



BLACKFINCH

ENERGY

**Environmental, Social and
Governance Policy Document**

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Blackfinch mark of
Environmental, Social,
and Governance

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Introduction

At Blackfinch Energy, we recognise the vital role of Environmental, Social and Governance (ESG) factors in all of our investment activities. We are part of Blackfinch Group, an investment specialist focused on providing value to investors. We do this through investing in sectors and opportunities that generate real returns, while adhering to core ESG principles.

Our team works on behalf of investors, overseeing and operating a power generation company called Sedgwick Trading Ltd (Sedgwick). Sedgwick exists to generate electricity from low carbon sources of energy. In doing so, we can make an important contribution to the UK's stated energy policy. The UK's goal is to transition away from fossil fuel-based electricity generation in order to mitigate the long-term impacts of climate change.

In recent years, the UK's renewable energy sector has grown rapidly, as the Government has made low carbon energy one of its main priorities. The UK's legal obligation to generate 20% of its energy requirements from renewable sources by 2020 has driven this work. The UK has also recently cemented this commitment by setting a target of net-zero carbon emissions by 2050.

Sedgwick owns and operates (at the time of writing) 47 renewable energy installations across the UK. These have 49 megawatts (MW) of installed capacity, with the installations either operating or in development. All are based on ground-mount solar photovoltaics (PV), rooftop solar PV, and onshore wind. This ensures that all electricity generated is from sustainable energy sources.

What is ESG?

What is the official definition of ESG?

Over the last few years, ESG has started being used more to describe how well a business is managed than to explain how sustainable its product or service is. More recently, the mainstream press has been using 'ESG' as a catch-all term for investing with a 'responsible' or 'ethical' screen.

There are no official industry or regulatory standards for comparing these different approaches. However, with ESG now so important, some key definitions for certain factors have been accepted across the industry. We align to these.



Environmental



Investing with consideration for the environment. This includes working to reduce pollution and climate change, and to source sustainable raw materials using clean energy sources. The focus is on how a firm approaches environmental concerns, the ecological impact of its products and its carbon footprint.

Social



Investing with consideration for human rights, equality, diversity and data security. The focus is on how companies are incorporating these. It's also about looking to see if each is actively investing/working towards a healthier and higher quality of life for staff and stakeholders. We also consider whether companies expect the same set of standards and values from their suppliers.

Governance



Investing with consideration for positive employment practices, business ethics and diversity. The focus is on how a company builds its management structure and works with all its different stakeholders. How does it approach investor and employee relations? Does the board work with transparency, honesty and integrity? Does this filter down to the rest of the company?

ESG approaches in industry

Different asset managers offer investors different approaches. We know how important it is that an investor's beliefs and objectives are aligned with the firm they choose. Below is an overview of the main approaches today:

Ethical

Avoiding industries like tobacco, arms, gambling and pornography. More recently this has come to include other controversial industries such as fossil fuels and oil & gas.

Sustainable

Focusing on specific ESG challenges, e.g. reducing further climate change or using sustainable energy. It also involves focusing on companies that reflect ESG trends in their sector. These firms are growing as they can offer the sustainable materials, processes and products that customers want. The area also includes environmental technologies and renewables, along with health, education, cyber security and many others.

Impact

Targeting measurable environmental or social impact, e.g. carbon emissions. This is an extension of sustainable themes, where investors want to invest in firms that have a positive impact. We're starting to see this documented, including as part of contributions to the United Nations' Sustainable Development Goals. It has resulted in some very specific measurements.



Engagement

Engaging with shareholders to promote responsible business practices. This includes challenging investee companies to improve how they're run, or to take a more proactive approach. The focus is also on supporting a broad range of stakeholders, not just shareholders.

Responsible

This is a slightly broader version of specialist sustainable investing which is intended to also pick up important issues such as commitment to good governance, transparency and wider social benefits.

Stewardship

Having formal policies in place and holding companies to account. This is done by actively voting and challenging the board and management teams, to improve the way firms are run.

Our views on ESG

We're adamant that Sedgwick must deliver on its investment objectives, without a detrimental impact on society and the wider environment. ESG is not just a trend. We believe it's a key consideration for strong future business performance. Companies that strive to improve their ESG impact carry less reputational risk. In contrast, companies that don't attend to their ESG impact face a shrinking customer base.

In turn, we believe that investing in companies strongly aligned with ESG considerations can lead to superior returns. We know there's a strong correlation between companies which improve their sustainability performance and positive share-price performance.

Our beliefs on ESG investing are core to our process and integral to how we work. We apply them to any portfolio that we manage. We don't take a reductive approach, such as offering an

ESG range of portfolios and a non-ESG range of portfolios.

As mentioned, the definitions highlighted above are not static. We continue to see media outlets and marketing departments using terms differently. However, what's key is that people are analysing and using ESG aspects to help make better investment decisions. At Blackfinch Energy, the degree to which ESG influences our decisions is what's important.



Our ESG Approach and Governance

Blackfinch Group is a signatory to the Principles for Responsible Investment (PRI). PRI is a United Nations-supported international network of investors working together to implement six principles. These are often referred to as 'the Principles'.

As part of Blackfinch Group, Blackfinch Energy has adopted these same principles. Our ESG policy and governance is overseen and audited by Blackfinch Group. This is to ensure it's in keeping with the Group's wider ESG aims and objectives.

Principle 1: Blackfinch Energy incorporates ESG issues into investment analysis and decision-making processes.

Principle 2: Blackfinch Energy is an active owner and incorporates ESG issues into its ownership policies and practices.

Principle 3: Blackfinch Energy seeks appropriate disclosure on ESG issues from the entities in which it invests.

Principle 4: Blackfinch Energy promotes acceptance and implementation of ESG principles within the investment industry.

