pandemic in all the jurisdictions in which it operates to ensure best practices are followed. Although certain investments, notably projects in Huntsman Energy Centre, Oliva Spanish Cogeneration and Primary Energy, suffered from operational disruption due to COVID-19 which affected financial performance, during the year ended 31 March 2021 and up to the date of approval of the financial statements, there has not been a material impact to the Company, its direct investment in Holdco and its indirect subsidiaries to carry out its operations and receive the expected return from its investments. Further details of the COVID-19 impact on the operations and valuation of the investments are provided in Section 2.3 and 3.2 of the Strategic Report.

The Directors do not believe there is a significant operational risk to the Company from COVID-19 pandemic but along with the Investment Manager, continue to monitor the portfolio for direct and indirect impacts from the COVID-19 pandemic.

As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have reviewed the Company's financial projections and cash flow forecasts, including the potential impact from COVID-19 and believe, based upon those projections and forecasts and various risk mitigation measures in place. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' responsibilities pursuant to Section 172 of the Companies Act 2006

The Directors fulfilled their duties under Section 172 of the Companies Act 2006 to act in good faith and to promote the success of the Company for the benefit of shareholders as a whole. See Section 2.8 for further details.

Employees and Officers of the Company

As stated in Section 2.3 Business Model, the Company does not have any employees and therefore employee policies are not required. The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed in Section 4.1 Board of Directors.

Greenhouse gas emissions

Information about the Company's greenhouse gas emissions are set out in the Section 2.7 Company Key Performance Indicators.

Political donations

The Company made no political donations during the year or the preceding year.

Anti-bribery and tax evasion

The Company is committed to ensuring that the Company, its subsidiaries, partners, agents and anyone contracted to it, including by the Company's Investment Manager and key service providers complies with the requirements of the UK Bribery Act 2010 or equivalent legislation in other jurisdictions.

The Criminal Finances Act ("CFA") (Commencement No. 1) Regulations 2017 (SI 2017/739) brought Part 3 of the CFA, the corporate offences of failure to prevent facilitation of tax evasion, into force on 30 September 2017. The Company does not tolerate tax evasion in any of its forms in its group or the project companies in which it invests. The Company complies with the relevant UK law and regulation in relation

4.2 Report of the Directors
continued

to the prevention of facilitation of tax evasion and supports efforts to eliminate the facilitation of tax evasion worldwide. It also works to make sure its business partners share this commitment.

The Company's Anti-Bribery and tax evasion statement is published on the Company's website. These statements are regularly reviewed by the Board.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The Directors confirm that there are no matters requiring disclosure in relation to Listing Rule 9.8.4.

The Report was approved by the Board on 24 June 2021 and signed on its behalf by:

Tony Roper
Chair

4.3 Corporate Governance Statement

This Corporate Governance statement forms part of the Directors' Report.

The Board of Directors has considered the Principles and Provisions of the AIC Code published in February 2019. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code 2019 (the UK Code) published in July 2018, as well as setting out additional Provisions on issues that are of specific relevance to the Company.

Statement of Compliance with the AIC Code

The Board recognises the importance of sound corporate governance culture that meets the requirements of the UK Listing Authority and the AIC Code.

As an AIC member, the Company has considered the Principles and Provisions of the AIC Code. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code). The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council (FRC) and provides more relevant information to shareholders. The UK Code can be found at www.frc.org.uk.

The Company has complied with the Principles and Provisions of the AIC Code. In respect of the UK Code, the following items are not considered to be relevant (and so are not reported on further) due to the Company being an externally managed investment Company with no executive directors or employees:

- The role of the chief executive;
- Executive Directors' remuneration; and
- The need for an internal audit function

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

Set out below are the full details of how the Company has applied the Principles of the AIC Code:

AIC Code	Principle	Compliance Statement
A	A successful company is led by an effective Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	In managing the Company, the aim of the Board and of the Investment Manager is always to ensure the long-term sustainable success of the Company and, therefore, the likely long-term consequences of any decision are a key consideration.
B	The Board should establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.	The Company's investment objective is to generate an attractive total return for investors comprising stable dividend income and capital preservation, with the opportunity for capital growth. The Board seeks to ensure the alignment of its purpose, values and strategy with a culture of openness, debate and integrity through ongoing dialogue and engagement with its stakeholders. The Directors aim to achieve a supportive business culture combined with constructive challenge and to provide a regular flow of information to shareholders and other stakeholders.

4.3 Corporate Governance Statement
continued

AIC Code	Principle	Compliance Statement
C	The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Directors regularly consider the Company's financial position in the context of its business model, the balance sheet, cash flow projections, availability of funding and the Company's contractual commitments. The Company is subject to various risks in pursuing its objectives and in order to effectively assess and manage risk, appropriate controls and policies are in place which are regularly reviewed and assessed by the Audit & Risk Committee. These are detailed in the Strategic Report in Section 3.3 Risk and Risk Management, in Section 4.5 Audit & Risk Committee Report and in Note 15 to the financial statements. The Directors confirm they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. See Section 3.3 Risk and Risk Management for further details. The Directors have assessed the prospects of the Company over a five-year period to 31 March 2026. The Directors have determined that a five-year period is an appropriate period over which to provide this viability statement as this period accords with the Company's business planning exercises and is appropriate for the investments owned by the Company and the nature of the Company. See Section 3.4 Viability Statement on page 61 for further details.
D	In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	In Section 2.8 Section 172 of the Strategic Report, the Company describes its key stakeholders, the reason they are important and how it seeks to gain an understanding of their interests and how the Board engages with them.
F	The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive board relations and the effective contribution of all non-executive Directors, and ensures that Directors receive accurate, timely and clear information.	The role and responsibilities of the Chair are described on page 75. The Company recognises that the Chair leads the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The annual evaluation of the Board's effectiveness always considers the performance of the Chair, and whether they have performed their role effectively. The Directors, led by the Senior Independent Director have concluded that the Chair has fulfilled their role and performed well to support effective functioning of the Board.
G	The Board should consist of an appropriate combination of directors (and, in particular, independent non-executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.	During the year under review, the Board consisted only of non-executive Directors and all of the Directors are deemed to be independent of the Investment Manager. In the Board's opinion, each Director continues to provide constructive challenge and robust scrutiny of matters that come before the Board. The Board also considers the composition of the Board as well as the longer-term succession plans and during the year added a fourth Director.

AIC Code	Principle	Compliance Statement
H	Non-executive Directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account.	The Board considers the required time commitment annually and, during the year under review, the Board concluded that all Directors continued to devote sufficient time to the business of the Company. Through their contributions in meetings as well as outside of the usual meeting cycle, the Directors share their experience and guidance with, as well as constructively challenge, the Investment Manager. The Board annually assesses the performance of all third-party service providers.
I	The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Board's responsibilities are set out in the schedule of Matters Reserved for the Board and certain responsibilities are delegated to its Committees, so that it can operate effectively and efficiently. Supported by its Committees, the Board has overall responsibility for purpose, strategy, business model, performance, asset allocation, capital structure, approval of key contracts, the framework for risk management and internal controls and governance matters, as well as engagement with shareholders and other key stakeholders. All Board policies were reviewed and where appropriate, updated during the year and are continued to be reviewed on a regular basis. Directors are also provided with any relevant information and have access to the Company Secretary and independent advisers, if required.
J	Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	The Company is committed to ensuring that any vacancies arising are filled by suitably qualified candidates. The Board has adopted a Diversity Policy, which acknowledges the benefits of greater diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. The appointment of a new Director during the year followed a structured and transparent process as described further below. The Company's policy on the tenure of Directors also helps guide long-term succession plans and recognises the need and value of progressive refreshing of the Board. Both policies are described in more detail in the description of the Nomination Committee's activities Section 4.4 Nomination Committee Report.
K	The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	The Nomination Committee, which comprises the whole Board, is responsible for identifying and recommending to the Board the appointment of new Directors. The Nomination Committee reviews, at least annually, the key skills and experience of each Director and the skills matrix is reviewed at least once per year to ensure that the Board has an appropriate mix of skills and experience particularly when considering longer-term succession plans.

4.3 Corporate Governance Statement
continued

AIC Code	Principle	Compliance Statement
L	Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	An annual evaluation of the performance of the Board, its Committees and individual Directors took place during the year, led by the Chair. An external performance evaluation is scheduled every three years with one due to be carried out this coming financial year.
M	The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Audit & Risk Committee supports the Board in fulfilling its oversight responsibilities by reviewing the performance of the external Auditor, audit quality, as well as the Auditor's objectivity and independence. The Audit & Risk Committee also reviews the integrity and content of the financial statements, including the ongoing viability of the Company. More details can be found in Section 4.5 Audit & Risk Committee's Report.
N	The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Audit & Risk Committee supports the Board in assessing that the Company Annual Report presents a fair, balanced and understandable assessment of the Company's position and prospects. Please refer to the Report of the Audit & Risk Committee Section 4.5 for further information.

UK Corporate Governance Code Principle E relates to the treatment of employees and so is generally not applicable to companies under the AIC Code if, as in the case of the Company, there are no employees.

The Board of Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on pages 64 to 65.

Board independence

The Board consists of four independent non-executive Directors, who were considered independent of the Investment Manager at the time of their appointment. The independence of the Directors is reviewed as part of the annual evaluation process and, in line with the guidelines of the AIC Code, all continue to be considered independent in character and judgement and entirely independent of the Investment Manager.

Appointment of new Directors

Any appointments to the Board are subject to a formal, rigorous and transparent procedure. The Nomination Committee is responsible for satisfying itself that there is succession planning in place for Directors to ensure continued refreshment of the Board; identifying and nominating appointments to the Board for their approval and are also responsible for identifying and nominating candidates to fill Board vacancies, as and when they arise.

As part of the appointment process, the Nomination Committee:

- evaluates the balance of skills, knowledge and experience on the Board;
- will draw up a description of the role including the capabilities required and use an external search consultancy in the search for candidates; and
- appointments are made based on merit and after assessing candidates by means of objective criteria, ensuring that appointees have enough time available to devote to the position, and also set out the terms and conditions of the appointment of non-executive Directors setting out clearly what is expected of them in terms of time, commitment, committee service and involvement outside Board meetings.

Induction process

New appointees to the Board are provided with a full induction programme, as was the case following the appointment of Emma Griffin in October 2020. The programme covers the Company's investment strategy, policies and practices. The Directors are also given key information on the Company's regulatory and statutory requirements as they arise, including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information.

Terms of appointment

The terms of appointment of the Directors are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office. None of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the year.

Re-election

The Articles of Incorporation provide that each of the Directors shall retire at each AGM. All Directors, including Emma Griffin who was appointed during the year, intend to retire at the forthcoming AGM and offer themselves for re-election.

As set out further below, the Board carries out an annual review of each Director and the Board, as a whole. The Board believes that the balance of skills, gender, experience and knowledge of the current Board provides for a sound base from which the interests of investors will be served to a high standard.

The Board recommends the re-election of each Director at the forthcoming AGM.

Board responsibilities

Under the leadership of the Chair, the Board is responsible for the effective stewardship of the Company's affairs, including strategy, corporate governance, risk assessment and overall investment policy.

Role and responsibilities of the Chair

The Chair leads the Board and is responsible for its overall effectiveness in directing the affairs of the Company. Key aspects of the Chair's role and responsibilities are to:

- act with objective judgement;
- promote a culture of openness and debate;
- facilitate constructive Board relations and the effective contribution of all Directors;
- working with the Company Secretary, ensure that all Directors receive accurate and timely information so that they can discharge their duties;
- seek regular engagement with the Company's shareholders; and
- act on the results of the annual evaluation of the performance of the Board, its Committees and individual Directors.

The Chair, Tony Roper, met the independence criteria upon appointment and has continued to meet this condition throughout his term of service.

Role and responsibilities of the Senior Independent Director

The key elements of the Senior Independent Director's role are to:

- act as a sounding board for the Chair;
- lead the annual evaluation of the Chair as part of the annual evaluation process;
- in the event of any major difference of opinion on the direction of the Company, act as an intermediary between the Chair, other Directors and the Investment Manager; and
- provide a conduit for views of shareholders in the event that the usual channels are not available or not suitable in the circumstances.

Chris Knowles was appointed as Senior Independent Director at IPO.

The complete responsibilities of the Chair and Senior Independent Director are available on the Company's website.

Delegation of responsibilities

The Board has delegated the following areas of responsibility to a number of service providers, each engaged under separate contracts:

The day-to-day administration of the Company has been delegated to Sanne Group (UK) Limited in its capacity as Company Secretary and Administrator (the 'Company Secretary' and/or 'Administrator').

The Board has access to the Company Secretary to advise on all governance and day-to-day administrative matters. The Company Secretary is also responsible to the Board that statutory obligations are met.

The management of the Company's portfolio is delegated to the Investment Manager, Sustainable Development Capital LLP.

4.3 Corporate Governance Statement
continued

The Investment Manager has full discretion (within agreed parameters) to make investments in accordance with the Company's Investment Policy and has responsibility for financial administration and investor relations, in addition to advising the Board in relation to further capital raisings and the payment of dividends amongst other matters, subject to the overall supervision and oversight of the Board.

Among the specific tasks of the Investment Manager are the overall financial management of the Company and existing portfolio as a whole, including the deployment of capital, management of the SEEIT group's debt facilities, hedging arrangements, the sourcing of new investments, operating the risk management framework, preparing the semi-annual valuations, the statutory accounts, the management accounts, business plans, presenting results and information to shareholders, coordinating all corporate service providers to the Company and giving the Board general advice.

Members of the Investment Manager are also appointed as directors of the SEEIT group's project companies and/or intermediate holding companies and as part of their role in managing the portfolio, they attend board meetings of these companies and make appropriate decisions. Material decisions are referred back to the Investment Manager's Investment Committee for consideration, and the Company's Board is consulted on key matters relevant to the Company's strategy, policies or overall performance, both on an ad hoc basis where required and during formal reporting sessions, including all matters outside the Investment Manager's delegated authority.

