Environmental or Social Characteristics of the Financial Product

1. Summary

Bluefield Solar Income Fund Limited (the "Company") promotes environmental or social characteristics in line with Article 8 of the Sustainable Finance Disclosure Regulation (SFDR). The environmental characteristics promoted by the Company are to reduce reliance on fossil fuels and facilitate the UK transition to renewable and sustainable methods of energy generation. The Company considers that its investments substantially contribute to the environmental objective of Climate Change Mitigation.

The Company owns a large, diversified portfolio of operational solar energy assets, alongside a minority exposure to other renewable energy assets and energy storage assets. The Company evidences its environmental characteristics through 3 KPIs: amount of renewable energy generated; tonnes of CO2e saved; and equivalent number of homes powered. Formal automated systems are in place to obtain generation data from the assets on site and facilitate reporting.

Bluefield Partners LLP (the "Investment Adviser") implements the investment strategy on behalf of the Company and has developed a rigorous approach to investment selection, appraisal, and commitment. All investments are subject to a robust internal approval process prior to issuing investment decisions. The Company's Board of Directors must approve all investment recommendations (including investment and divestment). As an FCA regulated entity, the Company's Investment Adviser evidences the highest standards of professional conduct.

As a renewable energy infrastructure fund, the Company has an intrinsic environmental focus. The Company recognises that management of material ESG issues (both risks and opportunities) is essential to the achievement of long-term, sustainable returns. Sustainability risks are integrated into the Company's investment process through a combination of negative screening, investment screening and due diligence. In 2022 a comprehensive due diligence questionnaire was created to identify material ESG risks and opportunities and identify any data gaps associated with the asset which the Company may need to fill in order to comply with its ESG reporting requirements.

The Company has identified its material ESG topics via a materiality assessment and these form the basis from which an ESG strategy has been developed, including associated ESG commitments and KPIs. The Company is working with its Investment Adviser to implement systems to facilitate the collection, analysis, and monitoring of ESG data to evidence performance across the portfolio.

From 1 January 2023, the Company will take into consideration the Principal Adverse Impacts (PAIs) of its investment decisions on sustainability factors. The SFDR prescribes 14 PAI indicators that the Company should consider in order to measure ESG progress and performance. For each of these indicators, the Company has undertaken an assessment to identify which of these relate to the activities of the fund and excluded those which do not. Relevant PAIs have been integrated into the Company's investment due diligence process and overarching ESG strategy, and are reflected in associated commitments and KPIs.

The Company's portfolio is 100% aligned with the EU Taxonomy. To ascertain alignment with the Taxonomy Regulation, an assessment was undertaken with an independent ESG consultant (the "Consultant"). Detailed questionnaires were used to screen each economic activity against the technical screening and Do No Significant Harm (DNSH) criteria. A suite of evidence was collated from the Company's Bluefield service providers, including planning documents, policies, and contracts. Scores from each part of the assessment were used to determine an overall alignment score for the portfolio. A limitation of the assessment was that one asset was analysed in-depth per economic activity type. However, relevant documentation applicable to the wider portfolio was also considered, to ensure the information reviewed was as representative as possible.

Human and labour rights remain key priorities, and the Company is committed to constant vigilance, implementation and continual improvement in policy and practice, to combat modern slavery and human trafficking in its supply chain. The Investment Adviser carries out appropriate due diligence and compliance checks on key contractors and other counterparties to help mitigate risks, including in

relation to human and labour rights, anti-money laundering, antibribery, and anti-corruption. Over the coming months, the Company will ensure its assets are covered by a Human Rights Policy, which will be aligned with the principles of the United Nations Global Compact (UNGC) and OECD Guidelines.

2. No Sustainable Investment Objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment. However, the Company considers that its investments substantially contribute to the environmental objective of Climate Change Mitigation and its portfolio has been assessed as having 100% sustainable investments.

Consideration of adverse impact indicators

From 1 January 2023, the Company will take into consideration the principal adverse impacts (PAIs) of its investment decisions on sustainability factors. The SFDR prescribes 14 mandatory PAI indicators that financial market participants must consider in order to measure their ESG progress and performance. For each of these indicators, the Company has undertaken an assessment to identify which of these relate to the activities of the fund and excluded those which do not. In line with the Company's ESG strategy, an additional two PAI indicators have been selected to report against:

- Lack of a human rights policy: Share of the Company's AUM whose operations operate without a human rights policy.
- Natural species and protected areas: Share of the Company's AUM whose operations affect threatened species; Share of the Company's AUM which operate without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside of protected areas.

