

Governance Policy

4 December 2024

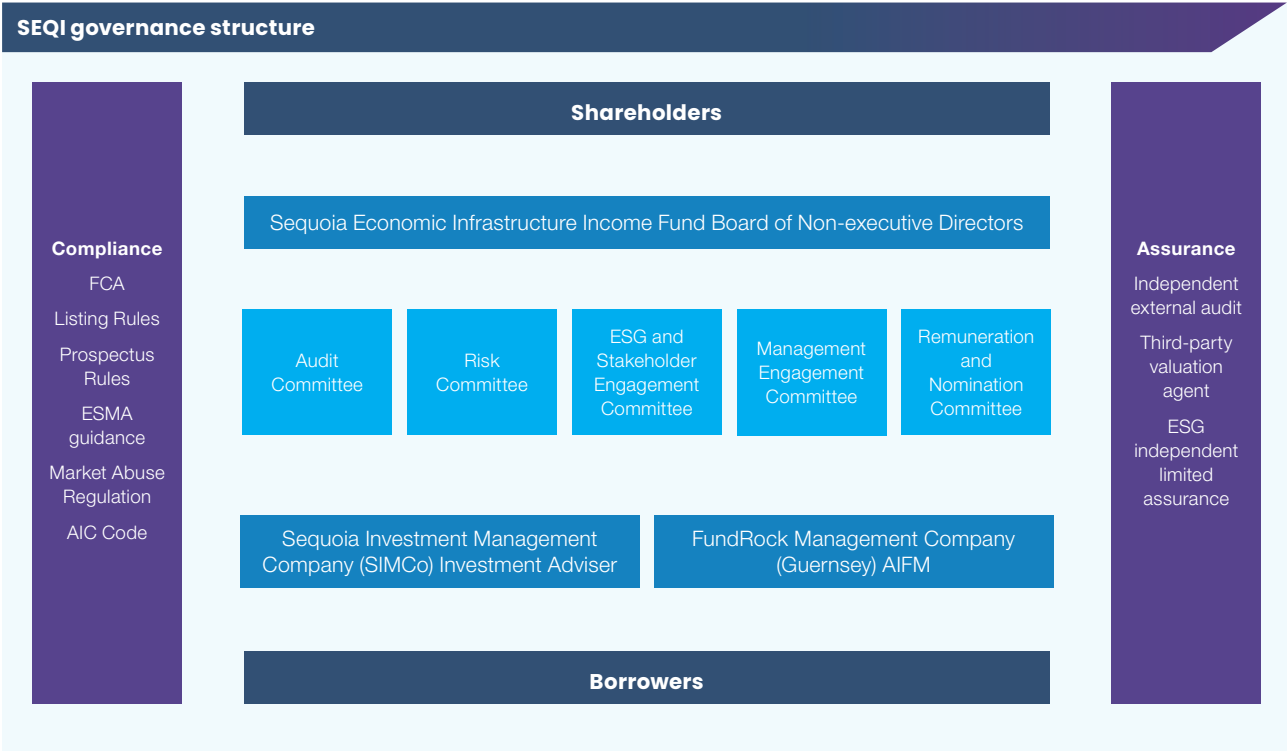


Company governance

The Company

Sequoia Economic Infrastructure Income Fund Limited (“SEI”, the “Company”) is a Guernsey-incorporated closed-ended investment company whose Ordinary Shares are traded on the Main Market of the London Stock Exchange. The Company complies with the Listing Rules, the Prospectus Rules, the FCA Disclosure Guidance and Transparency Rules, ESMA guidance and the European Union’s Market Abuse Regulation (as implemented in the UK through the Financial Services and Markets Act 2000 (Market Abuse) Regulations 2016).

