SEEIT

# SDCL Energy Efficiency Income Trust plc

## Shaping the future of energy efficiency

Annual Report and Audited Financial Statements
for the year ended 31 March 2024

# Contents

Find out more:
**www.seeitplc.com**

# About and Purpose

## Supporting the energy transition

### SDCL Energy Efficiency Income Trust plc

SEEIT is the only FTSE 250 investment company that has the specific sustainable investment objective of mitigating climate change by investing in energy efficiency projects.

The Company has grown its portfolio from £100 million in the UK at IPO in 2018, to a total enterprise value of £1.5 billion across ten countries in Europe, North America and Asia. It has developed and invested in projects involving over 50,000 buildings, industrial facilities and transport assets.

### Why is this so important?

Energy efficiency is one of the largest, fastest, cheapest and cleanest sources of greenhouse gas emission reductions, energy productivity and sustainable growth.

Energy is the largest source of greenhouse gas emissions. Buildings, industry and transport represent most of the demand for energy. And yet most primary energy is lost.

In the United States, around 67% of energy is lost[1], mostly as waste heat, through the extraction, conversion, generation, transmission, distribution and usage process. At the point of use, it is estimated that around 35% of the energy consumed in commercial buildings is wasted because of inefficiencies in cooling, space heating, air conditioning, lighting and appliances.

Energy efficiency delivers 40% of the greenhouse gas emission reductions needed by 2040 in the International Energy Agency's ("IEA") Sustainable Development Scenario ("SDS"). All net zero pathways involve energy efficiency improvement as global decarbonisation targets simply cannot be achieved without it.

Meanwhile, despite the welcome and rapid growth rates of the renewable energy sector, the global energy system still remains 80% fossil fuelled[2]. This is because renewables are taking an increasing share of the energy market, but at a rate of only around 0.4% per annum. At the same time, the overall volume of energy supply, whether higher or lower carbon, continues to rise, as do the associated emissions.

Reducing wastage in both the demand and supply for energy is therefore a crucial opportunity.

Energy efficiency involves doing more with less, delivering the same or more economic output using less energy. It is crucial for the climate, for cost and for energy security.

SEEIT's investments are focused on projects that provide more efficient supply of energy as well as reducing the demand for, or waste of, it.

1. Energy loss refers to the "rejected energy" referenced in the Lawrence Liverpool National Laboratory Sankey energy flow diagrams, the most recent of which was published on 2022 energy data. These energy flow diagrams represent the flow of primary energy to use in residential, commercial, industrial and transportation sectors, demonstrating how energy is "rejected" during different parts of the energy generation, transmission and use process.
2. Figures based on IEA World Energy Balance report of 2019 energy usage.

# About and Purpose:
# Supporting the Energy Transition continued

## Company Structure

SDCL Energy Efficiency Income Trust plc (the "Company" or "SEEIT") is the largest FTSE 250 company focused exclusively on energy efficiency.

The Company is a closed-ended investment company incorporated in England and Wales that was admitted to the Official List and to trading on the London Stock Exchange's Main Market on 11 December 2018, with the objective to generate an attractive total return for investors, comprising stable dividend income and capital preservation, with the opportunity for capital growth. SEEIT is an Article 9 Fund under the EU's Sustainable Finance Disclosure Regulation ("SFDR"), with the sustainable investment objective of climate change mitigation through investments in energy efficiency projects.

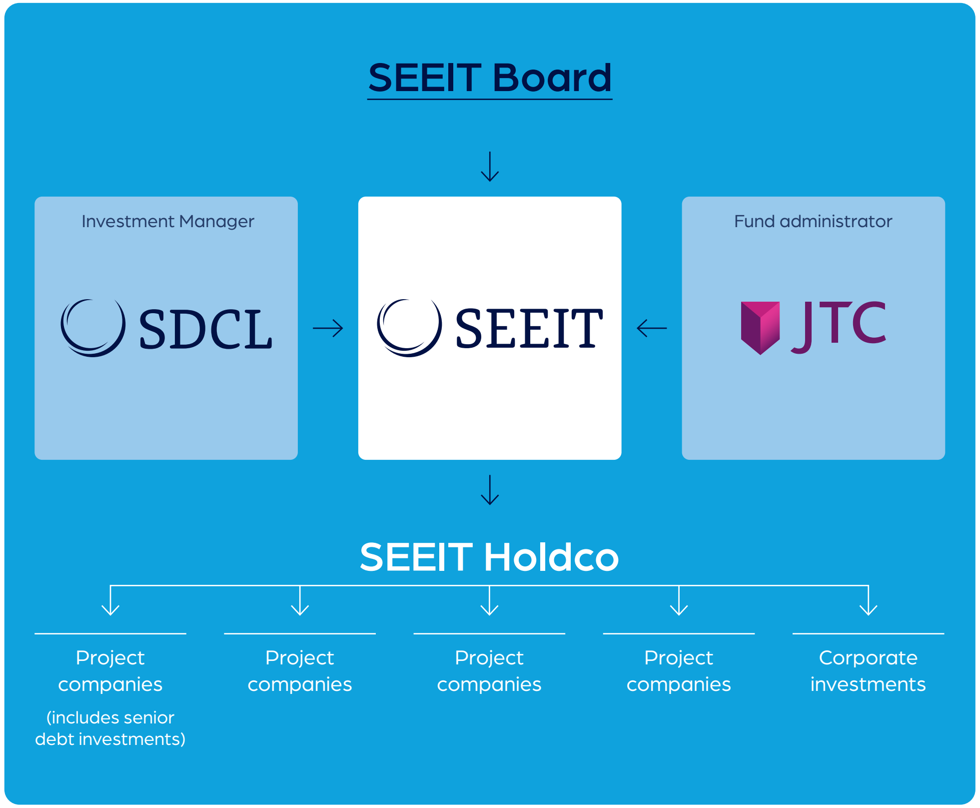
The Company has been established to provide shareholders with access to investment into energy efficiency infrastructure investments and has a current portfolio comprising investments in projects across the United States, Europe, the UK and Asia.

The Company has an independent Board of Directors and has appointed SDCL as Investment Manager to manage the portfolio of investments on its behalf.

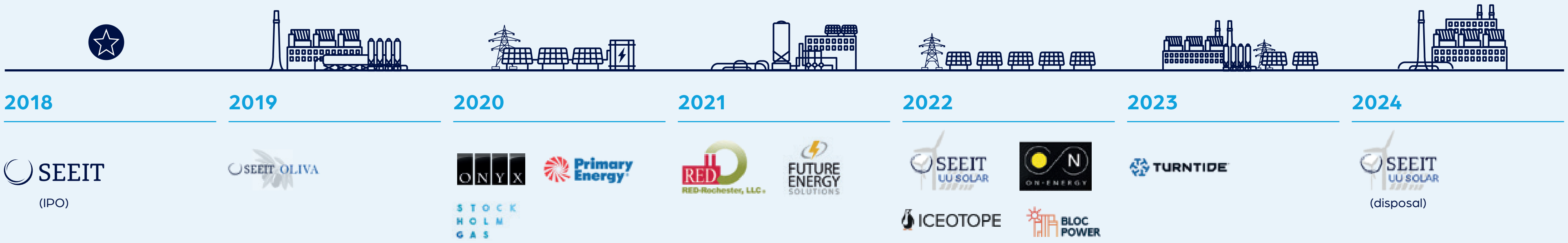
It should be noted that when referring to "investments" made by the Company, the Company makes its investments via its sole direct subsidiary and main investment vehicle, SEEIT Holdco Limited ("SEEIT Holdco" or "Holdco"), and the investment portfolio is held at Holdco level. The Company holds no other investments.

References to "portfolio basis" includes the impact if SEEIT Holdco were to be consolidated. The revolving credit facility ("RCF") referred to in this document is held at Holdco level and the Company itself does not hold any external debt.

The Investment Manager controls the actions of Holdco and its direct and indirect subsidiaries manage the existing investments that Holdco has directly or indirectly invested in. Holdco typically invests in project companies, which provide energy efficiency solutions to counterparties through long-term contracts with a fixed lifespan. A project company, and by implication the portfolio of investments as a whole, may have a limited lifetime over which it provides target returns to Holdco and ultimately the Company. These project companies are structured so 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.



## Investment timeline



# Highlights

of the year to 31 March 2024

## Investing in energy efficiency

90.5p

**Net asset value ("NAV") per share** APM

the decrease in the year includes a reduction of 11 pence attributed to an adverse 90 bps increase in weighted average unlevered discount rate in the year (100 bps in the six months to Sept 2023)

31 March 2023: 101.5 pence;
30 September 2023: 90.6 pence

£92m

**Investment cash inflow from the portfolio** APM

up 8% on a portfolio basis

31 March 2023: £85m

6.24p

**Aggregate dividends** APM

per share declared, in line with target, fully cash covered 1.1x for the year ended 31 March 2024

31 March 2023: 6.0p

6.32p

**Target dividend[1] guidance**

per share for the year ending 31 March 2025

31 March 2024: 6.24p

£56m loss

**Loss before tax**

includes unrealised loss of £118 million from discount rate increases in the year

31 March 2023: £19m loss, including £81 million unrealised loss

£1,117m

**Portfolio Valuation** APM

£1,066 million at 30 September 2023

31 March 2023: £1,100m

APM

Alternative Performance Measure: See Glossary of Financial Alternative Performance Measures for further details on APMs used throughout this report.

c.£161m

**Investment**

mainly into existing investments during the year; a further c.£23 million invested since the year end

31 March 2023: c.£240m

972,201 $tCO_2e$

**Scope 4 emissions[2]**

from the Company's portfolio

31 March 2023: 1.2m $tCO_2e$

### Post Year-End

Following 31 March, the Company completed the sale of its entire investment in UU Solar for approximately £90 million and at a premium to the 30 September 2023 valuation, using the proceeds to reduce short-term gearing APM

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

[2] Previously reported as carbon savings.

## Why Invest?
Overview

# Enhancing value for the long term…

### energy efficiency

Supporting the energy transition through reducing energy loss.

Read more on page 5

### attractive investment returns strategy

Distinct from traditional fixed income products with shareholder returns from both dividends and capital growth.

Read more on page 6

### network access and expertise

An experienced Investment Manager working alongside portfolio company management teams and counterparties, helps to deliver value to shareholders.

Read more on page 7


FES lighting


Onyx


ON Energy

Why Invest? continued

# Invest in...

# energy efficiency

## Energy efficiency means using less energy to achieve the same outcome; it saves money and reduces carbon.

SEEIT is the first and only FTSE 250 listed company focused exclusively on energy efficiency.

Energy efficiency is a key element of the energy transition. By reducing energy loss and emissions, it is possible to decrease energy demand from a centralised grid. Energy efficiency technology is readily available, affordable and vital to decreasing energy demand despite a growing global population. When combined with rapid deployment of solar and wind energy, energy efficiency is capable of delivering half the emission abatement needed by 2030 according to the IEA's Net Zero by 2050 scenario.

SEEIT focuses on Efficient and Decentralised Generation of Energy ("EDGE") projects. This focus is a source of competitive strength, which remains unique among UK investment trusts and even across other major listed equity capital markets. The Company's EDGE projects reduce energy lost in the supply, demand and distribution of energy, hence reducing carbon and costs while improving energy resilience and security of supply.

By investing in energy efficient generators, the Company's energy efficiency projects can alleviate strain on centralised energy systems, enhancing their resilience and reducing emissions associated with the transmission and distribution of energy. Further, on-site energy generation through technologies such as combined heat and power ("CHP") plants minimises energy loss during conversion by harnessing waste heat, thus maximising the utilisation of fuel resources.

The deployment of energy-saving technologies, such as LED lighting, represents a cost-effective and easily implementable solution to curtail energy demand at the point of use. By reducing consumption without compromising performance, these advancements not only lower operational costs, but reduce energy demand, therefore alleviating pressure on the central energy grid.

This is particularly vital in the context of the energy transition, as the integration of more renewable energy sources necessitates a robust and flexible grid capable of accommodating variable inputs.

Together, energy generators and energy savers deliver critical emissions reductions and improvements in energy system resilience, thereby supporting the energy transition to net zero.

## SEEIT's portfolio of energy efficiency projects can be broadly split into two categories:

### Energy generators

**4,979,953 MWh** energy generated in the year ending 31 March 2024

**Problem:**
Energy is lost during generation, transmission and distribution to the point of use

**Solution:**
More efficient energy generators, bringing energy generation closer to or at the point of use

**Example within portfolio:**
Onyx (on-site solar and storage), Oliva (on-site cogeneration), Primary Energy (on-site cogeneration)

### Energy savers

**379,589 MWh** energy saved in the year ending 31 March 2024

**Problem:**
Energy is lost during use due to inefficient equipment

**Solution:**
Replace equipment with more efficient solutions that use less energy to do the same job

**Example within portfolio:**
FES (LED lighting), Spark US Energy Efficiency (energy systems as a service)

## Why Invest? continued

# Invest in…
# attractive investment returns strategy

The portfolio is diversified and mostly operational (86%[1]) with creditworthy counterparties

**See Portfolio Summary for more detail**
See pages 17 to 34


Oliva

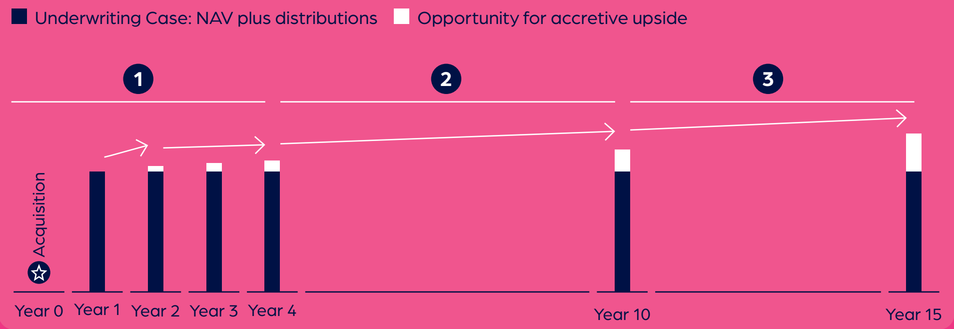
Underpinned by long-term cash flows that cover a growing dividend

**See Financial Review for more detail**
See pages 35 to 44


RED-Rochester

SEEIT seeks to invest in projects with potential to exceed target total returns

**Illustrative project NAV over time**



① **Cost reductions and efficiency improvements**

**e.g. in-house gas procurement at Oliva**

**See pages 28 to 30**

② **Investment in higher-return projects or new revenue streams**

**e.g. new cogen plant at RED-Rochester**

**See pages 19 to 21**

③ **Unlocking platform value**

**e.g. restructure at Värtan Gas**

**See pages 31 to 33**

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1. Of portfolio value.

## Why Invest? continued

# Invest in…

# network access and expertise

**SEEIT is the first UK-listed company of its kind to invest exclusively in the energy efficiency sector.**

## SDCL (The Investment Manager)

Global offices:

6

Active funds:

4

AUM:

$2.5bn

Employees:

50+

Recent industry awards:

Business Green Awards 2024: ESG investor of the year

Environmental Finance, Sustainable Investment Awards 2021: Boutique investment manager of the year

Shortlisted for a further 4 awards[2]

## SEEIT Portfolio

Revenue counterparties:

45[1]

Subcontractors:

>30

Employees at portfolio level:

>300

1. Groups of counterparties.
2. Over the previous 5 years.

# Chair's Statement

> "On behalf of the Board, I am pleased to present the Annual Report and financial statements (the "Annual Report") for SDCL Energy Efficiency Income Trust plc ("SEEIT" or the "Company") for the year ended 31 March 2024."

**Tony Roper** | **Chair**

I would like to thank shareholders for their support over what is now the second consecutive financial year characterised by turbulent global market conditions. I am pleased that in this context SEEIT's performance has been resilient relative to the wider market.

During the year, SEEIT's portfolio has delivered an aggregated EBITDA $^{APM}$ in line with budget and a fully cash-covered dividend. We have seen positive results from the steps taken by the Investment Manager to improve asset values and to progress selective disposals, proving previous asset values and strengthening SEEIT's balance sheet. Further details can be found in the Investment Manager's Report on pages 12 to 14.

SEEIT's focus on energy efficiency is differentiated from the other alternative income investment trusts focused on infrastructure or clean energy and, in this respect, it is the only large-scale investment trust or FTSE 250 company of its kind benefiting from a diversified portfolio of investments.

## Capital Markets

The last year has been characterised by continued relatively high inflation and interest rates. This has put downward pressure on valuations of income streams and asset values in the infrastructure sector.

Signs of lowering inflation and hopes for one or more interest rate cuts by central banks during 2024 collided with stubborn inflation numbers in the last quarter of the Company's financial year, limiting the opportunity to reduce discount rates in the short term. Market uncertainty was accompanied by geopolitical instability as the wider ramifications of the Israel-Hamas and the Russia-Ukraine conflicts continued to impact supply chains and global capital markets.

At the same time, areas of the capital markets, particularly in the UK investment trust market, have been under pressure. March 2024 represented the 34th straight month of net redemptions from multi-asset funds that are traditional long-term shareholders, creating a background of net selling and overhang in the investment trust sector as a whole, and in the alternative income markets in which SEEIT operates.

This has contributed to a significant reduction in SEEIT's share price during the year. However, the value that this represents has also been identified by institutional investors and analysts, and as a result, SEEIT has welcomed several new shareholders to its register and looks forward to continuing to deliver value and ensure that the best shareholder outcomes can be achieved.

## Governance and Engagement with Shareholders

We thank shareholders for a strong vote in favour of SEEIT's continuation in the vote at the 2023 AGM, when all resolutions were passed. Our 2024 AGM will be held on 4 September and the notice will be published in July. Emma Griffin has notified the Board of her intention to stand down at this AGM and so will not be seeking re-election. I wish to take this opportunity to thank Emma for her valuable contribution and insight, and we will seek to recruit a replacement as part of our succession planning.

The Board and the Investment Manager have engaged with shareholders throughout the year and listened to feedback. This has resulted, amongst other things, in an increase in the level of disclosure that the Company provides in its annual and semi-annual reporting, providing investors with more information related to the performance of individual investments as well as the wider portfolio.

# Chair's Statement continued

Also during the year, the Investment Manager has been engaging with new prospective shareholders to support the liquidity and marketability of the Company's shares. This has resulted in new investments made by some predominantly US-based institutional investors and a change in composition of our shareholder register.

## Addressing the Share Price Discount to Net Asset Value APM

During the year the Company bought back £20 million worth of its own shares. The Board and Investment Manager will continue to assess further buybacks if deemed in the best interests of shareholders.

In our Interim Results, we set out a plan to help to reduce the discount to net asset value at which the Company's shares have been trading. This plan included a series of measures that the Company is well advanced on implementing, including:

- continuing to add value to the portfolio through active asset management;
- achieving selective disposals to help to reduce short-term gearing APM, to prove net asset value APM and to recycle proceeds into opportunities for increased total return. Following the year end, the sale in May 2024 of UU Solar ("UU") to UK Power Network services is an example (see Portfolio Summary on page 18 for further details);
- increasing marketability and liquidity of the Company's shares by attracting new institutional investors to the shareholder register, as well as improving the profile of the Company;
- applying its Capital Allocations Policy to focus on those organic investments that exceed the minimum return hurdles, being mainly further investment into RED-Rochester, Onyx and EVN; and
- planning actions based on feedback from investors, leading to regular meetings with analysts and major shareholders.

We are also considering further steps we could take to narrow the discount, including:

- additional disclosures to improve investor confidence in investments and their support for the cash cover of the Company's dividend;
- managing borrowing levels overall, and in particular the level of short-term borrowings through the Company's RCF;
- marketing of the Company's shares to wider audience of potential investors, for example in the United States, as well as the traditional market for UK investment trusts; and
- subject to an improvement in share price, acquisition of other smaller investment trusts to improve scale and diversification.

Despite some improvements in the last quarter of the financial year, we remain strongly of the view that the Company's share price does not reflect the value of its investments, nor the cashflows derived from them that allow the Company to pay the current level of dividends with progressive growth.

This represents a significant challenge, as well as a substantial opportunity for new shareholders, who are able to acquire SEEIT's shares in the market well below net asset value APM and with an attractive dividend yield.

## Portfolio and Financial Performance

The portfolio generated earnings in line with expectations and cash flows that were more than sufficient to cover the Company's target dividends.

SEEIT's NAV APM per share at 31 March 2024 was 90.5 pence (101.5 pence at 31 March 2023), a decrease of 11% in the year. The NAV is in line with the 30 September 2023 NAV APM of 90.6 pence when the Company reported a reduction of NAV APM, driven largely by an increase in discount rates reflecting a "higher for longer" inflation and interest rate environment.

The second half of the Company's financial year saw improvements in performance and projections from significant investments such as Primary Energy and Onyx, which have faced delays and provisions in prior periods, as well as from Oliva and Värtan that had been the subject of regulatory uncertainty. The Investment Manager's Report on pages 12 to 14 expands further on these matters.

## Balance Sheet

As at 31 March total gearing APM was £485 million. Since the year end, the Company has sold an investment, enabling it to reduce its short-term portfolio gearing APM. Total gearing APM has since been reduced by 11% to approximately £430 million as at 31 May 2024.

This reduction in gearing APM was achieved through a repayment of the revolving credit facility ("RCF") in May 2024, which was funded through the c. £90 million proceeds of the sale of the Company's investment in UU Solar after the year end. The drawn RCF is £98 million[1], substantially lower than the £155 million drawn at 31 March 2024 after also accounting for new investments in Onyx since 31 March 2024. Further details can be found in the Finance and Valuation Update on pages 35 to 44.

Under the agreed Capital Allocation Policy, new investments during the period were limited almost entirely to "organic investments" to support existing portfolios and platforms and where returns exceeded minimum hurdles. Only one new investment was added to the Company's portfolio of corporate investments, which is limited to up to 3% of its portfolio in aggregate. This was £2.4 million invested in Rondo, a thermal storage business in the United States. The Company invested alongside a number of large corporate strategic investors, including Microsoft, Saudi Aramco and Rio Tinto, in a technology solution aiming to help decarbonise industrial heat, one of the highest value and hardest to abate sectors.

While current market conditions and a prudent approach to gearing create limitations in SEEIT's appetite to fund attractive development and construction opportunities, it is seeking co-investment from third-party investors on certain assets. This is key to SEEIT's ability to deliver ongoing value and growth.

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1. As at 31 May 2024.

# Chair's Statement continued

## Dividends

In line with previous guidance, in June 2024 the Company announced its fourth interim dividend for the year ended 31 March 2024 of 1.56 pence per share. This provided an aggregate dividend of 6.24 pence per share declared for the year ended 31 March 2024, which was fully covered 1.1 times by cash flow from the portfolio.

Based on our assessment of current cash flow projections, the Company is announcing new dividend guidance of 6.32 pence per share for the year to 31 March 2025, an increase of c.1%, and as before is targeting progressive dividend growth thereafter. The dividend guidance balances growing the dividend with the ability to generate higher levels of surplus cash available for repayment of debt and reinvestment in investment opportunities.

## Outlook

The Board and the Investment Manager are committed to delivering value to, and positive outcomes for, shareholders.

SEEIT is a unique investment company, fully focusing on energy efficiency. It is investing in solutions to an increasingly carbon-constrained world, with an investment approach that is consistently cash generative.

The majority of SEEIT's investment cash flows are contracted with high-quality client counterparties, to which SEEIT is providing essential energy services. This tends to make SEEIT as important to its clients as they are to it. SEEIT's clients are typically essential providers of products and services to their economies, including, for example, steel manufacturers, hospitals, universities, agricultural facilities, utilities, hospitals and data centres. The average remaining life of its contracts with clients is over 14 years.

In addition to SEEIT's cash flows generated from its operational assets, the Company's portfolio offers the opportunity for capital growth, for example through its exposure to assets at the development and construction phase. The Investment Manager and management teams of portfolio companies benefit from deep experience and leadership. As such, the Company is well positioned to achieve attractive levels of total return for shareholders, underpinned by income.

The Board remains cognisant of shareholder feedback regarding capital efficiency, recognising that capital is currently scarce. This means the Investment Manager is being selective over new investment, focusing on organic opportunities from the existing portfolio and passing on a number of opportunities over the last year.

The Investment Manager estimates the scale of organic investments in the financial year ending 31 March 2025 to be between £75–125m, which will be funded by a combination of utilisations from the Company's RCF (if appropriate), debt utilisation at investment level and from selective disposals.

The target is to keep the RCF at moderate levels. Overall, gearing is well inside the total gearing limit of 65% of NAV, with a current headroom of approximately £200m.

In the year ahead, our focus will be on supporting our existing portfolio with selective capital for organic investment, and on working actively with our portfolio companies, as well as strategic and selective capital partners, to support growth and to achieve strong returns.

As the world seeks to address the practical challenges of the energy transition and efforts to decarbonise, energy markets and their supply chains face scarcities and price volatility. In this context, investing in more efficient supply, demand and distribution of energy, which is SEEIT's focus, becomes increasingly important and valuable. We believe that SEEIT remains well positioned to benefit from this opportunity.

Tony Roper
**Chair**


EVN

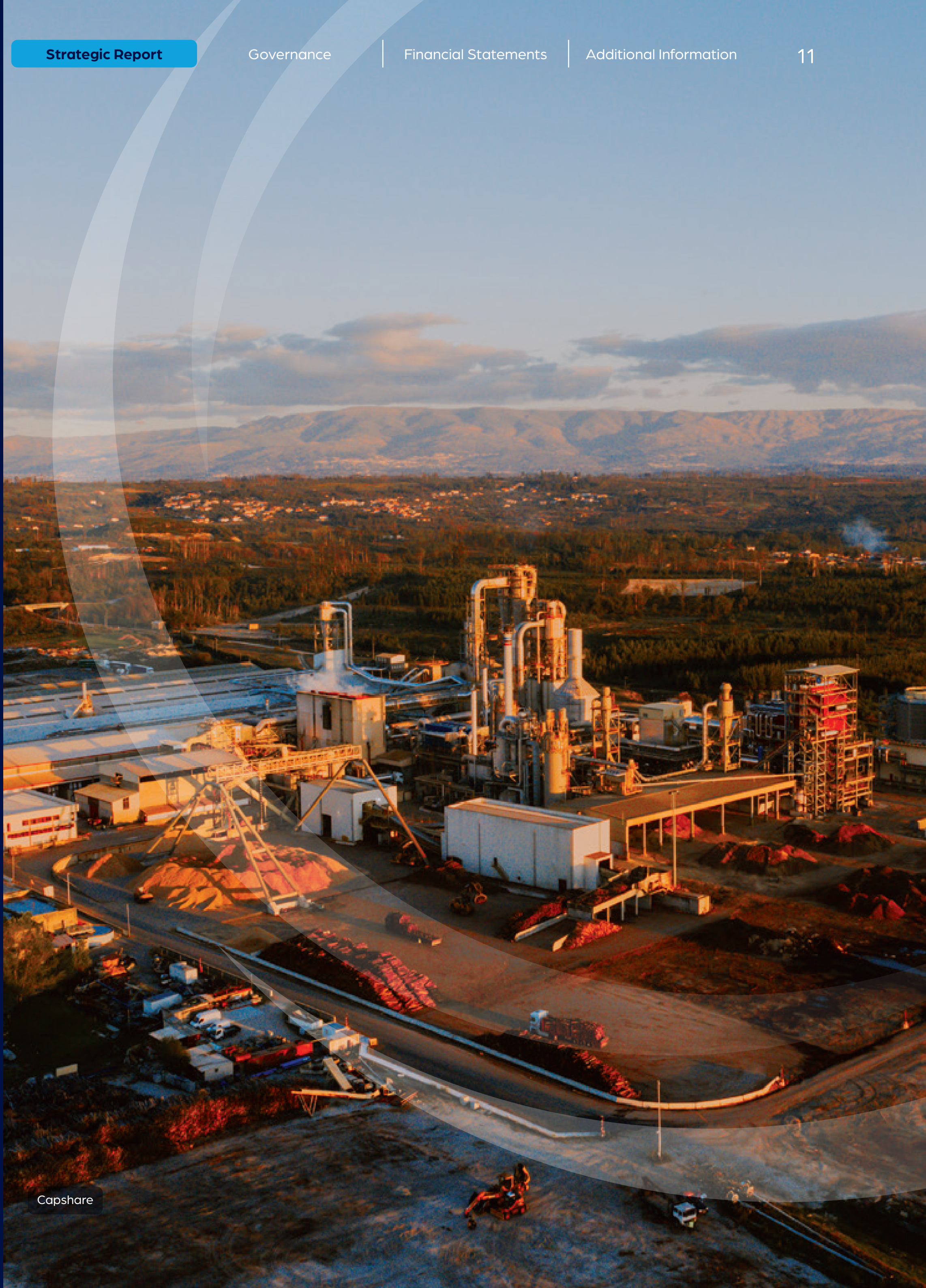

ON Energy

# Strategic Report

## What's in this section

### Strategy

### Performance



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# **Strategy** | The Team

## Sustainable Development Capital LLP

Sustainable Development Capital LLP ("SDCL" or the "Investment Manager") is an independent investment firm with a proven track record of investment in energy efficiency and decentralised energy generation projects in the UK, Europe, North America and Asia. SDCL was established in 2007 and has a team of over 50 professionals across offices in London, Dublin, New York, Connecticut, Hong Kong and Singapore.

With over 15 years of sector experience in energy efficiency, SDCL has specialist origination, project development, execution, ESG, asset management and portfolio management teams with support from finance, compliance and risk. Since 2012, SDCL has raised over £2 billion in capital commitments, including seven funds, all exclusively focused on energy efficiency.

## Meet the Investment Manager

### Jonathan Maxwell

**SDCL CEO & Founder**

Jonathan is Founder and CEO of SDCL. He has over 25 years' experience in international finance, infrastructure and private equity and has overall responsibility for SDCL's investment activities. He is Chair of the Investment Committee for SEEIT. Since establishing SDCL in London in 2007, the Group now operates across the UK, Europe, North America and Asia and has launched energy efficiency project investment funds in the UK, Ireland, Singapore and New York. He has advised and invested on behalf of a number of national governments as well as a wide range of institutional investors. Since 2012, SDCL has launched a number of innovative investment vehicles including the London Stock Exchange listed SDCL Energy Efficiency Income Trust plc. Prior to establishing SDCL, Jonathan was at HSBC Infrastructure and managed the IPO of the HSBC Infrastructure Company, the first Main Market, London Stock Exchange listed infrastructure fund, which now has an enterprise value of over £3 billion. Jonathan has a degree in Modern History from Oxford University.

### Purvi Sapre

**SEEIT Fund Manager**

Purvi is the Fund Manager for SEEIT and has overall responsibility for Fund activities and is a member of the Investment Committee for SEEIT. Purvi has over 15 years' experience in Europe, North America and emerging markets investing on behalf of debt, equity and impact investment funds. Purvi has transacted and managed assets across a number of renewable energy technologies including solar, wind, energy efficiency and waste to energy. Purvi holds a Master's in Chemical Engineering with Environmental Technology and has CIMA and IMC qualifications.

### Eugene Kinghorn

**SDCL Group CFO**

Eugene is the Group CFO of the SDCL Group and has overall responsibility for the finance function covering its corporate activity and its funds, including SEEIT. He is a member of the Investment Committee for SEEIT. Eugene has over 15 years of experience in financial and portfolio management, with particular focus on private equity and listed infrastructure investment management. He is responsible for portfolio and investment management of SEEIT. Eugene joined SDCL in early 2019 – prior to joining SDCL, Eugene spent eleven years with InfraRed Capital Partners performing a variety of financial and portfolio management roles.

### Ben Griffiths

**SEEIT Fund Management**

Ben is Managing Director of SEEIT Fund Management and is responsible for the technical, financial and operational performance of its investments.

Ben joined SDCL in September 2021 with twelve years' experience in the investment and renewable energy industries.

Prior to SDCL, Ben led the portfolio management of a c.£300m separately managed account, managing a range of technologies and sitting on the boards of a range of investment companies.

He started his career at an engineering consultancy working on a range of renewable power projects, before managing various energy from waste and recycling construction and operational projects at a UK waste management firm.

Ben is a Chartered Engineer, with a Master's in Mechanical Engineering and an MBA degree.

# Strategy | Investment Manager: Markets and Outlook

## Macroeconomic Context and Outlook for SEEIT

Energy efficiency in the supply of and demand for energy is fundamentally about reducing cost and improving energy productivity. By reducing losses traditionally associated with the supply of and demand for energy, it is also a major source of greenhouse gas emission reductions, energy security and resilience.

It is important to understand that SEEIT is not a merchant energy investor. Instead, it seeks to invest in primarily long-term contracted income streams with high-quality credit counterparties. As such, it has limited exposure to energy prices in its revenue streams and, wherever it does, it seeks to mitigate these with contracted arrangements for fuel supply or offtake contracts for energy services. It is also not a highly leveraged investment company with short-term refinancing challenges. As such, it has limited exposure to short-term interest rate movements and availability of project finance. It is also not a grid-connected, utility scale renewable energy project investor. While it seeks to deploy renewable energy technologies, it is not subject to the same competitive dynamics or regulatory uncertainties.

What SEEIT does do is concentrate on investing in efficient energy services, generated or applied close to or at the point of use. SEEIT's investments in decentralised energy generation, as opposed to centralised or grid-focused energy generation, are designed to meet the needs of large end users of energy, predominantly in the commercial, industrial, public sector and transport markets. Its projects seek to deliver energy services in the form of power, heating and cooling where they are needed at the highest practicable levels of combined electrical and thermal efficiency.

As such, the majority of SEEIT's projects deliver energy services that are cheaper, cleaner and more reliable than the grid. This is what makes SEEIT's decentralised energy generation projects efficient and provides them with an enduring competitive advantage and value even beyond their initial contracted lives.

SEEIT also invests in projects that help to reduce the amount of energy needed by end users to produce the same level of work or economic output. Most energy losses happen in the supply of energy, mainly as heat losses at the point of centralised generation, for example in gas-fired power plants designed to create electricity for the grid. However, large amounts of energy is lost at the point of use, for example because of sub-optimal mechanical and electrical infrastructure such as lighting, heating, air conditioning and controls. As such, SEEIT's projects seek to invest in the replacement or upgrading of this infrastructure to reduce energy demand and cut costs. Associated with demand reduction, more efficient distribution of energy services, such as district energy and electric vehicle charging infrastructure, also creates competitive advantages.

The combination of Efficient and Decentralised Generation of Energy helps to define SEEIT's approach to energy investing and its competitive advantage. We summarise this strategy and approach with the acronym "EDGE".

The macroeconomic context for energy efficiency is important, both because of the contribution that it can make to addressing systemic energy-related challenges, and because of the impact that the wider market conditions have on the performance and value of SEEIT's investment portfolio.

Higher energy prices increase the advantage and relative value of SEEIT's energy services to its clients and can help to extend project lives. Extensions of major contracts within Primary Energy and Oliva during the financial year are good examples. Higher energy prices also tend to support the business case for development and construction of new energy efficiency projects and, together with a pass-through of higher costs of capital in a higher interest rate environment, can improve returns on investment. Higher rates of inflation can also help to increase those contracted revenues in SEEIT's portfolio that are indexed to inflation.

Higher energy prices also feed into the price of almost all goods and services in the economy, thereby driving inflation and, ultimately, interest rates. Energy prices have remained relatively high and volatile, even after falling from recent peaks in the aftermath of Russia's invasion of Ukraine. Tensions and conflict in the Middle East have added to supply and price uncertainty. Increasing supplies and exports of oil and gas from the United States, which on their own would have reduced energy prices, have been offset by the production cuts made by other major energy producers and exporters, thus inflating overall energy prices. Energy prices in turn affect the prices of most goods and services, including food (from fertilisers to production and shipping), manufacturing and transport. Increasing energy prices is therefore inflationary. Central banks tend to raise interest rates to combat inflation.

As the Chair notes in his statement, because interest rates and inflation fell from their peaks in 2022 and 2023, there were hopes in the market of further falls during the first quarter of 2024. The United States Federal Reserve indicated the potential for three interest rate cuts in 2024, which helped to set positive market expectations.

However, higher-than-expected inflation numbers in the first months of the calendar year curbed expectations and reversed much of the reduction in longer-term yields. For instance, the yield on ten-year US Treasuries reduced from around 5% in October 2023 to around 3.8% in January 2024, only to increase again to around 4.3% by the end of March 2024. Inflation proved stubborn, underpinned by energy prices, production, and shipping costs and growing levels of government debt, while the ramifications of the conflicts in Ukraine and the Middle East continued to impact supply chains and global capital markets.

These macroeconomic challenges tend to increase costs, making energy efficiency projects that reduce costs more attractive, urgent and valuable. However, the financial implications on SEEIT during the year translated into higher discount rates applied to the cash flows associated with SEEIT's investments, which have affected valuations. As such, we have been focusing on what actions can be taken to improve net asset value APM for shareholders irrespective of broader macroeconomic conditions and what steps can be taken to reduce the discount at which the Company, like its peer group in the UK investment trust market, is trading.

# **Strategy** | Investment Manager: Markets and Outlook continued

## Adapting to Market Conditions

Under prevailing market conditions, our approach to investment, portfolio construction and management of the balance sheet has changed. This reflects an environment in which the Company has not issued new equity since September 2022 and is unlikely to do so for some time.

As a result, working closely with the Board as Investment Manager, we have taken several actions.

First, we are progressing **selective disposals** of assets, which can be sold to create cash for reinvestment at more attractive rates of return or to repay short-term borrowings. Disposals can also help to prove valuations in support of the Company's net asset value APM. A notable disposal was the sale of UU Solar, completed shortly after the end of the financial year, which was achieved at a premium to the last reported valuation.

Second, the Company's **short-term borrowing facilities have been reduced** from £155 million, since 31 March 2024, to £98 million[1] using cash proceeds from the disposal of UU Solar and accounting for further investment into Onyx. Further repayments of shorter-term borrowing facilities are planned.

Third, we have agreed a **Capital Allocations Policy** with the Board in 2023 that is aimed at ensuring that returns on any new investment compare favourably with any alternative opportunity; for example, to buy back shares in the market at a discount to net asset value APM, or to reduce short-term borrowing facilities. The Company benefits from a pipeline of projects arising from its existing portfolio. During the year, we have supported investments that exceed return thresholds, for example at RED-Rochester, Onyx and EVN that supports the Company's attractive investment return strategy over the medium and long term.

Fourth, we have sought to increase the **positive correlation** between the revenues from SEEIT's portfolio of investments and **inflation**. Examples include the addition of inflation indexation, and reduction of exposure to labour costs, at the same time Primary Energy extended its major contract with Cleveland-Cliffs in its Cokenergy project for a further twelve years. An outcome of SEEIT's disposal of UU Solar has also been an increase in the overall correlation of its portfolio to inflation.

Fifth, we have sought to **position the Company's portfolio for growth**. Examples include:

- Onyx, where the rate of new contract signings has tripled to over 75 megawatts (MW) per annum;
- EVN, where, for example, the largest fast charging hub in the UK was opened by the Chancellor during the year and where rates of deployment have grown several times; and
- RED-Rochester, where a substantial growth in capacity is under construction to serve over 115 existing customers, as well as new ones.

Overall, some 14%[2] of SEEIT's portfolio is invested in projects at the development or construction phase of their project investment lifecycle, which provides opportunity for capital growth in addition to the income generated by operational assets. Within its 10% allocation to development-stage assets, SEEIT has private equity investments in growth companies, which offer the potential to generate gains as well as proprietary pipeline.

Sixth, we have been engaging with new prospective shareholders to **support the liquidity and marketability of the Company's shares**. This has resulted in significant new investments made by a number of predominantly US-based institutional investors and a change in composition of our shareholder register.

In the short term, we are also seeking to differentiate the Company by:

- promoting its shares, which trade at a discount, to UK and international investors;
- increasing the Company's profile in the media; and
- distinguishing the Company from renewable energy investment companies, which have other market and trading characteristics.

We are also exploring other potential actions, including progressing on additional selective investment disposals or equity joint ventures to create liquidity, strengthen the balance sheet, improve the opportunity for total returns, reduce gearing APM and to provide the opportunity to return capital to shareholders, for example via share buybacks or tender offers.

We expect that our investment activity in the near and medium term will remain somewhat limited and focused on the identified opportunities within the existing portfolio. For some of these opportunities we expect to utilise the RCF, but at the same time remain cognisant of the agreed Capital Allocations Policy and the necessity to ensure that investments remain accretive to the Company's objective. Through capital recycling we are aiming to substantially repay the current RCF balance over the medium term, notwithstanding the possibility that in the near term the balance may increase.

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1. As at 31 May 2024.
2. Of value.

# **Strategy** | Business Model

## What We Do

**SEEIT'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.**

SEEIT achieves this through investing principally in a diversified portfolio of energy efficiency projects with high-quality counterparties.

The contracts governing these energy efficiency projects entitle SEEIT to receive long-term cash flows once the energy efficiency projects are operational.

## How We Do It

### 1 Identify/Secure Investment

SEEIT assesses investment opportunities based on defined characteristics:

1. Fit the definition of energy efficiency investments
2. Have a contractual structure with suitable counterparties
3. Potential to generate accretive returns

### 2 Develop/Construct/Operate

- Heat, power and other energy delivery services
- Active asset management
- Cost reductions and efficiency improvements
- 14% of the portfolio is in construction and development phase

### 3 Improve

- Investment in higher-return projects
- Create and enhance revenue streams
- Reduce costs

### 4 Hold/Exit

- Crystallise value through selective disposals

## Outcome

### Growing dividend

See Financial Review on pages 35 to 44 for further details

### C.£38 million[1]

value increase recognised in NAV APM

See Portfolio Summary on page 18 for further details

### Selective asset disposals

to create liquidity, strengthen the balance sheet and reduce gearing APM

See Portfolio Summary on page 18 for further details

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1. In the year to 31 March 2024.

## Underpinned By:

**SEEIT's strong ESG credentials**
Read more in the Environmental, Social and Governance section on pages 45 to 61.

**Responsible risk management**
Read more about our risks and mitigation in the Risk Management Framework section on pages 62 to 64.

**Robust corporate governance**
Read more in the Governance Report on pages 72 to 80.

# **Performance** | Company Key Performance Indicators

In the section below, the Company sets out its financial and operational key performance indicators ("KPIs") used to track the performance of the Company over time against its objectives. The Board believes that the KPIs detailed below provide shareholders with sufficient information to assess how effectively the Company is meeting its objectives.

## Financial KPIs

| Definition | **31 March 2024** | 31 March 2023 | Commentary |
|---|---|---|---|
| **Net asset value ("NAV") per share$^{APM}$ (pence)** | | | |
| NAV$^{APM}$ divided by number of shares outstanding as at 31 March | **90.5p** | 101.5p | NAV$^{APM}$ has decreased compared with the prior year due to global increases in risk-free rates pushing discount rates up materially from March 2023 – see Financial Review and Valuation Update. |
| **Share price (pence)** | | | |
| Closing share price as at 31 March | **59.1p** | 84.0p | The share price has decreased predominantly due to market volatility and the thematic adverse impact on alternative investments focused UK investment trusts. |
| **Dividends per share (pence)** | | | |
| Aggregate dividends declared per share in respect of the financial year | **6.24p** | 6.0p | The dividend increased year on year due to predictability of near-term cash generation from portfolio, plus new investments made previously. The Company met its stated dividend targets for the years ended 31 March 2023 and 31 March 2024. |
| **Dividend cash cover (x)** | | | |
| Operational cash flow divided by dividends paid to shareholders during the year | **1.1x** | 1.2x | The target was for net operational cash inflow to fully cover dividends paid. The Company met its target for the years ended 31 March 2023 and 31 March 2024. |
| **Total return on NAV basis$^{APM}$ in the year (%)** | | | |
| NAV growth and dividends paid per share in the year | **(4.7)%** | (0.9)% | The payment of interim dividends contributed to NAV$^{APM}$ return in the year, although offset by significantly higher discount rates, resulting in a material decrease in return in both years. |

| Definition | **31 March 2024** | 31 March 2023 | Commentary |
|---|---|---|---|
| **Ongoing charges ratio (%)** | | | |
| Annualised ongoing charges (i.e. excluding investment costs and other irregular costs) divided by the average published undiluted NAV$^{APM}$ in the period, calculated in accordance with AIC guidelines | **1.02%** | 1.02% | Remained consistent year on year. See Financial Review and Valuation Update. |

## Operational KPIs

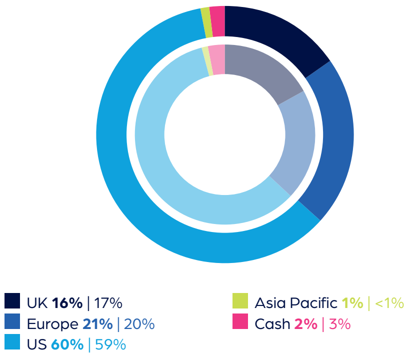
| **Definition** | **31 March 2024** | 31 March 2023 | Commentary |
|---|---|---|---|
| **Weighted average contracted investment life (years)** | | | |
| Weighted average number of years of contracted revenue remaining in investment contracts (excludes all recontracting assumptions) | **16.4** | 15.9 | Increase was in line with expectations and mainly due to one material contract successfully renewed during the year. |
| **Largest five investments as a % of gross asset value ("GAV$^{APM}$") (%)** | | | |
| Total value of five largest individual investments divided by the sum of all investments held in the portfolio plus cash, calculated at year end | **52%** | 54% | Target is to maintain good portfolio diversification, achieved in both financial years. |

# **Performance** | Portfolio: Key Updates

The information presented below summarises the portfolio of the Company across different metrics, using the Company's Gross Asset Value$^{APM}$ as at 31 March 2024 (and using 31 March 2023 for comparison).

