
Sustainability Report

2024



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For more detail on the Fund's ESG principles, screening and scoring, integration into the investment process, and the array of methods we deploy for engagement, you can explore the Fund's ESG Policy and other publications here: www.seqi.fund/sustainability/publications/.

Key highlights of the year

- ▶ First year reporting Company and Fund emissions data, along with other quantitative sustainability metrics for the portfolio
- ▶ Increase in the portfolio's weighted average ESG score for the fourth year running from 59.61 in 2020 to 62.77¹ in 2024
- ▶ Fourth year of independent limited assurance of the portfolio ESG score by KPMG
- ▶ Extended assurance to cover two additional metrics: the Fund's negative screening and thematic investing
- ▶ Record 93% of portfolio companies responded to our annual ESG borrower questionnaire
- ▶ Seven projects have ESG-related covenants in the loan documents
- ▶ The number of ESG and Stakeholder Engagement Committee meetings increased to four during the 2023/24 financial year, all with full attendance
- ▶ The Company and its Investment Adviser offset their operational GHG emissions
- ▶ Investment Adviser became a member of the TNFD Forum and a signatory to the UN PRI Statement on ESG in Credit Risk and Ratings

1. KPMG has issued independent limited assurance over the selected data indicated, which has been extracted from the Fund's 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: www.seqi.fund/sustainability/publications/. See page 4 for more information.

Introduction from the Chair of the ESG and Stakeholder Engagement Committee



Margaret Stephens
Chair of the ESG and Stakeholder
Engagement Committee

Sunrun Radcliffe



This year, the Company continued to progress on its ESG journey and to take account of the evolving sustainability and regulatory landscape, with guidance from the Investment Adviser and independent consultant, Andrea Finegan. The Company has a holistic approach covering ESG integration into the investment process, ongoing monitoring and its operations, all of which is overseen by the ESG and Stakeholder Engagement Committee, which met four times over the course of the year.

We are immensely proud of the proprietary methodology built by the Investment Adviser to measure the level of sustainability of the portfolio and to be able to compare this year on year. The ESG scoring methodology has been refined to reflect current market views, particularly regarding the sustainability of the nuclear sector and this year, for the first time, all three ESG goals have undergone independent assurance.

This year, dialogue with borrowers and collection of evidence to support our ESG analysis have been ramped up. We have formulated action plans for every loan, which specify areas of improvement and have identified additional evidence needed to be able to fully assess certain indicators within our ESG scoring framework.

We now have loans to seven projects in the portfolio which contain ESG-related covenants. One of these is this year's case study: Esken Renewables. This is a business with a positive environmental profile and we are proud to be a part of this transaction.

We continue to report as an Article 8 fund under SFDR and this year have reported for the first time available Company and portfolio emissions data under TCFD, as well as other quantitative sustainability metrics from our borrower engagement activity.

Looking forward, we are considering ways to include the future benefits of construction and energy transition assets within our ESG framework, as well as continuing to focus on borrower engagement and reporting to enable enhanced sustainability disclosures.

Margaret Stephens

Chair of the ESG and Stakeholder
Engagement Committee

25 June 2024

Our ESG goals

Progress report

The Fund has three ESG goals:

1. Comply with negative screening criteria;
2. Progress thematic investing (positive screening); and
3. Over time, increase portfolio weighted average ESG score.

Comply with negative screening criteria



This year, the Fund reviewed its negative screening policy to refine the definitions. The negative screening criteria exclude the following subsectors or asset types:

- > **Upstream infrastructure related to the exploration and production of oil and gas**, such as oil rigs and platforms, fracking facilities and facilities involved in tar sands.

Note that midstream assets (such as pipelines) and downstream assets (such as refineries) as well as power generation from oil and gas are not necessarily excluded but, as with all assets, are subject to Sequoia's ESG scoring and monitoring processes.

- > **Thermal coal mining and directly related infrastructure**, for example, a dedicated thermal coal transportation asset like a railroad or wagons.
- > **Power generation from coal and any asset using thermal coal**, but not coking coal.
- > **Permanent military infrastructure** for active operational forces or for military production.

The Fund also added clarity in specifying that exclusion criteria apply to the primary nature and objective of the business and that incidental revenue streams arising from excluded activities should not constitute a material part (i.e. >5%) of an asset's total revenues.

During the period, the Fund did not finance any projects that initially do not meet the negative screening criteria but have the aim of transitioning to a more sustainable and compliant business model.

For the financial year 2023/24, 100% of projects were compliant with the Fund's negative screening criteria¹.

KPMG have issued an independent limited assurance report over this metric.

In addition to these negative screens, the Investment Criteria restrict investment to certain types of infrastructure. This means many harmful or controversial asset types are already excluded de facto as they are not forms of infrastructure, for example:

- > Alcohol production
- > Gambling operations
- > Tobacco production
- > Pornography production and adult entertainment activities
- > Controversial and conventional weapons manufacturing

Progress thematic investing (positive screening)



The Fund has identified three investment themes that it believes play an important role for the environment and/or society:

- > **Renewable energy**, such as solar, wind and geothermal generation, and directly related businesses including companies that supply renewable energy.
- > **Enabling the transition to a lower carbon world**, such as grid stabilisation, electric vehicles, traffic congestion reduction, and the substitution of coal by gas.
- > **Infrastructure with social benefits**, which provides for basic human needs (such as clean water and food security) or brings a positive change by addressing social challenges and inequalities (such as healthcare, education and affordable housing) or advancing society as a whole (such as progressing telecommunications).

Positive screening will be employed to view these types of assets more favourably in the investment process and, where possible, increase the Fund's exposure to these investment themes, subject to existing concentration limits.

As at 31 March 2024, thematic investing covers 70% of the Fund's investment portfolio¹.

KPMG have issued an independent limited assurance report over this metric.

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continued

Below is the breakdown across each theme as well as some current investment examples in each.

Renewable energy

- > US residential roof solar panel businesses
- > Spanish solar PV power portfolios
- > Power generation from methane captured from existing UK landfill sites with a growing solar business

- > Specialist UK healthcare providers
- > Student housing in jurisdictions across the Netherlands
- > Telecom towers and infrastructure services
- > Essential and emergency water handling solutions
- > Broadband services connecting residents and businesses to fibre
- > Agricultural infrastructure that aids food security

- > Supply of biomass fuel from waste wood and by-products
- > German combined cycle gas turbine plant
- > Grid enhancements such as an efficiency asset that reduces waste energy
- > US flexible generation peaker plants and base load gas plants that enable grids to transition to renewables
- > Specialist shipping of floating liquid natural gas
- > Efficient transportation projects in road and rail that reduce congestion

During the period, the Fund extended five loans to assets that enable the transition to a lower carbon world, for instance, which made up 53% of the capital deployed to new acquisitions this year.

