ANNEX III

Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: NextPower III LP ("NPIII" or the "Fund")
Legal entity identifier: 213800IV1PUWYWMD5740

Sustainable investment objective

Does this financial product have a sustainable investment objective?	
☒ Yes	☐ No
☒ It will make a minimum of **sustainable investments**[1] **with an environmental objective:** 95% ☒ in economic activities that qualify as environmentally sustainable under the EU Taxonomy[2] ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** ___%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

[1] **Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

[2] The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

What is the sustainable investment objective of this financial product?

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

Sustainable investment objective pursued by NPIII

The Fund invests in renewable energy, most specifically the international solar sector, focused on the construction and long-term ownership of solar power plants. The sustainable investment objective of the Fund is to generate a more sustainable future by leading the transition to clean energy. The Funds' sustainability framework is based on three pillars of biodiversity, climate change and human rights, and is aligned with the UN Sustainable Development Goals. Through its investments, the Fund will also substantially contribute to the environmental objective of climate change mitigation within the meaning of the EU Taxonomy.

NPIII substantially positively contributes to avoiding CO^{2}_{e} emissions to the atmosphere and fossil fuel use. NPIII reports the amount of CO^{2}_{e} avoided consistently year on year through a publicly available report called the Green Impact Report which is prepared independently by a third-party provider.

- *What sustainability indicators[3] are used to measure the attainment of the sustainable investment objective of this financial product?*

Monitoring of progress against the sustainable investment objectives is primarily based on the calculation of greenhouse gas (GHG) emissions and fossil fuel consumption avoided by the generational capacity of solar assets within the NPIII portfolio. Avoidance of GHG emissions is assessed by comparing the emissions associated with the portfolio to a counterfactual (marginal grid emissions). The table below provides an overview of the indicators that it will be taken into account for the calculation. This calculation is measured and verified on an annual basis by an external independent party on the basis of the internationally recognised International Financial Institution Harmonised Conversion Factors released and maintained by the United Nations Framework Convention on Climate Change.

The table will be populated year-on-year with the respective values of CO_2e avoided which will be reported in the SFDR periodic reporting template.

[3] Sustainability indicators measure how the sustainable objectives of this financial product are attained.

Metric	Unit
GHG Avoided	$ktCO_2e$
NO_x Avoided	tonnes
SO_x Avoided	tonnes
$PM_{2.5}$	tonnes
PM_{10}	tonnes
Fossil Fuels avoided	kilotonnes oil equivalent (ktoe)

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

NPIII's investment decision-making process ensures that investments do not only contribute to environmental objectives but also cause no significant harm to other environmental objectives and are conducted in accordance with minimum safeguards on matters such as human rights and labour conventions. A robust due diligence process captures all the relevant key risks associated with each acquisition and whether they harm or have a potential of harming the sustainable investment objective of the Fund. The risks are aligned with the Do No Significant Harm (DNSH) approach of the Taxonomy (with extension beyond) and include:

- Climate change;
- Circular economy;
- Biodiversity and ecosystems.

In the event that any risks are identified, they are captured/recorded and either mitigated against or the transactions can be halted and not progressed.

For more information on the NextEnergy Capital/NPIII due diligence process, please refer to the ESG Disclosure document on [NextEnergy Capital's website]

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How have the indicators for adverse impacts[4] on sustainability factors been taken into account?

The due diligence process, as detailed in the Sustainability Policy and NextEnergy Capital ESG Disclosure document, reviews all aspects of the

[4] Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.

asset and the associated principal adverse impacts (PAI) (including environmental, social and employee, human rights, anti-corruption matters) during the pre-investment stage. Prior to and post-acquisition of the assets, all relevant contractors are subject to ad-hoc due diligence to capture and identify any potential risks.