The Company has adopted and reports against the Association of Investment Companies Code of Corporate Governance (“AIC Code”) and is thereby deemed to satisfy the provisions of the Guernsey Financial Services Commission Finance Sector Code of Corporate Governance, which provides a framework for Guernsey Financial Services Commission licensed entities, authorised and registered collective investment schemes. As the AIC Code has also been endorsed by the Financial Reporting Council, the Company also meets the obligations under the UK Code.



A detailed chart of the Company’s structure is provided in Appendix I.

Company governance

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Board oversight

SEQL is governed by a Board of non-executive Directors, led by the Chair and Senior Independent Director ("SID"). The SID, in addition to the same general responsibilities to the Company as other Directors, carries out duties relating to Chair appraisal and provides an independent channel for Directors and Shareholders to contact or meet with regarding any concerns or opinions they may have.

The Board is comprised entirely of independent Directors, as defined by the AIC Code. Directors are elected by and answerable to the Shareholders, who can challenge their actions and vote for or against certain resolutions proposed by the Board at general meetings.

Collectively the Board is responsible for the long-term success of the Company and has legal and regulatory duties. Some of the main functions include:

- > setting the Company's investment policy and strategy;
- > setting the Company's capital allocation strategy, including the use of gearing, raising equity capital and share buybacks;
- > appointing and overseeing its key service providers, including the performance of the Investment Manager and Investment Adviser;
- > monitoring risks to the Company and maintaining effective and appropriate controls;
- > ensuring the Company's assets are appropriately safeguarded; and
- > communication with the Company's Shareholders and the wider market.

The Board considers that reporting against the principles and provisions of the AIC Code will provide the most relevant information to Shareholders on the Board's activities, its governance framework, its application of the relevant provisions, and explanations for any instances of non-compliance. Each year the Board reviews its governance practices, policies and procedures against the recommendations of the AIC Code.

The Board has put in place and regularly reviews the Company's policies and procedures, which include:

- > Sustainability Policy
- > Anti-Bribery and Corruption Policy
- > Modern Slavery Statement
- > Policy and statement on the prevention of tax evasion
- > Hedging Policy
- > Financial Position and Prospects Procedure
- > Privacy Policy
- > Share dealing code
- > Board succession plan
- > Policy on the provision of non-audit services
- > Terms of reference in place for each of the Board's formally constituted committees

Key Company policy documents are also reviewed on an annual basis. The Sustainability Policy is considered a live document that is periodically reviewed to ensure it is reflective of industry best practice and the development of the Board's sustainability objectives. Any updates require Board approval, with the policy being formally reviewed and approved in its entirety annually.

The Board meets formally at least once a quarter, with standing agenda items covering: conflicts; strategy; portfolio performance; capital allocation and deployment; ESG matters; NAV and share price performance; shareholder return metrics; and reports from the Investment Adviser, Investment Manager, Company Secretary and Corporate Broker.

Conflicts of interest

The Board is cognisant of the importance of managing conflicts of interest, especially given that the structure of the investment company requires a high level of outsourcing and therefore there is an increased risk of conflicts arising. Conflicts may arise at Director level with their outside appointments and other commitments, as well as between Board members. There is also the potential for conflicts of interest between the Board members and the Company's service providers, in particular the Investment Manager, Investment Adviser or Company Administrator & Secretary. The Board maintains and tables a register of business interests and potential conflicts of interest at each periodic meeting, and the Directors have a legal obligation to disclose the nature and extent of their interest in any transaction or proposed transaction with the Company. These possible conflicts are identified, the likelihood of occurrence and impact are assessed, and controls or procedures to mitigate the risk are put in place for each specific case.

Board Committees

The Board has five Committees, summarised below, with more information available in their respective Terms of Reference, which can be found on the SEQL website: www.seqi.fund/investors/documents-circulars/

ESG and Stakeholder Engagement Committee

The ESG and Stakeholder Engagement Committee reviews, approves and monitors performance against SEQL's Sustainability Policy. This dedicated Committee has delegated responsibility for addressing key ESG-related matters and furthering SEQL's ESG aspirations. The Board recognises the value and importance to all stakeholders of organisations incorporating effective environmental, social and governance practices into their decision making and commercial activity.