A bar chart illustrating the percentage of thematic investments across four categories for the years 2021, 2022, 2023, and 2024. The Y-axis represents the percentage, ranging from 0 to 80. The X-axis lists the categories: Total thematic investments, Renewable energy, Enabling the transition to a lower carbon world, and Infrastructure with social benefits. The legend indicates the years: 2021 (dark blue), 2022 (light blue), 2023 (grey), and 2024 (purple).

Category	2021	2022	2023	2024
Total thematic investments	59%	61%	72%	70%
Renewable energy	17%	13%	13%	12%
Enabling the transition to a lower carbon world	23%	24%	30%	34%
Infrastructure with social benefits	19%	24%	28%	24%

Our ESG goals

continued

Progress report continued

Over time, increase portfolio weighted average ESG score



The Investment Adviser designed the proprietary ESG scoring methodology to be as objective as possible and function as distinct from a credit rating. The score primarily reflects the current ESG performance of the investment but also reflects, to a limited extent, the “direction of travel”.

The score is largely predicated around the environmental impacts of the subsector in which the asset falls. The score can then be positively or negatively modified based on its environmental, social and governance credentials. The scoring model has been calibrated such that renewable energy projects with the most robust social and governance practices, for instance, could receive a score of 100, and a power plant that burns thermal coal with no redeeming social or governance policies would receive a score of 0, though a coal-fired power plant would not make it to this stage of the investment process as it would have already been excluded by the negative screening criteria.

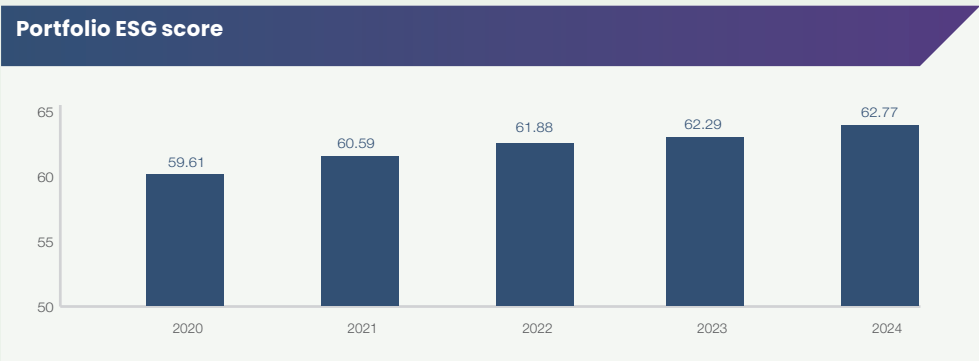
This ESG analysis and scoring is completed prior to bringing any new investment to the Investment Committee. After a loan has been made, there is regular subsequent monitoring of ESG performance and a semi-annual review of the score for every investment. Ongoing engagement with the borrower takes place, for instance, through the completion of the annual borrower ESG questionnaire.

The methodology is kept under constant review and was updated this year to reflect the continually evolving ESG landscape and best practices. These tweaks included refining definitions within the modifiers, clarification over which entity within the borrowers’ corporate structures is used to assess E, S and G, and the treatment of projects depending on whether they are in the construction or operating phase. Some new subsectors were assigned unmodified base E scores, but the notable change was the reclassification of the nuclear subsector score in line with the EU Taxonomy’s view of it as an environmentally sustainable activity. Additionally, the modifier “water and waste management plan” was decoupled into two separate modifiers.

For more detail on the ESG scoring methodology and calculation, we have published a full breakdown of our ESG Scoring Framework: Evidence and Procedures here:

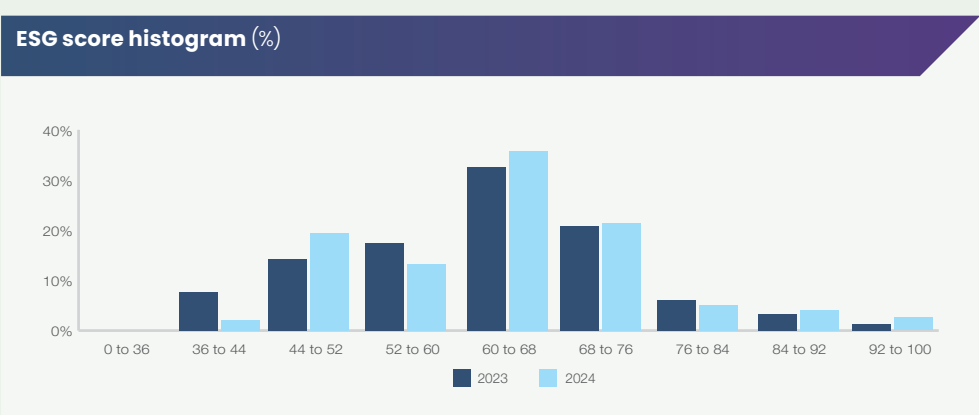
www.seqi.fund/sustainability/publications/.

The portfolio’s weighted average ESG score increased for the fourth consecutive year to 62.77 as at 31 March 2024¹. KPMG have issued an independent limited assurance report over this metric.



Note, without the aforementioned methodology changes this year in the subsector score for nuclear and splitting of the modifier for water and waste management plans, the overall portfolio ESG score for 2024 would have been 62.50.

The chart below represents a comparison of the portfolio’s ESG profile between 31 March 2023 and 31 March 2024:



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Our ESG goals

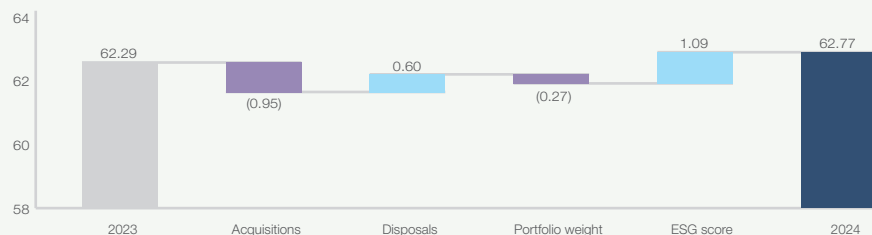
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Progress report continued

Over time, increase portfolio weighted average ESG score continued

The main components of the change in the weighted average score from 62.29 the previous year to this year's score of 62.77 are summarised in the waterfall chart below:

ESG score change



Acquisitions: The effect of new investments

> As at 31 March 2024, the Fund held around £310 million of new investments acquired during the year, including refinancings. The weighted average ESG score of all new loans during the year was 57.55. The lower score of acquisitions was mainly driven by the need for diversification. The positive boost that came from disposals was offset by the acquisitions into US gas assets for example. One natural gas and oil plant in New York is scored 50.63 and a pair of operating combined cycle gas turbine plants in Texas has a score of 54.38.

