Harmony Energy Income Trust Plc

Responsible Investment Policy (the "Policy")

Latest version approved and adopted by the board of directors of Harmony Energy Income Trust Plc (the **"Board"**) on 12 September 2023

1. Introduction

Harmony Energy Income Trust Plc (the "**Company**") is an investment company focused on investing in energy storage and complementary renewable energy generation assets, with an initial focus on a diversified portfolio of utility scale battery energy storage systems ("**BESS**") in Great Britain.

As an investor in energy infrastructure, sustainability and responsibility sit at the heart of the Company's investment strategy. The Company aims to generate sustainable value for shareholders whilst supporting the UK's net zero carbon ambition and contributing to energy security. The Company recognises the fundamental link between the sound performance of wider Environmental, Social and Governance ("**ESG**") matters and the creation of long-term investment value. As such, the Company is committed to actively managing ESG related risks and opportunities by embedding ESG considerations throughout the investment lifecycle.

2. Purpose

The purpose of this Policy is to ensure that ESG risks and opportunities are considered in investment decision making, with the aim of maximising positive environmental and social outcomes. This Policy outlines how ESG considerations are integrated into the investment process and operational management of the Company's portfolio.

3. Definitions

The Company defines Responsible Investment as the integration of environmental, social and corporate governance ("**ESG**") considerations into investment management processes and ownership practices in the belief that these factors can have a positive impact on financial performance.

4. Scope

This Policy is applicable to all investments made by the Company from the date of adoption. To the extent practicable, this Policy also applies to existing investments held by the Company as at the date of adoption.

This Policy applies to the Company. As an investment company with no employees, it is imperative that suppliers and advisers engaged directly by the Company to provide day-to-day investment management and asset management services implement and adhere to this Policy.

5. Governance, roles and responsibilities

The Board has ultimate responsibility for and oversight of ESG and recognises the role of ESG in achieving long-term value. The Board is responsible for promoting the success of the Company by setting the strategy through which shareholder value can be generated, whilst creating a positive impact and minimising negative outcomes for the Company's wider stakeholders.

An ESG Committee was established in 2021, comprised of all Board members of the Company. The Board has delegated certain aspects of ESG oversight and operational decision-making matters to the Committee. Further, the Board has delegated the implementation and day-to-day supervision of the ESG strategy to Harmony Energy Advisors Limited (the "**Investment Adviser**"). The Investment Adviser is required to adopt, regularly review, and demonstrate that it complies with the Policy. The Company will notify the Investment Adviser about any changes to this Policy and any ancillary policies, processes and procedures. The role of the Committee is to monitor and review the Company's ESG-related performance and activities and to make recommendations to the Board on any area within its remit, including in relation to the Company's ESG strategy. The Committee also provides a forum for discussion and support to the Investment Adviser with respect to the implementation of the ESG strategy and associated initiatives. Representatives of the Investment Adviser, including the Head of Sustainability, participate in the Committee as attendees. The Chairperson of the Committee reports formally to the Board on the Committee's proceedings after each meeting.

The Audit and Risk Committee, comprised of all Board members of the Company, meets at least three times a year. The Board has delegated certain risk oversight and evaluation responsibilities to the Audit and Risk Committee. Its duties include ongoing evaluation of the risk management and internal controls of the Company, including ESG-related risks such as climate and nature-related risks.

The Board has outsourced the day-to-day investment management and asset management activities to the Investment Adviser. ESG is considered as part of these activities. The Head of Sustainability, a representative of the Investment Adviser, is responsible for implementing the ESG strategy defined by the Board of the Company and for engaging key stakeholders and business areas on ESG. ESG matters are communicated through quarterly Board reports and ESG matters are discussed at quarterly Board Meetings.

6. ESG strategy

As a responsible investor, the Company aims to generate sustainable value for shareholders and other stakeholders whilst promoting positive environmental and social change. Through its investments in renewable energy and storage infrastructure projects, the Company strives to make a meaningful contribution to the UK's net zero carbon ambition, whilst also contributing to energy security.

The Company has developed an informed ESG strategy, focused on the strategic areas of climate change, nature and biodiversity, communities, waste and resources and human rights and labour. The strategic focus areas, which align with the UN Sustainable Development Goals ("SDGs"), reflect the Company's priority areas, as identified via a materiality assessment process, regulatory requirements and relevant ESG reporting frameworks.

7. Integration of ESG into the investment process

<u>Pre-investment:</u>

Investment policy and restrictions: responsibility is embedded in the Company's investment policy. The Company's investment focus is restricted to investments in energy storage and complementary renewable energy generation assets, with an initial focus on a diversified portfolio of utility scale BESS, located in Great Britain. Investments in all other areas are, by definition, excluded, and there is an express prohibition on investments in fossil fuels.

Investment screening: the Investment Adviser and the Alternative Investment Fund Manager (the "**AIFM**") are responsible for assessing target acquisitions against the Company's investment policy and investment restrictions for suitability.