Board and Chair tenure policy

The Board's policy regarding tenure of service of the Directors including its Chair, is that any decisions regarding tenure should balance the benefits of continuity and knowledge and the orderly transition of responsibilities through succession plans for the retirement and appointment of Directors against the need to periodically refresh the Board composition to maintain an appropriate mix of the required skills, experience, diversity and length of service. The Board considers each of the Directors' independence carefully on an annual basis as part of the Board self-evaluation and succession planning process.

It is not envisaged that any Board members will continue on the Board past 9 years, except where required by Company circumstances at that time (and then only for a limited period), to be agreed by the Board as a whole, taking into account their independence and the need to balance this against the benefits of maintaining continuity, knowledge and experience.

Culture

The culture of the Board is considered as part of the annual performance evaluation process which is undertaken by each Director and the culture of the Company's service providers, including their policies, practices and behaviour, is considered by the Board as a whole during the annual review of the performance and continuing appointment of all service providers. Further information on the Company's culture and values and engagement with its service providers and other stakeholders is set out in Section 2.8 Section 172.

Diversity

Diversity, including, but not limited to, gender, ethnicity, professional and industry specific knowledge, is an important consideration in ensuring that the Board and its Committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring an effective Board and a successful Company.

The Board considers that its composition with respect to the balance of skills, gender, experience and knowledge, coupled with a mixed length of service, provides for a sound base from which the interests of shareholders will be served to a high standard.

At the year-end, the Board of Directors comprised four non-executive Directors; two male and two female.

Performance evaluation

The Directors are aware that they need to monitor and improve Board performance continuously and recognise that this can be achieved through regular Board evaluation, which provides a valuable feedback mechanism for improving Board effectiveness.

The Board has agreed that an external Board evaluation will be carried out every three years and, in the intervening years, evaluations will be carried out by means of questionnaires and interviews. The Board plans to have an external evaluation during the financial year ending 31 March 2022.

Further details of the results of the Board evaluation process can be found in the Nomination Committee report.

Climate-related risks

Board Oversight

The Board is informed about climate-related issues affecting the portfolio and potentially impacting the Company's strategy and business prospects through regular reporting by the Investment Manager for discussion during quarterly board meetings. Additionally, matters arising outside of the regular reporting cycle which the Investment Manager considers require board notification and/or a decision on actions to take will be notified to the Board immediately by the Investment Manager.

Investment Manager's Role

The Investment Manager is responsible for implementing the Company's ESG policy under instruction and supervision of the Board. The Investment Manager has assigned climate-related responsibilities to its Head of ESG who is responsible for overseeing all aspects of ESG policy and implementation including how ESG considerations, including climate-related factors, are incorporated into processes for investment appraisal and asset management and monitoring. Day to day consideration of climate-related considerations is the responsibility of all investment and asset management staff under direction of the Investment Committee.

The investment appraisal process is conducted in two main stages with early identification of climate-related and other ESG issues during the first phase followed by detailed due diligence to resolve any identified concerns and confirm that climate-related objectives are expected to be met during project operation. Climate-related performance for all portfolio projects are monitored and reported quarterly. This informs any interventions which are considered necessary by the Investment Manager and is reflected in quarterly reporting to the Company's Board.

Matters reserved for the Board

The Directors have adopted a formal schedule of matters specifically reserved for their approval. The Directors have overall responsibility for the Company's business activities in accordance with the Company's Articles and Investment Policy. The Board has delegated certain functions as described further below and retains the right to vary the delegation from time to time.

Reserved matters for the Board's approval include:

- capital raising activities;
- declaring dividends;
- reviewing the performance and appointments of key service providers;
- setting terms of references for the Board and relevant Committees; and
- monitoring constitution and efficiency of the Board and its Committees and key governance aspects such as General Meetings and shareholder circulars.

Committees of the Board

The Board has three committees to assist with its operations; the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. Each Committee's delegated responsibilities are clearly defined in formal terms of reference, which are available on the Company's website.

With effect from 27 May 2021, the Company has also established a Management Engagement Committee which will meet, at least annually to review the terms of the investment management agreement between the Company and the Investment Manager, the administration and company secretarial agreement between the Company, the Administrator and the Company Secretary and any other key service providers as engaged by the Company from time to time. The terms of reference for the newly formed Committee are available on the Company's website.

The Company Secretary acts as secretary to each Committee. No persons other than the Committee members are entitled to attend Committee meetings unless formally invited by the respective Committee.

4.3 Corporate Governance Statement
continued

Membership of the Board committee's as at 31 March 2021 are as follows:

	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Chair	Helen Clarkson	Emma Griffin*	Tony Roper
Members	Chris Knowles	Tony Roper	Helen Clarkson
	Tony Roper	Helen Clarkson	Chris Knowles
	Emma Griffin*	Chris Knowles**	Emma Griffin*

* appointment to the Committee with effect from 21 October 2020

** resignation as Remuneration Committee Chair with effect from 21 October 2020

Audit & Risk Committee

The Board considers that the members of the Audit and Risk Committee have the requisite skills and experience to fulfil the responsibilities of the committee. The Chair of the Audit and Risk Committee has significant recent and relevant financial experience. The Audit and Risk Committee has direct access to the Company's independent auditor and provides a forum through which the independent auditor reports to the Board. Representatives of the independent auditor attend meetings of the Audit and Risk Committee at least twice a year.

Further details about the Audit & Risk Committee and its activities during the year under review are set out in Section 4.5 Audit and Risk Committee Report.

Nomination Committee

The Nomination Committee meets at least once a year to consider Board succession planning and recruitment and to conduct the annual Board evaluation exercise.

Further details about the Nomination Committee and its activities during the year under review are set out in Section 4.4 Nomination Committee Report.

Remuneration Committee

The Remuneration Committee meets at least once a year and deals with matters of Directors' remuneration. In particular, the Remuneration Committee reviews and makes recommendations to the Board regarding the ongoing appropriateness and relevance of the remuneration policy and Directors' fee levels and considers the need to appoint independent professional external remuneration consultants.

Further details about the Remuneration Committee and remuneration matters are set out in the Directors' remuneration report and policy in Section 4.6 Remuneration Committee Report.

Meetings

The Board is scheduled to meet at least five times a year and between these formal meetings there is regular contact with the Investment Manager, the Administrator and the Company's Corporate Broker. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company that should be brought to the attention of the Directors.

The Board considers agenda items laid out in the notice and agenda of any meeting which are circulated to the Board in advance of the meeting as part of the Board papers. Directors may request any agenda items to be added that they consider appropriate for Board discussion. Each Director is required to inform the Board of any potential or actual conflicts of interest prior to board discussion. Board meetings include a review of investment performance and associated matters such as health and safety, marketing, investor relations, risk management, gearing, general administration and compliance, peer group information and industry issues.

The number of scheduled board committee meetings held during the year and the attendance of the individual Directors is shown below:

	Scheduled board meetings	Audit & Risk committee	Remuneration committee	Nomination committee
No. of meetings held	**5**	**7**	**2**	**3**
No. of meetings attended				
Tony Roper	5	7	2	3
Helen Clarkson	5	7	2	3
Chris Knowles	5	7	2	3
Emma Griffin[1]	2	3	2	1

[1] appointment as a Director with effect from 21 October 2020. Attended all Board and Committee meetings post appointment.

During the year ended 31 March 2021, there were 22 additional ad hoc board meetings held in order to deal with matters substantially of an administrative nature and these were attended by those Directors available and/or delegated by the Board to one or more members to lead its coverage on a given matter.

Insurance and indemnity provisions

Directors' and Officers' liability insurance cover is in place in respect of the Directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court.

Except for such indemnity provisions in the Company's Articles of Association and in the Directors' letters of appointment, there are no qualifying third-party indemnity provisions in force.

The Board has agreed arrangements whereby Directors may take independent professional advice in the furtherance of their duties.

Conflicts of interests

It is the responsibility of each individual Director to avoid an unauthorised conflict of interest situation arising. All Directors must inform the Board as soon as they become aware of the possibility of an interest that conflicts or might possibly conflict, with the interests of the Company.

A register of conflicts is maintained by the Company Secretary and regularly reviewed by the Board to ensure that any authorised conflicts remain appropriate. The Directors are required to confirm at board meetings whether there has been any change to their position.

The Board has adopted the policy of maintaining a gifts and hospitality register to record all gifts and hospitality in excess of £50 accepted by the Directors from the Company's service providers and other relevant third parties.

Reporting on stakeholder engagement

The Company sets out how it interacts and engages with its stakeholders in Section 2.8 of the Strategic Report. The stakeholder relationships identified provide the foundation for the Company's sustainability, which in return provides benefits to all parties. Both the Board and the Investment Manager value the importance of maintaining a high standard of business conduct and stakeholder engagement and ensuring a positive impact on the environment in which the Company operates.

Relations with shareholders

The Company welcomes the views of its shareholders and places great importance on communication with its shareholders. Senior members of the Investment Manager make themselves available, as practicable, to meet with principal shareholders and key sector analysts and feedback from these meetings is provided to the Board. The Board also make themselves available to engage with shareholders and offers meetings annually as part of good governance to those shareholders who wish to meet them.

The Board is kept fully informed of all relevant market commentary on the Company by the Company's Financial PR agency, as well as receiving relevant updates from the Investment Manager and the Company's Corporate Broker.

4.3 Corporate Governance Statement
continued

The Company reports formally to shareholders twice a year.

The results of the AGM are announced by the Company promptly after the relevant meeting and also published on the Company's website. Additionally, other notices and information are provided to shareholders on an ongoing basis through the Company's website in order to assist in keeping shareholders informed.

The Company Secretary and Registrar monitor the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the AGM.

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against any resolution at an AGM, the Company will consider what, if any, actions it intends to take going forward.

2020 AGM

The 2020 AGM of the Company was held on 31 July 2020. Resolutions 1 to 8 related to ordinary business and resolutions 9 to 11 related to special business as follows:

- to approve the purchase of the Company's own shares;
- amendment to the quorum of the Articles of Association; and
- to authorise the Directors to convene a general meeting on not less than 14 clear days' notice.

All votes cast were in favour and as a result each of the resolutions proposed at the AGM were passed.

2021 AGM

The next AGM of the Company will be held in Q3 2021.

A separate notice convening the AGM will be sent to shareholders and published on the Company's website and will include an explanation of the items of business to be considered at the meeting.

4.4 Nomination Committee Report

Nomination Committee

The Nomination Committee is chaired by Tony Roper and the membership of the Committee comprises all Directors of the Company, all of whom are independent and non-executive. Due to the limited size of the Board, the Remuneration Committee is comprised of the entire Board.

During the year, the Nomination Committee held three meetings. Attendance of the members of the Nomination Committee at those meetings is shown on the table on page 79.

The Nomination Committee operates within clearly defined terms of reference, which are available on the Company's website.

Function of the Nomination Committee

The principle duties of the Nomination Committee are to:

- regularly review the structure, size and composition required of the Board and make recommendations to the Board with regard to any changes (including skills, knowledge and experience in accordance with Principle K of the AIC Code);
- give full consideration to succession planning for Directors taking into account the challenges and opportunities facing the Company;
- be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise; and
- ensure plans are in place for orderly succession to the Board and oversee the development of a diverse pipeline for succession.

Matters reviewed in the year

Appointment of a fourth Director

There was one Board appointment during the year. Emma Griffin was appointed to the Board as a non-executive Director with effect from 21 October 2020. As part of the recruitment process, a job description was prepared, which considered the existing balance of skills and experience of the Board and gaps identified by the annual Board evaluation. A qualified external recruitment agency which did not have any connection with the Company, was engaged to assist in identifying potential candidates and was given a role profile outlining the skills, attributes and experience that the Board was looking for in a successful candidate.

A range of candidates were considered, and a short list was compiled. Those on the shortlist were then formally interviewed by the Nomination Committee. Following this process, the Committee concluded that Emma Griffin was the best candidate for the role based on her level of relevant experience and background. On the recommendation of the Nomination Committee, the Board agreed the appointment.

Performance evaluation

In accordance with the AIC Code, the Directors undertake an annual evaluation of the Board, its Committees, the Chair and the Directors. In addition, an external evaluation is undertaken every three years, with the next external evaluation due in the financial year ending 31 March 2022.

The Board carried out an internal performance evaluation via questionnaires. The evaluation process was led by the Chair and was designed to assess the strengths and independence of the Board and the performance of its Committees, the Chair and individual Directors. The Chair met with each Director separately during the evaluation process. The Board evaluation questionnaires were also intended to analyse the focus and appropriateness of Board meetings.

The evaluation of the Chair was carried out by the other Directors of the Company and led by the SID. The results of the Board evaluation process and recommendations were reviewed and discussed by the Board. It was agreed that the Committee would consider and agree its longer-term succession plans for the Board in 2021.

As a result of the evaluation, the Board considers that all the current Directors contribute effectively and have the skills and experience relevant to the leadership and direction of the Company and sufficient time to discharge their responsibilities.

Terms of reference

The Committee reviewed its terms of reference in March 2021 to ensure that it is still operating effectively, and minor amendments to its terms of reference were recommended to the Board.

Tony Roper
Chair of the Nomination Committee

4.5 Audit and Risk Committee Report

The Audit & Risk Committee is chaired by Helen Clarkson and it operates within clearly defined terms of reference and comprises all of the Directors. It is also the formal forum through which the independent auditor reports to the Board of Directors and met seven times during the year.

The Board is satisfied that the Committee is properly constituted. The Company's Chair is a member of the Audit & Risk Committee given his independence on appointment as Company Chair and that he has continued to meet this condition throughout his term of service, in addition to his extensive relevant experience in dealing with matters such as valuation and risk management. The Audit & Risk Committee has adopted formal Terms of Reference which are available on the Company's website.

The Terms of Reference are reviewed periodically as necessary. The Committee reviewed its terms of reference in March 2021 to ensure that it is still operating effectively, and minor amendments its terms of reference were recommended to the Board.