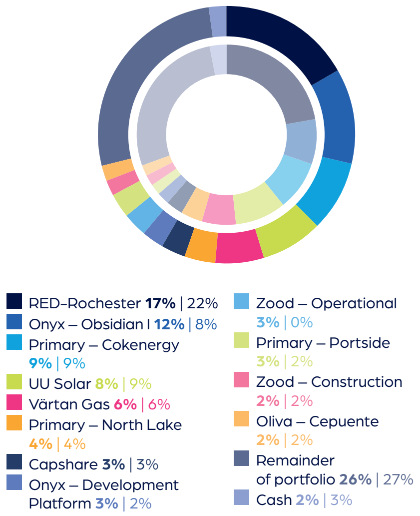
## Portfolio by Geography

**as at March 2024** | 2023



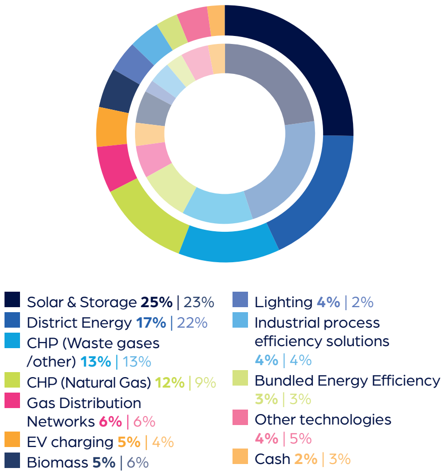
## Portfolio by Project

**as at March 2024** | 2023



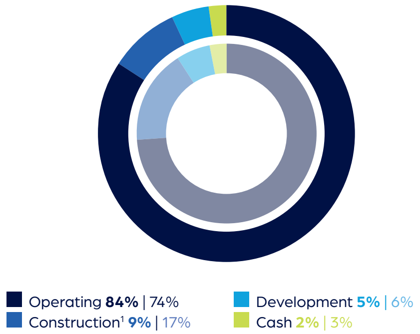
## Portfolio by Technology

**as at March 2024** | 2023



## Portfolio by Investment Stage

**as at March 2024** | 2023



1. Construction stage represent investments where construction work has commenced or high degree of confidence in it commencing.

## Overview

SEEIT has several larger investments, which form a foundation for overall portfolio cash flows as well as providing established platforms to generate growth opportunities.

The summaries in this section describes the five largest groups of investments that are diversified across the UK, North America and Europe, consisting of 23 individual investments making up c.71% of SEEIT's total portfolio by value. A detailed summary of these investments and their performance during the year is outlined below.

This section sees the continuation of additional disclosures in relation to SEEIT's larger portfolio investments, including the provision of specific project-level KPIs, which has been kept consistent with the previous year's report. These KPIs are reported at calendar year-end (31 December 2023). The Board and the Investment Manager continue to engage with the Company's shareholders to ensure that these disclosures are relevant, informative and beneficial.

For a more comprehensive understanding of these investments, Financial Review and Valuation Movements, the principal risks, Risk Management Framework and Note 3 in the financial statements provide further details.

The revenues referred to in this section describe the revenues that are assumed in the March 2024 Portfolio Valuation$^{APM}$ and therefore include both contracted and uncontracted revenues. This is explained further in Financial Review and Valuation Update.

## Investment Activity

The March 2023 Annual Report identified the following areas of strategic investment focus:

– efficiency improvement projects at RED-Rochester, which contribute directly to increasing the project company's profit margin;
– further scaling of EVN as it continues to establish itself as one of the UK's largest EV charging developers; and
– continued rollout of solar and storage projects through the Onyx platform.

During the year, out of total investments of c.£161 million, (as detailed in Note 11), c.£143 million has been invested into four existing portfolio companies: Onyx (£61m), RED-Rochester (£36m), FES (£37m) and EVN (£10m), capitalising on the opportunity for organic growth that they offer. A further c.£15m was invested in existing portfolio companies (Spark Energy Efficiency and Turntide) earlier in the year prior to the Investment Manager deciding to stop pursuing these investments in line with the Capital Allocations Policy. The remaining investments of c.£4m were made into two new investments (CPP and Rondo) early in the financial year as disclosed previously and were the only investments made in the year not into existing portfolio companies. The investment at RED-Rochester has been to fund the construction capital for various projects, which are forecast to generate strong returns. The investments into Onyx, EVN and FES are funding the installation or construction of the converted pipeline of the respective businesses, helping deliver the intended growth of those businesses.

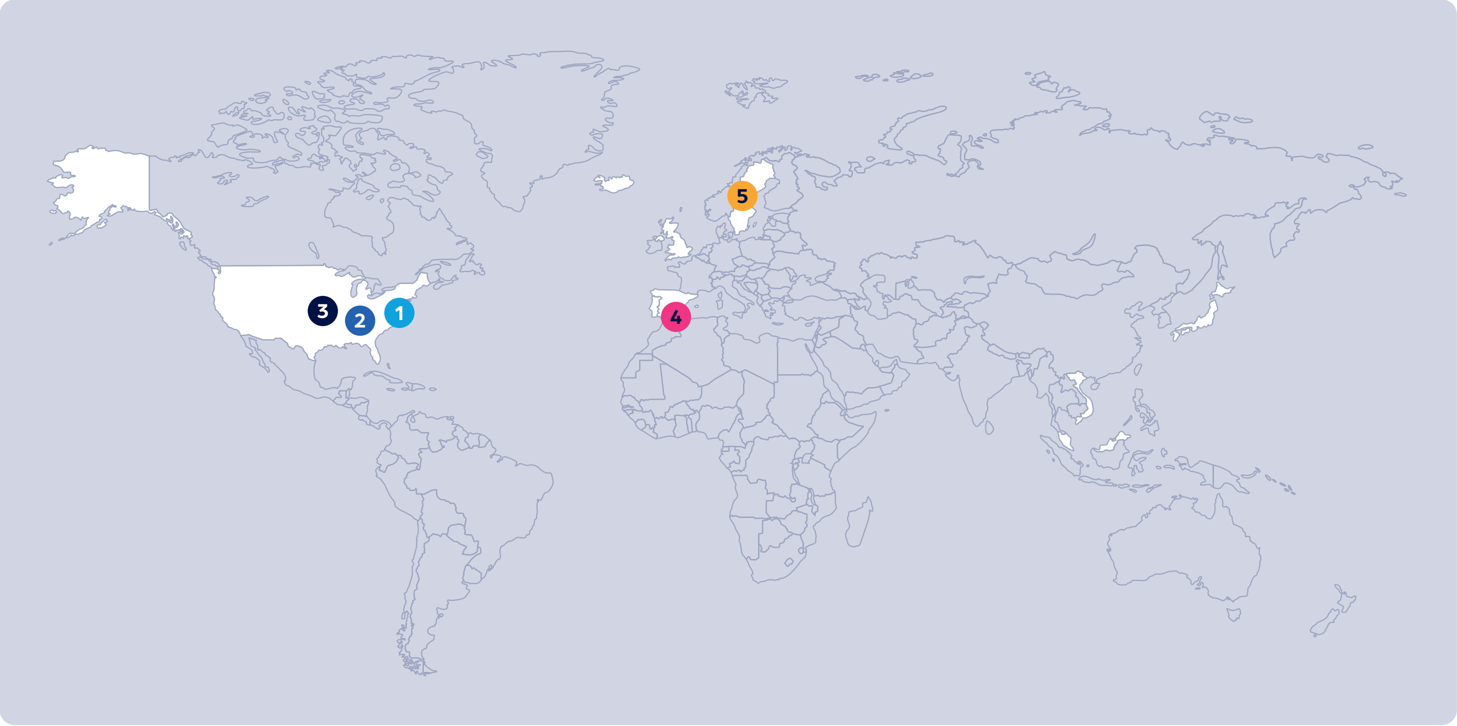
As part of the incremental investment in FES, a portfolio of loan facilities was acquired, secured against an operational portfolio of LED lighting projects in the USA, offering double-digit returns and attractive cash yields that also brought potential to realise further upside from operating and financial efficiencies.

# Performance | Portfolio: Key Updates continued

## Investment Upside Focus

Further upside opportunities have also been identified, a number of which would require further upfront investment. These are being developed by the Investment Manager across the larger investments but are not included in the March 2024 Portfolio Valuation APM. These opportunities alone could potentially add over £145 million to the NAV APM1 over the next two to five years, although there can be no guarantee that this will be realised. As reported in the following sections, throughout the year there has been positive progress with many of these opportunities across the portfolio, with some already delivering an uplift of c.£38 million to the March 2024 Portfolio Valuation APM1, while others are well advanced with good prospects of adding further valuation uplift. We continue to focus and prioritise the workstreams associated with these opportunities and expect them to continue to develop over the next few years.

Data shown below in the Portfolio Summary is as at 31 March 2024 unless otherwise stated.



### 1. RED–Rochester

**Rochester, NY**
No. of projects: 1

### 2. Onyx Renewable Partners

**Over 14 states in the US**
No. of projects: 6

### 3. Primary Energy

**Indiana, US**
No. of projects: 5

### 4. Oliva Spanish Cogeneration

**Spain**
No. of projects: 9

### 5. Vartan Gas

**Stockholm, Sweden**
No. of projects: 1

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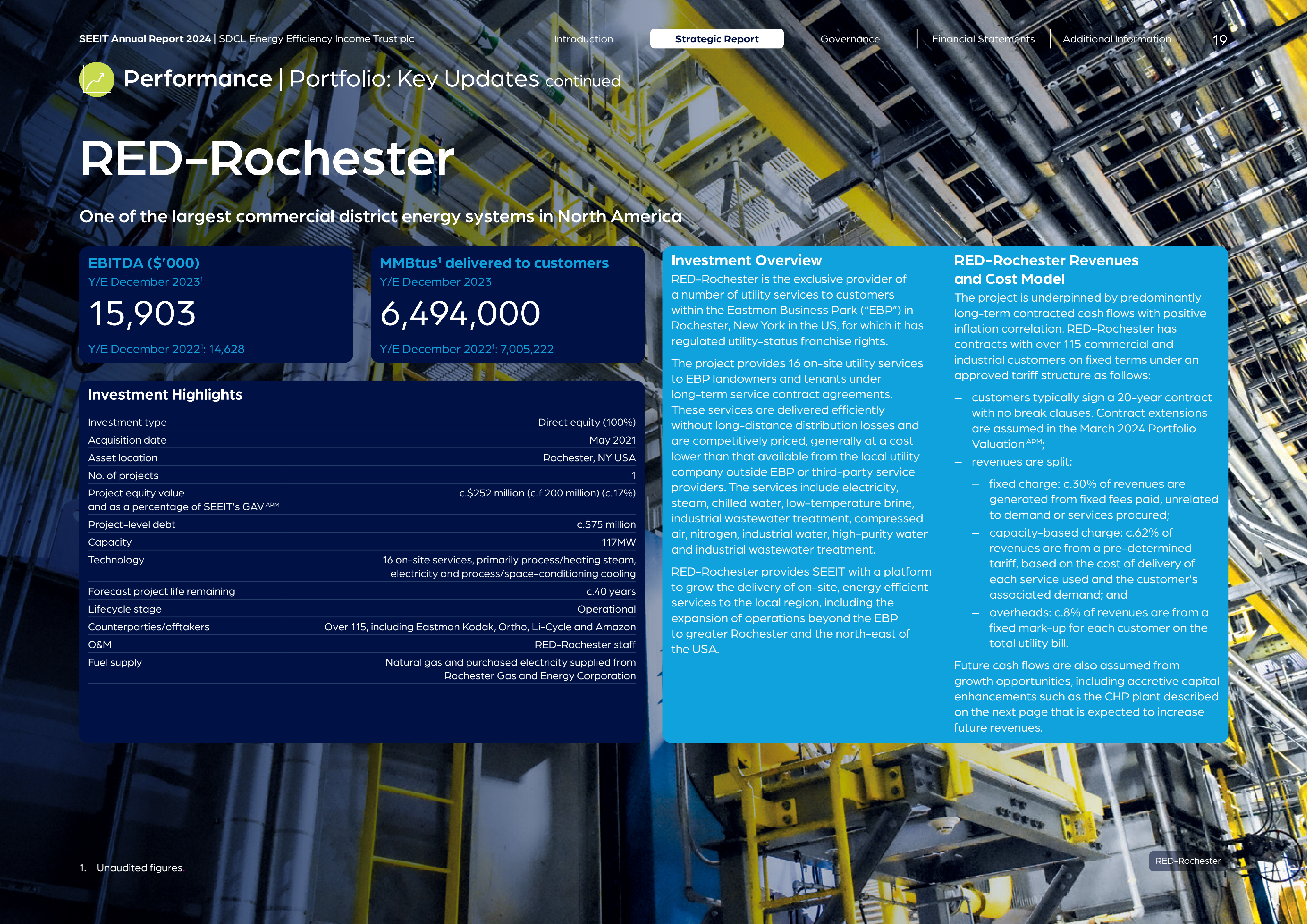
1. Incremental to the associated capital, where applicable.



RED-Rochester

## **Performance** | Portfolio: Key Updates continued

# RED-Rochester

### One of the largest commercial district energy systems in North America

**EBITDA ($'000)**
Y/E December 2023[1]

**15,903**

Y/E December 2022[1]: 14,628

**MMBtus[1] delivered to customers**
Y/E December 2023

**6,494,000**

Y/E December 2022[1]: 7,005,222

### Investment Highlights

| | |
|---|---|
| Investment type | Direct equity (100%) |
| Acquisition date | May 2021 |
| Asset location | Rochester, NY USA |
| No. of projects | 1 |
| Project equity value and as a percentage of SEEIT's GAV$^{APM}$ | c.$252 million (c.£200 million) (c.17%) |
| Project-level debt | c.$75 million |
| Capacity | 117MW |
| Technology | 16 on-site services, primarily process/heating steam, electricity and process/space-conditioning cooling |
| Forecast project life remaining | c.40 years |
| Lifecycle stage | Operational |
| Counterparties/offtakers | Over 115, including Eastman Kodak, Ortho, Li-Cycle and Amazon |
| O&M | RED-Rochester staff |
| Fuel supply | Natural gas and purchased electricity supplied from Rochester Gas and Energy Corporation |

### Investment Overview

RED-Rochester is the exclusive provider of a number of utility services to customers within the Eastman Business Park ("EBP") in Rochester, New York in the US, for which it has regulated utility-status franchise rights.

The project provides 16 on-site utility services to EBP landowners and tenants under long-term service contract agreements. These services are delivered efficiently without long-distance distribution losses and are competitively priced, generally at a cost lower than that available from the local utility company outside EBP or third-party service providers. The services include electricity, steam, chilled water, low-temperature brine, industrial wastewater treatment, compressed air, nitrogen, industrial water, high-purity water and industrial wastewater treatment.

RED-Rochester provides SEEIT with a platform to grow the delivery of on-site, energy efficient services to the local region, including the expansion of operations beyond the EBP to greater Rochester and the north-east of the USA.

### RED-Rochester Revenues and Cost Model

The project is underpinned by predominantly long-term contracted cash flows with positive inflation correlation. RED-Rochester has contracts with over 115 commercial and industrial customers on fixed terms under an approved tariff structure as follows:

- customers typically sign a 20-year contract with no break clauses. Contract extensions are assumed in the March 2024 Portfolio Valuation$^{APM}$;
- revenues are split:
    - fixed charge: c.30% of revenues are generated from fixed fees paid, unrelated to demand or services procured;
    - capacity-based charge: c.62% of revenues are from a pre-determined tariff, based on the cost of delivery of each service used and the customer's associated demand; and
    - overheads: c.8% of revenues are from a fixed mark-up for each customer on the total utility bill.

Future cash flows are also assumed from growth opportunities, including accretive capital enhancements such as the CHP plant described on the next page that is expected to increase future revenues.

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[1] Unaudited figures.

# **Performance** | Portfolio: Key Updates continued

## RED-Rochester

### Investment Risks and Mitigants

| Risk type and description | Mitigation |
|---|---|
| **Operational:**<br>Demand risk resulting in lower-than-expected variable revenues. | Historically, demand from customers at RED-Rochester is relatively stable, as diversification across 115 customers mitigates against individual customer demand volatility. However, lower weather-related demand at EBP businesses has been observed in the last year. Expected demand from Li-Cycle, a material customer at EBP, has been adjusted downwards significantly as described on the next page. The Investment Manager and RED-Rochester are advancing options to renegotiate the tariff structure to mitigate this risk and are also improving the marketing of available sites in order to bring more customers into the park. |
| **Development**:<br>Construction delays of accretive capital projects, including the CHP plant. | Where appropriate, project contracts include liquidated damages for contractor delays should they cause overruns in the construction schedule. The schedules also assume a buffer for delays. Each project is probability weighted based on the development stage, with some very early development projects not yet included for tracking purposes. |
| **Development:**<br>Challenges in attracting new businesses to locate within the EBP. | RED-Rochester management has been working closely with Eastman Kodak and other EBP property owners to make land and buildings more attractive to potential tenants. This includes making unoccupied lots "shovel ready", reducing development time and costs. Eastman Kodak and RED-Rochester are now working with a commercial real estate brokerage to improve marketing of available sites.<br>Some potential tenants chose other locations or failed to progress, resulting in taking a provision for these lost opportunities. All new tenant prospects are now probability weighted based on progress to agree to come to EBP. |
| **Credit:**<br>Default of counterparties. | By providing services to over 115 customers across the EBP, the credit risk is diversified. The Investment Manager works with other stakeholders, such as landowners, seeking to ensure the creditworthiness of new customers does not degrade the overall credit profile. In addition, the fixed charge component of the tariff is joint and several between customers, thus limiting the impact of any potential default. |
| **Regulatory:**<br>New York State is developing the New York Carbon Cap and Investment programme ("NYCI") to reduce greenhouse gas emissions in the industrial, commercial building and transportation business sectors. Subject to the final details of the programme, this could introduce significant costs to RED-Rochester. | Rulemaking is in progress by State regulators, with implementation expected in late 2024. RED-Rochester and Eastman Kodak are collaborating to lobby State regulators and legislators to ensure a favourable business classification to minimise or eliminate the businesses' requirements to purchase emissions credits. RED-Rochester is also proposing tariff amendments to customers to accommodate potential incoming legislation. |

### Value Accretion Potential

RED-Rochester has pursued value accretion in the last year based on two priorities:

- increasing fixed revenues: RED-Rochester has provided proactive support to EBP landowners to pursue the lease or sale of existing buildings and development of open land. Even with positive progress in these efforts in the period, RED-Rochester's utilities infrastructure remains underutilised overall and has capacity to service more customers. As new tenants join EBP, RED-Rochester benefits from increased profits from the additional fixed and demand fees that each new customer will pay; and
- improving efficiency: The existing variable tariff charge is based on a baseline efficiency of the cost of delivering services from 2011. When RED-Rochester improves the operational efficiency of any of its utility services and reduces the unit delivery cost, the business captures the full financial benefit of this efficiency improvement.

Several upside opportunities are being pursued at RED-Rochester that have not been reflected in full in its valuation (unless otherwise stated), but could provide additional value over the short to medium term, including the following:

### Existing Initiatives:

#### Increasing fixed revenues by bringing new customers to EBP

**Good progress with EBP property owners, agreeing to improve the attractiveness of vacant properties to potential tenants. Work ongoing with a commercial real estate broker, to improve the marketing of the sites.**

| | |
|---|---|
| 2023 reported expectations[1] | £10-20 million over 2-4 years |
| Updated expectations[2] | £10-20 million over 1-3 years |

#### Improving efficiency – CHP construction project

**CHP construction has continued on schedule and on budget, with completion expected during Q2 2025.**

| | |
|---|---|
| 2023 reported expectations[1] | £10-15 million over 2-3 years |
| Updated expectations[2] | £8 million in March 2024 NAV$^{APM}$, c.£2-7 million untaken, expected over 1-2 years |

#### Improving efficiency – other projects

**A number of projects have progressed as expected, with some being approved for commencement and some finishing installation. Additional accretive projects have been identified and are under development to maintain a pipeline of site efficiency improvements that accrue directly to the business.**

| | |
|---|---|
| 2023 reported expectations[1] | £5-10 million over 1-3 years |
| Updated expectations[2] | £1 million in March 2024 NAV$^{APM}$, c.£4 million untaken, expected over 1-2 years |

#### Cost recovery of overheads through tariff amendments

**RED-Rochester has developed amendments to the tariff to address the ability to recover capital and overhead costs. These amendments are due to be presented to and negotiated with EBP customers in mid-2024.**

| | |
|---|---|
| 2023 reported expectations[1] | £5-10 million over 3-5 years |
| Updated expectations[2] | £8 million in March 2024 NAV$^{APM}$, £10+ million untaken, expected over 2-5 years |

---

1. Estimated potential value uplift (expressed as the NAV$^{APM}$ incremental to the associated capital) and time frame as reported in the 2023 Annual Report.
2. Estimated potential value uplift (expressed as the NAV$^{APM}$ incremental to the associated capital) and time frame, correct as at the reporting date.

# **Performance** | Portfolio: Key Updates continued

## RED-Rochester

### Investment Updates for the Year

Several growth initiatives have progressed that will support the operational and financial performance at RED-Rochester. RED-Rochester's dedicated on-site management team has made significant progress to implement operational management processes, refine the management and execution of accretive projects, improve recruitment and retention of key technical and administrative talent, and identify opportunities to grow the business development pipeline collaboratively with EBP landowners.

Projects approved in 2022 were well progressed in the last year, including:

- completion in early 2024 of construction of the c.£7 million new chiller installation, with site-wide chilled water system improvements expected to be complete in Q2 2024; and
- construction of the c.£69 million CHP plant (cogeneration turbine generator and heat recovery steam generator) commenced in 2023 and remains on schedule and on budget, with expected start of commercial operation in Q2 2025.

As previously reported, an existing EBP tenant, Li-Cycle, has been significantly expanding its EBP facilities with the construction of a new hub processing centre. To support Li-Cycle's schedule and targeted mid-2024 commercial operations date, RED-Rochester executed an interconnection agreement with Li-Cycle and commenced construction to connect Li-Cycle's new facilities in Q2 2023. However, Li-Cycle suspended EBP project construction activities in Q4 2023, with construction at an advanced stage, citing significant cost overruns and related construction issues, none of which were associated with any RED-Rochester interconnection work. Li-Cycle announced in Q1 2024 additional bridge funding that would support restarting construction, which is now expected to occur before the end of calendar year 2024.

We have provisioned for projected revenues being delayed from H2 2024 into 2025 and at a materially lower level than previous projections, fundamentally assuming that the Li-Cycle facilities will come into operation.

Meanwhile, we have focused on educating and communicating the value of site properties owned by Eastman Kodak, the largest EBP landowner. Eastman Kodak has appointed a real estate broker, with which RED-Rochester is working to improve the marketing of available sites. RED-Rochester is also engaging directly with potential tenants to communicate and demonstrate the advantages of EBP sites in their development plans, which has been positively received.

Work has also progressed to identify and commence development work for additional accretive projects now included in the pipeline, increasing the number of opportunities to increase energy efficiency and revenue generation.

In line with our projections in our Interim Results during the year, EBITDA was c.21% below budget for the calendar year 2023, driven by several factors, including:

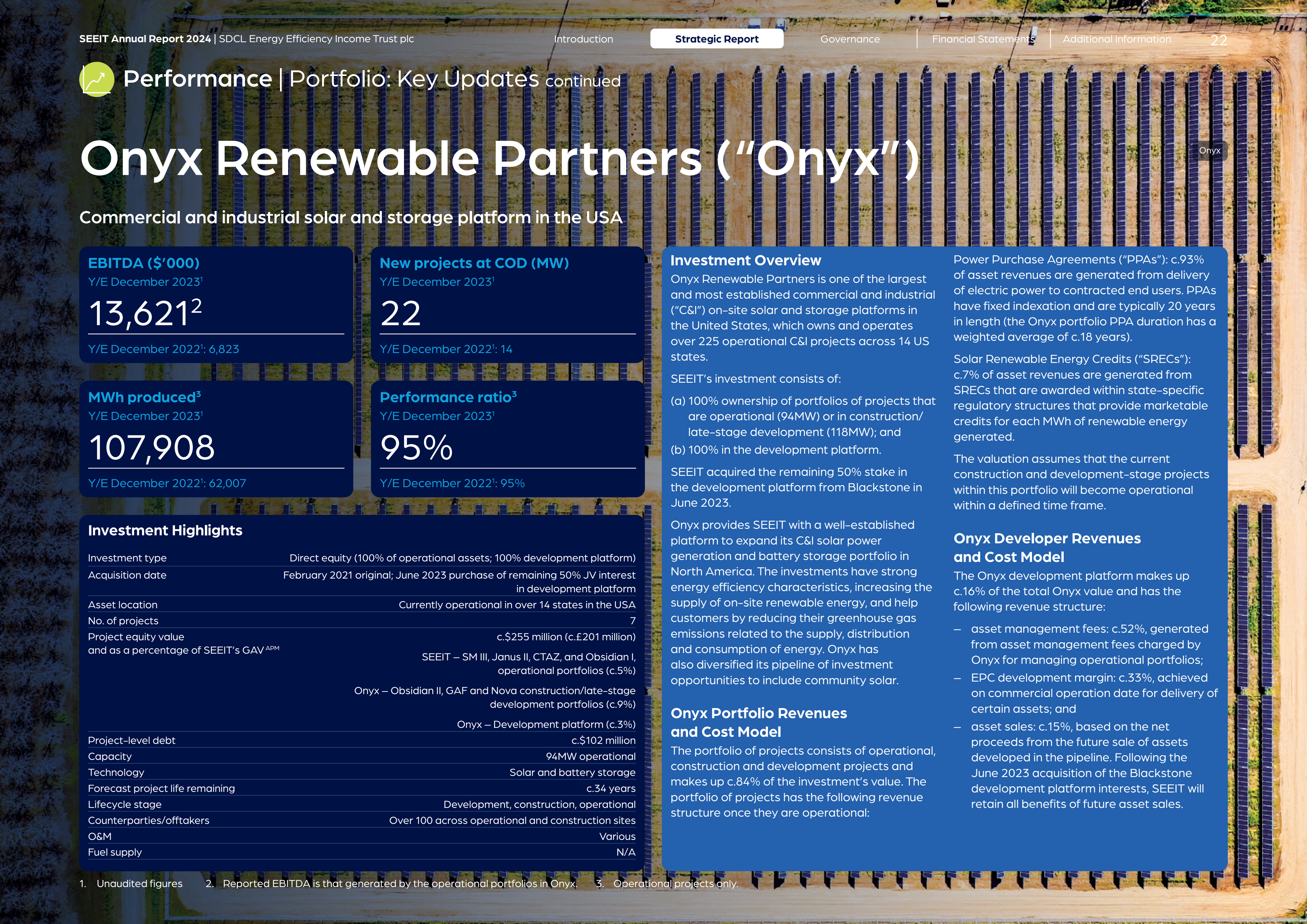
(a) lower-than-budgeted demand from a few large customers, arising from unexpected decreased market demand for their products, lower electricity demand from Li-Cycle construction activities, as well as slower arrival of fleet electric vehicles at Amazon, lowering their planned energy demand. Overall, MMBtus delivered were c.10% under budget as a result; and

(b) mild weather in the first half of 2023, which resulted in lower demand for space conditioning utility services, including steam and chilled water.

We are therefore now developing amendments to the current tariff structure to mitigate the risk of recurrence. These amendments will be presented to the EBP customers in mid-2024 for consideration, negotiation and approval.


RED-Rochester


RED-Rochester


Onyx

## **Performance** | Portfolio: Key Updates continued

# Onyx Renewable Partners ("Onyx")

### Commercial and industrial solar and storage platform in the USA

**EBITDA ($'000)**
Y/E December 2023[1]
13,621[2]
Y/E December 2022[1]: 6,823

**New projects at COD (MW)**
Y/E December 2023[1]
22
Y/E December 2022[1]: 14

**MWh produced[3]**
Y/E December 2023[1]
107,908
Y/E December 2022[1]: 62,007

**Performance ratio[3]**
Y/E December 2023[1]
95%
Y/E December 2022[1]: 95%

### Investment Highlights

| | |
|---|---|
| Investment type | Direct equity (100% of operational assets; 100% development platform) |
| Acquisition date | February 2021 original; June 2023 purchase of remaining 50% JV interest in development platform |
| Asset location | Currently operational in over 14 states in the USA |
| No. of projects | 7 |
| Project equity value and as a percentage of SEEIT's GAV APM | c.$255 million (c.£201 million)<br>SEEIT – SM III, Janus II, CTAZ, and Obsidian I, operational portfolios (c.5%)<br>Onyx – Obsidian II, GAF and Nova construction/late-stage development portfolios (c.9%)<br>Onyx – Development platform (c.3%) |
| Project-level debt | c.$102 million |
| Capacity | 94MW operational |
| Technology | Solar and battery storage |
| Forecast project life remaining | c.34 years |
| Lifecycle stage | Development, construction, operational |
| Counterparties/offtakers | Over 100 across operational and construction sites |
| O&M | Various |
| Fuel supply | N/A |

### Investment Overview

Onyx Renewable Partners is one of the largest and most established commercial and industrial ("C&I") on-site solar and storage platforms in the United States, which owns and operates over 225 operational C&I projects across 14 US states.

SEEIT's investment consists of:

(a) 100% ownership of portfolios of projects that are operational (94MW) or in construction/late-stage development (118MW); and
(b) 100% in the development platform.

SEEIT acquired the remaining 50% stake in the development platform from Blackstone in June 2023.

Onyx provides SEEIT with a well-established platform to expand its C&I solar power generation and battery storage portfolio in North America. The investments have strong energy efficiency characteristics, increasing the supply of on-site renewable energy, and help customers by reducing their greenhouse gas emissions related to the supply, distribution and consumption of energy. Onyx has also diversified its pipeline of investment opportunities to include community solar.

### Onyx Portfolio Revenues and Cost Model

The portfolio of projects consists of operational, construction and development projects and makes up c.84% of the investment's value. The portfolio of projects has the following revenue structure once they are operational:

Power Purchase Agreements ("PPAs"): c.93% of asset revenues are generated from delivery of electric power to contracted end users. PPAs have fixed indexation and are typically 20 years in length (the Onyx portfolio PPA duration has a weighted average of c.18 years).

Solar Renewable Energy Credits ("SRECs"): c.7% of asset revenues are generated from SRECs that are awarded within state-specific regulatory structures that provide marketable credits for each MWh of renewable energy generated.

The valuation assumes that the current construction and development-stage projects within this portfolio will become operational within a defined time frame.

### Onyx Developer Revenues and Cost Model

The Onyx development platform makes up c.16% of the total Onyx value and has the following revenue structure:

- asset management fees: c.52%, generated from asset management fees charged by Onyx for managing operational portfolios;
- EPC development margin: c.33%, achieved on commercial operation date for delivery of certain assets; and
- asset sales: c.15%, based on the net proceeds from the future sale of assets developed in the pipeline. Following the June 2023 acquisition of the Blackstone development platform interests, SEEIT will retain all benefits of future asset sales.

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1. Unaudited figures. 2. Reported EBITDA is that generated by the operational portfolios in Onyx. 3. Operational projects only.

# **Performance** | Portfolio: Key Updates continued

## Onyx Renewable Partners ("Onyx")

### Investment Risks and Mitigants

| Risk type and description | Mitigation |
|---|---|
| **Operational:**<br>Near-term delays in development pipeline to achieve expected commercial operations dates ("COD") reduces revenue and cash flow; as valuation assumes quicker transition of pipeline projects from development to operational status. | The Investment Manager and Onyx have focused on accelerating the conversion of the development pipeline. Key Onyx leadership positions are now filled with individuals who are streamlining and accelerating development activities. These include strategic marketing and communications plans, expanded origination and lead generation processes, improved project management, derisked supply chain requirements and incorporation of quality management principles.<br>The development pipeline is more robust, with more initial customer leads resulting in exclusivity, customer contract execution and construction commencement. The larger pipeline helps to mitigate the risk of execution delays. |
| **Operational:**<br>Underperformance of operational projects. | Onyx has implemented a company-wide quality programme to reduce operational underperformance. This includes quality controls and inspections during project construction, installing tier 1 equipment with market-based warranties and using OEM repair parts, best-in-class procedures and preferred contractors to perform O&M at project sites. |
| **Operational:**<br>Supply chain, interconnection issues and cost increases. | During project development, PPA pricing includes construction and operational costs with appropriate contingencies based on Onyx's experience and project requirements identified at the time of signing. As part of the focus on quality, Onyx is selecting standard components across multiple projects to buy in bulk wherever possible to minimise costs as well as streamlining maintenance and spares requirements during operations.<br>Following approval of the US Inflation Reduction Act ("IRA"), Onyx is proactively managing the interconnection and permitting approval process, with long queues slowing progress. High demand for electrical components globally, especially equipment such as switchgear and transformers, is being mitigated by Onyx using standard components across projects and ordering in bulk in advance of expected requirements, pushing design decisions earlier to get ahead of these delays. |

### Value Accretion

Onyx is focused on value accretion, targeting two main activities to raise the overall worth of the development platform:

- increasing the number of prospective projects in the solar and battery storage pipeline adds to Onyx's value. Valuation of the Onyx development platform assumes a forecast level of MW under management over a period, with value created through revenues from Onyx's asset management and operations (engineering, procurement and construction) teams, recognising the intrinsic value derived from the potential sale of any portfolio project. Increasing the number of projects and total MW in the pipeline increases the value of the development platform; and
- improving the economics and margins achieved on new individual solar and battery storage projects can create value for SEEIT given that it has an option to contract and acquire projects at pre-agreed rates of return.

Several upside opportunities exist for Onyx that have not been reflected in its valuation (unless otherwise stated), which could provide additional value over the short to medium term:

### Existing Initiatives

#### Operational cash flows – 10% increase in expected MW deployment in the near term

**Management is on track to build 75MW in 2024, in line with targets. In addition, management has begun to develop a large pipeline of community solar projects, partially reflected in the valuation.**

| | |
|---|---|
| 2023 reported expectations[1] | £5–10 million over 3 years |
| Updated expectations[2] | £5–10 million over 3 years |

#### Development platform – increase in MW deployment

| | |
|---|---|
| 2023 reported expectations[1] | £5–10 million over 3+ years |
| Updated expectations[2] | £5–10 million over 3+ years |

#### Improved economics resulting from the Inflation Reduction Act

**The IRA continues to benefit Onyx primarily through the long-term stability in investment tax credits, improving underlying project economics and providing headroom in PPA pricing. Indirectly, the wider economic stimulus provided by the IRA and other recent policy efforts to promote the energy transition in the US have benefited Onyx through increasing customer approaches and a consequently expanding pipeline.**

| | |
|---|---|
| 2023 reported expectations[1] | £2–5 million over 3–5 years |
| Updated expectations[2] | £2–5 million over 2–4 years |

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1. Estimated potential value uplift (expressed as the NAV $^{APM}$ incremental to the associated capital) and time frame, as reported in the 2023 Annual Report.
2. Estimated potential value uplift (expressed as the NAV $^{APM}$ incremental to the associated capital) and time frame, correct as at the reporting date.

# **Performance** | Portfolio: Key Updates continued

## Onyx Renewable Partners ("Onyx")

### Investment Updates for the Year

The Investment Manager has worked closely with the Onyx team to ensure that the investment has the right leadership and support to develop and convert its project opportunity pipeline. Specific actions included:

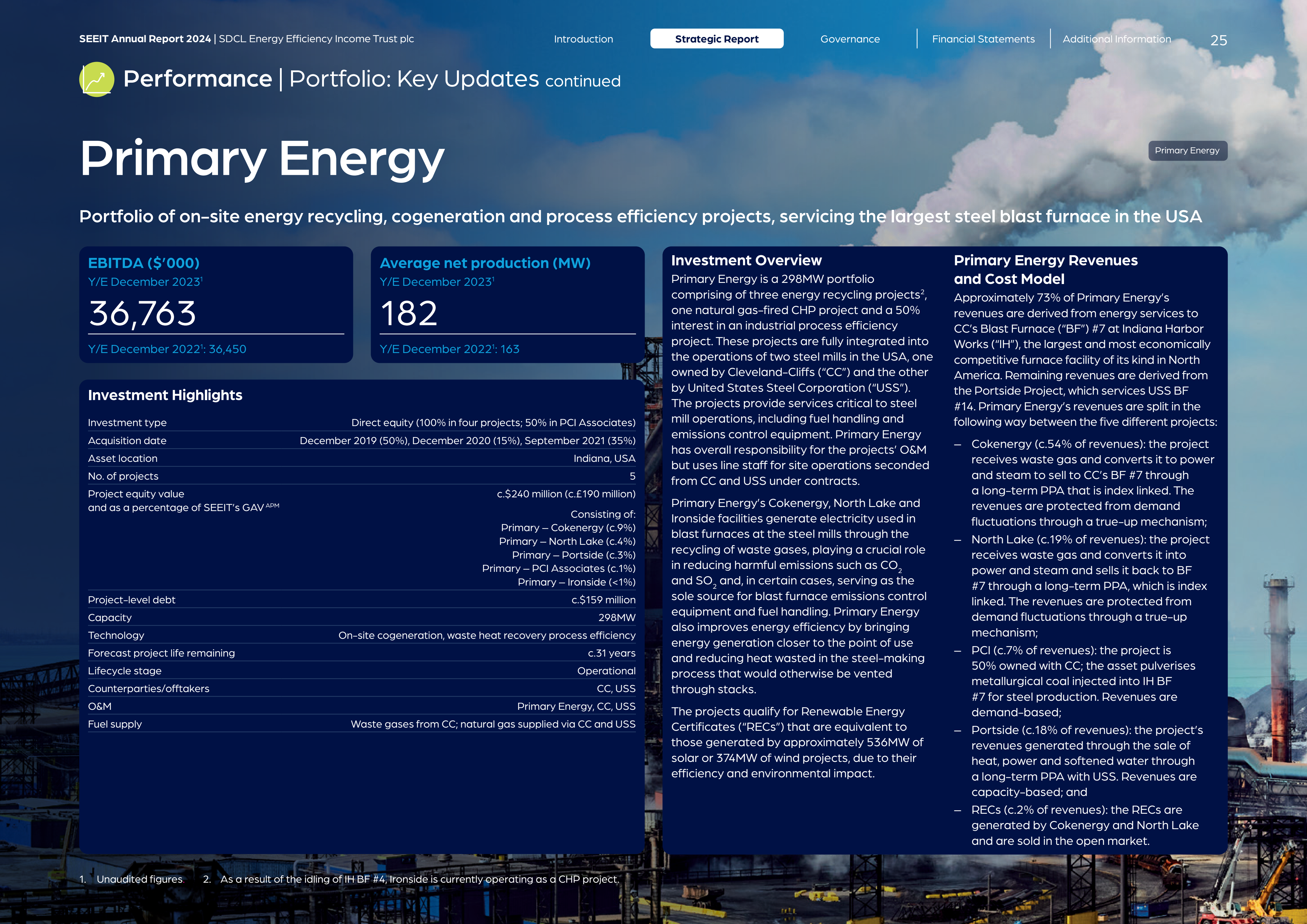
- continuing collaboration with Onyx's management to drive growth and optimise operations, asset management and business development;
- the expansion of the Onyx management team to enhance governance and increase capacity, through the hiring of a Chief Legal Officer, Chief Administrative Officer and a Finance Senior Vice President;
- accelerating pipeline development and execution through improved planning, procurement, project management and operational procedures; and
- implementation of quality programmes focusing on improved project procurement and construction, best-in-class customer service, and effective execution of operations and maintenance practices.

As a result of positive changes in the development business, Onyx management improved pipeline development in 2023, executing a company record 75MW of project PPAs in the calendar year, with 40MW of projects achieving "notice to proceed with construction" ("NTP").

Annual delivery of projects to COD increased c.70% year-on-year to December 2023. However, this was under budget due in part to delays in supply chain logistics in obtaining critical project components as well as interconnection delays, both exacerbated by significant market demand resulting from the passage of the US IRA. While improved, permitting and interconnection delays remain challenging for projects to reach COD. This remains a timing issue, which is factored into forecasts, rather than resulting in lost projects.

Legacy delays in supply chain repair parts availability, component failures, insurance claims and customer co-ordination issues to resolve third-party damages resulted in c.5% lower production and performance than budgeted for the period. Onyx's asset management team successfully resolved a number of these issues in the last year, with the expectation that improved maintenance practices and root cause analyses will result in improved performance going forward.


Onyx



## **Performance** | Portfolio: Key Updates continued

Primary Energy

# Primary Energy

### Portfolio of on-site energy recycling, cogeneration and process efficiency projects, servicing the largest steel blast furnace in the USA

**EBITDA ($'000)**
Y/E December 2023[1]
36,763
Y/E December 2022[1]: 36,450

**Average net production (MW)**
Y/E December 2023[1]
182
Y/E December 2022[1]: 163

### Investment Highlights

| | |
|---|---|
| Investment type | Direct equity (100% in four projects; 50% in PCI Associates) |
| Acquisition date | December 2019 (50%), December 2020 (15%), September 2021 (35%) |
| Asset location | Indiana, USA |
| No. of projects | 5 |
| Project equity value and as a percentage of SEEIT's GAV [APM] | c.$240 million (c.£190 million)<br>Consisting of:<br>Primary – Cokenergy (c.9%)<br>Primary – North Lake (c.4%)<br>Primary – Portside (c.3%)<br>Primary – PCI Associates (c.1%)<br>Primary – Ironside (<1%) |
| Project-level debt | c.$159 million |
| Capacity | 298MW |
| Technology | On-site cogeneration, waste heat recovery process efficiency |
| Forecast project life remaining | c.31 years |
| Lifecycle stage | Operational |
| Counterparties/offtakers | CC, USS |
| O&M | Primary Energy, CC, USS |
| Fuel supply | Waste gases from CC; natural gas supplied via CC and USS |

### Investment Overview

Primary Energy is a 298MW portfolio comprising of three energy recycling projects[2], one natural gas-fired CHP project and a 50% interest in an industrial process efficiency project. These projects are fully integrated into the operations of two steel mills in the USA, one owned by Cleveland-Cliffs ("CC") and the other by United States Steel Corporation ("USS"). The projects provide services critical to steel mill operations, including fuel handling and emissions control equipment. Primary Energy has overall responsibility for the projects' O&M but uses line staff for site operations seconded from CC and USS under contracts.

Primary Energy's Cokenergy, North Lake and Ironside facilities generate electricity used in blast furnaces at the steel mills through the recycling of waste gases, playing a crucial role in reducing harmful emissions such as $CO_2$ and $SO_2$ and, in certain cases, serving as the sole source for blast furnace emissions control equipment and fuel handling. Primary Energy also improves energy efficiency by bringing energy generation closer to the point of use and reducing heat wasted in the steel-making process that would otherwise be vented through stacks.

The projects qualify for Renewable Energy Certificates ("RECs") that are equivalent to those generated by approximately 536MW of solar or 374MW of wind projects, due to their efficiency and environmental impact.

### Primary Energy Revenues and Cost Model

Approximately 73% of Primary Energy's revenues are derived from energy services to CC's Blast Furnace ("BF") #7 at Indiana Harbor Works ("IH"), the largest and most economically competitive furnace facility of its kind in North America. Remaining revenues are derived from the Portside Project, which services USS BF #14. Primary Energy's revenues are split in the following way between the five different projects:

- Cokenergy (c.54% of revenues): the project receives waste gas and converts it to power and steam to sell to CC's BF #7 through a long-term PPA that is index linked. The revenues are protected from demand fluctuations through a true-up mechanism;
- North Lake (c.19% of revenues): the project receives waste gas and converts it into power and steam and sells it back to BF #7 through a long-term PPA, which is index linked. The revenues are protected from demand fluctuations through a true-up mechanism;
- PCI (c.7% of revenues): the project is 50% owned with CC; the asset pulverises metallurgical coal injected into IH BF #7 for steel production. Revenues are demand-based;
- Portside (c.18% of revenues): the project's revenues generated through the sale of heat, power and softened water through a long-term PPA with USS. Revenues are capacity-based; and
- RECs (c.2% of revenues): the RECs are generated by Cokenergy and North Lake and are sold in the open market.