As per the Sustainable Investment Policy and other governing documents, NPIII's sustainability approach is based on a four-step approach: identify, manage, report and engage. If, during a due diligence process, an adverse impact is identified, it will be managed and reported internally to the NPII Investment Committee for further consideration. Where possible, mitigation actions are put forward through specific action plans which are implemented and monitored during the ownership phase. In addition, NPIII will also report based on specific KPIs which are aligned with Table 1 of Annex I of the Commission Delegated Regulation 2022/1288.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

NextEnergy Capital and NPIII have a strong Sustainable Investment Policy and Human Rights Position Statement in place which are aligned with the associated requirements of OECD Guidelines for Multinational Enterprises and the UN Guiding Principles. NPIII policies require NPIII to perform due diligence on both its own activities and its business relationships with the objective of acting upon any findings. The due diligence focuses on environmental, social and governance factors that include but are not limited to impacts of the specific investments (solar asset) on biodiversity, climate change, waste and water management, health and safety, land management, community, and stakeholder engagement, grievance mechanism, labor and working conditions and more broadly human rights potential violation across the value chain. The due diligence applies to all counterparties involved in the investment, from the seller to contractors and subcontractors. Should gaps with NPIII policies be identified, an action plan is presented prior to the acquisition, which outlines the actions needed to mitigate potential impacts, their frequency, and costs.

Additionally, the Fund ensures that investments are carried out in compliance with other safeguards, relating, in particular, to human rights matters, guided by the United Nations Universal Declaration of Human Rights. Human rights are one of the three pillars of NEC's Sustainability Framework; this is reflected in the designation of certain human rights matters as "No-Go" and in human rights related due-diligence questions. Matters such as slavery, child and forced labour (all of which are "No-Go" risks under NEC's ESG Policies), risks of community displacement, and commitments to national and international human rights and labour conventions by sellers, targets, and contractors, are considered in the process of NEC's ESG due diligence and assessment.

For more information, please refer to the Human Rights Position Statement on NextEnergy Capital's website.

Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

The Fund currently does consider Principal Adverse Impacts (PAI) on sustainability factors.

NPIII invests only in solar PV assets and adjacent technologies, and the investment decision is based on the outcome of due diligence which includes ESG adverse impacts as explained above. The due diligence process, as detailed in the Sustainable Investment Policy and NPIII ESG Disclosure document, reviews all aspects of the asset(s) and counterparties (contractors, and suppliers) and the associated adverse impacts (including environmental, social and employee, human rights, anti-corruption etc.) during the pre-investment stage. When gaps are identified, mitigation measures are proposed, and action plans are agreed during the approval process. Cost for implementation of ESG actions are also allocated into the financial model, to ensure capital can be deployed for these activities during the lifetime of the asset.

Post-acquisition of the assets, all relevant contractors who construct or operate the asset are requested to provide their ESG Key Performance Indicators (KPI). These include resource consumption, GHG scope 1, 2, and 3, H&S, biodiversity, diversity, and other relevant ESG indicators at the asset level. A full set of KPI related to PAI has been developed consistently with the requirements of Table 1, Annex 1 of the Commission Delegated Regulation 2022/1288.

Further information on how PAI are considered is explained in the ESG Disclosure Document and in the future Periodic Reporting (Annex V).

What investment strategy does this financial product follow?

NPIII's Investment Strategy

The investment **strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

NPIII is an investment fund focused exclusively on investments in the construction and long-term ownership of solar power projects across international markets. NPIII invests in assets on the secondary market as well as those that are under development (e.g., at the stage of origination, project planning or construction) when acquired. The fund also has the capacity to invest in adjacent technologies in the energy transition space that complement the primary portfolio of solar PV plants, in aggregate consisting of no more than 10% of Benchmark Commitments (as defined in the Memorandum), provided that investments in energy storage are connected to solar PV plants (i.e. co-located battery storage).

Under the Sustainable Investment Policy, ESG factors are considered throughout the entire investment process, including an ESG screening during the initial project selection and a subsequent full ESG due diligence and assessment during the pre-acquisition phase. In addition, the dedicated ESG team provides input and makes recommendations regarding the investment decision, carries out ESG monitoring and reporting during the ownership phase and, finally, the divestment phase.

NextEnergy Capital monitors and reports on the impacts of its investments at both the portfolio level, which includes annual reports on NextEnergy Capital's portfolio's contribution to specific ESG KPIs, and at the asset-specific level, where the ESG team works alongside the portfolio manager to implement any action plan that was agreed to during the investment approval process. This ensures the implementation of NextEnergy Capital's sustainable investment strategy throughout the entire investment process.

- *What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?*

The investment strategy is exclusively focused on investments in the construction and long-term ownership of solar power projects/assets and adjacent technologies that complement them. Solar power projects, by definition, generate renewable energy, which is aligned with the sustainable investment objective "to generate a more sustainable future by leading the transition to clean energy". This is a binding element of the investment strategy and dictates investment selection.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

What is the policy to assess good governance practices of the investee companies?

