This Green Investment Policy is designed to ensure that the activities of the Green Investment Bank and its subsidiaries from time to time (“the Group”) are in line with its Green Investment Principles.

Operation
The operation and implementation of this policy is supported by the Group’s Green Impact Reporting Criteria which describe in more detail the methodology and approach we take to quantifying various dimensions of the green impact of our investments.

Scope
This Green Investment Policy will apply to all forms of investment by the Group.

Evolution
Many of the potential green benefits of any given loan or investment are not susceptible to exact and certain measurement. They can only be estimated using the best available scientific and technical approaches, all of which continue to evolve and necessarily require the application of reasonable interpretation and professional judgment. We therefore expect to continue to develop this policy, to reflect not only our experience in practice but also changes in market opportunities, evaluation methodologies, scientific knowledge and technological approaches.

Review
This Green Investment Policy will be reviewed at least annually.

Principle 1: Positive contribution to a recognised green purpose
We will make, arrange or facilitate a loan or investment only if we are satisfied that it will make, (or is reasonably likely to make), a positive contribution to one or more of our recognised green purposes.

It is our policy that every loan and investment must comply with this principle.

1.1 Our Green Purposes
We will only make or facilitate a loan or investment if we consider that it will, or is reasonably likely to, accelerate, advance or result in the completion, deployment, development, emergence, establishment or expansion of any business, enterprise, market, industry, infrastructure, project or technology which we consider will, or is reasonably likely to, contribute to any one or more of five green purposes, namely:

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.

The positive impact of any loan or investment activity which is considered by us to make (or be reasonably likely to make) a contribution to achieving one or more of these purposes is referred to in this policy as green impact.

1.2 How we apply this policy
In considering whether or not any loan or investment will have a sufficiently positive green impact, we will:
• consider the extent to which the loan or investment appears likely to have each of the relevant attributes described in Section 4 (Clear and firm investment criteria); and
• apply the principles of evaluation set out in Section 5 (Robust green impact evaluation).

Principle 2: Reduction of global greenhouse gas emissions
We are committed to ensuring that the effect of all our loans and investments and third party loans and investments arranged or facilitated by us, taken together, will (or are reasonably likely to) contribute to the reduction of greenhouse gas emissions.

It is our policy that the effect of our investment portfolio, when aggregated, will comply with this principle.

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1 See www.greeninvestmentgroup.com/green-impact/
2 See www.greeninvestmentgroup.com/corporate-governance/governance-documents/policies
3 In this policy, “greenhouse gas” has the meaning given by Article 1 of the 1992 United Nations Framework Convention on Climate Change.
2.1 How we apply this policy
In considering whether or not our portfolio of loans and investments complies with this policy, we will:

- consider, when assessing the potential green impact of any potential loan or investment to be made in any financial year, the extent to which the effect of that loan or investment (when aggregated with the effects of our investment portfolio) will, or is reasonably likely to, contribute to the reduction of greenhouse gas emissions globally; and
- decline to participate in that loan or investment if it would result in our failing to meet the policy described in 2.1 above.

Principle 3: Enduring Green Impact
We will deploy our capital and manage risk based on principles of sound finance and responsible investment to preserve our position as an institution that can deliver enduring green impact.

It is our policy to focus on those investments which are both green and profitable, based on the principles of sound finance and responsible investment.

3.1 How we apply this policy
In considering whether any potential loan or investment transaction will comply with this policy, we will:

- consider the potential green impact of any loan or investment under Section 1 (Positive contribution to a recognised green purpose) and Section 2 (Reduction of global greenhouse gas emissions) above, in conjunction with a risk analysis of that transaction; and
- apply a judgement on a case-by-case basis on whether each potential loan or investment would, if made, result in an investment portfolio which demonstrates a reasonable and prudent balance of risk and green impact in light of the potentially investible market opportunities available within our sectors.

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.

4.1 Mandatory legal requirements
As a pre-condition to investment we need to be satisfied that the business, infrastructure or project being supported by that investment will comply with all environmental and planning laws, regulations and permits in all material respects. This includes compliance with all the sustainability requirements imposed by the relevant regulations providing economic incentives for the project financial base case as presented to us, to the extent those regulations apply to the relevant project.