Due diligence: prior to recommending any asset for acquisition, the Investment Adviser performs detailed due diligence on potential investments. The due diligence covers an assessment of the ESG performance of target assets. The Company requires potential projects to be "shovel ready" prior to acquisition, which under the definition set out in the investment policy, requires "material terms agreed" with key suppliers to project SPVs. The Company will endeavor to conduct pre-acquisition ESG due diligence on target acquisitions' suppliers to the extent that this is feasible.

A list of transaction specific ESG issues forms the basis for this assessment, including but not limited to (as applicable): climate and greenhouse gas (GHG) emissions, ecological impacts, resource consumption, hazardous materials, waste and circularity, community, health and safety, human rights, labour welfare and business ethics. The assessment includes consideration of climate and nature related risks in line with the Taskforce on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD) guidance. This will support the Company's understanding of potential climate and nature-related risks and opportunities. and how to best manage these should the asset be acquired.

The Investment Adviser produces a detailed due diligence report covering any potential investments that meet the initial screening criteria. This report details ESG risks and opportunities identified during the due diligence process. The Investment Adviser may include ESG due diligence analysis conducted by third party specialists in the due diligence report.

Project investment review and approval: following pre-investment due diligence, the Investment Adviser provides the due diligence report, covering ESG risks and opportunities, to the AIFM and to the Company's Board. The AIFM is required to assess whether the proposed investment is appropriate for the Company in accordance with the Company's investment policy, Responsible Investment Policy and ESG Policy before making a formal recommendation to the Company's Board. All investment recommendations must be approved by the Company Board. ESG is an important consideration in the Board's investment decision making.

<u>Ongoing management:</u>

Management, monitoring and reporting: post-acquisition, the Company strives to play an active role in the management of its assets, ensuring that ESG risks and opportunities are managed throughout each asset's lifecycle. Once an asset is operational, the Company will typically manage that asset until the end of its life. As such, the Company is well positioned to integrate ESG considerations and evaluate ESG impacts over time. A set of ESG metrics has been identified to measure the ESG performance of assets. Each asset will be subject to ESG data reporting to allow the monitoring of ESG performance.

Collaboration amongst the Company's service providers supports the integration of the ESG strategy into portfolio-level activities. The Investment Adviser is developing systems and processes to enable the collection and monitoring of ESG data. This will enable the analysis of trends and comparisons between assets, which in turn will inform management activities and investment decision-making about future acquisitions.

The Investment Adviser engages with a wide group of stakeholders on behalf of the Company throughout each project's lifecycle to ensure their views are considered. Stakeholders include the local community, landowners, National Grid, investors and suppliers. The Company has established community funds to support local initiatives that matter to the communities where the Company's assets are located and will help ensure that the Company's activities provide benefits to the local population.

Supplier Code of Conduct: contracts with key SPV suppliers are signed following investment acquisition. To support the delivery of the ESG strategy across the supply chain, the Company requests that all key suppliers to sign up to its Supplier Code of Conduct (the **"Code"**). The Code sets out the ESG standards that suppliers are expected to uphold. Key suppliers to project SPVs are asked to confirm their agreement to the Supplier Code of Conduct (the **"Code"**) in writing and to maintain records of compliance. Supplier ESG audits have been introduced to monitor compliance with the Code. In addition, the Investment Adviser engages with key suppliers on an ongoing basis to drive sustainable change through the value chain and to ensure risks are being adequately managed.

<u>End of life:</u>

End of Life: "end of life" refers to the processes that take place once assets are retired from operation, such as how the materials are repaired, reused, recycled, or disposed of. These processes are difficult to define due to the long lifetime of renewable technology assets, which often spans several decades, and the uncertainty around future recycling practices and technologies. However, every effort will be made to follow best practice in line with industry standards at the time of decommissioning. The Company will work with equipment suppliers to promote circularity and ensure that opportunities to reuse or recycle equipment are maximised.

8. ESG frameworks and regulation

Several frameworks were referred to when identifying material ESG issues and developing the Company's ESG strategy, including: World Economic Forum International Business Council Framework, Sustainability Accounting Standards Board (SASB), UN Sustainable Development Goals (UN SDGs), Recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), Recommendations from the Task Force on Nature-Related Financial Disclosures (TNFD), EU

Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy for Sustainable Activities. The Company will continue to monitor regulatory developments and amend its approach accordingly.

In addition, the Company has been a signatory to the Principles for Responsible Investment (PRI) since 2022 and continues to develop its responsible investment approach.

9. Reporting and disclosure

Reporting and disclosure are important for investors and other stakeholders in understanding how ESG risks and opportunities are identified, monitored, and managed throughout the investment lifecycle.

The Company is committed to transparent reporting of ESG performance. The Company will publish bi-annual ESG performance updates as part of the interim and annual reporting processes. A set of ESG metrics identified through a materiality assessment process will be reported in the annual report. The annual report will also include reporting against the guidance set out in the Task Force on Climate-Related Financial Disclosures (TCFD) and the Task Force on Nature-Related Financial Disclosures (TNFD) frameworks.

As part of its ongoing commitment to the Principles of Responsible Investment (PRI), the Company will complete an annual assessment related to its responsible investment practices.

10. Review

The Company recognises the rapid pace at which responsible investment best practice is developing. The Company commits to reviewing the content of this Policy at least annually.