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1. Unaudited figures.
2. As a result of the idling of IH BF #4, Ironside is currently operating as a CHP project.

# **Performance** | Portfolio: Key Updates continued

## Primary Energy

### Investment Risks and Mitigants

| Risk type and description | Mitigation |
|---|---|
| **Operational:**<br>Recontracting of existing PPAs is assumed in the forecasts and risk of recontracting terms being below forecasts. | Primary Energy assets play a critical role in the operations of two of the most profitable and critical blast furnaces in North America, providing significant cost savings and emissions reductions. Given our incumbent occupancy at the sites, alternative energy sources would not be able to compete on the same terms and associated benefits.<br>The successful renegotiation of the Cokenergy contract during 2023 provides a reference point for the assumption in the valuation that Portside will be successfully renewed in the future at a higher level than the current contract. |
| **Credit:**<br>Offtaker is currently sub-investment grade. | Primary Energy counterparties CC and USS are sub-investment grade. The CC blast furnaces associated with the Primary Energy assets are some of the largest in the USA and are highly profitable. Given their importance to the North American steel market, the likelihood of not finding a buyer, in the event of a credit default by CC, is considered low. |
| **Climate:**<br>Development of new technologies to lower carbon emissions may displace or make obsolete existing pulverised coal injection ("PCI") technology, leading to reduction in revenues. | The Investment Manager and Primary Energy are in discussions with CC and USS to assess options for employing best available technologies across the five projects and will deploy, and/or replace, them into existing assets if necessary. |

### Value Accretion Potential

Examples of upside opportunities at Primary Energy that have not been reflected in its valuation (unless otherwise stated), but could provide additional value over the short to medium term, include:

### Existing Initiatives:

**Additional revenues and contracts from existing assets**

**Primary Energy continued discussions with CC to develop requirements to allow Primary Energy to pursue participation in the Midcontinent Independent System Operator ("MISO") capacity market. This is a prerequisite to pursuing the increasing of electric generation capacity at Primary Energy facilities.**

| | |
|---|---|
| 2023 reported expectations[1] | £5–10 million over 2–5 years |
| Updated expectations[2] | £5–10 million over 1–4 years |

**Operational energy efficiency projects**

**Installation of one project (bag filters) started in early 2023 and will be completed in phases between 2024 and 2026. A further two projects were approved, with one due to become operational in late 2024 (boiler feedwater heating) and one due to become operational mid-2026 (variable frequency drives).**

| | |
|---|---|
| 2023 reported expectations[1] | £2–5 million over 2–3 years |
| Updated expectations[2] | £3 million in March 2024 NAV$^{APM}$, c.£4 million untaken, expected over 1–2 years |

**BF #4 restarted by Cleveland-Cliffs**

**CC has made no commitment regarding IH BF #4 – hence the impact and time frames remain uncertain.**

| | |
|---|---|
| 2023 reported expectations[1] | £20–40 million over an uncertain time period |
| Updated expectations[2] | £20–40 million over an uncertain time period |

### Investment Updates in the Year

Primary Energy remains focused on maximising operational performance at their five operating facilities.

This was underscored by the successful major overhaul of the Portside combustion engine completed in April 2023, which included replacement of the rotor to extend engine operating life, improve reliability and reduce required major maintenance for the life of this component. This major overhaul was completed on budget and on programme.

The Investment Manager supported Primary Energy leadership in their development of the interim operating agreement proposal, signed in Q1 2023, for the continuation of select operations at Ironside. This was following the idling of CC's IH BF #4 in 2022 and provided incremental revenues to run Primary Energy's more efficient boilers using natural gas purchased by CC.

1. Estimated potential value uplift (expressed as the NAV$^{APM}$ incremental to the associated capital) and time frame, as reported in the 2023 Annual Report.
2. Estimated potential value uplift (expressed as the NAV$^{APM}$ incremental to the associated capital) and time frame, correct as at the reporting date.

# **Performance** | Portfolio: Key Updates continued

## Primary Energy

The Investment Manager worked closely with Primary Energy during 2023 in renewing the Cokenergy contract, signed in January 2024. Under this new twelve-year agreement, a single-tier pricing structure for energy was agreed that will improve revenues by c.13% and enhance Primary Energy's ability to execute accretive projects with favourable returns. Significant cost risk was removed with CC's agreement to assume all costs for O&M labour, previously a Primary Energy responsibility. A fee was also incorporated for CC to reimburse Primary Energy for certain emissions programme services. The majority of the benefit of the revised contract terms had already been included in the previous valuation.

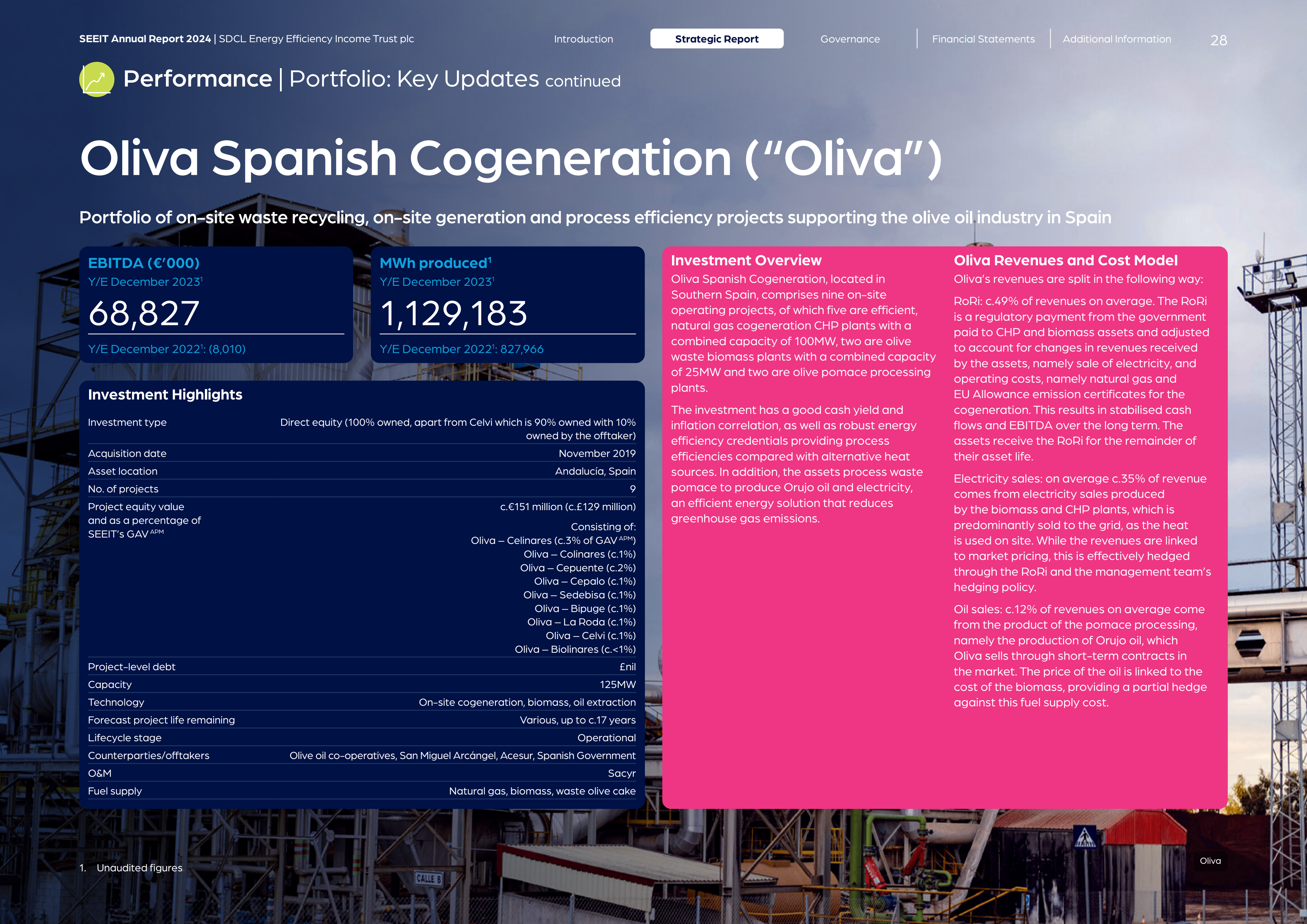
The Investment Manager and Primary Energy continue to pursue discussions with CC regarding PCI, which provides pulverised metallurgical coal that is essential for steelmaking in IH BF #7. The Investment Manager is preparing for negotiations for the renewal of the partnership agreement with CC in September 2025. It will engage with them to discuss options to extend the asset life as well as consider technology alternatives that align to SEEIT and CC objectives for lower carbon emissions.

EBITDA for 2023 was slightly up, due to high levels of operating availability and capacity from CC's IH BF #7, resulting in strong performance and availability at the Cokenergy, North Lake and PCI facilities. Despite CC's continued idling of IH BF #4, Ironside demonstrated above-budget EBITDA and net production as CC used both boiler and steam turbine generator capacity that was not originally anticipated. The Portside facility EBITDA was down due to below-budgeted natural gas prices that depressed revenues related to contracted cost savings mechanisms as well as lower demand from the USS site due to their market conditions.

Operations and maintenance costs across the Primary Energy facilities were c.7% below budget despite two unplanned outages caused by faults within CC systems, for which the investment has neither control nor responsibility, that affected Cokenergy operations during the year.


Primary Energy

## **Performance** | Portfolio: Key Updates continued



# Oliva Spanish Cogeneration ("Oliva")

### Portfolio of on-site waste recycling, on-site generation and process efficiency projects supporting the olive oil industry in Spain

**EBITDA (€'000)**
Y/E December 2023[1]

68,827

Y/E December 2022[1]: (8,010)

**MWh produced[1]**
Y/E December 2023[1]

1,129,183

Y/E December 2022[1]: 827,966

### Investment Highlights

| | |
|---|---|
| Investment type | Direct equity (100% owned, apart from Celvi which is 90% owned with 10% owned by the offtaker) |
| Acquisition date | November 2019 |
| Asset location | Andalucía, Spain |
| No. of projects | 9 |
| Project equity value and as a percentage of SEEIT's GAV[APM] | c.€151 million (c.£129 million)<br>Consisting of:<br>Oliva – Celinares (c.3% of GAV[APM])<br>Oliva – Colinares (c.1%)<br>Oliva – Cepuente (c.2%)<br>Oliva – Cepalo (c.1%)<br>Oliva – Sedebisa (c.1%)<br>Oliva – Bipuge (c.1%)<br>Oliva – La Roda (c.1%)<br>Oliva – Celvi (c.1%)<br>Oliva – Biolinares (c.<1%) |
| Project-level debt | £nil |
| Capacity | 125MW |
| Technology | On-site cogeneration, biomass, oil extraction |
| Forecast project life remaining | Various, up to c.17 years |
| Lifecycle stage | Operational |
| Counterparties/offtakers | Olive oil co-operatives, San Miguel Arcángel, Acesur, Spanish Government |
| O&M | Sacyr |
| Fuel supply | Natural gas, biomass, waste olive cake |

### Investment Overview

Oliva Spanish Cogeneration, located in Southern Spain, comprises nine on-site operating projects, of which five are efficient, natural gas cogeneration CHP plants with a combined capacity of 100MW, two are olive waste biomass plants with a combined capacity of 25MW and two are olive pomace processing plants.

The investment has a good cash yield and inflation correlation, as well as robust energy efficiency credentials providing process efficiencies compared with alternative heat sources. In addition, the assets process waste pomace to produce Orujo oil and electricity, an efficient energy solution that reduces greenhouse gas emissions.

### Oliva Revenues and Cost Model

Oliva's revenues are split in the following way:

RoRi: c.49% of revenues on average. The RoRi is a regulatory payment from the government paid to CHP and biomass assets and adjusted to account for changes in revenues received by the assets, namely sale of electricity, and operating costs, namely natural gas and EU Allowance emission certificates for the cogeneration. This results in stabilised cash flows and EBITDA over the long term. The assets receive the RoRi for the remainder of their asset life.

Electricity sales: on average c.35% of revenue comes from electricity sales produced by the biomass and CHP plants, which is predominantly sold to the grid, as the heat is used on site. While the revenues are linked to market pricing, this is effectively hedged through the RoRi and the management team's hedging policy.

Oil sales: c.12% of revenues on average come from the product of the pomace processing, namely the production of Orujo oil, which Oliva sells through short-term contracts in the market. The price of the oil is linked to the cost of the biomass, providing a partial hedge against this fuel supply cost.

Oliva

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1. Unaudited figures

# Performance | Portfolio: Key Updates continued

## Oliva Spanish Cogeneration ("Oliva")

### Investment Risks and Mitigants

| Risk type and description | Mitigation |
|---|---|
| **Regulatory**:<br>Increase of EU Emissions Trading System ("ETS") costs. | The cost of EU ETS certificates has seen relative volatility over recent years, albeit during 2023 there was a steady decline in the certificate price. The costs of the EU ETS are reimbursed over the medium term through the RoRi mechanism, which has seen positive structural updates during the reporting period. Control of the EU ETS costs is also subject to Oliva's management team's hedging policy, which is constructed to reduce the impact of the market volatility. |
| **Regulatory**:<br>Update of RoRi mechanism: previous timing delays by the Spanish Government have improved, but still exist, creating short-term cash impacts on the business as well as general uncertainty in the market. | Significant updates were received during the reporting period that have seen an improvement to the structure of the RoRi. This should result in more frequent updates that should allow for an improvement in consistency with energy market pricing.<br>The Investment Manager remains cautious about the timely administration of the scheme by the Spanish Government, and therefore has continued lobbying efforts, through trade bodies, to try to ensure timely decision making. |
| **Regulatory**:<br>Potential new regulations on specification of olive oil – potentially impacting the processing requirements and/or impacting the demand for olive oil. | Management is collaborating with industry associations and other producers to inform the regulations about what an appropriate specification would include.<br>Management is also investigating means to deliver the draft specification as well as looking at alternative uses and markets for the olive oil. |
| **Climate:**<br>Extreme weather conditions (particularly drought) continue to impact the olive harvest in Andalucía. This would not only impact the biomass assets within Oliva, but also the operations of the offtakers. | The Investment Manager has brought olive feedstock procurement expertise into the Oliva management team in order to more closely manage the activity and to strengthen relationships with the local supply chain. This is allowing Oliva to maximise procurement opportunities and hence minimise the impact in the short term.<br>Capital projects are also being explored, which would increase feedstock stockpiling capacity, further mitigating the risk in the medium to long term. There are also capital projects in early development looking to reduce the process water consumption of the operations and hence mitigate the risk of water restriction during periods of drought. |
| **Health and safety:**<br>Health and safety management resulting in poor practices and increased risk of health and safety incidents. | The Investment Manager, along with the Oliva management team, has increased the level of monitoring, reviews and auditing of the O&M contractor to ensure contractual and regulatory compliance and best practice is delivered across the operations. |

### Value Accretion Potential

The Investment Manager has been investigating several upside opportunities at Oliva that have not been reflected in its current valuation (unless otherwise stated), but could provide additional value over the short, medium and long term, including:

### Existing Initiatives:

**Use of owned land for additional revenues (e.g. solar)**

**Three projects (solar, olive oil extraction and biogas generation) have been progressed through early development, as expected. Projects will be progressed through detailed development and necessary commercial negotiations in order to complete a full appraisal prior to an investment decision.**

| | |
|---|---|
| 2023 reported expectations[1] | £1–3 million over 3–4 years |
| Updated expectations[2] | £1–3 million over 2–3 years |

**Extension of an existing contract**

**Offtake contract at the Celvi contract successfully negotiated and executed, for an additional ten years.**

| | |
|---|---|
| 2023 reported expectations[1] | £5–10 million over 1 year |
| Updated expectations[2] | £7.3 million in March 2024 NAV $^{APM}$ |

### Investment Updates in the Year

Following a challenging 2022, Oliva has responded strongly through 2023. As a result of diligent cash management through 2022, Oliva was well positioned at the start of 2023. When the global energy markets began to moderate at the start of 2023, this was critical in allowing the assets to swiftly return to operations in line with expectations.

The level of support through the RoRi scheme provided a strong tailwind for performance, somewhat mirroring the headwinds experienced during 2022. Towards the end of 2023 the Spanish Government published long-expected improvements to the RoRi scheme that are expected to improve the administration of the scheme and ensure a more suitable alignment of the scheme with the global energy markets.

While the tailwind from the RoRi scheme was a significant contributor to the positive performance, a profit of c.€15 million was also generated from the activities of the Oliva in-house procurement team. This was the result of successfully delivering Oliva's clean spark spread hedging policy.

Technical availability at the project sites has largely been high, but there was a period of significant downtime at the Cepuente site that resulted from the landlord unintentionally damaging the export cable during routine site work.

Operations were restored as a priority and Oliva's management team continue to work with the landlord and insurers to recover the lost revenues and repair costs, which amount to c.€7 million; this is not included in the financial results for the year.

1. Estimated potential value uplift (expressed as the NAV $^{APM}$ incremental to the associated capital) and time frame, as reported in the 2023 Annual Report.
2. Estimated potential value uplift (expressed as the NAV $^{APM}$ incremental to the associated capital) and time frame, correct as at the reporting date.

# **Performance** | Portfolio: Key Updates continued

## Oliva Spanish Cogeneration ("Oliva")

There have been two successful pieces of legal and commercial work in the period. Firstly, the heat offtake contract at Celvi has successfully been extended for a further ten years, coterminous with the project's RoRi support, under improved terms. Secondly, an arbitration process with a previous gas supplier has reached settlement in Oliva's favour, seeing the return of c.€3 million of pre-payments that the supplier was unlawfully retaining.

In October 2023, a worker of a subcontractor to Oliva's O&M contractor sadly died at one of the Oliva sites. The circumstances that led to this incident are still subject to statutory investigations, which are yet to be concluded. This is expected during 2024. While Oliva is co-operating fully with these investigations, the Investment Manager and Oliva's management team have also taken timely and proactive steps to conduct their own independent investigation, which has concluded that there is no expectation of any fault or liability being found against Oliva or its management. The Investment Manager and Oliva's management team continue to work closely with the O&M contractor to ensure that health and safety best practices are maintained at the sites.


Oliva


Oliva

## **Performance** | Portfolio: Key Updates continued

# Värtan Gas

### Green gas distribution and supply for the city of Stockholm

**EBITDA (SEK million)**
Y/E December 2023[1]
58.9
Y/E December 2022[1]: 40.2

**% of green gas**
Y/E December 2023[1]
91%
Y/E December 2022[1]: 78%

### Investment Highlights

| | |
|---|---|
| Investment type | Direct equity |
| Acquisition date | October 2020 |
| Asset location | Stockholm, Sweden |
| No. of projects | 1 |
| Project equity value and as a percentage of SEEIT's GAV APM | c.SEK 940 million (c.£70 million) (c.6%) |
| Project-level debt | c.SEK 682 million |
| Capacity | Distributing approximately 225GWh/year of gas |
| Technology | Green gas distribution |
| Forecast project life remaining | c.21 years and terminal value |
| Lifecycle stage | Operational |
| Counterparties/offtakers | Various, including c.50,000 residential customers and c.800 commercial and industrial customers |
| O&M | Värtan Gas |
| Fuel supply | Biokraft, Gasum, Others |

### Investment Overview

Värtan Gas owns and operates the regulated gas grid in Stockholm, Sweden. Over 80% of the gas is renewable biogas, with a significant proportion sourced from the city's wastewater facilities. The investment was fully operational from the point of acquisition, with strong long-term yield metrics and inflation correlation.

Värtan Gas provides essential energy infrastructure services, reducing pollution and greenhouse gas emissions at the point of use, through the displacement of natural gas in buildings and diesel in transport. These characteristics are aligned to Swedish national and EU regional strategies to attain carbon neutrality by 2040.

This investment has a substantial customer base and opportunity to unlock further growth potential – including through transport and restaurant segments, as well as the opportunity to diversify to supply Energy-as-a-Service ("EaaS") offerings to the customer base.

### Värtan Gas Revenues and Cost Model

The investment's revenues consist of:

- fixed tariff (c.39% of revenues): annual fixed fee to the regulated grid from end users, which is not related to consumption and is generally reviewed annually; and
- variable fee (c.61% of revenues): fees paid for the supply of gas which are related to consumption. Tariffs and prices are generally reviewed annually, or more frequently if required, and are predominantly based on gas costs and a margin.


Vartan Gas

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1. Unaudited figures.

# **Performance** | Portfolio: Key Updates continued

## Värtan Gas

### Investment Risks and Mitigants

| Risk type and description | Mitigation |
|---|---|
| **Operational**:<br>Churn rate (reduction) of customers higher than expected, resulting in fewer customers and lower revenues. | A new customer retention strategy has been implemented by Värtan Gas management to improve the customer experience. Churn has reduced during the reporting period, but remains a risk to the business. New strategies are being developed to diversify the customer base and offerings of Värtan Gas to mitigate both the cause and effect of churn. |
| **Operational**:<br>Transport and restaurant revenues lower than targeted, resulting in lower revenues. | Electrification of Stockholm buses continues and therefore the Värtan Gas management team is focusing on expanding into new transport segments such as ferries/marine transport. New offerings and sales resources have also been implemented to increase sales opportunities to restaurants. |
| **Regulatory**:<br>Periodic regulatory updates causing revenues to be less than expected. | This presents a cyclical risk that the business mitigates by active engagement with the regulator and lobbying directly with other transmission system operators ("TSOs"). The most recent risk was mitigated through the successful appeal of the regulators' previous decision. |
| **Commodity:**<br>Volatility in biogas costs, resulting in higher gas procurement costs. | Implementation of Värtan Gas's hedging strategy continues to derisk the volatility of the energy markets, hence enabling Värtan Gas to effectively pass on these costs to the customers. |
| **Biogas tax ruling:**<br>Challenges to the application of tax exemption to biogas, increasing the cost of biogas. | The Swedish Tax Authority is reapplying for the tax exemption, which is expected to be obtained during 2024. This does not impact residential customers due to separate tax rules, but does impact business customers in the short term. The impact on business customers is limited by careful review of the prices set by Värtan Gas and through engagement with them surrounding the tax exemption. |

### Value Accretion Potential

There are several examples of upside opportunities at Värtan Gas that have not been reflected in its current valuation (unless otherwise stated), but could provide additional value over the short to medium term, including:

### Existing Initiatives:

#### Improved customer retention

**New retention initiatives implemented, and some positive results achieved in the short term. However, the Investment Manager is minded to take a more conservative view on the value potential in this area.**

| | |
|---|---|
| 2023 reported expectations[1] | £3–5 million over 2–3 years |
| Updated expectations[2] | £3–5 million over 3–5 years |

#### New offerings and new business lines

**New EaaS customer offerings have been developed through the period, with first contracts being signed with customers. Solar products are a strategic focus for development and deployment over the coming period; initial progress is in line with expectations.**

| | |
|---|---|
| 2023 reported expectations[1] | £10–15 million over 3–5 years |
| Updated expectations[2] | £10–15 million over 2–4 years |

#### Appeal of regulatory decisions

**Appeal was successfully won, resulting in a favourable revision in regulatory decision, increasing revenue potential and regulated asset base ("RAB").**

| | |
|---|---|
| 2023 reported expectations[1] | £5–10 million over 1–2 years |
| Updated expectations[2] | £14 million in March 2024 NAV $^{APM}$ |

### New Initiative

#### Liquefaction connection project

**Project development completed and customer contracts signed. Construction due to start mid–2024.**

| | |
|---|---|
| 2023 reported expectations[1] | N/A |
| Updated expectations[2] | £3.9 million in March 2024 NAV $^{APM}$, £1.7 million untaken, expected over 1–2 years |

---

1. Estimated potential value uplift (expressed as the NAV $^{APM}$ incremental to the associated capital) and time frame, as reported in the 2023 Annual Report.
2. Estimated potential value uplift (expressed as the NAV $^{APM}$ incremental to the associated capital) and time frame, correct as at the reporting date.

# Performance | Portfolio: Key Updates continued

## Värtan Gas

### Investment Updates in the Year

Performance during the year has been positive with an overall increase of Värtan Gas's key performance indicators.

Some business-to-business ("B2B") customer segments, such as transport and restaurants, have seen reductions in volumes. In transport, the bus sector is undergoing electrification of many of the bus fleets. Värtan Gas is looking to replace these volumes by increasing supply to the Stockholm marine industry, which has an increasing pressure to decarbonise due to incoming regulations. This transition in the transport sector is expected to occur over the coming few years. In the restaurant sector, businesses appear to be operating with a close eye on their cost base; hence the restaurant volume consumption has seen a small decrease. Värtan Gas has increased its sales team to increase the restaurant customer base and has also rolled out a Heater-as-a-Service product to increase the gas sales to restaurants. Despite these customer headwinds, Värtan Gas has delivered the expected EBITDA performance, which is largely a result of improved margin on the gas sales cost; another positive outcome from Värtan Gas's gas hedging policy.

A positive outcome was reached in relation to the appeal of the Swedish regulator's (the Energy Markets Inspectorates ("Ei")) previous decision relating to reductions in the RAB, hence the revenue cap for the period 2023-2026. In September 2023, following the appeal of the TSOs (including Värtan Gas), the Ei confirmed it would retract their initial decision. Following this, in December 2023 and January 2024, it republished their decisions in relation to the calculation of the RAB and the assumed weighted average cost of capital ("WACC"), respectively. Both these updates were in the favour of the TSOs and have had a positive impact on the revenue potential and terminal value, and hence valuation, of Värtan Gas.

Since joining in January 2023, Värtan Gas's new CEO has been focused on driving excellence through the new consolidated organisational structure, at the same time as devising a new business strategy for delivering growth. During 2023, a new business line has been set up, named Driva – the Swedish for drive, power, operate. The Driva strategy is to develop new EaaS offerings, predominantly for B2B customers. To date, the Värtan Gas management team has developed new EaaS offerings, completed market research and testing, whilst developing the offerings on a commercial and contractual basis. This has resulted in the first EaaS contracts being signed for heating and electric vehicle ("EV") charging products. Solar-as-a-Service is of particular strategic importance and hence focus for the Driva brand.

As well as the growth areas, stability and sustainability of supply for biogas remains strategically important for the Investment Manager and the Värtan Gas management team. Along with continued focus on increasing the biogas content of the grid, which has been further increased during the period, and successful implementation of the hedging policy, the Värtan Gas management team is also exploring opportunities to vertically integrate the biogas supply chain, with a strategy to be devised during 2024.


Vartan Gas

# **Performance** | Additional Portfolio Project Updates

The following section provides an update on matters occurring during the year, in relation to other select investments from around the portfolio. The investment updates covered are based on materiality of the investment and/or the matter being reported.

### EVN

SEEIT's dedicated EV charging infrastructure platform has had another positive year, with its number of operational sites increasing from 6 to 23 (totalling 105 ultra-fast chargers, and another 150 fast chargers). The pipeline of projects continues to grow, with another five sites currently undergoing construction, soon to be handed over to the Charge Point Operator ("CPO"), and many more with agreed leases.

In September 2023, at an event attended by the Chancellor of the Exchequer, EVN unveiled the UK's largest fast charging hub at the NEC in Birmingham, which saw 30 ultra-fast chargers and 150 fast chargers handed over to the CPO.

### FES

The Investment Manager has worked closely with FES management in the last year to assess requirements to restructure the overall operations and development activities to restore profitability and to establish a strategy that provides for long-term growth and sustainability of the FES LED-lighting-as-a-service business. This has involved a streamlining of staffing and operations, as well as some key hires such as a new CFO to strengthen financial controls and reporting. The business development strategy was revised to focus on developing a robust pipeline targeting larger multi-site enterprise business prospects that have longer sales cycles but higher revenue potential. These changes will take some time to take full effect; however, during 2023, FES signed a total of $22 million of new contracts, including $15 million of completed installed contracts.

FES's operational service contracts continue to operate and to deliver stable income. In October 2023, SEEIT acquired a senior ranking debt facility from Deutsche Bank at a heavily discounted price, transferring the value of the related underlying FES service contacts to SEEIT.

### Huntsman Energy Centre

The Huntsman project successfully completed commissioning and testing, achieving the start of the operational phase in June 2023. Since then, the plant has also passed its performance testing and has been delivering energy services to the customer, Huntsman Polyurethanes.

Since the start of operations, there have been reliability issues with the water treatment plant that provides demineralised water to Huntsman. A significant focus of the Investment Manager has been put towards satisfactory rectification of this matter, with an upgrade of the system, at the contractor's cost, expected to be completed in the summer.

### Moy Park Biomass

The performance of the biomass boilers across the portfolio of sites continues to be strong, with output in line with expectations.

As previously reported, the minority shareholder, which is also the feedstock provider, had submitted two claims alleging force majeure ("FM") events and made allegations of loss in relation to their shareholding.

The FM claims were successfully managed by the Investment Manager to ensure continuity of services to the end customer. In relation to the allegations of shareholder loss, the Investment Manager successfully renegotiated the terms of the long-term feedstock agreement, to reflect general changes in market conditions, and removed the minority shareholder to bring these matters to a close.

### GET Solutions

Following on from the previous period, where SEEIT's GET Solutions project was impacted by record high gas costs, in October 2023 the Investment Manager employed a new gas procurement agent to improve visibility of the project's forecast fuel costs and implement a more sophisticated hedging policy. With energy markets still being elevated compared to long-term trends, fuel costs are still above the expectations at the conception of the project; however, the future hedged position of the project is much improved as a result of the change in gas procurement agent.

In addition to this, the Investment Manager has continued efforts to recover the historical high fuel costs from the previous gas procurement agent (as per contractual terms), to improve the financial position of SEEIT's project. Commercial and contractual discussions continue with the previous gas procurement agent to try and bring this matter to a conclusion.

## Portfolio Project Exits

### UU Solar

Following the year end, in May 2024, the Investment Manager successfully sold the investment in UU Solar to UK Power Networks Services Holdings Limited. The agreed price represented a 4.5% premium to the Company's 30 September 2023 valuation.

In the lead-up to the exit, the Investment Manager had progressed a number of workstreams, such as repowering projects and strategic inverter procurement, as well as commencing the installation of a new control (SCADA) system across the portfolio. These workstreams were important in relation to forecasting an improvement in performance of the portfolio, therefore supporting the agreed price at a premium to valuation.

### St Barts Hospital

During August 2023, the contract with St Barts Hospital in London came to a successful conclusion. This saw the project delivering all services to the hospital in line with expectations, and the ownership of the assets transferring to the hospital as intended.

### Santander Lighting

In July 2023, Santander exercised its option to end the contract early as part of a capital expenditure programme across its business. This exercise was successfully completed, with final payment received during Q1 2024.

# **Performance** | Financial Review and Valuation Update

## Financial Performance

The Company's investment strategy and the Investment Manager's focus on asset management has helped manage downside risks and target value-accretive opportunities during the year, notwithstanding market volatility.

£92m

2023: £85m

### Investment cash inflow from the portfolio

up 8% on a portfolio basis$^{\text{APM}}$, providing 1.1x dividend cash cover$^{\text{APM}}$

£(56)m

2023: £(19)m

### Loss before tax

reflects income of £64 million less the unrealised loss of £(118) million from increased discount rates and specific valuation adjustments.

(5.2)p

2023: (1.8)p

### Loss per share

comprising income components of 5.7 pence, made up from inflation increases, FX gain and portfolio performance, less capital component of 10.8 pence, made up of discount rate movements.

## Financing

The Investment Manager seeks to maintain a conservative level of total gearing$^{\text{APM}}$ consistent with the Company's tolerance for financial risk. Total gearing$^{\text{APM}}$ is measured on a look-through basis by including debt at Company level through to the investment portfolio level. The Company's investment policy provides for a target medium-term gearing$^{\text{APM}}$ of 35% of NAV$^{\text{APM}}$ ("structural gearing"$^{\text{APM}}$) and a consolidated borrowing limit of 65%, which includes the longer-term structural gearing$^{\text{APM}}$ and acquisition financing facilities used to finance the Company's investments over a shorter term, both calculated at the time of borrowing.

Refinancing risk at the portfolio level is managed through low gearing$^{\text{APM}}$, staggered debt tenors and maintaining low absolute levels of refinancing requirements over the medium term.

## Consolidated Gearing Position

The structural gearing$^{\text{APM}}$ target is measured across the portfolio, enabling the Company to optimise for efficiency and risk, utilise debt where it can be most efficiently sourced and enable a significant part of the portfolio (41 out of 54 investments) to operate on an unlevered basis. A large portion of the structural gearing$^{\text{APM}}$ amortises from free cash flow generated by the relevant investment and although the absolute exposure to portfolio-level gearing$^{\text{APM}}$ in GBP terms has reduced, as a percentage it has increased due to the reduction in the Company's NAV$^{\text{APM}}$.

There is no refinancing requirement at a portfolio level until at least 2025, although the Investment Manager may look to optimise through opportunistic project-level refinancing. For example, the Cokenergy recontracting substantially improves the finance capacity and risk from the perspective of a lender, from which the Investment Manager anticipates improvement of terms in the Primary Energy financing whilst retaining benefit from the long-term interest rate swaps currently in place.

The Company, via Holdco, also has a £180 million RCF in place until June 2026, having recently extended/refinanced the expiry date by twelve months. The Company intends for this to be a temporary finance, repayable through surplus distributions from the portfolio, refinancing proceeds at investment level and investment disposals which the Investment Manager is currently pursuing.

As at 31 March 2024, the Holdco RCF had been drawn by £155 million to fund investments. At 31 May 2024, the drawing had reduced to £98 million after a partial repayment following the disposal of UU Solar in May 2024. Based on investment outlook, the RCF could be £110–£130 million drawn at 30 September 2024 (before any proceeds from a disposal or portfolio-level refinancing), subject to returns from proposed investments meeting the Capital Allocation Policy criteria. The estimated drawings are predominantly based on projected capital requirements for Onyx and EVN.

| | % of GAV$^{\text{APM}}$ [1] | Debt at 31 Mar 24 | Debt as a % of EV[2] | Debt as a % of NAV$^{\text{APM}}$ |
|---|---|---|---|---|
| **Primary Energy (USA)** | 17% | £126m | 40% | N/A |
| **RED-Rochester (USA)** | 17% | £59m | 24% | |
| **Onyx (USA)** | 17% | £81m | 30% | |
| **Vartan Gas (Sweden)** | 6% | £51m | 46% | |
| **Capshare (Portugal)** | 1% | £14m | 30% | |
| **Citi Riverdale (UK)** | <1% | £1m | 34% | |
| **Structural gearing**<br>(medium-term target = 35% NAV$^{\text{APM}}$) | | £330m | 21% | 34%<br>(32% at March 2023) |
| **Aggregate gearing including RCF**<br>(cap = 65% NAV$^{\text{APM}}$) | | £485m | 30% | 49%<br>(32% at March 2023) |

1. Percentage of investment as a percentage of gross asset value ("GAV") as at 31 March 2024, consisting of Portfolio Valuation and other assets.
2. Enterprise value ("EV") equals the Investment value included in the Portfolio Valuation plus debt at investment level.

# **Performance** | Financial Review and Valuation Update continued

## Gearing summary as at 31 March 2024

**Investments geared**

12[1]/54 investments

2023: 14/55

**Weighted average interest rate of portfolio debt**

6.0%

2023: 5.8%

**Interest rate exposure of portfolio debt**

80% is fixed[2]

2023: 80%

**Portfolio-level debt by geography**

USA: **80%**
Europe: **19%**
UK: **<1%**

2023: USA: 79%, Europe: 20%, UK: <1%

**Weighted average life remaining on debt**

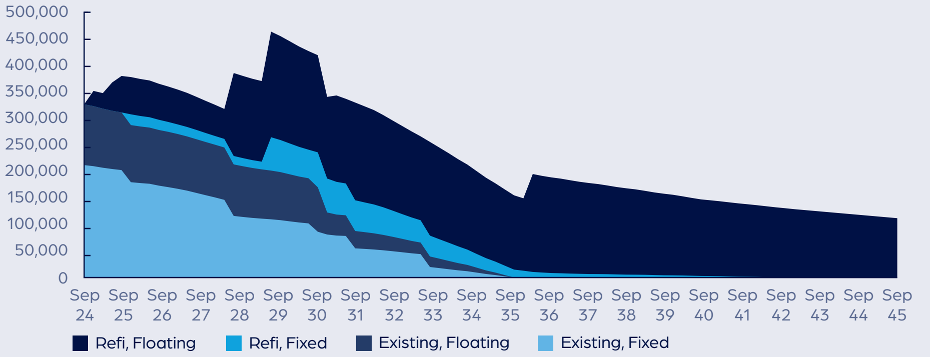
3.7 years

2023: 4.0 years

**Portfolio debt repaid in the year[3]**

£26m

2023: £18m

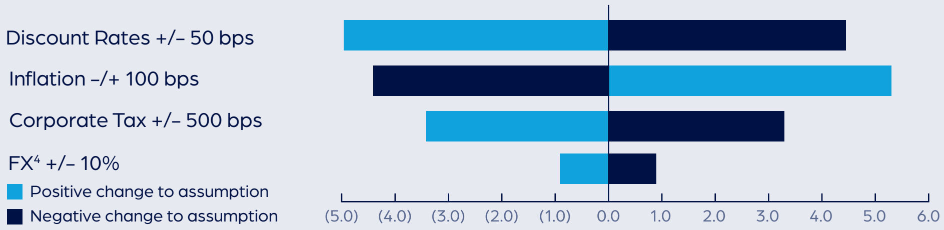

March 2024 SEEIT Structural Gearing (£'000)


Amortisation of existing debt (GBPk)

## Inflation

Inflation correlation is derived from a combination of explicit linkage to revenues, through contract or regulatory mechanisms, and de facto linkage applied on recontracting events or through discretionary annual tariff increases. Inflation correlation is a relevant metric when evaluating new investment opportunities and when recontracting on existing projects within the portfolio. The Company's projects are in a number of different geographic regions, which diversifies and mitigates the impact of inflation volatility for the portfolio.

Positive inflation correlation on investment returns has increased since 31 March 2023 as a result of increased contractual inflation linkage related to new contracts and renewals.


March 2024 SEEIT sensitivities (pence per share)

## Contracted Revenue over time

The Company derives its return on its investments primarily through receipt of contracted cash flows through the operational life of the investments in the portfolio. These are often calculated upfront and can be based on a variety of factors, including, but not limited to: heat and electricity availability, output of heat and electricity, opportunity for energy savings or other energy-related services. Cash flows may however be variable or fluctuating for certain investments, if they rely on a host counterparty's demand for energy or can be impacted by volatility in the energy market. The valuation of certain investments also assumes that cash flows will continue beyond the current contractual period.

Once operational, investments provide attractive levels of cash distributions, and are designed to achieve relatively high, contracted and reasonably predictable cash flows. The quality of these cash flows is supported through investments with strong delivery partners, where the risks involved in implementation, operation and the associated revenues can be identified and mitigated.

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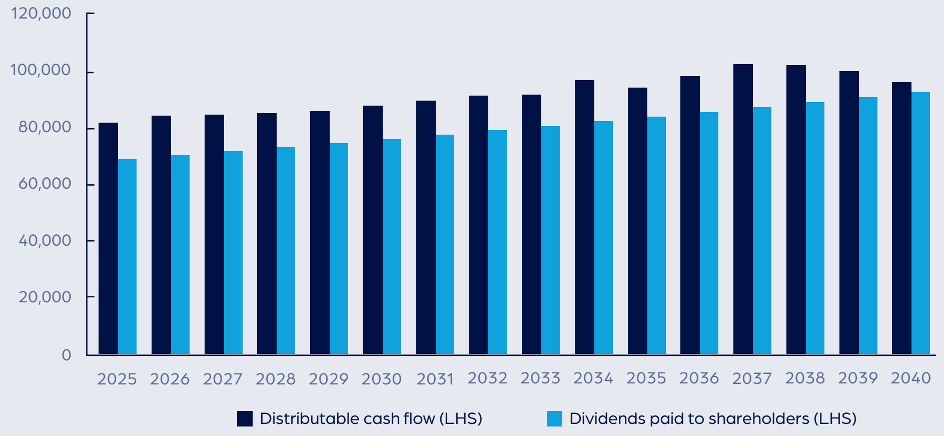
1. Includes five projects at Primary Energy and three projects at Onyx.
2. % of total debt that is fixed or has long term interest swaps in place to mitigate interest rate exposure.
3. Incremental to the associated capital, where applicable.
4. FX is shown after the impact on hedging.

# **Performance** | Financial Review and Valuation Update continued

Based on the model of projected future cash flows over the next 15 years, the Investment Manager believes that the Company will generate sufficient cash to fully cover dividends over the medium to long term, with excess cash flows after dividend payments expected to be reinvested to grow the Company's NAV $^{\text{APM}}$ in line with its target returns[1].

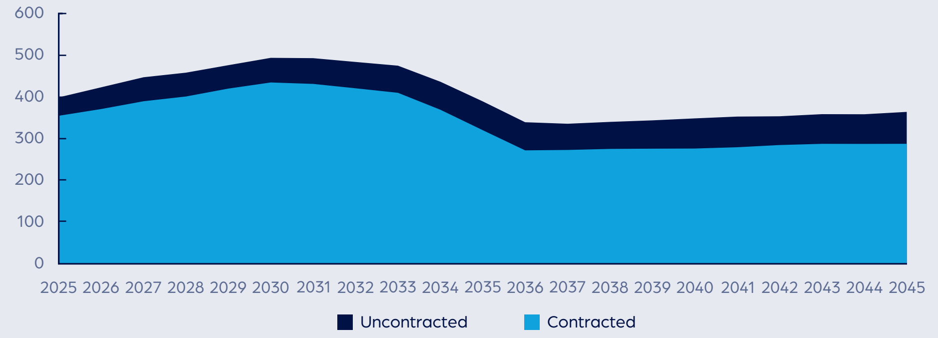
The visibility of revenues derived from the contracts at the operational phase provides support for an attractive and growing yield to be returned to investors.

**Illustrative long term cash flow 15 year** (£'000)



**Project Revenues[2]** (£m)

**as at March 2024**



| | Contracted | Uncontracted |
|---|---|---|
| **Existing** | – Long-term contracts<br>– Rolling annual contracts (e.g. in Vartan Gas where majority of customers have contracts that are rolled over automatically on an annual basis)<br>– Short-term contracts prior to their expiry (e.g. spill electricity, RECs, etc.) | – Ancillary revenues that are considered side products of primary revenues in certain projects (e.g. olive oil sales at Oliva Spanish Cogeneration)<br>– Contract life extensions where the customer can be considered to have a viable alternative source of energy at the end of the existing contract (e.g. Onyx where it is assumed that the customer will seek an extension for a few years instead of decommissioning) |
| **Growth** | – Contracts due to be recontracted in the future, where there is a clear history of recontracting and the customer does not have another viable or contractual source of energy (e.g. extension of existing contracts in RED-Rochester and Primary Energy) | – Growth assumptions based on existing contracts (e.g. RED-Rochester where revenue growth is assumed from successful delivery of value accretive capital expansion and addition of new customers)<br>– Expansion of developer platforms (e.g. future C&I solar portfolios developed by Onyx) |

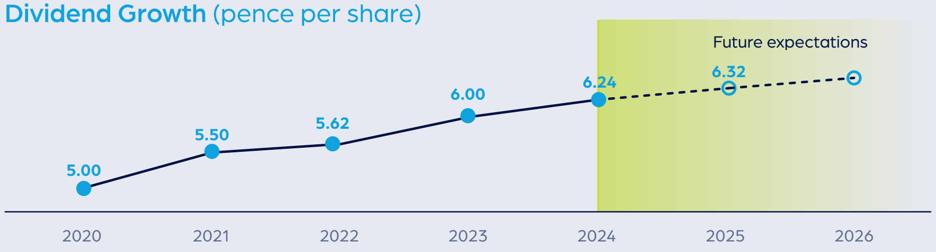
Based on the above characteristics, as at 31 March 2024, 75% (March 2023: 79%) of the Portfolio Valuation $^{\text{APM}}$ by value is considered to be contracted and 25% (March 2023: 21%) is considered to be uncontracted.

