

NEXTENERGY
SOLAR FUND

Generating a more
sustainable future

Sustainability and ESG Report
for the year ended 31 March 2024



Content of this report

This is the third annual Sustainability and ESG report of NextEnergy Solar Fund (NESF and the Company), the purpose of which is to inform all relevant stakeholders of its approach to sustainability, how it executes on its strategy, and how it creates impact.

The report is designed to be read in conjunction with the **NESF 2024 Annual Report**. It makes all relevant disclosures in alignment with the inaugural S1 and S2 standards of the International Sustainability Standards Board (ISSB), with which the Company has chosen to early and voluntarily align. S1 focuses on an entity's sustainability strategy and general risk management and monitoring. S2 focuses on an entity's climate-related strategy, governance, risk management, and monitoring of performance metrics. In line with ISSB S2, NESF's climate-related reporting includes a financial materiality assessment. The role of the ISSB standards is as follows¹:

- S1 is the "*General Requirements for Disclosure of Sustainability-related Financial information*", and requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.
- S2 is the "*Climate-related Disclosure*", and is a topic-specific standard. It requires an entity to disclose information that enables users of financial reports to understand the governance process, the entity's strategy, its risk management and the performance metrics used to manage climate-related risks and opportunities. ISSB S2 is effective as long as ISSB S1 is also applied.

For this reporting year, the Company has focused on three principal sustainability topics: climate, nature and social-related issues, with supply chain considerations incorporated as part of these. Further explanation of the focus on these topics is provided in Section 4 of this Report.

For more information, please contact ir@nextenergysolarfund.com.

¹ <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/>

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The Company's forward-thinking approach to Sustainability and ESG continues to evolve



1. Foreword from the ESG Committee Chairwoman

The previous 12 months have seen the global energy transition gather pace, despite macroeconomic headwinds. This includes the deployment of record amounts of renewable generation capacity, including solar PV, around the globe. NESF's portfolio of 1 GW of solar and energy storage assets is proudly contributing to this transition. The Company's forward-thinking approach to Sustainability and ESG continues to evolve, with the purpose of supporting a more sustainable world powered by clean energy.

Reflecting this pace of change, and developments in global energy markets, the regulatory landscape relevant to the Company's portfolio is also evolving. This includes, for example, the proposed implementation of new climate change legislation, such as Carbon Border Adjustment Mechanisms in the European Union and the UK. Scrutiny of supply chains continues to increase, as does the Company's approach to the sustainability and suitability of its own supply chain.

The Company continues to meet its investment objective to provide ordinary shareholders with an attractive income, while making a material difference to people's lives, and preserving and enhancing nature. NESF has the utmost respect for the natural environment in which the Company produces clean energy, recognising the inextricable link between climate change and biodiversity loss.

These, and other macroeconomic challenges, present both risks and opportunities. They are continually monitored in order that the risks can be mitigated, and opportunities realised, and the Company is committed to ensuring all material risks and opportunities are also proactively communicated to investors.

As such, NESF has chosen voluntarily to become an early adopter of the International Sustainability Standards Board (ISSB) standards S1 and S2, which cover and expand on the Taskforce for Climate-related Financial Disclosures (TCFD) guidance, through a dedicated ISSB aligned Sustainability and ESG Report. This is the first ISSB reporting year, and acts as a demonstration of the Company's transparent approach to doing business. NESF continues to monitor and watch with interest the UK adoption of the Standards and aims to amend its approach accordingly.

NESF continues to be classified as an Article 9 Fund under the EU Sustainable Finance Disclosure Regulation (SFDR). The SFDR came into force in 2021, and requires financial market participants to disclose their ESG policies and practices. NESF has sustainable investment as its objective, and its investments are fully aligned with the EU Taxonomy. The Company makes appropriate disclosure on the Annual Report and on its [website](#) under ESG Disclosure, Annexes I, III and V of the Regulation.

The Investment Adviser's team continues to drive the Company's Sustainability and ESG performance, and I would like to thank them for their hard work and dedication to supporting a more sustainable future.

Josephine Bush,

Chairwoman of the NESF Board ESG Committee

18th June 2024



Michael Bonte-Freihem
Founding Partner and CEO of
NextEnergy Group



Ross Grier
Chief Operating Officer and
Head of UK Investments at
NextEnergy Capital

2. The year in ESG: CEO and COO overview

NESF invests in clean energy generation and storage, and has positioned itself at the forefront of action to address the linked issues of climate change and biodiversity decline. In 2023-2024, its assets contributed to 852 GWh⁽¹⁾ of clean power generation – avoiding 279.3 ktCO₂e of greenhouse gas emissions (GHG). Over the last 12 months, the Company energised part of its existing pipeline, including its first standalone battery storage project, Camilla, in March 2024.

We are delighted that the Company's risk-adjusted returns continue to be based on best-in-class sustainable investment management, led on behalf of NESF by NextEnergy Capital, the Investment Adviser. The Company's approach to sustainability is discussed in detail in this 2024 Sustainability and ESG Report, which is voluntarily aligned with the requirements of the inaugural ISSB standards, S1 and S2⁽²⁾. These focus on general and climate-related disclosures, and the Company's alignment demonstrates its ongoing commitment to market-leading action and transparency to ensure a responsible industry.

This year also saw a further 15 sites being managed under the Company's proprietary Universal Biodiversity Management Plans, which support the local environment around NESF assets. The Company has contributed to groundbreaking research to develop standardised biodiversity reporting indicators, and is drawing on the findings of a detailed nature materiality assessment to inform next steps in this area.

A further milestone is the appointment of Giulia Guidi, the NextEnergy Group Head of ESG and member of the NESF Investment Committee, as one of the inaugural Board members of the Solar Stewardship Initiative (SSI), which formally launched in December 2023. The SSI will be a key mechanism to drive a more responsible, transparent,

and sustainable solar value chain – which will be crucial to ensuring the resilience of the Company's operations – and NESF is proud to be associated with it. The Company has continued to develop its approach to responsible sourcing over the reporting period, including carrying out comprehensive due diligence on a range of supply chain partners.

NESF makes all relevant disclosures as part of its obligations as an EU SFDR Article 9 Fund and, as noted, is an early adopter of the ISSB standards. The Investment Adviser team has also engaged throughout the financial year ended 31 March 2024 with industry, investors, and regulators to explain how solar and energy storage funds like NESF can contribute to people, prosperity, and nature, and will continue to do so. In our view, contributing in this way is fundamental for an ethical, transparent and successful business.

This Report provides structured information on the topics mentioned, and we are excited for NESF to go further on its sustainability journey.



(1) Includes NESF's 6.21% share of generation from private equity vehicle (NPIII) and co-investments on a look-through basis of 41 MWh (2023: 29 MWh).

3. Performance highlights

For the financial year ended 31 March 2024 unless stated

Environmental performance

GWh of clean energy generated for one year

852⁽¹⁾

ktCO₂e avoided for one year

279.3

Equivalent number of homes powered for one year

c. 301,000

Portfolio assets with enhanced biodiversity measures (across relevant assets to date).⁽³⁾

81%

Cumulative new habitat provisions (installed across relevant assets to date)⁽³⁾

Created as part of tailored plans for sites selected for their biodiversity potential

| | | | |
|--------------|-----|------------------|-------|
| • Bat boxes | 27 | • Hibernacula | 32 |
| • Beehives | 35 | • Kestrel boxes | 35 |
| • Bird boxes | 78 | • Owl boxes | 6 |
| • Bug hotels | 131 | • Shrubs planted | 1,246 |

Social performance

Community funding (through the Company's SPVs)

c.£106,000

Donated to the NextEnergy Foundation, in cash plus solar modules⁽⁴⁾

c.£339,000

Governance performance

Board meetings, including Committees of the Board and ad-hoc meetings

23

Gender diversity at Board level

**67% female
33% male**

ESG Committee meetings, in addition to numerous informal meetings

3

(2) The ISSB approach to sustainability incorporates the scope of the Taskforce on Climate-Related Disclosures (TCFD), against which the Company previously reported.

(3) To date refers to 31st March 2024.

(4) Including a £250,000 cash donation and 1,400 new solar PV modules, equivalent to c.£89,000 based on reference currency rates as at date of donation approval.



**The NESF mission:
to generate a more
sustainable future, by
leading the transition
to clean energy**

-  Climate Change
-  Biodiversity
-  Human Rights

4. Introduction and approach to sustainability reporting

NESF's overall approach to Sustainability and ESG evolves in line with regulatory, market and investor expectations. This means proactively identifying, monitoring and managing new potential sustainability risks and opportunities, and reporting on these in a structured, transparent format.

To date, the Company's Sustainability and ESG activity has focused on climate, biodiversity and human rights, which have previously been identified as materially relevant from a sustainability perspective. In the year ended 31 March 2024, the Company monitored the development of the NextEnergy Group's new Sustainability and ESG Framework, which it intends to adopt in the coming year. This was developed as part of a strategic review by the NextEnergy

Group, conducted with the support of an independent adviser. The purpose of the review was to ensure that the NextEnergy Group and its companies are developing their business and operations in a way that will ensure long term success and a just transition. This includes working with investors, regulators and sustainability stakeholders to meet the needs of an evolving market.

The strategic sustainability review is supporting the NextEnergy Group and its companies to advance their alignment with the solar and energy storage industry's changing ESG and sustainability agenda, including new reporting frameworks.



Photo credit: Kevin McCann

NESF's transition to the new Sustainability Framework is reflected in the graphic below.

2023-2024
NESF Sustainability Framework



Future
NESF Sustainability Framework





NESF will commence reporting in line with its new Sustainability Framework in the year ending 31 March 2025. This will include coverage of the material topics in NEC's Framework, and the methodology for assessing them. During the transition to adopting this Framework, the Company has chosen to report in this Sustainability and ESG report on some of the material topics identified within the new Framework, where it is in a position to do so. These include climate, nature and social-related issues, such as health and safety, diversity and inclusion, community engagement, and human rights. Supply chain issues are considered throughout.

This Report provides information on these topics in line with the inaugural standards of the ISSB⁽¹⁾, S1 and S2, with which the Company has chosen to early and voluntarily align relevant disclosures. The purpose of the ISSB is to disclose information that, if it is omitted, misstated or obscured could reasonably be expected to influence the decisions of users of the general-purpose Financial Statements.

As such, this Report focuses on the Company's general approach to Sustainability and ESG risk and opportunities, in line with ISSB S1 and S2, and covering the material topics identified above. Note that the depth and breadth of these disclosures, and the degree of financial materiality assessment for these topics, varies as:

- The Company's approach to climate-related risk management includes a financial materiality assessment.
- The Company's approach to nature and social-related issues does not yet include a financial materiality assessment.




For the year ending 31 March 2025, NESF also intends to align its nature-related reporting with the Taskforce on Nature-related Financial Disclosures (TNFD).

A summary of this is presented below.

NESF will continue to monitor the evolution of all relevant standards, to ensure the Company retains its market-leading position on transparency and disclosures.

(1) As at 31 March 2024, two ISSB standards had been finalised: the general disclosure S1 standard, and the climate disclosure S2 standard. The S2 standard adopts the responsibilities of the Taskforce on Climate-related Financial Disclosures (TCFD), which has been disbanded and against which the Company previously reported.

NESF Sustainability and ESG report: disclosures and alignment for the financial year ended 31 March 2024

| ESG FRAMEWORK TOPIC | ALIGNMENT | FINANCIAL MATERIALITY REVIEW | FUTURE ALIGNMENT |
|--|---|------------------------------|------------------|
|  CLIMATE | ISSB S1 AND S2 | YES | - |
|  NATURE | ISSB S1 (AS PART OF GENERAL DISCLOSURES) | PENDING | TNFD (2025) |
|  SOCIAL | ISSB S1 (AS PART OF GENERAL DISCLOSURES) | PENDING | -* |

*Disclosures for 2023-2024 relate to health and safety, human rights, diversity and inclusion, and community engagement. Work in these areas is ongoing and levels of disclosures vary.

5. Governance

5.1. Governance structure

The corporate governance of NESF is intended to give shareholders and other key stakeholders confidence in its trustworthiness, fairness and transparency. NESF's Board of Directors (the Board) currently comprises six independent non-executive Directors, who oversee the Company's strategy, performance, and management. This covers all sustainability-related risks, including climate, nature, and social issues. The Board contains a wide range of relevant expertise and, in 2022, established an Environmental, Social and Governance (ESG) Committee, to further drive the Company's sustainability and ESG agenda. This is chaired by Josephine Bush, who has extensive sustainable finance and strategy development experience.

NESF also benefits from the internal governance of NextEnergy Capital Limited (NEC), the Company's Investment Adviser, including its NextEnergy Investment Leadership committee (NEIL). NEIL includes senior professionals with expertise across the energy, finance, construction, procurement, portfolio management and environmental sectors. NEIL advises and oversees the Investment Adviser's climate and nature strategies, risk management, major decisions, and related disclosures, including for NESF.

NEIL also oversees the Investment Adviser's performance in providing a consistent service to the Company, based on the direction of the Board. The NextEnergy Group Head of ESG regularly and actively engages with NESF's ESG Committee to discuss strategy, performance, and reporting requirements related to sustainability risks and opportunities across the Company's operations and value chain.

Our Structure

Independent Board of Directors

ESG Committee

Audit Committee

Remuneration Committee

Nomination Committee

Management Engagement Committee



Investment Manager
and Adviser

Asset
Manager

Investment Committee

NEC IM Board



5.2. Management's role and responsibilities

The Investment Adviser has a dedicated ESG team. This is led by Giulia Guidi, the Head of ESG, who sits on the NEC Investment Committee for NESF and takes an active role in the investment decision-making process. The Head of ESG also sits on NEIL, and is responsible for informing and discussing the Company's sustainability and ESG agenda with the NESF ESG Committee. The Head of ESG is supported by two Vice Presidents, with global expertise in climate and nature, as well as a team of associates and analysts with different backgrounds and expertise.

9 Dedicated ESG team members

The services provided to the Company by the Investment Adviser and its ESG team are kept under review by the Board. Progress and changes in sustainability-related risks and opportunities are discussed during NESF Board meetings, and three times a year in ESG Committee meetings. The Head of ESG also meets on a monthly basis with the Chairwoman of the ESG Committee to discuss the Company's sustainability strategy, while the NextEnergy Group's ESG team itself meets at least weekly with the Investment Adviser's Investment Team and senior managers. ESG issues are included in the Company's risk register and inform its overall approach to risk management.

NESF's Asset Manager, WiseEnergy, plays a key role in helping to deliver the Company's sustainability mission through its proactive management approach. NESF implements processes to ensure its activities are monitored

and recorded appropriately by WiseEnergy, including generating sustainability data and statistics. Management uses these controls and procedures to support the oversight of sustainability risks and opportunities, integrating them with other internal functions, such as investment decision-making and asset management.

5.2.1 ESG team

The Investment Adviser's dedicated ESG team expanded in the year ended 31 March 2024, reflecting its commitment to ensuring Sustainability and ESG risks and opportunities for the Company are managed appropriately. The team now includes nine dedicated ESG staff, with more than 75 years of combined experience across a range of Sustainability and ESG issues relevant to energy infrastructure. The team includes specialist expertise across biodiversity, carbon management, community engagement, data analysis and mapping, supply chains, technical due diligence, and policy and public affairs.

More information on NEC's sustainability and ESG experts who support NESF is available on the [NEC website](#), including its Health and Safety and Human Resources teams, which implement health and safety and diversity and inclusion activities on behalf of the Company.

75+ Combined years of experience across the dedicated ESG team



NEC management and advisory services



Ross Grier

Chief Operating Officer and Head of UK Investments

Ross oversees all NESF activity. Over the last 10 years he has deployed over £1.5bn of capital into UK solar and energy storage, including over 1GW of transactions for the Company.



