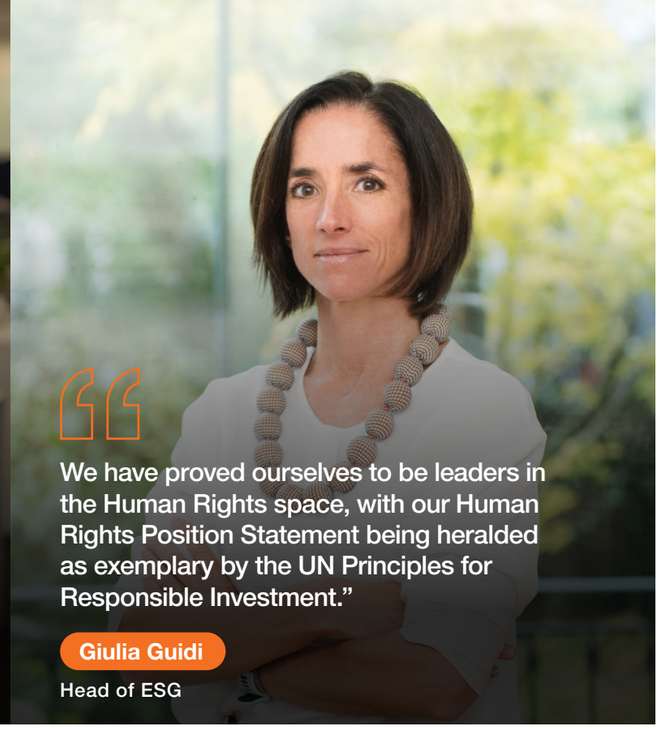
NEXT ENERGY CAPITAL

Generating A More Sustainable Future

Our contribution to the UN Sustainable Development Goals

April 2023



An opening statement from our Group CEO and Founding Partner, Michael Bonte-Friedheim

The NextEnergy Group ("Group", "NEC") is pleased to present the fourth edition of our United Nations Sustainable Development Goals ("UN SDGs") Report. The events and humanitarian crises of the past year have underlined the importance of achieving progress along the UN SDGs, and have increased the focus on Environmental, Social and Governance ("ESG") and sustainability factors. We have taken this impetus to continue expanding our transparency, traceability and reporting against clear objectives.

In addition, the war in Ukraine and the resulting energy crisis have underscored the vital importance of ensuring energy independence, security, affordability and sustainability. Solar photovoltaic ("PV") energy is the most affordable source of new power generation and can be deployed on a rapid timescale and thus address these urgent objectives. The Group has positioned itself as the leading international specialist market participant in this sector, and we are well-positioned to continue expanding our contribution to the energy transition and increasing our positive impact.

We are demonstrating that delivering superior financial performance must be intertwined with being a leader in the ESG and sustainability space. Our exceptional commitment to sustainability and its unequivocal integration into our business practices is one of our key strengths and what differentiates us. We are proud of the resilience we have achieved as a company, and of the accomplishments of our team. This dedication and focus will maintain our momentum in achieving those UN SDGs and sustainability objectives which are material to our business, and also ensure our success over the long-term as a key player in decarbonising the power generation sector.

Our commitment to the UN SDGs in the words of our Head of ESG, Giulia Guidi

NEC is devoted to playing a leading role in the net-zero transition that is currently transforming the global landscape. Evidence of our endorsements to climate change, Human Rights and the supply chain can be seen in our Policy Statements and our responsibility to our investors and stakeholders in facilitating a low-carbon future. The ESG Framework we use to identify, measure, and report on our contribution to the UN SDGs is aligned with our Group Mission; to contribute to a more sustainable future by leading the transition to clean energy generation. Beyond this, most recently we have proved ourselves to be leaders in the Human Rights space, with our Human Rights Position Statement being heralded as exemplary by the UN Principles for Responsible Investment ("UN PRI") and was published on their website to serve as guidance for other signatories.

NEC's professionalism and technical experience are key strengths which have enabled us to achieve material targets of the 17 UN SDGs, as well as to continue expanding and developing renewable energy infrastructure. Since 2014, our funds have generated over 5,000 GWh globally, and avoided emissions of 2,434 kt CO_2. Today, the NEC portfolio generates the amount of renewable energy equivalent to removing over 238,000 petrol cars of the road and powering over 488,000 homes sustainably.

Continuing to improve

This report provides a non-exhaustive update on the work we are undertaking and the progress we have made. At the NextEnergy Group, we strive for excellence and welcome all feedback that you may have. Please get in touch with our ESG team at **info@nextenergycapital.com**.

Contents

NEC ESG Team 1
Our Mission 3
Integrated Strategy 4
SDG Target Tracking 5
Goal 1: No Poverty 5
Goal 3: Good Health and Well-Being 6
Goal 6: Clean Water and Sanitation 7
Goal 7: Affordable and Clean Energy 8
Goal 8: Decent Work and Economic Growth 9
Goal 9: Industry, Innovation and Infrastructure 11
Goal 11: Sustainable Cities and Communities 12
Goal 12: Responsible Consumption and Production 13
Goal 13: Climate Action 14
Goal 15: Life on Land 15
NextEnergy Foundation 16
Appendices 20

Who we are

Founded in 2007, NextEnergy Group is a specialist solar investment and asset manager. The NextEnergy Group includes NextEnergy Capital (fund management), WiseEnergy (operating asset management), Starlight (asset development) and is the founder of NextEnergy Foundation. Our Mission is to contribute to a more sustainable future by leading the transition to clean energy generation. We have built a strong track record: investing in 350[1] utility-scale solar projects, since inception, as a combination of assets under development, construction, operational or which have been disposed. At the time of publishing this report, our installed capacity is in excess of 1,360MWp with over 770MWp under development, across Europe, North and South America and Asia, and Starlight has c.10,000MW under development. We have also established the biggest operating solar asset manager globally, WiseEnergy. NextEnergy Capital is also the investment manager of one of the largest listed solar investment companies, NextEnergy Solar Fund ("NESF"), and the first truly international solar infrastructure investment vehicle, NextPower III ESG.