Sustainability considerations have already been integrated into the Company's investment process (please refer to the Company's Article 23 disclosure and Sustainable Investment Policy for a full breakdown) and PAI indicators are included within the Company's investment ESG due diligence questionnaire. PAI indicators were also a key consideration during the development of the Company's ESG strategy and are reflected within associated commitments and KPIs (a full breakdown of which is included within the Company's 2022 Annual Accounts). Integration of the Company's ESG strategy into portfolio-related activities will enable the monitoring of PAIs across the asset lifecycle.

The Company is currently undertaking an analysis of its portfolio of assets to understand their PAIs on sustainability factors, by reference to the relevant sustainability indicators set out in the SFDR regulatory technical standards (RTS). The Company will disclose the results of this assessment on its website once this assessment has been completed.

Consideration of social safeguards

The Company recognises the importance of fair treatment of those involved in the delivery of its infrastructure projects along the supply chain and is committed to constant vigilance and implementation of policy and practice, to combat modern slavery and human trafficking. The Company has zero tolerance for any form of human rights abuse, as reflected in the Company's Modern Slavery Statement, which is available on its website.

Human and labour rights are key priorities for the Company, particularly in relation to materials sourcing and supply chain management. The Investment Adviser carries out appropriate due diligence and compliance checks on key contractors and other counterparties to help mitigate risks, including in relation to human and labour rights, anti-money laundering, anti-bribery, and anti-corruption. Ongoing management of these assets, and future construction projects, conform to required industry standards and in collaboration with business partners who manage the assets, the Company seeks to identify areas for improvement.

To mitigate these risks as far as possible, and to help ensure that it benefits from ethical supply chains, the Company is committed to building robust management and due diligence practices, aligned with global frameworks. Over the coming months, the Company will ensure its assets are covered by a Human Rights Policy, which will be aligned with the principles of the United Nations Global Compact (UNGC) and OECD Guidelines.

Whilst the Company is taking steps to strengthen its own approach to human rights due diligence, it is also supporting industry initiatives in this area. Representatives of the Investment Adviser are part of the Solar Energy UK Supply Chain Taskforce, which is an industry initiative that aims to improve transparency and sustainability within the PV supply chain. Financial support has also been committed – the Investment Adviser is one of only a few UK solar power organisations to do so.

3. Environmental or Social Characteristics of the Company

As a renewable energy infrastructure fund, the Company has an intrinsic sustainability focus. The environmental characteristics promoted by the Company are to reduce reliance on fossil fuels and facilitate the UK transition to renewable and sustainable methods of energy generation. The Company also places great importance on enhancing biodiversity across its portfolio as an additional way to mitigation climate change beyond the production of renewable energy. In recognition of its positive environmental impact, the Company has been awarded the following accreditations:

- Guernsey Green Fund
- London Stock Exchange Group (LSEG) Green Economy Mark
- The International Stock Exchange (TISE) Sustainable

The Company recognises that the management of material ESG issues (both risks and opportunities) is essential to the achievement of long-term, sustainable returns. As such, the Company is taking an informed approach to the identification, management, and monitoring of ESG issues, with the intention of enhancing its positive impacts and reducing negative ones. The Company has identified its material ESG topics via a materiality assessment and these form the basis from which an ESG strategy has been developed, including associated ESG commitments and KPIs.

4. Investment Strategy

Investment strategy used to meet the promoted environmental or social characteristics

The Company owns a large, diversified portfolio of operational solar energy assets, each located within the UK, with a focus on utility scale assets and portfolios on greenfield, industrial and/or commercial sites. The Company will continue to be, primarily, invested in long life UK solar energy infrastructure alongside a minority exposure to other renewable energy assets and energy storage assets. The Company's portfolio is expected to generate returns over a 25 year, or greater, asset life.

The Investment Adviser implements the Company's investment strategy and has developed a rigorous approach to investment selection, appraisal and commitment. All investments are then subject to a robust internal approval process prior to issuing investment decisions. All investment recommendations by the Investment Adviser (including investment and divestment recommendations) are subject to review and approval by the Company's experienced Board of Directors.

The policy to assess good governance practices of investee companies

The Company takes a rigorous approach to its own governance and there are sound management structures in place, which allow for effective decision making. The Company's approach to responsible investment, which has been recently enhanced, facilitates the identification of ESG risks and opportunities, which are then considered as part of investment decisions. Integration of ESG issues into policies, procedures, and processes is ongoing, and the Company will develop a range of related policies over the coming year to support its responsible approach. These policies, procedures, and processes will strengthen the Company's requirements for its suppliers and contractors, and enhance due diligence processes.

