NextEnergy Capital

ESG Disclosures

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NextEnergy Capital – ESG Processes

NextEnergy Capital Ltd and its subsidiary NextEnergy Capital IM Limited[1] (together "**NEC**") are a leading investment and asset manager in the international solar sector. NEC's mission is to generate a more sustainable future by leading the transition to clean energy. NEC specialises in investments in renewable energy and energy transition (with a focus on solar photovoltaic ("**PV**") energy and associated facilities) and considers that this specialism enables NEC to accelerate the achievement of NEC's mission. Together, these ambitions guide NEC's sustainability framework. NEC and the funds it manages are committed to managing investments in a sustainable manner, generating value for the environment and society. Beside the goal to increase access to clean energy, NEC additionally seeks to address other environmental, social, and human rights matters.

Guided by its sustainability framework and by the principles set out in NEC's sustainable investment policy ("**Sustainable Investment Policy**"), NEC has integrated the consideration of sustainability risks and opportunities throughout the investment process. The Sustainable Investment Policy is signed off by NEC's CEO, reviewed regularly, and publicly available on the NEC website.[2] Additionally, NEC's Climate Change and Human Rights Position Statements[3] set out NEC's commitment to tackling climate change and respecting human rights. NEC's Code of Conduct for Suppliers outlines the expectations and standards that NEC expects from its contractors and suppliers. Together, all these documents are regarded as "**NEC's ESG Policies**".

A. Sustainability Framework - Overview

NEC's mission is to generate a more sustainable future by leading the transition to clean energy. This mission guides NEC's sustainability framework, which is founded on three pillars of biodiversity, climate change and human rights, and is aligned with the UN Sustainable Development Goals ("**SDGs**")[4]. Together with various stakeholders, NEC has undertaken a materiality mapping to determine which SDGs (and the relevant targets associated with these) are most relevant to its activities.

[1] NextEnergy Capital Ltd ("**NEC Ltd**") and NextEnergy Capital IM Ltd ("**NEC IM**") are both designated as Alternative Investment Fund Managers (each an "**AIFM**") under the Alternative Investment Fund Management Directive (2011/61/EU). NEC IM is the AIFM of NextEnergy Solar Fund Limited. NEC Ltd is the AIFM for NextPower III LP and NextPower UK ESG.

[2] Available at: https://www.nextenergycapital.com/sustainability/sustainable-investing/

[3] Available at https://cdn.next1.nextenergycapital.com/next/2021/04/NEC_ClimateChange_Statement.pdf and https://cdn.next1.nextenergycapital.com/next/2021/04/NEC_HumanRights_Statement.pdf respectively.

[4] United Nations Department of Economic and Social Affairs – Sustainable Development, *The 17 Goals.* Available at: *https://sdgs.un.org/goals*.

Figure 1 - NEC's Sustainability Framework

Under NEC's ESG Policies, environmental, social and governance ("**ESG**") factors are considered throughout the investment process, from specifying a category of excluded activities during the project selection phase ("**No-Go**" activities), to initial screening and full due-diligence on funds, assets, sites and counterparties during the pre-acquisition phase. ESG clauses are included into the financing documentation and key contracts with NEC's counterparties, including the share purchase agreement (SPA), agreements with the engineering, procurement and construction contractors ("**EPC Contractors**"), the operation and maintenance contractors ("**O&M Contractors**") and the master service agreement with the asset manager. Where applicable, an ESG action plan ("**Action Plan**") is adopted. The Action Plan is agreed during the negotiation phase and enables any gaps to be filled that may exist between the standards NEC seeks to uphold and those of the project and its various counterparties. Finally, during the ownership phase NEC will ensure that any mitigation measures identified in any Action Plan are implemented and reported on by the asset manager.

NEC also places significant importance on mapping the supply chain and understanding all associated ESG risks that NEC may potentially be exposed to. These risks include a wide range of ESG issues, from labour, occupational, health and safety, biodiversity, climate change, pollution prevention and stakeholder relations. Some segments of the supply chain can be very labour intensive, or source materials from conflict-affected areas, and can pose human rights risks for workers and impacted communities. NEC's approach to supply chain management is two-fold: ongoing risk management (due diligence at asset and portfolio level) and an extensive stakeholder engagement process.

Sections B-D below outline NEC's current process under NEC's ESG Policies. Further sustainability-related disclosures required for each of NEC's funds under the EU Sustainable Finance Disclosure Regulation ("**SFDR**"[5]) and the Regulatory Technical Standards of the European Supervisory Authorities on the content, methodologies and presentation of disclosures (the "**RTS**")[6] are set out in the relevant fund-specific disclosures below (sections E-G).