The main duties of the Audit & Risk Committee are:

- Assessing, and recommending to the Board for approval, the contents of the half year and annual financial statements and reviewing the independent auditor's report thereon, including consideration as to whether the financial statements are overall fair, balanced and understandable;
- Reviewing the valuation of the Company's investments prepared by the Investment Manager and making a recommendation to the Board on the valuation;
- Agreeing with the independent auditor the external audit plan including discussing with the independent auditor the key risk areas within the financial statements;
- Considering and understanding the key risks of misstatement of the financial statements and formulating an appropriate plan to review these and agreeing with the Investment Manager its processes to manage these risk areas;
- Reviewing the Viability and Going Concern Statements and reviewing the work prepared by the Investment Manager in support of these statements;
- Reviewing the scope, results, cost-effectiveness, independence and objectivity of the independent auditor as well as reviewing the effectiveness of the external audit process and making any recommendations to the Board for improvement of the audit process;
- Reviewing and recommending to the Board for approval the audit, audit related and non-audit fees payable to the independent auditor or their affiliated firms overseas and the terms of their engagement;
- Reviewing the appropriateness of the Company's accounting policies;
- Ensuring the adequacy and effectiveness of the internal control and risk management systems;
- Consider the Investment Manager's recommendations to changes in the Company's Risk Management policy and Treasury policy;
- Review the Company's risk appetite and overall risk management approach;
- Monitor current and emerging risk exposures on behalf of the Board and challenge the actions taken to mitigate against such risks, taking into account scenario analysis;
- Considering any reports or information received in respect of whistleblowing; and
- Reporting to the Board on how it has discharged its duties.

None of the members of the Audit & Risk Committee have any involvement in the preparation of the financial statements of the Company, as this has been contracted to the Investment Manager and the Company's Administrator.

The Audit & Risk Committee meets the independent auditor before, during and after their audit and discusses with the independent auditor the scope of its annual audit work and also its audit findings. The independent auditor attends the Audit & Risk Committee meetings at which the annual and interim financial statements are considered, and at which it has the opportunity to meet with the Committee without representatives of the Investment Manager and Administrator being present. The Audit & Risk Committee has direct access to the independent auditor and to key senior staff of the Investment Manager, and it reports its findings and recommendations to the Board which retains the ultimate responsibility for the financial statements of the Company.

Significant activities in the year

During the year, the Audit and Risk Committee's discussions have been broad ranging and focused on but not limited to:

- Conducting a review of the risk management systems of the Company and its third-party service providers, and introduced further enhancement to the system;

- Agreeing the audit plan and fees with the independent auditor in respect of the review of the half-yearly report for the six months ended 30 September 2020 and the statutory audit of the Annual Report for the year ended 31 March 2021, including the principal areas of focus;
- Receiving and discussing with the independent auditor its report on the results of the review of the half-yearly financial statements and the year-end audit;
- Reviewing and challenging information received from the Investment Manager recommending the rationale for preparing the financial statements on a going concern basis and including a viability statement. This was discussed with the independent auditor prior to concluding that the recommendation be adopted;
- Reviewing and challenging the valuation prepared by the Investment Manager and its valuation process, together with the Company's auditor. This included, *inter alia*, review of the Investment Manager's policies and controls;
- In light of the continued growth of the Company, reviewing and recommending the continued application of IFRS 10 Investment Entity for the Company to the Board;
- Reviewing the Company's annual and half-yearly financial statements and recommended these to the Board for approval;
- Review and challenge the response from the Investment Manager in relation to COVID-19, particularly in relation to health and safety practices implemented;
- Discussing and agreeing a cyber risk review to be undertaken in the new financial year;
- Reviewing the Investment Manager's ongoing programme of stress scenarios aimed at understanding the impact on the Company of downside but plausible scenarios; and
- Reviewing whether an internal audit function would be of value and concluded that this would provide minimal added comfort at considerable extra cost to the Company.

In addition to formal Audit and Risk Committee meetings during the year, the Audit and Risk Committee has had regular contact and meetings with the Investment Manager, the Administrator and the Auditor.

Key issues considered for financial statements

After discussion with the Investment Manager and the independent auditor, the Audit & Risk Committee determined that the key risks of misstatement of the Company's financial statements related to the valuation of the investments.

Valuation of investments

As outlined in Note 11 to the financial statements, the total carrying value of the investment portfolio at fair value at 31 March 2021 was £552,672k (31 March 2020: £319,802k). Market quotations are not available for these financial assets, and therefore their valuation is undertaken using a discounted cash flow methodology. This requires a number of material estimates to be made as further explained in Note 3 to the financial statements.

The valuation process and methodology were discussed by the Audit & Risk Committee with the Investment Manager at the time of the interim review, in March 2021 prior to the year-end valuation process, and again in May and June 2021 as part of the year-end sign off process. The Audit & Risk Committee reported to the Board on the challenges it made to the valuation and the outcome of discussions with the Investment Manager and independent auditor on the valuation, particularly in relation to key judgements. The Audit & Risk Committee met with the independent auditor when it reviewed and agreed the independent auditor's group audit plan, and also at the conclusion of the audit of the financial statements, focussing much of its discussion on the valuation process. The Investment Manager carries out a valuation semi-annually and provides a detailed valuation report to the Company.

The Company engaged an independent valuation expert to provide a report on a fair and reasonable range of discount rates for the investments in the portfolio as at 31 March 2021. The Audit & Risk Committee was satisfied that this report confirmed the reasonableness of the discount rates applied by the Investment Manager in its valuation of the portfolio as at 31 March 2021.

Valuation of investments – key forecast assumptions

The Audit & Risk Committee considered in detail those assumptions that are subject to judgement and may have a material impact on the valuation. The key assumptions are:

4.5 Audit and Risk Committee Report
continued

Macroeconomic assumptions

Macroeconomic assumptions include inflation and tax rate assumptions. The Investment Manager's assumptions in this area are set out and explained in Section 3.2 Valuation of the Portfolio.

The Investment Manager has discussed and agreed the valuation assumptions with the Audit & Risk Committee. In relation to the key judgements underpinning the valuation, the Investment Manager has provided sensitivities showing the impact of changing these assumptions. These have been reviewed by the Investment Manager and the Audit & Risk Committee to assist in forming an opinion on the fairness and balance of the Annual Report, together with their conclusion on the overall valuation.

Valuation of investments – valuation discount rates

The discount rates adopted to determine the valuation are selected and recommended by the Investment Manager. The discount rate is applied to the expected future cash flows for each investment's financial forecasts derived under the assumptions explained above, amongst others, to arrive at a valuation (discounted cash flow valuation). The resulting valuation is sensitive to the discount rate selected. The Investment Manager is experienced and active in the valuation of these investments and adopts discount rates reflecting its extensive experience of the current market. It is noted however that the judgement required is subjective and that there is a range of discount rates which could be applied. The discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate are set out in Section 3.2 Valuation of the Portfolio.

The Audit & Risk Committee discussed with the Investment Manager the process adopted to arrive at the selected valuation discount rates (which includes comparison with other market transactions and an independent review of valuation discount rates by the independent valuation expert) and satisfied itself that the rates applied were appropriate. The independent auditor explained to the Audit & Risk Committee the results of its review of the valuation, including its consideration of the Company's underlying cash flow projections, the economic assumptions and discount rates.

Key risks considered

The Company's key risks are set out in more detail in Section 3.3 Risk Management.

The Audit & Risk Committee actively provide risk management oversight and reviews and challenges on a regular basis the risk updates provided by the Investment Manager.

During the financial year there was a particular focus on several key risks with an added focus on the impact of the COVID-19 pandemic and mitigants available to the Company.

These risks and reviews included:

Health and safety

- Ensuring that the Investment Manager implements adequate working arrangement in reaction to COVID-19 to ensure the safety of staff and allow them to continue to manage the Company's portfolio
- Through the Investment Manager, monitor the health and safety arrangements at the investment level and reviewing that safety measures as a result of COVID-19 are introduced where appropriate and follow local guidelines

Counterparty risk

- Reviewing the dynamic levels of risk associated with the counterparties associated with the Company's investments
- Reviewing stress tests assessing the impact of material credit counterparty defaults
- Assessing the Investment Manager's feedback on mitigants available to the Company
- Monitoring compliance with the Company's Treasury Policy in relation to exposures to deposit takers

Business interruption risk

- Receive and challenge regular formal and informal updates from the Investment Manager on the level of business interruption or potential for business interruption at the operational level of the investments, particularly focusing on supply chain. This included assessment of the impact from COVID-19 as well as Brexit

Cyber and security risk

- Receive a high level assessment of cyber and security risks that may affect the Company's portfolio of investments and/or key advisers
- Recommend to the Board that a more detailed third-party review is undertaken by the Investment Manager to assess the current levels of cyber security

risk, particularly in light of the growth of the Company's investment portfolio and the nature of the underlying investments.

Whistleblowing

The Board has considered the UK Corporate Governance Code recommendations in respect of arrangements by which staff of the Company's key advisers and project companies may, in confidence, raise concerns within their organisations and the Board and the Investment Manager has implemented a whistleblowing policy which supports these recommendations.

Internal controls and risk management

The Audit & Risk Committee is responsible for the Company's system of internal control and for reviewing its effectiveness. It has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed. During the year the Audit & Risk Committee conducted a review of the risk management systems of the Company and its third-party service providers and introduced further enhancement to the systems where appropriate.

The process is based on a risk-based approach to internal control through a risk log which identifies the key functions carried out by the Investment Manager and other service providers; the various activities undertaken within those functions; the risks associated with each activity; and the controls employed to minimise and mitigate those risks. The risk log is updated on an on-going basis and reviewed quarterly, and the Audit & Risk Committee considers all material changes to the risk ratings and the action which has been, or is being, taken. By their nature, these procedures will provide a reasonable, but not absolute, assurance against material misstatement or loss.

At each Board meeting, the Board also monitors the SEEIT group's investment performance and it reviews the group's activities since the last Board meeting to ensure that the Investment Manager is adhering to the Company's Investment Policy and approved investment guidelines. The Board considers the pipeline of new potential opportunities and reviews the prices paid for new investments during the quarter.

Further, at each Board meeting, the Board receives reports from the Investment Manager, Company Secretary and Administrator in respect of compliance matters and duties they have performed on behalf of the Company.

The Board has considered the need for an internal audit function and it has decided that the systems and procedures employed by the Investment Manager and the Administrator, including their own internal review processes and processes in place in relation to the Company, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary at this time, however the Board is keeping this under regular review and focuses on identifying any areas where internal control improvements can be made.

The Audit & Risk Committee recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives. It is understood that they provide reasonable, but not absolute, assurance against material misstatement or loss, and rely on the operating controls established by the Company's Administrator and the Investment Manager.

The Investment Manager prepares management accounts and updates business forecasts on a quarterly basis, which allow the Board to assess the Company's activities and review its performance. The Board and the Investment Manager have agreed clearly defined investment criteria, return targets, and exposure limits. Reports on these performance measures, coupled with cash projections and investment valuations, are submitted to the Board at each quarterly meeting.

The Investment Manager prepares quarterly project performance and project financial analysis, and highlights the key activities performed and any specific new risks identified relating to the operating portfolio for consideration by the Board.

Appointment of the independent auditor

PricewaterhouseCoopers LLP ("PwC") was appointed to be independent auditor for the SEEIT group at the IPO of the Company.

The objectivity of the independent auditor is reviewed by the Audit & Risk Committee which also reviews the terms under which the independent auditor may be appointed to perform non-audit services. The Audit & Risk Committee reviews the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the independent auditor, with particular regard to any non-audit work that the independent auditor may

4.5 Audit and Risk Committee Report continued

undertake. In order to safeguard auditor independence and objectivity, the Audit & Risk Committee ensures that any other advisory and/or consulting services provided by the independent auditor does not conflict with its statutory audit responsibilities.

Advisory and/or consulting services generally only cover reviews of interim financial statements and capital raising work. The independent auditor may not undertake any work for the Company in respect of the preparation of the financial statements, preparation of valuations used in financial statements, provision of investment advice, taking management decisions or advocacy work in adversarial situations.

The Committee reviews the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the independent auditor, with particular regard to the level of non-audit fees.

The total proposed fees for audit and audit related services amounted to £357k for the year ended 31 March 2021 of which £217k related to the Company and its direct subsidiary, Holdco, and £140k related to audit of the SEEIT group's project subsidiaries and other audit-related services. Non-audit fees amounted to £59k for the year ended 31 March 2021 which included £55k for the interim review of the half yearly financial statements.

Notwithstanding such services, the Audit & Risk Committee considers PwC to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit.

To fulfil its responsibility regarding the independence of the independent auditor, the Audit & Risk Committee considered:

- a report from the independent auditor describing their arrangements to identify, report and manage any potential independence threats; and
- the extent of non-audit services provided by the independent auditor.

To assess the effectiveness of the external audit process, the Audit & Risk Committee reviewed:

- the independent auditor's fulfilment of the agreed audit plan and variations from it
- evaluations from the Investment Manager and Administrator on the performance of the independent auditor's team; and
- reports highlighting any significant issues that arose during the course of the audit.

The Audit & Risk Committee is satisfied with PwC's effectiveness and independence as auditor having considered the degree of diligence and professional scepticism demonstrated by the firm. As such, the Committee has not considered it necessary during this period to conduct a tender process for the appointment of its independent auditor for the year ending 31 March 2021.

The Audit & Risk Committee notes the requirements of the UK Corporate Governance Code and, in particular, the requirement to put the external audit out to tender at least every 10 years. As this is the third audit conducted by PwC and the second full year of operation of the Company, it is not expected that the Company will tender the external audit in the near future.

The Audit & Risk Committee will conduct a formal review of PwC following the issue of these financial statements to ensure that the Audit & Risk Committee considers all aspects of the independent auditor's service and performance.