Company governance

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Risk Committee

The Risk Committee advises the Board on the Company's overall risk appetite, tolerance and strategy, oversees and advises the Board on the current risk exposures of the Company and future risk strategy, and reviews the activities of the Investment Manager and its policies and procedures for the identification, management and monitoring of emerging and significant risk exposures. They consider and approve the remit of the risk management function applicable to the Company and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, including receiving information provided by the Chief Risk Officer of SIMCo on activity within the Investment Adviser's risk management framework. The Committee also ensures the function has adequate independence and is free from management and other restrictions.

Management Engagement Committee

The Management Engagement Committee is principally responsible for reviewing the remuneration and performance of SEQI's service providers, most notably the Investment Manager and the Investment Adviser, who are charged with the day-to-day management of the SEQI portfolio and other management services. There is an annual review of SEQI's key service providers to assess their performance, terms of engagement and their internal control environment. This includes assessing their approach to a range of matters including anti-slavery and anti-bribery and their strategies for reducing emissions.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for reviewing the structure, size and composition of, as well as appointments to, the Board including considerations around diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths, amongst other things. The Board supports the widening of its diversity, whilst ensuring the capabilities, experience and background of each member remain appropriate to the Company and continue to contribute to overall Board effectiveness. Pursuant to this, SEQI has the following targets as set out in the Listing Rules that it takes steps to achieve: at least 40% female Board representation; at least one senior position on the Board held by a woman; and at least one individual on the Board from a minority ethnic background. The Board ensures as part of each recruitment process that it is presented with a diverse set of candidates, from which they appoint a candidate based on merit, that they believe is best suited for the role and will contribute to overall Board effectiveness.

The Committee also reviews SEQI's remuneration policy and periodically benchmarks this against comparable listed investment companies, particularly those operating in similar or adjacent market sectors. It should be noted that Board remuneration is fixed and not linked to the performance of SEQI. Equally, the Company has contracted with service providers, such as the AIFM and Investment Adviser, to carry out portfolio management on its behalf and in line with the terms set out in its prospectus. On this basis, the Board is therefore not directly involved in the day-to-day investment considerations or activities and does not benefit financially from SEQI's performance through the remuneration arrangements. No Director has a service contract with the Company, and no Director who is a member of the Remuneration and Nomination Committee takes part in discussions relating to their own remuneration.

Audit Committee

The Audit Committee's main role and responsibility is to provide advice to the Board on whether the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Audit Committee gives full consideration and recommendation to the Board for the approval of the contents of the Interim and Annual Financial Statements of the Company, which includes reviewing the Auditor's report. The other principal duties of the Committee are to consider the appointment of the Auditor; to discuss and agree with the Auditor the nature and scope of the audit; to keep under review the scope, results and effectiveness of the audit and the independence and objectivity of the Auditor; and to review the Auditor's letter of engagement, planning report for the financial period and management letter, as applicable. The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of the Company's internal control and risk management systems. The Audit Committee also focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial control is maintained. The Audit Committee also reviews, considers and, if appropriate, recommends for the purposes of the Company's Financial Statements the valuations prepared by the Investment Manager and Investment Adviser. These valuations are the most critical element in the Company's Financial Statements and the Audit Committee considers them carefully, including discussions with the Company's Valuation Agent, PwC.

Chair tenure

In line with the AIC principles, the Chair shall remain independent throughout their tenure and should normally serve no longer than nine years as a Director and Chair. This addresses the need for regular refreshment and forms part of the Board's policy of achieving a gradual phasing of the Board to avoid undue disruption from multiple changes within a single year, whilst aiding the facilitation of its diversity targets. To manage succession planning and where the Board considers it to be in the best interests of the Company as a whole, the Chair may in certain circumstances serve beyond this timeframe. In such circumstances, the independence of the other Directors will ensure that the Board as a whole remains independent.