## Dividends

The Company paid a total of £67 million in dividends to shareholders during the year. This included the last quarterly interim dividend for the year ended 31 March 2023 and the first three quarterly interim dividends for the year ended 31 March 2024. The Company has declared the fourth quarterly interim dividend for the year ended 31 March 2024. This is payable at the end of June 2024, delivering the target of a 6.24 pence per share total dividend related to the year ended March 2024.

Based on the projected investment cash flows from the current portfolio prepared by the Investment Manager, the Company has announced new dividend guidance of 6.32 pence per share for the year to 31 March 2025 and, as before, will target progressive dividend growth thereafter. The Company has increased its annual dividend each year since its IPO in 2018. The Company intends to continue to pay interim dividends on a quarterly basis through four broadly equal instalments (in pence per share).

**Dividend Growth** (pence per share)



The Company paid a stub dividend of 1 pence per share for the four-month period between its IPO and March 2019. Thereafter, dividends reflect the full-year dividends declared in relation to each financial year to March 2024 and targeted thereafter.

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1. Note: The chart above is for illustrative purposes only, assuming a 16-year weighted average portfolio term and does not represent a forecast. There can be no assurance that these cash flows will be met. The hypothetical cash flows do not take into account any unforeseen costs, expenses or other factors which may affect the portfolio assets and therefore the impact on the cash flows to the Company. As such, the graph above should not, in any way, be construed as forecasting the actual cash flows or actual returns from the portfolio.
2. The chart covers only a 20 year period even though cash flows are projected to continue beyond this period.

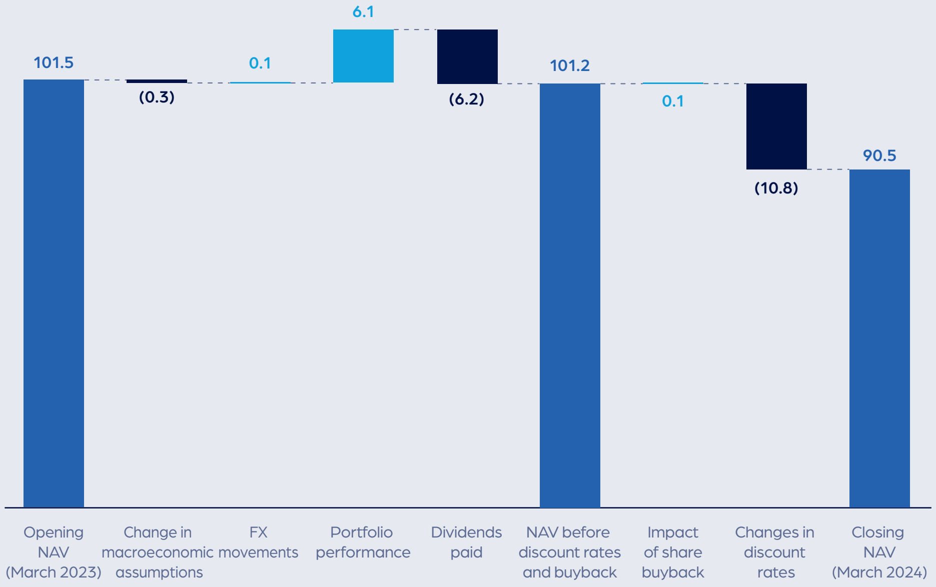
# **Performance** | Financial Review and Valuation Update continued

## Analysis of Movement in NAV APM

As of 31 March 2024, the NAV per share APM was 90.5 pence, a decrease of 11.0 pence from 101.5 pence at 31 March 2023. After taking into account dividend paid (6.2p), this decrease reflects the impact of increased discount rates (negative 10.8 pence per share) offset primarily by an uplift in portfolio performance of 6.1 pence. These are further described below in the Portfolio Valuation section.

Revisions to medium-term inflation assumptions had a small negative impact on NAV APM of 0.3 pence. The adverse impact of FX movements was limited to 0.1 pence, in line with expectations of using foreign currency hedging to limit volatility in NAV APM from fluctuations in the valuations of non-GBP investments.

### Movement in NAV in the year (pence per share)



## Portfolio Valuation APM

### Approach

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

The Company has a single investment in a directly and wholly owned holding company, SEEIT Holdco. It recognises this investment at fair value. To derive the fair value of SEEIT Holdco, the Company determines the fair value of investments held directly or indirectly by Holdco (the Portfolio Valuation APM) and adjusted for any other assets and liabilities. The valuation methodology applied by Holdco to determine the fair value of its investments is materially unchanged from the Company's IPO and has been applied consistently in each subsequent valuation. See Note 4 for further details on the valuation methodology and approach. A reconciliation between the Portfolio Valuation APM at 31 March 2024 and investment at fair value shown in the financial statements is given in Note 11.

For the Portfolio Valuation APM at 31 March 2024, the Directors commissioned a report from a third-party valuation expert to provide their assessment of the appropriate discount rate range for each investment (excluding small investments with an aggregate value of less than 2% of the Portfolio Valuation APM at 31 March 2024) in order to benchmark the valuation prepared by the Investment Manager. The discount rate applied to each investment by the Investment Manager was within the ranges advised by the third-party valuation expert, (with the exception of a few instances where the Investment Manager selected higher discount rates to compensate for risk within the underlying cashflows).

In addition, for the Portfolio Valuation APM at 31 March 2024, the Company benefited from full scope third-party valuation reports on Onyx (comprising its operational, construction and development components), EVN's development component and four corporate investments in the portfolio (Turntide, Rondo, ON Energy and Iceotope). The Investment Manager used the outputs of these reports as their basis for the purpose of valuing these investments in the Portfolio Valuation APM at 31 March 2024.

### Movements in Portfolio Valuation

The Portfolio Valuation APM as at 31 March 2024 was £1,117 million, an increase of 2% compared with £1,100 million as at 31 March 2023.

After allowing for investments made of £161 million and cash receipts from investments of £92 million, the Rebased Portfolio Valuation APM is £1,169 million. Adjusting for changes in macroeconomic assumptions, foreign exchange movements (excluding the effect of hedging) and changes in discount rates, this resulted in a portfolio return of £93 million, equating to an 8.0% return in the period. The return takes into account a number of project-specific valuation movements described under Balance of Portfolio Return below.

The weighted average remaining life of investments as at 31 March 2024 is 16.4 years (31 March 2023: 15.9 years), when calculated purely on when current contracts end. When based on the 31 March 2024 Portfolio Valuation APM, which includes assumptions for recontracting and contract life extensions, the weighted average remaining life is 26.4 years (March 2023: 28.0 years).

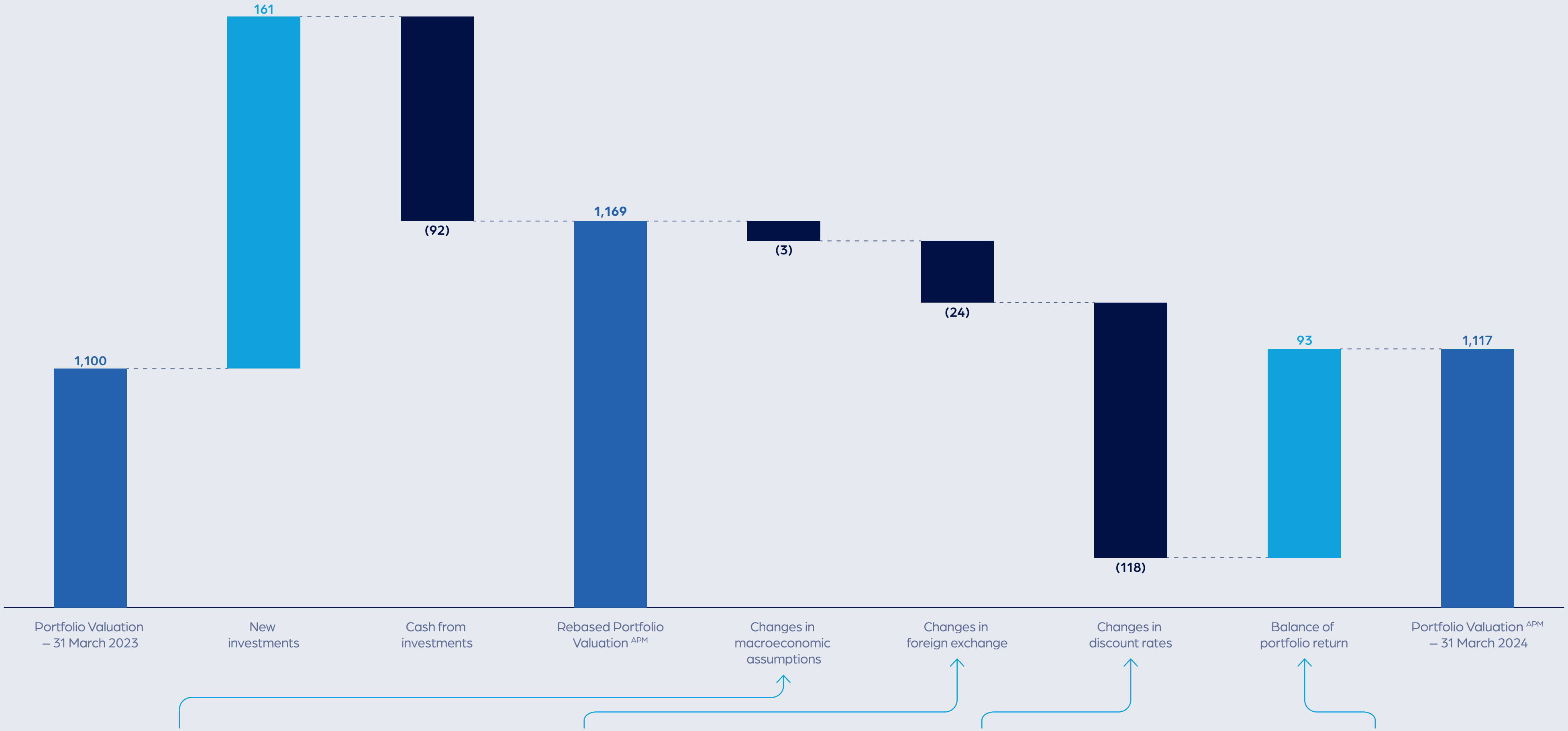
Further information on key investments and potential future valuation movements can be found in Note 3.

# **Performance** | Financial Review and Valuation Update continued

## Valuation Movements

A breakdown of the movement in the Portfolio Valuation APM in the year is illustrated in the following chart.

### Valuation bridge – March 2023 to March 2024 (£m)



**£(3)m**

**i) Changes in macroeconomic assumptions**

Read more on page 40

**£(24)m**

**ii) Change in foreign exchange**

Read more on page 40

**£(118)m**

**iii) Changes in discount rates**

Read more on pages 40 and 41

**£93m**

**iv) Balance of portfolio return**

Read more on page 41

# **Performance** | Financial Review and Valuation Update continued

## Return from the Portfolio of the Rebased Portfolio Valuation APM

Each movement between the Rebased Portfolio Valuation$^{\text{APM}}$ of £1,169 million and the 31 March 2024 valuation of £1,117 million is considered in turn below:

### i) Changes in macroeconomic assumptions – impact of £3 million:

- **Inflation assumptions:** consistent with March 2023, the approach in all jurisdictions is to apply a three-year near-term bridge to the relevant long-term inflation assumption. Given the reduction in global inflation since March 2023, this has resulted in a decrease in the valuation due to lower than previously assumed near-term inflation, compared with the assumptions applied for the March 2023 valuation. The long-term inflation assumptions remain the same as applied to the March 2023 valuation.
- **Tax rate assumptions:** there were no changes to corporation tax rate assumptions during the year.

### ii) Changes in foreign exchange rates – impact of £24 million (before hedging):

- The investment portfolio decreased £23.5 million during the year from movements in foreign exchange rates, driven by the movement of GBP against the US dollar, euro, Singapore dollar and Swedish krona since 31 March 2023 or since new investments were made in the year.
- However, it is important to note that this only reflects the movement in underlying investment values, and it does not take into account the offsetting effect of foreign exchange hedging that SEEIT Holdco applies outside of the Portfolio Valuation$^{\text{APM}}$.
- SEEIT Holdco experienced an aggregate gain of £24 million due to foreign exchange hedging.
- Therefore, the overall foreign exchange movements did not have a significant impact on NAV$^{\text{APM}}$ during the year, resulting in a net gain of less than £1 million from foreign exchange movement.

### iii) Changes in valuation discount rates – impact of £(118) million:

- The discount rate used for valuing each investment represents an assessment of the rate of return at which infrastructure investments, with similar cash flow assumptions and risk profiles, would trade on the open market.
- During the year, there were further significant increases in interest rates globally, including in key geographical areas of SEEIT's portfolio, thus continuing a trend from the last 18 to 24 months. This has stemmed from geopolitical uncertainties and a high inflationary environment due, in part, to high energy costs.
- The Investment Manager considered it necessary to apply a significant increase to discount rates and, having assessed geographical areas as a whole and each project individually, has applied discount rate increases that increased the weighted average discount rate by approximately 90 bps to 8.6% on an unlevered basis (March 2023: 7.7%). On a levered basis, which assumes existing portfolio-level debt is refinanced at current market rates, incorporating existing interest rate swaps into the interest cost assumption, the weighted average discount rate has increased to 9.4% (March 2023: 8.5% and September 2023: 9.4%).
- This has led to an increase in discount rates across the whole investment portfolio in this period that in aggregate resulted in a decrease in the Portfolio Valuation$^{\text{APM}}$ of c.£117 million.
- Of this adverse movement in discount rates, c.£31 million relates to adjustments made to asset-specific risk premiums. This includes:
  - an adjustment of c.£26 million to reflect the uncertainty over Li-Cycle's future energy demand in light of their construction delays factored into the valuation of RED-Rochester; and
  - an adjustment of c.£5 million to reflect a risk of the value for which RECs can be sold for in the USA after 2026.
- Since March 2023, there has been limited market activity to help set benchmarks for appropriate discount rates for the investments in the Portfolio Valuation$^{\text{APM}}$.

### Weighted average discount rate at 31 March 2024

| Levered/unlevered | UK | US | Europe/Asia | Combined |
|---|---|---|---|---|
| **Levered** | | | | |
| **2024** | **8.1%** | **9.6%** | **9.1%** | **9.4%** |
| 2023 | 7.1% | 8.9% | 8.4% | 8.5% |
| **Unlevered** | | | | |
| **2024** | **8.1%** | **8.8%** | **8.2%** | **8.6%** |
| 2023 | 7.1% | 7.9% | 7.4% | 7.7% |

### Discount rate ranges (unlevered) at 31 March 2024

| | UK | US | Europe/Asia | Combined |
|---|---|---|---|---|
| **2024** | **6.10%–10.30%** | **7.60%–11.25%** | **5.15%–11.40%** | **5.15%–11.40%** |
| 2023 | 4.75%–8.75% | 6.50%–9.00% | 4.75%–10.25% | 4.75%–10.25% |

### Breakdown of discount rate (unlevered) at 31 March 2024

| | UK | US | Europe/Asia | Combined |
|---|---|---|---|---|
| **Weighted average risk-free rate** | | | | |
| **2024** | **4.4%** | **4.3%** | **3.0%** | **4.0%** |
| 2023 | 3.7% | 3.7% | 3.0% | 3.6% |
| **Risk premium** | | | | |
| **2024** | **4.4%** | **3.8%** | **5.2%** | **4.6%** |
| 2023 | 4.1% | 3.5% | 4.3% | 4.1% |
| **Weighted average discount rate (unlevered)** | | | | |
| **2024** | **8.8%** | **8.1%** | **8.2%** | **8.6%** |
| 2023 | 7.9% | 7.2% | 7.3% | 7.7% |

# **Performance** | Financial Review and Valuation Update continued

The Investment Manager reviews movements in discount rates for each individual asset at each valuation date. The key approach to the overall discount rate can be summarised as:

- risk-free rate of each individual asset is assessed against relevant government bonds, taking into account length of cash flows and geography; and
- risk premium taking into account asset-specific premiums, considering inter alia country risk, market risk, construction risk, counterparty risk and credit risk.
  - Credit risk is determined by deducting the risk-free rate applied to each asset from the most relevant corporate bond yield curve, accounting for the credit rating and maturity of each asset. Where the counterparty is not rated, it may require some judgement to determine the appropriate credit rating.

### iv) Balance of portfolio return – impact of £93 million:

- This refers to the balance of valuation movements in the period, excluding (i) to (iii) above, which provided an uplift of £93 million. 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 portfolio delivered a return of 8.0% in the year with details on key movements described below.
- The Portfolio Valuation APM as at 31 March 2024, and by implication the return achieved over the period, includes a number of key estimates and judgements of future cash flows expected from different investments. In addition, specific adjustments to future cash flows were required for events during the period that affected the actual outcome from certain investments.
- The key factors that have had a material impact on the 31 March 2024 Portfolio Valuation APM listed out below, have had a value impact of 1% or higher on the Company's NAV APM:
- **RED-Rochester**
  - Prior to preparing the Portfolio Valuation APM as at 30 September 2023, the Investment Manager and the RED-Rochester management team conducted an additional in-depth review of actual results and how certain long-term assumptions were applied in the project financial model. Several revenue and cost estimates were revised, up and down, with a material net adverse impact on the overall valuation of c.£26 million. No further changes were made to the Portfolio Valuation APM as at 31 March 2024.
  - The Portfolio Valuation APM as at 30 September 2023 reflected a combination of updates to projected loads, business development assumptions, operating costs, labour costs and timing of new efficiency projects, which caused a reduction in the overall valuation of c.£17 million. Positive movements in the second half of the year in relation to new efficiency projects broadly offset a reduction in value from a downwards revision of expected revenue from Li-Cycle (also referred to in discount rates updates above).
  - After adjusting for new investment into RED-Rochester and distributions received during the second half of the financial year, the valuation of RED-Rochester at 31 March 2024 is in line with the valuation at 30 September 2023.
- **Oliva Spanish Cogeneration**
  - The Spanish Government published regulatory updates in the period to the RoRi, an incentive scheme to provide a return on operations and investments, that allows for a substantial reduction in uncertainty and therefore greater ability to plan financial optimisation of the plants in the near to medium term.
  - The overall positive impact on the valuation of Oliva was c.£30 million, after netting off by a reduction of value from standard updates to commodity pricing that form part of the regulatory updates. The majority of the positive impact was reflected in the September 2023 valuation of Oliva, with the valuation of Oliva at 31 March 2024 in line with the valuation at 30 September 2023.
- **Värtan Gas**
  - The periodic regulatory update in late 2022 relevant to Värtan Gas changed both the WACC and RAB used in calculating the value of the regulated investment, causing an adverse impact on the 31 March 2023 valuation. Värtan Gas has since successfully appealed against the update, resulting in a c.£14 million positive impact (already reflected in the September 2023 valuation) and thus substantially reversing the adverse impact on the previous valuation.
  - Further positive changes to the WACC and RAB added incremental value of c. £10 million in the second half of the financial year.
- **Onyx**
  - As referred to above, for the valuation of the entire Onyx business at 31 March 2024, an independent valuation expert provided a valuation range from which the Investment Manager derived its valuation. The valuation included for the first time a recognition of a pipeline of future investment opportunities in community solar projects. The valuation applied by the Investment Manager was towards the conservative end of the range provided and after adjusting for new investments and distributions during the year, resulted in a positive impact on the valuation of Onyx of c. £35 million.

Additional information and sensitivities are disclosed in the critical estimates and judgements section of Note 3 on pages 111 and 112.

## Financial Information

As described in detail in Note 2, the Company meets the conditions of being an investment entity in accordance with IFRS 10. This report is prepared on a consistent basis to previous reports whereby the IFRS 10 investment entity exemption is applied to the financial statements.

To provide shareholders with more transparency into the Company's capacity for investment, ability to make distributions, operating costs and gearing APM levels, results have been reported in the pro forma tables below on a non-statutory "portfolio basis" APM, as it has been done in previous years, to include the impact if SEEIT Holdco were to be consolidated by the Company on a line-by-line basis.

The Directors consider the non-statutory portfolio basis APM to be a more helpful basis for users of the accounts 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 impact of including Holdco is shown in the Holdco reallocation column in the income statement and balance sheet, which reconciles back to the statutory financial statements (IFRS) and constitutes a reallocation between line items rather than affecting NAV APM and earnings. In the cash flow statement, the Holdco reallocation column simply represents the net difference between the portfolio basis APM and IFRS for movements that may occur only in Holdco or only in the Company.

NAV per share APM and earnings per share are the same under the portfolio basis APM and the IFRS basis.

# **Performance** | Financial Review and Valuation Update continued

## Summary Financial Statements

### Portfolio basis summary income statement

| | **Year to 31 March 2024** | | | Year to 31 March 2023 | | |
|---|---|---|---|---|---|---|
| **£'million** | **Portfolio basis** | **Holdco reallocation** | **IFRS (Company)** | Portfolio basis | Holdco reallocation | IFRS (Company) |
| Total (loss) | (33.0) | (11.7) | (44.7) | (1.8) | (4.8) | (6.6) |
| Expenses and finance costs | (22.7) | 11.1 | (11.6) | (16.7) | 4.7 | (12.0) |
| **(Loss) before tax** | **(55.7)** | **(0.5)** | **(56.3)** | **(18.5)** | **(0.1)** | **(18.6)** |
| **Tax** | **(0.5)** | **0.5** | **–** | **(0.1)** | **0.1** | **–** |
| **(Loss)/earnings** | **(56.3)** | **–** | **(56.3)** | **(18.6)** | **–** | **(18.6)** |
| **(Loss)/earnings per share (pence)** | **(5.2)** | **–** | **(5.2)** | **(1.8)** | **–** | **(1.8)** |

### Portfolio basis balance sheet

| | **Year to 31 March 2024** | | | Year to 31 March 2023 | | |
|---|---|---|---|---|---|---|
| **£'million** | **Portfolio basis** | **Holdco reallocation** | **IFRS (Company)** | Portfolio basis | Holdco reallocation | IFRS (Company) |
| Investments at fair value | 1,117.4 | (133.6) | 983.86 | 1,099.6 | 28.3 | 1,127.8 |
| Working capital | 15.5 | (17.9) | (2.4) | (39.9) | 37.2 | (2.7) |
| Debt | **(155.0)** | **155.0** | – | – | – | – |
| Net cash | 3.9 | (3.4) | 0.5 | 65.7 | (65.4) | 0.3 |
| **Net assets attributable to ordinary shares** | **981.9** | **–** | **981.9** | **1,125.4** | **–** | **1,125.4** |
| **NAV per share $^{\text{APM}}$ (pence)** | **90.5** | **–** | **90.5** | **101.5** | **–** | **101.5** |

- Total income: Income at the Company level is the income it receives from Holdco which contrasts to portfolio basis $^{\text{APM}}$ where the income is received from the portfolio assets.
- Expenses and finance costs: Investment transaction costs are incurred at Holdco only and therefore not included in the Company income statement.
- Investment at fair value: Company valuation excludes Holdco's other net assets (see Note 11 for detailed reconciliation).

## Treasury Management

### Cash cover APM for dividends paid

The financial year saw cash inflow from investments (on a portfolio basis $^{\text{APM}}$) of £92 million, an increase of c.10% from the previous year's £84 million. After allowing for Fund-level costs of £20 million (March 2023: £13.5 million), this enabled the Company to cover its cash dividends of £67 million by 1.1x, maintaining a similar level as the previous year (March 2023: 1.2x).

The main factor affecting the increase in Fund-level costs compared to the previous year is interest payable on drawn amounts on the RCF. In turn, this caused the cash cover to be marginally lower than last year.

Maintaining positive levels of cash cover $^{\text{APM}}$ has resulted in cumulative excess cash cover $^{\text{APM}}$ of c.£34 million since IPO, demonstrating the consistent nature of the income from the underlying assets in the portfolio, as well as the ability of the portfolio to generate excess cash that can be reinvested for an accretive return.

# **Performance** | Financial Review and Valuation Update continued

## Hedging Strategy

### FX hedging

The Company's hedging strategy is executed at the level of SEEIT Holdco, so the Company itself is only indirectly exposed to foreign exchange movements. 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 APM arising from movements in foreign exchange rates.

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, it 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 exposure.

As part of the Company's hedging strategy, the Investment Manager regularly reviews the non-sterling exposure in the portfolio and adjusts the hedging levels accordingly while considering the cost benefit of the hedging activity. The hedging strategy also involves ensuring regular calculation of sufficient cash headroom, so as to meet potential liquidity requirements imposed by hedging counterparties during periods of volatility that may adversely affect the Company.

As demonstrated below, the portfolio has a substantial exposure to non-GBP assets. In the execution of hedging strategy, the Investment Manager has chosen to retain high levels of hedging during the year, typically ranging between 75-90% of the value of the underlying non-GBP investments.

### Current FX hedging levels

| Total hedging | Total non-GBP assets | Hedging level |
|---|---|---|
| £739m | £934m | 79% |
| USD: **£544** | USD: **£687** | |
| EUR: **£138** | EUR: **£170** | |
| SEK: **£57** | SEK: **£77** | |

The hedging strategy effectively mitigated the decrease in portfolio value attributed to foreign exchange of £23.5 million, resulting in a marginal foreign exchange loss after taking into account hedging gains of £24 million. Consequently, the impact on the NAV APM due to currency movements in the year was limited to 0.1 pence per share loss, which equates to less than 1% of NAV APM.

### Impact on NAV APM arising from FX

| FX gain on hedging | FX loss in portfolio | Net impact |
|---|---|---|
| 24.0 | (23.5) | 0.5 |

## Interest Rate Hedging

During the year the Investment Manager assessed hedging options to mitigate the risk of unfavourable interest rate movements associated with the RCF floating rate. This resulted in the Company, via Holdco, successfully executing an interest rate cap ("IR cap") against RCF drawdowns, limiting the total interest rate exposure to c.7.0%. The IR cap remains in place at the time of this report, adjusted for RCF movements since 31 March 2024, and continues to protect against adverse interest rate movements.

## Revolving Credit Facility

The Investment Manager periodically considers refinancing options aligned to the pipeline of new and existing investments. At 31 March 2024, the RCF was drawn at £155 million. Following the year end, the drawn amount has reduced to £98 million[1], the net decrease coming from applying disposal proceeds from UU Solar to the RCF balance.

## Ongoing Charges

The portfolio's ongoing charges ratio APM remained in line with previous years at 1.02% (March 2023: 1.02%). Ongoing charges, in accordance with AIC guidance, are defined as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted net asset value APM in the year). Ongoing charges percentage has been calculated on the portfolio basis APM to take into consideration the expenses of the Company and Holdco.

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1. At 31 May 2024.

# **Performance** | Financial Review and Valuation Update continued

## Portfolio Basis Cash Flow Statement

| | **31 March 2024** | | | 31 March 2023 | | |
|---|---|---|---|---|---|---|
| **£'million** | **Portfolio basis** | **Holdco reallocation** | **IFRS (Company)** | Portfolio basis | Holdco reallocation | IFRS (Company) |
| Cash from investments | 92.5 | 44.9 | 137.4 | 85.1 | (0.3) | 84.8 |
| Operating and finance costs outflow | (20.0) | (2.8) | (17.2) | (13.1) | 3.1 | 10.0 |
| **Net cash inflow before capital movements** | **72.5** | **47.7** | **120.2** | **72.0** | **2.8** | **74.8** |
| Cost of new investments including acquisition costs | (163.7) | 131.0 | (32.7) | (240.2) | (52.2) | (292.4) |
| Share capital raised/(share buybacks) net of costs | (20.1) | — | (20.1) | 132.6 | — | 132.6 |
| Movement in borrowings | 120.8 | (120.8) | — | 29.6 | (29.6) | — |
| Movement in capitalised debt costs and FX hedging | (4.1) | 4.1 | — | (37.3) | 38.5 | 1.2 |
| Dividends paid | (67.2) | — | (67.2) | (62.0) | — | (62.0) |
| Movement in the period | (61.8) | 62.0 | 0.2 | (105.3) | (40.5) | 145.8 |
| Net cash at start of the period | 65.6 | (65.3) | 0.3 | 170.9 | (24.9) | 146.1 |
| **Net cash at end of the period** | **3.9** | **(3.3)** | **0.5** | **65.6** | **(65.3)** | **0.3** |

## 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 out by the Company in determining that the going concern basis continues to be appropriate can be found in the Report of the Directors and Note 2 on pages 94 and 95, and 109 respectively.

## Performance

# Environmental, Social and Governance ("ESG") Update

### What's in this section

**Scope 4 emissions**[1]

972,201 $tCO_2e$

avoiding the equivalent amount of carbon generated by 872,712 average cars annually[2]

**Energy saved**[3]

379,589 MWh

reducing the equivalent amount of average energy demanded by 26,732 houses annually[4]

Onyx

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1. For the year ending 31 March 2024 and based on an analysis of the portfolio. Scope 4 emissions refer to the previously reported on "carbon savings" KPI.
2. Based on the Statistica average $CO_2$ emissions from new cars in the United Kingdom from 2004–2023.
3. For the year ending 31 March 2024 and based on an analysis of the portfolio.
4. Based on the Ofgem 2023 average annual energy usage of houses in the UK.

> "Reflecting on the year, the Investment Manager has made significant progress by redefining the Company's sustainability priorities through the Framework and building up its ESG governance and management process to align with new standards."

**Helen Clarkson OBE**
| Chair of ESG Committee

# ESG Committee Chair's Introduction

On behalf of the SEEIT Board and the Company's ESG Committee, I am pleased to introduce the 2024 ESG Update for the financial year ended 31 March 2024. In this section, we will share the progress SEEIT has made towards fulfilling its sustainability commitments during the year.

As the first London-listed fund to invest exclusively in energy efficiency projects, SEEIT has a history of being defined by its sustainability-related focus. The Company has followed this philosophy in its sustainability principles, where a growing body of ESG regulations and standards could have made it easy to let the marketplace define a firm's ESG priorities. Instead, the Investment Manager worked with the Board to develop the SEEIT Sustainability Framework (the "Framework"), which reflects the Company's ESG priorities. We are pleased to use the 2024 ESG Update to introduce the Framework.

Due to the development of the Framework, along with the evolution of sustainability standards in the wider market, the Investment Manager has revised its ESG Management Process and ESG-related governance to better align with internal and external standards.

As its Chair, I am delighted to highlight that a key part of this work included creating a dedicated ESG Committee at the SEEIT Board to oversee the implementation of the Framework and the subsequent revisions of the Company's ESG processes, policies and standards.

Another major focus for the year was on the governance, identification and management of climate change risks. The focus on climate change risk has led to the drafting of SEEIT's first "Climate Change Report", which forms a major part of the 2024 ESG Update.

Finally, we were very pleased that the Company won the Association of Investment Companies ("AIC") 2023 Best ESG Communication Award and the Investment Manager won ESG Investor of the Year at the 2024 Business Green awards. Both achievements demonstrate the Investment Manager's and Company's leadership in sustainability.

Reflecting on the year, the Investment Manager has made significant progress by redefining the Company's sustainability priorities through the Framework and building up its ESG governance and management process to align with new standards. The Company is well positioned to progress its sustainability practices and further implement the Framework through continued engagement with portfolio companies.

## Key initiatives

| Achievements during the year | Goals for next year |
|---|---|
| Over the year, the Company delivered on the following key initiatives: | The Company plans the following key initiatives next year: |
| 1. Finalised the SEEIT Sustainability Framework | 1. Continue the implementation of the Sustainability Framework at portfolio companies |
| 2. Updated the ESG Management Process | 2. Further enhance climate change risk work, with a focus on mitigation and adaptation |
| 3. Progressed climate change risk identification and mitigation analysis | |

# SEEIT Sustainability Framework

During the year, the Investment Manager collaborated closely with the SEEIT Board and specifically the newly formed ESG Committee to identify SEEIT's top ESG priorities based on the UN Sustainable Development Goals ("UN SDGs"). The Investment Manager used those ESG priorities to establish the five principles of the SEEIT Sustainability Framework (the "ESG Principles").

The ESG Principles will be used during the due diligence process to assess new investments, and then as a framework for engaging with management teams and third parties responsible for the day-to-day operations within each business.

The Framework's ESG Principles have not only influenced the revision of the Company's Responsible Investment Policy[1] but also prompted engagement with portfolio companies and driven updates to the Investment Manager's overall ESG Management Process for SEEIT.

Importantly, the Framework marks a transition from monitoring ESG performance at portfolio companies to actively managing outcomes. The Framework is intended to provide portfolio companies with clear guidance on the ESG priorities of the Company and set KPIs and minimum standard policies to measure ESG performance.

Principle 1

**Champion Energy Efficiency**

Links to UN SDGs

Read more on page 48

Principle 2

**Deliver Net Zero Energy**

Links to UN SDGs

Read more on page 50

Principle 3

**Promote Sustainable Supply Chains**

Links to UN SDGs

Read more on page 50

Principle 4

**Support Our Communities**

Links to UN SDGs

Read more on page 51

**Investment strategy**

Invest in energy efficiency solutions that reduce emissions, reduce waste, and improve reliability.

**ESG management**

Managing general ESG factors that impact the Company's portfolio companies and their operations

Principle 5

**Match Best Practice**

Read more on page 52

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[1] The SEEIT Responsible Investment Policy can be found on SEEIT's website. The Responsible Investment Policy was approved and published after the period ended 31 March 2024.

# **Performance** | Environmental, Social and Governance ("ESG") Update continued

SEEIT Sustainability Framework

## Principle 1: Champion Energy Efficiency

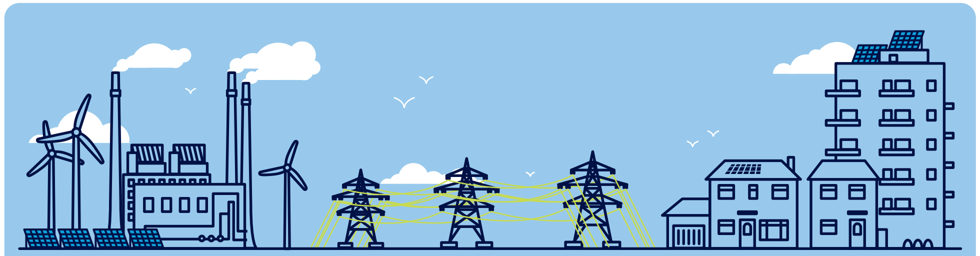
"Champion Energy Efficiency" is Principle 1 of the Framework, reflecting the Company's focus on energy efficiency. Principle 1 highlights the energy impact of the Company's portfolio companies and commits to advocating for the role of energy efficiency in the energy transition.

At present, the Company uses three KPIs across its portfolio to demonstrate the energy impact of portfolio companies and to measure their success: energy savings, energy generation and Scope 4 emissions, also referred to as carbon savings.

In addition to these KPIs, a few of SEEIT's energy generating investments have the potential to do so more efficiently. The Investment Manager reviews these investments to identify further energy efficiencies and prioritises asset improvements that can deliver this. As part of the implementation of this Principle, the Investment Manager will continue this engagement and unlock further efficiencies at relevant investments.

Finally, the Investment Manager continues to champion energy efficiency and its role in the energy transition. The Investment Manager's CEO, Jonathan Maxwell, published a book called "The Edge: How Competition for Resources is Pushing the World, and Its Climate, to the Brink – and what We Can Do about It," and has appeared in numerous media engagements throughout the year advocating for energy efficiency.

| KPI | Definition | Energy efficiency impact |
|---|---|---|
| **Energy savings** | Energy savings refers to the estimated reduction in customer energy demand due to a SEEIT investment. These savings are normally achieved through investments in appliances, such as LED lighting or HVAC systems, which require less energy to achieve the same result. | Reduced energy waste at the point of use. These investments decrease the energy customers need, without changing their operations, which in turn lowers energy consumption and carbon emissions. |
| **Energy generation** | Energy generation refers to the amount of decentralised energy produced by an energy efficient investment. Progress towards this KPI is achieved through investments that generate energy behind-the-meter. | Reduced waste associated with centralised energy generation, such as transmission and distribution losses. These investments also shift the customer's demand from the electrical grid to on-site energy generation, therefore decreasing pressure on the centralised system and promoting energy system resiliency. |
| **Scope 4 emissions (carbon savings)** | Scope 4 emissions refer to the avoidance of in GHG emissions achieved by a particular project when compared to a relevant counterfactual. | Scope 4 emissions quantify the benefit arising from energy saving and energy generating investments. |



Generation | Transmission & distribution | Point of use

**Energy Generators**

4,979,953 MWh

energy generated

**Energy Savers**

379,589 MWh

energy saved

**Scope 4 Emissions**

972,201 $tCO_2e$

carbon saved

1. Based on an analysis of the portfolio.

# Performance | Environmental, Social and Governance ("ESG") Update continued

SEEIT Sustainability Framework

## Principle 1: Champion Energy Efficiency continued

**Investment Spotlight:**

## Championing energy efficiency at RED-Rochester

In 2021, the Company acquired one of the United States' largest district energy systems, RED-Rochester, from Ironclad Energy Partners LLC. RED-Rochester exclusively provides utility services to over 100 commercial and industrial customers within the 1,200-acre Eastman Business Park in Rochester, New York.

The Investment Manager and RED-Rochester are both committed to improving the efficiency of the district energy generation system to provide customers with resilient and low-carbon utility services.

As such, the Investment Manager invested into the construction of a 38MW cogeneration ("cogen") plant that will serve new customer electricity loads and improve the overall park thermal efficiency by c.12%. The cogen plant will be using natural gas once operational and is increasing capacity at RED-Rochester, so while it is increasing energy efficiency it will also be improving its emissions in the first instance. The plant can however use 100% hydrogen fuel and will transition to low-carbon fuel once that is commercially and economically available.

Additionally, the cogen plant has been refurbished from existing equipment, thus saving carbon emissions that would have resulted from constructing a new unit.

In addition to the cogen investment, since 2017, RED-Rochester has been awarded $17.5 million in funding towards energy efficiency projects from New York State Energy Research and Development Authority ("NYSERDA") across multiple programmes.

Most recently, RED-Rochester was awarded a $5 million grant from NYSERDA's "C&I Carbon Challenge". The grant will go towards other carbon-reduction projects, including electrification of steam chillers and waste heat recovery for compressed air generation. Further, in 2022, RED-Rochester successfully completed its obligations to NYSERDA for the 2019 Carbon Challenge award.

RED-Rochester's efforts to enhance the energy efficiency of its activities shows alignment to the Company's energy efficiency principle.

RED-Rochester

# **Performance** | Environmental, Social and Governance ("ESG") Update continued

SEEIT Sustainability Framework

## Principle 2: Deliver Net Zero Energy

608,024

MWh renewable energy generated[1]
in the year to 31 March 2024

725,976

$tCO_2e$ emissions (S1 + S2)[2]
in the year to 31 March 2024

Principle 2 of the SEEIT Sustainability Framework underpins the Company's commitment to providing customers with low-carbon energy by choosing investments that are aligned to net zero and engaging with current investments on their net zero trajectory. It recognises that energy efficiency solutions must be paired with low-carbon, renewable energy generation in order to reach net zero emissions in line with the Paris Climate Agreement.

During the year, the Investment Manager reviewed the Company's emissions and selected some of the highest-emitting companies to engage with on net zero goals and strategy. The Investment Manager has also integrated questions around net zero into its due diligence process and will require that potential investments with material emissions can demonstrate alignment with the its net zero goals.

As part of the Investment Manager's Glasgow Financial Alliance for Net Zero ("GFANZ") target, which is set out in more detail in the Climate Report section of the 2024 ESG Update on pages 54 to 60, the Company will begin reporting on the net zero target coverage of SEEIT's portfolio. The Investment Manager will also track KPIs such as greenhouse gas emissions and the amount of renewable energy generated to monitor the implementation of this principle across the Company's portfolio.

Energy efficiency has been the focus of the Company, but Principle 2 highlights that reaching net zero is also a priority. Further work is necessary to reach net zero, but the Investment Manager is committed to achieving this important objective.

## Principle 3: Promote Sustainable Supply Chains

82%[3]

of the portfolio by value covered by a supplier code of conduct against unsafe working conditions, precarious work, child labour and forced labour in the year to 31 March 2024

"Promote Sustainable Supply Chains" has been chosen as Principle 3 of the Framework, reflecting the Company's goal to provide customers with sustainable energy services from both an environmental and social perspective. The first phase of implementing this principle is setting the Company's supply chain standards and engaging with portfolio companies to understand existing processes, policies and suppliers.

The Investment Manager has developed a Human Rights Policy[4] setting out key supply chain standards as they relate to human rights and modern slavery. The supply chain standards inform a questionnaire that the Investment Manager uses when conducting due diligence on key third parties involved in a potential transaction. The Investment Manager intends to engage with the Company's portfolio companies to develop similar policies and processes to review the standard alignment of third-party suppliers.

Finally, as part of the ESG asset management process, the Investment Manager has begun incorporating an asset management third-party questionnaire, separate from the normal annual ESG questionnaire, to monitor the policies of third parties in charge of the day-to-day operations of a project. Over the next year, the Investment Manager intends to work with portfolio companies to review their key third parties and will promote engaging with those third parties on their alignment with the human rights standards.

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1. Based on an analysis of the portfolio.
2. Based on an analysis of the portfolio. The Company's GHG emissions predominately represent emissions associated with generating energy.
3. Based on an analysis of 95% of the portfolio by value in scope of the analysis.
4. The Investment Manager's Human Rights Policy can be found on SDCL's website.

# **Performance** | Environmental, Social and Governance ("ESG") Update continued

SEEIT Sustainability Framework

## Principle 4: Support Our Communities

**92%**

of portfolio by value covered by Diversity and Inclusion ("D&I") policies in the year to 31 March 2024

**1 incident**[1]

of discrimination reported at a portfolio company during the year 31 March 2024

Principle 4 of the Framework concerns the role the Company has within its communities. In addition to providing customers with sustainable services, the Investment Manager is focused on ensuring that its community, namely the employees at SEEIT's portfolio companies, work in well-managed, supportive and flourishing workplaces. Therefore, the Investment Manager is promoting policies and initiatives in each of these workplaces aligned to the following four pillars:

1. **Diversity and inclusion**
2. **Training and development**
3. **Mental and physical health**
4. **Local charitable activities**

The Investment Manager has begun engaging with portfolio companies around the four pillars to determine whether they have policies and initiatives in place with respect to each. In time, the four pillars of employee experiences will be used to monitor portfolio company compliance with this principle.

Onyx

### Investment Spotlight:

## Improving employee wellbeing at Onyx Renewable Partners

In 2020, SEEIT acquired Onyx Renewable Partners, one of the largest and most established commercial and industrial ("C&I") on-site solar and storage platforms in the United States. Onyx owns and operates over 225 operational C&I projects across 14 US states.

Over the past few years, Onyx has consistently prioritised enhancing employee experiences aligned with the "Support Our Communities" principle in the Framework.

Onyx does this through its dedication to training members of the community through its participation in initiatives such as the "Hiring Our Heroes Programme" and creation of an internship programme. The Hiring Our Heroes Programme facilitates connections between US military veterans and private sector companies for fellowship opportunities.

In addition, Onyx's internship programme aims to offer valuable working experience to college students, further contributing to community support and talent development.

Onyx also demonstrates its commitment to diversity and inclusion through robust recruitment efforts and support for employees to engage in affiliate groups such as Women of Renewable Industries and Sustainable Energy ("WRISE").

Finally, Onyx underpins its efforts to support its employees through an annual employee engagement survey.

Onyx

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[1] The incident was raised and settled using an external agency. The incident occurred at a portfolio company that SEEIT holds a minority investment in. The Investment Manager investigated the incident and found that appropriate remediation efforts occurred following the incident.
As part of the review of the third parties engaged with SEEIT's portfolio companies, one incidence of discrimination was reported by a third party that manages a SEEIT investment. The incident was not at a SEEIT portfolio company. The Investment Manager reviewed the incident and confirmed that the incident was resolved and that appropriate mitigation actions are in place.

# **Performance** | Environmental, Social and Governance ("ESG") Update continued

SEEIT Sustainability Framework

## Principle 5: Match Best Practice

The first four Principles of the Framework focus on the Company's particular ESG-related goals. The fifth Principle acknowledges that there are many frameworks and standards in the ESG field that the Company aims to comply with. In particular, following best practice for the Company means fulfilling its legal and voluntary obligations, including the following:

### Commitment

1. **EU Sustainable Finance Disclosures Regulation ("SFDR")**
2. **Task Force on Climate-related Financial Disclosures ("TCFD")**
3. **Streamlined Energy and Carbon Reporting ("SECR")**
4. **Glasgow Financial Alliance for Net Zero ("GFANZ") – SDCL Commitment**
5. **United Nations' Principles for Responsible Investment ("UN PRI") – SDCL Commitment**

The standards included in Principle 5 have commitments that span from minimum standard policies to disclosure requirements to monitoring of specific KPIs. Principle 5 ensures that meeting those commitments is a key sustainability priority for the Company and forms a major part of the Investment Manager's ESG Management Process for the Company.