4.2 Green impact evaluation criteria
We also need to be satisfied that the relevant business, infrastructure or project will have, or is reasonably likely to have, a positive (and, so far as practicable, quantifiable) effect that will contribute to one or more of our green purposes.

It is therefore our policy to identify and evaluate the likely green impact of any potential loan or investment. We may also consider any likely green impacts resulting from their effect on the wider economy, including any positive effect that may result from our investment through financial market development, reduced future technology costs or wider effects such as behavioural change in society.

In considering and evaluating the likely green impacts, together with the green risks associated with any proposed loan or investment, we will apply a professional judgement using the evaluation process set out in Section 5 (Robust green impact evaluation).

Following this evaluation of the potential green impact performance and associated risks of the project, the Group will carefully consider all performance and risk attributes, including the sound finances of the project and its compliance with Macquarie Group’s Environmental and Social Risk Policy, before deciding whether to invest, based on a reasonable and considered professional judgement of the overall net effect of the relevant loan or investment, in accordance with Section 5 below (Robust green impact evaluation). The more significant, numerous and likely we consider the impact of any net positive effects of any potential loan or investment, the more we are likely to give favourable consideration to that loan or investment.

4.3 Quantification of green impact
In each case, where reference is made to the quantification of green impact, this is to be made in accordance with our latest applicable Green Impact Reporting Criteria.

We review potential green impacts across several time-horizons including:

- The estimated total green impact over the life of the project;
- The estimated average annual green impact of the project over its life and the average annual rate of green impact achieved per unit of investment (e.g. kg CO2e/£ invested).

In considering whether any loan or investment would make a contribution to achieving any of the green purposes, we will evaluate (and, so far as practicable, quantify) the extent to which the relevant project is likely to have the corresponding positive green impact.

Principle 5: Robust green impact evaluation
Before investing, or arranging or facilitating third party investments, we will carefully consider the likely green impact of all prospective investments, based on a robust and transparent evaluation approach and process.
5.1 Our policy
It is our policy, as an integral part of due diligence for every loan and investment, to come to a reasonable and considered professional judgement about its likely contribution towards producing a positive green impact and ensuring that all our loans and investments, taken together, will (or are reasonably likely to) contribute to the reduction of greenhouse gas emissions globally.

We will do this by applying the relevant criteria set out in Section 4 (Clear and firm investment criteria) and by following the evaluation process set out below.

5.2 Evaluation process
To ensure the credible assessment of green impact, our evaluation process will be based on the following principles:

Consistency: we will apply consistent methods and procedures for evaluation across investments and use consistent criteria and assumptions in evaluating significance and relevance through the application of our Green Investment Handbook. Any data collected and reported should also be capable, so far as practicable, of being meaningfully aggregated and compared.

Proportionality: we will take a proportionate approach, focusing our assessment on those components of green impact that are material to the outcome and acknowledging that in most cases precise measurement is not possible. Accordingly, we may decide that assessment of certain aspects of green impact is not appropriate where this is of little or no material value to the overall assessment or may be difficult or expensive to achieve.

Completeness: we will assess (subject to the above) all relevant information reasonably available, with the aim of ensuring that there are no material omissions from the data and information that would substantively influence our assessment and decision having regard to the asset performance over time and other external factors.

Transparency: we will require clear and sufficient information to be provided to us, so that a robust assessment can be made. We expect specific exclusions or inclusions of information to be clearly identified and assumptions explained, and appropriate references to be provided for both data and assumptions.

Accuracy: we will, so far as practicable, aim to reduce uncertainties with respect to environmental measurements, estimates or calculations, subject to the principle of Proportionality, and to use measurement and estimation methods that avoid bias, but acknowledging that in most cases precise measurement is not possible.

Prudence: we will use realistic assumptions, values and appropriate procedures when estimating the green impact of investments as part of the risk assessment process. To the extent that it is reasonable and prudent to do so, we will seek to rely on existing reports produced to meet the requirements of other parties and will seek to avoid unnecessary duplication.

5.3 Evaluation of green risk
As an integral part of our due diligence and overall risk analysis for every loan and investment, as described in Section 3 (Enduring green impact, how we apply the policy), we also assess and evaluate the scope and nature of a range of risks affecting the success of that loan or investment in meeting the requirements of this policy. In so doing, we will take into account quantitative and qualitative green impact data and we will consider and evaluate both positive and negative impacts of the Group’s investments and seek to mitigate negative impacts where possible. This assessment may also consider the wider reputational risk associated with an investment.