Company governance

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Reserved matters

The Board has adopted a formal schedule of matters reserved for its decision making, and those matters delegated to key service providers:

Matters reserved for the Board

- > Management structure and appointments
- > Matters concerning the Company's long-term strategy
- > Board and other senior management appointments or removals
- > Board and senior management succession, training, development and appraisal
- > Appointment or removal of Administrator/Company Secretary and monitoring its performance and actions
- > Delegation of the Board's powers and monitoring the performance of such delegation
- > Forming, agreeing membership and terms of reference for Board Committees
- > Overseeing the actions of Board Committees
- > Matters referred to the Board by Committees
- > Establishment of managerial authority limits for smaller transactions
- > Considering and agreeing the remuneration basis for Directors
- > Considering and agreeing the remuneration basis for service providers, including any performance fee methodology
- > Agreeing the contents of any circular to be distributed to Shareholders

Transactions

- > Actions or transactions where there might be doubt over propriety
- > Transactions with Directors or other related parties
- > Considering significant investment/divestment decisions involving a change in strategy or investment objectives
- > Overall supervision, control and direction of senior management
- > Determining the value of investments where questions are raised
- > Monitoring adherence to the investment guidelines

Matters delegated

- > Ensuring the Company complies with all relevant reporting and filing requirements of Guernsey, including the delivery of information and returns required under law to the Guernsey Registry and relevant regulatory bodies
- > Ensuring the Company complies with all relevant reporting and filing requirements of any stock exchange on which the Company's shares are listed and/or traded
- > Keeping of the statutory books and records of the Company
- > Convening of meetings of the Directors and Shareholders
- > Dispatch to Directors and Shareholders all circulars, notices and documents in relation to meetings of the Directors or Shareholders
- > Safekeeping and use of the common seal of the Company

Transactions

- > Sourcing, evaluating, negotiating, completing and monitoring investments in line with the guidelines set by the Investment Committee
- > Authority to settle professional fees up to a limit of £50,000
- > Advising on all actions which the Company should consider taking in order to effect the investment objectives within the terms of the investment guidelines
- > Provision of valuation information on underlying investments
- > Monitoring and providing quarterly reports on the performance of investment transactions
- > Preparing factsheets and any other investment-related circulars

Tax compliance

SEQI has a zero-tolerance policy to tax evasion and the facilitation of tax evasion. The Board is fully committed to complying with all legislation and appropriate guidelines designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company, its service providers and business partners operate. The Company's Statement on the Prevention of Tax Evasion is published on the website: www.seqi.fund.

Modern slavery

The Board acknowledges the requirement to provide information about human rights in accordance with the UK Modern Slavery Act. The Board conducts the business of the Company ethically and with integrity and has a zero-tolerance policy towards modern slavery in all its forms. The Company makes an annual Modern Slavery Statement in its Annual Report and on its website, where more information is available: www.seqi.fund.

Investment management governance

Investment Manager

The Investment Manager, an Alternative Investment Fund Manager under the Alternative Investment Fund Managers Directive ("AIFM"), FundRock Management Company (Guernsey) Limited, provides risk management services to the Company, including:

- (i) assisting the Board with the establishment of a risk reporting framework;
- (ii) monitoring the Company's compliance with investment criteria, investment concentration limits, and other risk limits;
- (iii) risk analysis and review of the Company's exposures, leverage, counterparty and concentration risk;
- (iv) analysing market risk and liquidity risk in relation to the portfolio; and
- (v) assisting the Board in establishing, maintaining and reviewing valuation policies for calculating NAV.

The Investment Manager has delegated portfolio management to the Investment Adviser.