### ESG Asset Management KPI 2024 Score Card[1]

| Sustainability Framework | Indicator | KPI |
|---|---|---|
| **Principle 1 – Champion Energy Efficiency** | Energy savings | 379,589 MWh |
| | Total energy generated | 4,979,953 MWh |
| | Scope 4 emissions/carbon savings | 972,201 $tCO_2e$ |
| **Principle 2 – Deliver Net Zero Energy** | Scope 1 and 2 emissions | 725,976 $tCO_2e$ |
| | Renewable energy generated | 608,024 MWh |
| **Principle 3 – Promote Sustainable Supply Chains** | % portfolio by value covered by a supplier code of conduct against unsafe working conditions, precarious work, child labour and forced labour | 81% |
| **Principle 4 – Support Our Communities** | % portfolio by value covered by diversity and inclusion policies | 92% |
| | Number of incidents of discrimination reported in investee companies | 1 incident |
| **Principle 5 – Match Best Practice** | % of portfolio by value covered by health and safety policies | 100% |
| | % of portfolio by value with violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) guidelines for Multinational enterprises | 0% |
| | % of the portfolio by value covered by codes of conduct relating to anti-bribery and corruption | 92% |
| | % of portfolio by value covered by a grievance/complaints handling mechanism/process | 89% |
| | % of portfolio by value covered by a policy to protect whistleblowers | 92% |

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[1] KPIs for Principle 1 and 2 are based on an analysis of the portfolio for the year to 31 March 2024. KPIs for Principles 3, 4 and 5 are based on an analysis of c.95% of the portfolio by value in scope of that analysis, also for the year to 31 March 2024.

## **Performance** | Environmental, Social and Governance ("ESG") Update continued

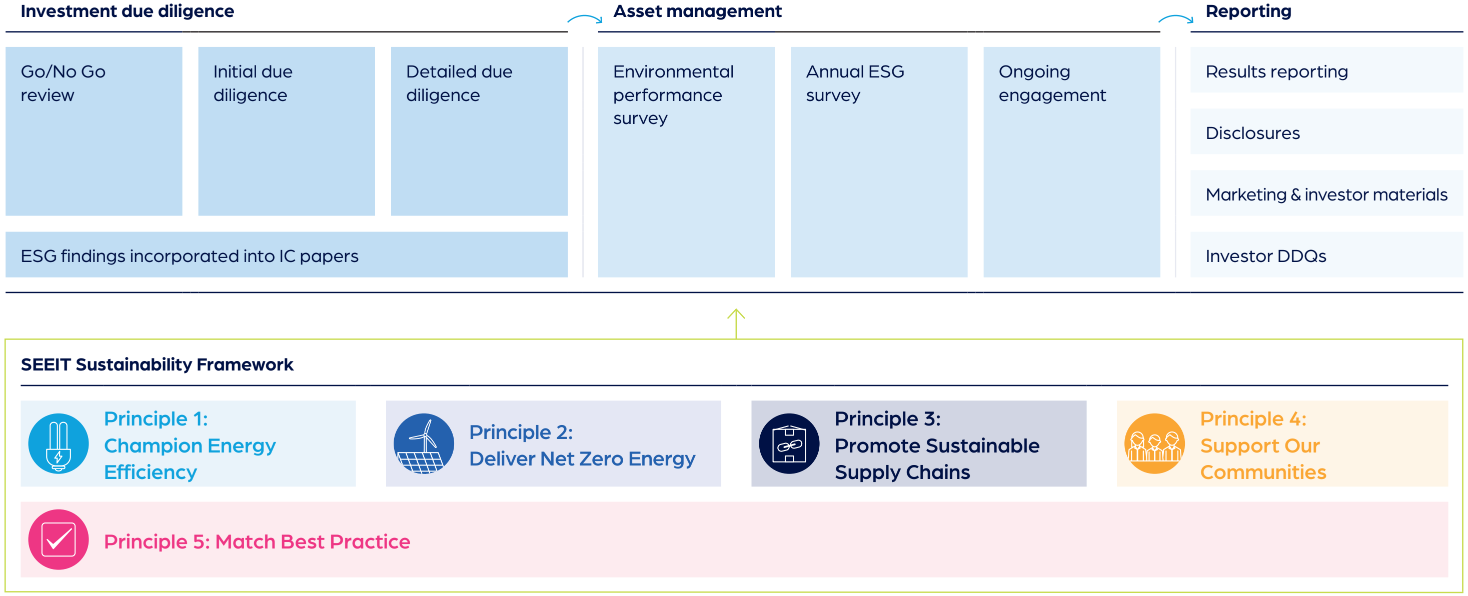
# SEEIT's ESG Management Process

The Investment Manager's ESG Management Process for the Company refers to the integration of sustainability considerations into due diligence, asset management and reporting.

The Investment Manager is responsible for the day-to-day activities relating to the ESG Management Process. SEEIT's ESG Committee oversees the overall effectiveness of and material outcomes or findings relating to the process.

During the year, the Investment Manager revised the ESG Management Process to align with the Framework and SFDR requirements. Specifically, the Investment Manager created a risk rating for each indicator in the due diligence questionnaire to assess alignment with the Framework and confirm an investment aligns with the SFDR's "do no significant harm" requirement.

The ESG investment due diligence process entails initial identification of ESG red flags, followed by preliminary and detailed assessments for alignment with the Framework. Post-investment, the Investment Manager interacts with investments through regular meetings, bi-annual environmental performance reporting and annual ESG questionnaires, enabling ongoing monitoring and management as necessary. Key performance indicators reflecting portfolio companies' ESG performance are reported in the annual SEEIT ESG Update, as shown in the Sustainability Framework section on pages 47 to 52.



**Investment due diligence**

- Go/No Go review
- Initial due diligence
- Detailed due diligence
- ESG findings incorporated into IC papers

**Asset management**

- Environmental performance survey
- Annual ESG survey
- Ongoing engagement

**Reporting**

- Results reporting
- Disclosures
- Marketing & investor materials
- Investor DDQs

**SEEIT Sustainability Framework**

- Principle 1: Champion Energy Efficiency
- Principle 2: Deliver Net Zero Energy
- Principle 3: Promote Sustainable Supply Chains
- Principle 4: Support Our Communities
- Principle 5: Match Best Practice

## **Performance** | Environmental, Social and Governance ("ESG") Update continued

Year ended 31 March 2024

# SEEIT Climate Change Report

"Though we have published climate risk sections in the past, this first SEEIT Climate Report represents the progress the Investment Manager has made in identifying and monitoring the Company's climate change risks and opportunities."

**Anjali Berdia** | SDCL Sustainability Manager

The SEEIT Climate Change Report ("Climate Report") is designed to provide shareholders, clients and wider stakeholders with insights into the Company's approach to identifying and managing climate-related risks and opportunities.

The Investment Manager and the Company are both supporters of the TCFD, recognising that climate change presents significant risks and opportunities for the Company in the short, medium and long term. While the UK's Financial Conduct Authority ("FCA") made publishing a TCFD report mandatory for many companies in the UK in January 2023, the Company is not in scope of this requirement.

Nevertheless, the Investment Manager finds that the TCFD's recommendations on governance, strategy, risk management and metrics provide a useful framework for monitoring, managing and increasing transparency around climate-related risks and opportunities. The TCFD's eleven recommended disclosures are outlined in the Appendix of this report, with corresponding page numbers referencing where the information can be found. Climate change risk is integrated into the Company's overall risk framework, more information of which is within the Risk Management Framework section, starting on page 62.

Baseload

# **Performance** | Environmental, Social and Governance ("ESG") Update continued

SEEIT Climate Change Report Year ended 31 March 2024

## Governance

### Governance Framework

Oversight and management of climate-related issues are incorporated into the Company's existing governance structure and Risk Management Framework. Following consultation with the Investment Manager, the Board approves the Company's investment policy, long-term objectives and commercial strategy, as stated in the Introduction and Strategic Report. Reports of the proceedings and decisions of the Audit and Risk Committee and ESG Committee, alongside others, are received by the Board quarterly.

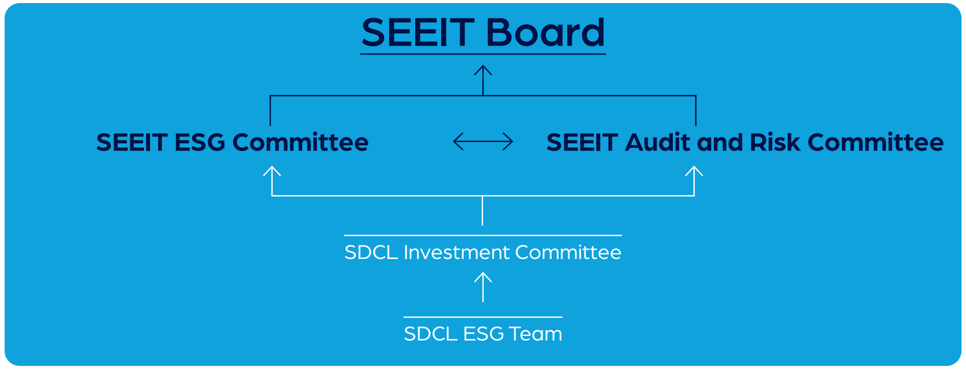
Under the direction of the Board and its respective Committees, the Investment Manager is responsible for the day-to-day management of climate-related risks and opportunities impacting the Company. The Investment Manager integrates the identification and monitoring of climate-related risks and opportunities into the ESG Management Process outlined in the ESG Update.

The Investment Manager does this in the first instance through due diligence questionnaires and checklists, including the ESG questionnaire with climate-related questions specific to physical and transition risks. Post-investment, the Investment Manager monitors and manages material climate-related risks through regular discussions with investments and the ESG asset management questionnaire.

Climate reporting is integrated into the Audit and Risk Committee discussions, with the Investment Manager notifying the Board of urgent matters arising outside of the regular reporting cycle.

In addition to engagement with portfolio companies and the Board to manage climate change risk, the Investment Manager has made efforts to educate its employees about climate change risks and opportunities. Over the year, the Investment Manager received ESG-related training on the mandatory and voluntary obligations of the Company, including the TCFD Framework.

The Board, Audit and Risk Committee, ESG Committee and the SDCL Investment Committee all have delegated responsibilities relating to climate issues. The SDCL ESG team identifies and raises climate-related risks to the SDCL Investment Committee and reports them to the Audit and Risk Committee through the risk framework. The ESG Committee is involved in climate change risks and opportunities from a strategic perspective through its oversight of the Framework and the ESG Management Process. Both the ESG Committee and Audit and Risk Committee report to the Board.



## Strategy

### Climate-related Opportunities

The assessment of climate-related opportunities is fundamental to the Company's investment strategy, as the Company supports the global transition to a low-carbon future through energy efficiency investments. The opportunities for the Company to invest in energy efficiency projects that support the energy transition increases in scenarios with stronger government policies and public support for those investments. The Investment Manager monitors the emergence of government policies that impact the success of the Company to assess climate-related opportunities, as set out in Investment Manager: Markets and Outlook on pages 13 and 14.

### Climate-related Risks

The assessment of both physical and transition climate-related risks is carried out by the Investment Manager once per material investment and then reviewed on an annual basis for changes occurring during the year.

### Physical climate risks

Physical climate risks assessed fall into two categories:

1. Acute
2. Chronic

Acute physical risks are event-driven, e.g. rainfall flooding and typhoons, whereas chronic physical risks are caused by longer-term shifts in climate patterns, e.g. extreme heat and drought.

To assess physical climate risks, the Investment Manager conducts scenario analysis through a specialist third-party provider, analysing the impact under Representative Concentration Pathways ("RCP") two scenarios (RCP 8.5 and RCP 2.6) over two forward-looking time periods (2021–40 and 2041–60). Both time periods are compared to a baseline period (2006 or 2014–2020). Further details are provided below.

| **RCP** | **Range of global mean temperature increase by 2100 (from pre-industrial baseline) (Celsius)** |
|---|---|
| **8.5** | 3.2–5.4 degrees (Business-as-usual scenario without additional efforts to constrain emissions, resulting in warming of **more than 4 degrees**) |
| **2.6** | 0.9–2.3 degrees (Net zero pathway that aims to keep warming **below 2 degrees**) |

| **Time horizon** | **Period covered** |
|---|---|
| **2020** | Historical data (2006 or 2014–2020), baseline period |
| **2030** | 2021–2030 |
| **2050** | 2031–2050 |

# **Performance** | Environmental, Social and Governance ("ESG") Update continued

SEEIT Climate Change Report Year ended 31 March 2024

## Strategy continued

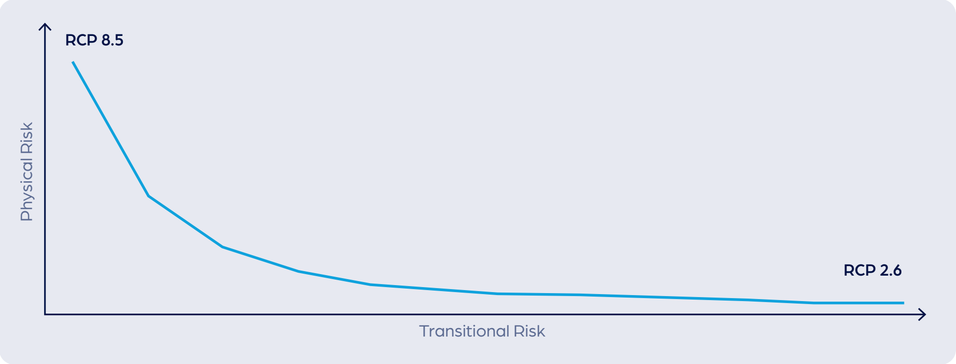
Transition climate risks assessed can be split into four categories:

1. **Policy and legal risk**
2. **Technological risk**
3. **Market risk**
4. **Reputational risk**

To assess transition risks, the Investment Manager regularly engages with portfolio companies, remaining up to date with policy changes, new technologies, market movements and changing customer demands in the relevant region. The Investment Manager also engages with a third-party provider to assess its carbon financial risk exposure due to the EU-ETS within EU markets on a quarterly basis.

### Transition–physical risk: conceptual overview

Typically, at RCP 8.5, a "Business-as-usual" scenario, the Company would face higher threat from physical risks, as emissions are expected to continue rising at current rates, increasing global temperatures to >4 degrees Celsius. However, at RCP 2.6, an "Aggressive" mitigation scenario, the Company would face higher threat from transition risks, as emissions are expected to halve by 2050, limiting temperature increases to below 2 degrees Celsius. This is outlined in the diagram below.



### Transition–physical risk: company overview

The tables below provide both a high-level summary and granular breakdown of the top physical and transition risks impacting the Company. Mitigation actions, both current and proposed, have also been outlined below.

### Summary of portfolio-level climate change risks

| Risk description | Comment |
|---|---|
| **Physical risks relating to climate change** | The physical risks associated with the SEEIT portfolio primarily fall into three categories:<br>1. reduced feedstock availability;<br>2. lower demand for products due to milder weather; and<br>3. operational delays due to extreme weather events and asset damage.<br>These risks have been identified predominantly using specialist third-party climate modelling software. Select risks[1] have been identified because the portfolio company has begun to see them materialise. |
| **Transitional risks relating to climate change** | Transition risks within the SEEIT portfolio primarily stem from two main sources:<br>1. policy and legal changes related to decarbonisation may result in higher operational costs for assets with material emissions; and<br>2. customer demand for the energy products generated by portfolio companies reduces due to shifting consumer preferences for lower-carbon products.<br>These risks have been identified using the TCFD's transition risk framework and through engagement with the asset management team and portfolio companies. |

### Physical climate-related risks

| Risk and category | Impact | Mitigation Actions |
|---|---|---|
| **Extreme heat**<br>Physical – chronic | Reduced olive yields, limiting biomass feedstock availability.<br>Diminished customer demand for heat, resulting in reduced revenue streams. | Source biomass feedstock from farther away.<br>Acquire a different site with greater biomass storage capacity.<br>Monitor customer demand and consider amending tariffs. |
| **Drought**<br>Physical – chronic | Limited water availability for processes at sites. | Seek alternative water sources.<br>Invest in new drought-resistant technologies. |
| **Rainfall flood**<br>Physical – acute | Asset damage and/or operational delays.<br>Impact on harvest yields due to adverse effects on soil saturation, erosion and fruit quality. | Source biomass feedstock from areas less exposed to flooding.<br>Acquire a different site less exposed to flooding.<br>Acquire appropriate natural catastrophe insurance. |

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1. These select risks that have materialised, specifically reduced biomass feedstock at Oliva and milder weather at RED, are considered in the Portfolio Valuation. Other risks are hypothetical and have been identified under multiple climate scenarios and timelines. The Audit and Risk Committee review both materialised and hypothetical climate related risks as part of the risk framework.

# **Performance** | Environmental, Social and Governance ("ESG") Update continued

SEEIT Climate Change Report Year ended 31 March 2024

## Strategy continued

### Transition climate-related risks

| Risk and category | Impact | Mitigation Actions |
|---|---|---|
| **Higher operating costs due to new carbon policies**<br>Transition – policy and legal | Reduced financial support from governments, e.g. Spanish Regulatory Regime.<br>Introduction of New York Climate Leadership and Community Protection Act capping GHG emissions.<br>Specific fines and penalties associated with methane leakage would require pipe relining. | Monitor emerging policies.<br>Engage with lobbyists, industry association members and others involved in policymaking.<br>Determine how to align trajectories to be future-proofed for emission-related regulations. |
| **Decreased demand for products**<br>Transition – market | Higher decarbonisation pressures from customers and governments seeking low-carbon/renewable energy sources. | Build out a decarbonisation plan with portfolio companies.<br>Demonstrate a commitment to sustainability or adapt to evolving environmental regulations and consumer preferences. |

### Physical risk climate modelling approach

The Company conducts its analysis on the impacts from chronic and acute physical risks through a third-party provider and uses its climate hazard score to assess potential physical risk facing the asset.

### Climate hazard score:

The climate hazard score rates the severity of various climate hazards on a scale of 0-100 based on the geographical location of the assets. The score is not weighted based on the size and valuation of assets.

Using the climate hazard score, as well as real-time information of the climate impacts on an investment, the Investment Manager assigns a risk rating to each climate risk. The risk rating mirrors the risk rating system used for all other portfolio risks.

## Climate Change Risk Management

Climate-related risks and opportunities are integrated across all components of the Company's Risk Management Framework and thus follow the same monitoring, managing and governance structure as other types of risk. The Company's broader Risk Management Framework is detailed in the Risk Management section on pages 62 to 64; however, a summary of how the risk framework pertains to Climate Change risk is outlined below:

### Risk strategy

The climate change risk strategy of the Company is set by the Board, with input from the Investment Manager. Further details on how climate-related risks and opportunities are integrated into the Company's strategy are set out in the Strategy section of this report on pages 55 to 57.

### Risk appetite

Within climate change risk, the Company has a **low appetite** for physical risks and a **medium appetite** for transition risk, as the Company is looking to benefit from the transition to a low-carbon economy and take advantage of new technologies and policies to enhance investment returns.

### Risk management policies

The Company documents its procedures relating to climate issues in its Responsible Investment Policy and will include specific reference in its Risk Management Policy over the following year.

### Risk governance

Governance of climate change risk is set out in the Governance framework on page 55 of this report.

# **Performance** | Environmental, Social and Governance ("ESG") Update continued

SEEIT Climate Change Report Year ended 31 March 2024

## Metrics and Targets

### Climate-related Environmental Performance Data

The Company reports on a variety of metrics related to carbon and energy savings, energy generation and GHG emissions (Scopes 1, 2 and 3), which are calculated by monitoring environmental performance data of all investments quarterly. The climate-related metrics are calculated using guidance from the Greenhouse Gas Protocol and the UK SECR legislation. The data is collected individually from the portfolio companies and collated by an external consultant based on actual energy usage and generation. The data is then reviewed by the external consultant and the Investment Manager. The energy performance data disclosed for the year ending 31 March 2024 covers the majority of the projects in SEEIT's portfolio for the period, making up c.99% of the portfolio by value in scope of the analysis.

The Company monitors its energy performance data to track progress against its sustainability indicators, namely Scope 4 emissions (carbon savings) and energy savings. Furthermore, the Company tracks the relevant GHG emissions of assets to monitor its environmental impact and will inform the degree of risk associated with an accelerated net zero transition on a project-by-project basis.

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

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

The data-gathering process is predominantly manual and therefore dependent on accurate reporting from the management teams and other sources at the asset level. Market practice and processes keep improving and the Investment Manager is actively engaged in seeking the most up-to-date and accurate data for each of the investments.

Principal environmental performance data of the Company's portfolio is set out in the tables below.

**Data Deviations Compared to Last Year:**
During this period, the Manager found that two portfolio companies were reporting on energy savings and Scope 4 emissions with calculation methodologies that were inconsistent with those used for the rest of the portfolio. Additionally, the carbon intensities of the local electrical grid in most of the jurisdictions SEEIT invests in decreased, therefore reducing the benchmark used to calculate the carbon avoided from the Company's investments. The combination of decreasing carbon intensities of local electrical grids and these two calculation inconsistences have offset the increase in Scope 4 emissions from some portfolio companies, leading to a net decrease when compared to last period. The Company's Scope 4 emissions may fluctuate from period to period given it is calculated is based on relevant counterfactual scenarios, such as the carbon intensities of local electrical grids, and those calculation methodologies are consistently being reviewed and improved.

Further, Scope 1 emissions have increased compared to last year because one of the portfolio companies returned to full operation. In pursuance of the Investment Manager's net zero target, it is the intention for the Company's overall GHG emissions to decrease overtime, but changes in investment operations or the portfolio's composition may lead to data fluctuations.

### Portfolio Scope 4 emissions[1] and energy[2] savings

| | Scope 4 emissions/carbon savings tCO$_2$e | | Energy savings MWh | |
|---|---|---|---|---|
| | **2023/24** | 2022/23 | **2023/24** | 2022/23 |
| APAC | **7,447** | 8,136 | **10,048** | 10,613 |
| EU | **144,504** | 153,474 | **4,464** | 1,518 |
| UK | **30,620** | 18,980 | **23,521** | 37,849 |
| US | **789,630** | 1,021,939 | **341,556** | 337,889 |
| **Total portfolio** | **972,201** | 1,202,528 | **379,589** | 387,868 |

1. Scope 4 emissions, previously referred to as "carbon savings" in SEEIT's Annual Reports, refer to the reduction in GHG emissions achieved by a project compared to a relevant counterfactual, i.e. how the customer would receive the energy services in the absence of said project.
2. Energy Savings refer to the electrical and thermal energy not consumed at the point of use due to a SEEIT investment.

# **Performance** | Environmental, Social and Governance ("ESG") Update continued

SEEIT Climate Change Report Year ended 31 March 2024

## Metrics and Targets continued

### Portfolio energy generation

4,979,953 MWh

Total Energy Generated as at 31 March 2024

4,373,103 MWh

Total Energy Generated as at 31 March 2023

| | Renewable electricity generated MWh | | Renewable heat generated MWh | | Non-renewable electricity generated MWh | | Non-renewable heat generated MWh | |
|---|---|---|---|---|---|---|---|---|
| | **2023/24** | 2022/23 | **2023/24** | 2022/23 | **2023/24** | 2022/23 | **2023/24** | 2022/23 |
| APAC | **5,715** | 5,772 | **–** | – | **–** | – | **–** | – |
| EU | **196,365** | 227,449 | **204,914** | 214,394 | **634,302** | 353,882 | **316,112** | 239,165 |
| UK | **51,161** | 34,069 | **36,523** | 34,838 | **27,262** | 42,002 | **100,641** | 48,728 |
| US | **113,347** | 89,301 | **–** | – | **1,878,686** | 1,701,990 | **1,414,925** | 1,381,514 |
| **Total portfolio** | **366,587** | 356,591 | **241,437** | 249,232 | **2,540,250** | 2,097,873 | **1,831,679** | 1,669,406 |

### Portfolio GHG emissions[1]

726,898 tCO$_2$e

Scope 1 and 2 emissions as at 31 March 2024

558,821 tCO$_2$e

Scope 1 and 2 emissions as at 31 March 2023

| | Scope 1 | | | | Scope 2 | | | | Scope 3 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | tCO$_2$e | | MWh[2] | | tCO$_2$e | | MWh | | tCO$_2$e | |
| | **2023/24** | 2022/23 | **2023/24** | 2022/23 | **2023/24** | 2022/23 | **2023/24** | 2022/23 | **2023/24** | 2022/23 |
| APAC | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – |
| EU | **336,701** | 180,776 | **2,844,317** | 2,148,396 | **2,719** | 2,479 | **12,865** | 14,578 | **4,734** | 2,482 |
| UK | **6,018** | 6,645 | **74,696** | 74,876 | **0.1** | – | **5,665** | – | **26,169** | 16,829 |
| US | **375,213** | 361,550 | **2,049,597** | 1,973,844 | **6,246** | 7,372 | **58,749** | 68,228 | **92,360** | 255,283 |
| **Total portfolio** | **717,933** | 548,971 | **4,968,610** | 4,197,116 | **8,965** | 9,851 | **77,280** | 82,806 | **123,263** | 274,594 |

1. The Company's Scope 1, 2 and 3 emissions predominately represent fuel used to generate energy in SEEIT's energy generating assets. The Company does receive emission data from portfolio companies on factors such as business travel, office energy use, etc., but not all portfolio companies currently report to that level of granularity.
2. MWh in the emissions table refers to the energy consumed associated with the disclosed emissions.

# **Performance** | Environmental, Social and Governance ("ESG") Update continued

SEEIT Climate Change Report Year ended 31 March 2024

## Metrics and Targets continued

### Carbon intensity indicators[1]

| | Weighted average carbon intensity tCO$_2$e/£m value | | Carbon footprint tCO$_2$e/£m value | | Carbon intensity tCO$_2$e/£m value | | Exposure to carbon-related assets % | |
|---|---|---|---|---|---|---|---|---|
| | **2023/24** | 2022/23 | **2023/24** | 2022/23 | **2023/24** | 2022/23 | **2023/24** | 2022/23 |
| APAC | **–** | – | **–** | – | **–** | – | **–%** | –% |
| EU | **3,220** | 1,680 | **304** | 173 | **1,552** | 1,516 | **6.2%** | 6.1% |
| UK | **1,041** | 1,519 | **5** | 6 | **301** | 472 | **–%** | –% |
| US | **1,912** | 1,459 | **341** | 349 | **2,998** | 2,721 | **–%** | –% |
| **Total portfolio** | **6,174** | 4,658 | **651** | 529 | **1,980** | 2,060 | **6.2%** | 6.1% |

1. Definitions of the carbon intensity factors are as follows:
   - Weighted Average Carbon Intensity: The portfolio's exposure to carbon-intensive companies, expressed in tCO2e/£m value. The KPI compares an investment's Scope 1 and 2 emissions, normalised by ownership, with its portfolio value.
   - Carbon Footprint by value: Total carbon emissions for the portfolio normalised by the ownership of the asset, expressed in tCO2e/£m value. The KPI compares the investment's Scope 1 and 2 emissions, normalised by ownership, with the entire portfolio value.
   - Carbon Intensity by Revenue: The volume of carbon emissions per million dollars of revenue, expressed in tCO2e/£m revenue. The KPI compares the investment's Scope 1 and 2 emissions with its revenue, both normalised by ownership. The KPI is recalculated at the regional and total portfolio level based on overall Scope 1 and 2 emissions and revenue of the majority of the portfolio.
   - Exposure to Assets Active in the Fossil Fuel Sector: The percentage of assets active in the fossil fuel sector in the portfolio, expressed as a percentage of the current portfolio value. Active in the fossil fuel sector is defined as "companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels. The 6.2% represents one asset, Vartan Gas, which has limited exposure to fossil fuels as most of the fuel it distributes is biogas (c.91% in the year ended 31 March 2024).

## Climate Targets

### Glasgow Financial Alliance for Net Zero ("GFANZ")

Through the Net Zero Asset Managers initiative ("NZAM"), the Investment Manager is committed to supporting the goal of reaching net zero by 2050 or sooner (in line with 1.5 degrees) and investing in alignment with that target. Specifically, the Investment Manager is committed to the following targets as set by the Net Zero Investment Framework ("NZIF"):

### 1 Portfolio Coverage Target

**Aims for 100% of the Company's financed emissions in material sectors to be considered net zero, aligned to net zero, or aligning to net zero by 2030.**

**Aims for 100% of the Company's financed emissions in material sectors to be considered net zero or aligned to net zero by 2040.**

### 2 Engagement Threshold

**Aims for 100% of the Company's financed emissions in material sectors to be subject to direct or collective engagement and stewardship actions by 2030.**

Progress against the above targets will be disclosed in the subsequent Climate Change Report, following the development and formalisation of the Company's Transition Plan.

## **Performance** | Environmental, Social and Governance ("ESG") Update continued

# TCFD Disclosures

| Recommendation | Page reference in Climate Change Report |
|---|---|
| **Governance** | |
| Describe the Board's oversight of climate-related risks and opportunities. | 55 |
| Describe management's role in assessing and managing climate-related risks and opportunities. | 55 |
| **Strategy** | |
| Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. | 55 – 57 |
| Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. | 55 – 57 |
| Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | 55 – 57 |
| **Risk Management** | |
| Describe the organisation's processes for identifying and assessing climate-related risks. | 57 |
| Describe the organisation's processes for managing climate-related risks. | 57 |
| Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. | 57 |
| **Metrics and Targets** | |
| Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | 58 – 60 |
| Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks. | 58 – 60 |
| Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | 58 – 60 |

# **Performance** | Risk Management Framework

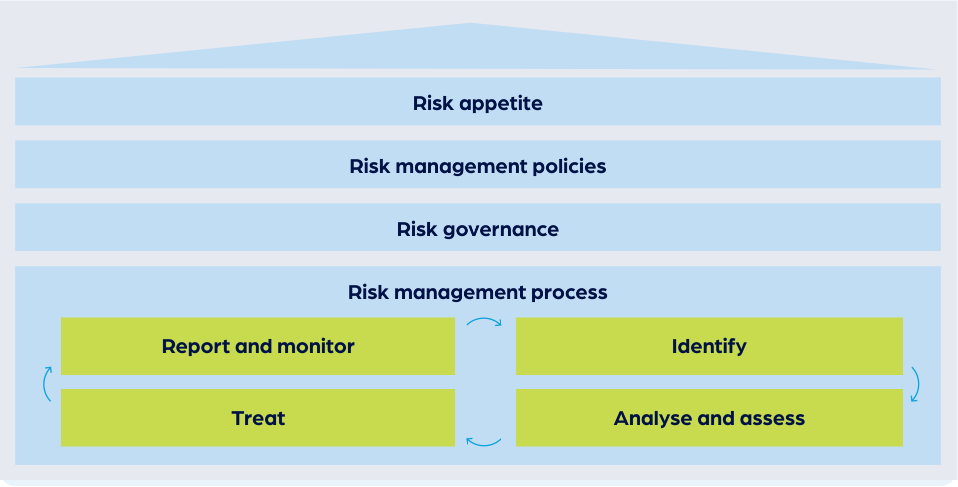
## Risk Management Framework

The Company maintains a comprehensive Risk Management Framework that encompasses all facets of its operations. This framework includes systems and protocols to identify, monitor and mitigate relevant risks associated with the Company's operations, its investment portfolio and/or stakeholders.

The Investment Manager plays a crucial role as a service provider to the Company and is responsible for maintaining the Risk Management Framework. The Board sets the Company's risk appetite, aiming for a balance of risk mitigation and generating return to shareholders. Oversight of the Risk Management Framework and risk tolerances is entrusted to the Company's Audit and Risk Committee, convening at least quarterly. The Committee's responsibilities include monitoring risks against predetermined risk tolerance levels and assessing the adequacy and efficacy of the Company's internal financial controls, internal controls and risk management systems.

Regular risk management reports from the Investment Manager are provided to the Audit and Risk Committee to maintain oversight of the Company's risk profile, alongside updates to the risk register, which entails rating each risk, detailing mitigating factors and highlighting relevant controls. The Committee, together with the Investment Manager, engages in ongoing discussions regarding emerging risks and potential mitigation strategies. External advisers are consulted by the Company as needed.

Within the broader Risk Management Framework, the activities of key service providers, including the Investment Manager, are also captured. The Investment Manager maintains its own Risk Management function with appropriate systems and controls, upon which the Company relies.



## Risk strategy

The risk strategy of the Company is set by the Board, with the input from the Investment Manager. In determining the identity of the risks to the Company, how these risks should be managed, implementing appropriate controls and setting appropriate risk appetites, the Company demonstrates how the principal risks to the business have been mitigated.

## Risk appetite

Each risk within the Company's Risk Management Framework is set a risk appetite, the level of risk that the Company is willing and able to tolerate. These risks are managed against predetermined thresholds in order to ensure the appropriate level of risks is maintained throughout the firm and aligns to the firm's strategy.

## Risk management policies

Risk management policies within the Company outline the procedures which ensure all applicable risks pertaining to the Company are effectively identified, monitored and managed.

## Risk governance

The Company's risk management strategy permeates through the Company and effective corporate governance structure. The Audit and Risk Committee is accountable for the oversight of the Company's risk profile and receives quarterly reports pertaining to the top risks, associated controls and agreed risk appetites.

## Risk management process

The Company's risk management process is perpetual and at the heart of the Company's Risk Management Framework, it involves:

1) Risk identification;
2) Risk analysis and assessment;
3) Risk treatment; and
4) Risk monitoring and reporting.

## Principal Risks

The primary risks facing the Company and its investment portfolio have been outlined in the table provided below. These risks are monitored on an ongoing basis by the Investment Manager and are regularly reviewed by both the Board and the Audit and Risk Committee.

The principal risks encountered by the Company and its investment portfolio largely remain consistent with those of the previous year, although there may have been shifts in the likelihood of certain risks materialising over time.

These principal risks either directly impact the Company or indirectly impact the Company via the investment portfolio. It is anticipated that the identity of these risks will remain constant throughout the year. Emerging risks are continually assessed and considered by the Investment Manager and Audit and Risk Committee.

# **Performance** | Risk Management Framework continued

Outlined below are the Company's principal risks and their associated mitigating controls.

| Risk type | Risk change (to previous year) | Risk description | Mitigation |
|---|---|---|---|
| **Operational risk** | Same | The risk that operational control failures may disrupt operations of the Company and impact financial performance and investor returns.<br>Potential impact:<br>– Loss of key personnel impacts investment decision making.<br>– Cyber incident at the Investment Manager impacts operations. | – The Board has ongoing oversight of the performance of SDCL and focuses upon SDCL's resources.<br>– The Investment Manager has long-term incentive plans in place to retain key staff and large enough investment teams for succession plans to be implemented.<br>– Business continuity planning at the Investment Manager is tested at least annually to minimise the risk of operational disruption. |
| **Market sentiment and share price discount risk** | Increase | Risk of the share price continuing to trade at a discount to NAV per share$^{APM}$ and market sentiment for listed infrastructure investment trusts remaining unfavourable.<br>Potential impact:<br>– Poor shareholder returns.<br>– Inability to raise new equity capital. | – The Board regularly reviews the share price discount and can implement a share buyback programme.<br>– The Investment Manager has a stepped plan targeted at eliminating the discount. |
| **Financial risk** | Same | The risk of being unable to manage portfolio debt, debt at SEEIT Holdco and/or fulfil the Company's financial obligations.<br>Potential impact:<br>– Excessive cost of debt hinders the ability to meet the Company's target returns.<br>– Inability to renew the Company's RCF. | – The Company maintains a maximum level of leverage which is continuously monitored.<br>– The Investment Manager regularly provides financial forecasts and management accounts to ensure the Company meets its financial obligations.<br>– The Company will use proceeds from selective disposals to pay down debt as required. |
| **FX risk** | Same | The risk of exchange rate fluctuations impacting the value of NAV$^{APM}$.<br>Potential impact:<br>– Reduction in the value of non-GBP assets and their revenue.<br>– Volatile FX rates increase the cost of FX hedging. | – The Company enters into FX hedging arrangements to protect the Company's NAV$^{APM}$ from material adverse exchange rate movements.<br>– The Investment Manager maintains a target level of unhedged non-GBP exposure at Company level. |
| **Liquidity risk** | Same | The risk that the Company cannot meet its financial obligations as they fall due.<br>Potential impact:<br>– Inability to make dividend payments.<br>– Inability to fund operating expenses or portfolio commitments. | – The Investment Manager maintains a Treasury Policy for the Company, compliance of which is reported to the Board quarterly.<br>– The Investment Manager provides regular cash flow forecasts and stress testing analysis for the Board to review.<br>– The RCF provides additional liquidity as required.<br>– The Investment Manager considers strategic disposals when it can maximise value for shareholders and raise funds for future investment. |
| **Macroeconomic risks** | Increase | Interest rate risk:<br>– The risk of changes in Portfolio Valuation$^{APM}$ due to higher interest rates.<br>Potential impact:<br>– Higher interest rates increase discount rate and decrease the value of assets.<br>– Greater cost of borrowing. | – The Investment Manager uses predominantly fixed rate hedging to manage the portfolio's debt interest rate exposure and minimise the impact of rising interest rates on the cost of debt.<br>– The Investment Manager performs stress testing to assess the impact of future interest rate increases. |
| | Same | Inflation risk:<br>– The risk of changes in market valuations, fund underperformance and/or incurred losses due to higher inflation.<br>Potential impact:<br>– Increased costs of asset operations.<br>– Reduced demand as prices rise. | – The Investment Manager monitors portfolio correlation with inflation, including via stress testing, and assesses expected correlation in respect of new prospective investments.<br>– The Investment Manager builds the portfolio to minimise the risk of inflation mismatch and seeks to ensure the Company's portfolio has a positive correlation to inflation. |
| | Same | Energy and gas price risk:<br>– The risk of changes in Portfolio Valuation$^{APM}$, due to changes in energy and gas prices.<br>Potential impact:<br>– Reduced profitability of assets.<br>– Increased competition for consumers. | The Investment Manager reduces the risks by:<br>– hedging exposure to gas and energy prices in the short term; and<br>– making arrangements to pass on material price risk to the counterparty in the longer term. |

# **Performance** | Risk Management Framework continued

| Risk type | Risk change (to previous year) | Risk description | Mitigation |
|---|---|---|---|
| **Reputational, regulatory and governance risk** | Same | – The risk that SEEIT does not comply with its regulatory requirements, investment mandates and governance requirements.<br>Potential impact:<br>– Loss of investor confidence.<br>– Increased cost of operations. | – The Investment Manager undertakes regular horizon scanning for upcoming changes to regulation.<br>– The Investment Manager has an independent second line compliance team that is responsible for ensuring alignment to regulation, alongside the Company Secretary.<br>– As required, third-party advisers are engaged to support regulatory implementation and provide assurance. |
| **Climate risk** | Increase | – The risk that climate change will have a negative impact on the underlying portfolio and therefore the Company's financial performance and NAV$^{\text{APM}}$.<br>Potential impact:<br>– Physical risk – damage to assets, disruption of supply chains, lower demand for heat or cooling, and interruption to business operations.<br>– Transitional risk – impacts of policy change, technology changes and consumer demand changes. | – The Investment Manager conducts climate change analysis as part of its existing Risk Management Framework and reports regularly to the ARC.<br>– Further details can be found in the Climate Change Report on pages 54 to 60. |
| **Investment risk** | Same | – Poor investment performance at an asset level impacting the valuation of the portfolio.<br>Potential impact:<br>– Material issue at an asset impacting operations.<br>– Miscalculation of an investment's risk/return profile. | – The Investment Manager undertakes a comprehensive due diligence process before investment is made.<br>– The Investment Manager proactively engages with portfolio assets to address issues and optimise performance.<br>– The management teams of portfolio assets are incentivised to optimise operational performance. |

| Risk type | Risk change (to previous year) | Risk description | Mitigation |
|---|---|---|---|
| **Performance risk** | Same | – The risk that SEEIT fails to meet financial objectives and investment returns.<br>Potential impact:<br>– Company fails to deliver on target returns and dividends.<br>– Diminishing investor sentiment. | – The Company has appointed an Investment Manager who is an experienced specialist in the industry with a strong track record.<br>– There is Investment Committee scrutiny, due diligence processes and risk management disciplines, including counterparty credit assessments.<br>– The Investment Manager aims to construct a diversified portfolio and monitors concentration limits on the maximum asset size. |
| **Market regulatory risk** | Same | The risk that the Company underperforms due to regulatory changes that impact the asset valuation and viability of their investments.<br>Potential impact:<br>– Increased regulation increases operational cost of assets.<br>– Regulation drives away demand. | – The Investment Manager continuously assesses the impact that future regulation will have on the assets.<br>– There is proactive engagement with stakeholders at the asset level to align to regulatory requirements in the most efficient manner possible. |
| **Counterparty risk** | Same | Offtaker credit risk:<br>– The risk that an offtaker to a transaction at an asset level will not pay their dues, resulting in the Company suffering a loss.<br>Potential impact:<br>– Loss of asset revenue.<br>– Poor contract renewal terms leading to reduction in revenue. | The Investment Manager minimises credit risk via:<br>– qualitative and quantitative due diligence on the creditworthiness of counterparties;<br>– credit ratings of counterparties being continuously monitored;<br>– controls added into the contracting arrangements;<br>– counterparties being essential services; and<br>– diversification of counterparties. |
| | Same | Contractor risk (O&M providers):<br>– The risk that an operating counterparty for an asset will fail to discharge its obligations.<br>Potential impact:<br>– Delays in development/ construction before revenue generation.<br>– Increased cost in getting assets operational. | – The Investment Manager performs due diligence on the contractors to minimise the risk of operational/ construction delays.<br>– Contract rights between counterparties are substitutable. |

# **Performance** | Viability Statement

## Viability Assessment Period

The Directors have assessed the prospects of the Company over a five-year period to 31 March 2029. Consistent with prior years, the Directors have determined that five years 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 a diversified portfolio of investments, of which the majority have a high degree of contracted 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 individual investments are each supported by detailed financial models, and those 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 the identified risks 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 undertook 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 Investment Manager provided analysis on these projections at various points through the year, considering the potential impact of the Company's principal risks actually occurring in severe but plausible downside scenarios.

The Audit and 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 the ability to pay dividends, ability to settle ordinary liabilities and on earnings and the NAV $^{APM}$.

## Scenarios reviewed and their impact

The Investment Manager selected these scenarios on the basis that each could reasonably be assumed, before mitigants, to have a plausible but severe impact affecting the Company directly or indirectly, caused by market factors such as a high interest and high inflation environment and a global recession, or investment-specific factors that are unique to an individual or group of investments in the SEEIT portfolio:

- significant delay and cost increases associated with the construction of a cogeneration facility at RED-Rochester, resulting in additional debt costs. This potentially causes covenant breaches in debt facilities which in turn places the Company's ability to cash cover $^{APM}$ its dividends under pressure in specifically identified future years; and
- a permanent cancellation of construction by a key customer (Li-Cycle) at RED-Rochester that materially reduces revenues generated at the investment. Overall cash cover $^{APM}$ is under pressure in specifically identified future years due to potential covenant breaches, in turn potentially affecting the Company's ability to pay distributions to shareholders.

The Audit and Risk Committee reviewed and challenged the Investment Manager on each of the scenarios presented. This included reviewing the likelihood of the risks of the scenarios materialising and considering the potential mitigants that the Investment Manager could apply to reduce any potential downside risk. The Audit and 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 and Risk Committee with a severe scenario (i.e. no revenues received) 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 2029.

On behalf of the Board

**Tony Roper,**
Chair

# **Performance** | Stakeholders and Section 172

## Section 172: Promoting the Success of the Company

The Directors consider, both individually and together, that they have 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, having regard to the stakeholders and matters set out in Section 172 of the UK Companies Act 2006 ("Companies Act") in the decisions taken during the year, as set out below:

| Section 172(1) | Description |
|---|---|
| **(a) the likely consequences of any decision in the long term** | During the year under review, the Board believes it acted 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 its shareholders as a whole, having had regard to wider stakeholders and the other matters set out in Section 172 of the Companies Act.<br>See the rest of this section for the Board's decisions on approving dividends, implementing a share buyback programme, agreeing a Capital Allocations Policy with the Investment Manager and the oversight and monitoring of the Investment Manager's activities in relation to risk and portfolio management for the Company. |
| **(b) the interests of the Company's employees** | As a closed-ended investment company, the Company does not have any direct employees.<br>During the year, the interests of employees in project companies in the portfolio were considered when making decisions for the Company's benefit, such as promoting positive health and safety cultures and other ESG initiatives (further details can be found in the ESG Update on pages 45 to 53). |
| **(c) the need to foster the Company's business relationships with suppliers, customers and others** | The Company'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 provides oversight for the managing of climate-related risks for the portfolio by the Investment Manager, including transparent disclosure of these risks, and reviews mitigating actions taken by the Investment Manager to reduce or eliminate them where possible.<br>A description of the Company's Responsible Investment Policy is available on the Company's website and further detail on climate-related risks is set out in the ESG Update on pages 45 to 53 and the Risk Management Framework on pages 62 to 64.<br>Further details of matters discussed and agreed by Directors during the year are described in the ESG Update on pages 45 to 53. |
| **(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 the ESG Update on pages 45 to 53. |
| **(f) the need to act fairly between members of the Company** | The Board's approach is described under "Stakeholders" below. For further information please also see the Corporate Governance Statement on pages 72 to 80. |

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 several 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.