In January 2022, we announced the sale of the entire portfolio of operating solar projects owned by NextPower II ("NPII") in Italy. NPII was launched in 2016 with the investment objective of consolidating the fragmented Italian solar PV market, and in the process identified and implemented numerous value-accretive opportunities, such as repowering, across the portfolio. NPII built a portfolio comprised of 105 individual solar projects for a total installed capacity of c.149MW in three years. This demonstrates our superior investment outcomes and is a testament to NEC's culture and values.

As the founding sponsor of NextEnergy Foundation ("NEF", "the Foundation"), the Group has pledged at least 5% of its net annual profits to the NextEnergy Foundation since its inception in 2016. The Foundation's vision is to provide energy from renewable energy sources to underserved regions, as well as to benefit the local communities in which NextEnergy Capital is present, as well as those beyond our current investment scopes.

[1] This report focuses on the environmental, social and governance performance related to 262 plants, those which were operational at 31st of March 2022.

NEC ESG Team

The NEC ESG team is involved in multiple workstreams at both the Group and fund levels. At the Group level, the team develops and oversees implementation of the ESG and sustainability strategy and maintains market-leading insights into sector evolution. We are also widely engaged with industry bodies. At the fund level, the ESG team works alongside the M&A team and carries out due diligence during the pre-acquisition phase. Once a project has been acquired, they work with the Portfolio Managers to execute any ESG actions during construction. After the project has reached the operational phase, the ESG team runs a handover process with the Commercial team of NEC's asset manager, WiseEnergy.

NEC ESG Team

Giulia Guidi
Head of ESG

Over 20 years in ESG and risk management in the financial sector. Giulia reports to Michael Bonte-Friedheim, CEO and Founder of NextEnergy Group. She is responsible for setting strategy and implementing the Sustainable Investment Policy across the Group. She also sits on fund Investment Committees and on the Group Risk Committee.

David Hawkins
Vice-President ESG

Over 10 years' sustainability and environmental experience in the energy sector. David is part of the ESG team at NEC and supports Giulia, Head of ESG, in the implementation of the ESG Framework across the Group's interests, along with reviewing and ensuring that all ESG regulatory matters are considered appropriately.

Phoebe Wright
ESG Analyst

Phoebe joined the ESG Team in 2021 and is responsible for carrying out the ESG due-diligence for potential asset acquisitions across the funds. She is also involved in data collection for both internal and external reports, including the Group UN SDG Reports and fund level Green Impact Reports, as well as for the UNPRI and the EU Directive.

NEC Biodiversity Team

NEC Biodiversity Team

Sulwen Vaughan
Fund SPV Director

Over 30 years' business management experience. Sulwen is the SPV Director for NextEnergy Capital and reports within the Global Portfolio Management team focusing on the UK assets of the international portfolio. Sulwen joined NextEnergy Capital in 2017 and has worked to improve the biodiversity aspects of the portfolio. Sulwen provides oversight to the NESF portfolio from an SPV level.

Hing Kin Lee
Fund Environmental

With over 18 years' experience in the environmental sector, Lee is a Chartered Environmentalist and Member of the Chartered Institute of Ecology and Environmental Management. He joined NEC in 2022 as an Environmental Impact Manager and provides environmental governance across the portfolio, driving forward our ambitions for net positive biodiversity outcomes through nature-based solutions, ecosystem service provision and climate change resilience.