Investment Adviser

The Investment Adviser, Sequoia Investment Management Company Limited ("SIMCo", the "Investment Adviser"), provides portfolio management services to the Company, including:

- (i) Sourcing potential SEQI investments;
- (ii) Carrying out due diligence in the selection of investments and selecting counterparties, in accordance with Investment Adviser's due diligence policies and procedures;
- (iii) Ensuring investment decisions are carried out in connection with the Company's objectives, investment strategy, ESG Strategy, Investment Criteria, Investment Concentration Limits and other applicable risk limits;
- (iv) Negotiating documentation in relation to investments;
- (v) Coordinating the acquisition and disposal of investments;
- (vi) Carrying out ongoing monitoring of SEQI's assets under management;
- (vii) Exercising all rights and remedies of the Company or the Company's asset holding subsidiary (the "Subsidiary") in its capacity as holder of, or the person beneficially entitled to any Investments in the portfolio, including attending or voting at any meeting of the holders of Investments in the portfolio and giving consents or waivers in relation to Investments on behalf of the Company or the Subsidiary;
- (viii) Coordinating restructuring, work-outs or disposals of investments as needed;
- (ix) Managing any equity or real asset investments that the Company acquires (either legally or beneficially) as a result of a loan restructuring or otherwise;
- (x) Developing and executing a currency and/or interest rate hedging strategy;
- (xi) Arranging for any borrowings by the Company, subject to the Company's borrowing limit, and calculating the Company's exposures and leverage;
- (xii) Engaging with investors through in-person or virtual meetings to give portfolio and investment updates and to discuss market developments; and
- (xiii) Preparing investor reporting and marketing materials including factsheets, investor presentations, pitches and materials for the seqi.fund website.

Investment process

The Investment Adviser's Investment Committee ("IC") makes the decision to recommend an investment to the Investment Manager, who has final discretion to approve or decline a transaction. The IC membership consists of the CEO, Head of Portfolio Management, Head of Infrastructure, and Chief Risk Officer, with the Sustainability Manager in attendance. The committee is charged with overall responsibility for ensuring the expected standards of governance are in place by the borrowing entity before any investment is made, in addition to screening the prospective borrower against SEQI's risk scoring methodology, which includes ESG criteria. Decisions of the IC must be unanimous. As Chair of the IC, who can also exercise veto rights at any time, the Investment Adviser's CRO has nodal responsibility for the governance of the pre-investment process. The IC and portfolio management functions are integral parts of the Investment Adviser's governance framework, with the ESG and credit teams delivering on this policy and function day to day.

The Investment Manager makes the final decision in relation to an investment, based on the recommendation from the IC. The Investment Manager receives all investment and monitoring memorandums and meeting minutes, and representative(s) have a standing invitation to attend IC meetings.

The SEQI Board receives IC memorandums and minutes. Additionally, investment process methodology is risk-based and assigns a risk rating to each deal, with any qualifying transactions flagged as "high risk" serving as a trigger event for escalation to the Board's Risk Committee. Deals that are particularly risky from an ESG perspective and/or are scored below a certain threshold according to the Investment Adviser's proprietary ESG scoring methodology also trigger escalation to the Risk Committee. For more information on how ESG is integrated into the investment process, please refer to the Company's Sustainability Policy at: www.seqi.fund/sustainability/publications/. The Investment Manager can also refer any deals to the Committee for further consideration at their discretion.

The depositary (BNY Frankfurt) checks investments for eligibility and compliance with the investment restrictions and applicable rules, providing another control over the investment process.

Once investments are made, fair value pricing of the debt portfolio performed by the Investment Adviser is independently reviewed on a monthly basis by a third party. There is also a yearly mandate for independent, external assurance over the ESG analysis of credits. The independent review of the portfolio valuations, the external audit, and the ESG assurance are each provided by separate firms.

Approach to borrower's governance

The Investment Adviser firmly believes the quality of a borrower's governance influences the risk of lending to it and the likelihood of full and successful repayment. Whilst the materiality of certain environmental and social issues can vary depending on the sector, we see governance issues as more pervasive to a credit's quality and rating regardless of the industry in which the asset sits. As such, a careful analysis of governance is an intrinsic part of the Investment Adviser's credit analysis. SIMCo do not take a cookie-cutter approach to corporate governance – the specific standards expected of each borrower may vary case by case due to the differing nature, size and structure of each of the transactions SEQI deals with. However, there are general principles that guide the Investment Adviser's approach.