Disposals: The effect of removing the maturing and sold positions from the portfolio

> Since March 2023, around £415 million of loans with a weighted average ESG score of 60.06 came out of the portfolio. Disposals included a company with midstream oil and gas pipelines, terminals and gathering assets in the US, which was the lowest ESG scoring deal in the portfolio at the time of 42.50. We also disposed of various small aviation positions that each had some of the lowest ESG scores in the portfolio.

> However, there was also successful repayment of loans to a collection of solar PV plants in Poland, with one of the highest ESG scores of 83.75 and sitting in the Fund's renewable energy positive investing theme. Therefore, the sum of the repayments or exits for this year added 0.60 to the weighted portfolio average ESG score.

Portfolio weight: The effect of changes in the weights of the loans on the portfolio

> There was a resultant 0.27 negative impact that came from the increased weighting of low-ESG-scoring loans and the reduction in weight of high-ESG-scoring loans. These decisions are not to be made on a solely ESG basis and are a result of our ongoing portfolio management, which balances many factors. Further, fluctuations from portfolio weight come from repayment schedules and timing, which is an inherent part of the business.

ESG score: The effect of changes in ESG score

> The biggest effect this year came from shifts in the ESG scores of borrowers. Throughout the year, there were upward and downward revisions in certain ESG scores, but the overwhelmingly net positive came from changes in borrower behaviour and the provision of additional evidence that allowed the application of credit through the modifiers.

One example comes from a telecoms and utility services company that is based in the UK. This year, they hired their first dedicated sustainability professional who worked on the company's new environmental strategy.

This measured the company's current environmental profile, including Scope 1, 2 and 3 emissions, and then laid out their goals and planned initiatives they would be delivering to reach net zero by 2040. Alongside this, the business has been growing its services to the power sector, assisting with grid resilience, microgrids and battery storage. A small part of their revenues also come from water and wastewater treatment projects, plus they have been actively expanding their work servicing renewables and the EV sector. We believe these actions and the environmental credentials of this business rank it as superior to its peers in the TMT servicing sector. Our engagement efforts were also streamlined and strengthened due to the addition of the centralised ESG specialist resulting in sufficient action and/or evidence of such action under our methodology to enable credit to be awarded along the modifiers: contribution to climate change relative to peers, effective consultation mechanism with local population, and mechanism for complaints for local populations, which resulted in an increase in the company's ESG score.

Our ESG goals

continued

Progress report continued

The ESG score and current considerations

After four years of continued improvements in the Fund's ESG score, the Board has been reflecting on the ESG score and associated scoring procedures.

More sizeable increases were observed in the initial period after setting our goal to grow the ESG score over time. This was an anticipated consequence from the Fund actively exiting less environmentally friendly sectors in favour of more sustainable investments at the outset. However, as the portfolio has reached a more balanced point in terms of acceptable sector mix, diversification and concentration limits, the extent to which the Fund can continue to dispose of lower scoring assets and replace these with the types of assets that score highly has become limited. This goes some way in helping to understand why the magnitude of the year-on-year score increase has started to curtail of late. Whilst the Investment Adviser continues to engage proactively with existing portfolio names to strengthen their ESG credentials, the knock-on effect this has on the borrower's score and, to an even greater extent, the average portfolio score is limited. This is because the ESG score is substantially driven by the environmental impacts of the subsector, which is an almost entirely fixed factor.

Construction vs operation

As with all ESG methodologies, not all business characteristics can be captured. One aspect our methodology does not currently capture is differences between the construction and operational phases of projects and notable differences between greenfield and brownfield projects, which have varying environmental and social impacts. This includes projects that transition from construction phase into operation during the course of our financing. Last year we added a note to the scorecard that logs the stage of a project; the ESG scoring process should then be completed with this in mind. However, this does not allow full credit to be given for the future operational benefits of the project during the construction phase, or for the benefits of using a brownfield site rather than destroying a greenfield site.

These dynamics are illustrated by an accommodation project the Fund has financed. During the construction phase, the Investment Adviser reviewed a third-party environmental due diligence report and Phase I Environmental Site Assessment. Waste management was also a material consideration, and the Investment Adviser assessed the plans in place to manage this. The Investment Adviser looked through to the main building contractors being used for the construction. This meant, for instance, asking about the health and safety policies and procedures that covered the builders on site – again, a material issue that carried severe risks due to the type of the work being conducted at this stage.

Once the project was complete and started operating, the health and safety concerns were of a different nature being related to the staff and occupants, so slips and food hygiene, for instance. Similarly, the amount and type of waste being produced became less critical. At the point of transition, the Investment Adviser reassessed this asset from an ESG perspective and noted some shifts in the score. Alternative ways of potentially incorporating this lifecycle effect into our analysis continue to be explored

Energy transition assets

The Board has also been considering the application of the current scoring methodology to energy transition assets. The Board believes companies with high carbon emissions must play a crucial role in the transition to a lower carbon world; this is especially true in the energy industry where less clean fuel and power generation assets contribute significantly to global emissions. These businesses must transform to sustainable strategies if we are to come close to meeting the goals of the Paris Agreement. The Board therefore sees benefits to the planet and society in lending money to a company in the oil and gas sector, for example, to fund its transition to carbon capture or renewables.

However, capturing the benefits of lending to fund energy transition assets in the ESG scoring is not straightforward. If the Fund were to make a loan of this nature to a borrower in a high carbon energy subsector but with plans to shift into playing in cleaner power markets, the ESG score would take a negative hit, at least initially.

Midstream utility and base load power generation companies are amongst some of the lowest scoring assets under the methodology due to their negative effects on the climate. It would seem counterintuitive for the ESG score to be harmed by investing in energy transition projects, which have net environmental benefits for the future. Additionally, often these transitions in a business's operations can be long-term endeavours that extend beyond the tenor of our loan, which averages at about four years, meaning the ESG score would never see the boost from when the asset changes its operations and subsector.