Stephen Rosser

Investment Director and UK Counsel

Stephen manages NESF's investments, and oversees regulatory and legal risk across the portfolio. He has over 10 years' experience of sustainable procurement and over 20 years' experience in mergers and acquisitions.

Dedicated ESG team



Giulia Guidi

Head of ESG

Giulia oversees the approach to the Company's Sustainability and ESG initiatives. As the Head of ESG for NextEnergy Group, she brings over 25 years of experience in ESG and risk management within the financial sector.



David Hawkins

Vice-President of ESG

David has over 10 years' sustainability and environmental experience in the energy sector, and oversees the development and implementation of climate transition and net zero activity.



Hing Kin Lee

Vice-President of Nature

Lee has 20 years' experience in the environmental sector, and leads on nature and natural capital integration.



Kristina Vucic

Geospatial Manager

Kristina has over 13 years' experience in location-based data analytics, automation and information management.



Flavia Galdiolo

ESG Research and Engagement Associate

Flavia leads strategic sustainability and ESG research, engagement and communication.



Kevin McCann

Senior ESG Associate

Kevin supports a range of transaction, supply chain and due diligence initiatives to ensure responsible investment across the Company's portfolio.



Joshua Marshall

ESG Analyst

Joshua undertakes sustainability and ESG due diligence and reviews transaction and other reporting for NESF.



Marianna Ricca

Senior ESG Analyst

Marianna undertakes due diligence for acquisitions and identifies key risks and compliance gaps with international standards.



Valeria Ramos

ESG Analyst

Valeria undertakes sustainability and ESG due diligence and reviews transaction and other reporting.

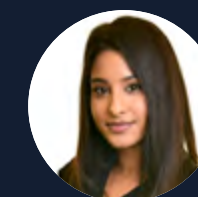
Sustainability-related team



Sulwen Vaughan

Fund Special Purpose Vehicle Director

Sulwen has over 30 years' business management experience, and provides oversight to NESF spending on community and social impact projects at Special Purpose Vehicle level.



Serena Thaker

ESG Manager (WiseEnergy)

Serena leads environmental monitoring, analysis and operations across NESF's portfolio of solar and energy storage assets, as part of the work of the Company's asset manager, WiseEnergy.



Marnie Winston-Fletcher

Environmental Analyst (WiseEnergy)

Marnie supports environmental monitoring, analysis and operations across NESF's portfolio of solar and energy storage assets, as part of the work of the Company's asset manager, WiseEnergy.



Rita Selleri

NEF Secretary in NextEnergy Foundation

Rita Selleri oversees the work of the NextEnergy Foundation.

5.3. Competencies and training

In addition to the Investment Adviser competencies detailed in the previous section, the NESF Board contains a wide range of relevant expertise to oversee the Company's sustainability strategies. For example, in addition to the expertise of Josephine Bush, the ESG Committee Chairwoman, the Board Chairwoman, Helen Mahy, chairs the Safety, Sustainability, Health, and Environment Advisory Committee at SSE plc, providing valuable competency in overseeing sustainability matters. The Board ensures it has the appropriate skills and experience through its succession planning process.

5.4. Integration of sustainability related factors

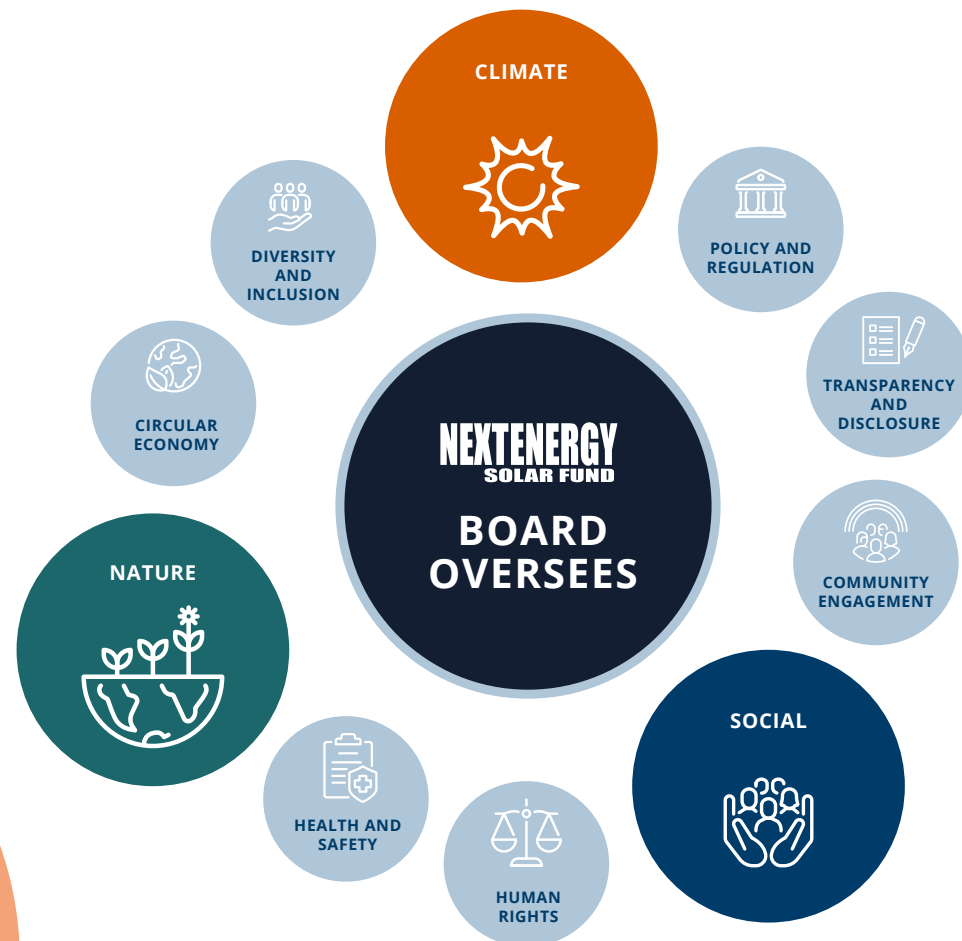
The Board reviews the operating and financial assumptions used in the valuation of the Company's underlying portfolio, and oversees major strategic initiatives, such as the current phased capital recycling programme involving the sale of a portfolio of subsidy-free assets to unlock value, reduce debt, and provide new investment opportunities in international solar PV and energy storage, where appropriate. This includes the implementation of

the Company's sustainability work: the Board ensures all relevant Sustainability and ESG issues are taken into account in strategic decision-making relating to the Company's mission to generate a more sustainable future by leading the transition to clean energy.

In setting performance objectives and monitoring their implementation, the Board also ensures that Sustainability and ESG issues are incorporated in all executive decision-making. This includes relevant processes throughout the capital allocation lifecycle: pre-acquisition due diligence, the implementation of sustainability programmes at existing assets, and action to secure future value, for example, through support to industry initiatives to increase the sustainability of the solar and energy storage supply chain.

The Board evaluates potential trade-offs associated with sustainability risks and opportunities when overseeing major expenditure, acquisitions, and divestitures. This ensures alignment with the Company's overall strategy and risk management approach, including those relating to its operations and value chain. More information on trade-offs is provided in section 6.5.

The diagram below shows the range of Sustainability and ESG topics which the Board oversees.



5.5. Key sustainability topics

Drawing on expertise from the Investment Adviser, NESF has carried out in-depth operational and supply chain impact analysis relating to climate change, influencing the financial materiality assessment. The results of this analysis are presented in this Report, in alignment with standard S2 of the ISSB. This includes identifying key areas in which the Company will be able to support the decarbonisation of its operations and supply chain by 2035 and 2050.

NESF undertakes extensive work to identify, monitor and support nature and biodiversity around its assets, throughout their lifecycle. Executed by the Investment Adviser, this includes retrospectively improving the local environment through measures beyond compliance obligations, where feasible. The Board has supported the Company to undertake a materiality assessment in preparation to align future disclosures with the TNFD, and the findings of this are being integrated across all of the Company's activity.

NESF's work on social issues includes ensuring a safe and healthy environment for all employees, addressing community impacts around its assets, identifying potential human rights risks and supply chain impacts on indigenous peoples, and supporting local communities, and promoting diversity and inclusion. The Company supports the integration of diversity and inclusion initiatives by each of the Investment Adviser and other parts of the NextEnergy Group as part of its talent acquisition and workforce management, and aims to make further positive impact on society through its support to community initiatives and the NextEnergy Group's international charity, the NextEnergy Foundation.



5.6 Interdependencies

The mapping of climate, nature and social dependencies are a critical part of NESF's integrated approach to sustainability risk management. This is executed by the Investment Adviser's ESG team, in collaboration with the NextEnergy Group's Investment and Construction and Procurement teams, so that the Board can incorporate these considerations into their decision-making processes. Additional internal and external dependencies – such as how future government policy and regulation may impose new sustainability requirements, or present revenue generation opportunities – are also incorporated into the Company's analysis.

As with any infrastructure asset, the construction of a solar PV or battery storage site can have positive and negative impacts in respect of these topics. However, the lifecycle assessment approach which NESF adopts enables these to be understood in context. For example, the embodied carbon of solar panels is outweighed by their lifetime avoided emissions⁽¹⁾, and potential impacts on nature during construction are often temporary, and can be offset by long-term onsite biodiversity enhancement. Potential supply chain risks and opportunities are incorporated throughout decision making, and the Company supports action to deliver greater transparency and manage supply chain interdependencies at an industry level, such as through the Solar Stewardship Initiative. Some impacts will not be considered an acceptable trade-off, and these are reviewed on a regular basis.

Climate, nature and social dependencies are a critical part of NESF's integrated approach to sustainability risk management

5.7 Formalisation of targets and incentives

The Board oversees the setting of sustainability-related targets, and monitors progress towards those targets. With respect to climate, NESF reports both its positive contribution to climate change mitigation – its annual carbon dioxide equivalent ('CO₂e') emissions avoided – and its carbon footprint. During the reporting period, the Company's Investment Adviser worked on the Board's behalf, with a specialist external consultant, to develop a net zero target and decarbonisation plan. This plan maps out decarbonisation dependencies, and assesses the feasibility of achieving net zero in the Company's operations and supply chain. The Investment Adviser is now undertaking detailed studies on targeted dependencies to accelerate the pathway to net zero.

NESF is also undertaking work to develop nature-based targets, which are intended to be delivered in the year ending 31 March 2025. These will be based on the nature assessment that was finalised during the reporting year, and which is described in section 7.1. This assessment is the first step in developing a new nature strategy that will be reported in compliance with TNFD in the future.

NESF's Investment Adviser sets individual performance goals for its ESG team members related to managing and executing on the Company's sustainability strategy. Base compensation for senior managers and other staff members is linked to delivering on strategic Sustainability and ESG objectives, which are reviewed regularly by the Investment Adviser's Remuneration Committee. Specific percentages of executive remuneration are not allocated to climate or broader sustainability-related considerations, instead they are assessed in a more holistic performance review that incorporates these requirements.

⁽¹⁾ <https://www.iea.org/reports/solar-pv-global-supply-chains>



6. Strategy

6.1. Approach

NESF's approach to date on Sustainability and ESG is to develop a strategy that aligns its commercial and sustainability objectives. To date, these sustainability objectives have focused on identifying, monitoring, and addressing risks and opportunities relating to three key areas which are relevant to the Company's operations and supply chain: climate change, nature, and social issues.

In line with evolving market expectations and best practice in risk management, the Company has embarked on the process of assessing the financial materiality of these issues, the definition of which aligns to that used in general purpose financial reporting. This began with NESF's climate-related financial risk disclosures, first reported in 2022 under the requirements of the TCFD, and which are now presented in this Report in line with the evolution of the TCFD into the ISSB S2 standard. NESF's ISSB S2 analysis for its 2024 financial year indicates that at present there is no material financial risk to the Company from climate change. Further detail on this analysis is provided in this Report, in particular, in the climate scenario analysis presented in section 6.6.

NESF intends to consider the expansion of its assessment of financial materiality. This will likely continue to focus at first on climate, nature, and social topics. This is because these are the issues which have previously been assessed as being of material relevance from a sustainability perspective to NESF's business operations, and where the Company can have the most significant impact. NESF has therefore initiated action to expand its reporting, in particular, including a structured assessment of nature-related financial materiality, because climate and nature are directly linked. The Company's nature analysis will be formally reported on in the future, in alignment with the requirements of the TNFD, although elements of this analysis are integrated into this report to provide insight on its work in the area.

Additional topics for the Company which are material from a sustainability perspective include health and safety, human rights, community engagement, diversity and inclusion, the circular economy, and transparency and disclosures, among others. NESF's sustainability strategy ensures appropriate risk and opportunity management for these topics, on which information is included in this report.



6.1.1 Scope

NESF's approach to Sustainability and ESG starts with the application of its key topics to its direct operations and value chain. This is to ensure that any potential exposure to sustainability issues in particular in the supply chain – which could ultimately affect the ability of the Company to construct, operate and maintain its assets – is identified and managed.

A key step is to identify material dependencies between all the topics above as they relate to the Company, its operations and supply chain. This is because there are processes and suppliers which may have an impact on climate, nature, or both, and where there may be a risk of human rights infringement.

Identifying these dependencies – including where they relate to the focus topics outlined above – enables the Company to engage with key stakeholders where concerns may be present, such as by running traceability assessments with component suppliers to understand raw material origins and dependencies. The purpose of this engagement is to ensure that suppliers and contractors throughout the Company's value chain take a proactive role to address any concerns identified, and start implementing measurements to align with its ambitions.

6.1.2. Strategic time horizons

In developing its strategy and approach, NESF has assessed sustainability-related risks and opportunities in differing scenarios over a variety of time horizons. The Company defines these as follows:

- Short term (0-3 years): aligned with operational and financial planning.
- Medium term (3-10 years): reflecting the time frame for strategic decisions on portfolio composition, new technology investments, and project development.
- Long term (10+ years): corresponding to the expected operational lifetime of solar assets, and the period over which the Company's climate change mitigation impact is realised.

These time horizons are linked to the Company's strategic decision-making processes, which consider short term financial performance, medium term portfolio composition and investment decisions, and long term value creation for shareholders and society.



NESF assesses sustainability risks and opportunities over the short, medium and long term

6.2. Identification of sustainability-related issues

As described in the Introduction and approach to sustainability reporting of this Report, NESF has previously identified key issues that are material from a sustainability perspective, including climate-related physical and transition risk, nature, and human rights and community. These topics are relevant both for the Company's direct operations, and the solar PV and energy storage supply chain, which the Company uses to maintain its assets and will draw on in future procurement. Issues taken into consideration include, for example:

- The potential impact of climate change and its consequences, such as extreme weather events, on the physical integrity of NESF assets, their operational performance, and the supply, or cost of supply, of raw materials or components for solar modules
- Nature-related risks linking to the extreme weather events and other dependencies within the supply chain ecosystem
- Social issues which the Company considers material to its business, both in its operations and supply chain. These include health and safety, human rights, community engagement, diversity and inclusion, the circular economy, and transparency and disclosures
- How all of these may impact on financial issues, such as access to, and the cost of, capital and insurance.

Note that NESF's transition to a new Sustainability Framework, prepared by NextEnergy Group, is underway, and this will form the basis for reporting from the year ending 31 March 2025, including a specific presentation of further sustainability-related risks and opportunities which have been identified.