The Company has always taken a comprehensive and transparent approach to financial reporting. Over time, through its ESG strategy, commitments and KPIs, the Company intends to take a similarly transparent approach to its ESG disclosures.

Health & Safety is of the highest importance to both the Company and its Bluefield service providers. Every asset owning SPV holds Health & Safety policies, standards, and process requirements, with which all contractors must comply.

As an FCA-regulated entity, the Company's Investment Adviser evidences the highest standards of professional conduct. Key policies, including in relation to anti-bribery, anti-corruption and anti-money laundering, conflicts of interest and compliance are in place. For the other Bluefield companies which service the portfolio, governance is evidenced through a suite of policies, including in relation to anti-bribery, anti-corruption, data protection, conflicts of interest and whistleblowing.

5. Proportion of Investments

The Company considers that all of its investments in renewable energy infrastructure support the Company's enviromental characteristics of reducing reliance on fossil fuels and facilitating the UK transition to renewable and sustainable methods of energy generation.

To assess the alignment of the Company's economic activities with the EU Taxonomy criteria, an assessment was performed by the Consultant. The economic activities included within the assessment were:

- Electricity generation using solar photovoltaic technology
- Electricity generation from wind power
- Installation, maintenance and repair of renewable energy technologies

The results of the assessment concluded that 100% of the portfolio is taxonomy-aligned.

The economic activity of 'Storage of electricity' was excluded from this assessment as the only constructed battery projects currently within the portfolio are offline and not in use (and, if operational, would not represent a material proportion of revenues). The Company commits to undertaking an assessment of this economic activity once such assets have become operational. This assessment will therefore form part of the Company's future pipeline of work.

As at 21 December 2022, approximately 9.8% of the Company's portfolio by capacity is in enabling activities (based on operational and controlled pipeline capacity).

As at 30th September 2022, the Company's NAV was £884.0 million.

6. Monitoring of Environmental or Social Characteristics

The Company has developed an informed sustainability strategy based on the ESG topics that are most material to its activities. As part of this a robust set of sustainability indicators have been created, which measure the environmental and/or social characteristics that the Company promotes. The Company's sustainability strategy has been developed by reference to a range of ESG frameworks and regulatory requirements. The Company will monitor its ESG performance through its commitments and KPIs, which will be reviewed annually. The integration of the Company's ESG strategy into portfolio-related activities will enable sustainability indicators to be monitored across the asset lifecycle.

Sustainability risks are integrated into the Company's investment process through a combination of negative screening, investment screening and due diligence. In 2022, a comprehensive due diligence questionnaire was created to identify material ESG risks and opportunities and identify any data gaps associated with the asset which the Company may need to fill in order to comply with its ESG reporting requirements. In addition to an exclusionary list, the questionnaire includes questions relating to material environmental, social and governance risks and opportunities, developed in line with the Sustainability Accounting Standards Board (SASB) standards. The questionnaire also captures sustainability indicators derived from the SFDR framework, including in relation to Principal Adverse Indicators (PAIs) and climate screening, and the EU Taxonomy criteria for environmentally sustainable economic activities. The Company's Investment Adviser is a signatory to the Principles for Responsible Investment (PRI).

The Company is aware that robust data will be needed to evidence its ESG performance, and it is working with its Investment Adviser to implement systems to facilitate the collection, analysis, and monitoring of ESG data across the portfolio.

7. Methodologies

Renewable Energy Generation

The Company substantially contributes to climate change mitigation through its generation of renewable energy. This is communicated through the following KPIs:

- Amount of renewable energy generated;
- Tonnes of CO_2e saved; and
- Equivalent number of homes powered.

Bluefield Services Limited (the "Asset Manager") has in place formal automated systems to obtain generation data from the assets on site and facilitate reporting. 'CO_2e savings' are calculated using generation data and the appropriate greenhouse gas conversion factor from the UK Government. 'Equivalent number of homes powered' is calculated using UK Office of Gas and Electricity Markets' (Ofgem) Typical Domestic Consumption Values for a medium-sized household.

EU Taxonomy Assessment

The Company has engaged the Consultant to undertake a review to determine the portfolio's alignment to the EU Taxonomy. The assessment was conducted in four parts in order to follow the EU Taxonomy Regulation:

- Assess the Company's economic activities eligibility under the EU Taxonomy Regulation.
- Review of the Company's economic activities against the technical screening criteria (TSC) to determine whether they make a substantial contribution to the environmental objectives of climate change adaptation and climate change mitigation.
- A Do No Significant Harm (DNSH) assessment was carried out to confirm that the Company's activities do no significant harm to the environmental objectives considered under the EU Taxonomy. It is noted that the DNSH assessment was conducted based on the specific TSC defined and specific to the economic activity.
- Review of the Company's procedures to ensure minimum social safeguards, as well as compliance with the regulatory framework in which each economic activity operates.