## Stakeholders

The Board challenges the Investment Manager to balance the interests and concerns of all stakeholders effectively 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 relevant 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, 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 (including host counterparties); and
- lenders at project level and corporate level.

# **Performance** | Stakeholders and Section 172 continued

| Stakeholders | Why they are important | Engagement |
|---|---|---|
| **Shareholders** | As the Company is an investment trust listed on the London Stock Exchange and a constituent of the FTSE 250 index, 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 350 shareholders.<br>Through the Company's engagement activities, it strives to obtain investor endorsement for the Company's strategic objectives and how they are executed.<br>In light of the persistent share price discount to NAV per share, the Board and the Investment Manager agreed to a Capital Allocations Policy, as described elsewhere in the Annual Report, taking into account shareholder feedback on how capital should be used.<br>The Company also engaged, directly or via the Investment Manager, with shareholders in the year through meetings, market announcements and various written materials, available on the Company's website.<br>In April 2023, and after a period of the Company's shares trading at a discount to NAV $^{APM}$, the Board authorised a share buyback programme as part of the Company's discount control strategy in order to increase liquidity in the Company's shares.<br>At every Board meeting, the Directors received updates on share trading activity, share price performance, shareholder feedback and any mention of the Company in the press.<br>Through a combination of the above engagement activities, clear reporting and shareholder support, the Board has been able to ensure the Investment Manager's investment aligned with the investment strategy appropriate for the tougher market conditions compared to previous years. The Company will continue to engage actively with shareholders. |
| **The Investment Manager** | The Investment Manager's 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.<br>The Board conducts both an ongoing and an annual review of the Investment Manager's performance and terms of engagement, and provides feedback after such reviews. The most recent annual review took place in March 2024 and written feedback was given to the Investment Manager.<br>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. | During the year, the Company conducted a review of the terms of all key service provider engagements along with their fee levels to ensure an appropriate level of support was being provided to the Company.<br>The Directors provided specific feedback to key service providers with the aim of ensuring the Company receives an appropriate service.<br>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.<br>The annual review in 2023 of key service providers instigated a change in Company Secretary and Administrator. Supported by the Investment Manager, a successful transition to JTC was achieved during 2023. |
| **Investment business partners (including host counterparties)** | The Company has various business partners including, crucially, the counterparty hosts to whom the Company's investments are providing critical energy services, as well as subcontractors 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.<br>The Directors received an update on actions during the year for the Investment Manager to seek to maintain long-term collaborative partnerships with these counterparties to ensure relationship stability and that the Company's investment return targets are achieved. |
| **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 attractive 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.<br>During the year, the Directors received and reviewed the Investment Manager's recommendation for exercising a one-year extension of the RCF held by the Company's single subsidiary, SEEIT Holdco, thereby ensuring that the Company had access to liquidity to make further investments. |

# **Performance** | Stakeholders and Section 172 continued

The Directors' overarching duty is to promote the success of the Company for the benefit of shareholders, with due consideration of other stakeholders' interests. The Company seeks to maintain high standards of business conduct and corporate governance, and to ensure via the Investment Manager that appropriate oversight, control and suitable policies are in place to guarantee stakeholders are treated 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 40% male and 60% female members, aims to achieve a supportive business culture combined with constructive challenge, and to provide a regular flow of information to shareholders and relevant information as required to other key stakeholders. 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 the Company has no employees, it is committed to respecting human rights in its broader relationships. The Company does not tolerate corruption, fraud, bribes or human rights breaches. The Company aims 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 several 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, whistleblowing 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 Manager at Oliva

# Governance

## What's in this section

RED-Rochester

# Investment Policy and Approach

## 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.

## Summary of the Investment Policy

- The Company seeks to achieve its investment objective by investing principally in a diversified portfolio of investments with high-quality, private and public sector counterparties. The contracts governing these investments typically entitle the Company, on the whole, to receive stable and predictable cash flows. The Company's returns are derived from contractual payments by counterparties in respect of each relevant investment.
- Whilst the Company invests predominantly in operational investments, the Company may, under certain circumstances, invest while such investments are in a construction or development phase. In addition, the Company may, to a limited extent, invest in developers, operators or managers of energy efficiency infrastructure investments.
- In respect of the investment portfolio, the Company seeks to diversify its subcontracting exposure by contracting, where commercially practicable, with a range of different engineers, manufacturers or other service providers.
- Investments may be acquired individually or as a portfolio. The Company may also invest jointly with a co-investor. The Company aims to achieve diversification by investing in a range of different energy efficiency technologies and contracting with a wide range of counterparties.
- Though the Company initially focused its attention on investing in the UK, over time the Company has expanded to invest in projects in Europe, North America and the Asia-Pacific region.
- In pursuing its investment policy, the Company will seek to target sustainable investments, for example by making investments that contribute to GHG emission reductions.

## Gearing APM

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

The Company may also enter borrowing facilities on a short-term basis to finance acquisitions ("acquisition finance"), provided that the aggregate consolidated borrowing of the Company and the investment portfolio, including any structural gearing APM, shall not exceed 65% of NAV APM, calculated at the time of borrowing.

The Company intends to repay any acquisition finance with the proceeds from capital raisings and/or capital recycling in the short to medium term.

Structural gearing APM and acquisition finance are employed either at the level of the Company, at the level of the relevant investment or at the level of any intermediate wholly owned subsidiary of the Company. Structural gearing APM and acquisition finance primarily comprise bank borrowings, though small overdraft facilities may be used for flexibility in corporate transactions.

## 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 inflation.

The Company does not typically enter into hedging contracts and other derivative contracts directly but may do so via its subsidiaries 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 and invest in cash-equivalent investments, which could include short-term investments in money market type funds and tradeable debt securities. For further details please see the Company website: **https://www.seeitplc.com/.**

# Board of Directors

**As at the date of this Annual Report, the Board consists of five Directors who have complementary and relevant skills and backgrounds. The Directors are of the opinion that the Board as a whole has an appropriate balance of skills, experience and diversity.**

### Anthony (Tony) Roper N

**Independent Non-Executive Chair**

**Appointed:** 12 October 2018

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 the chair of abrdn European Logistics Income plc.

Tony has a master's degree in Engineering from the University of Cambridge and is an Associate Chartered Management Accountant ("ACMA").

### Helen Clarkson OBE E M

**Independent Non-Executive Director**

**Appointed:** 12 October 2018

Helen joined Climate Group in March 2017 as Chief Executive Officer. Climate Group is an international non-profit organisation with a mission to drive climate action, fast. Climate Group builds networks of leading governments and businesses working on issues such as renewable electricity and zero carbon steel, to shape markets and policy. Helen also 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 organisation'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. Helen joined Forum from Médecins Sans Frontières where she worked on humanitarian missions across a number of conflict zones.

Helen qualified as a Chartered Accountant with Deloitte and has an undergraduate degree from the University of Cambridge, and a master's degree from the University of London. In 2022 Helen was awarded an OBE for services to the climate.

### Emma Griffin R

**Independent Non-Executive Director**

**Appointed:** 21 October 2020

Emma is an experienced director, having worked in both the UK and North America. 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 Inc., a private investment firm, and on the board of one of its largest individual investments. Emma is also a director of N.M. Rothschild & Sons Limited.

Emma has a master's degree in Latin and Greek from the University of Oxford.

### Christopher (Chris) Knowles

**Senior Independent Non-Executive Director**

**Appointed:** 12 October 2018

Chris has over 40 years' experience in projects, infrastructure and environmental finance and economics, much of it at the European Investment Bank ("EIB"), heading its infrastructure and environmental investment funds business from 2005 to 2017 (clean energy, energy efficiency, carbon finance and natural capital).

From 2000 to 2005 he led EIB's financing in the transport and infrastructure sectors in Spain, then Europe's largest national infrastructure programme, much of it in public-private partnership form. He spent the 1980-90s in similar jobs elsewhere in Europe and in Africa. Prior to EIB he worked for the Lesotho National Development Corporation, the European Commission and Lazard Brothers.

Chris also serves as a NED on a number of private equity and debt funds pursuing ESG and impact strategies globally. He is a member of various advisory committees, including that for the Climate Bond Initiative and the Organisation for Economic Co-operation and Development ("OECD") Centre for Green Finance & Investment.

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

### Sarika Patel A

**Independent Non-Executive Director**

**Appointed:** 1 January 2022

Sarika is an experienced business leader across public and private organisations and has worked as a senior corporate finance professional within technology and infrastructure sectors at Grant Thornton and Zeus Caps. She was the Director of Innovation and all business sectors at the London Development Agency attracting and supporting businesses in London.

Sarika chairs abrdn Equity Investment Trust plc and is a non-executive director and chair of the audit committee at, Foresight Forestry Fund plc . Sarika is the Chair of Action for Children and is a board member and chair of the audit, risk and assurance committee of the Office for Nuclear Regulation,.

She has held various Board positions at Sequoia Economic Infrastructure Fund, The Gambling Commission, Imperial Healthcare NHS Trust, University of Greenwich etc

Sarika is a Chartered Accountant and a Chartered Marketer and is a double graduate in Law and Commerce.

**Key:**
A Audit and Risk Committee Chair
M Management Engagement Committee Chair
N Nomination Committee Chair
R Remuneration Committee Chair
E ESG Committee Chair

# 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 Association of Investment Companies ("AIC Code") published in February 2019. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code 2018 (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 a 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, which addresses the Principles and Provisions set out in the UK Code. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders. The AIC code can be found at www.theaic.co.uk and 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 which 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.

The AIC Code 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. The Board is subject to an annual evaluation, the results of which indicate that the Board performs effectively as a whole. As part of the evaluation process, the Board identifies areas in which they could further improve, and performance in these areas is monitored throughout the year and at the point of the next annual evaluation. Further information on the Board evaluation process can be found in the Nomination Committee Report on pages 81 and 82. |
| 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.<br>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. |
| 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.<br>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 and Risk Committee. These are detailed in the Risk Management Framework on pages 62 to 64, in the Audit and Risk Committee Report on pages 83 to 86 and in Note 13 to the financial statements on pages 118 to 120.<br>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 the Risk Management Framework on pages 62 to 64, for further details.<br>The Directors have assessed the prospects of the Company over a five-year period to 31 March 2029. The Directors have determined that a viability statement for a five-year period is appropriate 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.<br>See page 65 for further details on the Viability Statement. |
| 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. | The Company describes its key stakeholders, the reason they are important, how it seeks to gain an understanding of their interests and how the Board engages with them, whether directly or via the Investment Manager, on pages 66 to 68, Stakeholders and Section 172. |

# Corporate Governance Statement continued

| AIC Code | Principle | Compliance statement |
|---|---|---|
| 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 in the Corporate Governance Statement on pages 72 to 80. The Company recognises that the Chair leads the Board and is responsible for its overall effectiveness in directing the affairs of the Company.<br>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 have concluded that the Chair has fulfilled his role and performed well to support effective functioning of the Board as evidenced in the internal Board evaluation that took place during the latter part of the financial year. |
| 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.<br>The Board also considers the composition of the Board as well as longer-term succession plans. The Board is satisfied that the Board's current composition is adequate to appropriately discharge its duties and currently has no intentions to alter its composition. |
| 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.<br>The Management Engagement Committee annually assesses the performance of all material 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.<br>All Board policies were reviewed and, where appropriate, updated during the year. They continue 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. |

| AIC Code | Principle | Compliance statement |
|---|---|---|
| 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.<br>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.<br>Appointments of new Directors to the Board follow 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 below. |
| 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.<br>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. |
| 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. | 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.<br>In line with the AIC Code, 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.<br>An internal evaluation of the performance of the Board, its Committees and individual Directors took place during the year, and was led by the Chair with the support of the Senior Independent Director and the Company Secretary. The next external evaluation is due to take place in 2025.<br>Further details of the results of the Board evaluation process can be found in the Nomination Committee Report on pages 81 and 82. |
| 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 and Risk Committee supports the Board in fulfilling its oversight responsibilities by reviewing the performance of the independent auditor, audit quality and the auditor's objectivity and independence. The Audit and Risk Committee also reviews the integrity and content of the financial statements, including the ongoing viability of the Company.<br>More details can be found in the Audit and Risk Committee Report on pages 83 to 86. |

# Corporate Governance Statement continued

| AIC Code | Principle | Compliance statement |
|---|---|---|
| N | The Board should present a fair, balanced and understandable assessment of the Company's position and prospects. | The Audit and Risk Committee supports the Board in assessing that the Company's Annual Report presents a fair, balanced and understandable assessment of the Company's position and prospects.<br>Please refer to the Audit and Risk Committee Report on pages 83 to 86, for further information. |
| O | The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. | The work of the Audit and Risk Committee supports the Board through its independent oversight of the financial reporting process – including the financial statements, the system of internal control and management of risk, the appointment and ongoing review of the quality of the work and independence of the Company's external auditor – is described in the Audit and Risk Committee Report on pages 83 to 86. |
| P | Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. | The Directors are all non-executive and independent of the Investment Manager. They receive fees and no component of any Director's remuneration is subject to performance factors. Whilst there is no requirement under the Company's Articles of Association or letters of appointment for Directors to hold shares in the Company, all Directors do hold shares in the Company and the details of their shareholdings are set out in the Directors' Remuneration Report on pages 87 to 91. |
| Q | A formal and transparent procedure for developing a policy for remuneration should be established. No Director should be involved in deciding their own remuneration outcome. | The Board has established a separate Remuneration Committee, which, as the Company has no employees and the Board is comprised wholly of Non-Executive Directors, is comprised of all the Directors. Directors' remuneration is determined by the Committee, at its discretion within an aggregate ceiling as set out in the Company's Articles of Association. Each Director abstains from voting on their own individual remuneration. The details of the Remuneration Policy and Directors' fees can be found in the Directors' Remuneration Report on pages 87 to 91. The terms and conditions of the Directors' appointments are set out in their letters of appointment, which are available for inspection on request at the registered office of the Company. |
| R | Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances. | The process of reviewing the Directors' fees is described in the Directors' Remuneration Report on pages 87 to 91, although because there are no performance-related elements of the remuneration, there is very little scope for the exercise of discretion or judgement.<br>During the year, the Remuneration Committee engaged Trust Associates LLP to carry out a remuneration review of the Board. This was led by the Remuneration Committee Chair with the support of the Senior Independent Director. |

Principle E of the UK Code 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 in the Board of Directors on page 71.

## Board Independence

The Board consists of five 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, continue to be considered independent in character and judgement and entirely independent from the Investment Manager.

## Appointment of New Directors

Any appointments to the Board are subject to a formal, rigorous and transparent process. Responsibilities of the Nomination Committee include satisfying itself that there is succession planning in place for Directors to ensure continued refreshment of the Board and its Committees; determining membership of the Board's Committees in conjunction with the respective Committee Chairs for approval by the Board; and identifying and nominating for the approval of the Board, 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, if considered necessary and appropriate, in the search for candidates;
- will ensure that appointments are made based on merit and after assessing candidates by means of objective criteria, including, but not limited to, the Board's Diversity Policy; and
- will ensure that appointees have enough time available to devote to their position, and also determine 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 of Board meetings.

## Induction Process

New appointees to the Board are provided with a full induction programme.

The programme is based on the Corporate Governance Institute UK & Ireland's "Induction of directors" guidance note, adapted to the requirements of the Company, and is designed to:

(i) build an understanding of the nature of the Company, its business and its markets;
(ii) build a link with the Board; and
(iii) build an understanding of the Company's main relationships.

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, information on the role of the Board including matters reserved for its decision and the terms of reference for the Board Committees; the Company's corporate governance practices; and procedures and the latest financial information.

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Incoming Directors are also afforded the opportunity to meet early on with the current Non-Executive Directors, key personnel from the Investment Manager and other key service providers, including the independent auditor, the Company Secretary and Administrator, and the Corporate Broker.

## 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 have 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 Association provide that each of the Directors shall retire at each AGM. All Directors intend to retire at the forthcoming AGM. Emma Griffin will not be standing for re-election and the remaining Directors will offer themselves for re-election. Chris Knowles will replace Emma as Remuneration Committee Chair.

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 those Directors standing 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;
- work with the Company Secretary to 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
- take any necessary actions following 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 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:

## Company Secretary and Administrator

During the year, on 1 October 2023, the Company appointed JTC (UK) Limited as Company Secretary and Administrator in place of Apex Group Secretaries (UK) Limited as Company Secretary and Apex Group Fiduciary Services (UK) Limited as Administrator. Day-to-day administration has been delegated to the Company Secretary and 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 for ensuring that all the Company's continued statutory obligations are met.

## Investment Manager

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

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, co-ordinating all corporate service providers to the Company and giving the Board general advice.

# Corporate Governance Statement continued

Members of the Investment Manager are also appointed as Directors of the SEEIT Group's project companies and/or intermediate holding companies. As part of their role in managing the portfolio, those Directors attend board meetings of these companies and make appropriate decisions. Material decisions are referred back to the Investment Manager's Investment Committee for consideration. 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 of the Investment Manager's delegated authority.

## Share Premium Account

At the Company's 2023 AGM, shareholders voted in favour of the special resolution authorising the Company to cancel £300 million of the amounts standing to the credit of its share premium account. On 21 November 2023, following approval by the Court, the Company cancelled £300 million of its share premium account, creating distributable reserves which may be used by the Board to deliver returns to shareholders in the future, should they consider it appropriate to do so.

## Board 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's 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's self-evaluation and succession planning process.

It is not envisaged that any Board members will continue on the Board past nine 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 that is undertaken by each Director. 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 Stakeholders and Section 172 on pages 66 to 68.

## 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 has adopted a Diversity Policy and considers that its composition, with respect to the balance of skills, ethnicity and cultural diversity, 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.

The Board of Directors comprised five independent Non-Executive Directors, two male and three female (being 60% female representation), as at 31 March 2024.

The Company supports the recommendations of the FTSE Women Leaders Review published in February 2022, which builds on the work of the Hampton-Alexander Review and has increased the voluntary target for FTSE 350 boards to be represented by a minimum of 40% of women. The Company also supports the Parker Review's recommendations to increase ethnic and cultural diversity on boards, including its target for FTSE 250 boards to have at least one director from an ethnic minority background by 2024; develop a pipeline of candidates planning for succession through mentoring and sponsoring, and enhancing transparency and disclosure to record and track progress against the objectives. The Company meets the recommendations and targets of these three reviews as at 31 March 2024.

In accordance with the Listing Rules, the Company is required to include a statement in the annual financial report setting out whether it has met the following targets on Board diversity as at 31 March 2024:

(a) at least 40% of individuals on the Board are women;

(b) at least one of the senior Board positions (defined by the FCA as either the Chair, SID, CEO or CFO) is held by a woman; and

(c) at least one individual on the Board is from a minority ethnic background.

The following tables set out the prescribed format for information in accordance with the requirements of Listing Rule 9 Annex 2.

### Table for reporting on gender identity or sex

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (SID and Chair) |
|---|---|---|---|
| Men | 2 | 40% | 2 |
| Women | 3 | 60% | – |
| Not specified | – | – | – |

### Table for reporting on ethnic background

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (SID and Chair) |
|---|---|---|---|
| White British or other White (including minority-white groups) | 4 | 80% | 2 |
| Mixed/Multiple ethnic groups | – | – | – |
| Asian/Asian British | 1 | 20% | – |

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As at 31 March 2024, the Board meets the criteria of target a) as 60% of the Board are women, and target c) as one Board member is from a minority ethnic background.

With regard to target b) the Company does not have Executive Directors and therefore does not have a CEO or CFO, and therefore none of the senior Board positions, as defined by the FCA, are held by a woman. However, the Board considers the role of the Audit and Risk Committee Chair to be a senior Board position given the nature of the Company as an investment trust. That role is the second highest remunerated position on the Board, reflecting the importance of the position and the time commitments it commands and is held by a woman. Therefore, under this interpretation, the Board considers that at least one of the senior Board positions is held by a woman.

## 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 of Association 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 reference for the Board and relevant Board Committees; and
- monitoring the 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 five Committees to assist with its operations: the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Management Engagement Committee and the ESG Committee. The delegated responsibilities of each Board Committee are clearly defined in formal terms of reference, which 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.

Memberships of the Board Committees as at 31 March 2024 are as follows:

| | Audit and Risk Committee | Remuneration Committee | Nomination Committee | Management Engagement Committee | ESG Committee |
|---|---|---|---|---|---|
| Chair | Sarika Patel | Emma Griffin | Tony Roper | Helen Clarkson | Helen Clarkson |
| Members | Helen Clarkson | Helen Clarkson | Helen Clarkson | Emma Griffin | Chris Knowles |
| | Emma Griffin | Chris Knowles | Emma Griffin | Chris Knowles | |
| | Chris Knowles | Sarika Patel | Chris Knowles | Sarika Patel | |
| | Tony Roper | Tony Roper | Sarika Patel | Tony Roper | |

# Corporate Governance Statement continued

## Audit and 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 per year.

Further details about the Audit and Risk Committee and its activities during the year under review are set out in the Audit and Risk Committee Report on pages 83 to 86.

## Remuneration Committee

The Remuneration Committee meets at least once per 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, Directors' annual fee levels and also 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 on pages 87 to 91.

## Nomination Committee

The Nomination Committee meets at least once per 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 the Nomination Committee Report on pages 81 and 82.

## Management Engagement Committee

The Management Engagement Committee meets at least once per year to assess the performance of the Investment Manager and the Company's other key third-party service providers. This annual review process includes two-way feedback, which provides the Board with an opportunity to understand the views, experiences and any issues encountered by service providers during the year. In addition, the Management Engagement Committee is actively involved in reviewing the contractual relationships of the Investment Manager and the Company's other key third-party service providers and ensuring the contractual terms remain aligned with the objectives of the Company and the interests of shareholders.

Following the Committee's assessment of the Investment Manager, and based on its performance, the continued appointment of the Investment Manager is considered to be in the interests of shareholders as a whole, and it was recommended that SDCL continue as Investment Manager.

## ESG Committee

In keeping with its commitment to ESG matters, in November 2023, the Company formally established an ESG Committee. The ESG Committee comprises of two Directors and is scheduled to meet at least twice a year. However, given its set-up date, the Committee held one inaugural meeting during the year. Matters discussed included an update on the implementation of the Company's Sustainability Framework and the UK's Sustainable Disclosure Requirements. Further details on the Company's approach to ESG can be found in the ESG Update on pages 45 to 53.

## Meetings

The Board is scheduled to meet at least four times per year and between these formal meetings there is regular contact with the Investment Manager, the Administrator, the Company Secretary and the 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 agenda for all Board meetings are circulated to the Board in advance of the meeting as part of the Board papers. The directors consider agenda items and 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 discussions. Board meetings include a review of investment performance and associated matters such as health and safety, marketing, investor relations, risk management, gearing$^{APM}$, general administration and compliance, peer group information and industry issues.

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

| | Scheduled Board meetings | Audit and Risk Committee | Remuneration Committee | Nomination Committee | Management Engagement Committee | ESG Committee |
|---|---|---|---|---|---|---|
| **No. of meetings held** | **4** | **4** | **1** | **1** | **1** | **1** |
| Tony Roper | 4 | 4 | 1 | 1 | 1 | N/A |
| Helen Clarkson | 4 | 4 | 1 | 1 | 1 | 1 |
| Chris Knowles | 4 | 4 | 1 | 1 | 1 | 1 |
| Emma Griffin | 4 | 4 | 1 | 1 | 1 | N/A |
| Sarika Patel | 4 | 4 | 1 | 1 | 1 | N/A |

During the year ended 31 March 2024, there were 14 additional ad hoc Board meetings, one ad hoc Audit and Risk Committee and one ad hoc Nomination Committee meeting held to deal with administrative matters. These were attended by those Directors available and/or delegated by the Board to one or more members to action.

## 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 a policy that records 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 on pages 66 to 68, Stakeholders and Section 172. 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 in order to ensure a positive impact on the environment in which the Company operates.

# Corporate Governance Statement continued

## Relations with Shareholders

The Company welcomes the views of its shareholders, placing great importance on communication with them. Senior members of the Investment Manager make themselves available, as practicable, to meet with shareholders and key sector analysts, and feedback from these meetings is provided to the Board. The Directors also make themselves available to engage with shareholders and offer 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 consultant, as well as receiving relevant updates from the Investment Manager and the Corporate Broker.

The Company reports formally to shareholders twice per year through its interim and annual financial statements. Further details on shareholder engagement are included in the S172 Statement on page 66.

The results of the AGM are announced by the Company promptly after the relevant meeting and are 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.

## 2023 AGM

The 2023 AGM of the Company was held on 11 September 2023. Resolutions 1 to 12 were proposed as ordinary resolutions. In accordance with the Articles, this included a vote to approve the continuation of the Company as a closed-ended investment trust until the conclusion of the AGM, to be held in 2026. Resolutions 13 to 16 were proposed as special resolutions as follows:

- to approve the purchase of the Company's own shares;
- to authorise the disapplication of statutory pre-emption rights;
- to approve that a general meeting may be convened on not less than 14 clear days' notice; and
- to approve the reduction of the share premium account of the Company.

Each of the resolutions proposed at the AGM were passed.

## 2024 AGM

The next AGM of the Company is currently scheduled to be held on 4 September 2024.

A separate notice convening the AGM will be sent to shareholders and expected to be published on the Company's website in July 2024 and will include an explanation of the items of business to be considered at the meeting.

# Nomination Committee Report

**Tony Roper**
| Chair of the Nomination Committee

## Nomination Committee

The Nomination Committee is chaired by Tony Roper and the membership of the Committee comprises all Directors of the Company, given that they are all independent and non-executive.

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

## Function of the Nomination Committee

The principal 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, and to oversee the development of a diverse pipeline for succession;
- be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise; and
- oversee a formal and rigorous annual evaluation of the performance of the Board, its Committees, the Chair and individual Directors.

## Matters Reviewed in the Year

### Succession planning

The Committee annually reviews its effectiveness, composition and long-term succession planning. This process takes into consideration the balance of skills, knowledge, experience, independence and diversity of the Board, to ensure any new appointments complement or address any gaps in these areas.

The Committee has reviewed the composition of the Board and is satisfied that the Board's current composition is appropriate to adequately discharge its duties. The Committee has no immediate concerns regarding the independence or tenure of the Board as the longest-serving Directors have been in office for less than six years, having been appointed in October 2018, which is less than the nine years that could, as noted in the AIC Code, impair a non-executive director's independence. Notwithstanding this, the Committee has implemented an emergency succession plan which is reviewed annually and continues to monitor succession.

# Nomination Committee Report continued

## Board performance evaluation

The Board recognises the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board as a whole, the Committees of the Board and individual Directors. The Chair, with the assistance of the Senior Independent Director and the Company Secretary, oversaw an internal Board evaluation process with respect to the year ended 31 March 2024.

The evaluation followed a number of stages as outlined below:

- an update was given against the performance of the recommendations and actions from the prior year;
- all Directors responded to questionnaires about the Chair, the Board and its Committees;
- the Chair held individual meetings with each Director to understand their views on the performance of the Board;
- the Senior Independent Director collated feedback from the Non-Executive Directors, excluding the Chair, on the performance of the Chair;
- a summary of results, together with anonymised comments, was collated into a comprehensive report and presented to the Nomination Committee; and
- an action plan for the Board and its Committees with recommendations of areas to improve was prepared and approved by the Committee.

The evaluation addressed all areas relating to the Board, its Committees, the Chair, the individual Directors and their performance. The scope of the evaluation was in line with other internal evaluations conducted in previous years to track progress in each assessed area, which included, but was not limited to: Board and Committee relationships, composition, effectiveness, leadership, roles, activities, development and engagement with and impact on various stakeholder groups. The evaluation also explored other items including culture and the Board processes for developing strategy, dealing with investments and managing risk.

Overall, the evaluation was positive and indicated a high level of satisfaction with the operation of the Board. It also demonstrated that the Board and Investment Manager were operating effectively and showed the necessary commitment to the effective fulfilment of their duties. A number of areas were highlighted as strengths, including:

- calibre of depth and experience;
- leadership of the Board and of each Committee;
- Board dynamics and communication;
- sufficient opportunity to challenge and support the Investment Manager;
- clear consensus around strategy; and
- good oversight of the Company's performance.

The evaluation also highlighted a number of opportunities for improvement, including: identifying further training and development opportunities to assist the Board and each individual Director to continue their professional development, and continuing to improve the presentation and challenge of risk management key performance indicators.

## Terms of reference

The Committee reviewed its terms of reference in March 2024 to ensure that it was still operating effectively and in line with its delegated duties and responsibilities.

Tony Roper

**Chair of the Nomination Committee**

# Audit and Risk Committee Report

**Sarika Patel**
**| Chair of the Audit and Risk Committee**

The Audit and Risk Committee is chaired by Sarika Patel and the membership of the Committee comprises all Directors of the Company, all of whom are independent and non-executive.

The Board is satisfied that the Committee is properly constituted. Tony Roper is a member of the Audit and Risk Committee, notwithstanding his appointment as Chair of the Board, given his independence at the time of his appointment and throughout his service. The Board believes that his extensive experience in dealing with matters such as valuation and risk management is relevant to the Committee.

The Audit and Risk Committee operates within clearly defined terms of reference, which are available on the Company's website. It is also the formal forum through which the independent auditor reports to the Board of Directors and met five[1] times during the year.

The terms of reference are reviewed annually. The Committee last reviewed its terms of reference in March 2024 and is satisfied that it is still operating effectively.

The main functions of the Audit and Risk Committee are:

- considering and understanding the key risks of misstatement of the financial statements and formulating an appropriate plan to review and address these and agreeing with the Investment Manager its processes to manage these risk areas;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the valuation of the Company's investment portfolio prepared by the Investment Manager and making a recommendation to the Board on the valuation;
- making recommendations to the Board, for approval at the Company's Annual General Meeting, relating to the appointment, reappointment and removal of the Company's independent auditor;
- agreeing with the independent auditor the external audit plan, including discussing with the independent auditor the key risk areas within the financial statements;
- 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 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 for approval the Viability and Going Concern Statements and reviewing the work prepared by the Investment Manager in support of these statements;
- monitoring the current and emerging risk exposures on behalf of the Board and challenging the actions taken to mitigate against such risks, taking into account scenario analysis;
- ensuring the adequacy and effectiveness of the internal control and risk management systems;
- 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 on these, including consideration as to whether the financial statements are overall fair, balanced and understandable;
- reviewing the appropriateness of the Company's accounting policies;

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1. The Audit and Risk Committee had four scheduled meetings during the reporting period and received one valuation update from the Investment Manager.

# Audit and Risk Committee Report continued

- ensuring the adequacy and effectiveness of the internal control and risk management systems;
- reviewing the effectiveness of controls of subcontractors and suppliers;
- considering, and recommending to the Board for approval, the Investment Manager's recommendations to changes in the Company's Risk Management Policy and Treasury Policy;
- reviewing the Company's risk appetite and overall risk management approach;
- considering any report or information received in respect of whistleblowing;
- reviewing the adequacy of arrangements for its contractors and external third parties to raise concerns about possible wrongdoing;
- reviewing the Company's procedures for detecting fraud and the systems and controls for the prevention of bribery; and
- reporting to the Board on how it has discharged its duties.

None of the members of the Audit and 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 and Risk Committee meets the independent auditor regularly and as required. It discusses the scope of annual audit work and audit findings with the independent auditor. The independent auditor attends the Audit and Risk Committee meetings at which the annual and interim financial statements are considered. The Committee also meets with the independent auditor without representatives of the Investment Manager and Administrator being present. The Committee has direct access to the independent auditor and to key senior staff of the Investment Manager. 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:

- 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 2023 and the statutory audit of the Annual Report for the year ended 31 March 2024, including the principal areas of focus;
- receiving and discussing with the independent auditor their report on the results of the review of the half-yearly financial statements and the year-end audit;
- meeting independently with the external auditor, including the new audit partner following the mandatory rotation of the previous audit partner in accordance with the FRC's Ethical Standard for Auditors;
- reviewing and challenging information received from the Investment Manager recommending the rationale for preparing the financial statements on a going concern basis, including a viability statement. This was discussed with the independent auditor prior to concluding that the recommendation be made by the Committee that the Board approve the adoption of the financial statements on a going concern basis and their approval of the viability statement;
- reviewing and challenging the valuation prepared by the Investment Manager and its valuation process, together with the independent auditor;
- reviewing and recommending to the Board the continued application of IFRS 10 investment entity, which is considered a key judgement for the Company's accounting policies;
- reviewing the Company's annual and half-yearly financial statements and recommending these to the Board for approval;
- reviewing climate change risks and discussing with the Investment Manager their current actions outlined to mitigate future climate change risk impact;
- conducting a review of the risk management systems of the Company and its third-party service providers, and introducing further enhancement to the system;
- reviewing the Investment Manager's ongoing programme of stress scenarios aimed at understanding the impact on the Company of plausible downside scenarios;
- reviewing the Company's Risk Management Policy and Treasury Policy; and
- reviewing reports of internal controls of key advisers and gaining assurance from the Investment Manager and Administrator on these.

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

## Key Issues Considered for Financial Statements

After discussion with the Investment Manager and the independent auditor, the Audit and Risk Committee determined that the key risks of misstatement of the Company's financial statements related to the valuation of the Company's investment in SEEIT Holdco and in turn the valuation of the underlying investments held via SEEIT Holdco.

## 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 2024 was £1,117.4 million (31 March 2023: £1,099.6 million). Market quotations are not available for these financial assets, and therefore their valuation is undertaken using predominantly a discounted cash flow methodology, or a similar method to determine the fair value of an investment. 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 was discussed by the Audit and Risk Committee with the Investment Manager at the time of the interim review, in March 2024, prior to the year-end valuation process, and again post year end in May 2024 and June 2024 as part of the year-end sign-off process. The Investment Manager carries out a valuation semi-annually and provides a detailed valuation report to the Company.

The Audit and 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 and 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, focusing much of its discussion on the valuation process and the outcome of the audit of the valuation.

The Company engaged independent valuation experts to provide a report on a fair and reasonable range of discount rates for the investments in the portfolio as at 31 March 2024. The Audit and Risk Committee received a presentation from the independent valuation expert and challenged the assumptions and conclusions as needed. The Audit and 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 2024.

# Audit and Risk Committee Report continued

## Valuation of investments – key forecast assumptions

The Audit and 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:

### Valuation discount rates

The vast majority of the underlying investments are valued using a discounted cash flow valuation. A small selection of investments were valued using other forms of fair value calculations, such as earnings multiples, and certain investments were held at cost as the most accurate reflection of their fair value.

The discount rates adopted to determine the valuation are selected by the Investment Manager and recommended to the Audit and Risk Committee. These discount rates are applied to the expected future cash flows for each investment's financial forecasts to arrive at a discounted cash flow valuation which is, in turn, sensitive to the discount rate selected. The Investment Manager is experienced and active in the valuation of these investments and adopts discount rates which reflect their understanding of the current market. It is noted, however, that the judgement required is subjective and there are 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 the Financial Review and Valuation Update on pages 35 to 44 and Note 4 on pages 113 and 114.

The Audit and 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. These discount rates were cross checked against an independent review of valuation discount rates by the independent valuation expert and the Audit and Risk Committee satisfied itself that the rates applied were appropriate. The independent auditor explained to the Audit and Risk Committee the results of its review and audit of the valuation, including its consideration of the Company's underlying cash flow projections, the economic assumptions and discount rates.

### Macroeconomic assumptions

Macroeconomic assumptions include inflation, foreign exchange and tax rate assumptions. The Investment Manager's assumptions in this area are set out and explained in the Financial Review and Valuation Update on pages 35 to 44. The Audit and Risk Committee reviewed and discussed the methodology by which the Investment Manager derived the assumptions and agreed its appropriateness.

### Other key assumptions

The Investment Manager has discussed and agreed the key valuation assumptions with the Audit and Risk Committee. These included critical estimates and judgements regarding future cash flow assumptions, predominantly for investments in Primary Energy, Onyx, RED-Rochester, Oliva Spanish Cogeneration and Värtan Gas. In relation to certain key judgements underpinning the valuation, the Investment Manager has provided sensitivities showing the impact of changing economic assumptions, further described in Note 3 on pages 111 and 112. These have been reviewed by the Investment Manager and the Audit and 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.

## Key Risks Considered

The Company's key risks are set out in more detail in the Risk Management Framework on pages 62 to 64.

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

These risks and reviews included:

### Counterparty and credit 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 counterparty defaults;
- assessing the Investment Manager's feedback on mitigants available to the Company; and
- monitoring compliance with the Company's Treasury Policy in relation to exposures to deposit takers.

### Operations and business interruption risk

- receiving updates from the Investment Manager on the risks specific to each asset and the potential impact of these risks on the valuation of the Company's portfolio as a whole; and
- receiving and challenging 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 identifiable event risks.

### Macroeconomic and market risk

- reviewing the impact of global volatility in inflation, including the sensitivity of the valuations of the Company's underlying investments to changes in inflation in the near, medium and long term;
- reviewing the impact of the Ukraine and Middle East conflicts and the emerging risk of larger-scale conflict as well as seeking assurance on compliance with sanctions;
- reviewing the impact of potential global rises in corporation taxes, including the sensitivity of the valuations of the Company's underlying investments to potential changes not yet enacted, discussing potential mitigants available to the Company and agreeing reviews to be undertaken by the Investment Manager; and
- reviewing the impact on the portfolio of a period of recessionary environment in the key jurisdictions in which the Company operates.

## Internal Controls and Risk Management

The Audit and Risk Committee is responsible for reviewing and monitoring the effectiveness of the Company's internal control systems and risk management systems on which it is reliant.

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.

# Audit and Risk Committee Report continued

The Audit and 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 Audit and Risk Committee assesses the effectiveness of the internal controls, internal financial controls and risk management systems on a continuing basis and receives regular reports on these systems. The Committee believes that the Company's internal controls and processes are satisfactory, and that appropriate systems are in place.

## Appointment of the Independent Auditor

PricewaterhouseCoopers LLP ("PwC") was appointed as independent auditor for the SEEIT Group at the IPO of the Company in December 2018.

The objectivity of the independent auditor is reviewed by the Audit and Risk Committee, which also reviews the terms under which the independent auditor may be appointed to perform non-audit services. The Audit and 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 undertake and the level of non-audit fees. In order to safeguard auditor independence and objectivity, the Audit and Risk Committee ensures that any other advisory and/or consulting services provided by the independent auditor do not conflict with its statutory audit responsibilities.

Non-audit 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 total proposed fees for audit services amounted to £0.7 million for the year ended 31 March 2024, and £0.2 million related to the audit of its direct subsidiary, SEEIT Holdco, and some of the SEEIT Group's intermediate and project subsidiaries. Non-audit fees amounted to £80k for the year ended 31 March 2024 due to the interim review of the Company's half-yearly financial statements.

Notwithstanding such non-audit services, the Audit and 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 and 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 and Risk Committee reviewed:

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

The Audit and 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 2025. Resolutions to reappoint PwC and authorise the Board to determine the Auditor's remuneration will be proposed at the forthcoming Annual General Meeting.

In accordance with the FRC's guidance, the audit will be tendered within ten years of the initial appointment. As this is the sixth audit conducted by PwC and the fifth full year of operation of the Company, it is not expected that the Company will tender the external audit in the near future. Following the rotation of the previous audit partner at the end of the 2023 full-year audit, this is the Company's first audit with the new audit partner, Miles Saunders.

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

## Whistleblowing

The Board has a Whistleblowing Policy which details how the Board, staff of the Company's key advisers and project companies may, in confidence, raise any concerns. The policy is reviewed annually.

Sarika Patel
**Chair of the Audit and Risk Committee**

# Directors' Remuneration Report

**Emma Griffin**
**| Chair of the Remuneration Committee**

The Remuneration Committee is chaired by Emma Griffin and the membership of the Committee comprises all Directors of the Company, all of whom are independent and non-executive.

The Board is satisfied that the Committee is properly constituted. Tony Roper, the Company's Chair, is a member of the Remuneration Committee given his independence at the time of his appointment and throughout his service.

The Board presents the Directors' Remuneration Report for the year ended 31 March 2024, which is made up of two sections: the Annual Report on Remuneration and the Directors' Remuneration Policy report.

## Annual Report on Remuneration

The Remuneration Committee's main functions include:

- agreeing the policy for the remuneration of the Directors and reviewing and proposing changes to the Company's Remuneration Policy;
- reviewing and considering ad hoc fees to the Directors in relation to duties undertaken over and above routine business; and
- appointing independent professional external remuneration consultants, as may be required from time to time.

The Remuneration Committee met three[1] times 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 2024 to ensure that it continues to operate effectively.

The key activities during the year included:

- selecting a suitably qualified independent professional external remuneration consultant to undertake a review of the Directors' annual remuneration;
- reviewing advice received in early 2024 from an independent professional external remuneration consultant; and
- discussing and agreeing the level of Directors' annual remuneration to be recommended to the Board for the next financial year.

These activities are described further below.

Regulation 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 99 to 103.

## Statement of the Chair of the Remuneration Committee

The Committee assists the Board in developing a fair and transparent framework for setting the levels of Directors' remuneration while having regard to the Company's financial position and performance, remuneration in other companies of comparable scale and complexity and market statistics generally. It also reviews the ongoing appropriateness and relevance of the Directors' Remuneration Policy. No Director is involved in determining their own remuneration.

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.

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1. The Remuneration Committee had one scheduled meeting during the reporting period and met on two further occasions on an ad hoc basis to discuss remuneration matters.

# Directors' Remuneration Report continued

## Directors' Remuneration Review and Review of Directors' Fees for the Year to 31 March 2025

During the year, the Committee engaged an independent external remuneration consultant, Trust Associates 2022 LLP ("Trust Associates"), who have particular expertise in the investment company sector, to carry out a review of the remuneration paid to the Company's Directors. Trust Associates had also undertaken a review of the Directors' remuneration in 2021.

The methodology employed by Trust Associates included comparing the remuneration of the Directors to that of c.305 companies in the investment company sector generally, as well as peer group companies and the infrastructure sector. Trust Associates spoke individually to each Director, who also provided written detail on estimated time spent on the business of the Company and other factors that they believed should be considered when setting fee levels. Trust Associates also spoke to senior members of the Investment Manager to understand their perspective of the Board's work and time commitment. As part of their review, Trust Associates also considered the impact of inflation, given that CPI had increased 19% between April 2021 and January 2024, the market capitalisation and the discount to NAV APM.

Following their review, Trust Associates provided a report to the Remuneration Committee with their recommendations which were accepted by the Remuneration Committee. The recommendations of the Remuneration Committee, in relation to the fees of the Directors for the year to 31 March 2025, which were considered carefully, are set out below. Increases will be implemented in two phases, subject to approval by shareholders of the advisory vote on the Remuneration Policy at the Annual General Meeting in September 2024. The initial increase would then be backdated to 1 April 2024 as follows:

- the base annual Directors' fee be increased to £55,000 (2024: £49,500);
- the annual fee paid to the Company's Chair be increased in two stages to £76,000 in the financial year ending 31 March 2025 and then to £82,500 in the financial year ending 31 March 2026 (2024: £69,500);
- the annual fee paid to the Company's Audit and Risk Committee Chair be increased in two stages to £61,000 in the financial year ending 31 March 2025 and then to £66,000 in the financial year ending 31 March 2026 (2024: £54,000);
- the annual supplement paid to the Audit and Risk Committee Chair was removed (2024: £5,000);
- the annual supplement for the roles of the Senior Independent Director, the Remuneration Committee Chair and the Management Engagement Committee Chair to be removed (2024: £2,000);
- additional fees, up to a limit of £10,000 per Director, can be paid for specific corporate work that may be undertaken during the year. There were no additional fees recommended for the year ended 31 March 2024 (2024: £10,000); and
- the cap on the aggregate annual Directors' base remuneration remains at £400,000 (2024: £400,000).

