A key element of UK Green Investment Bank’s (GIB) approach, and one which is set out in our Green Investment Policy, is to ensure that our due diligence is undertaken according to the principles of consistency, proportionality, completeness, transparency, accuracy and prudence. This requires us to be able to demonstrate and document our assessments of projects and compliance to both the Green Investment Policy and Responsible Investment Policy. This is documented using our Due Diligence Checklist and through guidance set out in our Green Investment Handbook.

This document shows the principles behind our approach to due diligence and how we document the due diligence process. It identifies the structure of our due diligence checklists and sets out how we demonstrate policy compliance to our colleagues in GIB, and to external auditors. Each of our checklists is written by a primary author (the Green Team member who undertook the due diligence) and is peer reviewed by a Green Team colleague. The final document is then reviewed by the Head of Sustainable Finance to ensure that Green Team sign off can be provided to the deal.

This approach has been designed to be flexible and to apply to all sectors.

Due diligence (Green Team member) ➤ Checklist review (Green Team peer) ➤ Final review and sign-off (Head of Sustainable Finance)

Further detail on this approach, along with checklists for each sector in which we invest, can be found in the Assess section of the Green Investment Handbook.
Executive summary

Whilst the detail of the checklists is important for review and audit purposes, the checklists themselves contain more detail than is required to be seen by senior executives within GIB. As a result, each of our checklists begins with an executive summary which sets out the key findings, green risks and green ratings, as well as a summary of comments from the reviewer. This summary also contains details on the primary author, the reviewer and date of the checklist, as well as signatures to confirm finalisation of the document.

The tables below show the layout of the executive summary page of our checklists.

<table>
<thead>
<tr>
<th>Project</th>
<th>[PROJECT NAME]</th>
<th>Sector</th>
<th>[INSERT SECTOR]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Author</td>
<td>[INSERT NAME]</td>
<td>Version</td>
<td>[INSERT VERSION AND DATE]</td>
</tr>
<tr>
<td>Author Confirmation</td>
<td>I confirm that these due diligence notes fairly represent the transaction as I understand it</td>
<td>Signed</td>
<td>[INSERT ELECTRONIC SIGNATURE OF AUTHOR]</td>
</tr>
<tr>
<td>Reviewer Confirmation</td>
<td>I confirm that I have read these due diligence notes and that I agree with the assessment of the transaction or, where not in agreement, that this is highlighted in the relevant Investment Committee</td>
<td>Signed</td>
<td>[INSERT ELECTRONIC SIGNATURE OF REVIEWER]</td>
</tr>
<tr>
<td>Reviewer Summary</td>
<td>[Senior control review confirming above (or otherwise)] Material expectations and safeguards / mitigation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Summary</td>
<td>[Compliance with GIB’s Green Investment Policy and Responsible Investment Policy] [Material expectations and safeguards / mitigation] [Green risks] [Green ratings]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
GIB due diligence guidance

Consistency in process is a key principle by which we approach due diligence. As such the Green Team has developed internal guidance on reviewing key documentation in order to ensure that our approach is proportional and each member of the team is undertaking a similar level of review. The key documentation and review guidance is set out below.

Environmental Statement
The Environmental Statement (ES), where available, provides useful context setting for a project and will usually cover impacts on areas such as air quality, noise, hydrology, biodiversity and others. Assessment should include a review of the Non-Technical Summary to identify any residual significant impacts. Where residual significant impacts are identified, the assessor should look to the other volumes of the ES document to understand the key impacts and proposed mitigation measures.

Planning and environmental authorisations
The principle piece of information to draw from the authorisations is an understanding of the conditions associated with the project which may influence green performance. Are any of these time-bound? Which ones have been closed out? Are there specific restrictions or obligations on the project for environmental reasons? Are these restrictions more stringent than usual legal requirements?

Policies and management plans
An important element of on-going environmental and health and safety management is through development and implementation, by the projects, of policies and management plans. Due diligence will look to identify the stage of development that these documents are at, as well as whether they are designed to good industry practice.