6.3. Impacts on business model and value chain

This section focuses on potential climate-related impacts on the Company, in line with the ISSB S2 standard. Its purpose is to provide a granular understanding for the primary users of general purpose financial reports. This is based on the results of the Company's climate-related risk and opportunity assessment, which identified varying degrees of exposure in specific areas of its business and supply chain. The risk assessment was carried out during the reporting period by NESF's Investment Adviser, in coordination with external consultants. The process consisted of three steps, designed to identify areas of supply chain concentration

risk, price sensitivity to disruptions in supply, and the likelihood of disruption occurring due to physical risk, such as flooding and other climate hazards.⁽¹⁾

The risk assessment identified, in particular, that the raw materials required for solar equipment, and their immediate processing, tend to be concentrated in geographies that are particularly exposed to climate risk and are, therefore, linked to the risk of nature-related impacts. These could lead to potentially significant supply chain disruptions, and associated price volatility. The specific findings of the review are commercially sensitive, but the work undertaken is being used to inform the Company's strategic response. The Company's assessment and planning in this area also means it is able to navigate climate-related risks, while positioning itself to benefit from the increasing global adoption of solar power as a clean, affordable, energy solution, that will generate long-term returns for shareholders.

From an operational perspective, climate change poses specific potential risks to the performance and longevity of solar assets. However, it also presents opportunities to contribute to the low-carbon transition, and benefit from the growing demand for renewable energy. Nature-related risks are also associated with solar site development and operation, but there are growing opportunities to enhance local ecosystems, and potentially generate revenue, through compliance markets such as excess Biodiversity Net Gain trading.

From an asset perspective, sustainability risks and opportunities are concentrated in the development, construction, and operational phases of solar projects, where decisions related to site selection, technology choice, supply chain management, and ongoing asset management can have significant environmental and social implications.

The integration of energy storage technologies into the Company's portfolio also presents new sustainability considerations, such as responsible sourcing, and the end-of-life management of battery materials.

These risks and opportunities are concentrated in key areas of NESF's business model and supplier value chain. Geographically, the Company's solar assets are located primarily in the UK and Italy, with a smaller presence in other international markets. This exposes the Company to country-specific sustainability risks and opportunities, such as local environmental regulations, labour standards, and community expectations.

⁽¹⁾ A challenge in this process is that raw materials come from a range of different countries, some with limited visibility or measurement of supply chain impacts on nature.

6.4. Strategic response

The Company's analysis of the sustainability-related risks identified above requires a strategic response. The response is framed around the most material focus topics. From a sustainability perspective, these are climate change, nature, and social issues, as described in as described in section 6.2. From a financial materiality perspective, at present NESF has carried out formal analysis solely in respect of climate change, which informs its strategic response. As described on pages 46-49, the Company is developing its reporting and approach and intends to expand its financial materiality analysis in future, in particular relating to nature.



The Company is committed to upholding health and safety standards, respecting human rights, acting responsibly towards and engaging with local communities, and supporting diversity and inclusion across the solar and energy storage industry.

The Company's Health and Safety Management System (HSMS) is designed at NextEnergy Group level, and is applied to each of the funds, including NESF, for which the Investment Adviser is responsible. In common with many International Standards Organization (ISO) compliant management systems, the HSMS follows the Deming Cycle approach of Plan, Do, Check, Act. It establishes the Company's commitment to protect the health and safety of those it works with.

NESF respects fundamental human rights principles and operates in accordance with the UN Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Global Compact, and the UN Guiding Principles on Business and Human Rights. The Company has a zero-tolerance policy towards human rights abuses and publishes an annual Modern Slavery Statement, in line with the principles and requirements of the UK Modern Slavery Act. Through the Investment Adviser, it carries out detailed supplier due diligence in order to avoid sourcing from areas considered to be at risk of human rights abuses and supports industry-wide action on broader supply chain sustainability, in particular, through the work of the Solar Stewardship Initiative.

NESF's community impact approach involves maximising local community involvement in project planning, development, and operations, investing directly in communities through its Special Purpose Vehicles (SPVs) and other local collaborations, in particular, to support skills development, and supporting charitable giving through the NextEnergy Group's international charity, the NextEnergy Foundation. Further information on the Company's [community funding](#) and support to the [NextEnergy Foundation](#) is provided in their standalone publications.

NESF continues to take action to support diversity and inclusion across the renewable energy sector, through the Investment Adviser and the NextEnergy Group. Via the NextEnergy Group, the Company has supported the development of specific workstreams to attract, retain and support a diverse range of talent, which are outlined on pages 54-56. This includes a particular focus on gender.



NESF's climate change planning and action is being undertaken by the Investment Adviser with the support of external consultants. This includes aligning the Company's decarbonisation plan with the [Science Based Targets Initiative](#) (SBTi) and the [Transition Plan Taskforce](#) framework, and a financial materiality assessment aligned with the ISSB S2 standard. The results of this are presented in this report, in particular, including the climate scenario and decarbonisation analysis discussed on pages 29-33. The Company's Transition Plan Taskforce disclosures are intended to be published in the report for the year ending 31 March 2025, and will be updated on an annual basis⁽¹⁾.

NESF has noted the imperative of addressing nature-related risks and opportunities in its operations and value chains. This includes the growing urgency of taking action on biodiversity loss, habitat destruction, and ecosystem collapse. The Company aims to proactively manage these risks while capitalising on opportunities for nature-positive investments. It has been pioneering solutions through its biodiversity initiatives since 2014. More recently, the Company has begun a detailed materiality assessment of nature, which is described on pages 37-39 of this Report, and intends to make future nature-related disclosures in line with the TNFD. This cements the Company's commitment to lead the solar and sustainable investment industries to adopt the standards set out in the TNFD framework, and to collectively restore and increase biodiversity and natural ecosystems.



SASB - Sustainability Accounting Standards Board

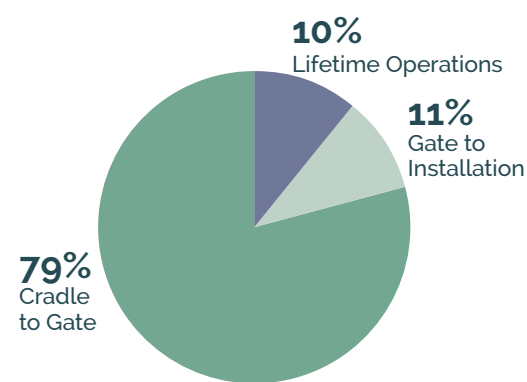
(1) Note that NESF's Transition Plan Taskforce disclosures will be published as part of the NextEnergy Group's Transition Plan Taskforce disclosures, which will cover all funds that NextEnergy Capital manages.



6.5. Trade-off considerations

NESF considers trade-offs between sustainability-related risks and opportunities in its strategy and decision-making processes, including as they relate to its investment and other financial decision-making. For example, the chart below demonstrates the split of emissions between supply chain, installation, and lifetime operations for solar PV. Supply chain emissions means emissions from extraction of raw materials to manufacturing phase (i.e. Cradle to Gate). The Company incurs emissions when constructing a new solar asset. However, the very low operating emissions mean that there is a significant opportunity to avoid more emissions than are incurred.

Emission Profile - Solar PV module



From a financial perspective, a more expensive solar module may be more sustainable – for example, with lower embodied carbon emissions, or a higher operating efficiency – and these factors are taken into consideration in the Company's decision-making. Similarly, in deciding to integrate energy storage technologies into its portfolio, the Company evaluates the potential environmental and social risks associated with battery material sourcing and disposal against the opportunities to support grid stability, enable greater integration of renewable energy, and develop new revenue streams. The Investment Adviser is currently extending its work to understand responsible sourcing in the context of battery supply chains.

By considering these trade-offs as part of its strategic decision-making, the Company seeks to balance environmental, social, and economic factors to manage sustainability-related risks and opportunities effectively. NESF's Sustainability Framework guides this process, ensuring that sustainability considerations are integrated into its business strategy and operations.

6.6. Financial impacts (current and anticipated)

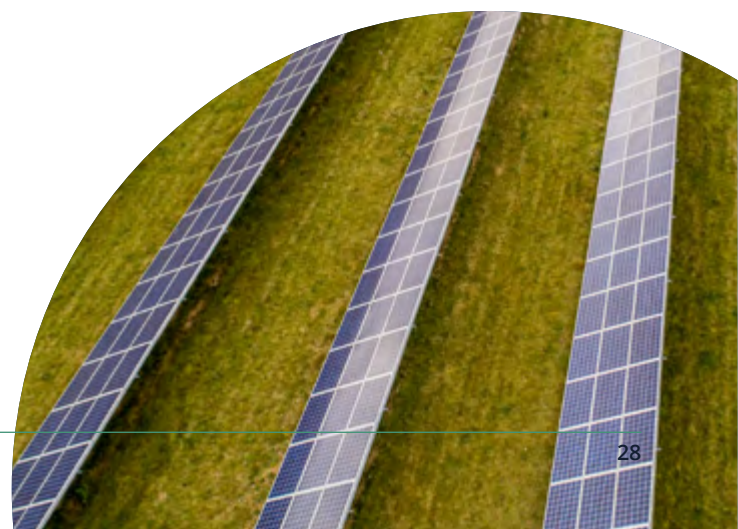
NESF has identified several sustainability-related risks and opportunities that could potentially impact its financial position, performance, and cash flows.

Climate-related physical risks, such as extreme weather events, could negatively impact the performance and longevity of the Company's solar assets. For example, they could result in increased maintenance costs, or asset impairment. Conversely, the Company's focus on investing in solar energy infrastructure and integrating energy storage technologies positions it to benefit from the growing demand for renewable energy, and the transition to a low-carbon economy. This could lead to increased revenue and cash flows over the short, medium, and long term.

The Company's efforts to manage nature-related risks and opportunities at its solar sites, including the implementation of habitat management plans and the exploration of biodiversity net gain credits, may influence its financial performance. Successful biodiversity management could help maintain its social licence to operate and generate additional revenue streams, while failure to adequately address biodiversity risks could lead to increased compliance costs, or reputational damage.

The Company's ongoing management of social risks and opportunities in its supply chain, through due diligence and supplier engagement, helps in mitigating potential financial impacts associated with supply chain disruptions or reputational risks associated with human rights. The Company may also benefit from its proactive engagement to ensure a continued licence to operate, for example, by receiving community support for future investment opportunities.

Due to the potential impact on the financial position and cash flows, NESF assesses these risks and monitors them on an ongoing basis. Climate-related risks are assessed for financial materiality in line with the requirements of the ISSB S2 standard. Currently no material sustainability-related financial impacts have been identified for the Company.



Scenario analysis - physical risk

The NESF portfolio has been subject to an extensive climate risk assessment, across multiple climate warming scenarios. These are based on the Shared

Socio-economic Pathways (SSP) established by the International Panel on Climate Change (IPCC), which look at the impacts of varying changes in temperature ranges. These scenarios are set out in the table below.

| Climate Scenarios | Description |
|-------------------|--|
| SSP1-2.6 | Assumes net zero emissions are achieved by 2050, stabilising global temperature rise at approximately 1.8°C above pre-industrial levels by 2100. |
| SSP2-4.5 | Emissions decrease but do not reach net zero by 2100. Temperatures rise 2.7°C above pre-industrial levels by 2100. |
| SSP3-7.0 | Projects global emissions remain high throughout the 21st century, resulting in global average temperatures rising by approximately 3.7°C above pre-industrial levels by 2100. |

Note that although the figures provided in the table below represent the proportion of the portfolio exposed to climate loss, this does not imply total loss. There is no accurate way of establishing what specific financial losses may be, because they are dependent on the nature of the climate impact. This could include extreme weather events, such as flooding or wildfire, through to small drops in panel efficiency due to a rise in average temperature.

To determine the climate risk, the IPCC approach was adopted and applied at the asset level, before being aggregated to portfolio level to give an overall portfolio score. This approach relies on data from the Coupled Model Intercomparison Project 6 ('CMIP 6') as the basis for the assessment. This is the same data on which the

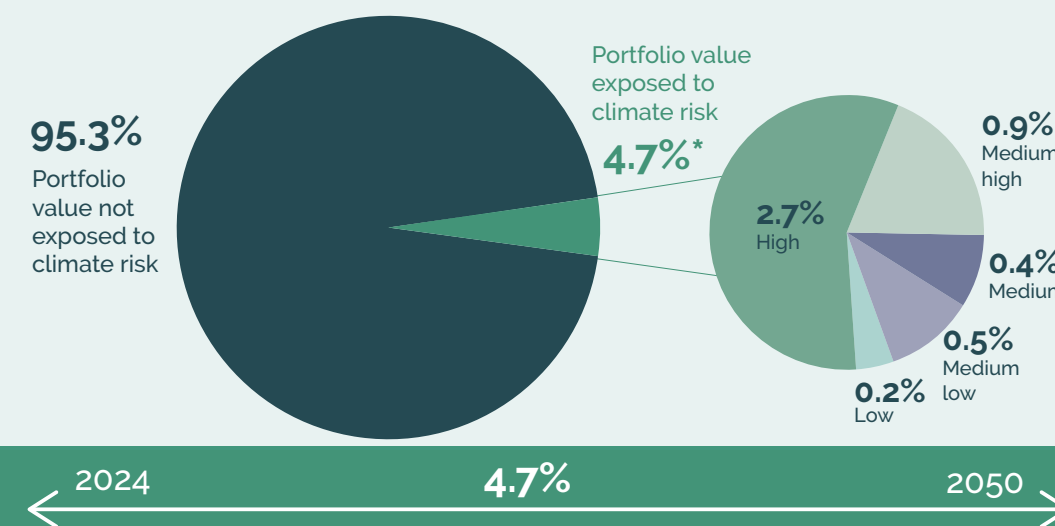
most recent IPCC report was based. The assessment was conducted on three scenarios to capture a range of climate outcomes. The overall climate risk score under additional scenarios is shown below:

| Climate Scenarios | Climate Risk Score |
|-------------------|--------------------|
| SSP1-2.6 | 3.9% |
| SSP2-4.5 | 4.7% |
| SSP3-7.0 | 5.1% |

The overall scores are relatively low, and reflect a strong degree of resilience in the portfolio.

Results NESF climate risk exposure - SSP 2 scenario/ breakdown by risk level

The overall portfolio climate risk score for the Company under the most relevant scenario SSP2 is 4.7%. This means that 4.7% of the NESF portfolio will likely experience some level of financial loss between now and 2050 due to climate change. A breakdown of this exposure by risk level is below.



*This represents the portfolio value likely to experience some financial loss between now and 2050 - the scale of loss is uncertain but on an annualised basis is highly immaterial

Transition risks and opportunities across jurisdictions

The assessment of climate transition risks and opportunities is jurisdiction-specific. The Company has undertaken a detailed analysis of each category of transition risk, which is explained in the relevant section below. The assessment is conducted through the lens of financial material risks and opportunities. Note that there is significant uncertainty in how the transition will evolve, which requires active monitoring of the identified risks and opportunities. This is undertaken on a recurring basis by the Company.

6.6.1. Policy and legal risks and opportunities

NESF, as a leading solar and energy solar infrastructure investment company with assets primarily located in the UK and Italy, is subject to various policy and legal risks and opportunities related to the transition to a low-carbon economy. Current and proposed policies – such as the UK’s 2050 net zero emissions target, and Italy’s National Energy and Climate Plan – could impact the Company’s operations, costs, and markets.

Carbon pricing mechanisms, emissions standards, and clean energy mandates could all affect the Company’s business by influencing energy market dynamics and the competitiveness of solar power relative to other energy sources. However, both the UK and Italy have set ambitious targets for reducing greenhouse gas emissions, and increasing the share of renewable energy in their electricity mix, as well as the role of energy storage. This should create a favourable policy environment for solar power investment.

70 GW UK 2035 solar deployment target

In the UK, the government has introduced various policy measures to support the growth of renewable energy, such as the Contracts for Difference (CfD) scheme, which provides long-term price stability for low-carbon electricity generation. The government has also set an ambition of deploying 70 gigawatts of solar capacity by 2035, a five-fold increase on current capacity.