Audit & Risk Committee performance evaluation

During the year, the Audit & Risk Committee evaluated its performance considering checklists provided by leading audit firms. All of the Directors and the Managers completed the form and the results were discussed at an Audit & Risk Committee meeting.

A few items of a minor nature arose and led to recommendations that have been adopted. Overall, the finding of the evaluation was that the Audit & Risk Committee is sufficiently skilled and experienced and effective in carrying out its role.

Helen Clarkson
Chair of the Audit & Risk Committee

4.6 Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31 March 2021.

The report is made up of two sections; the Directors' Remuneration Policy report and the Annual Report on Remuneration.

Remuneration policy report

This Remuneration Policy provides details of the remuneration policy for the Directors of the Company. All Directors are independent and non-executive, appointed under the terms of Letters of Appointment, and none of the Directors have a service contract. The Company have no employees.

This Remuneration Policy was approved by shareholders at the AGM of the Company held in September 2019. The Remuneration Policy will apply until it is next put to the shareholders for renewal of that approval, at the Company's 2022 AGM. Any variation of the Remuneration Policy prior to the 2022 AGM would have to be submitted for shareholder approval.

There will be no significant change in the way the current, approved Remuneration Policy will be implemented during the course of this next financial year.

All Directors of the Company receive an annual fee appropriate for their responsibilities and time commitment but no other incentive programme or performance-related emoluments. As such there are:

- no service contracts with the Company;
- no long-term incentive schemes;
- no options or similar performance incentives; and
- no payments for loss of office unless approved by shareholder resolution.

The Directors' remuneration shall:

- reflect the responsibility, experience, time commitment and position of each director on the Board;
- allow the Chair, Senior Independent Director, Chair of the Audit and Risk Committee and Chair of the Remuneration Committee to be remunerated in excess of any potential remaining Board members to reflect their increased roles of responsibility and accountability;
- be paid quarterly in arrears;
- include remuneration for additional, specific corporate work which shall be carefully considered and only become due and payable on completion of that work; and
- be reviewed annually and, at least every three years, by an independent professional external remuneration consultant with experience of investment companies and their fee structures.

Directors' remuneration is determined by the Remuneration Committee, at its discretion within the current aggregate limit of £300,000, as set out in the Company's Articles of Association. Any change to this limit would require shareholder approval.

Views expressed by shareholders on the fees being paid to Directors are taken into consideration by the Board when reviewing levels of remuneration.

Annual report on remuneration

Statement of the Chair of the Remuneration Committee

As set out on page 78, the membership of the Remuneration Committee comprises all Directors of the Company, all of whom are independent and non-executive. Due to the limited size of the Board, the Remuneration Committee is comprised of the entire Board.

With effect from 21 October 2020, Chris Knowles stepped down as Chair of the Remuneration Committee and Emma Griffin was appointed as the Chair of the Remuneration Committee, following her appointment as a non-executive Director of the Company.

The Remuneration Committee met twice during the year and operates within clearly defined terms of reference, which are available on the Company's website. The Committee reviewed its terms of reference in March 2021 to ensure that it is still operating effectively, and minor amendments to its terms of reference were recommended to the Board and duly approved. The key activity during the year was to appoint an independent professional external remuneration consultant to conduct a review of the Directors' remuneration as a result of the increase in workload following the growth in the Company's activities. This is described further below under **Directors' remuneration review.**

The Remuneration Committee's main functions include:

(i) agreeing the policy for the remuneration of the Directors and reviewing and proposing changes to the policy;

4.6 Directors' Remuneration Report
continued

(ii) reviewing and considering ad hoc payments to the Directors in relation to duties undertaken over and above routine business; and

(iii) appointing independent professional external remuneration consultants.

The Law requires the Company's independent auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 93 to 100.

Directors' remuneration for the year ended 31 March 2021 (audited)

The table below sets out the Directors' remuneration approved and paid for the year ended 31 March 2021:

		Remuneration paid for the year ended 31 March 2021 Total £'000	Remuneration paid for the year ended 31 March 2020 Total £'000
Tony Roper	Chair	50	45
Helen Clarkson	Audit & Risk Committee chair	40	35
Chris Knowles	Senior Independent Director	40	35
Emma Griffin[1]	Remuneration Committee chair	18	–
Total		**148**	**115**

[1] Appointed to the Board and its Committees with effect from 21 October 2020.

No additional fees were payable to the Directors in the year ended 31 March 2021.

The Directors are also entitled to be paid all reasonable expenses properly incurred by them in connection with the performance of their duties. These expenses include those associated with attending general meetings, Board or Committee meetings and legal fees. In the year, such expenses were de minimis.

The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company. Where the Company requires the Directors to work on specific corporate actions, such as the raising of further equity, an additional fee will be determined (on each occasion) by the Committee and recommended to the Board.

Voting at AGM on the Annual Report

A binding Ordinary Resolution approving the Remuneration Policy was approved by shareholders at the AGM held on 11 September 2019 and an advisory vote adopting the Directors' Remuneration Report for the year ended 31 March 2020 was approved by shareholders at the AGM held on 31 July 2020.

The votes cast by proxy were as follows:

	Directors' remuneration report (AGM 2020)	Remuneration policy (AGM 2019)
Votes for	346,710,481	121,799,095
%	99.99	100
Votes against	9,734	–
%	0.01	–
Total votes cast	346,720,215	121,799,095
Votes withheld	–	–

Directors' remuneration review

In December 2020, the Board reviewed potential firms to conduct a review of the Directors' remuneration. The Board agreed to engage an independent professional external remuneration consultant, Trust Associates Limited ("**Trust Associates**"), with particular expertise in the investment company sector.

As part of its review, Trust Associates considered that the workload and time required by the Directors had increased since the IPO. This has been driven by the increased size, geographical profile and complexity of the Company arising from the number of investments the Company acquired and the rapid pace of its development, but also by regulatory changes from corporate governance, accounting and other developments. Trust Associates carried out a review of fees paid to the directors of an appropriate peer group of infrastructure companies for which director remuneration has been published. One specific recommendation from Trust Associates was that incremental fees should be paid for specific additional corporate work, in line with market practice.

The Committee reviewed the advice from its independent professional external remuneration consultant, Trust Associates, on potential fee increases to apply, and based on their analysis, the Committee's recommendation is set out below:

- the base Director's fee be increased to £45,000 (2020: £35,000);
- the fee paid to the Chair be increased to £65,000 (2020: £50,000; the Committee believes this increase reflects the increased demands of the role of the Chair, although even at this new proposed level, it remains at the lower end of the range for Board Chairs in the Infrastructure sector);
- the annual supplement paid to the Chair of the Audit & Risk Committee remains at £5,000 (2020: £5,000);
- the annual supplement for the roles of Senior Independent Director and Chair of the Remuneration Committee are to be reduced to £2,000 (2020: £5,000); and
- the recommendation of additional fees to be paid for specific corporate work be adopted.

Proposed Directors' remuneration to be paid for the year ending 31 March 2022:

		Proposed Remuneration to be paid for the year ending 31 March 2022 Total £'000	Remuneration paid for the year ended 31 March 2021 Total £'000
Tony Roper	Chair	65	50
Helen Clarkson	Audit & Risk Committee chair	50	40
Chris Knowles	Senior Independent Director	47	40
Emma Griffin[1]	Remuneration Committee chair	47	14
Total		**209**	**144**

[1] Appointed to the Board and its Committees with effect from 21 October 2020.

The proposed remuneration recommendations would result in an increase in the Directors' total fees to £209,000 in the coming year reflecting not only the proposed increases described above but also the full year effect of the appointment of an additional director in the fourth quarter of 2020. The proposed increases to fees would remain below the Company's current approved annual limit of £300,000.

The Remuneration Committee met in March 2021 to consider the levels of Directors' fees paid and the recommendations received from Trust Associates. The Committee concluded that the changes to the Director's remuneration for year ending 31 March 2022 be recommended and were put to the Board.

The Board also considered the availability of each Director, taking into account their other commitments, and concluded that each Director made adequate time available for the appropriate discharge of the Company's affairs. Each Director abstains from voting on their own individual remuneration.

The Board has adopted the recommendations from the Remuneration Committee and will seek shareholder approval at the upcoming 2021 AGM in relation to the proposed remuneration payable to the Directors for the year ending 31 March 2022 with a view to implementing the proposed increases back dated to the start of the Company's current fiscal year.

Company performance

The Board is responsible for the Company's investment strategy and performance, although day-to-day management of the Company's affairs, including the management of the Company's portfolio, has been delegated to the Investment Manager. An explanation of the performance of the Company is given in the Strategic Report.

Relative importance of spend on pay

The table below sets out the remuneration paid to the Directors in comparison to dividends paid to shareholders for the year ended 31 March 2021:

	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
Directors' remuneration	144	115
Dividends paid to shareholders	30,413	8,422

Directors Interests (audited)

As at 24 June 2021, the interests of the Directors and any connected persons in the ordinary shares of the Company are set out in the table below:

	Ordinary shares of £1 each held at 24 June 2021	Ordinary shares of £1 each held at 18 June 2020
Tony Roper	95,000	50,000
Helen Clarkson	5,000	5,000
Christopher Knowles[1]	10,000	–
Emma Griffin	15,000	–
Total	**125,000**	**55,000**

[1] Christopher Knowles' immediate family members hold an additional 55,000 ordinary shares in the Company. These immediate family members holding ordinary shares in the Company do not meet the definition of Persons Closely Associated (PCAs) as defined in Article 3(1)(26) of the Market Abuse Regulation (*MAR*).

None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year.

As at the date of this report, Jonathan Maxwell, CEO and Founder of the Investment Manager, holds 150,000 ordinary shares. Jonathan Maxwell is considered to be a Person Discharging Managerial Responsibilities ("PDMR") by both the Board of Directors and Investment Manager.

The Directors' Remuneration Report was approved by the Board on 24 June 2021 and signed on its behalf by:

Emma Griffin
Chair of the Remuneration Committee

4.7 Statement of Directors' Responsibilities

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Company Information confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Strategic Report: Portfolio Review includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Annual Report and Financial Statements were approved by Board on 24 June 2021 and the above responsibility statement was signed on its behalf by:

Tony Roper
Chair

5. Financial Statements

Independent auditors' report to the members of SDCL Energy Efficiency Income Trust plc

Report on the audit of the financial statements

Opinion

In our opinion, SDCL Energy Efficiency Income Trust plc 's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2021; the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2a to the financial statements, the company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 6 to accounts, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The company invests in a diversified portfolio of energy efficient projects through an intermediate holding company and special purpose vehicles. We performed an audit of the company including its investments in SEEIT Holdco Limited.
- All of our audit work was conducted in the UK by the company audit team

Key audit matters

- Valuation of investments
- Impact of Covid-19

Materiality

- Overall materiality: £6,950,000 (2020: £3,200,000) based on 1% of total assets.
- Performance materiality: £5,200,000.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments The company has £572.6 million of investments recorded at fair value and these are significant in the context of the overall balance sheet of the company. See note 11 for details. The company invests through a holding company which in turn holds debt and equity interests in project companies (the "underlying investment portfolio") for which there is no liquid market. The fair value of the underlying investment portfolio has principally been valued on a discounted cash flow basis, which necessitates significant estimates in respect of the forecasted cash flows and discount rates applied.	We planned our audit to critically assess management's assumptions and the investment valuation model in which they are applied; We have evaluated the design and implementation of relevant controls over the preparation of the portfolio valuation; We assessed the reasonableness of the assumptions made by management in the applicable valuation models; We tested the mathematical accuracy of the valuation models; We tested a sample of inputs into the fair value models;

The directors' assessment of those fair values involves estimates about the future results of the business, in particular around future revenues, growth rates and discount rates applied to future cash flow forecasts where there is a higher degree of sensitivity. Based on the historical performance of investments and best estimates of future assumptions, the directors believe that these fair values are reasonable. Determining the valuation methodology and the inputs and assumptions within the valuation is subjective and complex. This, combined with the significance of the unlisted investments balance in the statement of financial position, meant that this was a key audit matter for our current year audit. The Audit and Risk Committee have set out their consideration of this matter on pages 83 and 84 as well as the forecasted cash flows and discount rates being recognised as a critical accounting estimate in Note 3 of the financial statements. Note 11 includes a breakdown of the investments and assumptions applied to the valuation.	We specifically challenged management on the impact of Covid 19 on the future cashflows assumed in the models and obtained further evidence to support management's assumptions; We used our internal valuation specialists to provide audit support in reviewing and concluding on the fair valuation of the underlying investment portfolio. They (a) reviewed the appropriateness of the valuation methodology and approach and (b) reviewed and commented on the computation of the discounted cash flow valuation models, including comparing the discount rate and other key assumptions against those used by comparable market participants, where appropriate and/or other macroeconomic data; and We have concluded that the overall valuation of the portfolio as a whole is within a reasonable range.
Impact of Covid-19 Management and the Board considered the actual impact of Covid-19 on the current cash flows and operations, the potential impact on future cashflows and hence the valuation of investments (see key audit matter above) and the going concern basis of preparation of the financial statements (see the 'Conclusions relating to going concern' section below). This included performing stress testing scenarios to determine the potential impact and likelihood of such events on the company's liquidity and also on the valuation of its investment portfolio (see key audit matter above). Because of its continued significance to the financial statements and to our audit, we determined that management's consideration of the potential impact of Covid-19 on investment valuation and going concern is a key audit matter. Management have disclosed the impact of COVID 19 on valuation of investments and going concern in note 2c to the financial statements	For our audit response on valuation of investments refer to the key audit matter above. For our audit response and conclusions in respect of going concern, see the 'Conclusions relating to going concern' section below. We reviewed management's disclosures in the financial statements in relation to Covid-19 and found them to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£6,950,000 (2020: £3,200,000).
How we determined it	Based on 1% of total assets
Rationale for benchmark applied	We believe that total assets is the most appropriate benchmark because this is the key metric of interest to investors, and is a generally accepted measure used for companies in this industry.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was based on 75% of overall materiality, amounting to £5,200,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £347,000 (2020: £135,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Testing the mathematical integrity of the cash flow forecasts and the models and reconciled these to Board approved budgets;
- We challenged management on the appropriateness of key assumptions and considered their reasonableness in the context of other supporting evidence gained from our audit work;
- Reviewing the debt agreements to confirm the terms and conditions, including covenants. The covenants were consistent with those used in management's going concern assessment;
- Agreeing all borrowings as at 31 March 2021 to third-party confirmations and considered the Group's available financing and maturity profile. This supported the directors' conclusion that sufficient liquidity headroom remained throughout the assessment period;
- Testing the mathematical accuracy of the covenant calculations. We concluded that covenant compliance remained throughout the assessment period; and
- We also reviewed the severe downside scenario to assess the viability of the Company in such circumstances which included an assessment of the company's ability to meet its debt covenants where appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the AIC Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Directors' Remuneration