The Board is engaging with its advisers on whether such energy transition benefits can be captured in the scoring methodology but, in the meantime, the Fund can encourage positive ESG behaviours through lending terms. One company in the portfolio used to focus on generating low-carbon power from captured methane, but this business model was not sustainable in the long term given the natural depletion of landfill gas as a resource. We ensured that the loan agreement specified that the purpose of our loan was for the implementation of the strategy to transition from landfill gas to solar power over the term of our loan. Today, the business continues to progress its solar and battery energy storage system roll-out, with 103MW of solar assets now having been commissioned, which is ahead of the 90MW target level laid out in the covenant levels for the period.

Integration into the investment process

Investment Process

The Investment Adviser has a comprehensive and systematic approach to sustainability integration into the investment process:



1. Origination

Positive screening

Opportunities that fit within one of our three ESG themes are viewed favourably.



2. Initial screening

Due diligence questionnaire

This year we developed a short due diligence document to send to potential borrowers at the very early stages of the investment process. This quick questionnaire checks the opportunity is compliant with our negative screening criteria and enquires about revenue streams from other potentially controversial areas.



3. Detailed credit analysis

ESG questionnaire

We request assets complete our full ESG questionnaire before investment to inform our detailed analysis of the credit's ESG profile before it is presented to the Investment Committee. If an investment is made, this questionnaire also features as part of our ongoing monitoring of assets, as described on the following page.



4. Investment approval process

ESG-related covenants

There has been a proactive move to include relevant ESG-related covenants into loan agreements, where possible. The ability to do so is contingent on the nature and structure of the deal, with private bilateral facilities being much more opportune than when we have a minority position in a highly syndicated deal.

Nonetheless, the Fund believes that adding explicit ESG provisions can be an effective lever for a debt fund to change

behaviour and prompt action, especially when these are linked to financial terms, so the interest rate, for example, might fluctuate depending on the borrower's performance along certain ESG metrics. An example of this kind of price-linked provision was described in last year's Sustainability Report, namely our financing to Workdry International Limited.

This transaction includes three ESG KPIs that are tied to a margin ratchet mechanism. The case study in this year's report features Esken Renewables; the documentation for this loan mandates the completion of our annual ESG questionnaire, allowing us to

collect important ESG data and clearly track and monitor progress at the company.

As at 31 March 2024, there are seven projects in the portfolio that have ESG-related covenants embedded in the loan documents. This number has been increasing over the years and is a trend we plan to continue into the future, especially in light of the earlier discussion around some of the drawbacks to using the average ESG score alone as an indicator of the sustainability facets to the portfolio.

Integration into the investment process

continued



5. Acquisition and monitoring

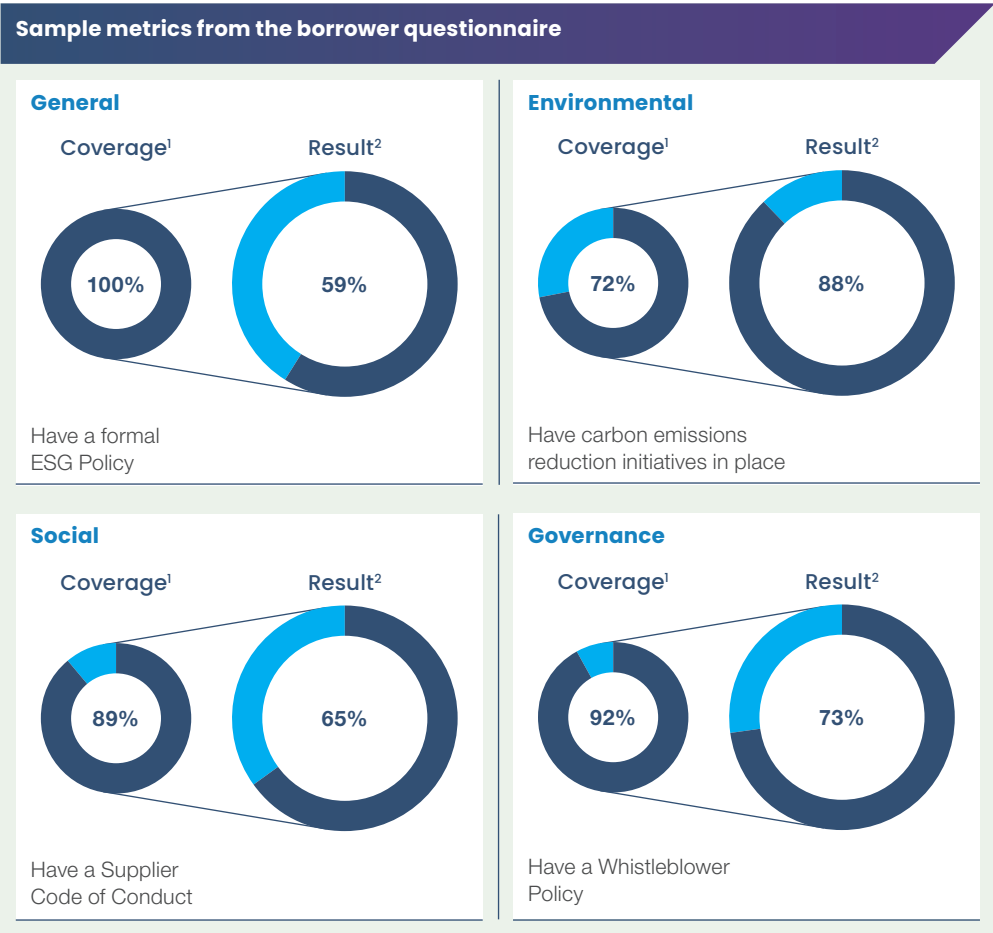
Engagement with borrowers

Annual borrower ESG questionnaire

The Investment Adviser distributes an extensive ESG questionnaire to all borrowers annually to allow for an assessment of their ESG progress and to measure quantitative metrics. This year, 93% of companies returned our questionnaire, a record response rate, indicative of the strong relationship the Investment Adviser has built up with our borrowers especially given the majority of these complete the form on a voluntary basis.

The answers the borrowers provide help us to rank each asset according to our ESG scoring methodology, which also contains a high bar of evidence required before we can positively award points for an asset's purported ESG work.

Below, we highlight a few of the ESG KPIs we ask about and how the portfolio fares:



1. Coverage: This refers to the percentage of the portfolio that has provided information on the relevant metric and is measured by Net Asset Value ("NAV") as at 31 March 2024.

2. Results: This refers to the percentage of the portfolio that has the relevant metric in place (e.g. a Whistleblowing Policy), looking just at the companies for which we have information on. Again, this is measured by NAV as at 31 March 2024.