In Italy, the National Energy and Climate Plan sets targets for renewable energy to account for 30% of total energy consumption and 55% of electricity consumption by 2030. The Italian government offers various incentives for solar power development, such as feed-in tariffs, tax deductions, and grants for innovative renewable energy technologies.

In both the UK and Italy there are risks around the planning process and grid connectivity. The large scale deployment of renewables is putting electricity transmission and distribution infrastructure under pressure, while upgrade plans have been slow to deploy. There are also challenges associated with storage assets, such as how network charging costs are calculated in the UK.

These issues have created a backlog of projects which are approved, but face delays before they can connect, and temporary outages for existing assets while network reinforcement works are carried out. Both jurisdictions are developing initiatives to resolve these issues, and the Investment Adviser is proactively engaging with authorities to help achieve this. There may also be opportunities to use grid connections which become available as existing fossil fuel capacity is decommissioned.

Stakeholder engagement

The Investment Adviser’s ESG team is extensively involved with industry, regulatory and policy initiatives relating to Sustainability and ESG across the solar sector. This includes chairing or participating in working groups, membership or support of trade associations and other organisations, and regular participation at industry conferences and events. Investment Adviser staff also meet regularly with government officials, regulators, parliamentarians, NGOs and academics to explain the action which NESF and the solar industry is taking on climate change, biodiversity, responsible sourcing, and other sustainability and ESG topics. In addition, the Chairwoman of the Company’s ESG Committee is a member of the ESG working group of the Association of Investment Companies, which supports the development of best practice in investment.

Investment Adviser trade association engagement

Solar Energy UK (SEUK)

- The Head of ESG, Giulia Guidi, is a member of the Board.
- The SEUK Natural Capital Working Group is Chaired by Sulwen Vaughan, the SPV Director.
- The SEUK Natural Capital Steering Group is Chaired by the Hing Kin Lee, Vice President for Nature.
- The SEUK Responsible Sourcing Steering Group is Chaired by Kevin McCann, the Senior ESG Associate.

Solar Stewardship Initiative

- The Head of ESG is a member of the Board.
- The UK ESG Analyst is a member of the Technical Working Group on Traceability.

The Investment Adviser is a member of or supports



Investment Adviser Head of ESG (second left) at Solar & Storage Live, October 2023, Birmingham



Investment Adviser Associate at Reuters Utility Scale Solar & Wind 2023, Madrid



Investment Adviser Vice-President of Nature (second right) at the European Business and Nature Summit 2023, Milan

6.6.2. Technological risks and opportunities

NESF is well-positioned to capitalise on the opportunities presented by the transition to clean technologies, while managing the associated risks. The rapid advancement of low-carbon technologies, such as energy storage systems and smart grid solutions, could potentially disrupt the Company's existing solar energy assets by altering the dynamics of electricity supply and demand. This includes the falling costs of competing technologies, such as offshore wind.

At present, solar is currently in a strong position. The technology offers a low cost per MWh compared with offshore wind, and is currently a more mature and viable technology than hydrogen. As competing technologies mature, these dynamics may change. However, NESF has demonstrated its ability to adapt to and integrate new clean technologies into its operations and offerings.

For example, the Company has already started investing in energy storage projects, such as the 50MW Camilla project in Scotland, which will complement its solar portfolio and provide additional flexibility and revenue streams. By leveraging its existing expertise in solar energy development and management, the Company can pivot towards integrated clean technology solutions that combine solar power with energy storage, grid balancing services, and other innovative applications. By adding storage, the Company is also helping to reduce curtailment and inefficiencies in other parts of the energy system, to the benefit of both society and the environment.

Moreover, the adoption of new technologies presents opportunities for the Company to improve the efficiency of its solar assets, reduce emissions associated with their construction and operation, and cut costs through optimised maintenance and performance monitoring. As the costs of clean technologies continue to decline and their performance improves, the Company can stay

ahead of the curve by proactively researching, piloting, and deploying advanced solar and storage solutions across its portfolio in the UK, Italy, and other markets.

6.6.3. Market risks and opportunities

NESF is adequately equipped to benefit from the market opportunities arising from the transition to a low-carbon economy. As concerns about climate change grow, and governments, businesses and consumers increasingly prioritise sustainability, the demand for renewable energy, including solar power, is expected to rise significantly. This includes the UK and Italy, which have both set ambitious targets for decarbonising their electricity sectors, and where the majority of the Company's assets are located. These policy drivers, coupled with the declining costs of solar technology and the growing awareness of the environmental and economic benefits of clean energy, are likely to accelerate the shift in customer preferences towards low-carbon solutions. NESF monitors relevant market developments, such as the UK's Review of Electricity Market Arrangements process, to understand their potential impact.

The Company's focus on solar energy means that it has limited exposure to the declining demand for carbon-intensive products or services. This could help insulate the Company from potential financial impacts, such as reduced revenues or increased costs associated with market changes. Moreover, the expanding market for solar power presents opportunities for NESF to target new customer segments, such as corporate buyers seeking to procure renewable energy to meet their sustainability goals, or to enter new geographies with favourable solar resources and policy environments.

By leveraging its expertise in solar project development and management, the Company can adapt its offerings to meet the evolving needs of customers and exploit the growing demand for clean energy across diverse markets and sectors.

6.6.4. Reputational risks and opportunities

The Company has demonstrated a strong commitment to building and maintaining a positive reputation as a leader in the transition to a low-carbon economy. Its focus on solar energy, and its proactive approach to sustainability, have positioned it to capitalise on the reputational benefits of being a clean energy provider.

Investors, regulatory and broader stakeholders are increasingly aware of the twin risks of greenwashing and greenhushing. These can be understood as the risk of overstating or understating sustainability credentials. This risk may materialise through fraud or error. The strong governance and risk management approach that NESF adopts is critical to mitigating both of these risks.

In addition, the Company has taken steps to enhance its reputation and brand value, including early and voluntary alignment of its disclosures with frameworks such as the ISSB, and taking all action to achieve and retain Article 9 status under the EU Sustainable Finance Disclosure Regulation (SFDR). By demonstrating transparency and accountability, while generating risk-adjusted returns from assets which address climate change, the Company has strengthened its credibility with government officials and regulators, investors, clients, academic and other research groups and the media.

NESF considers its social licence to operate as a critical opportunity and any negative impact on this is a risk for future project approvals. The Company actively engages with local communities, promotes environmental education, and supports sustainable development initiatives through its solar projects. Its community engagement initiatives, such as partnering with schools and supporting biodiversity conservation efforts, have helped build trust and foster positive relationships with stakeholders in the areas where it operates.

The Company's commitment to sustainability extends beyond its core business activities, as evidenced by its support, through the Investment Adviser, for initiatives such as the Solar Stewardship Initiative, and endorsement of the Solar Energy UK [Supply Chain Statement](#). These partnerships demonstrate the Company's leadership in driving the transition to a low-carbon future, and further enhance its reputation as a responsible investor. NESF's track record of delivering clean energy solutions and creating value for its stakeholders positions it well to maintain and further enhance its reputation in the years to come.

6.7. Resilience of strategy

The Board considers that the development of the Company's sustainability strategy and strategic response to identified risks provides a high degree of resilience to sustainability-related risks.

The Company's investments in solar energy and energy storage technologies contribute to climate change mitigation and adaptation efforts, further enhancing its climate resilience. This includes the disclosure of potentially material financial risks relating to climate change, as expressed in this Report in alignment with the ISSB S2 standard.

The Company's ongoing work to assess and understand other sustainability impacts and dependencies, and integrate these into decision-making processes, demonstrate its commitment to further increasing the resilience of its strategy. This includes its emerging work to address nature-related risks and opportunities, in line with the TNFD, and the supply chain due diligence and engagement it performs to help manage social risks.

The Company's ongoing monitoring and assessment of risks and opportunities, coupled with its financial flexibility and adaptable business model, position it to navigate the challenges and opportunities presented by the transition to a more sustainable future.

6.8. Priority locations for operations and value chain

The operations and value chain of NESF span a variety of locations. The Company owns and operates a diversified portfolio of solar energy assets, primarily in the UK and Italy, with a smaller presence in other international markets. The Company has identified several material locations where its assets and activities have sustainability-related dependencies, impacts, risks, and opportunities, in particular, in the context of nature.

These locations include solar farm sites where biodiversity management plans and habitat enhancement initiatives are being implemented to address potential impacts on local ecosystems, and promote the conservation of flora and fauna. The Company's solar energy infrastructure also depends on the availability of suitable land and favourable climatic conditions, such as adequate solar irradiation, to generate electricity.

The development and operation of solar farms can have impacts on local ecosystems, including potential changes in land use, habitat fragmentation, and disturbance to flora and fauna. The Company has defined sensitive locations based on their importance for biodiversity, ecosystem integrity, and the provision of ecosystem services to local communities and stakeholders. Its process for identifying priority locations for disclosure involves assessing the materiality of nature-related risks and opportunities at each site, considering factors such as the presence of protected species, their proximity to areas of high conservation value, and the potential for ecosystem restoration or enhancement.

The impact pathways identified include the direct effects of solar farm construction and operation on habitats and species, as well as the indirect effects of changes in land use and management practices. The Company has disclosed information about its biodiversity management activities at a site-specific level, demonstrating a commitment to improving the geographic specificity of its reporting over time. As the Company continues to refine its approach to managing nature-related risks and opportunities, it is expected to expand its location assessment activities and enhance the transparency of its disclosures on the location, pathways, and metrics associated with its material dependencies and impacts, both within its direct operations and across its upstream and downstream value chain, in line with evolving best practices and stakeholder expectations.



7. Risk management

7.1. Risk identification and assessment processes

NESF employs a comprehensive approach to identify, assess, prioritise, and monitor potential financially material sustainability-related risks and opportunities, in its direct operations and across its value chain. This includes assessment at each stage of an asset's development, from pre-acquisition, through construction, and into operation.

There are formalised processes to assess sustainability risks and establish any mitigations required. This investment process is supported by a Sustainable Investment Policy, topic-specific Position Statements and policies, and a Code of Conduct for Suppliers⁽¹⁾.

The Company's risk management approach tracks the lifecycle of the assets, and the broader role of NESF in identifying and addressing the risks and opportunities outlined in this Report. Its sustainability strategy helps to define the characteristics of sustainability risks that are potentially financially material. At each stage these risks feed back into the enterprise risk management framework operated by the Investment Adviser.

The next sections provide additional information on aspects of the Company's risk management.

⁽¹⁾ An overview of these is provided in the Annex to this report.





Climate

NESF conducts extensive due diligence during the pre-acquisition phase of any potential asset. The process generates a structured, pre-investment assessment of the asset against ESG criteria, including climate and transition risk, nature and biodiversity impacts, and potential links between these, including the supply chain. The findings from this process are presented to the Investment Adviser's Investment Committee for consideration of financial impact before any acquisition is approved. The assessment informs the development of an asset-specific environmental action plan to mitigate financially material risks. That plan is handed over from the Investment Adviser's ESG team to the Construction and Procurement team, and subsequently to construction and other contractors, for implementation during the construction phase. Following successful commissioning of the site, the operations then pass to the Asset Manager. This includes another formal handover. The process ensures clear responsibility for managing climate and other sustainability-related risks identified during due diligence, through each phase of the asset lifecycle.

Geospatial data and the risk identification process

The Investment Adviser's spatial data management is transforming the way NESF carries out due diligence, manages data, and reports on asset operation. The Investment Adviser's in-house GIS data management system is a key enabler in risk management, allowing the Company to monitor and analyse the ESG impact of solar assets across maps and other visual functions.

Data on climate, environmental and social factors (such as flood zones, conservation sites, and the presence of flora and fauna) is gathered from sources including publicly available data, computer models, and asset level surveys. This is then incorporated with financial information and actively managed through dedicated databases. The process enables the Company to capture and communicate information more easily, increasing operational efficiency and transparency. The Company makes use of remote sensing technologies such as drone imaging to monitor performance, and is exploring emerging techniques in spatial data analysis and management.

The NESF sustainability dashboard, showing data on the Company's Exemplar sites and Universal Biodiversity Management Plans (UBMP)⁽¹⁾.

⁽¹⁾ Graphic displays data for relevant UK ground-mounted solar assets only.



Nature

NESF work on nature-related risk management is evolving rapidly, and during the reporting period the Company, via the support of the Investment Adviser and the NextEnergy Group, developed a comprehensive nature-related risk and opportunity assessment. The purpose was to develop an evidence-based nature strategy and action plan, including a materiality assessment, and the work was carried out in partnership with third-party experts Etifor. The assessment included the Company's direct operations and value chain. Its specific objectives were to:

- **Support strategic decision-making:** the assessment aimed to support the development of strategies, policies, action plans, and capital allocation for nature-related risks and opportunities, for the NextEnergy Group and its funds, including NESF.
- **Deliver compliance readiness:** the Company aimed to assess its readiness for compliance with non-financial disclosure requirements under relevant jurisdictional standards, including the EU Corporate Sustainability Reporting Directive (CSRD), ISSB, and the UK Sustainability Disclosure Requirements (SDRs).
- **Ensure alignment with global initiatives:** the Company sought to align with global initiatives such as the Kunming-Montreal Global Biodiversity Framework (KM-GBF), the TNFD, and Science Based Targets Network (SBTN).
- **Develop sustainable investment criteria:** the Company aimed to prepare for alignment with sustainable investment fund criteria, including the Sustainable Finance Disclosure Regulation (SFDR) and the EU Green Taxonomy.

Challenges and data gaps

The nature assessment encountered challenges due to data gaps, particularly relating to nature-related aspects of supply chain traceability, centralised impact accounting, and a lack of primary data. Despite these challenges, the Company recognised the importance of consolidating nature-related risks, opportunities, impacts, and dependencies into a single document and data management system.

Findings and recommendations:

NESF has now identified its interface with nature, and carried out a detailed assessment of its exposure to nature risks and opportunities. This will enable more proactive risk management and opportunity delivery, which the assessment highlighted – particularly including upstream risks associated with nature loss. The Investment Adviser is now working towards an integrated climate and nature disclosure report to be issued by the Company in 2025, as an early adopter of TNFD. This will include further detail on the Company's nature-related risk identification and assessment, aligning with the beginning of the ISSB's work on nature-related corporate reporting, and the interoperability of TNFD across sustainability disclosure frameworks.

Universal Biodiversity Management Plans and Exemplar sites

The Company's asset-level approach to identifying and managing nature-related risks and opportunities is structured through two proprietary initiatives: Universal Biodiversity Management Plans (UBMPs) and Exemplar sites.

UBMPs

A UBMP is a set of site management activities, designed by specialist advisers, to maximise biodiversity on NESF solar farms. They go beyond the conservation measures required as part of UK planning requirements (which are typically included in a site Landscape and Environmental Management Plan, or LEMP).

The Company recognises that 25 of its operating assets do not have LEMP planning obligations, and so the UBMP programme has been deployed to implement a high standard of conservation practice and increase biodiversity across the Company. NESF has so far designed and implemented UBMPs on 22 of its assets that do not have a LEMP.

81% Proportion of relevant assets with enhanced biodiversity measures

UBMPs include monitoring and measurement as standard, so that their impact can be assessed. A key benefit is that the measures are designed to be replicable and scalable. In total, 60 relevant sites are now managed under a UBMP to support nature. The UBMP programme is also being used to generate robust evidence on the ecology of solar sites and their benefit to UK biodiversity as a whole.

Exemplar sites

NESF also implements Exemplar sites. The Exemplar site programme seeks to provide a bespoke biodiversity plan for individual sites, with monitoring and measures specifically designed to target conservation objectives for the site and local area.

Based on this knowledge, the Exemplar programme can therefore help deliver best practice. The sites represent the opportunity to pilot new biodiversity management techniques, in addition to implementing a monitoring programme. This means the Company can learn over time which measures are most effective, feeding this back into broader biodiversity initiatives, such as the UBMP programme, and planning processes, such as the LEMPs typically developed for a new solar site.