Good corporate governance necessitates structures, policies and processes that pursue and balance the best interests of all stakeholders. Those that manage the company should drive an effective strategy while demonstrating high levels of integrity and with clear lines of responsibility and accountability defined. This results in more prudent risk management, including over environmental and social risks, which is key to a company's sustainability and can be a credit strength that stands only to make SEQI's portfolio more resilient. Examples of good corporate governance include, but are not limited to, independent oversight ideally in the form of an effective and diverse Board of Directors, transparent and timely reporting particularly of financial information, and a culture and conduct of integrity reflected in key ethics policies such as on whistleblowing. At a minimum, there should be sound management structures and tax compliance, with good relations with employees who get paid fair remuneration.

On the other hand, poor corporate governance can destroy value, threaten a business's future viability, and increase the risk of default. There are certain red flags that the Investment Adviser deem to be signs of poor governance and a material credit risk:

- > concentration of control and/or decision making without oversight;
- > no segregation of duties;
- > improper financial controls;
- > opaque, inaccurate, incomplete or irregular disclosures or reporting;
- > missing key policies e.g. health and safety, modern slavery, anti-money laundering, conflict of interest;
- > management teams are unqualified or have chequered backgrounds;
- > management teams have skewed incentives that do not align with the interests of other stakeholders; and
- > controversies or regulatory/legal action surrounding the company.

The foregoing could deem an opportunity to be unviable, especially if there are insufficient checks and balances in place to mitigate against the risks likely to stem from each of the identified deficiencies.

SIMCo assesses governance for every credit throughout the investment process, as described in the "Integration into the Investment Process" section of SEQI's Sustainability Policy available on the website: www.seqi.fund/sustainability/publications/. These processes to assess governance are applied to all investments and ensure, as far as possible, that there are sound governance practices in place at each of SEQI's portfolio companies. These are outlined in more detail below.

Due diligence

The initial review of a borrower's governance is carried out by SIMCo's credit team pre origination during the earliest stages of the investment process, namely the Originations Committee and then the New Business Committee.

If an opportunity passes these stages, the team moves to conducting extensive due diligence and KYC on the borrower, its financial position, management and key parties, and the governance and control framework in place.

- > The KYC process scans corporates and individuals against international sanction lists and watchlists of warnings, regulatory enforcement and transgressions. Checks are also in place for politically exposed persons and any adverse media, including covering the themes in the UN Global Compact's Principles.
- > SEQI often commissions third-party due diligence reports covering, amongst other things, legal, financial, technical and environmental risks. In particular, a legal due diligence report would include an analysis of how the company is managed, assessing any shareholder or JV agreements in place, how the board is elected, voting rights, majority requirements, committee structures, etc. Legal due diligence would also typically flag any noteworthy concerns around key members of management, such as past bankruptcies, or lack of compliance with the law. There is by design a certain level of overlap between some parts of the legal due diligence process and the KYC processes – this is to reduce the chance of risk factors not being identified.

In parallel to this research, the Investment Adviser's ESG team also examines the potential borrower's governance as part of a fuller ESG analysis. Where possible, at this stage in the investment cycle, the ESG questionnaire is sent to the borrower's management team for completion. This allows for a more comprehensive assessment of the company's ESG profile and performance using SIMCo's proprietary ESG scoring methodology. The scoring framework features a modifier of between +1 and -1 reflecting the borrower's corporate governance (the "G score"), accounting for factors such as levels of board independence and whether there is an effective whistleblowing policy in place.