Ongoing engagement

During the year, action plans were devised for every asset in the portfolio. These action plans identify areas of improvement in borrowers' ESG credentials and/or the additional evidence that would be required to be able to fully assess certain indicators within the ESG scoring framework. These lists of actionable areas formed the basis of the ongoing engagement with the borrowers over the course of the year with the aim of making improvements, collecting more evidence of initiatives that are said to be in place, or mitigating risks. These activities are led by the Investment Adviser's dedicated ESG manager.



6. Repay and redeploy

ESG scoring

All assets are scored under the Investment Adviser's proprietary ESG scoring methodology to quantitatively reflect the credit's sustainability profile. This is considered when discussing portfolio re-allocation and disposals.

£56m
1.8 million

Tonnes renewable
fuel supplied

Esken Renewables

In December 2023, the Fund invested £56 million in a private bilateral facility to finance the acquisition of the entire issued share capital of Esken Renewables, a supplier in the waste-to-energy subsector by the sustainable infrastructure fund, Pioneer Infrastructure Partners SCSp. The transaction represents a disposal for an enterprise value of £107.7 million by Esken Limited, the listed aviation and renewable energy group formerly known as Stobart Group. The credit has a legal maturity of five years with a fixed coupon rate, and the proceeds of the loan are expected to be utilised as a customary acquisition facility and for funding working capital and general corporate purposes.

Esken Renewables is the UK's number one supplier of waste biomass fuel. It sources waste wood that would have otherwise been destined for landfill, as well as forestry by-products. It treats and processes these materials into fuel to meet their customer's specific feedstock requirements. The company carries out control checks over the quality of this feedstock before delivering it to various power plants. The company has four strategically placed processing sites (Widnes, Pollington, Rotherham and Tilbury) and multiple storage locations thereby providing the UK's largest storage capacity for waste biomass material. Additionally, the company has transportation depots across the UK, with a fleet of over 100 trucks. It has long-term contracts with an average length of approximately 13 years and supplies a total of 1.8 million tonnes of renewable fuel to biomass plants. These customers generate renewable energy that is equivalent to 2% of the UK population's annual domestic electricity needs.

Esken Renewable's core business is to transform waste into sustainable fuel for the generation of renewable energy, which helps to decarbonise the power generation sector and make progress along the UK's goal of achieving net zero carbon emissions by 2050. By treating waste wood that would have otherwise been sent to landfill, the company enables the avoidance of 630,000 tonnes of greenhouse gas emissions a year. On top of this, by supplying biomass fuel for energy generation, Esken Renewables enables its customers and supply chain partners to avoid 714,000 tonnes of emissions each year that would have come from gas-fired electricity generation. This transaction therefore falls into the Fund's positive investment theme of enabling the transition to a lower carbon world.

LINK TO ESG



Enabling the transition to a lower carbon world



See website for more details

Esken Renewables

continued

Pioneer Point Partners LLP ("Pioneer") is the specialist sustainable infrastructure investment firm that manages the €575 million institutional fund Pioneer Infrastructure Partners SCS ("PIP SCS"). PIP SCS is targeting a 15+% IRR over a ten-year term through a diversified portfolio. It is being deployed in line with Pioneer's historically successful lower mid-market, value-add infrastructure strategy in the energy transition and environment sectors across Western Europe.

PIP SCS has been categorised as meeting the provisions set out in Article 9 of SFDR for products that have a sustainable investment objective. As an Article 9 product, PIP SCS targets exclusively sustainable infrastructure projects and seeks to support the transition to a low-carbon economy, primarily through investments in the energy and environment sectors. PIP SCS's investment strategy is aligned with the various targets outlined in the 2020 European Green Deal and the EU's Renewable Energy Directive II, as well as the United Nation's Sustainable Development Goals ("UN SDGs").

This transaction to acquire Esken Renewables supports the goals of growing the availability of affordable and clean energy for all plus responsible consumption and production through the reuse of waste wood.

Pioneer is being assisted on this transaction by Renewables Infrastructure Capital LLP ("RIC"), in its role as Operating Partner to Pioneer on this investment. RIC focuses on investments in the energy transition space and RIC partners have specific experience in the waste and energy from waste sectors. RIC is working closely with Pioneer and management on our plans to scale the business to maximise opportunities in support of decarbonisation of UK energy usage, particularly in hard to abate sectors.

The new sponsors have a list of ESG priorities that they plan to action at Esken Renewables such as furthering site safety, reducing fleet greenhouse gas emissions and implementing ESG monitoring and reporting.

This last point will help facilitate our data collection endeavours, which Pioneer have further supported by agreeing to a covenant in the loan documentation that includes a commitment to completing the annual ESG borrower questionnaire. We are excited to work with the company and even further enhance the ESG credentials of this asset which has an already-strong environmental profile.

LINK TO ESG



Enabling the transition to a lower carbon world



See website for more details

Our climate pledge



We support the goals of the Paris Agreement to limit the global average temperature increases to well below 2°C and to pursue efforts to limit the temperature increase to 1.5°C.



We support the goal of the world reaching net zero carbon emissions by 2050.

The Company is publicly supportive of the landmark agreement reached at COP21 in Paris to combat climate change and tackle the associated long-term global temperature rise. The Company is not yet formally committed to being net zero by 2050 due to data challenges around measuring borrower alignment, there being no clear or viable roadmap or technology/solution available for many of our sectors to transition, and not seeking to restrict the investible universe to companies with net zero plans in place. That being said, the subsequent pledges break down ways in which the Company is attempting to align its policies, practices and investing activities with the Paris goals.

The Company has made progress in the measurement of its greenhouse gas emissions. This year, it is pleased to report the Company's estimated emissions from operations as well as its total available portfolio emissions.

Due to the nature of the Company's business, it produces no Scope 1 or 2 emissions. The Company's Scope 3 emissions have been estimated in consultation with a specialist adviser and are conservative by design. These have been offset by the Company through the purchase of carbon offsets. Many of the Company's suppliers already have their own emissions reduction and offsetting programmes in place.