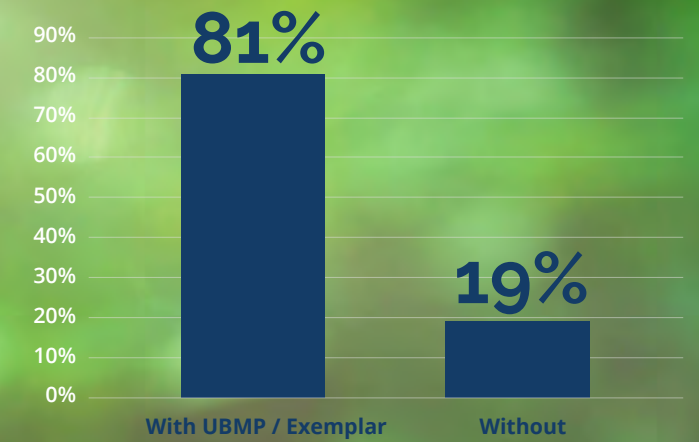
60 Assets with UBMP measures

In 2023, NESF maintained and continued to monitor its eight Exemplar sites, with further implementation work scheduled at Balhearty for 2024⁽¹⁾. Exemplar site implementation and monitoring will continue on an annual basis, although no additional assets have been enrolled into the programme for 2024.

8 Assets with Exemplar measures

(1) This was scheduled to be complete by the end of 2023, but the programme has been delayed due to ongoing replacement works at this location.
(2) NESF's share of generation from private equity vehicle (NPIII) are not included in this map.

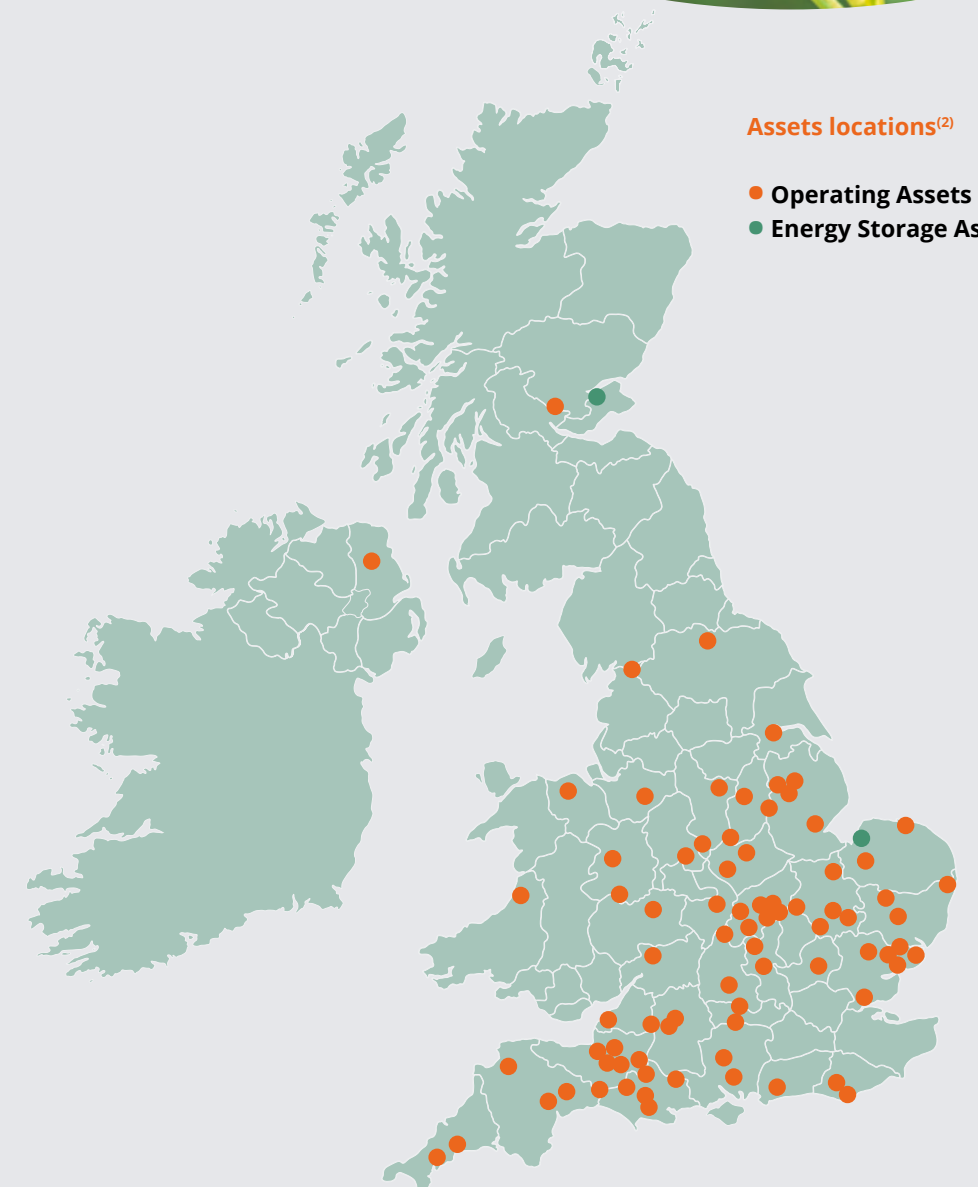
NESF assets with biodiversity improvements*



*Relevant UK ground-mounted assets, with improvements planned or in development

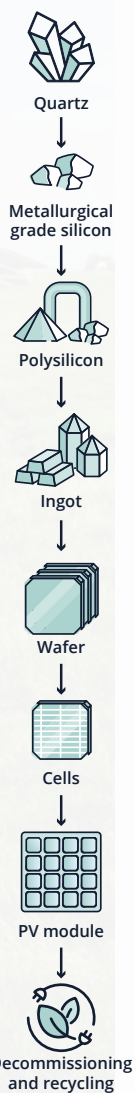
Assets locations⁽²⁾

- Operating Assets
- Energy Storage Assets





Solar Panel Supply Chain



Health & Safety

NESF proactively monitors and addresses potential social risks, including those relating to health and safety, human rights, community engagement, and diversity and inclusion.

The key aspect of health and safety risk for the Company relates to the construction and operation of assets, which share some of the hazards that are common across all power plants. However, the nature of a solar plant, which have simpler construction and operational requirements, means some of the complexity and risk associated with traditional power stations is negated. Focus areas of the health and safety management system include:

- Identifying workplace health and safety hazards and risks
- Promoting a positive health and safety culture
- Monitoring and measuring health and safety performance
- Preventing health and safety incidents
- Responding, reporting and documenting incidents
- Preventing future incidents occurring through the review of health and safety performance.

16 Manufacturers, contractors and other suppliers subject to ESG due diligence in 2023–2024⁽¹⁾

NESF monitors human rights risk across its operations and supply chains. A specific area where concerns have been identified is in the solar supply chain, and this is considered as part of the asset due diligence process. For example, the Investment Adviser uses a proprietary solar PV assessment tool to examine the product and material origins, working practices, and social standards of potential manufacturers. It also implements contractual safeguards on the traceability of materials used in the manufacturing process, to avoid sourcing from areas considered to be at risk of human rights abuses. The Investment Adviser is developing relevant metrics it can use to report on this work.

Through the Investment Adviser, the Company also supports the [Solar Stewardship Initiative \(SSI\)](#). This is the first-ever supply chain sustainability assurance scheme dedicated to the needs of the solar PV sector and its customers. The SSI was formally launched in December 2023 after a comprehensive development process, and works collaboratively with manufacturers, developers, installers, and purchasers across the global solar value chain to foster responsible production, sourcing and stewardship of materials. During the reporting period the Investment Adviser’s Head of ESG, Giulia Guidi, was appointed to the inaugural board of the SSI, and one of its ESG Analysts was also appointed to its traceability working group.

One of the Investment Adviser’s ESG Analysts was also appointed to SSI traceability working group, which will develop a standardised industry process for tracing the materials in the solar module supply chain, presented in the graphic on the left.

The Investment Adviser has successfully procured solar modules with traceable polysilicon, and the industry is now moving towards full raw material traceability, up to and including quartz.

⁽¹⁾ Completed or initiated.

Diversity, Equity and Inclusion

The Company monitors policy and other developments relating to the potential impacts of renewable energy infrastructure on local communities, including where these host NESF assets, and develops internal processes to address new issues as they emerge.

The NextEnergy Group’s diversity and inclusion strategy includes a particular focus on gender. During the reporting period, the results of NextEnergy Group’s detailed investigation of the perceptions of its female staff were presented to the NextEnergy Group’s Senior Leadership Team. The work was carried out with specialist consultancy MPM included. The results were encouraging and indicative of a gender-inclusive workplace, but also contained recommendations for further action.

These included:

- Mentoring for high potential female employees
- Talent development and recruitment attraction procedures that reduce bias
- A Menopause Policy
- Amending and relaunching the Flexible Working Framework
- Better awareness of family leave provisions
- Enhanced Maternity Pay
- Return to work support

These have all been implemented, and the NextEnergy Group will continue to review and amend its approach. The annual compensation benchmarking processes also give access to valuable data points to drive fairer compensation decisions.



7.2. Risk prioritisation and monitoring

The NESF identification and assessment process results in a comprehensive set of sustainability risks associated with an asset or a supplier. The materiality of these risks, in terms of potential financial impact, informs their prioritisation.

At the asset level, this might manifest in climate-related risks, such as wildfire or flooding. This type of risk can in turn present an opportunity for relevant nature-based or other sustainable solutions to be introduced during planning, design and operation: for example, introducing watercourses to mitigate wildfire risk, or enhancing meadows and creating ponds to reduce flooding.

Prioritisation of risks in the supply chain includes action to protect against human rights abuses, and understand climate-related impacts, as detailed in this Report. Extensive work has been undertaken on the supply chain by the investment adviser's ESG team in the current period to assess other financially material sustainability-related risks. These will be considered in the prioritisation process during the current year.

Monitoring of risks relies on periodic remeasurement for solar assets. As a minimum, this occurs annually. However, priority risks are typically monitored more frequently, especially to measure the impact of interventions. Supplier risk assessments are also updated periodically, although they are re-visited more frequently if a material transaction with a supplier is under consideration.

7.3. Management of risks and opportunities

NESF utilises various inputs and parameters, including data from environmental experts, land management contractors, and third-party specialists to manage financially material sustainability-related risks and opportunities. The Company also engages with industry associations, policymakers, and environmental researchers to stay informed about best practices and emerging trends. The Company's overall risk profile is assessed using a range of risk management tools. These include the scenario analysis for climate-related physical and transition risks described in this Report, and the Investment Adviser's detailed supply chain due diligence questionnaire, that examines factors including product origins, working practices, and emissions profiles. NESF also supports research initiatives to ensure that the evolving risk and opportunity landscape is well understood.

Research



NESF, a leader in advancing nature-positive operations and investments in solar, won the Environmental Finance IMPACT Awards in 2023 for its active participation in research initiatives.

The Company won this award for its 2023 collaboration with The University of York and Lancaster University on a UK Research and Innovation (UKRI)-funded research project facilitated by the Natural Environment Research Council (NERC). This aimed to identify nature-positive investment opportunities within the solar sector and develop appropriate metrics for monitoring and reporting across the solar farm value chain.

The overarching goal of the initiative was to raise awareness of the potential and means to embed nature-positive investments in the solar industry. With the anticipated five-fold expansion in solar deployment across the UK by 2035, and growing momentum to promote sustainable practices, NESF recognises the importance of aligning financial decisions with biodiversity and natural capital considerations. The Company played a pivotal role in supporting the research initiative through in-kind contribution, facilitation, and active participation.

As the solar industry continues to evolve, NESF remains committed to driving positive environmental outcomes and realising opportunities for sustainable investment.



Workshop break-out sessions in January 2024: nature-positive investment opportunities.

7.4. Integration with overall risk management

NESF delegates risk management to its Investment Manager, which adopts a risk management culture. Through formal and informal processes in conjunction with the Investment Adviser, risks are identified, assessed, prioritised, and monitored. Sustainability-related risks and opportunities are fully integrated into the Company's overall risk management process, and incorporated into the risk register as part of the enterprise risk management framework. The enterprise approach to risk is set out in the Company's Annual Report alongside the presentation of principal and emerging risks table.

The NESF Sustainability Framework serves as the foundation for this integration, guiding the investment decision-making process and ensuring that sustainability and ESG considerations are embedded at every stage. The Investment Adviser's ESG Team works closely with its internal Investment Team to discuss identified risks and opportunities that are potentially financial material, agree on mitigation measures, and present the findings to the Investment Adviser's Investment Committee and to the Investment Manager for final decision-making.

This collaborative approach ensures that sustainability-related financial risks and opportunities are given equal weight alongside other types of risks in the overall risk management process. The ongoing monitoring and management of sustainability-related risks and opportunities are carried out in line with the asset-specific action plan, allowing the Company to proactively manage these risks and benefit from the opportunities throughout the asset lifecycle.

8. Metrics and targets

NESF has performed detailed analysis of its climate impact, in line with the requirements of the ISSB S2 standard. This is presented below, including emissions avoided, emissions occurred through its operations and supply chain, and other relevant metrics. This analysis is derived from the strategy and risk management approach to track impacts that are potentially financially material.

The Company also gathers and analyses data on nature and social-related issues. These are material from a sustainability perspective, although have not yet been assessed for financial materiality. Information on these topics is also presented in the relevant sections below. Levels of disclosures vary.



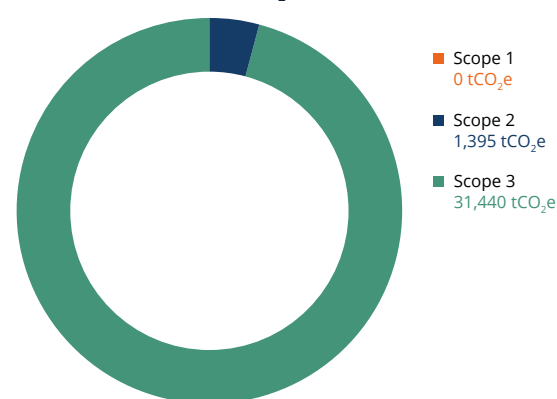
8.1. Climate-related metrics

Climate measurement approach

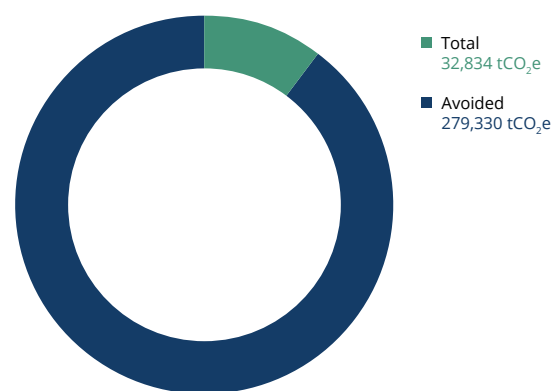
The NESF approach to measuring GHG emissions includes using the independent support of a third-party specialist to report on annual CO₂e emissions avoided. Since 2021, the Company has also provided an estimate of the overall lifecycle carbon footprint of the portfolio, including Scope 1, 2, and 3 GHG emissions. The Greenhouse Gas Protocol approach has been used to calculate Operations and Maintenance (O&M) emissions. NESF chose this measurement approach to ensure a comprehensive and standardised assessment of its emissions, based on its development of a clear emissions baseline, and engaging with contractors to gather the necessary data. The Company used the services of its third-party specialist to analyse its climate-related data and understand the biggest emissions contributions.