[5] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, OJ L 317, 9.12.2019, p.1-16.

[6] Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to the content, methodologies and presentation of information in relation to sustainability

The principles of NEC's ESG Policies apply to investments in both development projects and in secondary market acquisitions by NEC. NEC continues to streamline and expand its due diligence process for both the development projects and secondary market acquisitions to further improve ESG integration with the investment process.

Since 2019, NEC has published an annual SDG report, which reports on NEC's implementation of the sustainability framework and its contributions to selected SDGs and targets considered material to NEC's business and mission.[7]

B. Principal Adverse Impacts

Identification and prioritisation

NEC considers adverse impacts on environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters during the investment decision-making process. Principal adverse impacts ("**PAIs**") are considered throughout all stages of the investment process. Consistent with the principles contained in the SFDR, NEC expects EPC Contractors and O&M Contractors to report on specific PAIs on sustainability factors (including environmental and social impacts).

As described above, the overarching focus of NEC's sustainable investment efforts is determined by NEC's ESG Policies. In line with NEC's ESG Policies, NEC is an active member and supporter of several initiatives and groups whose values and processes underpin NEC's sustainable investment ethos; these include:

1. UN Sustainable Development Goals[8] – NEC's sustainability framework is centred around a number of SDGs (as identified in Figure 1). These SDGs have been selected as material to NEC's business, further to a process of materiality mapping, which determined whether they represent a risk or an opportunity to the business and to the sector more broadly;

2. UN Principles for Responsible Investment ("**UNPRI**")[9];

3. Institutional Investors Group on Climate Change ("**IIGCC**")[10]; and

4. Task Force on Climate-Related Financial Disclosure[11].

NEC is additionally guided by compliance with national standards and, where applicable, international standards such as the Equator Principles[12] and the International Finance Corporation's Performance Standards ("**IFC Performance Standards**")[13].

indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1-72).

[7] For the 2019, 2020 and 2021 reports, see https://www.nextenergycapital.com/sustainability/transparency-and-reporting/

[8] United Nations Department of Economic and Social Affairs – Sustainable Development, *The 17 Goals.* Available at: *https://sdgs.un.org/goals* (Last accessed: 28 November 2022).

[9] Principles for Responsible Investment, *What are the Principles for Responsible Investment?.* Available at: https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment.

[10] Institutional Investors Group on Climate Change, website: https://www.iigcc.org/ .

[11] Task Force on Climate-Related Financial Disclosures, website: https://www.fsb-tcfd.org/recommendations/ .

[12] The Equator Principles Association, *The Equator Principles*. Available at: https://equator-principles.com/ .

[13] International Finance Corporation World Bank Group, *Performance Standards.* Available at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards .

NEC's materiality assessment for determining the ESG factors it considers throughout its investment decision-making are determined through stakeholder engagement and by reference to best practices. NEC thus discusses the NEC approach with a set of selected stakeholders, including the UNPRI, IIGCC, the Solar Trade Association, the Business and Human Rights Resource Centre and other industry bodies, consultants, NGOs and, where applicable, with investors. The objective of this regular stakeholder engagement is to continue to evolve and enhance NEC's investment approach.

Consideration of principal adverse impacts (PAI) occurs throughout the investment process

The exact due-diligence scope for any given investment is determined by country and region-specific considerations, the potential risks associated with the specific counterparty and project, and by the risks inherent to the sector. At a general level, NEC's consideration of PAIs is integrated throughout NEC's investment process: from an ESG screening during the initial project selection, to a subsequent ESG due-diligence and assessment during the pre-acquisition phase, providing input and making recommendations for the investment decision, carrying out ESG monitoring and reporting during the ownership phase and, finally, divestment. ESG clauses are also included in key contracts with our counterparties, including EPC and O&M Contractors.

Figure 2 - NEC's Sustainability Framework

Under the NEC sustainability framework, an ESG screening seeks to identify an initial set of ESG risks and is conducted by the NEC ESG Team. The findings from this screening are used to inform the scope of any further ESG due-diligence, which is conducted by the ESG Team alongside external ESG consultants as appropriate.

This integrated ESG assessment enables NEC to identify and manage potential ESG risks and opportunities and address any gaps between a counterparty or project's standards, and those which NEC seeks to uphold (as outlined above). NEC considers that integrating ESG principles into the investment process is critical to maximising the positive impact of the NEC investment strategy.