Performance record
Where a project is in operation, the environmental and health and safety performance will be investigated. This would go beyond the standard External Factors Review undertaken for all investments and would focus on performance of that specific project and project management team, to ensure that processes and procedures are being followed appropriately. An assessment of the management’s capacity and competence for the identification and control of environmental, health and safety issues will also be conducted.

Technical Advisor report
The Technical Advisor report may include elements of the environmental and health and safety due diligence noted above (depending on the agreed scope of works) and will also contain key project assumptions to be used in green impact calculations such as project design life, key inputs and outputs, as well as compliance with appropriate authorisations and other legal requirements.

Specialist Environmental, Health and Safety report
For most projects, GIB requires that our client / project sponsor commissions a recognised Environmental, Health and Safety consultant to undertake the due diligence review outlined above. An example scope of work for this engagement is provided elsewhere in the Green Investment Handbook.

Other reports e.g. legal, insurance, and feedstock supply
Other due diligence reports, where available, are reviewed to identify any key risks or queries raised in relation to environmental, health and safety or wider responsible investment matters.

GIB due diligence tools
GIB also undertakes in-house due diligence to supplement that outlined above. This includes conducting an External Factors Review and a Green Project Risk Guidance.

Equator Principles
As an adoptee of the Equator Principles (EP), GIB assesses the applicability of EP to each of its investments prior to applying the requirements of EP to applicable projects. This is governed by our compliance guidance document and compliance checklist.
### Performance against the Green Investment Policy

This section is a detailed checklist against every aspect of GIB's Green Investment Policy, demonstrating consideration of the project against the policy and any material issues identified. This allows the Green Team to demonstrate compliance against the policy to Investment Committee and our Risk, Compliance and Audit colleagues, as well as to external auditors.

An example of the tables we use is set out below. Each table has a section for the reviewer to make any additional comments as required.

<table>
<thead>
<tr>
<th>Green Investment Policy Requirement</th>
<th>Comment</th>
<th>Legal / contract doc reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>s. 4.1 Mandatory Legal Requirements</td>
<td>Investment will comply with all environmental and planning laws, regulations and permits in all material respects.</td>
<td>Legal compliance is a requirement of the financing documentation.</td>
</tr>
<tr>
<td>Compliance with all the sustainability requirements imposed by the relevant regulations providing economic incentives for the project financial base case as presented to us (such as those set out in the relevant Renewables Obligation Orders), to the extent those regulations apply to the relevant project.</td>
<td>Legal compliance is a requirement of the financing documentation.</td>
<td>[Insert commentary if required] [clause reference]</td>
</tr>
</tbody>
</table>

**s. 4.2 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.

**Author Comments**

[Insert comments here]

**Reviewer Summary**

[Senior control review confirming above (or otherwise)]

[Material expectations and safeguards / mitigation]

### Performance against the Responsible Investment Policy

As with the Green Investment Policy, the Green Team also assesses a project’s performance against each section of our Responsible Investment Policy. An example of the tables used to do this is set out below.

<table>
<thead>
<tr>
<th>Responsible Investment Policy Requirement</th>
<th>Notes</th>
<th>Legal / contract Doc Ref</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Comply with Equator Principles</td>
<td>[The Project Complies with Equator Principles. See EP checklist, above for more information]</td>
<td>[Insert commentary if required] [clause reference]</td>
<td></td>
</tr>
<tr>
<td>1.2 Investment analysis and due diligence: ESG matters included in due diligence</td>
<td>[To insert notes vs. policy] [clause reference]</td>
<td>[Insert commentary if required] [clause reference]</td>
<td></td>
</tr>
<tr>
<td>1.3 Disclosure: Appropriate disclosure of relevant ESG matters from investee</td>
<td>[To insert notes vs. policy]</td>
<td>[Insert commentary if required] [clause reference]</td>
<td></td>
</tr>
</tbody>
</table>

**Author Comments**

[Insert comments here]

**Reviewer Summary**

[Senior control review confirming above (or otherwise)]