8.2. Climate metrics

Scope 1, 2 and 3 GHG Emissions (tCO₂e)



Emissions avoided and Total Emissions 2023-2024



NESF's GHG emissions are categorised into three scopes based on their source:

- Scope 1 emissions, which are direct emissions from sources owned or controlled by the Company. These amounted to 0 tCO₂e in 2023-2024. This suggests that the Company's solar assets do not emit significant direct emissions during their operation, which is typical for renewable energy generation.
- Scope 2 emissions, which are indirect emissions from the generation of purchased energy, are 1,395 tCO₂e. These emissions result from the purchase of electricity from the grid to support the Company's operations, such as powering maintenance equipment, onsite facilities, and ancillary equipment associated with the solar assets (such as communications and security).
- Scope 3 emissions⁽¹⁾, which include all other indirect emissions that occur in the Company's value chain, are estimated at 31,440 tCO₂e. These emissions primarily arise from the manufacturing and shipping of components used in the Company's solar PV panels and battery storage systems, as well as emissions related to the extraction and refining of raw materials used in these components. They also include emissions from the Company's operations and maintenance contractors.

The Company's emissions have been measured in line with the Greenhouse Gas Protocol, with emission factors selected from the most appropriate source based on the geography of emissions. For international (supply chain) emissions, these were based on specific lifecycle assessments, national databases, or international sources. For emissions related to project sites, factors were selected from the national emission factor databases in the jurisdiction. Note that the presentation of NESF emissions by scope has been completed in accordance with the EU SFDR for consistency of presentation in the Company's regulatory reporting.

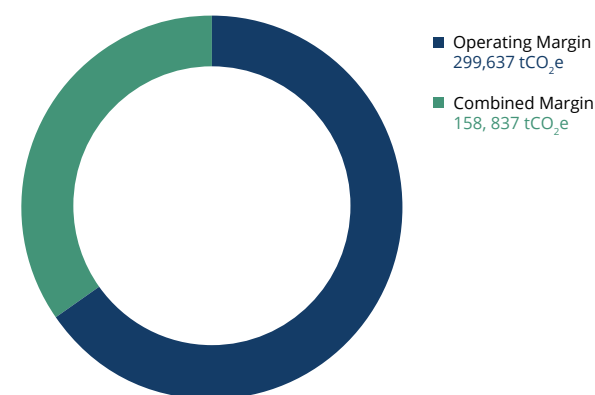
NESF's avoided emissions have been calculated in line with the United Nations Framework Convention on Climate Change's working group on International Financial Institutions (IFI), to harmonise project-level greenhouse gas emissions accounting. Note that this results in the application of a consequential methodology to avoidance calculations, which requires an estimate of emissions that would be incurred had the solar assets generation not been utilised.

The IFI provides a dataset of emission factors to calculate this, which are structured across two types: an operating margin and a combined margin. The operating margin is defined as the plants producing the most-costly generation of the fossil fuel generation mix in the relevant jurisdiction. The combined margin is a blend of the operating margin and build margin. The build margin uses an average of the

annual emission intensities of new electricity generation projected over the next eight years under the stated policy scenario.

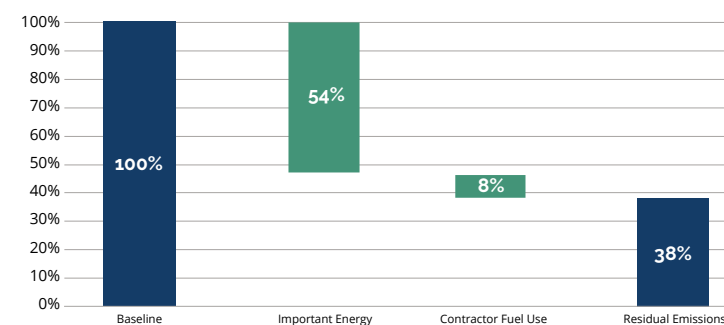
For transparency, the Company presents avoided emissions in both the operating and combined margin. However, using the principle of displacement, it is the Company's view that if it does not supply renewable energy to the grid then that energy can only be replaced by fossil fuels. This is because there is currently not enough renewable energy supply to meet the demand on the grid. For this reason, the operating margin is the most appropriate measure.

Avoided Emissions



NESF's climate targets are currently being prepared by the Investment Adviser, alongside an external consultant. The Company's approach is to ensure a decarbonisation pathway is mapped out, with material dependencies identified and a feasibility assessment of achieving decarbonisation conducted before committing to targets. The targets will then be approached separately, on an operational and supply chain basis, using intensity metrics.

NESF Operational Decarbonization Dependencies - to 2035 (tCO₂e/MW)



The graph above shows where NESF's operational emissions can be decarbonised. The Baseline column shows the relative proportion of the Company's operational carbon emissions as of the date of analysis – in other words, 100%. The *Import Energy* and *Contractor Fuel Use* columns show the proportion of the baseline emissions

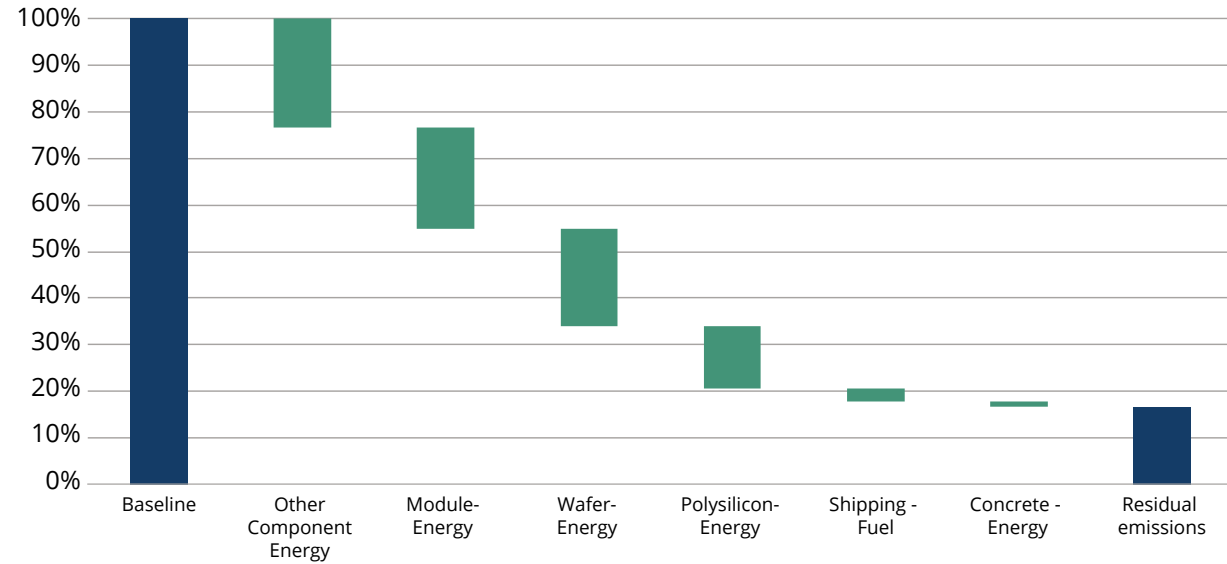
which could be reduced by taking action in the relevant area – for example, by reducing the amount of fuel used by contractors. The *Residual emissions* column shows the proportion of the baseline which is feasible for the Company to reduce emissions by 2035, based on the present analysis: 38%. Any residual emissions as at 2050 will be offset.

As the chart demonstrates, there are two significant dependencies for near term decarbonisation of NESF's operational emissions. These are the import of non-renewable energy for use on site (such as for monitoring, and communications), and the use of fossil fuels by contractors (such as for travel to and movement around site). The dependencies arise because decarbonisation will rely, for example, in increasing the availability of renewable energy which can be used on site, and on contractors changing their fleets to electric vehicles, powered by renewable electricity.

The Company's advisers conducted research to develop a realistic expectation of operational carbon reductions by 2035, on known sectoral and jurisdictional targets. These include, for example, policies in the UK and Italy to decarbonise the grid, and to move to electric transport. However, it is not anticipated that there will be a 100% reduction for these activities during the reference period. This is why some imported energy and contractor fuel use remains in the residual emissions anticipated for NESF post-2035, as the chart shows.

⁽¹⁾ Where possible, NESF will utilise actual data. However, some elements rely on standardised emission factors and assumptions which can lead to increased uncertainty, as reported in the table at the end of this report

NESF Supply Chain Decarbonization Dependencies - to 2050 (tCO₂e/MW)



The Company's advisers also mapped and analysed material dependencies and emissions in its supply chain, to identify a pathway to decarbonisation.⁽¹⁾ This is shown in the graph above. The *Baseline* column shows the reference proportion of NESF's current carbon emissions – 100%. The columns to the right show the proportion of the baseline emissions which could be reduced by taking action in the relevant area – for example, by reducing the amount of fuel used in shipping. The *Residual emissions* column shows the proportion of the baseline to which it is feasible for the Company to reduce emissions by 2050, based on the present analysis. These emissions will be offset, in line with the strategy being developed for the Company by the Investment Adviser. Note that as with the operational emissions analysis, the reductions set out in the chart above are based on sectoral and jurisdictional plans and targets (such as known action the shipping industry is taking on decarbonisation).

The Company's overall success in decarbonisation will be dependent on its own and third-party engagement: if the governments, industries and companies with the capacity to deliver sectoral and jurisdictional climate change plans do so. NESF recognises this, which is why it seeks to use its influence to drive change where it can: the Investment Adviser's ESG team has, for example, successfully engaged with suppliers to create greater transparency on carbon emissions.

8.3. Nature-related metrics

The section below provides information on a range of indicators derived from the Company's UBMP and Exemplar sites, in particular species data.⁽²⁾ NESF monitors this to provide insight into ecosystem stability and health over time, enabling it to understand any interventions needed to maintain biodiversity and ecological balance. The data also ensures that the Company's solar management practices are tailored in the best interest of target species, minimising potential disruptions to their habitats.

An additional benefit is the generation of time-series and other monitoring data which can be used to inform industry guidance and best practice, such as Solar Energy UK's *Standardised Approach to Monitoring Biodiversity on Solar Farms*.

NESF has contributed case studies to the UK solar trade association's long-term project to monitor biodiversity on solar farms.

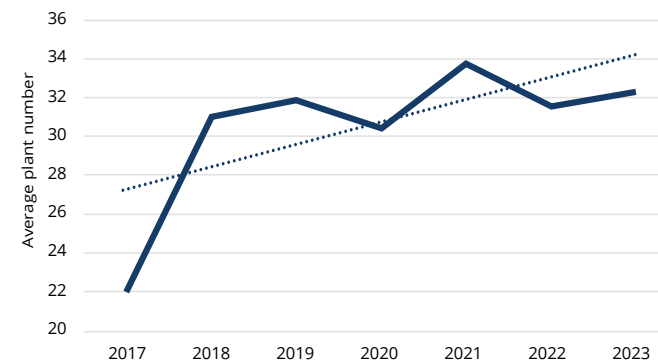


⁽¹⁾ Note that there are additional components in the supply chain that are not reflected in the chart above because they do not make a material contribution to emissions.
⁽²⁾ Please note that the methodology used in data analysis for these voluntary metrics is updated periodically.

Botany

Direct drivers of biodiversity loss include land use change, which can result in the reduction of genetic diversity through factors such as habitat loss and fragmentation. Plant diversity is known to be an indicator of ecosystem functioning and provisioning, and monitoring across the NESF Exemplar portfolio shows that the Company's solar sites, on average, display a positive trend in the number of botanical species recorded over time.

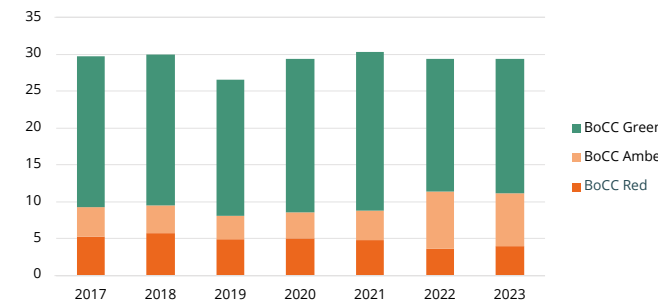
Average botanical species richness across Exemplar sites



Birds

According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), nature is in dangerous decline, with a million species known to be at risk of extinction. NESF recognises that species extinction is an irreversible loss, and through habitat creation and conservation management, its Exemplar sites monitor the number of bird species, and their conservation importance, as a measure of how effective sites and interventions are for Birds of Conservation Concern (BoCC).⁽³⁾

Average number of BoCC recorded across Exemplar sites

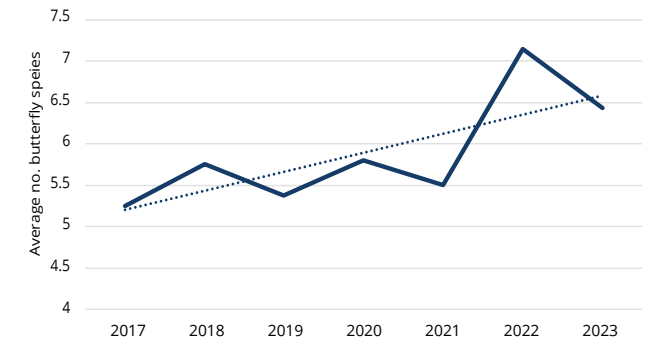


⁽³⁾ Birds of Conservation Concern (BoCC) is compiled by a coalition of the UK's leading bird conservation and monitoring organisations, and reviews the status of all regularly occurring birds in the UK, the Channel Islands, and the Isle of Man. The bird species that breed or overwinter are assessed against a set of objective criteria and placed on a Green, Amber, or Red list to indicate an increasing level of conservation concern.
⁽⁴⁾ The figures provided here reflect average abundance: the total number of bees and butterflies recorded on an Exemplar site, averaged across all sites for each given year. Natural variation in invertebrate numbers occurs because of factors such as the weather, and this will account for changes in particular years.

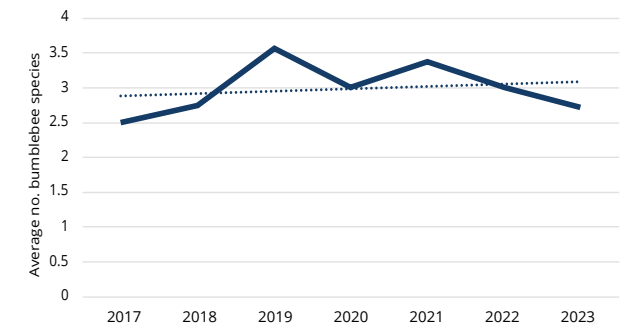
Invertebrates

Invertebrates such as bees and butterflies can be used as indicators of habitat condition and ecosystem health. In addition, their presence directly reflects the positive contribution the Company's sites are having in supporting vital regulating ecosystem services, such as pollination.⁽⁴⁾

Average number of butterfly species recorded across Exemplar sites



Average number of bumblebee species recorded across Exemplar sites



Complimentary habitat provisions on UBMP and Exemplar sites as of March 2024:

All of which are additional to statutory planning obligations

- Bat boxes: 27
- Beehives: 35
- Bird boxes: 78
- Bug hotels: 131
- Hibernacula: 32
- Owl boxes: 6
- Kestrel boxes: 35
- Shrubs planted: 1,246

Pollination

Interactions between plants and pollinators provides an ecosystem service function that is critical to support agricultural food production and wildlife. NESF solar installations recognises the importance of diverse and flower-rich habitats and the role it plays for both food-security and biodiversity. A number of the Company's solar sites incorporate beehives and apiaries managed by local beekeepers.

- 35 hives under management across the portfolio
- Over 40 acres of additional wildflowers under management



Honey collected by local beekeeping group in Somerset from Hook Valley Solar Farm, 2023

Greening storage

Every NESF asset has at least one storage container on site, predominantly used to store spare solar modules and equipment. The Company, in collaboration with Wychwood Biodiversity, is piloting a project to 'green' these storage containers.