In our opinion, the part of the Director's Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the AIC Corporate Governance Code (the 'Code') specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors’ confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors’ statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors’ explanation as to their assessment of the company’s prospects, the period this assessment covers and why the period is appropriate; and
- The directors’ statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors’ statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors’ process supporting their statement; checking that the statement is in alignment with the relevant provisions of the AIC Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors’ statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors’ statement relating to the company’s compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK Listing Rules, environmental regulations and UK Tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the valuation of investments and posting inappropriate journal entries to achieve desired financial results. Audit procedures performed by the engagement team included:

- Challenging the assumptions and judgments made by management in their significant accounting estimate, valuation of investments
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or

- the financial statements and the part of the Director's Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 10 December 2018 to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 March 2019 to 31 March 2021.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
24 June 2021

Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Income			
Investment income	5	37,834	14,500
Total income		37,834	14,500
Fund expenses	6	(5,429)	(2,888)
Operating profit		32,405	11,612
Profit for the year before tax		32,405	11,612
Tax	7	–	–
Profit and total comprehensive income for the year after tax		32,405	11,612
Profit and total comprehensive income for the year attributable to:			
Equity holders of the Company		32,405	11,612
Earnings Per Ordinary Share (pence)	8	7.0	5.2

The accompanying Notes are an integral part of these financial statements.

All items in the above Statement derive from continuing operations.

5.2 Financial Statements
continued

Statement of Financial Position
as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Investment at fair value through profit or loss	11	572,574	254,095
		572,574	254,095
Current assets			
Trade and other receivables	12	401	1,840
Cash and cash equivalents	2	122,059	68,179
		122,460	70,019
Current liabilities			
Trade and other payables	13	(1,229)	(584)
Net current assets		121,231	69,435
Net assets		693,805	323,530
Capital and reserves			
Share capital	14	6,771	3,204
Share premium	14	584,437	219,721
Other distributable reserves	14	58,165	88,578
Retained earnings		44,432	12,027
Total equity		693,805	323,530
Net assets per share (pence)	10	102.5	101.0

The accompanying Notes are an integral part of these financial statements.

The financial statements for the year ended 31 March 2021 of SDCL Energy Efficiency Income Trust plc, were approved and authorised for issue by the Board of Directors on 24 June 2021.

Signed on behalf of the Board of Directors:

Helen Clarkson
Director

Tony Roper
Director

Company number: 11620959

Statement of Changes in Shareholders' Equity

For the year ended 31 March 2021

	Note	Share Capital £'000	Share Premium £'000	Other distributable reserves £'000	Retained earnings £'000	**Total £'000**
Balance at 1 April 2020		3,204	219,721	88,578	12,027	323,530
Shares issued	14	3,567	371,433	–	–	375,000
Share issue costs	14	–	(6,717)	–	–	(6,717)
Dividends paid	9	–	–	(30,413)	–	(30,413)
Profit and total comprehensive income for the year		–	–	–	32,405	32,405
Balance at 31 March 2021		6,771	584,437	58,165	44,432	693,805

	Note	Share Capital £'000	Share Premium £'000	Other distributable reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2019		1,000	–	97,000	415	98,415
Shares issued		2,204	223,876	–	–	226,080
Share issue costs		–	(4,155)	–	–	(4,155)
Dividends paid	9	–	–	(8,422)	–	(8,422)
Profit and total comprehensive income for the year		–	–	–	11,612	11,612
Balance at 31 March 2020		3,204	219,721	88,578	12,027	323,530

The accompanying Notes are an integral part of these financial statements.

5.2 Financial Statements
continued

Statement of Cash Flows

For the year ended 31 March 2021

	Note	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Cash flows from operating activities			
Operating profit for the year		32,405	11,612
Adjustments for:			
Gain on investment at fair value through profit or loss		(15,021)	(11,895)
Loan Interest Income	5	(2,684)	(939)
Operating cash flows before movements in working capital		14,700	(1,222)
Changes in working capital			
Decrease in trade and other receivables	12	1,440	161
Increase/(Decrease) in trade and other payables	13	645	(2,342)
Net cash generated from/(used in) operating activities		16,785	(3,403)
Cash flows from investing activities			
Investment in subsidiary		(316,479)	(180,866)
Loan principal repayment received		13,021	–
Loan Interest Income received		2,684	939
Net cash used in investing activities		(300,774)	(179,927)
Cash flows from financing activities			
Proceeds from the issue of shares	14	375,000	226,080
Payment of share issue costs		(6,718)	(3,076)
Dividends paid	9	(30,413)	(8,422)
Net cash generated from financing activities		337,869	213,502
Net movement in cash and cash equivalents during the year		53,880	30,172
Cash and cash equivalents at the beginning of the year	2	68,179	38,007
Cash and cash equivalents at the end of the year	2	122,059	68,179

The accompanying Notes are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2021

1. General Information

The Company is incorporated in England and Wales under number 11620959 pursuant to the Companies Act 2006 and is domiciled in the United Kingdom. The Company's registered office and principal place of business is 6th Floor, 125 London Wall, London, EC2Y 5AS. The Company was incorporated on 12 October 2018 and is a Public Company and the ultimate controlling party of the group.

The Company's ordinary shares were first admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange under the ticker SEIT on 11 December 2018.

The Company's objective is to generate an attractive total return for investors comprising stable dividend income and capital preservation, with the opportunity for capital growth through the acquiring and realising of a diverse portfolio of energy efficiency infrastructure projects.

The Company currently makes its investments through its principal holding company and single subsidiary, SEEIT Holdco Limited ("Holdco"), and intermediate holding companies which are directly owned by the Holdco. The Company controls the investment policy of each of the Holdco and its intermediate holding companies in order to ensure that each will act in a manner consistent with the investment policy of the Company.

The Company has appointed Sustainable Development Capital LLP as its Investment Manager (the "Investment Manager") pursuant to the Investment Management Agreement dated 22 November 2018. The Investment Manager is registered in England and Wales under number OC330266 pursuant to the Companies Act 2006. The Investment Manager is regulated by the FCA, number 471124.

The financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

2. Significant Accounting Policies

a) Basis of accounting

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRS"). The financial statements are prepared under the historical cost convention, except for certain investments and financial instruments measured at fair value through the Statement of Comprehensive Income.

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

The principal accounting policies adopted are set out below and consistently applied, subject to changes in accordance with any amendments in IFRS.

(i) New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current year

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2020 that have a material effect on the financial statements of the Company nor the value of investments. This includes the following standards which the Company adopted during the year

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)

b) IFRS 10 – basis of consolidation and Investment entities exemption

The Company applies IFRS 10 Consolidated Financial Statements. As in the previous period, the Directors have concluded that in accordance with IFRS 10, the Company continues to meet the definition of an investment entity having re-evaluated the criteria (see below) that needs to be met. The financial statements therefore comprise the results of the Company only and no subsidiaries are consolidated on a line by line basis.

The Company invests its investable cash into SEEIT Holdco Limited (the "Holdco") when a targeted investment has been approved by the Investment Manager's Investment Committee. The sole objective of the Holdco is to enter into several energy efficiency projects, via individual corporate entities. The Holdco issues equity and loans to finance the projects. Holdco also incurs overheads and borrowings on behalf of the group. As a result, the Directors have provided an alternative presentation of the Company's results in the Strategic Report which includes a consolidation of Holdco.

Under IFRS 10 investment entities are required to hold subsidiaries at fair value through the Statement of Comprehensive Income rather than consolidate them. There are three key conditions to be met by the Company for it to meet the definition of an investment entity. For each reporting period, the Directors assess whether the Company continues to meet these conditions:

(i) The Company has obtained funds for the purpose of providing investors with investment management services;

(ii) The business purpose of the Company, which was communicated directly to investors, is investing solely for risk-adjusted returns (including having an exit strategy for investments); and

(iii) The performance of substantially all investments is measured and evaluated on a fair value basis.

The Company is an investment company, providing investors exposure to a diversified portfolio of energy efficiency infrastructure projects that are managed for investment purposes.

During the year ended 31 March 2021, the Company, via Holdco, made significant new investments, notably in Sweden and the USA, and as a result the size of the Company significantly increased. These investments are described in Note 11. These investments were made in line with the stated objective of the Company to generate returns from capital appreciation and investment income in accordance with the strategy that has been set by the Directors. The Directors assessed each new investment carefully in order to determine whether the Company as a whole still meets the definition of an investment entity.

As part of the assessments the Directors had regard for the nature of the underlying business and operations and the exit strategy of each new investment and how that compared to the already existing portfolio. The Company's exit of investments may be at the time each asset reaches its current assumed end of economic life. At this point it could be possible for the Company to remain invested subject to contractual negotiations, economic viability and investment policy of the Company at the time. The Company is investing in a sector for which there is an active secondary market and therefore the Company may also exit investments at an earlier stage for profit or for portfolio rationalisation purposes.

The assessments concluded that the new investments shared similar characteristics to the existing investments, are in line with the business purpose of the Company and that each has an appropriate exit strategy. In particular, the Directors noted that:

- the underlying businesses and the structure of the new investments are in keeping with the existing portfolio through the provision of energy efficiency services to clients, or host counterparties, predominantly through long-term contracted agreements
- The underlying business are set up as Special Purpose Vehicles (SPV's) and although each SPV can have an indefinite life, the equipment associated with providing such services have finite lives, are capable of being upgraded or sold and the contracts can be renewed
- As part of the exit strategy for each new investment, the structure of that investment is such that it could be readily made available for sale (further information on exit strategy for new investments can be found in Investment Manager's Report in Section 2.4)
- Each new investment is measured at fair value.

After assessing whether the Company meets the definition of an investment entity set out in IFRS 10 the Directors concluded that as a whole:

(i) the Company has multiple investors with shares issued publicly on London Stock Exchange and obtains funds from a diverse group of shareholders who would otherwise not have access individually to investing in energy efficiency projects;

(ii) the Company's purpose is to invest funds for both investment income and capital appreciation. The Holdco and its SPVs have indefinite lives however the underlying assets have minimal residual value because they do not have unlimited lives, are not to be held indefinitely and have appropriate exit strategies in place; and

(iii) the Company measures and evaluates the performance of all of its investments on a fair value basis which is the most relevant for investors in the Company. The Directors use fair value information as a primary measurement to evaluate the performance of all of the investments and in decision making.

The Directors are of the opinion that the Company meets all the typical characteristics of an investment entity and therefore meets the definition set out in IFRS 10. The Directors believe the treatment outlined above provides the most relevant information to investors.

c) Going concern

The Company's business activities and performance are set out in the Strategic Report and the Viability Statement on page 61. The Financial Review in Section 3.1 sets out the Company's financial position, cash flows, liquidity position and the borrowing facilities of Holdco. The Notes to the Financial Statements also sets out the Company's financial risk management policies.

Investment diversification and cash

The Company, through its investment in Holdco, benefits from a portfolio of investments that have a range of long-term contracts with a diversified set of counterparties across multiple sectors and jurisdictions. A key risk facing the Company is that counterparties to the investments may not be able to make their contractual payments. The Company has prepared and the Directors have reviewed a cash flow forecast covering the minimum period of twelve months from the date of approval of this report, taking into consideration potential changes in investment and trading performance and applying a 10% reduction in revenues to test the resilience of cash flows in the near term. The forecast demonstrates an expectation to continue to generate positive cash flows for the foreseeable future that as a minimum will meet liabilities as they fall due. The Directors reviewed a severe downside scenario where the Company would not receive any further income from its investment for the next 12 months from signing of the financial statements and taking into account all committed payments for running the Company, the Company would have sufficient cash reserves to continue as a going concern.

As at 31 March 2021, the Company's net current assets were £121.2m, including cash balances of £122 million. Further amounts of cash are held by the Company's direct and indirect subsidiaries, which are sufficient to meet current obligations as they fall due. The major cash outflows of the Company are the payment of dividends and payments relating to the acquisition of new assets, both which are discretionary.

Credit Facility

The Company's single subsidiary, Holdco, has a RCF that has adequate headroom in its covenants that have been tested for historic and forward interest cover and group loan to value limits. As at 31 March 2021 the facility was undrawn.

The Company is a guarantor to the RCF (see Note 19) but has no other guarantees or commitments.

COVID-19

In the year to 31 March 2021 and up to the date of this report, the outbreak of the COVID-19 pandemic has continued to have a negative impact on the global economy which has raised some uncertainties and additional risks for the Company. The Directors of the Company and the Investment Manager continue to follow government guidelines in relation to COVID-19 pandemic in all the jurisdictions its investments operate to ensure best practices are followed. Although certain investments, notably projects in Oliva Spanish Cogeneration and Primary Energy, suffered from operational disruption due to COVID-19 which affected financial performance, during the year ended 31 March 2021 and up to the date of approval of the financial statements, there has not been a material impact to the Company, its investment in Holdco and its indirect subsidiaries to carry out its operations and receive the expected return from its investments. Further details of the COVID-19 impact on the operations and valuation of the investments are provided in the Investment Manager's Report in Section 2.4 and 3.2 Valuation of the Portfolio of the Strategic Report.