## Directors' Remuneration for the Year Ended 31 March 2024 (audited)

The table below sets out the Directors' remuneration for the year ended 31 March 2024:

| | | **Fees for the year ended 31 March 2024 Total £'000** | Fees for the year ended 31 March 2023 Total £'000 |
|---|---|---|---|
| Tony Roper | Chair | **69.5** | 69.5[3] |
| Helen Clarkson | Management Engagement Committee Chair | **51.5[1]** | 49.5[3] |
| Emma Griffin | Remuneration Committee Chair | **51.5[1]** | 51.5[3] |
| Chris Knowles | Senior Independent Director | **51.5[1]** | 51.5[3] |
| Sarika Patel | Audit and Risk Committee Chair | **54.5[2]** | 54.5[3] |
| Total | | **278.5** | 276.5 |

1. These figures include an annual supplement of £2,000 paid to each of Helen Clarkson, Emma Griffin and Chris Knowles for their respective roles as Chair of the Management Engagement Committee, Chair of the Remuneration Committee and Senior Independent Director.
2. This figure includes an annual supplement of £5,000 paid to Sarika Patel for her role as Chair of the Audit and Risk Committee.
3. This figure includes the sum of £2,500 that was agreed to be paid to each Director on top of their base fee in respect of work undertaken in relation to the capital raising in September 2022.

The Directors' remuneration for the year ended 31 March 2024, detailed in the table above, is inclusive of the increases in the Directors' fees noted in the Directors' Remuneration Report approved by the shareholders at the AGM held on 11 September 2023.

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 AGMs, Board or Committee meetings and legal fees. During the year, such expenses were de minimis and were in line with the Directors' Expenses Policy.

There are no other taxable benefits payable by the Company other than certain expenses which may be deemed to be taxable. None of the above fees were paid to third parties.

# Directors' Remuneration Report continued

## Annual Percentage Change in the Directors' Remuneration

The annual percentage change in remuneration in respect of the financial years prior to the current year in respect of each Director's role is detailed in the table below. The annual percentage change is calculated based on the aggregate annual base Directors' remuneration plus any additional fees, where applicable, for additional corporate work or acting in the role as either Chair of the Company, Senior Independent Director or as the Chair of a Board Committee.

| Director | Role | Date appointed | 2020–2021 | 2021–2022 | 2022–2023 | **2023–2024** |
|---|---|---|---|---|---|---|
| Tony Roper | Chair | 12 October 2018 | 11.1% | 30.0% | 3.1% | **–** |
| Helen Clarkson[1] | Management Engagement Committee Chair | 12 October 2018 | 14.2% | 25.0% | (6.0)% | **4.0%** |
| Emma Griffin | Remuneration Committee Chair | 21 October 2020 | – | 17.5% | 4.3% | **–** |
| Chris Knowles | Senior Independent Director | 12 October 2018 | 14.2% | 17.5% | 4.3% | **–** |
| Sarika Patel[2] | Audit and Risk Committee Chair | 1 January 2022 | N/A | N/A | – | **–** |

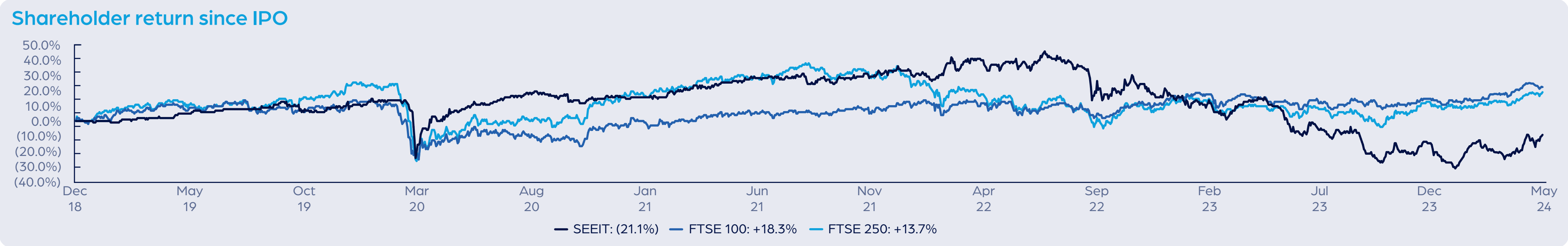
1. Helen Clarkson was the Audit and Risk Committee Chair for the period from 1 April 2021 to 1 January 2022, although received fees consistent with remuneration of the Audit and Risk Committee Chair up to 31 March 2022 to ensure an orderly handover to Sarika Patel.
2. Sarika Patel was appointed as a Non-Executive Director and Audit and Risk Committee Chair on 1 January 2022, and fees were paid pro-rata for the year ended 31 March 2022 accordingly. If Sarika had been a Non-Executive Director and the Audit and Risk Committee Chair for the full year to 31 March 2022, the annual percentage change in her remuneration for the year to 31 March 2023 would be 4.0%.

## Relative Importance of Spend on Pay

The table below sets out the total remuneration paid to the Directors in comparison to total aggregate amount of dividends paid to the Company's shareholders for the year ended 31 March 2024:

| | **Year to 31 March 2024 £'000** | Year to 31 March 2023 £'000 | % change |
|---|---|---|---|
| Directors' remuneration | **278.5** | 276.5 | 0.72 |
| Dividends paid to shareholders | **67,199** | 62,029 | 8.33 |

## Company Performance



The graph above highlights the comparative total shareholder return ("TSR") for an investment in the Company from inception to 31 March 2024 compared with an investment in the FTSE 250 index over the same period. The Company is a member of the FTSE 250 and All-Share Index, hence they have been selected for this graph.

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 Financial Review and Valuation Update on pages 35 to 44.

# Directors' Remuneration Report continued

## Directors' Interests in the Company (audited)

As at 31 March 2024, the interests of the Directors and any Persons Closely Associated ("PCAs"), as defined in Article 3(1)(26) of the UK Market Abuse Regulation ("MAR"), in the ordinary shares of the Company are set out in the table below:

| | **Ordinary shares of £0.01 each held at 31 March 2024** | Ordinary shares of £0.01 each held at 31 March 2023 |
|---|---|---|
| Tony Roper | **198,500** | 148,500 |
| Helen Clarkson | **20,000** | 20,000 |
| Emma Griffin | **20,509** | 20,509 |
| Chris Knowles[1] | **126,000** | 94,000 |
| Sarika Patel | **30,000** | 25,000 |
| **Total** | **395,009** | 308,009 |

1. Chris Knowles' spouse, whom under MAR is his PCA, holds 49,000 ordinary shares in the Company and these are included in the figure shown in the above table.

There have been no changes to any of the above holdings between 31 March 2024 and the date of this report.

None of the Directors or any of their PCAs 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 240,000 ordinary shares. Jonathan Maxwell is considered to be a Person Discharging Managerial Responsibilities ("PDMR") by both the Board of Directors and Investment Manager.

There have been no changes in the year in respect of each of the Directors as notifiable to the Company in accordance with DTR 3.1.2.

## Statement of Voting at AGM on the Annual Report

A binding ordinary resolution approving the Remuneration Policy was approved by shareholders at the AGM held on 12 September 2022 and an advisory vote adopting the Directors' Remuneration Report for the year ended 31 March 2023 was approved by shareholders at the AGM held on 11 September 2023.

The votes cast were as follows:

| | Directors' Remuneration Report (AGM 2023) | Remuneration Policy (AGM 2022) |
|---|---|---|
| Votes for | 832,588,649 | 838,755,779 |
| % | 94.22 | 99.68 |
| Votes against | 51,039,516 | 2,723,252 |
| % | 5.78 | 0.32 |
| Total votes cast | 883,628,165 | 841,479,031 |
| Votes withheld | 45,696 | 29,735 |

A resolution to approve this Directors' Remuneration Report in respect of the year ended 31 March 2024 will be proposed at the forthcoming AGM. The Directors' Remuneration Policy is required to be presented to shareholders for approval every three years and is due to be next presented at the AGM to be held in 2025.

## Remuneration Policy

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 has a service contract. The Company has no employees.

This Remuneration Policy was approved by shareholders at the AGM of the Company held on 12 September 2022 and is also available on request at the Company's registered office.

The Company follows the recommendation of the AIC Code that Non-Executive Directors' remuneration should reflect the time commitment and responsibilities of the role.

The Board's policy is that the remuneration of Non-Executive Directors should reflect the experience of the Board as a whole and be determined with reference to comparable organisations and appointments.

The fees of the Non-Executive Directors are determined within the limits set out in the Company's Articles of Association and Directors' remuneration is determined by the Remuneration Committee, at its discretion within the current aggregate limit of £400,000, as set out in the Company's Articles of Association.

# Directors' Remuneration Report continued

There are no performance conditions attached to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for Non-Executive Directors.

The Company is committed to ongoing shareholder dialogue and any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

Under the Directors' letters of appointment, there is no notice period. 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 and the Audit and Risk Committee Chair 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.

Following the report of Trust Associates, who had been engaged to carry out a remuneration view of the Directors, the Remuneration Committee met in March 2024 to consider the current levels of Directors' remuneration and the proposed level of base Directors' remuneration for the year ending 31 March 2025. The proposed remuneration recommendations for the year ending 31 March 2025 would result in an increase in the aggregate Directors' annual base remuneration to £313,500 in the coming year. This included removing the premium for certain Committee Chairs and the Senior Independent Director and staggering the increase of the Board Chair and Audit and Risk Committee Chair over two stages. The Board accepted the Committee's recommendation for the base level of the Directors' remuneration for the year ending 31 March 2025, per the table below.

## Proposed Base Directors' Fees to be Paid for the Year Ending 31 March 2025:

| | | Proposed base fees to be paid for the year ending 31 March 2025 Total £'000 | Base fees paid for the year ended 31 March 2024 Total £'000 |
|---|---|---|---|
| Tony Roper | Chair | 76.0[1] | 69.5 |
| Helen Clarkson | Management Engagement Committee Chair | 55.0 | 51.5 |
| Emma Griffin | Remuneration Committee Chair | 55.0 | 51.5 |
| Chris Knowles | Senior Independent Director | 55.0 | 51.5 |
| Sarika Patel | Audit and Risk Committee Chair | 61.0[2] | 54.5 |
| **Total** | | **302.0** | **278.5** |

1. Chair's increase to be in two stages: £76,000 and £82,500, respectively.
2. Audit and Risk Committee Chair's increase to be in two stages: £61,000 and £66,000, respectively.

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 Directors' Remuneration Report was approved by the Board on 26 June 2024 and signed on its behalf by:**

Emma Griffin
**Chair of the Remuneration Committee**

# Report of the Directors

The Directors are pleased to present the Annual Report for the year ended 31 March 2024. 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 Audit and Risk Committee Report, the Nomination Committee Report 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 the Strategic Report: The Company and Portfolio Review on pages 11 to 68. Information regarding Environmental, Social and Governance matters can be found Strategic Report: ESG and Risk on pages 45 to 64.

## Corporate Governance

The Company's Corporate Governance Statement is set out in the Corporate Governance Statement on pages 72 to 80 and forms part of this report.

Details regarding independent professional advice and insurance are set out in the Corporate Governance Statement on pages 72 to 80.

## 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 on pages 11 to 68. 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 has continued 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 that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011.

## Non-Mainstream Pooled Investments

As a UK investment trust, the Company's shares are excluded from the restrictions in the FCA Rules on the marketing of non-mainstream pooled investments ("NMPIs") to "ordinary retail clients" and the Company is accordingly not considered to be a NMPI. The Company currently conducts its affairs and intends to continue to do so for the foreseeable future, in order that its shares can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA Rules on NMPIs. As an equity security admitted to listing on the premium listing segment of the Official List of the FCA and to trading on the Main Market of the London Stock Exchange, the ordinary shares of the Company are expected to qualify as a readily realisable security. Accordingly, it will not be either a (i) speculative illiquid security; (ii) a non-mass market investment; or (iii) a restricted mass market investment.

## Directors

The Directors in office at the date of this report and their biographical details are shown in the Board of Directors on page 71.

Details of the Directors' terms of appointment can be found in the Corporate Governance Statement on pages 72 to 80. The beneficial interest of the Directors and their connected persons in the ordinary shares of the Company are set out in the Directors' Remuneration Report on pages 87 to 91.

## 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 and 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 on the website: **https://www.sdclgroup.com/**.

## Articles of Association

The Company's Articles of Association set out its internal regulations and cover the rights of the shareholders, the appointment of Directors and the conduct of the Board and general meetings.

The 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).

# Report of the Directors continued

## AIFM Requirements

AIFM Directive ("AIFMD") requirements have continued to apply since 1 January 2021, through existing transposed rules replicating EU AIFM Directive (2011/611/EU), within the rules of the UK's FCA. AIFMD requirements impose detailed and prescriptive obligations on fund managers, including prescriptive rules on measuring and capping leverage, the treatment of investors, liquidity management, the use of depositaries and cover for professional liability risks. The AIFMD requirements further impose 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 reappointment and to authorise the Audit and 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 Audit and Risk Committee Report on page 83 to 86.

## Financial Risk Management

The principal risks and uncertainties facing the Company are set out in Risk Management Framework. Information about the Company's financial risks and policies for managing these risks are set out in Note 13 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 and CRS requirements are to the extent relevant to the Company.

## Share Capital

As at 31 March 2024 and 26 June 2024, being the last practicable date prior to the publication of this Annual Report, the issued share capital of the Company was 1,108,709,053 ordinary shares, with 23,289,495 shares held in treasury, thereby leaving a total voting rights figure of 1,085,419,558.

Details of movements in share capital during the year are shown in Note 12 to the financial statements.

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.

## Treasury Shares

The Companies Act allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This gives the Company the ability to re-issue ordinary shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. Ordinary shares will not be sold from treasury at a price less than the (cum income) NAV $^{APM}$ per existing ordinary share at the time of their sale. As at 31 March 2024, the Company held 23,289,495 ordinary shares in treasury which is unchanged as at the date of this Annual Report.

## Share Repurchases and Discount Management

The Company may seek to address any significant discount to NAV $^{APM}$ at which its ordinary shares may be trading by purchasing its own ordinary shares in the market on an ad hoc basis. As outlined above, 23,289,495 ordinary shares were bought back by the Company during the year to 31 March 2024.

At the AGM held on 11 September 2023, 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 163,871,572 ordinary shares.

The maximum price (exclusive of expenses) which may be paid for an ordinary share must not be more than the higher of:

(i) 5% above the average of the mid-market values of the ordinary shares for the five business days before the purchase is made; or

(ii) the higher of the price of the last independent trade and the highest current independent bid for the ordinary shares.

Ordinary shares will be repurchased only at prices below the prevailing NAV $^{APM}$ per ordinary share, which should have the effect of increasing the NAV $^{APM}$ per ordinary share for remaining shareholders.

It is intended that a renewal of the authority to make market purchases will be sought from shareholders at each AGM of the Company and authority for the Company to purchase up to 166,195,487 ordinary shares (subject to a maximum of 14.99% of the ordinary shares in issue, excluding those shares held in treasury, at the date of the AGM) will be sought at the forthcoming AGM. Purchases of ordinary shares will be made within guidelines established from time to time by the Board. Any purchase of ordinary shares would be made only out of the available cash resources of the Company. Ordinary shares purchased by the Company may be held in treasury or cancelled.

Purchases of ordinary shares may be made only in accordance with the Companies Act, the Listing Rules and the Disclosure Guidance and Transparency Rules.

Investors should note that the repurchase of ordinary shares is entirely at the discretion of the Board and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of ordinary shares that may be repurchased.

# Report of the Directors continued

## Share Premium Account

At the Company's 2023 AGM, shareholders voted in favour of the special resolution authorising the Company to cancel £300 million of the amounts standing to the credit of its share premium account. On 21 November 2023, following approval by the Court, the Company cancelled £300 million of its share premium account, creating distributable reserves which may be used by the Board to deliver returns to shareholders in the future, should they consider it appropriate to do so.

## Significant Voting Rights

As at 31 March 2024, 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 | 141,200,533 | 14.01 |
| M&G plc | 134,282,702 | 12.37 |
| GASC MGP, LLC | 132,616,055 | 12.22 |
| BlackRock, Inc. | 109,063,316 | 10.05 |
| Evelyn Partners | 55,982,058 | 5.16 |
| CCLA Investment Management | 47,891,684 | 4.41 |

The Company has been informed of the following changes to notifiable interests between 31 March 2024 and 26 June 2024, being the last practicable date prior to the publication of this Annual Report:

| | Number of ordinary shares held | % of voting rights |
|---|---|---|
| M&G plc | 130,979,478 | 12.07 |
| GASC MGP, LLC | 147,066,055 | 13.55 |

## 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 £67.2 million (2023: £62.0 million).

Details of the interim dividends paid during the year under review are noted in the table below:

| Dividend | Year ended | Dividend per share | Aggregate dividend paid £m |
|---|---|---|---|
| Fourth interim dividend | 31 March 2023 | 1.5p | 16.4 |
| First interim dividend | 31 March 2024 | 1.56p | 16.9 |
| Second interim dividend | 31 March 2024 | 1.56p | 16.9 |
| Third interim dividend | 31 March 2024 | 1.56p | 16.9 |

On 5 June 2024, the Board declared a fourth interim dividend of 1.56p per share with respect to the year ended 31 March 2024, payable on 28 June 2024.

## Going Concern

The Board and the Investment Manager have performed an assessment of the current exposure to the conflicts in Ukraine, Russia and the Middle East and the potential impact to the Company's and the portfolio companies' operations. The Company is a UK registered public company. Currently neither the Company, the Investment Manager nor the Company's investments conducts business and operations in the regions; therefore the Company is not subject to any direct impact by this event. The Investment Manager duly considered any restriction imposed by relevant sanctions, and its impact on the portfolio companies and have concluded there are no direct material implications.

The Company has carried out an assessment of the impact of the global rise in inflation on its portfolio and has concluded that overall there is a positive correlation to inflation and there is no adverse impact.

In assessing whether the Company is a going concern for a period of at least twelve months from the approval of the Annual Report, the Directors have reviewed a cash flow forecast to December 2025, taking into consideration potential changes in investment and trading performance and applying a 10% reduction in income to test the resilience of cash flows in the near term. The forecast results in positive cash flows for the foreseeable future that meets the liabilities as they fall due.

They also reviewed a severe downside scenario where the Company receives no income from its investment for the next twelve months but continues with existing committed payments for running the Company. Even under this stress scenario, the Company would have sufficient cash reserves to continue as a going concern. As at 31 March 2024, the Company's net assets were £981.9 million (March 2023: £1,125.4 million), including cash balances of £0.5 million (March 2023: £0.3 million).

# Report of the Directors continued

## Going Concern continued

Further amounts of cash are held by the Company's direct and indirect subsidiaries (including Holdco which has c.£3.4 million (March 2023: c.£65.4 million) at the year-end), 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 investment in new assets, both of which are discretionary.

The Company's single subsidiary, SEEIT Holdco, has £180m Revolving Credit Facility ("RCF") that has adequate headroom in its covenants that have been tested for historic and forward interest cover and loan to value limits. As at 31 March 2024, £155 million (March 2023: £nil) of the RCF was drawn down. The Company is a guarantor to the RCF but has no other guarantees or commitments.

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of approval of the interim financial statements., and that it is appropriate to prepare the financial statements on a going concern basis.

## 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 pages 66 to 68 Stakeholders and Section 172 for further details.

## Employees and Officers of the Company

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 the Board of Directors on page 71.

## Greenhouse Gas Emissions

Information about the Company's greenhouse gas emissions are set out in the SEEIT Climate Change Report on pages 54 to 60.

## 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 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 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 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 Criminal Finances Policy is published on the Company's website. These statements are reviewed annually 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 26 June 2024 and signed on its behalf by:**

Tony Roper
**Chair**

# Statement of Directors' Responsibilities

## Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with UK-adopted International Accounting Standards.

Under company law, 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 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 applicable UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements accounts;
- 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 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 also 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 and Accounts, 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 the Board of Directors on page 71, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and result 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 auditor is 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 auditor is aware of that information.

**The Annual Report and financial statements were approved by the Board on 26 June 2024 and the above responsibility statement was signed on its behalf by:**

Tony Roper
**Chair**

# Financial Statements

## What's in this section

Primary Energy

# Independent Auditor's 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 2024 and of its loss and cash flows for the year then ended;
– have been properly prepared in accordance with UK-adopted international accounting standards; 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 2024; 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, comprising material accounting policy information and other explanatory information.

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

### 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 the notes to the financial statements, 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 efficiency projects through an intermediate holding company named SEEIT Holdco Limited. We performed an audit of the company including its investment in SEEIT Holdco Limited.
– All of our audit work was conducted in the UK by the company audit team.

#### Key audit matters

– Valuation of Investment at fair value through profit or loss

#### Materiality

– Overall materiality: £9.8m (2023: £11.3m) based on 1% of total assets.
– Performance materiality: £7.4m (2023: £8.5m).

### 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.

# Independent Auditor's Report continued

## to the members of SDCL Energy Efficiency Income Trust plc

### **Our audit approach** continued

### **Key audit matters** continued

Ability to continue as a going concern (Continuation vote), which was a key audit matter last year, is no longer included because a continuation vote is only required once every three years. Otherwise, the key audit matter below is consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of Investment at fair value through profit or loss**<br>The company has £983.8 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. | We planned our audit to critically assess management's assumptions and the investment valuation model in which they are applied; |
| The company invests through a holding company which in turn holds debt and equity interests in project companies (the "underlying investment portfolio") which are not listed and therefore are not actively traded. | We have evaluated the design and implementation of relevant controls over the preparation of the portfolio valuation. However, we have not relied on controls as substantive procedures are determined to be more effective for this audit; |
| 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. The directors also engaged external valuations experts to support them with determining the fair value of some investments. | We assessed the reasonableness of key assumptions made by management in the applicable valuation models;<br>We tested the mathematical accuracy of a sample of the valuation models; |
| The directors' assessment of those fair values involves estimates about the future results of the underlying businesses, in particular around future revenues and discount rates applied to future cash flow forecasts. Based on the historical performance of investments and best estimates of future assumptions, the directors believe that these fair values are reasonable. | We performed detailed testing over the significant inputs in a sample of investment valuation models. The testing entailed obtaining appropriate supporting documentation and audit evidence over the significant inputs and challenging management to justify the estimates made; |
| Determining the valuation methodology and the inputs and assumptions within the valuation is subjective and complex particularly given the current macroeconomic conditions. There is also growing scrutiny on the valuation of investments given the potential impacts of climate change. 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. | We specifically considered management's assessment of the impact of climate change on the fair valuation of investments and tailored our audit approach to respond to the audit risks identified. In particular, we:<br>– challenged management on how the impact of climate commitments made by the company would impact the assumptions within the discounted cash flows prepared by management that are used in the valuation of investment at fair value through profit or loss;<br>– evaluated whether the impact of both physical and transition risks arising due to climate risk had been appropriately considered and included in the valuation; and<br>– with assistance from our valuation experts for certain assets, evaluated the appropriateness of the key assumptions used by management to model the impact of climate risk, including the reasonableness of adjustments to the future cash flows and the discount rates where applicable.<br>We used our internal valuation specialists in the United Kingdom, Sweden and Spain to provide audit support in reviewing and concluding on the fair valuation of certain investments in the underlying investment portfolio. They (a) assessed the appropriateness of the valuation methodology and approach and (b) assessed the appropriateness of the discounted cash flow valuation models, including comparing the discount rate and certain other key assumptions against those used by comparable market participants, where appropriate and/or other macroeconomic data and (c) concluded that the overall valuation is reasonable;<br>In addition, we have assessed the competence and objectivity of management's experts and engaged with our valuation specialists to read the independent third-party reports that management have obtained to support the valuation of certain assets within the portfolio. We confirmed that they have been prepared using an appropriate methodology, confirmed the source for the data inputs to management's models, and challenged key estimates; and<br>As a result of our testing, we have obtained sufficient audit evidence to conclude that the overall valuation of the portfolio as a whole is materially reasonable. |

# Independent Auditor's Report continued

## to the members of SDCL Energy Efficiency Income Trust plc

### **Our audit approach** continued

### 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 approach, 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.

### The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the financial statements and the fair valuation of investments in particular. In addition to enquiries with management, we also understood the governance processes in place by the company to assess climate risk and read the additional reporting made by the entity within its Annual Report on climate, particularly focusing on the section where the company sets out its climate related risks.

We challenged the completeness of management's climate risk assessment by reading external reporting made by management. We challenged the consistency of management's assessment with internal climate plans and board minutes and considered the information published by the management on the entity's website and communications for details of climate related impacts.

Management have made a commitment to the Glasgow Financial Alliance for Net Zero (GFANZ) which aligns them to accelerate the transition to a net zero economy. As part of its commitment to GFANZ, and specifically the Net Zero Asset Managers Initiative, management is developing a net zero strategy for the company. This commitment does not directly impact financial reporting, as management has not yet developed a pathway to deliver this commitment and will only be able to model the impact once the pathway is developed.

Using our knowledge of the business and with assistance from our internal valuation experts we evaluated management's risk assessment and adjustments to the financial statements and resulting disclosures, where significant. We considered the Valuation of investment at fair value through profit or loss to potentially be materially impacted by climate risk and consequently we focused our audit work in these areas.

Where climate risk relates to a key audit matter our audit response is given in the key audit matters section of our audit report. We also considered the consistency of the disclosures in relation to climate change within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any further material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 March 2024.

### 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** | £9.8m (2023: £11.3m). |
| **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 75% (2023: 75%) of overall materiality, amounting to £7.4m (2023: £8.5m) 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 £0.5m (2023: £0.56m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

# Independent Auditor's Report continued

## to the members of SDCL Energy Efficiency Income Trust plc

### 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;
- Challenging management on the appropriateness of key assumptions in particular whether all capital commitments to the investment companies had been appropriately reflected in management's models and considering their reasonableness in the context of other supporting evidence gained from our audit work;
- Reading 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 cash balances as at 31 March 2024 to third-party evidence and considering the available financing. This supported the directors' conclusion that sufficient liquidity headroom remained throughout the assessment period;
- Testing the mathematical accuracy of the covenant calculations, and confirming based on management's calculations that covenant compliance remained throughout the assessment period; and
- Considering the severe downside scenario to assess the viability of the company in such circumstances. This included an assessment of the company's ability to meet its debt covenants and ability to repay its liabilities as they fall due.

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 2024 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 Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

# Independent Auditor's Report continued

to the members of SDCL Energy Efficiency Income Trust plc

## 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 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 company 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 environmental regulations, 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 and UK Tax legislation, including section 1158 of the Corporation Tax Act 2010 and the regulations made thereunder. 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 investment and posting inappropriate journal entries to achieve desired financial results. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of design and implementation of management's controls designed to prevent and detect irregularities. However, we have not relied on controls as substantive procedures are determined to be more effective for this audit;
- Reviewing the minutes of meetings of the Board and its committees;
- Challenging the assumptions and judgments made by management in their significant accounting estimates relating to the valuation of investments; and
- Identifying and testing journal entries, in particular certain journal entries posted with unusual account combinations.

# Independent Auditor's Report continued

## to the members of SDCL Energy Efficiency Income Trust plc

## Responsibilities for the financial statements and the audit continued

### Auditors' responsibilities for the audit of the financial statements continued

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 Directors' 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 six years, covering the years ended 31 March 2019 to 31 March 2024.

## Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

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Miles Saunders
**(Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Watford

26 June 2024

# Statement of Comprehensive Income

## For the year ended 31 March 2024

| | Note | **For the year ended 31 March 2024 £'millions** | For the year ended 31 March 2023 £'millions |
|---|---|---|---|
| Investment loss | 5 | **(44.7)** | (7.8) |
| **Total operating loss** | | **(44.7)** | (7.8) |
| Finance income | | **0.2** | 1.2 |
| Fund expenses | 6 | **(11.8)** | (12.0) |
| **Loss for the year before tax** | | **(56.3)** | (18.6) |
| Tax on loss on ordinary activities | 7 | **–** | – |
| **Loss for the year** | | **(56.3)** | (18.6) |
| **Total comprehensive loss for the year** | | **(56.3)** | (18.6) |
| **Attributable to:** | | | |
| **Equity holders of the Company** | | **(56.3)** | (18.6) |
| Loss per ordinary share (pence) | 8 | **(5.2)** | (1.8) |

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

All items in the above Statement derive from continuing operations.

# Statement of Financial Position

## As at 31 March 2024

| | Note | 31 March 2024 £'millions | 31 March 2023 £'millions |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment at fair value through profit or loss | 11 | **983.8** | 1,127.8 |
| | | **983.8** | 1,127.8 |
| **Current assets** | | | |
| Trade and other receivables | | **0.2** | 0.6 |
| Cash and cash equivalents | | **0.5** | 0.3 |
| | | **0.7** | 0.9 |
| **Current liabilities** | | | |
| Trade and other payables | | **(2.6)** | (3.3) |
| **Net current liabilities** | | **(1.9)** | (2.4) |
| **Net assets** | | **981.9** | 1,125.4 |
| **Capital and reserves** | | | |
| Share capital | 12 | **11.1** | 11.1 |
| Share premium | 12 | **756.8** | 1,056.8 |
| Other distributable reserves | 12 | **339.3** | 39.3 |
| (Accumulated losses)/retained earnings | | **(125.3)** | 18.2 |
| **Total equity** | | **981.9** | 1,125.4 |
| **Net assets per share $^{APM}$ (pence)** | 10 | **90.5** | 101.5 |

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

The financial statements on pages 104 to 107 were approved by the Board of Directors on 26 June 2024 and signed on its behalf by:

Sarika Patel
Director

Tony Roper
Director

Company number: 11620959

# Statement of Changes in Shareholders' Equity

## For the year ended 31 March 2024

| | Note | Share capital £'millions | Share premium £'millions | Other distributable reserves £'millions | Retained earnings /(accumulated losses) £'millions | Total equity £'millions |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2023** | | 11.1 | 1,056.8 | 39.3 | 18.2 | 1,125.4 |
| Share buyback | 12 | **–** | **–** | **–** | **(20.0)** | **(20.0)** |
| Share transaction costs | 12 | **–** | **–** | **–** | **(0.1)** | **(0.1)** |
| Cancellation of share premium account | | **–** | **(300.0)** | **300.0** | **–** | **–** |
| Dividends paid | 9 | **–** | **–** | **–** | **(67.1)** | **(67.1)** |
| Total comprehensive loss for the year | | **–** | **–** | **–** | **(56.3)** | **(56.3)** |
| **Balance at 31 March 2024** | | **11.1** | **756.8** | **339.3** | **(125.3)** | **981.9** |

| | Note | Share capital £'millions | Share premium £'millions | Other distributable reserves £'millions | Retained earnings /(accumulated losses) £'millions | Total equity £'millions |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2022** | | 9.9 | 925.1 | 39.3 | 98.8 | 1,073.1 |
| Shares issued | | 1.2 | 133.8 | – | – | 135.0 |
| Share issue costs | | – | (2.1) | – | – | (2.1) |
| Dividends paid | 9 | – | – | – | (62.0) | (62.0) |
| Total comprehensive income for the year | | – | – | – | (18.6) | (18.6) |
| **Balance at 31 March 2023** | | **11.1** | **1,056.8** | **39.3** | **18.2** | **1,125.4** |

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

# Statement of Cash Flows

## For the year ended 31 March 2024

| | Note | **For the year ended 31 March 2024 £'millions** | For the year ended 31 March 2023 £'millions |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total comprehensive loss for the year before tax | | **(56.3)** | (18.6) |
| Adjustments for: | | | |
| Loss on investment at fair value through profit or loss | 5 | **116.2** | 74.3 |
| Loan interest income | 5 | **(6.5)** | (9.0) |
| **Operating cash flows before movements in working capital** | | **53.4** | 46.7 |
| **Changes in working capital** | | | |
| Decrease/(increase) in trade and other receivables | | **0.4** | (0.3) |
| (Decrease)/increase in trade and other payables | | **(0.7)** | 1.8 |
| **Net cash generated from operating activities** | | **53.1** | 48.2 |
| **Cash flows from investing activities** | | | |
| Additional investment in Holdco | 11 | **(38.4)** | (292.4) |
| Loan principal repayment received | 11 | **66.2** | 18.5 |
| Loan interest income received | | **6.5** | 9.0 |
| **Net cash generated from/(used in) investing activities** | | **34.3** | (264.9) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of shares | 12 | **–** | 135.0 |
| Share buyback payments | 12 | **(20.0)** | – |
| Payment of shares issue/buyback costs | | **(0.1)** | (2.1) |
| Dividends paid | 9 | **(67.1)** | (62.0) |
| **Net cash (used in)/generated from financing activities** | | **(87.2)** | 70.9 |
| Net movement during the year | | **0.2** | (145.8) |
| Cash and cash equivalents at the beginning of the year | 2 | **0.3** | 146.1 |
| **Cash and cash equivalents at the end of the year** | 2 | **0.5** | 0.3 |

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

# Notes to the Financial Statements

For the year ended 31 March 2024

## 1. General Information

SDCL Energy Efficiency Income Trust plc (the "Company") is a Public Company limited by shares, incorporated on 12 October 2018 and registered and domiciled in England, United Kingdom, under number 11620959 pursuant to the Companies Act 2006. The Company's registered office and principal place of business is The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF.

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 (together referred to as the "Group"), 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. All values are rounded to the nearest million (£ million), except otherwise indicated.

## 2. Significant Accounting Policies

### a) Basis of accounting

The financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, as applicable to companies reporting under those standards. The financial statements are prepared under the historical cost convention, except for certain investments and financial instruments measured at fair value through profit or loss.

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.

#### (1) New standards and amendments to existing standards effective 1 April 2023

The following standard has been issued and are effective for annual periods beginning 1 April 2023:

- IAS 8 (amended) – Amendments regarding the definition of accounting estimate – effective from 1 January 2023.

Adoption of the above did not have a material effect on the financial statements of the Company.

#### (2) New standards, amendments and interpretations effective after 1 April 2023 and have not been early adopted

The following standards have been issued but are effective for annual periods beginning after 1 April 2023 and have not been adopted early;

- IFRS 7 (amended) – Amendments regarding supplier finance arrangements – effective from 1 January 2024;
- IFRS 18 – Presentation and Disclosures in Financial Statements – effective from 1 January 2027. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its operating profit or loss;
- IAS 1 (amended) – Amendments regarding the classification of debt with covenants – effective from 1 January 2024; and
- IAS 7 (amended) – Amendments regarding supplier finance arrangements – effective from 1 January 2024.

Except as stated above, none of these are expected to have a material effect on the financial statements of the Company.

### b) IFRS 10 – basis of consolidation and investment entities exemption

The Company applies IFRS 10 Consolidated Financial Statements. As in the previous year, 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 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.

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 2. Significant Accounting Policies continued

Under IFRS 10, investment entities are required to hold subsidiaries at fair value through profit or loss 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 2024, the Company, via Holdco, made additional investments but primarily into existing investments. The Directors assessed that there was no fundamental change to the Company and its portfolio of investment that would cause the Company not to satisfy the conditions of an investment entity under IFRS 10. As a result, the Company continues to apply the investment entity conditions under IFRS 10 to its financial statements.

### c) Going concern

The Directors have considered the following current matters alongside the regular cash flow and business activities in assessing that it is appropriate to prepare the financial statements on a going concern basis:

### Ukraine and Middle East conflicts

The Board and the Investment Manager have performed an assessment of the current exposure to the conflicts in Ukraine, Russia and the Middle East and the potential impact to the Company's and the portfolio companies' operations. The Company is a UK registered public company. Currently neither the Company, the Investment Manager nor the Company's investments conducts business and operations in the regions; therefore the Company is not subject to any direct impact by this event.

Manager duly considered any restriction imposed by relevant sanctions, and its impact on the portfolio companies and have concluded there are no direct material implications.

### Inflation and cost of energy crisis

The Company has carried out an assessment of the impact of the global rise in inflation on its portfolio and have concluded that overall there is a positive correlation to inflation and there is no adverse impact.

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve 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 this 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.

### Regular cash flow and business activity

In assessing whether the Company is a going concern for a period of at least twelve months from the approval of the Annual Report, the Directors have reviewed a cash flow forecast to December 2025, taking into consideration potential changes in investment and trading performance and applying a 10% reduction in income to test the resilience of cash flows in the near term. The forecast results in positive cash flows for the foreseeable future that meets the liabilities as they fall due.

They also reviewed a severe downside scenario where the Company receives no income from its investment for the next twelve months but continues with existing committed payments for running the Company. Even under this stress scenario, the Company would have sufficient cash reserves to continue as a going concern. As at 31 March 2024, the Company's net assets were £981.9 million (31 March 2023: £942.8 million), including cash balances of £0.5 million (31 March 2023: £0.5 million).

Further amounts of cash are held by the Company's direct and indirect subsidiaries (including Holdco which has c.£3.3 million (31 March 2023: c.£62 million) at the year end), 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 investment in new assets, both of which are discretionary.

The Company's single subsidiary, Holdco, has £180m RCF that has adequate headroom in its covenants that have been tested for historic and forward interest cover and loan to value limits. As at 31 March 2024, £155 million (31 March 2023: £nil) of the RCF was drawn down. The Company is a guarantor to the RCF but has no other guarantees or commitments.

### Closing summary

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of approval of the interim financial statements., and 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.

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 2. Significant Accounting Policies continued

### 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 (including loan interest 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 and 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 Statement of Comprehensive Income as they are incurred.

### j) Taxation

The Company is approved as an Investment Trust Company ("ITC") under sections 1158 and 1159 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 Statutory Instrument 2011/2999 for accounting periods commencing on or after 25 May 2018. The approval is subject to the Company continuing to meet the eligibility conditions of the Corporations Tax Act 2010 and the Statutory Instrument 2011/2999. The Company intends to ensure that it complies with the ITC regulations on an ongoing basis and regularly monitors the conditions required to maintain ITC status.

From 1 April 2015, there was a single corporation tax on its income rate of 19%. This rate has increased to 25% since 1 April 2023. Current tax is the expected tax payable on any taxable income for the period, using tax rates that have been enacted or substantively enacted at the date of the Statement of Financial Position and end of the relevant period. The Company may use taxable losses from within the Group to relieve taxable profits in the Company and also income streams part of the dividends paid into interest payments to achieve tax efficiency for the Company. The increase in the headline rate of corporation tax does impact on the valuation of the Company's investments.

### 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. Cash is spread across three banks including at the Money market fund managed by JP Morgan. It is a 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 all investments 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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

### m) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Those include VAT receivable and other receivables which are intercompany balances due from subsidiaries. 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 that there is a material impact on these financial statements.

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 2. Significant Accounting Policies continued

### n) Trade and other payables

Trade and other payables include accruals and other payables and initially are recognised at fair value, and subsequently 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.

### p) Treasury shares

The Company recognises the purchase of its own equity instruments in treasury shares, which are deducted from retained earnings. No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

## 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. 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 key area where estimates may be significant to the financial statements is the valuation of the Company's single subsidiary, SEEIT Holdco, which in turns holds investments in a portfolio that are held at fair value (the "Portfolio Valuation $^{APM}$"). See Note 11 for calculation.

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 of Directors has appointed the Investment Manager to produce the Portfolio Valuation $^{APM}$ at 31 March 2024, which includes estimates of future cash flows that have the potential to have a material effect on the measurement of fair value.

The key estimates made include:

#### Discount rate

The weighted average unlevered discount rate (post tax) applied in the 31 March 2024 valuation was 8.6% (31 March 2023: 7.7%) and 9.4% on a levered basis (31 March 2023: 8.5%). 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. An appropriate discount rate is applied to each underlying asset. The range of discount rates applied and its sensitivity to movements in discount rates is shown in Note 4.

#### Macroeconomic assumptions

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.

#### Investment-specific cash flow assumptions and sensitivities

The below highlights several key investment-specific estimates made for the Portfolio Valuation $^{APM}$ at 31 March 2024:

**Primary Energy** – An estimate has been made to determine the future demand for generation by the offtaker in the PCI asset. If the demand assumed is 25% less than estimated, the Investment at fair value through profit or loss at 31 March 2024 could be reduced by between an estimated £5 million and £15 million, assuming no other mitigants are available.

**Onyx** – The process of converting development assets into construction and then operational stages has been adversely affected by delays in the financial year, however an estimate has been made for the amount of megawatts that is expected to be become mechanically complete and earn revenues in 2025 and 2026. If only 75% of the megawatts are achieved in each of 2025 and 2026, the Investment at fair value through profit or loss at 31 March 2024 could be reduced by between an estimated £5 million and £10 million, assuming no other mitigants are available.

An estimate has been made for the amount of megawatts that is expected to be deployed from the development pipeline in 2026 to 2030. This estimate and methodology has not changed since March 2023, however if only 50% of the development pipeline is achieved, including community solar projects, the Investment at fair value through profit or loss at 31 March 2024 would be reduced by between an estimated £25 million and £35 million, assuming no other mitigants are available.

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 3. Critical Accounting Estimates and Judgements continued

**Oliva Spanish Cogeneration** – There are updates under the regulatory regime governing the nine investments that have currently been published in draft form and awaiting finalisation. Key estimates are made in applying the draft legislation, specifically regarding the compensation for gas distribution and grid costs that is forecast. If this compensation is excluded from the final legislation and no other changes are introduced, then the Investment at fair value through profit or loss at 31 March 2024 could be reduced by between an estimated £15 million and £25 million.

**RED-Rochester** – Estimates have been made regarding future capital expenditure projects at the site and the expected increase to overall revenues, the most material being the construction of a cogeneration plant expected to complete in 2025. If the cogeneration plant delivers only 75% of the energy savings currently assumed, the Investment at fair value through profit or loss at 31 March 2024 would be reduced by between an estimated £10 million and £20 million.

Estimates have been included for revenues related to providing electricity to customers based on projected demands and an assumed power price charged to customers. If market power pricing is 25% lower than assumed, the Investment at fair value through profit or loss at 31 March 2024 would be reduced by between £5 million and £10 million.

In addition, estimates have been included, based on projected growth of earnings in the RED-Rochester business, that a gain share pay-out will be made to the external asset management team tasked with delivering the growth within the next seven years, linked to the investment increasing its profitability. Furthermore, the projected growth is assumed to deliver a business capable of continuing to serve customers at the Eastman Business Park for a further 20 years beyond the c. 20 years lifetime assumed at the time of the original investment. Should only 15 years of the targeted economic life extension occur, the Investment at fair value through profit or loss at 31 March 2024 would be reduced by between £10 million and £20 million, assuming no other mitigants are available.

Estimates have been included for the timing of completion of construction work undertaken by Li-Cycle and the levels of their near to medium term and long term demand for energy services. If there is a material delay in the construction work and a 50% reduction in future demand for energy services, the Investment at fair value through profit or loss at 31 March 2024 would be reduced by between £10 million and £25 million, assuming no other mitigants are available.

**Värtan Gas** – The future cash flows includes an assumption that the management team will target a decline in customer numbers at a year-on-year rate that is lower than the historic average decline. There are also a number of accretive expansion opportunities for the Värtan Gas investment in the Stockholm region's transport sector for which estimates have been made around the future growth profile in relation to decarbonisation targets and electrification. If the recent historic average rate to customers is applied for the next five years and no growth in revenue from transport is achieved over the next ten years, the Investment at fair value through profit or loss may potentially reduce by between £5 million and £10 million, assuming no other mitigants are available.

## 4. Financial Instruments

### Valuation methodology

The Company has a single investment 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 adjusts 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 and is consistent with the methodology described in the March 2023 Annual Report.

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. Certain investments may be held at cost if in the early part of a construction phase, however this will still be supported by a discounted cash flow analysis or similar method to determine fair value. For certain investments, fair value is determined through assuming a price that can be achieved per MW.

The Investment Manager exercises its judgement 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 macroeconomic assumptions and specific operating assumptions. Assumptions for future cash flows may include successful recontracting and project life extensions, as well as cash flow linked to assumptions made on growth rates and further business development opportunities within existing projects.

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 investment 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 climate-related risks are assessed and where required, adjustments are made to expected future cash flows or reflected in the asset-specific discount rate that is applied.

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.