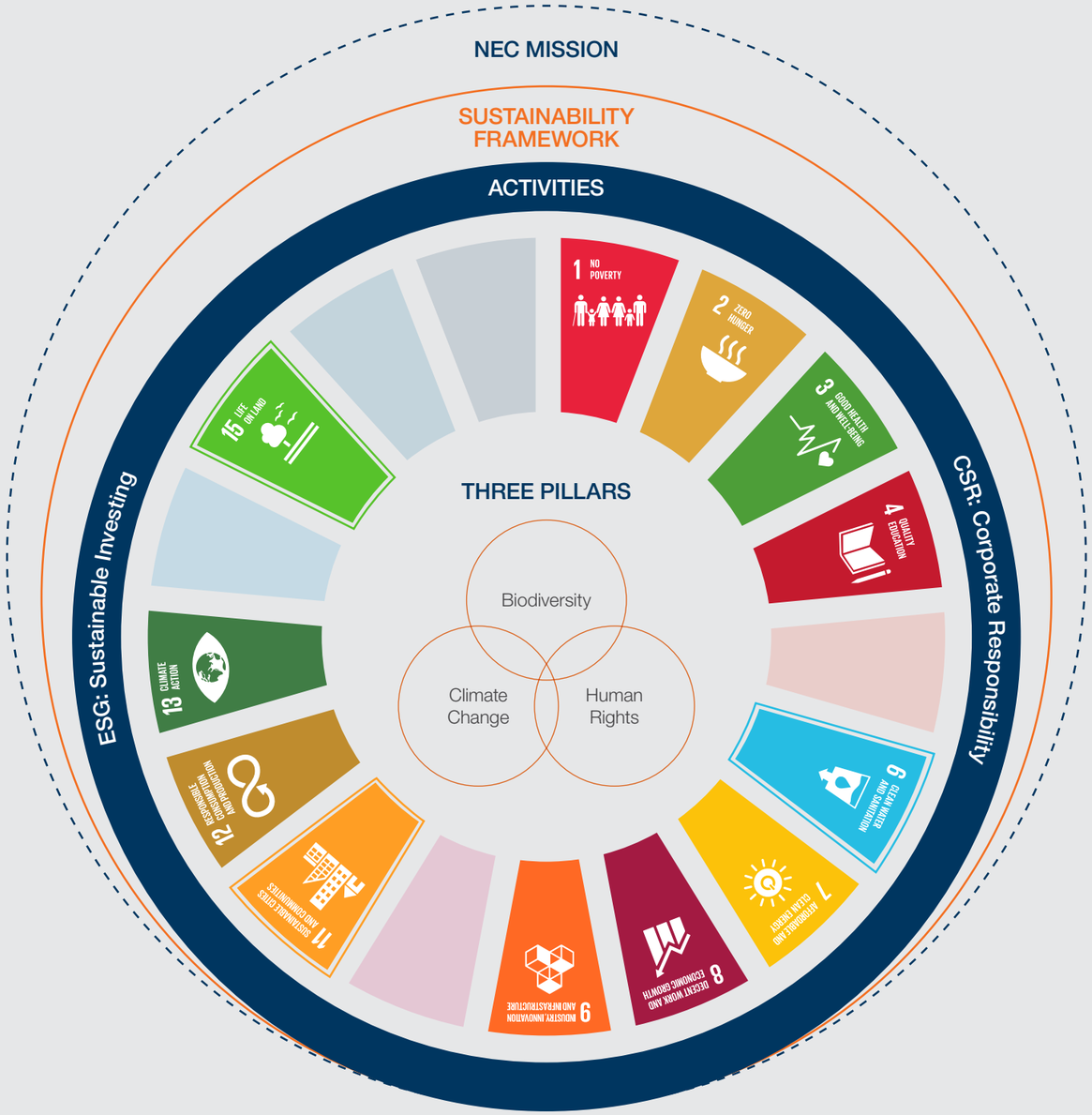
Serena Thaker
Commercial & ESG Analyst

Serena joined WiseEnergy in 2019 and is responsible for managing and coordinating ESG delivery requirements across NESF & NPIII, alongside WiseEnergy's asset management services. Serena is also part of the NEC Biodiversity Team where she helps to direct and implement Group biodiversity strategy. Serena is also leading on ESG data collection within WiseEnergy to support the Group's reporting against the UN SDGs and the upcoming requirements of the Sustainable Finance Disclosure Regulation.

Marnie Winston-Fletcher
Environmental Analyst

Marnie joined WiseEnergy in 2021 and is responsible for ensuring Local Environmental Management Plan ("LEMP") compliance across the operational sites within the NESF UK portfolio. She works closely with a range of stakeholders; from O&Ms, landowners, ecologists, technical analysts to site managers to make sure that the sites are delivering on the biodiversity objectives agreed at planning.

Our Mission



Key

Outlined SDGs: Mitigative/responsible investment measure

Sustainability Framework

Sustainability is entrenched in our business activities at NextEnergy Group. Our commitment is cemented by our Sustainability Framework and our Mission to contribute to a more sustainable future by leading the transition to clean energy generation.

We have aligned our Sustainability Framework with the United Nations' Sustainable Development Goals. The Framework is based on the Three Pillars of Climate Change, Biodiversity and Human Rights. Recognising that our societal role goes beyond increasing access to clean energy, we have implemented our Sustainability Framework throughout both our sustainable investing ("ESG") and Corporate Social Responsibility ("CSR") activities.

The Sustainability Framework is supported by NEC's Sustainable Investment ("SI") Policy and Procedures as well as our publicly available Position Statements on Climate Change, Biodiversity, and Human Rights. In addition, our Code of Conduct for Suppliers informs our supply chain risk management. We are guided by five Corporate Values, one of which is to Be Responsible. This Value is at the core of our SI Policy, Position Statements, and the Code of Conduct, which together are the Sustainability Policies. These Policies form the structure we use to integrate our analysis of potential ESG risks and opportunities within our decision-making. This year, we have improved transparency on our ESG approach by complying with the requirements of the EU Sustainable Finance Disclosure Regulation ("SFDR") and by disclosing all relevant information on our websites, annual reports, and in pre-contractual disclosures. The implementation of our Framework contributes to the mitigation of investment risks and improves community and environmental returns over the long term, therefore providing a competitive advantage for our core business.

The Value of fostering relationships by Building Trust is another fundamental mainstay of our Sustainability Framework. We believe that regularly mapping our stakeholders, including investors, suppliers, business partners, industry associations, subject matter experts, and NGOs not only allows us to better understand and manage investment and operational risks, but also to contribute to the wellbeing and development of the communities surrounding our assets. To this extent, we also pride ourselves on our approach to transparency and reporting, both at the Group and fund levels.

Material UN SDGs

NEC has adopted the UN SDGs as the underlying framework to identify, manage and measure our impacts on the environment and society. Our ESG team has been working with the Green Investment Group since 2018 to map the key impacts of our investments against 12 UN SDGs which we have identified as material to our business and NextEnergy Foundation.

The materiality assessment is reviewed every year to ensure we are focusing on themes that are relevant to our business and that we account for any emerging issues and evolving societal needs. Some of the Targets are also selected as aspirational goals to ensure that we embody our Mission. This year we have added an additional UN SDG target, 12.5, which relates to waste reduction, reuse and recycling.

1 NO POVERTY

Overview

NextEnergy Foundation's mission is to participate proactively in the global effort to reduce carbon emissions, provide clean power sources in regions where they are not yet available, and contribute to poverty alleviation. Since its establishment in 2016, the Foundation has supported projects in 26 countries, including developing countries in Sub-Saharan Africa, South Asia and Latin America, as well as in underserved regions in developed countries, primarily Italy and the UK.

UN SDG Target 1.2

By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions

Contribution/Alignment

The projects supported by the Foundation are predominantly focused on the promotion and development of renewable energy resources and technologies in underserved regions and communities, and their nexus with poverty alleviation. While some projects have centred on the environment, namely reforestation, the majority have addressed the causes of poverty, such as access to food, education, and healthcare, and their social implications. To date, NEF has supported 21 organisations to contribute to the achievement of UN SDG1.

Case Study

According to the End Fuel Poverty Coalition, there are 7 million households in fuel poverty across the UK[1]. This number is expected to rise due to the uncertain nature of energy prices caused by the conflict between Russia and Ukraine. In response to this reality, NextEnergy Foundation has partnered with Depher CIC, a UK-based social enterprise operating in the fuel poverty space.

With a grant from the Foundation, Depher CIC is providing gas and electric support, as well as support in the form of food vouchers and school supplies, to low-income and single-parent families across the UK. To date, we have reached 450 households. Beneficiaries have included a single father struggling to buy food who recently got full custody for 2 boys; elderly individuals and couples; and, families referred to Depher CIC by neighbours who recognised their struggles. The partnership with Depher CIC is a long-term one.