The Directors do not believe there is a significant risk to the Company from COVID-19 pandemic but along with the Investment Manager, continues to monitor the portfolio for material impact from the COVID-19 pandemic.

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of approval of the financial statements. The Directors have reviewed the Company's financial projections and cash flow forecasts, including the potential impact from COVID-19 and believe, based upon those projections and forecasts and various risk mitigation measures in place, that it is appropriate to prepare the financial statements on a going concern basis.

d) Segmental reporting

The Chief Operating Decision Maker ("CODM") being the Board of Directors, is of the opinion that the Company is engaged in a single segment of business, being investment in energy efficiency projects to generate investment returns whilst preserving capital. The financial information used by the CODM to manage the Company presents the business as a single segment.

e) Foreign Currency Translation

Foreign currency and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates, the Company's functional currency.

The financial statements are presented in Pounds Sterling which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Pounds Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

f) Income

Dividend income and investment income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within investment income when the Company's right to receive payments is established.

Fair value gains on financial assets at fair value through profit or loss are recognised in the Statement of Comprehensive Income at each valuation point.

Finance income comprises interest earned on cash held on deposit. Finance income is recognised on an accruals basis. Loan interest income is accounted for on an accruals basis using the effective interest method.

g) Dividends payable

Dividends to the Company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders at the AGM.

h) Fund Expenses

All expenses including investment management fees, transaction costs, non-executive directors' fees are accounted for on an accruals basis. Share issue expenses of the Company directly attributable to the issue and listing of shares are charged to the share premium account.

i) Acquisition costs

Acquisition costs are expensed to the Income Statement as they are incurred.

j) Taxation

The Company is liable to UK corporation tax on its income. Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted at the date of the Statement of Financial Position. Fair value movements and dividends received by the Company are exempt from UK corporation tax.

k) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks and other short-term deposits with original maturities of three months or less. The majority of cash is held at the Money market fund managed by JP Morgan. It is highly liquid investment and readily convertible to a known amount of cash. There is no expected credit loss as the bank institutions have credit ratings of at least BBB+ and all cash is held at call from the banks.

l) Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IFRS 9 Financial instruments.

Investments are recognised when the Company has control of the asset. Control is assessed considering the purpose and design of the investments including any options to acquire the investments where these options are substantive. The options are assessed for factors including the exercise price and the incentives for exercise.

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

At initial recognition, the Company measures investments in energy efficiency projects at its transaction price net of transaction costs that are directly attributable to the acquisition of the financial asset. The Company subsequently measures all investments at fair value and changes in the fair value are recognised as gains/(losses) on investments at fair value through profit or loss within investment income.

m) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that not quoted in an active market. Those includes Prepayments, VAT Receivable and other receivables which are intercompany balances due from subsidiary. Receivables are initially recognised at fair value. They are subsequently measured at amortised cost, less any expected credit loss.

The Company has assessed IFRS 9's expected credit loss model and does not consider any impact on these financial statements.

n) Trade and other payables

Trade and other payables include accruals and other payables and initially are recognised at fair value, and subsequently re-measured at amortised cost using the effective interest method.

o) Share Capital and share premium

The Company's ordinary shares are not redeemable and are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction in equity and are charged from the share premium account. The costs incurred in relation to the IPO and subsequent fundraisings of the Company were charged from the share premium account.

3. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the year. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period and future periods if the revision affects both current and future periods.

Judgements

Investment entity

As disclosed in Note 2, the Directors have concluded that the Company continues to meet the definition of an investment entity as defined in IFRS 10, IFRS 12 and IAS 27. This conclusion involved a degree of judgement and assessment as to whether the Company met the criteria outlined in the accounting standards.

Estimates

Investment valuations

The Board of Directors has appointed the Investment Manager to produce investment valuations based upon projected future cash flows. These valuations are reviewed and approved by the Board. The investments are held indirectly through the Holdco and its intermediate holding companies.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board bases the fair value of the investments on the information received from the Investment Manager.

Fair values for those investments for which a market quote is not available, in this instance being all investments, are determined using the income approach which discounts the expected cash flows at the appropriate rate. The investment at fair value through profit or loss is valued by discounting future cash flows to the group from investments in both equity cash flows, such as dividends and equity redemptions, and subordinated loans cash flows, such as interest and principal repayments, at an appropriate discount rate for the underlying asset.

The weighted average discount rate applied in the 31 March 2021 valuation was 7.0% (2020: 7.5%). The discount rate is considered one of the most unobservable inputs through which an increase or decrease would have a material impact on the fair value of investment at fair value through profit or loss.

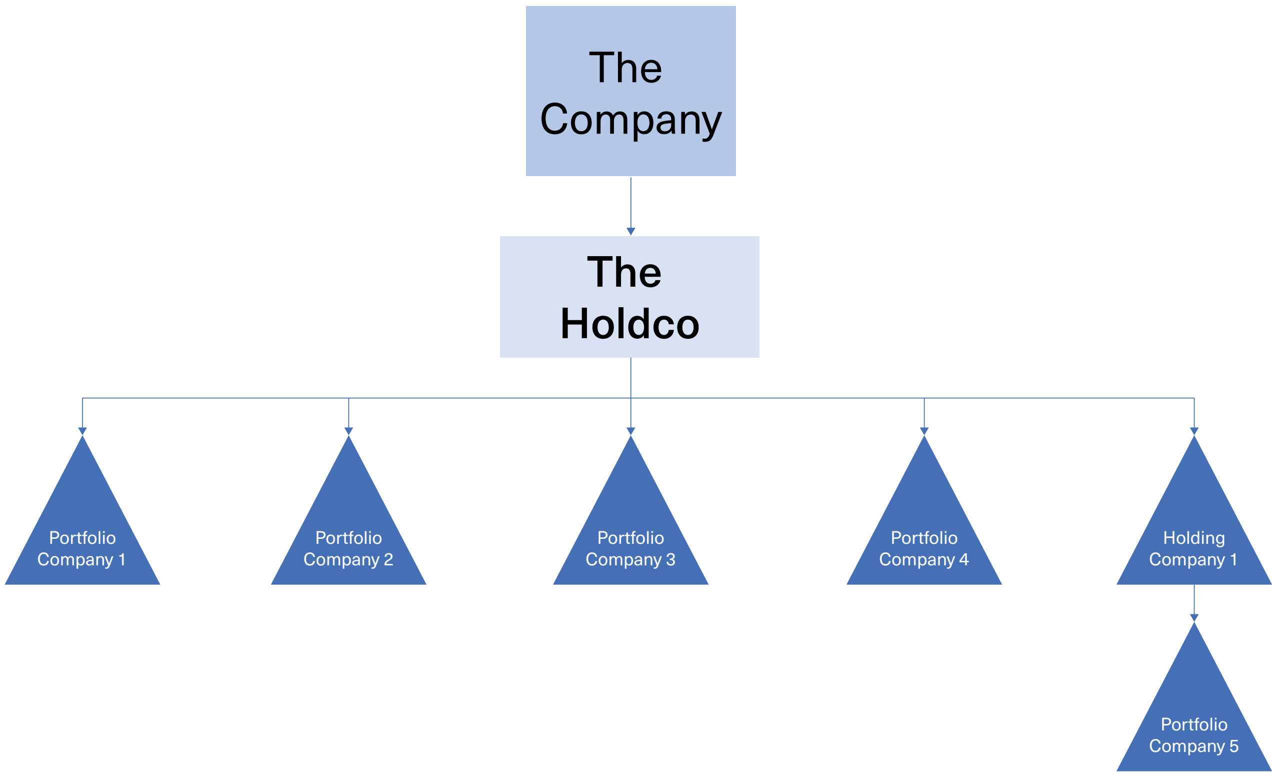
The Portolfio Valuation at 31 March 2021 includes estimates of future cash flows that have the potential to have a material effect on measurement of fair value. For the five assets in the Primary Energy, estimates have been made to determine the demand for generation by the off takers, the revenues that can be generated from selling renewables credits and the cash flows that can be generated through recontracting with the counterparty after the expiry of the existing contract terms. In Oliva Spanish Cogeneration, estimates have been included in the Portfolio Valuation for future compensation of EU-ETS costs. The actual compensation to be received has the potential to be materially different to expected future cash flows, for example zero compensation could result in an adverse impact of approximately £5 million on the current estimate.

Further estimates have been made on the key macroeconomic assumptions that are likely to have a material effect on the measurement of fair value being inflation, corporation tax and foreign exchange which are further described in Note 4.

4. Financial Instruments

Valuation methodology

As detailed in Note 11 and Section 3.2 Valuation of the Portfolio, the Company has a single investment directly wholly owned holding company (Holdco). It recognises this investment at fair value. To derive the fair value of Holdco, the Company determines the fair value of investment held directly or indirectly by Holdco and adjust for any other assets and liabilities. See Note 11 for a reconciliation of this fair value. The valuation methodology applied by Holdco to determine the fair value of its investments is described below.



The Directors have satisfied themselves as to the methodology used and the discount rates and key assumptions applied in producing the valuations. All investments are at fair value through profit or loss.

For non-market traded investments (being all the investments in the current portfolio), the valuation is based on a discounted cash flow methodology and adjusted in accordance with the IPEV (International Private Equity and Venture Capital) valuation guidelines where appropriate to comply with IFRS 13 and IFRS 9, given the special nature of infrastructure investments. Where an investment is traded in an open market, a market quote is used.

The Investment Manager exercises its judgment in assessing the expected future cash flows from each investment based on the project's expected life and the financial models produced for each project company and adjusts the cash flows where necessary to take into account key external macro-economic assumptions and specific operating assumptions.

5.3 Notes to the Financial Statements
continued

The fair value for each investment is then derived from the application of an appropriate market discount rate for that investment to reflect the perceived risk to the investment's future cash flows and the relevant period end foreign currency exchange rate to give the present value of those cash flows. The discount rate takes into account risks associated with the financing of an investment such as investment risks (e.g. liquidity, currency risks, market appetite), any risks to the investment's earnings (e.g. predictability and covenant of the income) and a thorough assessment of counterparty credit risk, all of which may be differentiated by the phase of the investment. Specific risks related to each asset that can be attributed to the COVID-19 pandemic are assessed and where required, adjustments are made to expected future cash flows or reflected in the asset specific discount rate that is applied.

Fair value measurement by level

IFRS 13 requires disclosure of fair value measurement by level. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments.

Investment at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000
31 March 2021	**–**	**–**	**572,574**
31 March 2020	–	–	254,095

The Company's indirect investments have been classified as level 3 as the investments are not traded and contain unobservable inputs. As the fair value of the Company's equity and loan investments in the Holdco is ultimately determined by the underlying fair values of the SPV investments or debt schedules, the Company's sensitivity analysis of reasonably possible alternative input assumptions is the same across all its investments. The reconciliation of Level 3 fair value is disclosed in Note 11.

Valuation Assumptions

		31 March 2021	31 March 2020
Inflation rates	UK (RPI)	2.75% p.a.	2.75% p.a.
	UK (CPI)	2.00% p.a.	2.00% p.a.
	Spain (CPI)	1.0% to 1.4% until 2023, 2.0% long-term	1.1% in 2020, 1.6% in 2022 and 2.0% 2023 and thereafter
	USA (CPI)	2.00% p.a.	2.00% p.a.
	Singapore (CPI)	2.00% p.a.	n/a
	Sweden (CPI)	1.4% to 1.7% until 2023, 2.0% long-term	n/a
Tax rates	UK	19% to 2023, 25% thereafter	19%
	Spain	25%	25%
	USA	21% Federal & 3-9% State rates	21% Federal & 3-9% State rates
	Singapore	17%	n/a
	Sweden	21.4%	n/a

		31 March 2021	31 March 2020
Foreign exchange rates	USD/GBP	0.73	0.80
	EUR/GBP	0.85	0.88
	SGD/GBP	0.54	n/a
	SEK/GBP	0.08	n/a

Discount rates

The discount rates used for valuing each investment are described in the Valuation Methodology section above.

The discount rates used for valuing the investments in the portfolio are as follows:

	31 March 2021	31 March 2020
Weighted Average discount rate (on unlevered basis)	7.0%	7.5%
Discount rates	4.5% to 10.0%	4.5% to 8.5%

Sensitivities

The sensitivities below show the effect on Net asset value of a assuming a different range for each key input assumption, in each case applying a range that is considered to be a reasonable and plausible outcome for the market in which the Company has invested.

Discount rates

A change to the weighted average discount rate by plus or minus 0.5% has the following effect on the NAV.

Discount rate	NAV/share impact	-0.5% change	Net asset value	+0.5% change	NAV/share impact
31 March 2021	4.4p	£29,854k	£693,805	(£27,553k)	(4.1p)
31 March 2020	4.1p	£13,101k	£323,530k	(£12,322k)	(3.8p)

Inflation rates

The Portfolio Valuation assumes long-term inflation as indicated above in the UK, USA and Spain. A change in the inflation rate by plus or minus 0.5% has the following effect on the NAV, with all other variables held constant.

Inflation rate	NAV/share impact	-0.5% change	Net asset value	+0.5% change	NAV/share impact
31 March 2021	(0.7p)	(£5,069k)	693,805k	£5,560k	0.8p
31 March 2020	1.0p	£3,264k	£323,530k	(£4,242k)	(1.3p)

5.3 Notes to the Financial Statements
continued

Corporation tax rates

The Portfolio Valuation assumes tax rates based on the relevant jurisdiction. A change in the corporation tax rate by plus or minus 5% has the following effect on the NAV, with all other variables held constant.

Corporation tax rate	NAV/share impact	-5% change	Net asset value	+5% change	NAV/share impact
31 March 2021	3.0p	£20,025k	£693,805k	(£20,003k)	(3.0p)
31 March 2020	2.8p	£8,812k	£323,530k	(£8,781k)	2.7p

Foreign exchange rates

The Portfolio Valuation assumes foreign exchange rates based on the relevant foreign exchange rates against GBP at the reporting date. A change in the foreign exchange rate by plus or minus 10% (GBP against Euro, Swedish Krona, Singapore Dollar and US Dollar) has the following effect on the NAV, with all other variables held constant. The effect is shown after the effect of current level of hedging which reduces the impact of foreign exchange movements on the Company's NAV.