Principal Adverse Impacts and indicators – pre-investment

NEC considers the following potential PAI and indicators throughout the investment process. The relevant risks and opportunities assessed may vary from investment to investment, depending on the

geographical context and the potential risks associated with the relevant counterparty or project, the risks inherent to the relevant sector, and the risks related to the individual fund. Further information on the integration of sustainability risks by each individual fund managed by NEC is set out in sections E-H below.

Impacts have been prioritised and are considered throughout the different phases of the due-diligence process, so as to ensure their timely consideration.

(i) 'No-Go'

NEC has designated certain matters as 'No-Go' and these will be considered during the initial ESG screening stage of the process. The confirmed presence of such risks means that NEC will not invest in the relevant solar plant:

- **Impacts on areas with high biodiversity value:** Where the investment would risk impacting on areas with high biodiversity value, including UNESCO World Heritage Sites, unless there is prior consensus with both the government authorities and UNESCO that any such operations will not adversely affect the site's Outstanding Universal Value, or habitats and species listed on the Red List of the International Union for Conservation of Nature ("**IUCN**");

- **Modern slavery, such as forced labour and human trafficking, or child labour:** Where an initial review of the project and the various counterparties, based on independent reports and/or media coverage suggests there is a potential risk of modern slavery and or human rights violations, such as forced or child labour and human trafficking; and

- **Impact on minorities and Indigenous People:** Investment opportunities that risk impacting on Indigenous Peoples[14] and minorities, whereby NEC expects that meaningful consultation is carried out and that Free Prior and Informed Consent ("**FPIC**")[15] is sought – Where no FPIC was sought, this will be a No-Go risk, otherwise the risk will be further assessed by way of an enhanced due-diligence process, in line with the higher risk impacts identified in (ii) below.

(ii) Principal Adverse Impacts and Indicators

Alongside a consideration of the No-Go risks, the following impacts are included as part of the ESG screening and due-diligence:

ESG screening

- **Risks relating to environmental permits/compliance:** Whether permits, environmental or land-related licences, or conditions arising from environmental and social impact assessments (where applicable) for the specific asset have been obtained and any conditions or issues have been addressed;

- **Supply chain risks:** NEC will consider the identity of module, inverter, and battery suppliers and their supply chain, including the mining companies from which materials are sourced.

[14] NEC refers to the definition of Indigenous Peoples given in the International Finance Corporation's ("**IFC**") Performance Standard 7. International Finance Corporation World Bank Group, *Performance Standards.* Available at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards (Last accessed: 28 November 2022.

[15] For further information on FPIC, see: United Nations Human Rights Office of the High Commissioner, *Free, Prior and Informed Consent of Indigenous People* (September 2013). Available at: https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/FreePriorandInformedConsent.pdf .

Where NEC's funds selects these suppliers, NEC requires them to submit a due-diligence questionnaire that covers supply chain issues. Where other parties, such as the EPC and/or O&M Contractor(s) have already selected these suppliers, NEC ensures that the EPC and O&M Contractor(s) have processes in place to select suppliers which take into account environmental, social and governance factors and, if so, what factors are considered;

- **Risks relating to human rights and land acquisition:** Land acquisition that requires involuntary resettlement, whereby NEC expects that meaningful consultation is carried out according to applicable international standards. NEC will seek confirmation from the seller whether there has been, or there may be resettlement or relocation of any communities to construct and operate the target, or whether there has been any livelihood displacement and, if so, what processes were used and whether such processes complied with IFC Performance Standard 5[16];

- **Risks relating to community engagement:** NEC will consider whether the seller has community engagement processes, internal and external grievance mechanisms or community investment plans in place;

- **Risks relating to external grievance mechanisms:** NEC will consider whether the EPC and/or O&M Contractors have internal and external grievance mechanisms in place, to track and respond to stakeholder feedback and concerns;

- **Risks relating to labour:** Whether the seller/target/EPC Contractor and other contractors comply, or sufficiently comply with national employment regulations and applicable fundamental International Labour Organization ("**ILO**") Conventions[17];

- **Risks relating to governance:** NEC will require details of the composition of the seller's and target's boards and how this composition is determined, alongside information relating to any violations of duties by directors; and

- **Risks relating to anti-corruption and anti-bribery:** Risk of corruption, money laundering and bribery, based on a country macro-analysis and the track record of counterparties, whereby NEC expects that business integrity standards are upheld. NEC will here consider whether there are formal written anti-corruption, anti-bribery, and anti-money laundering policies in place on the part of the seller and risk assessments carried out by the relevant target.