It is noted that the Company's financial information (absolute and percentual) was also included in relation to each of the above-mentioned criteria, namely, total turnover, the proportion of their capital expenditure (CapEx) and the proportion of their operating expenditure (OpEx) related to each economy activity.

The proportion of turnover referred to in Article 8(2)(a) of EU Taxonomy Regulation was calculated as the share of net turnover derived from products or services, including intangibles, associated with economic activities that comply with the taxonomy (numerator), divided by net turnover (denominator) as defined in Article 2(5) of Directive 2013/34/EU. Turnover shall include revenue recognised in accordance with International Accounting Standard (IAS) 1, paragraph 82(a), adopted by Commission Regulation (EC) No. 1126/2008.

The proportion of Capex referred to in Article 8(2)(b) of EU Taxonomy Regulation was calculated as the numerator divided by the denominator; the denominator being the additions to tangible and intangible assets during the relevant financial year before depreciation, amortisation, and any new valuations, including those resulting from revaluations and impairments, for the relevant financial year, excluding changes in fair value. The denominator will also include additions to tangible and intangible assets resulting from business combinations.

The Opex ratio referred to in Article 8(2)(b) of EU Taxonomy Regulation was calculated as the numerator divided by the denominator, including the latter to direct non-capitalised costs related to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct expenses related to the daily maintenance of property, plant and equipment by the company or a third party to whom activities are outsourced and which are necessary to ensure the continued effective operation of such assets.

The calculation of the % of alignment varies significantly with respect to the calculation of the % of eligibility. In this case, the % is calculated individually per activity, with the denominator being the eligible amount (the numerator in the eligibility calculation), while the numerator will be the aggregate amount of the different economic activities that are considered as aligned within the EU Taxonomy Regulation.

Initial project stage considered the Company's main business activities and economic activities. For such, detailed questionnaires were created by the Consultant to screen each economic activity against the TSC and DNSH criteria. Scores from each part of the assessment were used to determine an overall alignment score for the Company's portfolio.

The assessment was conducted in relation to the 2022 calendar year and included the following economic activities:

- Electricity generation using solar photovoltaic technology
- Electricity generation from wind power
- Installation, maintenance, and repair of renewable energy technologies

The economic activity of 'Storage of electricity' was excluded from this assessment as the only constructed battery projects currently within the portfolio are offline and not in use (and, if operational, would not represent a material proportion of revenues). This economic activity will therefore form part of the Company's future pipeline of work.

A representative asset of each economic activity type was selected as a 'case study' for the assessment, to allow for an in-depth analysis and asset-specific evidence to be reviewed. In addition, to ensure that the information provided was as representative as possible, relevant documentation applicable to the wider portfolio was also considered. The results of the assessment were provided as a report from the Consultant.

Principle Adverse Impact (PAI) Assessment

The SFDR prescribes 14 PAI indicators that the Company should consider in order to measure ESG progress and performance. For each of these indicators, the Company, using the Consultant, has undertaken an assessment to identify which of these relates to the activities of the portfolio. An additional two PAI indicators were also identified for the Company to report against.

PAI indicators are included within the Company's investment ESG due diligence questionnaire and were a key consideration during the development of the Company's ESG strategy. As a result, PAI indicators are reflected within associated commitments and KPIs (a full breakdown of which is included within the Company's 2022 Annual Accounts). Integration of the Company's ESG strategy into portfolio-related activities will enable the monitoring of PAIs across the asset lifecycle.

8. Data Sources and Processing

Renewable Energy Generation

Generation data is obtained directly from the Company's portfolio of renewable assets via formal automated systems and processed by the Asset Manager's monitoring team. The data is centrally stored and reviewed, with weekly data quality checks and continual validation. Data is processed through a combination of automated and manual processes.

EU Taxonomy Assessment

For each economic activity, evidence in the form of policies, planning documents, environmental assessment reports, management manuals, suppliers and EPC contracts, certificates, assessments and other relevant documentation were obtained from the relevant service providers which manage the Company's portfolio. Original copies of the documentation were provided for the Consultant's review, specifically addressing the TSC defined per each economic activity.

Interviews with the Company's representatives were held to clarify the data provided and criteria used under the documentation disclosure to ensure consistency in the criteria adopted for reporting the indicators, the treatment of intra-group operations and the breakdown of the indicators by economic activity and under other disclosure regulations. The information and data consolidation process were subject to analysis and control by the Consultant and by the business units in charge of reporting, coordinated by the Company's representatives.