[1] https://www.endfuelpoverty.org.uk/about-fuel-poverty/

3 GOOD HEALTH AND WELL-BEING

Overview

Generating clean energy for the planet is a responsibility we are privileged to hold. We also recognise that, through our Corporate Value to Be Responsible, this responsibility extends from our planet's health to that of its inhabitants.

UN SDG Target 3.9

By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

Contribution/Alignment

Air pollutants, including nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matter (PM), are harmful to the health of humans and the natural environment. The World Health Organisation cites their contribution to lung cancer, heart disease, strokes, and chronic respiratory diseases. Air pollutants can also have adverse effects on air quality, climate, ecosystems and habitats. Reducing air pollutants through the generation of renewable energy leads to improved air quality conditions for communities, thereby preventing potential illness and death. Historical data on how we contribute to this SDG is provided in detail at the back of this report in Appendices 1 and 2.

Case Study

NextEnergy Foundation supported Renewable World's Clean Energy for Health (E4H) project between 2020-22. The project aimed to improve health in 10 rural communities in the Surkhet District, Nepal, by increasing access to energy-enabled healthcare; expanding the services remote health posts offered; and, rolling out improved cook stoves. A grant from the NextEnergy Foundation allowed Renewable World to deliver E4H in two communities, Baispani and Khanikola. The three main project outcomes for these two communities are below:

1. Solar systems installed on two health posts resulted in 95% communities' inhabitants vaccinated against COVID-19. Three people per community were also trained to operate and maintain the systems.
2. 65 households in the Baispani community and 91 in the Khanikhola community with improved cookstoves resulting in a reduction in the negative health impacts of indoor air pollution and a more efficient use of firewood.
3. A series of workshops delivered through the health posts to schools and mothers' groups within the catchment area of the communities. 94.4% percent of respondents to Renewable World's questionnaire at project completion said they were satisfied with the new energy-enabled services provided by the community health posts, a significant increase from just over 3% at baseline.

Emissions to air avoided in FY21/22[1] (plus difference from 20/21)

820 tonnes NO_x ↑271 from 20/21

75 tonnes $PM_{2.5}$ ↑30 from 20/21

1,839 tonnes SO_x ↑682 from 20/21

17 tonnes PM_{10} ↑6 from 20/21

[1] Emissions to air avoided data provided by Green Investment Group calculated using their Green Impact methodology (see https://www.greeninvestmentgroup.com/who-we-are/measuring-our-impact.html) based on information provided by NextEnergy Capital for the year ending 31 March 2022 for NESF, NPII & NPIII. Historical data can be found in Appendix 2 'Green Impact data by fund

Overview

Solar photovoltaic ("PV") plants require water for activities such as cleaning PV panels. This could result in competition for water resources within the environment and communities surrounding the plants if not adequately managed.

UN SDG Target 6.4, 6.A, 6.B

By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling, and reuse technologies

Support and strengthen the participation of local communities in improving water and sanitation management

Contribution/Alignment

Onsite water is required predominantly for panel washing. During the due diligence phase, NEC's ESG team screens the project location using the World Resource Institute's Aqueduct Water Risk Atlas. The Atlas is an interactive online tool that enables the team to identify if the site is located in an area of high water stress so that appropriate mitigation measures can be implemented. These can include a range of different technologies or layout amendments that promote more efficient water consumption behaviours. NEC reports on water intensity at the fund level and is currently developing a survey that contractors will be contractually required to fill out on an annual basis. In line with "Principle Adverse Impact ("PAI") requirements, one of the questions will ask O&M contractors to measure their onsite water usage.

Case Study (6.B)

NEC's portfolio manager and WiseEnergy have implemented several actions to mitigate the impact of soiling on solar panels at certain Chilean assets in the NPIII ESG portfolio. These actions include: the installation of a stop-soiling mesh on the most critical perimeter, and the execution of dry-cleaning activities to increase the panel cleaning efficiency, while also reducing the use of water consumption. One site in particular is located adjacent to a pig breeding farm which produces heavy soiling on the panels and impacts their performance. We are looking to implement dry-cleaning solutions to test the robot devices on site. WiseEnergy is currently piloting different options with two companies that provide this technology. One robot can save approximately 70-100m3 water per cleaning session across 2,000 modules. This will result in a drastic reduction of water usage onsite.

Mitigation and Proactive Management

NEC and its asset manager, WiseEnergy, have been working together to create a survey to send to our O&M contractors. The survey will be in line with the PAI reporting requirements and will be sent out in January 2023 to collect the relevant data from the calendar year 2022.

Note
Outlined SDGs: Mitigative/responsible investment measure

Overview

Solar energy has always been the most plentiful and sustainable source of energy available in the world. Now, it is also the most economic and powerful way to mitigate climate change.

UN SDG Targets 7.1, 7.2, 7.B

By 2030, ensure universal access to affordable, reliable and modern energy services

By 2030, increase substantially the share of renewable energy in the global energy mix

By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support

Contribution/Alignment

NextEnergy Capital's mission is to contribute to a more sustainable future by leading the transition to clean energy generation. We have continued to increase our renewable energy generation capacity across the funds, the success of which has enabled NEC to launch additional funds that will facilitate further increases in capacity.

This year, NEC has acquired a 96.7MW global portfolio and sold 105MW, while NEF is supporting 14 organisations that directly contribute to the achievement of SDG7.

In FY21/22[1]

1,451 MW
of Solar Capacity

865 MW
NextEnergy Solar Fund
Operational

115 MW
NextPower Development UK
Operational

149 MW
NextPower II
Operational

1 MW
NextEnergy Capital
Operational

321 MW
NextPower III
Operational

Case Study

NextEnergy Foundation's partnership with Empower Malawi was established in 2017. Since then, the Foundation funded the installation of solar lighting systems on 100% of the primary and secondary schools in the Nkhata Bay District.

Initial data collected from the primary schools shows that each system is enabling 34 children every year to extend their study hours by 19 per week. Across all primary schools, this is a total of 6,852 children every year, providing more than 5 million extra hours of study time on aggregate each year. Primary schools in the District have improved nationally from 23rd to 2nd, and the pass rate is 93.9%, more than 10% higher than the national average of 83.2%. The impact on secondary schools will be even larger as two systems have been installed per school.