### 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.

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 4. Financial Instruments continued

| Investment at fair value through profit or loss | Level 1 £'millions | Level 2 £'millions | Level 3 £'millions |
|---|---|---|---|
| 31 March 2024 | **–** | **–** | **983.8** |
| 31 March 2023 | – | – | 1,127.8 |

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 2024** | 31 March 2023 |
|---|---|---|---|
| Inflation rates | UK (RPI) | **3.3% declining to 2.9% by 2026, 3.0% p.a. long term** | 7.8% declining to 3.0% by 2025, 3.0% p.a. long term |
| | UK (CPI) | **2.5% declining to 2.2% by 2026, 2.0% p.a. long term** | 6.6% declining to 1.5% by 2025, 2.0% p.a. long term |
| | Spain (CPI) | **2.9% declining to 2.0% by 2026, 2.0% p.a. long term** | 4.6% declining to 2.1% by 2025, 2.0% p.a. long term |
| | Sweden (CPI) | **2.9% declining to 2.0% by 2026, 2.0% p.a. long term** | 7.0% declining to 2.2% by 2025, 2.0% p.a. long term |
| | Singapore (CPI) | **3.0% declining to 2.0% by 2026, 2.0% p.a. long term** | 5.0% declining to 2.0% by 2025, 2.0% p.a. long term |
| | Ireland (CPI) | **2.3% declining 1.7% by 2026, 2.0% p.a. long term** | 5.8% declining to 2.3% by 2025, 2.0% p.a. long term |
| | USA (CPI) | **2.6% declining to 2.2% by 2026, 2.0% p.a. long term** | 3.7% declining to 2.1% by 2025, 2.0% p.a. long term |
| Tax rates | UK | **25%** | 25% |
| | Spain | **25%** | 25% |
| | Sweden | **20.6%** | 20.6% |
| | Singapore | **17%** | 17% |
| | Ireland | **12.5%** | 12.5% |
| | USA | **21% Federal & 3% to 9% States rates** | 21% Federal & 3–9% State rates |
| Foreign exchange rates | EUR/GBP | **0.86** | 0.88 |
| | SEK/GBP | **0.07** | 0.08 |
| | SGD/GBP | **0.59** | 0.61 |
| | USD/GBP | **0.79** | 0.81 |

### Discount rates

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

| | **31 March 2024** | 31 March 2023 |
|---|---|---|
| Weighted average discount rate (on unlevered basis) | **8.6%** | 7.7% |
| Weighted average discount rate (on levered basis) | **9.4%** | 8.5% |
| Discount rates | **5.15% to 11.40%** | 4.75% to 10.25% |

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 4. Financial Instruments continued

### Sensitivities

The sensitivities below show the effect on net asset value APM of 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 levered discount rate by plus or minus 0.5% has the following effect on the net assets.

| Discount rate | NAV/share APM impact | -0.5% change | Net asset value APM | +0.5% change | NAV/share APM impact |
|---|---|---|---|---|---|
| **31 March 2024** | **5.0p** | **£53.9m** | **£981.9m** | **£(49.6)m** | **(4.6)p** |
| 31 March 2023 | 5.0p | £55.1m | £1,125.4m | £(50.3)m | (4.5)p |

### Inflation rates

The Portfolio Valuation APM assumes long-term inflation as indicated above in the UK, USA, Spain, Singapore, Portugal and Sweden. A change in inflation rate by plus or minus 1.0% has the following effect on the net assets, with all other variables held constant.

| Inflation rate | NAV/share APM impact | -1% (2023: -0.5%) change | Net asset value APM | +1% (2023: +0.5%) change | NAV/share APM impact |
|---|---|---|---|---|---|
| **31 March 2024** | **(4.4)p** | **£(47.7)m** | **£981.9m** | **£57.2m** | **5.3p** |
| 31 March 2023 | (1.5)p | £(16.4)m | £1,125.4m | £18.3m | 1.7p |

### Corporation tax rates

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

| Corporation tax rate | NAV/share APM impact | -5% change | Net asset value APM | +5% change | NAV/share APM impact |
|---|---|---|---|---|---|
| **31 March 2024** | **3.4p** | **£36.6m** | **£981.9m** | **£(36.4)m** | **(3.3)p** |
| 31 March 2023 | 2.7p | £29.5m | £1,125.4m | £(29.8)m | (2.7)p |

### Foreign exchange rates

The Portfolio Valuation APM 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 net assets.

| Foreign exchange rate | NAV/share APM impact | -10% change | Net asset value APM | +10% change | NAV/share APM impact |
|---|---|---|---|---|---|
| **31 March 2024** | **0.9p** | **£9.4m** | **£981.9m** | **£(9.4)m** | **(0.9)p** |
| 31 March 2023 | 0.8p | £9.0m | £1,125.4m | £(9.0)m | (0.8)p |

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 5. Investment loss

| | **Year ended 31 March 2024 £'millions** | Year ended 31 March 2023 £'millions |
|---|---|---|
| Dividend income | **65.0** | 57.5 |
| Loss on investment at fair value through profit or loss (Note 11) | **(116.2)** | (74.3) |
| Loan interest income | **6.5** | 9.0 |
| **Investment loss** | **(44.7)** | **(7.8)** |

Interest income is in respect of coupon bearing loan notes issued to the Company by Holdco (Note 15). The loan notes accrue interest at 6%, are unsecured and repayable in full on 18 April 2039. Loan Interest income is recognised in the Statement of Comprehensive Income on an accruals basis. The loss/gain on investment is unrealised.

## 6. Fund Expenses

| | **Year ended 31 March 2024 £'millions** | Year ended 31 March 2023 £'millions |
|---|---|---|
| Investment management fees (Note 15) | **9.2** | 9.6 |
| Non-Executive Directors' fees (Note 16) | **0.3** | 0.3 |
| Other expenses | **1.6** | 1.3 |
| Fees to the Company's independent auditor | | |
| – for the audit of the statutory financial statements | **0.7** | 0.7 |
| – for audit-related assurance services | **0.1** | 0.1 |
| **Fund expenses** | **11.8** | **12.0** |

As at 31 March 2024, the Company had no employees (31 March 2023: 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 on pages 87 to 91 of the Annual Report. There is no other compensation apart from those disclosed. Additional fees relating to the audit of the Company's subsidiaries were £0.3m (2023: £0.3m).

## 7. Tax

The tax for the year shown in the Statement of Comprehensive Income is as follows.

| | **Year ended 31 March 2024 £'millions** | Year ended 31 March 2023 £'millions |
|---|---|---|
| Loss for the year before taxation | **(56.3)** | (18.6) |
| Tax on loss on ordinary activities for the year multiplied by the standard rate of corporation tax of 25% (31 March 2023: 19%) | **(14.1)** | (3.5) |
| Fair value movements (not subject to taxation) | **29.0** | 14.1 |
| Dividends received (not subject to taxation) | **(16.3)** | (10.9) |
| Surrendering of tax losses to unconsolidated subsidiaries | **1.4** | 0.3 |
| **Total tax charge** | **–** | **–** |

The corporation tax rate increased from 19% to 25%, with effect from 1 April 2023. No deferred tax was recognised in the periods.

## 8. Profit/(loss) per Ordinary Share

| | **Year ended 31 March 2024** | Year ended 31 March 2023 |
|---|---|---|
| Profit/(loss) for the year (£'millions) | **56.3** | (18.6) |
| Weighted average number of ordinary shares ('000) | **1,090,075** | 1,056,150 |
| **Loss per ordinary share (pence)** | **(5.2)** | **(1.8)** |

There is no dilutive element during the current or prior financial year, or subsequent to the financial year.

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 9. Dividends

| | **Year ended 31 March 2024 £'millions** | Year ended 31 March 2023 £'millions |
|---|---|---|
| Amounts recognised as distributions to equity holders during the year: | | |
| Fourth quarterly interim dividend for the year ended 31 March 2022 of 1.405 pence per share | **–** | 13.9 |
| First quarterly interim dividend for the year ended 31 March 2023 of 1.5 pence per share | **–** | 14.9 |
| Second quarterly interim dividend for the year ended 31 March 2023 of 1.5 pence per share | **–** | 16.6 |
| Third quarterly interim dividend for the year ended 31 March 2023 of 1.5 pence per share | **–** | 16.6 |
| Fourth quarterly interim dividend for the year ended 31 March 2023 of 1.5 pence per share | **16.4** | – |
| First quarterly interim dividend for the year ended 31 March 2024 of 1.56 pence per share | **16.9** | – |
| Second quarterly interim dividend for the year ended 31 March 2024 of 1.56 pence per share | **16.9** | – |
| Third quarterly interim dividend for the year ended 31 March 2024 of 1.56 pence per share | **16.9** | – |
| **Total dividends** | **67.1** | **62.0** |

All dividends have been paid out of distributable reserves. Further information on distributable reserves can be found in Note 12.

## 10. Net Assets per Share APM

| | **Year ended 31 March 2024** | Year ended 31 March 2023 |
|---|---|---|
| Shareholders' equity (£'millions) | **981.9** | 1,125.4 |
| Number of ordinary shares ('000) | **1,085,420** | 1,108,709 |
| **Net assets per ordinary share (pence)** | **90.5** | **101.5** |

## 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.

| | **Year ended 31 March 2024 £'millions** | Year ended 31 March 2023 £'millions |
|---|---|---|
| Brought forward investment at fair value through profit or loss | **1,127.8** | 928.2 |
| Loan investments in the year | **–** | – |
| Equity investments in the year | **38.4** | 292.4 |
| Loan principal repaid in the year | **(66.2)** | (18.5) |
| Movement in fair value | **(116.2)** | (74.3) |
| **Closing investment at fair value through profit or loss** | **983.8** | **1,127.8** |

Movement in fair value is recognised through investment income in the Statement of Comprehensive Income (see Note 5).

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 11. Investment at Fair Value through Profit or Loss continued

Of the closing investment at fair value through profit and loss balance, £65 million (31 March 2023: £131 million) relates to loan investment (also see Note 5) and £916 million (31 March 2023: £996 million) relates to equity investment.

A reconciliation between the Portfolio Valuation $^{APM}$, 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.

| | **Year ended 31 March 2024 £'millions** | Year ended 31 March 2023 £'millions |
|---|---|---|
| Portfolio Valuation (see Financial Review and Valuation Update for details) | **1,117.4** | 1,099.6 |
| Holdco cash | **3.4** | 65.4 |
| Holdco intercompany debt | **65.2** | – |
| Holdco RCF | **(155.0)** | – |
| Holdco net working capital | **(47.2)** | (37.2) |
| **Investment at fair value per Statement of Financial Position** | **983.8** | **1,127.8** |

### Investments by the Company

During the year ended 31 March 2024, the Company invested £32.7 million (31 March 2023: £292.4 million) into Holdco for new portfolio investments and to fund acquisition costs. Acquisition costs are expensed to the income statement at Holdco as they occur.

### Portfolio investments, via Holdco

During the year ended 31 March 2024, Holdco invested £161 million (31 March 2023: £236 million) in portfolio investments.

| Project | Investment/Commitment Date | Type | Location | Investment/ Commitment Amount |
|---|---|---|---|---|
| Spark US Energy Efficiency 2 | Various in the period | Organic | USA | c.£9.0m |
| RED-Rochester | Various in the period | Organic | USA | c.£35.8m |
| Onyx – HoldCo | Various in the period | Organic | USA | c.£61.1m |
| Tallaght Hospital | July 2023 | Organic | Ireland | c.£1.5m |
| Turntide | August 2023 | Organic | USA | c.£3.1m |
| Biocpower | Various in the period | Organic | UK | c.£0.4m |
| EV Networks | Various in the period | Organic | UK | c.£10.0m |
| FES | Various in the period | Organic | USA | c.£36.6m |
| CPP 1 | June 2023 | New | UK | c.£1.2m |
| Rondo Energy | June 2023 | New | USA | c.£2.4m |
| | | | | **c£161.1m** |

## 12. Share Capital and Share Premium

| Ordinary shares of £0.01 | **Year ended 31 March 2024 '000** | Year ended 31 March 2023 '000 |
|---|---|---|
| Authorised and issued at the beginning of the year | **1,108,709** | 990,288 |
| Shares issued – during the year | **–** | 118,421 |
| Share buyback[1] | **(23,289)** | – |
| **Authorised and issued at the end of year** | **1,085,420** | **1,108,709** |

| Treasury shares | **Year ended 31 March 2024 '000** | Year ended 31 March 2023 '000 |
|---|---|---|
| Balance at the beginning of the year | **–** | – |
| Share buyback during the year | **23,289** | – |
| **Balance at the end of the year** | **23,289** | **–** |

| Share Capital | **31 March 2024 £'millions** | 31 March 2023 £'millions |
|---|---|---|
| Balance at the beginning of the year | **11.1** | 9.9 |
| Issue of ordinary shares | **–** | 1.2 |
| **Total as at 31 March 2024** | **11.1** | **11.1** |

| Share premium | **31 March 2024 £'millions** | 31 March 2023 £'millions |
|---|---|---|
| Balance at the beginning of the year | **1,056.8** | 925.1 |
| Issue of ordinary shares | | 133.8 |
| Costs of issue of ordinary shares | **–** | (2.1) |
| Transfer to other distributable reserves | **(300.0)** | – |
| **Total as at 31 March 2024** | **756.8** | **1,056.8** |

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[1] All repurchased shares are held in treasury.

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 12. Share Capital and Share Premium continued

In September 2022, the Company issued 118,421,053 new ordinary shares at a price of 114 pence per share, raising gross proceeds of £135 million.

On 3 April 2023, the Company announced the commencement of a Share Buyback Programme. All repurchased shares are held in treasury. £20 million of the Company's available cash reserves was allocated to the Share Buyback Programme and as at 31 March 2024, the full allocation has been utilised.

The Company currently has one class of ordinary share in issue. All the holders of the £0.01 ordinary shares, which total 1,108,709k (31 March 2023: 1,108,709k) and are fully paid (31 March 2023: fully paid), 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. On 24 November 2023, the Company cancelled a further £300 million of its share premium, creating additional distributable reserves. 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.

## 13. 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 financial 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 host demand for energy services 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 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 (via Holdco) 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 reforecasted 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. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

As at 31 March 2024, there were no receivables considered impaired (31 March 2023: £nil). 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 recognised 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.

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 13. Financial Risk Management continued

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.

### 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.

Risk is spread by holding cash at three separate banking institutions and the Company also ensures that Holdco has 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. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

| As at 31 March 2024 | Up to 3 months £'millions | Between 3 and 12 months £'millions | Between 1 and 5 years £'millions | Total £'millions |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **0.5** | **–** | **–** | **0.5** |
| Trade and other receivables | **0.1** | **–** | **–** | **0.1** |
| **Liabilities** | | | | |
| Trade and other payables | **(2.5)** | **–** | **–** | **(2.5)** |
| **Total** | **(1.9)** | **–** | **–** | **(1.9)** |

| As at 31 March 2023 | Up to 3 months £'millions | Between 3 and 12 months £'millions | Between 1 and 5 years £'millions | Total £'millions |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 0.3 | – | – | 0.3 |
| Trade and other receivables | 0.5 | – | – | 0.5 |
| **Liabilities** | | | | |
| Trade and other payables | (3.3) | – | – | (3.3) |
| **Total** | **(2.4)** | **–** | **–** | **(2.4)** |

# Notes to the Financial Statements continued

For the year ended 31 March 2024

## 13. Financial Risk Management continued

### Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising 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, other distributable reserves and retained earnings).

The Company is not subject to any externally imposed capital requirements.

## 14. Related Undertakings

The following table shows the Company's single direct subsidiary (SEEIT Holdco Limited). Appendix A lists the Company's indirect subsidiaries through SEEIT Holdco Limited.

| Investment | Country of incorporation & place of business | **Shareholding at 31 March 2024** | Shareholding at 31 March 2023 |
|---|---|---|---|
| SEEIT Holdco Limited | United Kingdom | **100%** | 100% |

## 15. 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 $^{APM}$ in respect of the net asset value $^{APM}$ of up to, and including, £750 million; and
- 0.8%, per annum of the adjusted NAV $^{APM}$ in respect of the net asset value $^{APM}$ in excess of £750 million.

The management fee is calculated using an adjusted NAV which is the latest published NAV $^{APM}$ at the relevant time, less uncommitted cash and adjusted on a daily basis for new acquisitions, new cash committed to investments, disposals and changes in amounts of debt drawn.

The management fee accrues monthly and is invoiced monthly in arrears. During the year ended 31 March 2024, management fees of £9.2 million (31 March 2023: £9.6 million) were incurred of which £1.4 million (31 March 2023: £2.5 million) was payable at the year end.

During the year ended 31 March 2024, £38.4 million (31 March 2023: £292.4 million) of funding was provided by the Company to the Holdco for investment acquisitions and the repayment of the RCF utilised by Holdco.

During the year ended 31 March 2024, coupon bearing loan notes of £nil (31 March 2023: £nil) were issued. During the year ended 31 March 2024, Holdco had repaid coupon bearing loan notes of £66.2 million (31 March 2023: £18.5 million). In the year to 31 March 2024, £6.5 million interest had accrued on the loan notes (31 March 2023: £8.9 million) of which £nil is outstanding at the year end (31 March 2023: £0.2 million).

## 16. Key Management Personnel Transactions

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £0.3 million (disclosed as Non-Executive Directors' fees in Note 6) in the year (31 March 2023: £0.3 million), which included £289,000 for Director salaries (31 March 2023: £289,000), £18,000 for national insurance contributions (31 March 2023: £18,000) and £11,000 for the reimbursement of expenses (31 March 2023: £10,000).

## 17. Guarantees and Other Commitments

The Company is the guarantor of the RCF between Holdco and Investec Bank plc.

The Company holds a revolving credit facility ("RCF") that it holds through its wholly owned subsidiary, SEEIT Holdco, amounting to £180 million. The RCF, which is SONIA linked and has a margin of 2.65%, with an initial expiry date of June 2024 with options to extend for a further two years and includes an accordion function for a further £20 million increase on an uncommitted basis. Post year end, the RCF was extended to June 2026.

## 18. 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.

Between April and June 2024, the Company made the following investments, via SEEIT Holdco:

- a further investment c.£22.2 million in Onyx; and
- a further investment c.£2.1 million in FES Lighting.

The Company completed the sale of UU Solar for approximately £90 million in May.

# Investment Policy

## Appendix A – List of SEEIT plc's Indirect Subsidiaries

The following table shows the Company's indirect subsidiaries and related undertakings. As the Company applies IFRS 10 and investment entities (Amendments to IFRS 10) (see Note 2), these entities have not been consolidated in the preparation of these financial statements:

| Investment | Country of incorporation & place of business | **Shareholding at 31 March 2024** |
|---|---|---|
| EECO Kingscourt Limited | United Kingdom | **100%** |
| EECO Biomass No. 1 Limited | United Kingdom | **100%** |
| EECO Data Centres No. 1 Limited | United Kingdom | **100%** |
| EECO Wilton No. 1 Limited | United Kingdom | **100%** |
| SmartEnergy Finance Two Limited | United Kingdom | **49%** |
| SEEIT UK 1 Limited | United Kingdom | **100%** |
| Combined Heat and Power Investments Limited | United Kingdom | **100%** |
| Energy Efficient Global UK Project Limited | United Kingdom | **100%** |
| SEEIT Asia Limited | United Kingdom | **100%** |
| EECo Smithfield Limited | United Kingdom | **100%** |
| SEEIT Europe 2 Limited | United Kingdom | **100%** |
| SDCL Solar Edge Limited | United Kingdom | **100%** |
| Zood Infrastructure Limited | United Kingdom | **100%** |
| SEEIT Europe Limited | United Kingdom | **100%** |
| SEEIT US TWO Limited | United Kingdom | **100%** |
| SEEIT Magma Limited | United Kingdom | **100%** |
| SEEIT Bloc Limited | United Kingdom | **100%** |
| SEEIT CPP Limited | United Kingdom | **100%** |
| SIAF Energia S.A | United Kingdom | **80%** |
| Iceotope Technologies Limited | United Kingdom | **3%** |
| Iceotope Liquid Cooling Limited | United Kingdom | **3%** |
| KU:L Sistem Limited | United Kingdom | **3%** |
| SEEIT Sol Limited | United Kingdom | **100%** |
| Greenland Investment Partners Limited | United Kingdom | **100%** |
| SEEIT US Limited | USA | **100%** |
| SDCL TG COGEN LLC | USA | **71%** |
| COGEN ONE LLC | USA | **71%** |
| COGEN TWO LLC | USA | **71%** |
| SEEIT CAPITAL LLC | USA | **100%** |
| SEEIT CAPITAL II LLC | USA | **100%** |
| SEEIT PE 1 LLC | USA | **100%** |
| SEEIT PE 2 LLC | USA | **100%** |
| PERC Midco LLC | USA | **100%** |
| PERC Holdings 2 LLC | USA | **100%** |
| Primary Energy Recycling Corporation | USA | **100%** |
| Primary Energy Recycling Holdings LLC | USA | **100%** |
| Primary Energy Operations LLC | USA | **100%** |
| Cokenergy LLC | USA | **100%** |
| North Lake Energy LLC | USA | **100%** |
| Portside Energy LLC | USA | **100%** |
| Ironside Energy LLC | USA | **100%** |
| Harbor Coal LLC | USA | **100%** |
| PCI Associates | USA | **50%** |
| SEEIT Red Holdco LLC | USA | **100%** |
| SEEIT District Energy LLC | USA | **100%** |
| Recycled Energy Development LLC | USA | **100%** |
| RED-Rochester LLC | USA | **100%** |
| SEEIT Hemisphere Holdco LLC | USA | **100%** |
| SEEIT Hemisphere I LLC | USA | **100%** |
| SEEIT Hemisphere II LLC | USA | **100%** |
| SEEIT Hemisphere III LLC | USA | **100%** |
| Iceotope Technologies US Inc | USA | **3%** |
| SEEIT US Lighting Holdings LLC | USA | **100%** |
| SEEIT US Lighting LLC | USA | **100%** |
| SEEIT TT LLC | USA | **100%** |
| Turntide Technologies Inc | USA | **1%** |
| SEEIT ON Holdco LLC | USA | **100%** |

# Investment Policy continued

## Appendix A – List of SEEIT plc's Indirect Subsidiaries continued

| Investment | Country of incorporation & place of business | Shareholding at 31 March 2024 |
|---|---|---|
| ON Energy Storage LLC | USA | **100%** |
| SEEIT BTB LLC | USA | **100%** |
| SEEIT Net Zero LLC | USA | **100%** |
| EE CO Ireland Hospitals TUH Limited | Ireland | **100%** |
| Iceotope Technologies Limited | Ireland | **3%** |
| SEEIPL 4 Pte Ltd | Singapore | **100%** |
| SEEIPL 1 Pte Ltd | Singapore | **100%** |
| SEEIPL 3 Pte Ltd | Singapore | **100%** |
| Shire Oak Green Asia Portfolio 2 Pte Ltd | Singapore | **100%** |
| Walworth Invest S.L. | Spain | **100%** |
| SEEIT Oliva, S.A. | Spain | **100%** |
| SEEIT GAS S.L | Spain | **100%** |
| Compañía Orujera de Linares, S.L | Spain | **100%** |
| Bioeléctrica de Linares, S.L. | Spain | **100%** |
| Compañía Energética de Linares S.L. | Spain | **100%** |
| Compañía Energética Pata de Mulo S.L. | Spain | **100%** |
| Compañía Energética Puente del Obispo | Spain | **100%** |
| Compañía Energética de La Roda, S.L. | Spain | **100%** |
| Biomasas de Puente Genil. S.L. | Spain | **100%** |
| Secaderos de Biomasa, S.L . | Spain | **100%** |
| Compañía Energética Las Villas, S.L. | Spain | **90%** |
| SEEIT EUROPE 2 SWEDEN Holding AB | Sweden | **100%** |
| Värtan Gas Stockholm AB | Sweden | **100%** |
| Värtan Gas AB | Sweden | **100%** |
| Gasnätet Stockholm AB | Sweden | **100%** |
| Stockholm Gas AB | Sweden | **100%** |
| Baseload Capital Sweden AB | Sweden | **100%** |
| SOGA Uranus Company Limited | Vietnam | **100%** |
| SOGA Mercury Company Limited | Vietnam | **100%** |
| SOGA Triton Company Limited | Vietnam | **100%** |

All related undertakings that have a place of business in the United Kingdom are registered in the United Kingdom and their principal place of business and registered office is The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF.

All related undertakings that have a place of business in the US are registered in Delaware, US, and their registered office is 1209 Orange Street, Wilmington, Delaware, US, with their principal place of business in 1120 Avenue of the Americas, New York, New York 10036, US.

All related undertakings that have a place of business in Spain have their principal place of business and registered office in Calle Príncipe de Vergara 112, Planta Cuarta, 28002 Madrid, Spain.

All related undertakings that have a place of business in Ireland have their principal place of business and registered office in 55 Merrion Square South, Dublin, DO2 YD65.

All related undertakings that have a place of business in Singapore have their principal place of business and registered office in 6 Eu Tong Sen Street #11-09, The Central, Singapore 059817.

All related undertakings that have a place of business in Sweden have their principal place of business and registered office in RÅSUNDAVÄGEN 12, 16967 Solna, Stockholm County, Sweden.

# Company Information

### Directors
Tony Roper (Chair)
Helen Clarkson
Emma Griffin
Christopher Knowles
Sarika Patel

### Registered Office
The Scalpel, 18th Floor
52 Lime Street
London
EC3M 7AF

### Company Secretary and Administrator
**JTC (UK) Limited**
The Scalpel, 18th Floor
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London
EC3M 7AF

### Sponsor, Broker and Placing Agent
**Jefferies International Limited**
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London
EC2N 4JL

### Legal Adviser
**Herbert Smith Freehills LLP**
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### Depositary
**Indos Financial**
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EC3M 7AF

### Investment Manager
**Sustainable Development Capital LLP**
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### Independent Auditor
**PricewaterhouseCoopers LLP**
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### Public Relations
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### Registrar
**Computershare Investor Services plc**
The Pavilions
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BS13 8AE

### Bankers
**RBS International**
440 Strand
London
WC2R 0QS

# Key Company Data

| | |
|---|---|
| Company name | SDCL ENERGY EFFICIENCY INCOME TRUST PLC |
| Registered address | The Scalpel, 18th Floor<br>52 Lime Street<br>London<br>EC3M 7AF |
| Listing | London Stock Exchange – Premium Listing |
| Ticker symbol | SEIT |
| SEDOL | BGHVZM4 |
| Index inclusion | FTSE All-Share, FTSE 250 |
| Company year end | 31 March |
| Dividend payments | Quarterly |
| Investment Manager | Sustainable Development Capital LLP |
| Company Secretary & Administrator | JTC (UK) Limited |
| Shareholders' funds | £1.0 billion as at 31 March 2024 (31 March 2023: £1.1 billion) |
| Market capitalisation | £0.6 billion as at 31 March 2024 (31 March 2023: £0.9 billion) |
| Management fees | 0.9% p.a. of NAV APM (adjusted for uncommitted cash) up to £750 million, 0.8% p.a. 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** |

# Sustainable Finance Disclosure Regulation ("SFDR")

## Periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:** SDCL Energy Efficiency Income Trust plc

**Legal entity identifier:** 213800ZPSC7XUVD3NL94

### Sustainable investment objective

### Did this financial product have a sustainable investment objective?

| | |
|---|---|
| ☒ Yes | ☐ **No** |
| ☒ It made **sustainable investments with an environmental objective:** 100%[1]<br>☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy<br>☒ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy | ☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments<br>☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy<br>☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy<br>☐ with a social objective |
| ☐ It made **sustainable investments with a social objective:** 0 % | ☐ It promoted E/S characteristics, but **did not make any sustainable investments** |

## To what extent was the sustainable investment objective of this financial product met?

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### How did the sustainability indicators perform?

The sustainability indicators used to measure attainment of the sustainable investment objectives are carbon savings, also referred to as Scope 4 emissions in this report, (measured in $tCO_2e$) and amounts of electrical and thermal energy saved (measured in kWh), as both directly relate to the Company's sustainable objective of climate change mitigation through energy efficiency projects.

972,201 $tCO_2e$ saved across the portfolio in year ended 31 March 2024.

379,589 MWh electrical and thermal energy saved in year ended 31 March 2024.

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1. 100% of the Company's investments fall into its definition of an energy efficiency project, which is critical to the Company's definition of a sustainable investment. Due to its calculation methodology and local electrical grid carbon intensities, the Company holds a few investments that do not currently contribute to the sustainability indicator of carbon savings. The Company still considers these to be energy efficiency projects and the Company has the intention to decarbonise these projects overtime in line with the Investment Manager's overall net zero commitment.

# Sustainable Finance Disclosure Regulation ("SFDR") continued

### ● …and compared to previous periods?

1,202,528 $tCO_2e$ saved across the portfolio in the period ending 31 March 2023.

387,868 MWh electrical and thermal energy[1] saved in the period ending 31 March 2023.

The sustainability impact indicators reported during the period ending 31 March 2024 are lower than those reported or the previous period for the following reasons:

1. The carbon intensity of the electrical grids across the jurisdictions in which SEEIT invests in have decreased. SEEIT uses electrical grid carbon intensity to benchmark the carbon saving calculations for its investments, so as that benchmark decreases, so do the carbon savings.
2. The Investment Manager identified two issues with the way that investments have previously reported their carbon and energy savings. Correcting these inaccuracies has led to a decrease in the portfolio's overall carbon savings.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

### ● How did the sustainable investments not cause significant harm to any sustainable investment objective?

The Company ensures that its sustainable investments do not cause significant harm to any sustainable investment objectives through its ESG Management Process, which incorporates ESG considerations into investment due diligence and asset management. Potential investments are carefully assessed during due diligence through multiple stages, including a go/no go review, initial due diligence review and detailed due diligence review. All mandatory and additional principle adverse impact indicators (PAI indicators) are assessed as part of the completion of this process. Each PAI indicator has an associated risk threshold to determine next steps and confirm the investment does no significant harm.

Post-investment, SDCL's asset management and ESG teams monitor the operations, policies and business conduct of an investment through bi-annual and annual questionnaires to make sure it is not doing significant harm and is performing in line with the Company's ESG minimum standards.

#### How were the indicators for adverse impacts on sustainability factors taken into account?

The Investment Manager uses the PAI indicators to confirm that the Company's asset companies do no significant harm. When a potential investment opportunity is assessed, the ESG questionnaire has specific questions covering mandatory and additional PAI indicators to determine whether the investment breaches the risk thresholds set for each PAI indicator. The PAI indicators are then monitored annually through an ESG questionnaire, that asks specific questions based around said indicators.

#### Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The Company avoids investing in projects that are in breach of the ILO standards, UNGPs, UNGC or OECD Guidelines for Multinational Enterprises. The Investment Manager actively considers alignment of potential investments with the OECD Guidelines and UNGPs through the ESG due diligence process and investment decision and during the asset management phase.

## How did this financial product consider principal adverse impacts on sustainability factors?

As disclosed above, the Company takes indicators for principal adverse impacts into account as part of the do no significant harm process. However, as the Company's AIFM does not consider principal adverse impacts at entity level under Article 4 SFDR, the Company does not consider principal adverse impacts at product level for the purposes of Article 7 SFDR.

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1. Energy savings refers to the electrical and thermal energy not consumed at the point of use by the customer due to a SEEIT investment.

# Sustainable Finance Disclosure Regulation ("SFDR") continued

## What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is:

31 March 2023 – 31 March 2024

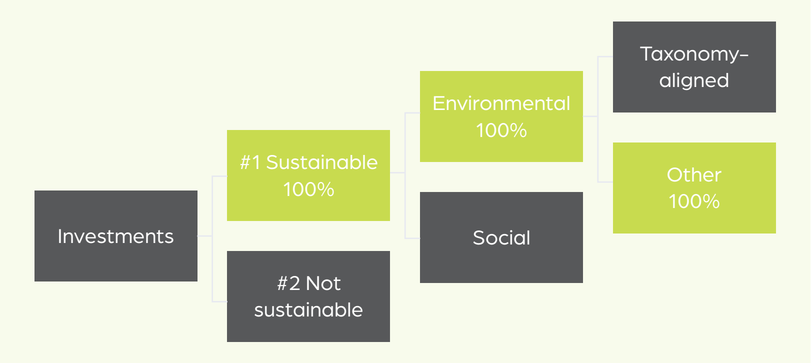
| Large investments | Sector | % assets | Country |
|---|---|---|---|
| RED-Rochester | Energy | 18 | US |
| Onyx – Obsidian I | Energy | 12 | US |
| Primary Energy – Cokenergy | Energy | 9 | US |
| UU Solar | Energy | 8 | UK |
| Värtan Gas | Energy | 6 | Sweden |

## What was the proportion of sustainability-related investments?

**Asset allocation** describes the share of investments in specific assets.

### ● What was the asset allocation?

100% of the Company's assets are sustainable with an environmental objective.



**#1 Sustainable**
covers sustainable investments with environmental or social objectives

**#2 Not sustainable**
includes investments which do not qualify as sustainable investments.

# Sustainable Finance Disclosure Regulation ("SFDR") continued

## What was the proportion of sustainability-related investments? continued

**In which economic sectors were the investments made?**

All of the Company's investments fall into the "energy" sector.

## To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the "greenness" of investee companies today;
- **capital expenditure** ("CapEx") shows the green investments made by investee companies, relevant for a transition to a green economy; and
- **operational expenditure** ("OpEx") reflects the green operational activities of investee companies.

Currently, 0% of the Company's assets are EU Taxonomy aligned.

To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

**Did the financial product invest in fossil gas and/or nuclear energy-related activities that comply with the EU Taxonomy[1]?**

☐ Yes

☐ in fossil gas ☐ in nuclear energy

☒ No

---

[1] Fossil gas and/or nuclear-related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

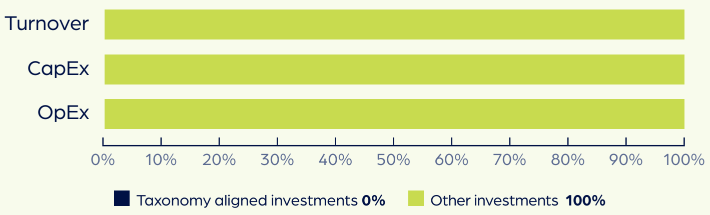
# Sustainable Finance Disclosure Regulation ("SFDR") continued

## To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy? continued

### Did the financial product invest in fossil gas and/or nuclear energy-related activities that comply with the EU Taxonomy[1]? continued

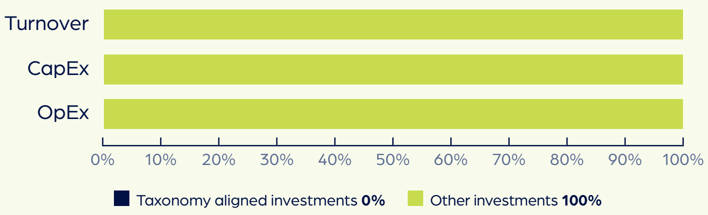
The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy – alignment of sovereign bonds[1], the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

**1. Taxonomy-alignment of investments including sovereign bonds[1]**



1. For the purpose of these graphs, "sovereign bonds" consist of all sovereign exposures.

**2. Taxonomy-alignment of investments excluding sovereign bonds[1]**



This graph represents 100% of the portfolio

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have GHG emission levels corresponding to the best performance.

### What was the share of investments made in transitional and enabling activities?

0%

### How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

N/A

# Sustainable Finance Disclosure Regulation ("SFDR") continued

## What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

100% – the sustainable investments made by the Company all have an environmental objective and are 0% Taxonomy – aligned.

These are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.

## What was the share of socially sustainable investments?

0% – the Company does not make socially sustainable investments.

## What investments were included under "#2 Not sustainable", what was their purpose and were there any minimum environmental or social safeguards

N/A – the Company allocated 100% of assets to sustainable investments. Other assets of the Company are limited to cash held on deposit and cash equivalent investments, which may include short-term investments in money market type funds and tradeable debt securities.

## What actions have been taken to attain the sustainable investment objective during the reference period?

As laid out in its pre-contractual disclosure and pursuant to the Company's investment policy, save for any investment in cash and cash equivalents, the Company principally invests in energy efficiency projects, the objectives of which are to achieve one or more of the following: a reduction in energy consumption, a reduction of GHG emissions, or an increase in the supply of renewable energy. The sustainable objective achieved by the Company's investments is climate change mitigation, as all the investments must contribute to one or more of the above criteria.

During the period, the Company contributed to its sustainable investment objective of climate change mitigation through continued investment in energy efficiency projects. The Company invested c.£161 million in the year, c. £142 million has been invested into four existing portfolio companies: Onyx (£61m), RED-Rochester (£36m), FES (£36m) and EVN (£9m). A further c. £15m was invested in existing portfolio companies (Spark Energy Efficiency and Turntide) earlier in the year prior to the Investment Manager deciding to stop pursuing these investments in line with the Capital Allocations Policy. The remaining investments of c. £4m were made into two new investments (CPP and Rondo) early in the financial year as disclosed previously and were the only investments made in the year not into existing portfolio companies.

More details of these investments and their sustainability characteristics are detailed in the Company's Annual Report, The Investment Manager's Report on pages 12 to 14.

# Sustainable Finance Disclosure Regulation ("SFDR") continued

## How did this financial product perform compared to the reference benchmark?

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

The Company does not use a reference benchmark to assess ESG performance.

**How did the reference benchmark differ from a broad market index?**

N/A

**How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?**

N/A

**How did this financial product perform compared with the reference benchmark?**

N/A

**How did this financial product perform compared with the broad market index?**

N/A

# Glossary

**AIC**
the Association of Investment Companies

**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

**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, beneficiary or procurer of the energy efficiency project 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 that 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 or near the premises of a counterparty or a site directly associated with an energy efficiency project, including, but not limited to, solar, storage, CHP units, heat pumps, HVAC units, lighting equipment, motors, controls, biomass boilers and steam raising boilers (including IP steam processors) and green fuels for use in the built environment or transport produced at or near the point of use or via a distribution network

**Energy Efficiency Project**
a project, the objective of which is to achieve one or more of the following criteria:

- reduce energy consumed and/or related GHG emissions arising from the existing and/or future supply, transmission, distribution or consumption of energy;
- reduce its Scope 1 GHG emissions ("Direct GHG emissions occur from sources that are owned or controlled by the Company") and Scope 2 GHG emissions ("electricity indirect GHG emissions from the generation of purchased, or generated on-site, electricity consumed by the Company") as defined by the GHG Protocol, directly and/or in conjunction with offsets that may be used to deliver additional net emissions reduction benefits;
- increase the supply of renewable energy generated on the premises of a counterparty or generated at a site directly associated with the premises of a counterparty;
- reduce emissions and energy consumption in non-domestic sectors, which include:
    - all forms of energy supply, conversion, distribution or transmission not originating within a private domestic dwelling, including district heating systems and CHP systems;
    - demand for energy in non-domestic buildings including commercially owned or used property and public sector owned buildings;
    - demand for energy in industrial and light manufacturing plant and machinery, operations and logistics;
    - demand for energy in the transport sector; and
    - through the deployment of energy efficiency measures in public and private infrastructure, such as in utilities (including the installation of smart metering equipment) and street lighting; or
- otherwise satisfy, in the Investment Manager's reasonable opinion, any other criteria or measurement of energy efficiency in an industry or sector, or by using energy efficiency technologies that are compatible with the Company's investment objective and policy

**Energy Efficiency Technology**
technologies deployed to achieve an improvement in energy efficiency

**EPC**
Engineering, procurement and construction

**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**
kilowatt-hours used or generated per hour

# Glossary continued

**Lighting Equipment**
energy efficient lighting used in connection with an energy efficiency project, including, but not limited to, LEDs and associated fittings

**MWh**
megawatt hours used or generated per hour

**NAV**
net asset value

**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 projects

**PEP**
personal equity plan

**Portfolio Valuation**
the Investment Manager is responsible for carrying out the fair market valuation of the SEEIT Group's portfolio of investments

**RAB**
regulated asset base

**RCF**
is the revolving credit facility of SEEIT Holdco Limited, used by SEEIT for capital efficiency in making new investments

**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

**SDCL Group**
the Investment Manager and the SDCL Affiliates

**SEEIT**
the Company

**SEEIT Holdco**
see Holdco

**SIPP**
self-invested personal pension

**SPVs**
special purpose vehicles

**WACC**
weighted average cost of capital

# Glossary of Financial Alternative Performance Measures ("APMs")

The Company uses APMs 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 | **31 March 2024** | 31 March 2023 (comparison) | Reconciliation/cross reference |
|---|---|---|---|---|---|
| Aggregate dividends | The sum of the dividend declared in the period:<br>June 2023: 1.56p<br>September 2023: 1.56p<br>December 2023: 1.56p<br>March 2024: 1.56p | Provides a useful metric to evaluate the investment performance year-on-year | **6.24p per share** | 6.0p per share | Referred to in Highlights of the year to 31 March 2024 on page 3 |
| Cash cover | Operational cash inflow from investments into Holdco less fund expenses in the Company and Holdco, divided by dividends paid to shareholders | Provides a metric for the level of cash generated, enabling the Company to pay dividends to shareholders | **1.1x** | 1.2x | Portfolio basis net cash inflow (£72.5m, p.45) divided by dividends paid in the Statement of Changes in Equity (£67.2m) |
| Cumulative excess cash cover | Excess cash inflow from investments net of dividends paid to shareholders, on a cumulative basis since IPO | Provides a metric for the number of times the Company can pay dividends to shareholders. This is not considered an APM in the current year. | **£34.2m** | £29.2m | Referred to in the Financial Review and Valuation Update on pages 35 to 44 |
| EBITDA | Earnings before interest, taxes, depreciation and amortisation | Provides shareholders with a metric that reflects the performance of the business | **£(56.3)m** | £(18.6)m | Referred to in the Chair's statement on pages 8 to 10 |
| Gearing | Consolidated outstanding debt at Holdco and investment level (£485m) divided by NAV at the year end (£981.9m) | To indicate the Company's direct and indirect exposure to debt obligation | **49%** | 32% | Referred to in the Chair's Statement on pages 8 to 10 and the Investment Manager's Report on pages 12 to 14 |
| Gross asset value ("GAV") | All assets of the Company (non-current assets and current assets) | It provides a metric that allows for useful analysis of underlying portfolio exposures | **£984.5m** | £1,128.7m | Statement of Financial Position shows non-current assets and current assets) |
| Investment cash inflow from the portfolio | Cash received from the portfolio investments at Holdco during the period | This provides shareholders with a metric that allows for tracking the Company's performance year-on-year | **£92.5m** | £85.1m | Referred to in the Financial Review and Valuation Update on pages 35 to 44 |
| NAV per share | NAV (£981.9m), divided by total shares in issue, 1,085.4m at the balance sheet date | This provides shareholders with a metric that allows for tracking the Company's performance year-on-year | **90.5p** | 101.5p | NAV per share shown on the Statement of Financial Position on page 105 |
| Net asset value ("NAV") | Net assets attributable to ordinary shares by deducting gross liabilities (£2.6m) from gross assets (£984.5m) | It provides a metric that allows for useful comparison to similar companies and that allows for useful year-on-year comparisons of the Company | **£981.9m** | £1,125.4m | NAV is shown on the Statement of Financial Position on page 105 |

# Glossary of Financial Alternative Performance Measures ("APMs") continued

| Measure | Calculation | Why the Company uses the APM | 31 March 2024 | 31 March 2023 (comparison) | Reconciliation/cross reference |
|---|---|---|---|---|---|
| Ongoing charges ratio | In accordance with AIC guidance, defined as annualised ongoing charges on portfolio basis (i.e. excluding investment costs and other non-recurring items), £11.2m divided by the average published undiluted net asset value in the year of £1,094.7m | Used as a metric in the investment company industry to compare cost-effectiveness | 1.02% | 1.02% | Discussed in Financial Review and Valuation Update on pages 35 to 44<br>Reconciliation of expenses used in ongoing charges calculation<br>£'m<br>Fund expenses (income statement) **11.6**<br>Less Company expenses excluded from definition of ongoing charges **(0.6)**<br>Add Holdco expenses included in definition of ongoing charges **0.2**<br>A Total annualised ongoing expenses **11.2**<br>B Average NAV (includes Sept 22, March 23 and Sept 23) **1,094.7**<br>Ongoing charges (A/B) **1.02%** |
| Operational cash flow | Cash inflow from investments net of operating and finance costs | Used in dividend cash cover calculation | £72.5m | £71.4m | Referred to in the Financial Review and Valuation Update on pages 35 to 44 |
| 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 Financial Review and Valuation for detailed description | N/A | N/A | Reconciliation provided in, the Financial Review and Valuation Update on pages 35 to 44 |
| 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. | £1,117m | £1,100m | Reconciliation provided in the Financial Review and Valuation Update on pages 35 to 44 |
| Rebased valuation (portfolio basis) | Portfolio Valuation brought forward, plus new investments (including transaction costs) during the period less cash from investments. | Used to derive the fair value movement of the portfolio. | £1,168.8m | £1,068.6m | Referred to in the Financial Review and Valuation Update on pages 35 to 44 |
| Total return on NAV basis | Interim dividends paid and movement in NAV per share over the course of the relevant period, divided by opening NAV<br>NAV return in the period:<br>Dividends paid: 6.18p<br>NAV movement: (11)p<br>NAV return since IPO:<br>Dividends paid: 27.8p<br>NAV movement: (7.5)p | This provides shareholders with a metric that allows for tracking the Company's performance year-on-year | (4.3%) | (0.9%) | Referred to in the Highlights section on page 3 and, the Financial Review and Valuation Update on pages 35 to 44 |

SEEIT

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