This culminates in a detailed credit memorandum, which is then presented and considered by the IC. Final approval to recommend the deal to the Investment Manager requires the unanimous consent of all IC members. The AIFM retains full discretion to approve or decline investments prior to the Company making any formal commitment.

Approach to borrower's governance

continued

Monitoring and engagement

Each loan agreement will have general covenants where the borrower undertakes to adhere to all laws and meet other minimum corporate governance expectations including, but not limited to, board reporting, appropriate accounting practices, and tax compliance. Borrowers are also required to have policies in place concerning gifts and hospitality, anti-bribery and corruption and other similar measures aligned with the SEQI Board's expected minimum standards.

Where appropriate, additional covenants or repeated representations may be embedded into loan terms to ensure that the borrower adopts or maintains certain good governance policies or practices. For example, a borrower may be required through loan covenants to retain a certain number of independent directors.

Borrower governance continues to be monitored as part of the regular credit monitoring, with formal IC updates for each asset taking place at least twice a year but more often where warranted. The ESG profile for each borrower also gets fully reviewed at the same time half yearly at a minimum. In addition, periodic KYC reviews and daily sanctions screenings are carried out on the whole portfolio. Any adverse media events or material changes to a borrower's governance arrangements are reflected in subsequent monitoring IC memos. These may also result in modifications to the credit's ESG score and serve as a trigger for further engagement with the borrower. SEQI deploys a range of engagement strategies that can be used to address governance issues, such as the aforementioned forming of ESG-related covenants as well as direct contact with management teams on ESG matters and sending an annual ESG questionnaire to all borrowers in the portfolio.

Whilst these systems and processes aim to keep portfolio-level corporate governance risk minimal, some individual assets can, over time, experience deviation from planned operational or financial performance, which may, at least in part, be connected to governance issues. Even though such credits satisfied the Investment Adviser's initial corporate governance analysis pre investment, the potential for governance issues to emerge over the loan's tenor is a natural part of sub-investment-grade lending and therefore reasonable measures are in place by the Investment Adviser to mitigate downside risk over the duration of the loan. In the event that governance risks do materialise, the Investment Adviser works directly with the borrower and/or other advisers to put effective mitigation plans in place and execute upon them.

Stakeholder engagement

Whilst the primary duty of the Directors is owed to the Company as a whole, all Board discussions involve careful consideration of the longer-term consequences of any decisions and their implications for all key stakeholders. The ESG and Stakeholder Engagement Committee identifies the Company's key stakeholders and engagement mechanisms, ensuring their needs are taken into consideration as part of the Board's decision-making process. It is also responsible for keeping under review the effectiveness of the Company's mechanisms for stakeholder outreach.

As part of this activity, the Board recognises the importance of active shareholder engagement to maintain an awareness of investor sentiment and priorities and to inform the Board's future decision making. In doing so, the Board ensures there exists a continued alignment of interest between the objectives of the Company and those of Shareholders.