In 2021, the Foundation also committed to supporting Empower Malawi in bringing solar lighting to all health centres in the Nkhata Bay District, 22 in total. Installations completed in December 2022.

[1] At time of publishing, following the sale of NPII portfolio in Q4 2022, we have more than 1,360MWp of operating solar capacity and 770MWp under development.

8 DECENT WORK AND ECONOMIC GROWTH

Overview

As the solar industry expands, the potential for decent employment rises throughout the renewable energy supply chain, and the development, construction, and operational stages of solar PV plants.

UN SDG Target 8.5

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Contribution/Alignment

Our own solar PV plants create jobs during the construction and operational phases, including electrical design, construction and operational engineers, environmental consultants, and asset managers and other associated services. Ensuring a diverse workforce is a key driver of success and will be fundamental to us in the pursuit of our Mission.

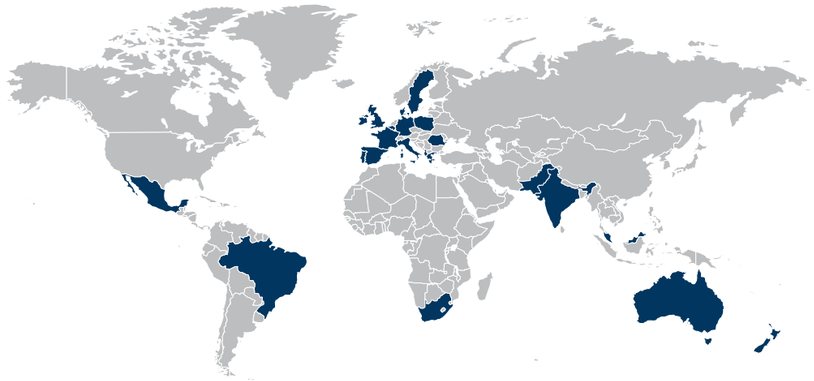
This year we have reported information related to our own workforce and also those related to the O&M contractors that operate our assets.

In FY21/22

192
Employees[1]

38%
Identify as female

18
Nationalities[2]



Next Energy Capital data
O&M data

5,304
Employees[1]

47%
Identify as female

160
Nationalities[2]

In alignment with the EU SFDR reporting requirements, from the next iteration of this report we will be asking our EPC and O&M contractors to report on additional work-related KPIs.

[1] Including those on fixed term contracts and apprenticeships but not including interns
[2] Nationalities represented by employee. 'Nationality' data which HR holds refers to the citizenship that allows the individual to work in the UK, although their nationality may actually differ from their citizenship

8 DECENT WORK AND ECONOMIC GROWTH

Overview

As the solar industry expands, the potential for decent employment rises throughout the renewable energy supply chain, and the development, construction, and operational stages of solar PV plants.

UN SDG Target 8.7, 8.8

Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

Contribution/Alignment

The NextEnergy Group is committed to preventing modern slavery within our own business activities as well as those carried out by our contractors and suppliers. In 2020, the Group expanded the due diligence process to cover our supply chain, including module, inverter, and battery suppliers. We have developed a due diligence questionnaire to assess our contractors' strategy for managing ESG risks, including Human Rights, health and safety, and labour policies and practices. Additionally, we require our Engineering, Procurement and Construction ("EPC") and O&M contractors to abide by our Code of Conduct as well as international best practice, and require that where feasible, a local workforce is hired which contributes to the local economy and employment. In 2021, we published our Human Rights Position Statement which has been recognised by the UN PRI as an exemplary commitment to help other investors and stakeholders implement Human Rights within their business practices.

Beyond our internal policies and strategy, we have engaged with industry associations to promote collective knowledge sharing. In Q1 2021 the Group signed the Solar Energy Industry Association ("SEIA") Labour Prevention Pledge[1] and the Solar Energy UK ("SEUK") Supply Chain Statement[2].

Mitigation and Proactive Management

NEC has been at the forefront of integrating ESG considerations into its investment process, including those related to slave labour and working conditions throughout the supply chain. We have developed a supply chain risk management approach[3] consistent with the Group's sustainability framework, and our suppliers are contractually required to respond to our supplier Due Diligence Questionnaires and to abide by our Code of Conduct[4]. NEC is actively involved with the industry association SEUK and Solar Power Europe ("SPE"). NEC's Head of ESG has been the chair of the SEUK Responsible Sourcing Group and the UK coordinator of the Solar Stewardship' Initiative's, which has been tasked with improving transparency and traceability across the solar sector value chain.

[1] https://www.seia.org/sites/default/files/Solar%20Industry%20Forced%20Labor%20Prevention%20Pledge%20Signatories.pdff
[2] https://solarenergyuk.org/uk-industry-supply-chain-statement/
[3] https://www.nextenergycapital.com/sustainability/sustainable-investing/supply-chain/
[4] https://cdn.next1.nextenergycapital.com/next/2021/08/NEC-Supplier-Code-of-Conduct.pdf

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Overview

Resilient infrastructure and sustainable technologies are essential starting points for business and societies to thrive.

UN SDG Target 9.1, 9.A

Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological, and technical support to African countries, least developed countries, landlocked developing countries, and small island developing States

Contribution/Alignment

As a leading specialist investment and asset manager in the solar sector, NextEnergy Group's activities contribute to the development of quality, reliable, sustainable and resilient infrastructure.

Our operational plants are currently located across the UK, Europe, Chile, India, and the United States. NEC's international fund, NextPower III ESG, primarily invests in OECD Countries, with up to 15% in OECD Key Partner Countries and no more than 10% in any Other Country. NEC continues to have a global reach to support economic development and equitable access to energy by going beyond national requirements in these countries. This facilitates the development of sustainable infrastructure and promotes the generation of clean energy in underserved regions.