In March 2024, 16 shrubs were planted around a 20ft wide storage container at Langenhoe (a NESF Exemplar site). By planting native shrubs either side of the container against a purpose-built trellis, this will allow the shrubs to be trained to cover the aspect of the structure as they grow. This aims not only to provide additional habitat, but also to soften the visual impact of the storage container.

Bird boxes were also installed to the shaded aspect of the container, and bug hotel to the sunny side for additional habitat. Sheep proof fencing was installed to prevent any damage to the shrubs as they establish. The shrubs are now being maintained and monitored through pruning and training, weeding, and emergency watering if required during extended dry periods.

This pilot project is designed to assess cost, practicality, visual impact and value for biodiversity. Given the ubiquity of storage containers across the Company's assets, there is potential to roll out this approach across more assets should this pilot be successful.



Land use and grazing

NESF assets continue to lead in the integration of multifunctional land use practices within solar farms, maximising the benefits of renewable energy production while promoting sustainable land management and agriculture. Grazing is one such practice that offers significant advantages in terms of biodiversity conservation, agricultural productivity, and community engagement.

c.50% Number of sites which are grazed

Approximately half of all NESF sites are grazed, with potential for this to expand depending on the availability of graziers. The integration of grazing activities within solar farms not only optimises land use but also contributes to the conservation of traditional livestock breeds and enhances local ecosystems.

Aller Court Solar Farm

In March 2024, a significant milestone was achieved at Aller Court Solar Farm, demonstrating the successful integration of grazing activities. The grazier and landowner reported the birth of the first lamb of the season under the solar panels. This event showcases the potential for coexistence between renewable energy infrastructure and traditional agricultural practices.

The breed

The lamb born at Aller Court Solar Farm belonged to the Greyface Dartmoor breed, a hardy and resilient sheep known for its adaptability to various environmental conditions. The Greyface Dartmoor, also referred to as the Improved Dartmoor, is listed on the national 'at risk' register of breeds, highlighting the importance of initiatives aimed at conserving and promoting its genetic diversity. Wool from these sheep is being used for specialist carpets at Axminster Carpets in Devon; previously the carpet was used in the Coronation coach.

The successful Integration of grazing activities at Aller Court Solar Farm shows the potential of multifunctional land use to achieve sustainability objectives while delivering tangible benefits to the environment and local communities. NESF remains committed to advancing innovative approaches that promote the coexistence of renewable energy production and agricultural practices, setting a precedent for future developments in the renewable energy sector.

The first Greyface Dartmoor lamb of the season at Aller Court



8.4. Social-related metrics

Health and safety



Lost Time Incidents during 2023-24⁽¹⁾

Over the reporting period, a refined approach to incident classification and reporting has been implemented. This will ensure greater consistency in incident reporting and enhanced visibility of incidents and their causation, and therefore risk assessment. The strong investigation background of the health and safety team has also allowed the in-depth review of contractor investigations, to ensure that these are accurate, that they ensure the safety of those working on the Company's assets, and that they reflect any commercial impacts attributable to the actions of contractors.

Key health and safety priorities for the coming year are to:

- Obtain enhanced contractor data to allow the development of standard metrics
- Grow the culture of proactive 'near miss' reporting
- Further align health and safety resources and experience to asset lifecycle risk

During the reporting period, the NextEnergy Group recruited a Health and Safety Business Partner focussed on operational assets and asset management to further strengthen this function.

Community funding

NESF provides direct community funding through its SPVs, supporting initiatives such as educational outreach programs and local infrastructure improvements. This funding amounted to c.£106,000 in the reporting period, and the Company also donated c.£339,000 in cash and solar modules to the NextEnergy Foundation in the reporting period, supporting projects aligned with the the Company's sustainability and ESG objectives. Further information is provided in the two standalone documents, [NESF Community Support](#) and [NESF Charitable Donation](#).

(1) The number of Lost Time incidents (LTIs) is a key health and safety metric. An LTI is an accident that occurs when a worker sustains an injury that results in time off work.



NESF continues to take action to support diversity and inclusion across the renewable energy sector, through the Investment Adviser and the NextEnergy Group. Via the NextEnergy Group, the Company has supported the development of specific workstreams to attract, retain and support a diverse range of talent, which are outlined on page 56. This includes a particular focus on gender.

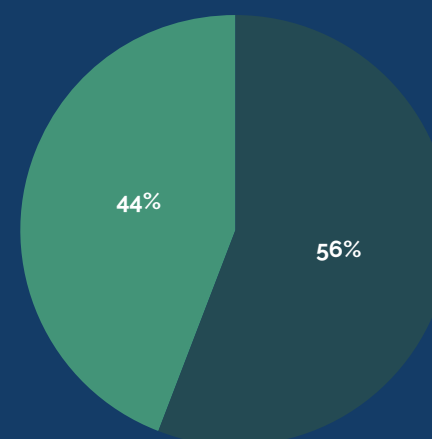
Gender breakdown at NextEnergy Group

All figures as at 31 March 2024

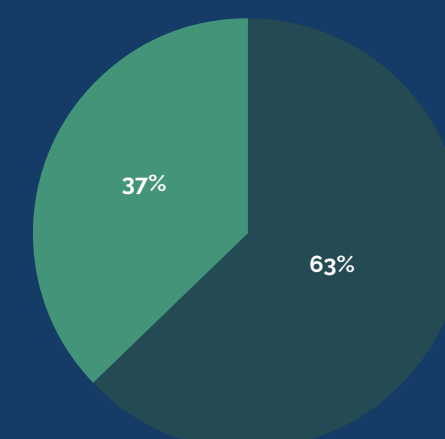
Please note that the figures on page 55 reflect the fact that three Leaders sit on multiple Leadership Teams, and their presence is counted separately for each. As such they do not total to the same figure as the NextEnergy Group Combined Leadership Team figure.

“
We do not pursue diversity for its own sake, but instead strive for inclusiveness.”

WiseEnergy Senior Leadership Team
9 people

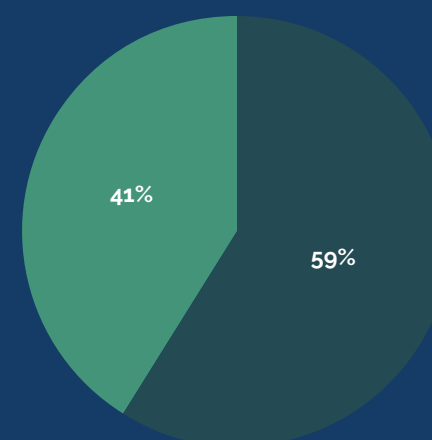


WiseEnergy
182 people

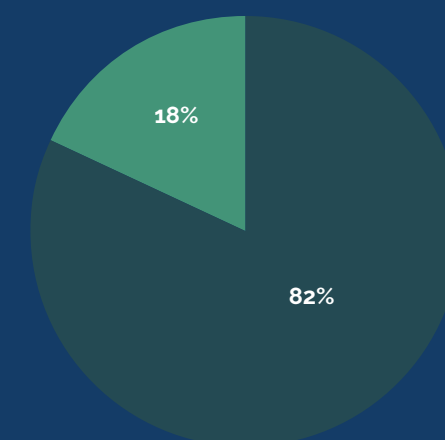


● Male
● Female

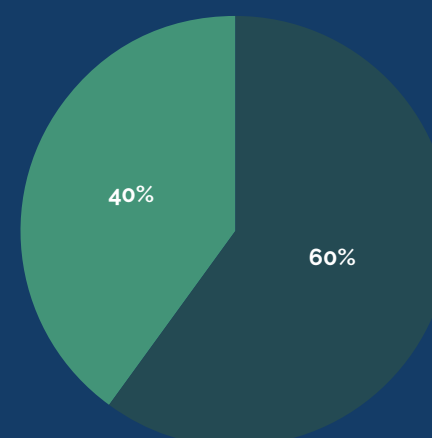
NextEnergy Group Diversity
317 people



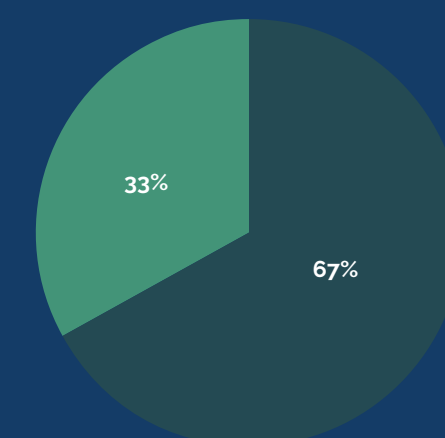
NextEnergy Capital Investment Leadership Team
11 people



NextEnergy Capital Diversity
57 people



Group Leadership Team
6 people



87%

NextEnergy Group employees who felt supported to take advantage of flexible working policies

The NextEnergy Group's Annual Employee Engagement Survey captures key data on the impact of diversity and inclusion policies. The latest survey was carried out in September 2023, and indicated that 87% of employees 'felt genuinely supported to take advantage of flexible working policies'. This is a key metric, which the NextEnergy Group will continue to track as a measure of employee wellbeing, but also its ability to attract and retain staff with caring responsibilities, who are statistically more likely to be women.

Capturing accurate data on employees' race and ethnicity is not straightforward in the majority of the countries in which the NextEnergy Group operates. However, it is able to record information relating to nationality. The Group comprises an extraordinary number of different nationalities (33 in total) and is therefore likely to be representative of very diverse cultural and linguistic backgrounds. In 2023, the Group significantly increased the number of working visas it has sponsored for talented employees.

The Investment Adviser and NextEnergy Group have focused on building strategic partnerships with female associations and networks such as Women in Solar Europe, Investment in Women, and Reignite Academy, which provide support and networking opportunities for employees, as well as reaffirming their commitment to creating an inclusive workplace and fostering professional development opportunities.

LGBTQ+

The Group celebrates Pride in its offices annually in June and makes targeted donations to grassroots charities promoting the rights of marginalised LGBTQ+ communities. The NextEnergy Group has an internal LGBTQ+ champion, who together with other employees works on these initiatives, including communicating to employees to promote a sense of allyship.

Diversity and inclusion literacy

The NextEnergy Group's 2024 diversity and inclusion strategy includes a focus on education and training, in particular on equipping managers with the knowledge to understand the value of inclusive workplace culture and the skills to proactively nurture diverse, high performing teams. Building on the principle that good management is a cornerstone of inclusivity, people managers at every level are participating in a 7-month management training programme, which includes a module dedicated to managing diverse cross-cultural and gender diverse teams in a hybrid working environment.

The Group has also invested in an online training platform that will allow it to deliver targeted D&I training to all employees to ensure that everyone understands their legal obligations in this area and further general literacy in this important but complex area.

8.5. Target monitoring and verification

NextEnergy Solar Fund is currently engaged in establishing targets for a range of sustainability considerations. Extensive work on decarbonisation of the operations and supply chain is being undertaken to inform target setting under the Science Base Targets Initiative (SBTi). This will lead into execution of a decarbonisation strategy based on direct and indirect actions or engagement. For nature, a comprehensive strategy is under review. This will seek to align the company with the Global Biodiversity Framework, Science Based Targets Network, and the Taskforce on Nature-related Financial Disclosures. The Investment Adviser is also progressing work on a specific social strategy.

Note that these frameworks are at varied levels of development. The Company is tracking their development, and assessing the opportunity for alignment accordingly.

8.6. Performance against targets

The Company has demonstrated measurable progress in all areas of its sustainability strategy and is actively engaged in the target setting process for climate and nature. Performance against these targets will be communicated in future reports.

9. Glossary

Below is a summary of some of the most common terms, organisations, benchmarks and initiatives used in NESF discussions of renewable energy and climate change.

Asset Manager or WiseEnergy

WiseEnergy (Great Britain) Limited and WiseEnergy Italia Srl.

Climate change mitigation

Contributing to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous human-caused interference with the climate system. This can be carried out by avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals, and is consistent with the long term temperature goal of the Paris Agreement.

CO₂e

This stands for 'carbon dioxide equivalent' and is a measure used to compare the emissions from various greenhouse gases on the basis of their global warming potential, by converting amounts of other gases to the equivalent amount of carbon dioxide.

Energy storage

Either 1) deferring the final use of electricity to a moment later than when it was generated, or 2) the conversion of electrical energy into a form of energy which can be stored, which refers to: the storing of such energy, and its subsequent reconversion into electrical energy, or its use as another energy carrier.

EU Sustainable Finance Disclosure Regulation

The EU's Sustainable Finance Disclosure Regulation (SFDR) applies to investment products. It sets strict minimum disclosure standards to prevent greenwashing. The SFDR requires reporting organisations to disclose how sustainability risks are considered in their investment process, what metrics they use to assess ESG factors, and how they address assessment decisions that might result in negative impacts on sustainability.

EU Sustainable Finance Disclosure Regulation Article 9

Funds attaining Article 9 status demonstrate that they make a positive impact on society or the environment through sustainable investment, and have a core nonfinancial objective. Many funds only attain Article 8 status, which confirms they promote social or environmental factors and have good governance practices.

EU taxonomy

The EU Taxonomy Regulation creates a clear framework for the concept of sustainability, defining when a company or enterprise is operating sustainably or is environmentally friendly. Compared with their competitors, these companies stand out positively and should benefit from higher investment.

Greenhouse gases

Greenhouse gases (GHG) are gases, such as carbon dioxide, which trap heat in the earth's atmosphere. GHG are released by burning fossil fuels, which is why they cause global warming and climate change.

GWh

Stands for 'gigawatt hour', a unit of energy representing a thousand megawatt hours, or a billion watt hours. It is a measurement of the output of large electricity generators.

GWp

Stands for 'gigawatt peak'. This is the theoretical maximum output of energy capacity of a solar or other generation asset, measured in gigawatts.

International Sustainability Standards Board

The International Sustainability Standards Board (ISSB) was established by the International Financial Reporting Standards Foundation at the 2021 COP26 climate summit in Glasgow. The ISSB has developed global baseline sustainability standards, with its IFRS S2 *Climate-related Disclosures* standard incorporating the recommendations of the TCFD. The NESF 2024 Sustainability and ESG Report is aligned with ISSB S1 and S2 disclosure requirement.

LEMP

Stands for 'Landscape and ecological management plan'. This is a site-specific document used to manage the biodiversity on a solar farm – for example, the planting and habitat promotion measures implemented.

MWh

Stands for 'megawatt hour', a unit of power equivalent to a thousand kilowatt hours, or a million watt hours.

MWp

Stands for 'megawatt peak'. This is the theoretical maximum output of energy capacity of a solar or other generation asset, measured in megawatts.

NESF

NextEnergy Solar Fund Limited.

Net zero

Net zero refers to the target of reducing greenhouse gas emissions to as close to zero as possible, and re-absorbing any remaining emissions from the atmosphere – for example, by forests and oceans. This means that on a net basis no greenhouse gases are released into the climate.

NextEnergy Capital

NextEnergy Capital is part of the NextEnergy Group. It is both the Investment Manager and Investment Adviser for NESF.

NextEnergy Group

The NextEnergy Group includes NextEnergy Capital (fund management), WiseEnergy (operating asset management), and Starlight (asset development), and is the founder of the NextEnergy Foundation.

Paris Agreement

The Paris Agreement, often referred to as the Paris Accord or the Paris Climate Accord, is an international treaty on climate change adopted in 2015. It covers climate change mitigation, adaptation and finance. The Paris Agreement's central aim is to strengthen the global response to the threat of climate change with the goal of keeping global temperature rise this century below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit temperature increase further, to 1.5 degrees Celsius.

Science Based Targets Initiative (SBTi)

The [Science Based Targets Initiative](#) defines and promotes best practice in science-based target setting in emissions reductions.