The Consultant has no financial interest in the Company's EU Taxonomy assessment and no conflict of interest has arisen with the Consultant conducting the review.

Principle Adverse Impact (PAI) Assessment

The Company is currently undertaking an analysis of its portfolio of assets to understand their PAIs on sustainability factors, by reference to the relevant sustainability indicators set out in the RTS. To achieve this, data collection templates have been created and distributed to the relevant service providers for the 2022 calendar year. As 2022 will be the first reference period for which the Company will report against the PAI indicators, it is likely that a proportion of the data may need to be estimated.

The Company will disclose the results of its PAI assessment on its website before the deadline of the 30th June 2022.

9. Limitations to Methodologies and Data

EU Taxonomy Assessment

The main limitation of the assessment was that in-depth analysis per economic activity class was not conducted per activity asset. However, as described, relevant documentation applicable to the wider portfolio was considered. For upcoming years, the Company commits to continuing this assessment as appropriate to ensure ongoing compliance with the EU Taxonomy regulation.

Principle Adverse Impact (PAI) Assessment

As described, as this is the first time the Company has had to report against the PAI indicators, and given the large number of assets within its portfolio, availability of data may be challenging and therefore a proportion of data may need to be estimated. From 2023 onwards, the Company is seeking ways to implement systems to facilitate data collection and analysis, which will help to improve the accuracy of PAI reporting over time.

10. Due Diligence

The Company's approach to ESG due diligence is focused on the integration of sustainability risks into its investment process, through the following methods (please refer to the Company's Sustainable Investment Policy for a full overview):

- Negative screening – with checks made against the Company's investment policy and exclusionary list (included as part of its ESG due diligence questionnaire). Integration of processes for ensuring compliance with social and governance safeguards is in progress, in particular around respect for human rights, labour rights, anti-bribery, anti-corruption, and sanctions;

- Investment screening – the Company invests primarily in long-life UK solar energy infrastructure alongside a minority exposure of 25% of the Company's gross asset value (calculated at the time of investment) to other renewable energy assets (including non-subsidised assets) and energy storage assets;

- Due diligence – a comprehensive due diligence questionnaire has been created to identify material ESG risks and opportunities and understand any data gaps associated with the asset which the Company may need to fill in order to comply with its ESG reporting requirements. In addition to an exclusionary list, the questionnaire includes questions relating to material environmental, social and governance risks and opportunities, developed in line with SASB standards. Requirements of the SFDR, including in relation to Principal Adverse Indicators (PAIs) and climate screening, and the TR's Do No Significant Harm (DNSH) criteria, are also captured. Where required, the Company may outsource ESG due diligence to a competent third party;

- Vetting and monitoring – undertaking legal checks on key counterparties to ensure that they are reputable, particularly as regards anti-money laundering, anti-bribery and anti-corruption, and sanctions breaches. Diligence is undertaken on O&M contractors associated with target assets, including in relation to labour practices and Health & Safety. Integration of ESG into vetting and monitoring of third-party service providers is ongoing and in 2021 a comprehensive ESG due diligence process was created in association with engineering, procurement and construction ("EPC") site contractors;

- Investment approval – approval of acquisition of renewable energy assets by the Board, with a dedicated ESG section within the submitted investment committee papers highlighting any material risks or opportunities identified as part of ESG due diligence;

- Management and reporting – active management of sustainability issues over the operational lifespan of the assets, including implementation of the Company's ESG strategy, with ESG performance evidenced to stakeholders via progress against publicly disclosed commitments and KPIs; and

- End of investment life – where solar PV assets are held to the end of useful life and are decommissioned, best practice will be followed in the recycling of those assets in line with industry standards at the time of decommissioning, recognising their long-life span.

Sustainability risk factors are being integrated into the Company's investment decisions and thus can influence the types of assets in which the Company may invest. In particular, sustainability risks to which the Company is exposed may, if they manifest and are not mitigated, cause a negative impact on the value of the Company's investments.

11. Engagement Policies

Given that the Company invests in infrastructure assets and not in investee companies, engagement and investor stewardship do not form part of its ESG investment strategy.

To communicate its ESG expectations and to support delivery of its ESG strategy, the Company will adopt a suite of policies at SPV level, including a Sustainable Procurement Policy, a Waste Management Policy, and a Supplier Code of Conduct. Commitments within these policies will be enacted through the activities of the Company's delivery partners, including suppliers and contractors, helping drive ethical practices across the Company's operations and supply chain.

12. Designated Reference Benchmark

Not applicable.