The practice of good governance is an integral part of the way NPIII executes its investment strategy and plays an important role in shaping the Fund's long term sustainable success and the achievement of the Next Energy Group strategic objectives. The NextEnergy Capital Advisory Board includes high profile professionals with energy, financial and environmental backgrounds and advises the management team at NPIII to implement and uphold the best governance practices.

At the investment level, NPIII is committed to ensuring that it and its business partners are transparent and fair in their dealings. The Fund takes into full account business integrity, anti-corruption and anti-money laundering legislation and rules in each jurisdiction in which it owns and operates assets. For every acquisition, due diligence questionnaires are sent to all involved counterparties (sellers, contractors, and suppliers), and they are screened for environmental, social and governance issues, including AML purposes. All contractors are required to abide by NextEnergy's Supplier Code of Conduct and must agree to provide data on ESG KPIs on an annual basis to align with the Fund's objectives The Head of ESG is a member of the NPIII Investment Committee and she attends all meetings, ensuring that each NPIII investment meets the ESG objectives consistently across the portfolio.

What is the asset allocation[5] and the minimum share of sustainable investments?

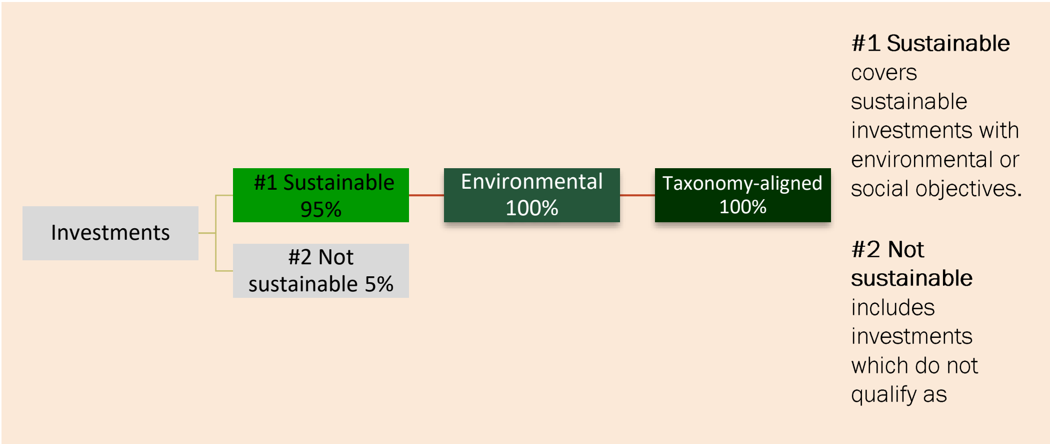
Asset allocation describes the share of investments in specific assets.

The Fund will make a minimum of 95% sustainable investments with an environmental objective, as its objective is to invest solely in renewable energy assets and most specifically the international solar sector, focused on the construction and long-term ownership of solar power plants.

The Fund may hold up to 5% of its Net Asset Value (NAV) in cash, bank deposits and other cash equivalents for liquidity purposes.

The Fund will not make any investments that qualify as sustainable investments with an environmental objective but are not aligned with the EU Taxonomy or any investments that qualify as sustainable investments with a social objective.

[5] Asset allocation describes the share of investments in specific assets.



Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

How does the use of derivatives attain the sustainable investment objective?

The Fund will not use derivatives in order to attain the sustainable investment objective. In accordance with the terms of the Supplement, the fund may enter into derivative instruments for the purposes of hedging. For the avoidance of doubt, the derivatives will not be utilised for investment purposes and instead are would always be considered as ancillary to its sustainable investments and act used only as a risk mitigation measure. In the event that derivatives were ever utilised, such instruments will be reviewed to ensure they do not significantly harm social or environmental objectives within the meaning of SFDR.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?[6]

As further described above, the Fund will invest solely in renewable energy, most specifically the international solar sector, focused on the construction and long-term ownership of solar power plants.