Scope 1, 2 and 3 emissions

The [Greenhouse Gas Protocol](#) classifies GHG emissions into three 'scopes', as follows: "Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions."

Solar photovoltaics (PV)

The generation of electricity by using solar panels to capture energy from the sun.

Special Purpose Vehicle (SPV)

A Special Purpose Vehicle is a legal entity that can be used to manage the relationship between parent companies and their subsidiaries.

Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD developed a set of recommendations to change the way organisations manage climate risks and opportunities. TCFD reporting provides consistent, pertinent, forward-looking information on the material financial impacts of climate change. From 1 January 2021, all UK premium-listed companies were required to state, in their Annual Report, whether their disclosures were consistent with TCFD recommendations, and if not, to explain why. The UK Government was the first G20 country to make TCFD-aligned disclosure mandatory for over 1,300 of the largest UK-registered companies and financial institutions. The provisions of the TCFD have now been [incorporated into the reporting of the International Sustainability Standards Board](#).

Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD framework seeks to provide recommendations and guidance on nature-related risks and opportunities relevant to a wide range of market participants, including investors, analysts, corporate executives and boards, regulators, stock exchanges and accounting firms. The framework is being developed following the TCFD principles to be market-usable, science-based, purpose driven, integrated and adaptive, globally inclusive, and embracing a full approach to nature-related risks and employing an integrated approach to climate-and nature related risks.

Transition Plan Taskforce (TPT)

The TPT was launched in April 2022 to develop the gold standard for private sector climate transition plans. Its materials were informed by global engagement with financial institutions, real economy corporates, policymakers, regulators and civil society.

United Nations Principles for Responsible Investment (UN PRI)

The United Nations Principles for Responsible Investment were developed as a guide for investors on how to promote sustainable investment. They suggest possible measures for how to incorporate ESG issues into investment practice.

United Nations Sustainable Development Goals (UN SDGs)

The 2030 Agenda for Sustainable Development, adopted by United Nations member states in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

Universal Biodiversity Management Plans (UBMPs)

A type of biodiversity management plan designed by NextEnergy Capital to ensure solar assets align with the biodiversity management guidelines adopted by NESF, and intended to increase net biodiversity value beyond NEC's defined minimum compliance.



10. Company information

Company

NextEnergy Solar Fund Limited

Registered Office:
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Les Banques
St Peter Port
Guernsey GY1 4LY
Registered no.: 57739
LEI: 213800ZPHCBDDSQH5447
Ordinary Share ISIN: GG00BJ0JVY01
Ordinary Share SEDOL: BJ0JVY0
London Stock Exchange Ticker: NESF
www.nextenergysolarfund.com

Directors

Helen Mahy, Chairwoman
Paul Le Page, (Senior Independent Director)
Patrick Firth
Josephine Bush
Joanne Peacegood
Caroline Chan (appointed 1 April 2024)
(All non-executive and independent)

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Investment Adviser

NextEnergy Capital Limited

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Asset Manager

WiseEnergy

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Annex

NESF, Investment Adviser, and NextEnergy Group Sustainability and ESG reporting

| NESF reporting and disclosures | |
|--|---|
| Sustainability and ESG Report | NESF is pleased to disclose its third annual Sustainability and ESG report, which is aligned with the requirements of the International Sustainability Standards Board for the first time in 2023-2024. The Company's Sustainability and ESG Report incorporates climate and climate transition risk information previously reported as part of the Taskforce on Climate-related financial disclosures, the requirements of which are incorporated into the ISSB. |
| NESF Slavery and Human Trafficking Statement | In fulfilment of the requirements of the UK Modern Slavery Act. |
| NESF – Annex III Pre-Contractual Disclosure for Article 9 Funds | In partial fulfilment of the requirements of the EU SFDR. |
| NESF – Annex V Disclosure for Article 9 Funds | In partial fulfilment of the requirements of the EU SFDR. |
| NESF – PAI Annex I | In partial fulfilment of the requirements of the EU SFDR. Note that financial-related metrics in PAIs are reported in EUR, while ISSB disclosures are reported in the relevant entity's reporting currency, which for NESF is GBP. |
| NESF - ESG Disclosures | An overview of NESF's sustainability disclosures. |
| NESF Investment Adviser disclosures and reporting | |
| NextEnergy Capital UN Public Transparency Report | The NextEnergy Capital UN PRI Annual Report, which is prepared by the ESG team, is verified internally and includes information on governance and infrastructure. |
| NextEnergy Capital Sustainable Investment Policy | The policy which the NESF Investment Adviser uses to guide its overall approach to sustainable investing. |
| NextEnergy Capital Climate Change Position Statement | The policy which the NESF Investment Adviser uses to guide its approach to climate change. |
| NextEnergy Capital Biodiversity Position Statement | The policy which the NESF Investment Adviser uses to guide its approach to biodiversity. |
| NextEnergy Capital Responsible Supply Chain Approach | The policy which the NESF Investment Adviser uses to guide its approach to responsible sourcing. |
| NextEnergy Capital Code of Conduct for Suppliers | The Code of Conduct which the NESF Investment Adviser uses to inform its approach to responsible sourcing. |
| NextEnergy Capital ESG Disclosures | An overview of the NESF Investment Adviser's sustainability disclosures. |
| NextEnergy Group disclosures and reporting | |
| NextEnergy Group Sustainability Report | In 2024, NextEnergy Group released its first Group-level sustainability report. |

Annex

NESF Principal Adverse Impacts

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: NextEnergySolar Fund Limited, 213800ZPHCBDDSQH5447 on behalf of NextEnergyCapital Limited

Summary

NextEnergy Solar Fund Limited (the "Company"), 213800ZPHCBDDSQH5447, considers principal adverse impacts ("PAIs") of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of NextEnergy Solar Fund Limited.

This statement on PAIs on sustainability factors covers the reference period from 1st April 2023 to 31 March 2024, in line with the financial reporting year.

The tables below contain the PAIs required by regulation and considered material to the Company. The results show limited adverse impacts in line with the sustainable investment objective. The most significant adverse impact is scope 3 greenhouse gas emissions. This reflects embodied carbon in assets constructed that reached first generation during the year. The Investment Adviser, NextEnergy Capital, is working to accelerate the decarbonisation of the supply chain which would reduce these emissions for future assets constructed.

The nature of the portfolio means the majority of activity is outsourced to third-party providers, mainly operations and maintenance contractors. This creates a particular problem for collecting data to process into the principal adverse impacts. The Company is reliant on the provision of data from these third parties. In the current year, estimations across most metrics were carried out because most O&Ms could not provide actual consumption data, rather they provided relevant information to help estimate actual consumption. The data quality of the responses has been assessed, and improvements made where possible. However, the nature of data provided in the current year means there is a lack of transparency to establish the overall accuracy. This is offset to a degree through statistical analysis of responses to detect anomalies and resolve them. The Investment Adviser and the Asset Manager are actively engaged in improving the completeness and accuracy of data going forward.

Overall the principal adverse indicators reflect the positive nature of the sustainable investment objective and provide targeted areas for improvement in the future which the Company is actively engaged in addressing. By nature, the PAIs are designed to be negative in isolation. However, to review the Company's positive attributions please refer to the ESG reports <https://www.nextenergysolarfund.com/esg/esg-reports-and-publications/>

Description of the principal adverse impacts on sustainability factors. See descriptions below table:

Table1

| Indicators applicable to investments in investee companies | | | | | | | |
|--|---|--|-------------|-------|---------------------------|--|---|
| Adverse sustainability indicator | Metric | Impact 2024 | Impact 2023 | Unit | Explanation | Actions taken and actions planned and targets set for the next reference period | |
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | | |
| Greenhouse gas emissions | 1.GHG emissions | Scope 1 GHG emissions | 0 | 0 | tCO ₂ e | The investee companies are SPVs that hold solar PV projects. The construction and operation of these are outsourced to third parties so no scope 1 emissions are incurred. | NA |
| | | Scope 2 GHG emissions | 1,395 | 1,169 | tCO ₂ e | Scope 2 emissions related to purchased import electricity. These emissions reflect non-renewable electricity imported, a significant portion of the portfolio imports renewable energy and does not incur emissions. | Import data will continue to be collected, options for sourcing more renewable energy are being explored. |
| | | Scope 3 GHG emissions | 31,440 | 150 | tCO ₂ e | Scope 3 emissions for this reporting cycle include supply chain emissions, which were estimated by calculating an emission factor that includes the cradle-to-gate plus transport and installation processes of solar panels. This applies to sites under construction that reached first generation during the period. Data was not available in the prior period but a detailed supply chain study enabled these emissions to be calculated in the current year. | The Investment Adviser and the Asset Manager are actively engaged in improving data quality from suppliers. |
| | | | | | | Other scope 3 is subject to a large degree of estimation uncertainty. Data provided from suppliers was incomplete (did not cover the full portfolio). Estimations were formed using the data that was provided as a proxy. Although transparency regarding the data used to form estimates improved compared to the previous cycle this year, the level of transparency remained limited. As a result the level of accuracy cannot be established. Procedures were undertaken to analyse the data, this took correlation of responses from different providers into account. Where possible anomalies were queried and improvements to quality made with additional information. | |
| | | Total GHG emissions | 32,835 | 1,319 | tCO ₂ e | GHG emissions are calculated in accordance with the GHG Protocol using DEFRA emission factors. As noted above, coverage of scope 3 emissions was limited in the current year and included supply chain emissions. | NA |
| | 2. Carbon footprint | Carbon Footprint | 37.01 | 1.02 | tCO ₂ e per €M | The movement in carbon footprint is due to the increased data coverage in scope 3 emissions, mainly from the coverage of supply chain emissions. | NA |
| | 3. GHG intensity of investee companies | GHG intensity of investee companies | 13,943.02 | 6.68 | tCO ₂ e per €M | The movement in carbon footprint is due to the increased data coverage in scope 3 emissions, mainly from the coverage of supply chain emissions. | NA |
| | 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | 0 | 0 | | The investment strategy is focused on assets that produce renewable energy. | NA |

| | | | | | | | | |
|--------------|---|---|-------|-------|------------|--|--|--|
| | 5. Share of non-renewable energy consumption and production | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources | 0.40% | 0.30% | % | The portfolio produces renewable energy, electricity generation is exponentially larger than electricity consumed. | The strategy will continue, options for sourcing renewable import electricity are being explored. | |
| | 6. Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector | 0 | 0 | GWh per €M | Renewable energy is not considered a high impact climate sector. | NA | |
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas | | 0 | 0 | % | The Company undertakes environmental assessments before sites are constructed. There is an active biodiversity program in place to improve the performance of sites. | Biodiversity improvements will continue as part of the overall ESG strategy. |
| Water | 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | | 0 | 0 | tonne per €M | Direct emissions to water are zero. However, 2,194 litres of pesticides were used on sites during the reporting period. | NA |
| Waste | 9. Hazardous waste and radio active waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | | 0 | 0 | tonne per €M | No hazardous wastes were produced during the reporting period. | NA |

| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS | | | | | | | |
|--|---|---|-----|-----|---|---|----|
| Social and employee matters | 10. Violation of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0 | 0 | % | The Company applies these policies, with a particular focus on supply chain. The investee companies themselves are SPVs holding assets and have no employees. | NA |
| | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0 | 0 | % | The Company applies these policies, with a particular focus on supply chain. The investee companies themselves are SPVs holding assets and have no employees. | NA |
| | 12. Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | 0 | 0 | | The Company has no employees. It invests in SPVs which hold solar assets. The operations are outsourced to third-party contractors. | NA |
| | 13. Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 45% | 46% | % | Investee companies are SPVs holding assets, these are not operational trading companies. | NA |
| | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | 0 | 0 | % | Investments are all in solar PV projects. | NA |

Other indicators for principal adverse impacts on sustainability factors

Table 2

| Additional climate and other environment-related indicators | | | | | | | |
|---|--|--|-------------|-------------|-----------|--|---|
| Adverse sustainability impact | Adverse impact on sustainability factors (qualitative or quantitative) | Metric | Impact 2024 | Impact 2023 | Unit | Explanation | Actions taken and actions planned and targets set for the next reference period |
| Indicators applicable to investments in investee companies | | | | | | | |
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | | |
| Water, waste and material emissions | 6. Water usage and recycling | 1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies | 284.6 | 84.5 | m3 per €M | Best efforts were made to obtain this data; however, in the prior year, suppliers provided incomplete information. In the current year, an estimation methodology has been developed with significant inputs from the portfolio to address this issue. | Opportunities for recycling water are being explored, as are alternatives to using water. |
| | | 2. Weighted average percentage of water recycled and reused by investee companies | 0 | 0 | % | NA | |
| | 7. Investments in companies without water management policies | Share of investments in investee companies without water management policies | 0 | 0 | % | Coverage for this indicator is limited for the current year. | |
| | 8. Exposure to areas of high water stress | Share of investments in investee companies with sites located in areas of high water stress without a water management policy | 0 | 0 | % | Coverage for this indicator is limited for sites located in high water stress areas in the current year. | |

Table 3

| Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters | | | | | | | |
|---|--|--|-------------|-------------|------|--|---|
| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS | | | | | | | |
| Adverse sustainability impact | Adverse impact on sustainability factors (qualitative or quantitative) | Metric | Impact 2024 | Impact 2023 | Unit | Explanation | Actions taken and actions planned and targets set for the next reference period |
| Indicators applicable to investments in investee companies | | | | | | | |
| Social and employee matters | 1. Investments in companies without workplace accident prevention policies | Share of investments in investee companies without a workplace accident prevention policy | 0 | 0 | % | The investee companies are SPVs with no employees. | NA |
| | 2. Rate of accidents | Rate of accidents in investee companies expressed as a weighted average | 0 | 0 | | No accidents reported in the year. | NA |
| | 3. Number of days lost to injuries, accidents, fatalities or illness | Number of work days lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average | 0.035 | 0 | | NA | NA |
| | 4. Lack of a supplier code of conduct | Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) | 0 | 0 | % | The investee companies are SPVs to hold assets but suppliers are subject to procurement policies from the ultimate parent. | NA |

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The Board has established an ESG Committee, which is Chaired by Josephine Bush who has an extensive experience in sustainable finance.

- a) The Board approved the Sustainable Investing Policy in 2019
- b) Since it was established the ESG Committee has oversight of this policy with operational implementation delegated to NextEnergy Capital
- c) The indicators in Table 2 and 3 have been assessed based on their materiality. That is the likelihood and severity of occurrence. This process included an assessment of the asset lifecycle, from supply chain through operational life and end of life.
- d) The assessment is inherently judgemental in nature which incorporates a margin of error. Feedback from stakeholders will be taken into account when reviewing this selection and amendments made in future reporting cycles if required.
- e) Data is challenging on a number of metrics because it is primarily provided by third party operations and maintenance contractors. Additional data was available from the asset manager.

Data received from third-party contractors was assessed for quality. Anomalies were queried with providers. Estimates were used on data gaps using the data that was available as a proxy (converting this into an intensity metric and applying to relevant activity).

Engagement Policies

The investments are infrastructure assets. Engagement is primarily focused on operations and maintenance contractors to adopt more efficient and sustainable operations (using less fuel and less water are focus areas). Supply chain is the other major area of focus for new sites under construction or parts for repairs. The engagement focus is on human rights and climate risk.

Reference to international standards

As an Article 9 fund with a sustainable investment objective the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises are adhered to.

- a) Indicators 10 and 11 in Table 1 are key to ensuring compliance with these frameworks
- b) As there is direct control over the infrastructure assets full coverage can be obtained. Extensive work is undertaken to collect data from contractors and suppliers but this has inherent limitations in completeness and accuracy
- c) Climate scenarios are not used in the indicators but they are considered as part of the TCFD/ISSB reporting, publicly available

Historical comparison

The higher scope 3 emissions are due to data improvement, with more comprehensive data being received from suppliers.



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