In performing our monitoring and continuing engagement process described in Section 6 (Effective covenants, monitoring and engagement) we will also consider and assess:

- the actual operational performance and related green impact of the project against green impact performance forecasts made in the initial investment case; and
- the nature and extent of the green risk of each investment against other benchmark investments in the same sector.

5.4 Application of future standards to existing investments
We recognise that the test of whether or not an investment has or is likely to have a green impact depends significantly on the standards and performance of the most likely alternative outcome without investment. As technology progresses and legal and social standards for environmental performance develop, the standard by which we assesses green impact is anticipated to rise, requiring updates to this policy.

Although we will not seek to impose new standards retrospectively on our investments (unless agreed with companies in advance or required by law), it is our general policy to encourage a culture of continuous improvement in environmental and social performance in the business, infrastructure or project being supported.

5.5 Delegated authority
Where financing is granted indirectly by us through a fund manager or other authorised person, we may delegate the responsibility for ensuring the application of this policy to investments, subject to appropriate monitoring, evaluation and reporting requirements.

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.
6.1 Our covenant requirements
An important feature of any loan or investment by us will be the incorporation of covenants (or equivalent provisions for equity investments) in financing documentation, requiring compliance by the borrower or investee and underlying project to ensure control, monitoring and reporting of green impact (together with wider environmental requirements). While the specific requirements will depend on the characteristics of the investment, its sector and size of investment, our core requirements will normally include:

- to deliver, as a condition precedent, estimates of the key operating parameters and green impact performance figures for each year during the life of the project
- to provide, at least annually, reports on such operating parameters and green impact performance and other material environmental matters in a format agreed with us;
- to comply with all relevant environmental laws, regulations and permits in all material respects;
- to implement and maintain suitable environmental management systems and policies and ensure key project parties have similar arrangements in place;
- to give us prompt notice of any materially adverse environmental or social issues arising in connection with the investment and, so far as possible, to implement an action plan to remedy the issue; and
- to comply with other project or sector-specific covenants designed to ensure delivery of anticipated green impacts and to minimise specific adverse environmental impacts.

Where a borrower or investee is not in compliance with its covenants, we will work with it to bring it back into compliance to the extent feasible. If the borrower or investee fails to re-establish compliance within an agreed grace period, we reserve the right to exercise remedies, as we consider appropriate.

6.2 Monitoring and continuing engagement process
Once an investment has been made by us, we will monitor associated performance, including compliance with agreed covenants and the management of wider environmental risks. This will be undertaken on a regular basis over the life of the investment. In addition, this monitoring will also review continued compliance with Principle 1 (Positive contribution to a recognised green impact) and Principle 2 (Reduction of global greenhouse gas emissions). Monitoring will be based on regular reports from our borrowers and investees and incorporate follow-up engagement as required. We will typically require submission of an annual environmental compliance report which includes:

- a confirmation of material legal compliance and compliance with their environmental policies and related management system(s);
- details of any material non-compliance and the associated action plan relating such non-compliance;
- progress made in respect of environmental matters; and
- other actions taken to maximise environmental benefits and minimise adverse impacts.

In order to verify data submitted, we (or an independent expert appointed on our behalf) may conduct site visits, and review other sources of information, including that provided by other stakeholders.

The nature and extent of monitoring and engagement will be a function of the specific characteristics of the investment, its sector, size of investment and the nature of covenants agreed.

Principle 7: Transparent reporting
We will report at least annually on the implementation of our Green Investment Principles

7.1 Annual green impact reporting and transparency
Our annual green impact report will disclose appropriate green impact data. In order to do this our annual green impact report will include, but may not be limited to, aggregated information on the quantified reduction in the emission of greenhouse gases, generation of renewable energy, energy demand reduction, waste diverted from landfill and additional materials recycled, as well as a qualitative description of other green impacts. Quantified data will be subject to independent assurance as appropriate.

To facilitate this reporting, we will collate appropriate anticipated and actual green performance data for each of our investments, as provided by the requirements of the relevant financing documentation and supplemented by information collated through monitoring and engagement during the relevant reporting period (as described in Section 6: Effective covenants, monitoring and engagement).

We will also report in accordance with our obligations under the Principles for Responsible Investment and the Equator Principles, as applicable.
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