Company emissions		Portfolio emissions ¹	Coverage
tCO ₂ e (FY23/24)		total absolute tCO ₂ e (year ended 31 December 2023)	(by NAV as at 31 March 2024)
0	Scope 1	5,930,417 Scope 1	66% Scope 1
0	Scope 2	364,102 Scope 2	58% Scope 2
44	Scope 3 (operational)	437,562 Scope 3	39% Scope 3

1. The emissions figures have been collated from the data provided by the portfolio companies, without independent verification. The coverage rate is the percentage of the portfolio that has provided emissions information and is measured by NAV as at 31 March 2024. This should not be extrapolated for the whole fund due to the varying nature of investments. The Investment Adviser has been working closely with borrowers to gather emissions data for the Fund's portfolio companies; the Board is pleased to have reached 66% coverage for Scope 1 emissions this year. Whilst incomplete, this table offers some insight into the total emissions being produced by a sizeable portion of the companies to which the Fund lends. We will continue our efforts to source greenhouse gas information directly from borrowers and to explore options for estimating the remainder where we have data gaps to provide a fuller picture in the future.

Our climate pledge

continued

Carbon Reduction Initiatives at the Company and Investment Adviser

We have several initiatives in place to progress the measurement and reduction of our carbon emissions, some of which are outlined below.

Supplier engagement

The Board has taken steps to assess the Company's carbon footprint by engaging with each of its key suppliers on their ESG activities, with a particular focus on the policies in place and action being taken by each to reduce their greenhouse gas emissions. Several suppliers have taken steps towards mitigating their own emissions through a combination of sustainability initiatives, including carbon offsets and, in doing so, reducing the environmental impact of their service delivery to the Company.

Business travel

The Company and Investment Adviser hold meetings virtually where possible to reduce the need for national and international business travel. For instance, the SEQI Strategy Day and many of the Board Committee meetings are held online.

The Investment Adviser offers a hybrid working environment for its employees as it believes in the benefits this can bring to wellbeing plus the reduced emissions associated with employee travel. When staff do commute into the office, the Investment Adviser encourages healthier and lower carbon options like the bike-to-work scheme.

Carbon offsetting

The Board recognises carbon offsetting as the last resort to reducing and avoiding emissions. To this end, since 2022, the Board has invested in long-term carbon offsets via UK peatland restoration through a development project verified under the Peatland Code. Damaged peatlands are estimated to emit around 4% of the UK's total annual greenhouse gas emissions. Each director and Consultant of the Board has committed 1% of their annual fees for their roles to fund this programme and key suppliers had previously been invited to contribute towards the scheme as part of their environmental initiatives.

The Investment Adviser also aims to reduce its carbon emissions from operations where possible. This is achieved through energy efficiency, reduced international travel and green procurement. Where emissions cannot be avoided, such as travel for due diligence trips, IT and office space, these are offset. Sequoia Investment Management Company participates in a high-quality offsetting scheme by planting Giant Sequoia trees in the UK and investing in other carbon capture schemes.



We will endeavour to dispose of investments which are contrary to our ESG Policy.

After adopting its ESG Policy in the 2020/21 financial year, the Fund began disposing of, or in some cases waiting for the natural repayment of, its loans to borrowers in sectors that were not permitted under the ESG Policy. This process was completed during the 2021/22 financial year. This means that the Fund no longer has exposure to sectors with the highest levels of transition risk. Since then, the Fund has achieved 100% compliance with its ESG Policy and notably its negative screening criteria, which aims to avoid actively or intentionally investing in certain sectors and assets that may cause significant harm to the environment and/or society. As part of good governance, this Policy is reviewed at least annually and as a result this year the Fund added more clarity on its approach to exclusions. Furthermore, the Fund mandated KPMG to assure its negative screening this year. The negative screening criteria were applied to 100% of the portfolio for the year ended 31 March 2024¹. KPMG have issued an independent limited assurance report over this metric.



We will use our ESG Policy to score our loan book and, by investing in higher-scoring opportunities and disposing of lower-scoring opportunities, aim to improve the ESG score of our loan book over time where possible.

We have followed this strategy effectively and as a result, the average weighted ESG score for the Fund's portfolio measured at 31 March each year has consistently increased: 59.61 (2020), 60.59 (2021), 61.88 (2022), 62.29 (2023), 62.77¹ (2024). Whilst this year showed a net negative score effect between the acquisitions and disposals, we continue to consider the ESG score, in isolation and its impact on the portfolio-level score, when evaluating new opportunities. More commentary on the Fund's strategy around acquisitions and disposals can be found earlier on in the report (Our ESG Goals, progress report, pages 6 to 8).

1. KPMG has issued independent limited assurance over the selected data indicated, which has been extracted from the Fund's 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: www.seqi.fund/sustainability/publications/. See page 4 for more information.

Our climate pledge

continued



We will engage proactively with the companies we lend to, to encourage them to work towards the goals of the Paris Agreement.

The Investment Adviser takes a proactive approach to managing the loan book and engages with borrowers in relation to ESG topics in a number of important ways, including through inserting ESG-related provisions into loan documents, requesting completion of an annual ESG questionnaire, and regular monitoring of and engagement on key ESG issues. This year, they focused efforts on their ongoing dialogue with borrowers. They devised action plans for every asset identifying areas of improvement in borrowers' ESG credentials, some of which would be supportive of the goals of the Paris Agreement. 78% of the portfolio (by NAV as at 31 Mar 2024) disclosed whether they are working towards the Paris goals; of these, 42% reported having carbon emission reduction initiatives in place aligning with the Paris Agreement.



We will, where appropriate, embed covenants into loan agreements to oblige our borrowers contractually to adopt and comply with appropriate environmental policies.

Our approach to embedding covenants into loan agreements is covered in more detail in the Fund's ESG Policy. This includes terms on environmental considerations, such as covenants to comply with environmental regulations, manage pollution, reduce carbon emissions, and adopt water and wastewater management strategies. For instance, this year we upsized a loan that has in it a margin ratchet that provides a discount to the borrower for undergoing an independent, third-party ESG assessment and a further discount if their ESG ranking puts them in the top quartile relative to their peers.

In addition, the Fund itself has had a sustainability-linked Loan with its banks for three years. Our own revolving credit facility includes a margin ratchet mechanism that links the pricing to the Fund's portfolio-level ESG score. This agreement is coming to the end of its course this year, but a similar mechanism is in place within the Fund's hedging FX contracts.



We will embed covenants into loan agreements to oblige our borrowers contractually to use appropriate environmental metrics.

In one of our new investments this year, we were able to embed a covenant into the loan agreement that requires the borrower to complete our annual ESG questionnaire on a best-efforts basis. This covers a variety of different environmental metrics including for instance Scope 1, Scope 2 and Scope 3 emissions, energy consumption and waste production. We continue to implement this type of provision into our new loans where possible – the opportunity to do so is most prevalent with bilateral deals, as we tend to have more control over the structure than we do in highly syndicated deals or with public bonds.