Specifically, 95% of NPIII investment is designated for the acquisition of solar PV assets and associated facilities, while the other 5% of the NAV is retained for liquidity purposes. Of the 95% of investment into solar PV and associated

[6] Taxonomy-aligned activities are expressed as a share of:

(i) turnover reflecting the share of revenue from green activities of investee companies;

(ii) capital expenditure (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy; and

(iii) operational expenditure (OpEx) reflecting green operational activities of investee companies.

The relevant legislation does not provide a definition of “investee company”, however, we have interpreted this term as intended to refer to an entity in which the relevant fund intends to make an investment, or has made an investment, on behalf of its investors, which would include the SPV which owns each asset.

facilities, 100% are aligned with the EU taxonomy because i) they substantially contribute to climate mitigation through the generation of clean energy and avoidance of GHG emissions and fossil fuel; ii) they do not do significant harm to the other environmental objectives of the taxonomy and iii) they meet minimum social safeguard. This is further explained below:

a) The objective of climate mitigation is expected to be attained by making investments whose objective is solely to generate clean energy. In particular, the performance of sustainability indicators of GHG emissions avoided will be accounted for and reported. The objective of climate mitigation remains the core business of the fund investments and all investments will be made in renewable energy infrastructure.
b) NPIII's sustainable investment objective of climate mitigation is met through a due diligence process pre-and post-investment which ensures that No Significant Harm (DNSH) is done to any other environmental objective considered material to the activity of the fund (Solar PV generation). These other objectives are climate change adaptation, biodiversity, and circular economy.
c) The due diligence also considers additional safeguards such as human rights, community engagement, and labour conditions, amongst others. As described above, the due diligence is aligned with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and other international conventions on human rights, as per the Human Rights Position Statement.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission leels corresponding to the best performance.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[7]?

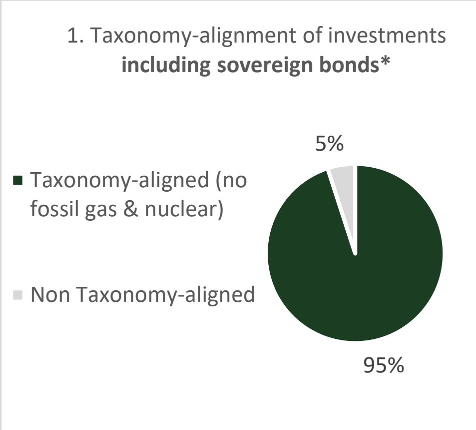
☐ Yes:

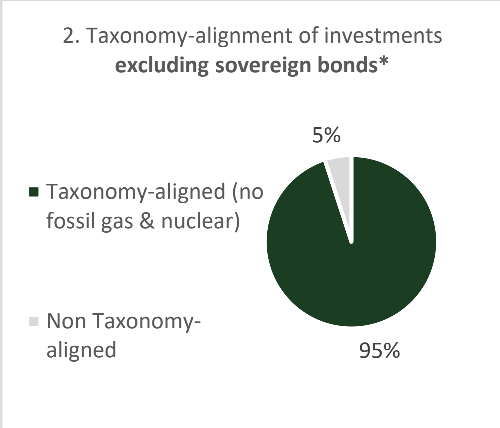
☐ In fossil gas ☐ In nuclear energy

☒ No

[7] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*





* *For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

What is the minimum share of investments in transitional and enabling activities?

The Fund will make a minimum of 0% of total investments in transitional and enabling activities.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentaly sustainable economic activities under the EU Taxonomy.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund solely invests in renewable energy assets and commits to Taxonomy-aligned investments. The minimum share of sustainable investments with an environmental objective that are not aligned with EU Taxonomy is 0%.

What is the minimum share of sustainable investments with a social objective?

Not Applicable

What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

The investments of the Fund that will be classified as "not sustainable" will be composed of government bonds, fixed-income securities, money market instruments, such as units in money market funds and overnight and/or time deposits at credit institutions. Such investments will be made to manage excess liquidity and to hedge currency/interest rate risks and thus to ensure efficient portfolio management by way of protecting and enhancing returns from the Fund's portfolio.

Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

- *How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?*

  Not Applicable

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

  Not Applicable

- *How does the designated index differ from a relevant broad market index?*

  Not Applicable

- *Where can the methodology used for the calculation of the designated index be found?*

  Not Applicable

Where can I find more product specific information online?

More product-specific information can be found on the website: https://www.nextenergycapital.com/sustainability/

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