Foreign exchange rate	NAV/share impact	-10% change	Net asset value	+10% change	NAV/share impact
31 March 2021	0.8p	£5,342k	£693,805k	(£4,621k)	(0.7p)
31 March 2020	0.8p	£2,618k	£323,530k	(£2,380k)	(0.7p)

5. Investment Income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Dividend income	20,100	1,500
Gain on investment at fair value through profit or loss (Note 11)	15,021	11,895
Interest income	2,713	1,105
Investment income	**37,834**	**14,500**

Interest income is mainly in respect of coupon bearing loan notes issued to the Company by Holdco (Note 17) but includes bank interest of £29k for the year ended 31 March 2021 (March 2020: £166k). The loan notes accrue interest at 6%, are unsecured and repayable in full on 18 April 2039. Loan Interest income is recognised on the Statement of Comprehensive Income on an accruals basis. The gain on investment is unrealised.

Further information on Gain on investment at fair value can be found in Section 3.2 Valuation of the Portfolio of the Strategic Report.

6. Fund Expenses

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Investment management fees (Note 17)	4,042	1,973
Non-executive directors' fees (Note 18)	156	125
Other expenses	913	610
Fees to the Company's independent auditors:		
– for the audit of the statutory financial statements	263	140
– for audit-related assurance services	55	40
Fund Expenses	**5,429**	**2,888**

As at 31 March 2021, the Company had no employees (31 March 2020: nil) apart from Directors in office. The Company confirms that it has no key management personnel, apart from the Directors disclosed in Directors' Remuneration Report in Section 4.6 of the Annual Report. There is no other compensation apart from those disclosed.

7. Tax

The tax for the year shown in the Statement of Comprehensive Income is as follows.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Profit for the year before taxation	32,405	11,612
Profit for the year multiplied by the standard rate of corporation tax of 19% (2020: 19%)	6,157	2,206
Fair value movements (not subject to UK taxation)	(2,854)	(2,260)
Dividends received (not subject to UK taxation)	(3,819)	(285)
Surrendering of tax losses to unconsolidated subsidiaries (for nil consideration)	516	339
Total tax charge	**–**	**–**

The corporation tax rate will increase from 19% to 25% with effect from 1 April 2023.

8. Earnings per Ordinary Share

	Year ended 31 March 2021	Year ended 31 March 2020
Profit for the year (£'000)	32,405	11,612
Weighted average number of ordinary shares ('000)	463,389	225,422
Earnings per ordinary share (pence)	**7.0**	**5.2**

There is no dilutive element during the financial year and subsequent to the financial year.

9. Dividends

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Amounts recognised as distributions to equity holders during the year:		
Interim dividend for the period ended 31 March 2019 of 1.0p per share	–	1,713
First Interim dividend for the year ended 31 March 2020 of 2.5p per share	–	6,709
Second Interim dividend for the year ended 31 March 2020 of 2.5p per share	8,010	–
First quarterly interim dividend for the three-month period ended 30 June 2020 of 1.375p per share	5,859	–
Second quarterly interim dividend for the three-month period ended 30 September 2020 of 1.375p per share	7,234	–
Third quarterly interim dividend for the three-month period ended 31 December 2020 of 1.375p per share	9,310	–

All dividends have been paid out of distributable reserves. Further information on distributable reserves can be found in Note 14.

From the year beginning on 1 April 2020, the Company is paying dividends on a quarterly basis compared to semi-annually previously.

On 28 May 2021, the Company declared an interim dividend for the three-month period ended 31 March 2021 of 1.375p per share which is expected to result in a cash payment of approximately £9.3 million on 30 June 2021.

10. Net assets per share

	31 March 2021	31 March 2020
Shareholders' equity (£'000)	693,805	323,530
Number of ordinary shares ('000)	677,087	320,374
Net assets per ordinary share (pence)	**102.5**	**101.0**

11. Investment at fair value through profit or loss

The Company recognises the investment in Holdco, its single directly owned holding company, at fair value. Holdco's fair value includes the fair value of each of the individual project companies and holding companies in which the Holdco holds a direct or an indirect investment, along with the working capital of Holdco.

	31 March 2021 £'000	31 March 2020 £'000
Brought forward investment at fair value through profit or loss	254,095	61,334
Loan investments in year	42,000	36,200
Equity investments in year	274,479	144,666
Loan Principal repaid in year	(13,021)	–
Movement in fair value	15,021	11,895
Closing investment at fair value through profit or loss	**572,574**	**254,095**

Movement in fair value is recognised through Investment Income in the Statement of Comprehensive Income (see Note 5).

Of the closing investment at fair value through profit and loss balance, £65,719k (March 2020: £36,200k) relates to loan investment (also see Note 5) and £507,395k (March 2020: £217,895k) relates to equity investment.

A reconciliation between the Portfolio Valuation (as described in Section 3.2.), being the valuation of the Investment Portfolio held by Holdco, and the Investment at fair value through profit or loss per the Statement of Financial Position is provided below. The principal differences are the balances in Holdco for cash and working capital.

	31 March 2021 £'000	31 March 2020 £'000
Portfolio Valuation (see Section 3.1 for details)	552,672	319,802
Holdco cash	4,141	2,584
Holdco debt	–	(62,826)
Holdco net working capital	15,761	(5,465)
Investment at fair value per Statement of Financial Position	**572,574**	**254,095**

Acquisitions by the Company

During the year ended 31 March 2021, the Company invested £316.5 million (31 March 2020: £180.9m) into the Holdco for new portfolio acquisitions and repayment of debt. Of this funding, Holdco used £64.2 million in June 2020 to repay drawings under its RCF that was used to make acquisitions.

Portfolio Acquisitions, via Holdco

The Company announced the following investment activity in the year:

- In August 2020, the Company announced an aggregate conditional investment commitment of up to £50 million to the EV Networks project to acquire an initial 112 rapid and ultra-fast EV charging stations across the UK. The commitment will be drawn down in tranches, subject to meeting set criteria, with the first draw down of capital expected to take place later this year.
- In September 2020, an aggregate investment commitment of £4.8 million was made to the GET Solutions project in relation to acquiring a portfolio of energy efficiency projects in the UK. This included an initial £1.7 million cash consideration with the remaining amount paid in March 2021.
- In October 2020, the Company announced the acquisition of its first portfolio of energy efficiency projects in Singapore for a cash consideration of approximately £2 million.
- In October 2020, the Company announced the acquisition of a 100% interest in the Gasnätet project for a consideration of approximately £107 million by acquiring Värtan Gas Stockholm AB, the ultimate owner of the established, operational and regulated gas distribution network for Stockholm, Sweden.
- In December 2020 and January 2021, the Company invested £30.6 million into Holdco to facilitate the additional investment in PERC Midco LLC which increased the Company's ownership interest in PERC Midco LLC to 65%.
- In March 2021, the Company announced it had completed the acquisition of a series of portfolios of commercial and industrial on-site solar and energy storage projects in the United States, together with a 50% interest in the platform that has created them, Onyx Renewable Partners, from funds managed by Blackstone. The initial consideration was US$120 million with incremental amounts expected to be deployed over time. In March 2021, an additional US$22 million was invested.

The Company announced the following portfolio acquisitions after the year:

- In April 2021, the Company announced it had agreed to acquire a 100% equity interest in a commercial district energy system, RED-Rochester, LLC for a cash consideration of approximately US$177 million.
- In April 2021, The Company invested in a 4.5MWp portfolio of operational commercial and industrial rooftop solar systems and a 20 MWp pipeline of late development stage and ready to build assets at multiple sites in Vietnam for a cash consideration of approximately US$3.6 million.

12. Trade and other receivables

	31 March 2021 £'000	31 March 2020 £'000
Prepayments	335	211
VAT receivable	65	9
Other receivables	1	1,620
Total trade and other receivables	**401**	**1,840**

13. Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Other payables	1,229	584
Total trade and other payables	**1,229**	**584**

14. Share capital and share premium

Ordinary Shares	31 March 2021 £'000	31 March 2020 £'000
Authorised and issued at the beginning of the year	320,374	100,000
Shares Issued – during the year	356,713	220,374
Authorised and issued at the end of year	**677,087**	**320,374**

	Share capital £'000	Share Premium £'000
Total as at 31 March 2020	3,204	219,721
Issue of Ordinary shares	3,567	371,433
Costs of issue of Ordinary shares	–	(6,718)
Total as at 31 March 2020	**6,771**	**584,436**

In June 2020, the Company issued 105,769,231 new ordinary shares at a price of 104p per share raising gross proceeds of £110m.

In October 2020, the Company issued 100,000,000 new ordinary shares at a price of 105p per share raising gross proceeds of £105m.

In February 2021, the Company issued 150,943,396 new ordinary shares at a price of 106p per share raising gross proceeds of £160m.

The Company currently has one class of ordinary share in issue. All the holders of the ordinary shares, which total 677,087k (2020: 320,374k), are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Other distributable reserves were created through the cancellation of the Share Premium account on 12 March 2019. This amount is capable of being applied in any manner in which the Company's profits available for distribution, as determined in accordance with the Companies Act 2006, are able to be applied.

Other distributable reserves and Retained Earnings are detailed in the Statement of Changes in Shareholders' Equity.

15. Financial risk management

Financial risk management objectives

The objective of the Company's financial risk is to manage and control risk exposure of the underlying investment portfolio held by Holdco. The Board is responsible for overseeing the management of financial risks, however the review and management of financials risks is delegated to the Investment Manager. The Investment Manager monitors and manages the financial risks relating to the operations of the Company through internal procedures and policies designed to identify, monitor and manage the financial risks to which the Company is exposed.

These risks include market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

Price risk

The value of the investments directly and indirectly held by the Company is affected by the discount rate applied to the expected future cash flows and as such may vary with movements in interest rates, inflation, power prices, market prices and competition for these assets.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company receives loan interest, loan principal and dividends from its single investment, Holdco, in sterling. However the Company is indirectly exposed to currency risk through its Holdco as its investments include non-sterling investments are held in Euro, US Dollar, Singapore Dollar and Swedish Krona.

The Company monitors its foreign exchange rate exposures using its near-term and long-term cash flow forecasts. Its policy is to use foreign exchange hedging to provide protection to the level of sterling distributions that the Company aims to pay over the medium-term, where considered appropriate. This may involve the use of forward exchange.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company, via Holdco, invests indirectly in loans in project companies, usually with fixed interest rate coupons. Where floating rate debt is owned, the primary risk is that the portfolio's cash flow will be subject to variation depending on changes to base interest rates. The portfolio's cash flows are continually monitored and re-forecasted to analyse the cash flow returns from investments.

The Company's policy is to ensure that interest rates are sufficiently hedged, when entering into material medium/long-term borrowings, to protect the Company and portfolio companies' net interest margins from significant fluctuations in interest rates. This may include engaging in interest rate swaps or other rate derivative contracts at the subsidiary level under direction of the Company.

The Company's financial assets and financial liabilities are at a pre-determined interest rate, as a result the Company is subject to limited exposure to risk due to fluctuations in the prevailing levels of market interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company through a reduction in future expected cash receipts.

The key counterparties are the project companies in which the Company makes indirect investments via Holdco. The projects companies' near-term cash flows forecasts are used to monitor the timing of cash receipts from project counterparties and are reviewed regularly to demonstrate the projects ability to pay interest and dividends when they fall due.

The Company does not have any significant credit risk exposure to any single counterparty in relation to trade and other receivables. On-going credit evaluation is performed on the financial condition of accounts receivable.

As at 31 March 2021, there were no receivables considered impaired. At an investment level, the credit risk relating to significant counterparties is reviewed on a regular basis and potential adjustments to the discount rate are considered to recognise changes to these risks where applicable.

The Company maintains its cash and cash equivalents across various banks to diversify credit risk. These are subject to the Company's credit monitoring policies including the monitoring of the credit ratings issued by recognized credit rating agencies. The Company's cash and deposits are held with counterparties that meet strict investment rating criteria per the Company's treasury policy.

The Company is at risk of credit loss on its loans, receivables, cash and deposits. Underlying investments are held by Holdco at fair value using discounted cash flows. Receivables are primarily intercompany and taxation. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, there was no identified credit loss.

The Company's maximum exposure to credit risk over financial assets is the carrying value of those assets in the Statement of Financial Position.

5.3 Notes to the Financial Statements
continued

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board of Directors has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by monitoring forecast and actual cash flows and by matching the maturity profiles of assets and liabilities.

The Company also ensures that Holdco have sufficient banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Unconsolidated project companies are subject to contractual agreements that may impose temporary restrictions on their ability to distribute cash. Such restrictions are not deemed significant in the context of the overall liquidity.

The table below shows the maturity of the Company's non-derivative financial assets and liabilities. The amounts disclosed are contractual, undiscounted cash flows and may differ from the actual cash flows received or paid in the future as a result of early repayments.

As at 31 March 2021	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 5 years £'000	Total £'000
Assets				
Cash and cash equivalents	122,059	–	–	122,059
Trade and other receivables	1	–	–	1
Liabilities				
Trade and other payables	(1,229)	–	–	(1,229)
Total	**120,831**	**–**	**–**	**120,831**

As at 31 March 2020	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 5 years £'000	Total £'000
Assets				
Cash and cash equivalents	68,179	–	–	68,179
Trade and other receivables	1,620	–	–	1,620
Liabilities				
Trade and other payables	(584)	–	–	(584)
Total	**69,215**	**–**	**–**	**69,215**

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders. In accordance with the Company's investment policy, the Company's principal use of cash (including the proceeds of the IPO) has been to fund investments via Holdco as well as ongoing operational expenses.

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. The capital structure of the Company consists entirely of equity (comprising issued capital, distributable reserves and retained earnings).

The Company is not subject to any externally imposed capital requirements.