Our climate pledge

continued



We will engage with regulators and policy makers wherever we believe we can accelerate or improve action to combat climate change.

During the year, the Investment Adviser became a signatory to the PRI's Statement on ESG in Credit Risk and Ratings. The Investment Adviser publicly supports this notion that certain ESG factors may be financially material to a borrower's creditworthiness and as such should be systematically included into credit assessments – some examples may include stranded assets linked to climate change or physical risks causing unexpected losses. The Investment Adviser will engage and collaborate where possible in line with this initiative to promote the transparent integration of material ESG factors into credit ratings by credit agencies.

In addition, following the publication of the Taskforce on Nature-related Financial Disclosures ("TNFD") recommendations, the Fund's Investment Adviser joined the TNFD Forum alongside other institutions aligned with the TNFD's mission and principles. The Investment Adviser has been participating in consultative webinars and providing feedback on this framework that deals with dependencies, impacts, risks and opportunities that relate to the world's natural resources and biodiversity – an important and previously overlooked aspect to climate change.



We will speak out publicly and build or support coalitions of like-minded investors and thought leaders in order to drive change where we believe this will be effective.

At the Annual and Interim Results presentations, we routinely discuss points of note on ESG. In addition, at the Fund's Capital Market's Day in May 2023, three members of the Investment Adviser participated on a panel discussion about ESG. They covered topics such as the regulatory landscape, ESG processes using examples from the portfolio, and the wider energy transition theme. On an ad-hoc basis, the Investment Adviser will also talk about its view and approach to ESG. This year, for instance, the Investment Adviser's Chief Risk Officer, Anurag Gupta, was a panellist at the 18th Annual UK Sustainable Infrastructure Summit by City & Financial Global. Here, he spoke on low-carbon financing and opportunities in nuclear. Anurag is also a member of the TfL Land and Property Committee, which is charged with overseeing the development of TfL lands for affordable housing, climate resilience, equity and sustainability.



We will report to our investors our compliance with our ESG policies.

This annual Sustainability Report reports on our compliance with our ESG Policy such as the progress towards our ESG Goals and examples from the application of our approach to borrower and stakeholder engagement.

Global initiatives and regulatory reporting



UN SDGs

The Fund invests in a diversified and extensive pool of subsectors within infrastructure, which is overlaid with its robust ESG framework and processes. As a result, it has identified nine of the UN SDGs that it can most clearly track, align with and report on, with stats provided where possible measured by NAV as at 31 March 2024:



Ensure healthy lives and promote well-being for all at all ages

2% of the portfolio is in Healthcare

This year, the Fund had investments in the healthcare sector, such as in a provider of residential care and nursing homes. We also continue to provide funding to a company that delivers complex care to over 2,700 people with intellectual disability, autism, mental health diagnoses, and acquired brain injuries with complex behavioural needs. The group employs 4,100 healthcare workers across more than 60 locations all over the UK. We continue to explore opportunities in this area, which ties in well with the UN's aim to increase the coverage of health services and the number of health workers.



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

The Fund employs positive screening such that deals that benefit society, like education assets, are viewed favourably in the investment process. One long-term loan we upsized during the course of the year is to a portfolio of student accommodation properties in the Netherlands, where there is a strong need for student housing. This indirectly supports the UN's goal of improving access to education.



Ensure availability and sustainable management of water and sanitation for all

Investment in infrastructure with social benefits is one of the strands of our thematic investing strategy, which includes providing for basic human needs, for instance, through ensuring availability of clean water. This year, we added an incremental facility to our existing agreement with the UK's leading provider of essential and emergency water and wastewater handling infrastructure leasing solutions. This company's services include water treatment, flood relief, and burst pipe repair, which relate to the UN's work to improve water quality, efficiency and treatment.



Ensure access to affordable, reliable, sustainable & modern energy for all

12% of the portfolio is in the renewable energy positive investing theme

The Fund has provided capital to various projects in the renewable energy space, e.g. two portfolios of solar PV farms in Spain. This contributes to the UN's target of increasing the share of renewable energy in the global energy mix. The Fund also lends to two companies that offer residential solar installations across the US. This further delivers on this goal whilst decentralising power generation and reducing dependence on the grid.

The Fund invests in tandem in non-renewable energy projects that bolster grid stability and energy security, which indirectly allow for more renewables to be integrated into grids, e.g. two efficient natural gas-fired peaker plants in the US that ensure power is supplied during surges in demand.

This kind of asset will be a crucial backup to inconsistent renewable sources, and reliable access to electricity and energy is vital for populations.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

38,773 total employees at the companies the Fund lends to

26% of the portfolio creates jobs in socially deprived areas

The Fund's strategy is to invest in economic infrastructure, which is essential for economic growth, capital formation and final consumption stages of GDP. The projects we are involved in have led to economic activity as well as job creation. We partner with Acuity to conduct strict due diligence on the nature of work to ensure it is legal and fair through checks against modern slavery, child labour and human rights violations for instance. Moreover, we also support decent work by reviewing company health and safety policies and tracking statistics, as well as promoting the payment of living wage or the adoption of similar policies that ensure staff are paid well for their work beyond minimum requirements.

Global initiatives and regulatory reporting

continued

UN SDGs continued

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INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

26% of the portfolio is in Digitalisation

The Fund's purpose is to provide regular, sustained, long-term loans to economic infrastructure industries. Some of the investments we make go into core infrastructure such as roads and freight, a focus for the UN's ninth SDG. The Fund provides capital to a diversified portfolio of small- and mid-sized private companies globally. This directly contributes to the UN's ambition of increasing access to loans and credit for small-scale industrial and other enterprises. Plus, our digitalisation investments, such as in broadband and fibre-to-the-home, connects societies and increases access to information and communications, which is another component of this Sustainable Development Goal.

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SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable

18% of the portfolio engages in effective consultation with local populations and have sent the evidence required by our scoring methodology

9% of the portfolio is Transportation Assets/Vehicles

The Fund invests in infrastructure that connects communities in a sustainable way. The main way we support the UN's targets of expanding access to safe, affordable, accessible and sustainable transport systems for all is through our investments in public transport. For years now, we have provided funding for the construction and operation of Brightline Trains Florida's express passenger rail system connecting major population centres using the most fuel-efficient biodiesel locomotives available as classified by the Environmental Protection Agency. Similarly, we have extended credit agreements for rolling stock that is leased for metro systems in Madrid, which enables lower-carbon journeys through a reduction in private car use and congestion. We also monitor the schemes in place that provide subsidised access to the train services for disadvantaged or deprived social groups.