In FY21/22[1]

262 operating solar plants

99	105	55	2	1
NextEnergy Solar Fund	NextPower II	NextPower III	NextPower Development UK	NextEnergy Capital

Case Study

Last year, NEC commissioned a biodiversity assessment, a climate change risk assessment, and a stakeholder review to be carried out post-acquisition for all 4 assets in NextPower III ESG's Indian portfolio. We focused efforts on implementing biodiversity assessment measures across the portfolio. To date, two-thirds of the assets have had water recharge pits installed to mitigate the water scarcity risk in the regions where they are located. In 2023, we will begin addressing the outcomes of the climate change risk assessment and stakeholder review. We also expect Environmental, Social and Management System audits to be undertaken.

[1] At time of publishing we have invested in 350 solar plants.

11 SUSTAINABLE CITIES AND COMMUNITIES

Overview

Our investment decision process begins with a commitment to safeguard communities and cultural and natural heritage because we recognise that development should not be extricated from traditions and sites of socio-environmental importance.

UN SDG Target 11.4

Strengthen efforts to protect and safeguard the world's cultural and natural heritage

Contribution/Alignment

Ensuring that communities cultural and natural heritage are conserved is of paramount importance to NEC. Such considerations are incorporated into our investment decision-making from the primary stages of the process. We undertake a rigorous due diligence that assures our projects are in line with local regulations as well as internationally recognised standards, such as the International Financial Corporation Performance Standards ("IFC PS"). Upholding our commitment to community engagement is central to both our investment decision making process, as well as our ongoing asset management strategy.

We have implemented a binding 'No-Go' procedure in order to uphold our commitment to protect cultural and natural heritage. Please refer to the Governance box below for more details[1].

Governance

One of the Excluded Activities in NextEnergy Capital's Sustainable Investment Policy is investing in areas of cultural and natural heritage, such as UNESCO World Heritage Sites. We are working with local communities to significantly contribute to their development and ensure that they continue to thrive.

Case Study

When evaluating a potential acquisition in Chile, the ESG team discovered that the land adjacent to the solar assets was likely to be contested by the local indigenous community. However, the Seller did not initially share evidence that Free Prior Informed Consent ("FPIC") was obtained from the community in the early stages of the asset's development. Such consent is required by the IFC Performance Standards, standards which NEC seeks to uphold. The team therefore requested that the Seller provide a document outlining its consultation process, including evidence of all engagements with the community leader. The Seller fulfilled the request, sharing: (1) an outline of the entire engagement process, with annexes to evidence the FPIC; (2) evidence of all contact made with the community; (3) outcomes from their discussions, including the community's requests; and, (4) the grievance mechanism established. The ESG team concluded that this evidence was satisfactory to proceed with the acquisition and communication was established between the NEC ESG team and the Seller's community consultant to ensure that NEC's community engagement standards continued to be upheld.

Note
Outlined SDGs: Mitigative/responsible investment measure

[1] Source: Investment Process - ESG Integration, SI Policy, NPIII Project Screening DD Form

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Overview

Solar is one of the most powerful and plentiful energy sources in the world. It also reduces the need for fossil fuel combustion. Our projects promote the consumption and production patters which form the basis of sustainable development trajectories.

UN SDG Targets 12.2, 12.4, 12.5

By 2030, achieve the sustainable management and efficient use of natural resources

By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse

Contribution/Alignment

NEC is committed to promoting circular economy principles whenever feasible. According to IRENA, the average lifetime of solar PV modules is 30-40 years, and efficiency losses usually only start after the first 20-25 years. Module components are mostly recyclable. For silicon-based modules, approximately 100% of aluminium, 95% of glass and 85% of silicon can be repurposed. Over 70% of European PV manufacturers are part of the global PV Cycle network, a waste management provider that helps producers to comply with Waste Electrical and Electronic Equipment (WEEE) Directive 2012/19/EU legislation, under which all module manufacturers are obliged to comply. This legislation enables network members to develop products that are sustainable during both pre- and post-production.

The historical data on how we contribute to this SDG can be found in Appendices 1 and 2 of this Report.

In FY21/22[1]

2 million barrels
of oil equivalent avoided

WiseEnergy managed the replacement of modules in certain assets in the NPII Italian portfolio. The Italian renewable market regulator, GSE, requires that:

1. PV modules are disposed of in compliance with the WEEE directive.
2. Delivery notice of the panels to the waste management site is provided, as is a confirmation from the organisation responsible for the site that the disposal has been performed in compliance with regulatory requirements.

Over 82,000 modules, corresponding to an aggregate capacity of 10.5MWp, were replaced across 6 plants. Of these, 6.2MWp across 5 plants were underperforming and were not covered by a valid warranty as the manufacturer had exited the market. PV Cycle, an accredited GSE organisation was appointed to manage panel disposal in compliance with the WEEE directive. The remaining 4.3MWp modules were replaced at one site and were the subject of a warranty claim. The original supply contract included that in the event of a warranty claim or at the end of the panels' useful life, the module provider would be responsible for their disposal, in compliance with local regulatory requirements which in this case was the European and German waste treatment regulation which is acceptable by GSE.

[1] Data provided by Green Investment Group calculated using their Green Impact methodology (see https://www.greeninvestmentgroup.com/who-we-are/measuring-our-impact.html) based on information provided by NextEnergy Capital for the year ending 31 March 2022 for NESF, NPII & NPIII.

13 CLIMATE ACTION

Overview

Tackling climate change is an integral part of our Mission and core business. Solar is one of the key technologies to support the transition away from carbon-intensive fossil fuels towards clean energy.

UN SDG Target 13.3

Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

Contribution/Alignment

By acquiring renewable energy assets that generate clean energy, NEC is able to reduce the negative social and environmental implications of climate change. Investing in one of NEC's funds enables our investors to decarbonise their portfolios, and we are proud to be able to provide them with a quantification of the GHG emissions reduction we have achieved through our clean energy generation activities. Our historical contribution to this SDG is provided in Appendix 1 at the back of this Report.

Further, NEC is committed to raising awareness on climate change mitigation and adaption and recognises the importance of fostering related knowledge and learning, particularly amongst the younger generations.

Case Study

Birch Solar Farm CIC, an NESF asset located in Colchester (1.697 MW) supported a local parish called Messing Cum Inworth in March 2022. The community initiative sought to aid the construction of a path around the community orchard and outdoor educational hut. This path was made from locally sourced material and designed to be accessible for all visitors.