16. Related undertakings

The following table shows the Company's single direct subsidiary (SEEIT Holdco Limited) and indirect subsidiaries and related undertakings of the Company. As the Company applies IFRS 10 and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (see Note 2), these entities have not been consolidated in the preparation of these financial statements.

Investment	Place of Business	Shareholding at 31 March 2021
SEEIT Holdco Limited	United Kingdom	100%
EECo Kingscourt Limited	United Kingdom	100%
SEEIT Europe Limited	United Kingdom	100%
EECo Data Centres No. 1 Limited	United Kingdom	100%
SEEIT US Limited	United Kingdom	100%
EECo Biomass No 1 Limited	United Kingdom	60%
EECo Evergreen Limited	United Kingdom	100%
EECo Wilton No. 1 Limited	United Kingdom	100%
EECo Car Parks No. 2 Limited	United Kingdom	50%
SmartEnergy Finance Two Limited	United Kingdom	49%
Combined Heat and Power Investments Limited	United Kingdom	100%
Energy Efficient Global UK Project Limited	United Kingdom	100%
EECo Smithfield Limited	United Kingdom	100%
SDCL Solar Edge Limited	United Kingdom	100%
SEEIT UK 1 Limited	United Kingdom	100%
SEEIT Asia Limited	United Kingdom	100%
SEEIT Europe 2 Limited	United Kingdom	100%
SEEIT US Two Limited	United Kingdom	100%
Zood Infrastructure Limited	United Kingdom	100%
Walworth Invest S.L.	Spain	100%
SDCL TG Cogen LLC	USA	71%
PERC Midco LLC	USA	65%
SEEIT Capital LLC	USA	100%
SEEIT Capital II LLC	USA	100%
SEEIT Hemisphere I LLC	USA	100%
FE Energy Efficiency INV PTE. Limited	Singapore	100%
SEEIPL 1 PTE. Limited	Singapore	100%
SEEIPL 3 PTE. Limited	Singapore	100%
SEEIT EUROPE 2 SWEDEN HOLDING AB	Sweden	100%

All subsidiaries that have a place of business of the United Kingdom are registered at 5th Floor, 1 Vine Street, London, W1J 0AH.

SDCL TG Cogen LLC, SEEIT Capital LLC and SEEIT Capital II LLC are registered in Delaware, USA and their place of business is 1120 Avenue of the Americas, New York, New York 10036, USA.

PERC Midco LLC and SEEIT Hemisphere I LLC are registered in Delaware, USA and its place of business is 1209 Orange Street, Wilmington, Delaware, USA.

Walworth Invest S.L. is registered in Spain and its place of business is Calle Príncipe de Vergara 112, Planta Cuarta, 28002 Madrid, Spain.

FE Energy Efficiency PTE. Limited, SEEIPL 1 PTE. Limited and SEEIPL 3 PTE. Limited is registered in Singapore and its place of business is 6 Eu Tong Sen Street #11-09, The Central, Singapore 059817.

SEEIT EUROPE 2 SWEDEN HOLDING AB is registered in Sweden and its place of business is RÅSUNDAVÄGEN 12, 16967 Solna, Stockholm County, Sweden.

17. Related parties

The Company and Sustainable Development Capital LLP (the "Investment Manager") have entered into the Investment Management Agreement pursuant to which the Investment Manager has been given responsibility, subject to the overall supervision of the Board, for active discretionary investment management of the Company's portfolio in accordance with the Company's investment objective and policy.

As the entity appointed to be responsible for risk management and portfolio management, the Investment Manager is the Company's AIFM. The Investment Manager has full discretion under the Investment Management Agreement to make investments in accordance with the Company's investment policy from time to time. This discretion is, however, subject to: (i) the Board's ability to give instructions to the Investment Manager from time to time; and (ii) the requirement of the Board to approve certain investments where the Investment Manager has a conflict of interest in accordance with the terms of the Investment Management Agreement. The Investment Manager also has responsibility for financial administration and investor relations, advising the Company and its group in relation to the strategic management of the portfolio, advising the Company in relation to any significant acquisitions or investments and monitoring the Company's funding requirements.

Under the terms of the Investment Management Agreement, the Investment Manager will be entitled to a fee calculated at the rate of:

- 0.9%, per annum of the adjusted NAV in respect of the Net Asset Value of up to, and including, £750 million; and
- 0.8%, per annum of the adjusted NAV in respect of the Net Asset Value in excess of £750 million.

The management fee is calculated and accrues monthly and is invoiced monthly in arrears. During the year ended 31 March 2021, management fees of £4,042k (31 March 2020: £1,973k) were incurred of which £919k (31 March 2020: £472k) was payable at the year-end.

During the year ended 31 March 2021, £316.5m (31 March 2020: £180.9m) of funding was provided by the Company to the Holdco for investment acquisitions and the repayment of the RCF utilised by Holdco. The funding of Holdco consisted of issued share capital and coupon bearing loan notes.

During the year ended 31 March 2021, coupon bearing loan notes of £42.0 million (31 March 2020: £36.2 million) were issued which accrue interest at 6%. During the year ended 31 March 2021, Holdco had repaid coupon bearing loan notes of £13.0 million (31 March 2020: £nil). In the year to 31 March 2021, £2,684k interest had accrued on the loan notes (31 March 2020: £939k) of which £1,300k is outstanding at the year-end (31 March 2020: £nil).

In September 2020, the Company agreed to acquire its first portfolio of energy efficiency projects in Singapore from Singapore Energy Efficiency Investments Pte. Ltd, a related party of the Investment Manager, for an equity cash consideration of £2 million.

All of the above transactions were undertaken on an arm's length basis and there have been no changes in material related party transactions since the last annual report.

18. Key management personnel transactions

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £144k (disclosed as Non-executive directors' fees in Note 6) in the year (31 March 2020: £115k).

19. Guarantees and other commitments

The Company is the guarantor of the RCF between Holdco and Investec Bank plc.

In July 2020, Holdco increased the RCF from £25 million to £40 million with the same maturity date of 30 June 2022.

In October 2020, Holdco entered into an agreement with Investec to increase the RCF by £30 million to an aggregate £70 million by adding a short-term acquisition facility repayable in March 2021. Holdco utilised approximately £65 million of the RCF for the acquisition of the Gasnätet project. In February 2021, Holdco repaid the RCF utilised for the acquisition of the Gasnätet project in full and any outstanding interest.

20. Events after the reporting period

The Directors have evaluated subsequent events from the date of the financial statements through to the date the financial statements were available to be issued.

In April 2021, the Company invested, via an investment in Holdco, in a 4.5MWp portfolio of operational commercial and industrial rooftop solar systems and a 20 MWp pipeline of late development stage and ready to build assets at multiple sites in Vietnam for a cash consideration of approximately $3.6 million.

In May 2021, the Company announced the acquisition, via an investment in Holdco, of 100% of RED, a district energy system in North America, for a cash consideration of approximately $177 million.

On 28 May 2021, the Company declared an interim dividend for the quarter ended 31 March 2021 of 1.375p per share which is expected to result in a cash payment of approximately £9.3 million on 30 June 2021.

In June 2021, the Company committed EUR6.4 million to an investment, via an investment in Holdco, in the new installation of energy efficiency equipment, including CHP and LED lighting, providing, cleaner and more efficient on-site energy generation for the Ireland based, Tallaght Hospital.

In June 2021 the Company's single subsidiary, Holdco increased and renewed its RCF for which the Company is a guarantor. The new facility is for a £115 million and expires in June 2024.

Company Information

Directors
Tony Roper, Chair
Christopher Knowles
Helen Clarkson
Emma Griffin – appointed 21 October 2020

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Key Company Data

Company name	SDCL ENERGY EFFICIENCY INCOME TRUST PLC
Registered address	6th Floor, 125 London Wall, London, EC2Y 5AS
Listing	London Stock Exchange – Premium Listing
Ticker symbol	SEIT
SEDOL	BGHVZM4
Index inclusion	FTSE All-Share, FTSE SmallCap
Company year-end	31st March
Dividend payments	Quarterly
Investment Manager	Sustainable Development Capital LLP
Company Secretary & Administrator	Sanne Group (UK) Limited
Shareholders' funds	£693.8m as at 31 March 2021
Market capitalisation	£758.3m as at 31 March 2021
Management fees	0.9% p.a. of NAV (adjusted for uncommitted cash), 0.8% thereafter
ISA, PEP and SIPP status	The Ordinary Shares are eligible for inclusion in PEPs and ISAs (subject to applicable subscription limits) provided that they have been acquired by purchase in the market, and they are permissible assets for SIPPs
Website	www.seeitplc.com

Glossary

AIC Code the AIC Code of Corporate Governance, as revised or updated from time to time

AIFM an alternative investment fund manager, within the meaning of the AIFM Directive

AIFM Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No. 1095/2010; the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision

Board the Board of Directors of the Company, who have overall responsibility for the Company

Biomass boiler a wood-fuelled heating system, which burns wood pellets, chips or logs to provide warmth in a single room or to power central heating and hot water boilers

BMS building management systems

CCHP combined cooling/heating and power

CHP combined heating and power

Company SDCL Energy Efficiency Income Trust plc, a limited liability company incorporated under the Act in England and Wales on 12 October 2018 with registered number 11620959, whose registered office is at 6th Floor, 125 London Wall, London, EC2Y 5AS

Company SPV a Project SPV owned by the Company or one of its Affiliates through which investments are made

Contractual payment the payments by the Counterparty to the Company or relevant Project SPV under the contractual arrangements governing an Energy Efficiency Project, whether such payments take the form of a service charge, a fee, a loan repayment or other forms of payments as may be appropriate from time to time

Counterparty the host of the Energy Efficiency Equipment with whom the Company has entered into the Energy Efficiency Project, either directly or indirectly through the use of one or more Project SPVs

Decentralised energy is energy which is produced close to where it will be used, rather than at a large centralised plant elsewhere, delivered through a centralised grid infrastructure

Energy efficiency using less energy to provide the same level of energy. Efficient energy use is achieved primarily through implementation of a more efficient technology or process

Energy efficiency equipment the equipment that is installed at the premises of a Counterparty or a site directly connected to the premises of a Counterparty in connection with an Energy Efficiency Project, including but not limited to CHP units, CCHP plant schemes, HVAC units, lighting equipment, biomass boilers and steam raising boilers (including IP steam processors)

Energy efficiency project has the meaning given in paragraph 3 of Part II (Industry Overview, Investment Opportunity and Seed Portfolio) of the November 2018 Prospectus

Energy efficiency technology technologies deployed to achieve an improvement in energy efficiency

EPC Engineering, procurement and construction

ESA an energy saving agreement governing the terms on which energy savings are apportioned between the counterparty and the relevant Project

GHG greenhouse gases

Holdco is SEEIT Holdco Limited, the Company's single wholly owned subsidiary

HVAC heating, ventilation and air conditioning

Investment Manager Sustainable Development Capital LLP, a limited liability partnership incorporated in England and Wales under the Limited Liability Partnership Act 2000 with registered number OC330266

Investment Portfolio is the portfolio of energy efficiency investments held by the Company via its single wholly owned subsidiary, SEEIT Holdco Limited

ISA individual savings account

KWh kilowatts used or generated per hour

Lighting equipment energy efficient lighting used in connection with an Energy Efficiency Project, including but not limited to LEDs and associated fittings

November 2018 Prospectus is the prospectus issued by the Company on 22 November 2018

Ordinary Shares an ordinary share of £0.01 in the capital of the Company issued and designated as ''Ordinary Shares'' of such class (denominated in such currency) as the Directors may determine in accordance with the Articles and having such rights and being subject to such restrictions as are contained in the Articles

O&M Contractors operations and maintenance contractors. the contractor appointed by the Company or the relevant Project SPV to perform maintenance obligations in relation to the relevant Energy Efficiency Equipment

PEP personal equity plan

RoRi the "Return on Operations" incentive payment and the "Return on Investment" incentive payment under Spain's Royal Decree-Law 9/2013 under which qualifying energy generation assets are compensated, in the medium to long-term, for fluctuations in revenues and costs against an established base case

SIPP self-invested personal pension

SDCL Group the Investment Manager and the SDCL Affiliates

Steam Raising Boiler Technology is technology through which pressurised water is transformed into steam through the application of heat

Glossary of financial Alternative Performance Measures ("APM")

The Company uses APM's to provide shareholders and stakeholders with information it deems relevant to understand and assess the Company's historic performance and its ability to deliver on the stated investment objective.

Measure	Calculation	Why the Company uses the APM
Net Asset Value ("NAV")	Net assets attributable to Ordinary Shares by deducting gross liabilities from gross assets.	It provides a metric that allows for useful comparison to similar companies and that allows for useful year on year comparisons of the Company
NAV per share	NAV divided by total shares in issue at the balance sheet date	This provides shareholders with a metric that allows for tracking the Company's performance year on year
Total Return on NAV basis	Interim dividends paid and movement in NAV per share over the course of the relevant period	This provides shareholders with a metric that allows for tracking the Company's performance year on year
Total Return on share price basis	Interim dividends paid and share price uplift per share over the course of the relevant period	This provides shareholders with a metric that allows for tracking the Company's performance year on year
Portfolio Basis	Portfolio Basis includes the impact if Holdco (the Company's only direct subsidiary) were to be consolidated on a line-by-line basis	See Section 3.1 for detailed description
Ongoing Charges Ratio	In accordance with AIC guidance, defined as annualised ongoing charges (i.e. excluding investment costs and other non-recurring items) divided by the average published undiluted net asset value in the year	Used a metric in the investment company industry to compare cost-effectiveness
Portfolio Valuation	The fair value of all investments in aggregate that are held directly or indirectly by Holdco	It provides relevant information of the value of the underlying investments held indirectly by the Company from which it is ultimately expected to derive its future revenues.
Cash on Portfolio Basis	Cash at back of the Company and Holdco	To provide relevant information to shareholders of the Company's ability for new investments, working capital and payment of dividends

Notes

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