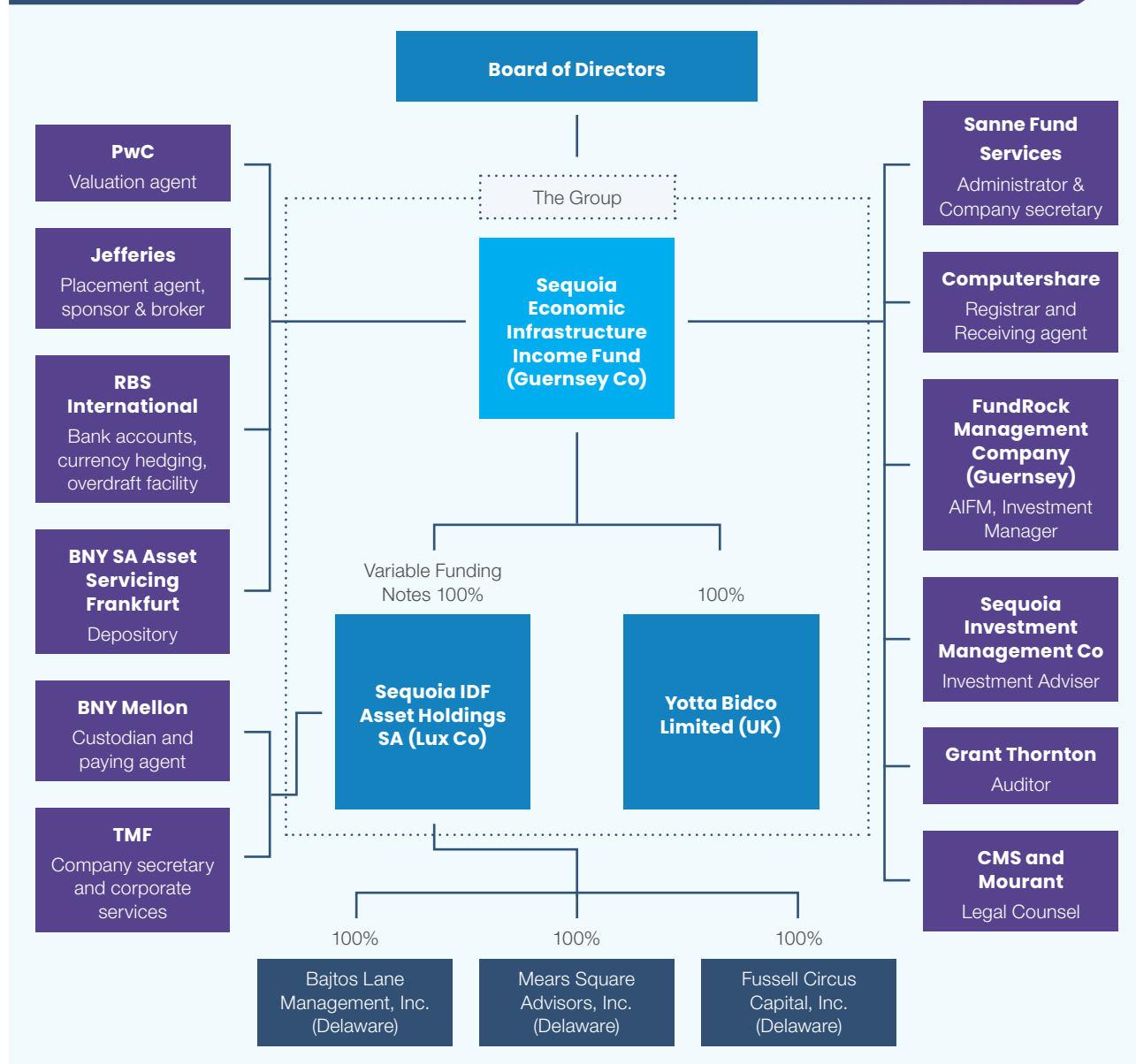
The Board, alongside the Investment Adviser and the Broker, maintains an ongoing programme of investor engagement, which includes investor and analyst presentations as well as regular announcements on material developments affecting the Company. The Chair, the Senior Independent Director, and individual Directors make themselves available to meet Shareholders to discuss any particular items of concern or to understand their views on governance and the performance of the Company. Feedback from these and other relevant channels of communication forms part of the Board's decision-making process when determining the future strategy of the Company and taking decisions which may impact Shareholders.

Shareholders are invited to attend and vote at all general meetings where significant decisions affecting the Company are taken, in particular the AGM, where Shareholders may discuss the activities of the Company, its governance and strategy, and raise any issues or concerns directly with the Board. Routine updates are also provided to Shareholders through the provision of monthly investment update factsheets and net asset value reports, annual and half-yearly financial statements, and regulatory news announcements, all of which, in addition to other relevant information concerning the Company, are made available on the Company's website.



Appendix I

Sequoia Economic Infrastructure Income Fund Limited – Structure (last updated 30 January 2024)



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www.seqi.fund