In FY21/22[1]

627 kt CO_2e avoided
equivalent to removing over 207,000 petrol cars off the road[2]

1,307 GWh generated by the funds
equivalent to the energy consumption of over 426,000 homes[3]

Annualised lifecycle emissions - Estimated scope 1, 2 and 3 GHG emissions[4]

NESF	NPII	NPIII
38 kt CO_2e/year	8 kt CO_2e/year	25 kt CO_2e/year

[1] GHG emissions data provided by Green Investment Group calculated using their Green Impact methodology (see https://www.greeninvestmentgroup.com/who-we-are/measuring-our-impact.html) based on information provided by NextEnergy Capital for the year ending 31 March 2022 for NESF, NPII & NPIII
[2] Data provided by Green Investment Group calculated using UK Government conversion factors based on information provided by NextEnergy Capital for the year ending 31 March 2022 for NESF, NPII & NPIII
[3] Data provided by Green Investment Group calculated using country specific average electricity consumption per electrified household 2020 data and based on information provided by NextEnergy Capital for the year ending 31 March 2022 for NESF, NPII & NPIII
[4] Estimations provided by Green Investment Group using an annual average figure of the entire portfolio's (operational and pre-operational projects) GHG emissions of NESF, NPII & NPIII based on forecast renewable electricity generation

Overview

As the number of solar farms grows around the world, we see it as our duty to promote their use as safe harbours for nature to thrive undisturbed by human activity. NEC is committed to leading best practices in biodiversity in the solar industry.

UN SDG Targets 15.2, 15.5, 15.B

By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

Mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation

Contribution/Alignment

NEC recognises the role that biodiversity can have in promoting numerous environmental KPIs. Our two main biodiversity objectives are to achieve 'No-Net-Loss' ("NNL") or 'Net-Positive-Impact' ("NPI"). NNL offsetting takes place on areas ecologically comparable to that which is being deforested. Instead, NPI usually targets larger areas, which means restoring at least 1.5x or 2x the area removed. Most importantly, it relates to areas that can have maximum impact given their species and habitat compositions. NEC's biodiversity objective is to achieve NPI wherever possible. NEC has developed biodiversity offsetting and management plans at several projects acquired in FY21/22 and has also implemented plans at operational sites.

Number of transactions acquired in FY21/22 where biodiversity mitigation measures were included in the action plans, or where Universal Biodiversity Management Plans (UBMPs) have been implemented:

- NESF: 81%
- NPIII: 55%

Case Study

Two NPIII ESG assets in Chile were acquired after the offsetting permits had been granted to the seller. The approved permits were for NNL offsetting only, i.e. 1x multiplier (9.14ha impacted = 9.14ha restored). Since expanding the selected area is not always possible due to land availability, the NEC ESG team hired a specialist firm whose offset approach was only based on a multiplier factor, but also on habitat structure and species composition. The firm conducted a site visit with local biologists who determined both sites have similar ecological composition and habitat structure. It was agreed to converge the NPI offsetting requirements for both assets within the larger of the two sites, where more land is available (~500ha), and is of similar habitat structure and therefore has a higher potential to achieve NPI. The initial baseline survey is due to take place by Q2 2023, after which a BMP will be developed that will outline the steps required to achieve NPI.

We continue to be fully committed to biodiversity enhancement at our sites, and we are aiming to develop and publish a Biodiversity Position Statement in order to increase transparency around our principles and operating standards.

Note
Outlined SDGs: Mitigative/responsible investment measure

NextEnergy Foundation

Flavia Galdiolo
NextEnergy Foundation Coordinator

In the last year, we have not only brought first time access to renewable energy-enabled technologies to underserved regions, but also furthered our support for the most vulnerable communities globally, notably in Ukraine."

Flavia Galdiolo
NextEnergy Foundation Coordinator

At NextEnergy Foundation ("NEF"), our Mission is to contribute to poverty alleviation through the nexus with renewable energy access and carbon emissions reductions.

Since the Foundation's establishment in 2016, we have focused our efforts towards increasing access to renewable energy in underserved regions, and to marry this ambition with education, health, and wider renewable-enabled infrastructure projects.

However, we are also acutely aware of the pressing crises across the globe which extend beyond the remit of our Mission. During the COVID-19 pandemic, both NEC and NEF committed funds to support those communities most affected by the pandemic, particularly communities neighbouring our offices in London, Milan and Hyderabad.

This year, we have supported several initiatives to respond to the conflict between Russia and Ukraine. We also established two long term partnerships to holistically and sustainably tackle rising levels of fuel-related poverty. The case studies on the following pages evidence some of the projects we are supporting supported to address these causes.

Note
For further information on the Foundation and its activities, please visit http://www.nextenergyfoundation.org/

NextEnergy Foundation
Response to the Russia-Ukraine Conflict

Case Study

Humanitas
Humanitas is a charity which works to promote the three basic rights of education, family and healthcare. It has been active in Romania since 2001 and has a medical van which it uses to deliver medical assistance across the country.

Humanitas brought its medical van to the border with Ukraine to provide medical supplies and assistance to people fleeing the country. The NextEnergy Foundation financed the installation of solar panels on the van so that it does not have to rely on a diesel-powered generator to power the medical equipment. The van is also traveling to hospitals and displacement centres to bring specialised medications and surgical equipment requested by doctors.

The solar installation will also allow Humanitas to respond to any future refugee crisis in Europe in the same efficient and sustainable way.

Contribution/Alignment

Good Health and Well-Being

NextEnergy Foundation
Response to the Russia-Ukraine Conflict

Case Study

Soleterre
Soleterre Onlus is an organisation which works for the protection and recognition of the right to health in its broadest meaning around the world.

Soleterre has been providing medical treatment, accommodation and psychological support to children with cancer and their families in Kiev and Lviv, Ukraine, since 2003. Together with another local partner, the Zaporuka Foundation, Soleterre has taken action to:

1. Provide a safe shelter to children with cancer and to their families in Kiev, and to evacuate those able to move to a safer area of Ukraine closer to the eastern border or to Poland;
2. Ensure continuity in medical care, especially for the children undergoing chemotherapy treatment;
3. Guarantee flexible and immediate support to the 3 hospitals Soleterre cooperates with: the Institute of Cancer in Kiev, the Neurosurgery Centre in Kiev, and the Regional Pediatric Hospital in Lviv.