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RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

30% of the portfolio has effective waste management plans and have sent the evidence required by our scoring methodology

As well as considering the Company's own supply chain, we monitor policies and metrics at all of our borrowers around waste production and management, air pollution, materials use and recycling, and biodiversity. We will engage with the management teams at the companies in our portfolio to encourage improvement in these areas where beneficial.

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CLIMATE ACTION

Take urgent action to combat climate change and its impacts

59% of the portfolio has a formal ESG Policy

88% of the 72% of borrowers that provided information have carbon reduction initiatives in place

The Company considers the climate in its own operations and has offset its operational emissions. It has made a set of climate pledges, which it reports on annually. In relation to its investing activities, it applies negative screening for areas that cause particular damage to the environment and/or release unsustainable levels of emissions, for instance, thermal coal mining and power generation from coal. The Fund continues to progress its thematic investing, which includes assessing opportunities for whether they enable the transition to a lower carbon world and viewing such deals more favourably in the investment process. Plus, the ESG scoring is most heavily weighted by the subsector's impact on the environment and climate.

Global initiatives and regulatory reporting

continued

Other global initiatives

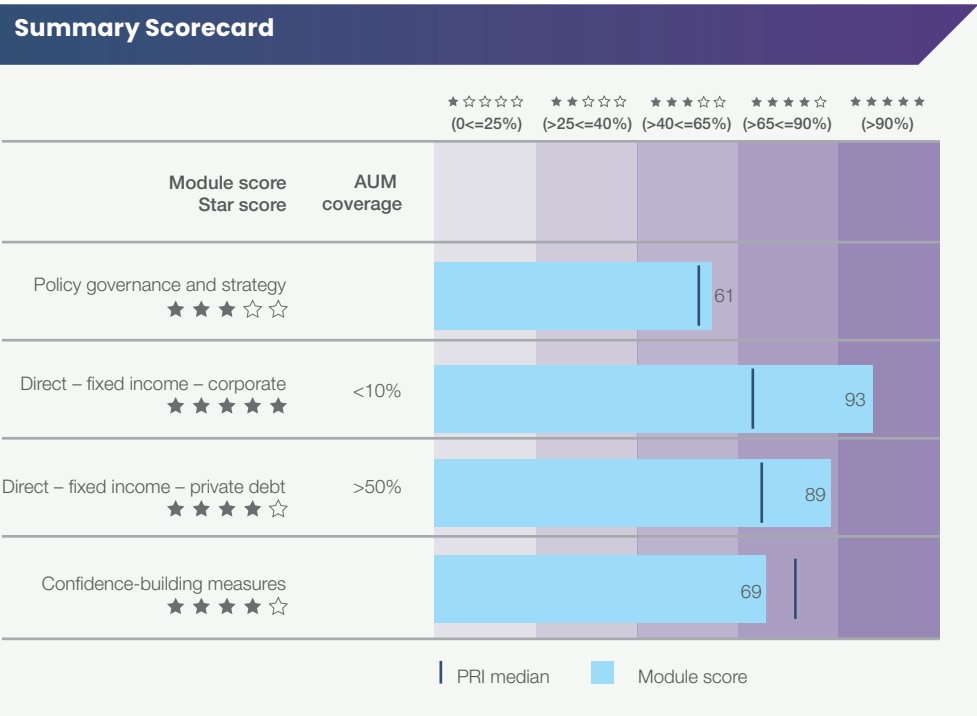
Global initiatives

UN Principles for Responsible Investment (PRI)

The Investment Adviser became a signatory to the UN PRI in May 2019. The six principles are all incorporated into its investment processes and decision making.

They re-reported this year and their public Transparency and Assessment Reports are available on the UN PRI website.

www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports



The Investment Adviser also became a signatory of the PRI's Statement on ESG in Credit Risk and Ratings in March 2024 website. They believe that certain ESG factors may be financially material to a borrower's creditworthiness and as such support the systematic inclusion of such factors

into credit assessments – some examples may include stranded assets linked to climate change, disrupted labour relations, or untransparent accounting practices leading to unexpected losses, expenditure, inefficiencies, litigation, regulatory breaches and/or reputational damage.

This PRI Statement promotes the transparent integration of material ESG factors into credit ratings. As a primary user of credit ratings, the Investment Adviser publicly shares this vision.

UN Global Compact

The Company's business and investment activities are operated in accordance with the ten principles of the UN Global Compact. Of the borrowers that reported this information, none had any violations of the UN Global Compact Principles or of the OECD Guidelines for Multinational Enterprises.

Regulatory reporting

Sustainable Finance Disclosure Regulation ("SFDR")

The Fund reports under SFDR and is an Article 8 fund that seeks to promote ESG characteristics, with a focus on environmental, whilst not having sustainable investment as its objective. More information can be found in our Periodic Disclosure, which is annexed to the 2024 Annual Report, as is the Fund's Principal Adverse Impact Statement. The Fund's SFDR disclosures are also made available on the website:

www.seqi.fund/sustainability/publications/

Task Force on Climate-Related Financial Disclosures ("TCFD")

The Company firmly believes that high-quality climate disclosure is essential for shareholders making long-term investment decisions. We have published the Company's TCFD Report for financial year 2023/24 on our website:

www.seqi.fund/sustainability/publications/

Task Force on Nature-Related Disclosures ("TNFD")

The Company acknowledges the publication of the Taskforce on Nature-related Financial Disclosures ("TNFD") recommendations in September 2023, which are currently voluntary. During the 2023/24 financial year, the Investment Adviser became a member of the TNFD Forum, a consultative group of institutions aligned with the TNFD's mission and principles. The Investment Adviser has participated in webinars and consultations and provided feedback to help shape aspects of the guidance and stay informed on the latest developments in this framework. There are currently no confirmed plans to report against TNFD yet, but we are monitoring this and expect to report in due course.

Sustainable Disclosure Requirements ("SDR")

Being Guernsey domiciled, the Fund is currently outside the scope of the new sustainability disclosure and labelling regime published by the FCA in February 2024. ESG matters are extremely important to us and we are supportive of the broad intent to improve trust and transparency of sustainable investment products and reduce greenwashing. Therefore, we are carefully examining the requirements and consulting with advisers to consider the feasibility and timescale of complying should we have the opportunity to opt in or come within scope of the regime. The Fund acknowledges and is complying with the SDR's Anti-Greenwashing Rule which is applicable to all FCA-registered firms effective from 31 May 2024.



Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 1GR

www.seqi.fund