Green Investment Principles

October 2020

Green Investment Group's ("GIG") Green Investment Principles set a benchmark for determining, assessing and managing the green impact of all investment transactions, as an integral part of our investment process.

Principle 1	Positive contribution to a recognised green purpose
Principle 2	Reduction of global greenhouse gas emissions
Principle 3	Enduring green impact
Principle 4	Clear and firm investment criteria
Principle 5	Robust green impact evaluation
Principle 6	Effective covenants, monitoring and engagement
Principle 7	Transparent reporting

Our mission and purpose

Our mission is to accelerate the green transition.

We do this by investing directly into green projects, industries and businesses, and also by advising and supporting other investors who seek to do the same.

Our Green Investment Principles

To fulfil our mission will require a major collective effort, and our greatest contribution will come from the effect that we can have on the wider investment community.

We can act as a catalyst in the investment markets: to "crowd-in" other investors' money by demonstrating how commercial returns can be made from financing greener infrastructure and projects.

But we can also be a catalyst in another way, by demonstrating that these returns can be achieved at the same time as following robustly "green" investment principles to secure the long-term green impact of our investments.

Every project we support, and every investment we make, has to satisfy these investment principles. And, by investing alongside us, other banks and investors are demonstrating support for the same principles.

We are committed to working in an open and transparent way, so that others – whether they are co-investors or not – can see the methods and approach that we apply. Our ambition is that, by publishing these investment principles, we will help to create momentum in a co-ordinated effort to build a greener global economy and, over time, to set a benchmark for the wider investor community.

Source and status

Our Green Investment Principles are inherited from our predecessor organisation, the UK Green Investment Bank (GIB), and draw from the aspirations underlying the role originally given to the GIB by the UK Government as the UK's designated "Green Investment Bank".

They also reflect the fundamental objectives set by our constitutional documents, under which we are legally required to invest in and support only green businesses, industries or projects.

The Green Investment Principles are expressed in non-technical terms and do not represent a statutory code or create any rights in, or liability to, any person, public or private.

Scope

Green Investment Principles 1 and 2 (together, GIG's "Green Objective") apply to all GIG's business in making, supporting, facilitating, engaging in and encouraging investments, lending and related activities.

All of the Green Investment Principles apply to all forms of loans and investment by GIG.

The Green Investment Principles

Principle 1: Positive contribution to a recognised green purpose

We will only undertake activities that we are satisfied will result in (or are reasonably likely to result in) a positive contribution to one or more of our recognised green purposes.

Our green purposes are:

1. The reduction of greenhouse gas emissions;
2. The advancement of efficiency in the use of natural resources;
3. The protection or enhancement of the natural environment;
4. The protection or enhancement of biodiversity;
5. The promotion of environmental sustainability.

Our Green Investment Policy details how we interpret these "green purposes" and how we assess the contribution that any loan or investment may make towards those purposes.

Principle 2: Reduction of global greenhouse gas emissions

We are committed to ensuring that the effect of all our loans, investments and activities, taken together, will (or is reasonably likely to) contribute to the reduction of greenhouse gas emissions globally.

When assessing any particular loan, investment or activity, we will consider its impact on our ability to meet this wider objective. We will audit our progress every year, by assessing the aggregate effect of all our loans, investments and activities in that financial year, taken together with the effect of all such activities in all our previous financial years.

This principle recognises that some projects will have a greater impact than others. Progress to a lower carbon economy will not be direct or linear, but is likely to involve a number of incremental steps that, taken together, will contribute to fulfilling our larger mission.

Principle 3: Enduring green impact

We aim for our green loans and investments to deliver safe and attractive returns, and so we will manage risk based on principles of sound finance and responsible investment, in order to preserve and build our capital base as an institution which can have an enduring green impact.

We are committed to addressing the serious challenge of meeting the ever growing demands on the planet's natural resources while also building a strong and sustainable legacy for future generations.

But we will only be able to do this if we remain in operation as an enduring institution, built on the principles of sound finance and responsible investment. We will therefore aim to build up a track record of green investments that not only have a significant green impact but can also offer safe and attractive investment returns. This will be the only way to encourage commercial investors to join us in providing the multi-billion sums of capital required to finance the necessary infrastructure and projects – and to promote the transition to a greener economy.

Principle 4: Clear and firm investment criteria

We will be clear and firm about the green standards we expect. We will identify the legal standards and other relevant green attributes that we will always consider when assessing whether any particular investment is likely to have a positive green impact.

Our evaluation criteria for assessing compliance with these standards are set out in detail in our Green Investment Policy. While it may be satisfactory if a particular project can meet the requirements and standards set by law, our preference is to invest in projects that can demonstrate higher overall standards of green impact performance, a greater likelihood of achieving those standards, and the best alignment with our other investment principles.

Principle 5: Robust green impact evaluation

Before investing or otherwise participating in a transaction, we will carefully consider the likely green impact of all prospective investments, based on a robust and transparent evaluation approach and process.

Our evaluation process will be based on the following principles:

- *Consistency:* To apply consistent evaluation methods and procedures across all investments.
- *Proportionality:* To take a proportionate approach, focusing on those components of green impact that are material to the outcome.
- *Completeness:* To assess all relevant information, including the likely green impact of an investment over its lifetime.
- *Transparency:* To require clear information to be provided to us so that a robust evaluation can be made.
- *Accuracy:* To rely, so far as practicable, on accurate information which avoids bias and reduces uncertainty, but acknowledging that precise measurement is often not possible.
- *Prudence:* To use realistic assumptions and values and appropriate procedures, whilst being aware of the risks of optimism bias in the investment process.

Principle 6: Effective covenants, monitoring and engagement

We will seek to impose clearly documented requirements for securing the green impacts expected from each of our loans and investments, and we will monitor those impacts on a continuing basis over the life of that loan or investment.

The nature and extent of monitoring will depend on the characteristics of the investment (including its sector and size), as detailed in the relevant industry sector in our Green Investment Policy.

Monitoring will be based on regular reports from the recipient of funding in accordance with the requirements imposed within the relevant financing documentation. Our requirements will be primarily designed to enable us to engage with the borrower and other relevant parties, so that we can confirm whether the loan or investment is delivering its projected green impact. This will be supplemented by site visits, or by independent assurance or verification, together with third-party sources of information as appropriate.

Where a company has not complied with its covenants, we will work with that company to bring it back into compliance to the extent feasible. If it fails to re-establish compliance within an agreed grace period, we reserve the right to exercise remedies, as we may consider appropriate.

Principle 7: Transparent reporting

We will report at least annually on the implementation of our Green Investment Principles.

This will include reporting on: (a) the contribution which we consider our portfolio of investments is likely to be making to a quantified reduction in greenhouse gas emissions; (b) other metrics as are appropriate to communicate the green impact of our investments; and (c) a qualitative description of green impacts. Reported data will be subject to independent assurance, where appropriate.

We intend to build our reporting arrangements in close consultation with stakeholders. We will also report results transparently, but taking into account client confidentiality considerations.

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