Principle 5: Blackfinch Energy works with wider Blackfinch Group companies to enhance overall effectiveness in implementing the Principles and to hold each other to account.

Principle 6: Blackfinch Energy will report on its activities and progress in implementing the Principles.

Blackfinch Energy has its own ESG Committee which is separate from the Blackfinch Group Investment Committee. Its role is to ensure adherence to the Blackfinch Energy ESG policy and to promote continual improvement. The Committee also reports into the Blackfinch Group ESG Committee. This oversees all ESG activities across the Group. It's responsible for awarding and monitoring the Blackfinch 'ESG Approved Status' across all products.

Our Ethical Investment Approach

Sedgwick's core investment mandate is to deliver Inheritance Tax (IHT) relief for investors. We work to ensure that Sedgwick's trading activity is in keeping with qualifications for Business Relief, which can deliver IHT relief. We do this while working to maximise capital preservation and deliver a return (net of fees) in line with or above inflation.

Our investment team carries out a thorough analysis of each new potential investment. This is in order to assess it against this mandate, along with our core investment criteria.

Negative Screening:

We use this to ensure our focus on sustainable energy generation projects based on mature and proven technologies. We screen out the following:

- Projects which rely on fossil fuels e.g. a coal-fired power station
- Projects which are using new and unproven technologies

Positive Screening:

Technology

We consider sustainable energy generation projects based on the following technologies:

- Onshore wind
- Solar PV (rooftop and ground mount)
- Hydro (converting energy from water into electricity)
- Demand-side management schemes (helping customers switch to renewable energy sources)
- Energy efficiency
- Heat
- Battery storage/hybrid battery opportunities combined with the above technologies

**Asset based**

We invest in companies which own real assets (physical assets with intrinsic worth) or infrastructure.

The Market

We invest in projects located within mainland UK and Northern Ireland.

Proven Technology

We invest in technologies where suppliers are industry leaders with strong track records. They need to have long-term operations and maintenance contracts with suppliers that are also industry leaders.

Developers

We look to invest where projects are led by experienced developers with a track record of success.

Development Phase

We invest at different stages, from planning and construction to fully operational sites.

Investment size

Our investments range from £5m up to £30m.

Return satisfaction

A project's risk, reward and impact profile must adhere to our ESG policy and the wider company investment mandate.

Sustainability and impact benefit

The project must be sustainable, contribute to a cleaner energy system and have the potential to deliver wider financial, environmental and social returns.

Structure

We normally consider investments which are 100% wholly owned.

Policy

Blackfinch Energy ESG Investment Policy

We adhere to the following principles:

We invest with a central focus on ESG considerations. Our goal is to generate strong and consistent returns by investing in opportunities that promote and support low carbon and sustainable sources of energy. This is in keeping with the wider Blackfinch Group aim to support investment themes which promote and uphold strong ESG principles.

We uphold our duty of care on ESG investing as stewards of capital. We are passionate about delivering on our investment objectives while reflecting our responsible investment values. As stewards of capital, we believe we have a duty of care in allocating investment. This is to encourage all companies we interact with and invest in to continually improve and enhance their ESG-related work.

We use the United Nations Sustainable Development Goals as part of investment criteria: These goals are being adopted around the world as guidelines for ESG investing. We seek investment opportunities aligned with these goals. They include, as examples: good health and wellbeing, sustainable cities and communities, and responsible consumption and production. To see the full list of goals, please visit: <https://sdgs.un.org/goals>.

We take a forward-looking approach to investment selection using positive screening: We adopt a qualitative and quantitative approach to ESG and positive screening is key. Where two investments are offering the same or a similar level of return, we take into account and prioritise the one offering the highest ESG gains.

We're committed to transparency on ESG and reflect this in our investment approach: As stewards of capital we believe we should be clear about what we will and won't invest in. We look to be transparent in all of our dealings with and communications to investors. As part of that we're open to challenge on any of the investments held in our portfolio. This helps to ensure that they remain in keeping with our investment mandate as well as this policy.



ESG Investment Process

We use a combination of positive and negative screening. This helps to ensure that the investments we select are aligned with Sedgwick's investment mandate, and the details of this policy.

We use qualitative and quantitative approaches as part of our rigorous investment appraisal process. We seek to set and attain the highest standards in all aspects of activity. This ranges from sourcing, appraising and structuring new investment opportunities, to ongoing management and oversight.

Sedgwick has a diverse and complex energy portfolio. We're focused on ensuring that:

- All investments comply with their stringent environmental and planning obligations
- Teams engage with and maintain good relations with landowners and the community
- Investments operate to the highest standards of health and safety policies and procedures

Our overall aim is to ensure that the generating stations are safe; that they're maintained in line with good industry standards; and to maximise their energy generation potential over their life.

We rely on a number of key supplier relationships in order to oversee and manage the portfolio. We inherit many of these relationships when we acquire projects. For example, the assets tend to come with long-term operations and maintenance contractors with leading suppliers already in place.

However, we're committed to ensuring that ESG considerations are taken into account when choosing or renewing preferred supplier relationships. We will select suppliers whose ESG approaches/policies lead their industries.

Blackfinch Energy has developed a proprietary risk analysis tool which is used to assess individual project risk, but also overall weighted portfolio risk. The risk assessment is undertaken on a variety of measures which includes quality and stability of earnings, as well as environmental and sustainability matters. The purpose of the tool is to ensure that all new projects are within accepted risk appetite and that the overall weight adjusted portfolio risk remains within an accepted portfolio risk range.





Important Information: Capital at Risk. Blackfinch Investments Limited is authorised and regulated by the Financial Conduct Authority. Registered address: 1350-1360 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH. Registered Company in England & Wales under No. 11639647.