NextEnergy Foundation covered the cost of a shipment of medical supplies and medication to the St. Nicolas Hospital in Lviv which has allowed 90 children to continue receiving the care they require.

Contribution/Alignment

Good Health and Well-Being

NextEnergy Foundation
Response to Fuel Poverty

Case Study

Banco dell'Energia

Banco dell'Energia is a non-profit organisation which works with socio-economically disadvantaged households through targeted fuel-related interventions.

NextEnergy Foundation contributed to Banco dell'Energia's "Energy in the Periphery" project. The project supported 100 households in Quarto Oggiaro, Milan, Italy, particularly targeting those adversely affected by the COVID-19 pandemic.

Interventions included short-term aid – paying the 270 energy bills and distributing LED lightbulbs to maximise energy efficiency – and a longer-term engagement – breaking down the households' electricity usage with 81 households representatives and educating them on energy conservation so as to reduce their electricity bills in future.

Following the success of this first project undertaken with Banco dell'Energia, NextEnergy Foundation is exploring the development of community solar installations in Milan. These installations will increase the share of renewable energy in the energy mix of the households connected to the solar systems, and reduce their electricity bills.

Contribution/Alignment

No Poverty

Affordable and Clean Energy

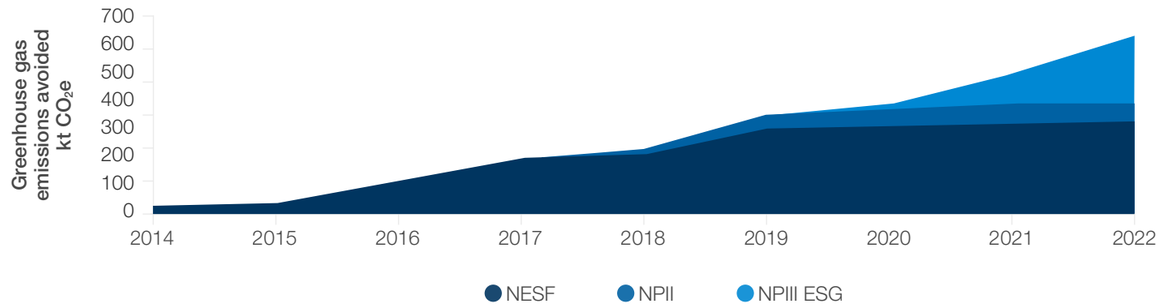
Sustainable Cities and Communities

Appendix 1

Actual Green Impact Performance

GHG avoided, by fund[1]

The Portfolio avoided emissions of 2,434 kt CO_2e during the period 2014-2022.



NextEnergy Capital annual portfolio performance

	Unit	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	2022
GHG emissions avoided	kt CO_2e	22	31	110	191	226	347	392	490	627
NO_X emissions avoided	t NO_x	34	41	108	176	220	354	410	550	820
SO_X emission avoided	t SO_x	83	94	214	336	430	707	831	1157	1839
$PM_{2.5}$ emissions avoided	t $PM_{2.5}$	2	2	8	14	17	27	31	45	75
PM_{10} emissions avoided	t PM_{10}	1	1	2	4	5	7	9	12	17
Fossil fuels consumption avoided	kt oe	9	13	47	82	97	151	170	208	260

[1] Data provided by Green Investment Group calculated using their Green Impact methodology (see https://www.greeninvestmentgroup.com/who-we-are/measuring-our-impact.html) based on information provided by NextEnergy Capital for the year ending 31 March 2022 for NESF, NPII & NPIII ESG.

Appendix 2

Green Impact data by fund[1]

NESF

	Unit	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	2022
GHG emissions avoided	kt CO_2e	22	31	110	191	211	299	308	318	329
NO_X emissions avoided	t NO_x	34	41	108	176	193	267	274	283	296
SO_X emission avoided	t SO_x	83	94	214	336	366	499	512	527	550
$PM_{2.5}$ emissions avoided	t $PM_{2.5}$	2	2	8	14	16	23	23	24	25
PM_{10} emissions avoided	t PM_{10}	1	1	2	4	4	6	6	6	6
Fossil fuels consumption avoided	kt oe	9	13	47	82	90	128	131	136	143

NPII

	Unit	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	2022
GHG emissions avoided	kt CO_2e	No data, Fund not established				15	47	59	72	58
NO_X emissions avoided	t NO_x					27	86	109	131	106
SO_X emission avoided	t SO_x					64	208	261	315	255
$PM_{2.5}$ emissions avoided	t $PM_{2.5}$					1	4	6	7	5
PM_{10} emissions avoided	t PM_{10}					1	2	2	3	2
Fossil fuels consumption avoided	kt oe					7	23	29	35	28

NPIII ESG

	Unit	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	2022
GHG emissions avoided	kt CO_2e	No data, Fund not established						25	101	240
NO_X emissions avoided	t NO_x							27	135	418
SO_X emission avoided	t SO_x							58	314	1034
$PM_{2.5}$ emissions avoided	t $PM_{2.5}$							3	15	45
PM_{10} emissions avoided	t PM_{10}							1	3	9
Fossil fuels consumption avoided	kt oe							10	38	89

[1] Data provided by Green Investment Group calculated using their Green Impact methodology (see https://www.greeninvestmentgroup.com/who-we-are/measuring-our-impact.html) based on information provided by NextEnergy Capital for the year ending 31 March 2022 for NESF, NPII & NPIII ESG.

United Kingdom
Heathcoat House
20 Savile Row
London W1S 3PR
+44 (0) 203 746 0700

Luxembourg
46A, Avenue J.F. Kennedy
L - 1855 Luxembourg
+352 26 78 26 26

Italy
Via San Marco, 21
20121 Milan
+39 02 87284480

Guernsey
1 Royal Plaza, St Peter Port
GY1 2HL Guernsey
+44 1481 735827

NextEnergy Capital
@Next_Energy3