ESG due-diligence

- **Environmental risks:** Whether the seller has a sustainability or environmental health and safety ("**EHS**") policy in place, which reflects best practices and industry standards, whether the EPC and/or O&M Contractor manage related risks on site, and whether any EHS policies are in place at asset level and how environmental and social issues are managed at the site;

- **Environmental risks:** Whether any environmental and social impact assessments or similar have been prepared in accordance with international principles;

[16] International Finance Corporation World Bank Group, *Performance Standards.* Available at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards .

[17] International Labour Organization, *Conventions and Recommendations.* Available at: https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm).

- **Environmental risks:** Whether the seller or target have been in breach of any environmental regulations, licences, consents or permits;

- **Climate change risks:** NEC will consider whether the seller or target have conducted climate change risk assessments to consider whether the target leads to increased climate risks or will hamper adaption elsewhere;

- **Biodiversity risks:** Whether the target has identified biodiversity risks and whether an action plan to mitigate such risks is in place;

- **Risks relating to circular economy:** NEC will seek confirmation that the PV panels and associated components have been designed and manufactured for high durability, easy dismantling, refurbishment, and recycling;

- **Risks relating to land use:** NEC will consider whether environmental liability reports have been produced or whether significant impacts have been created by the target, on which the local community depends, relating, in particular, to water availability and quality;

- **Risks relating to resource efficiency (energy efficiency & water):** NEC will seek confirmation of the target's primary energy and water sources, any measures to monitor or reduce consumption, as well as the level of water and energy consumption by the target;

- **Risks relating to waste:** NEC will consider the waste management mechanisms in place at the site, including the management and disposal of exhausted solar panels;

- **Supply chain risks:** NEC will assess due-diligence carried out on module and inverter suppliers in respect of their management of ESG risks;

- **Risks relating to human rights policies:** Whether the seller has a human rights policy or statement in place;

- **Risks relating to labour and working conditions:** Confirmation from the seller that it does not have any track record of child and forced labour and that it complies with national employment regulations and core ILO Labour Conventions;

- **Risks relating to labour and working conditions:** Whether the seller or target have implemented procedures and or policies to identify and prevent slavery, servitude, forced and compulsory labour, human trafficking and other human rights abuses on the part of any contractors and sub-contractors;

- **Risks relating to community engagement:** NEC will assess the seller's internal grievance mechanisms and the level of grievances filed;

- **Risks relating to anti-corruption, anti-bribery and anti-money laundering:** NEC will review of policies and procedures in place in the seller and target for anti-corruption, anti-bribery and anti-money laundering training, reporting of incidences of such activities, and its due-diligence policies to identify any such activities within any prospective business, suppliers, sub-contractors etc. of the target; and

- **Diversity risks:** NEC considers information on the EPC/O&M Contractor's gender and nationality compositions on their boards and in managerial positions and staff.

- **Risks relating to external contractors and existing arrangements:** NEC considers the competency and risk of any existing/accompanying EPC/O&M agreements/commitments as part of any potential investment. This includes reviewing the contractor's overall governance on key items including anti-bribery, anti-corruption, anti-money laundering, health & safety, social and environmental items. Additionally, health & safety and environmental performance data is reviewed and considered. Any due diligence performed by NEC's funds includes an analysis of compliance with the SFDR[18] and alignment with the EU Taxonomy Regulation[19].

Principal Adverse Impact (PAI) and indicators – post-acquisition

NEC is conscious that the impact of investments requires assessment not only during the pre-investment phase, but that monitoring is also required during the lifetime of the investment or the ownership of the asset.

NEC conducts monitoring of and reports on the impacts of its investments at two levels post-acquisition:

(i) **Portfolio level:** NEC reports annually on its portfolio's contribution to specific ESG Key Performance Indicators ("**KPIs**") – specifically each fund's contribution to climate change mitigation – based on the SDGs which are considered material to NEC and its sustainability framework. These reports are available on the NEC website.[20]

Additionally, NEC has expanded the KPIs that are monitored and reported on, so as to include those required under the Regulatory Technical Standards of the European Supervisory Authorities on the content, methodologies and presentation of disclosures under the RTS.[21] These will apply from 1 January 2023.

The totality of these KPIs represents impacts that are material to the solar sector and generally fit into NEC's sustainability aspirations and framework, including those identified by the SFDR and associated rules and guidance.

(ii) **Asset specific:** The ESG Team works alongside the portfolio manager to implement any Action Plan that was agreed to as part of the approval process for a given investment; an ESG consultant or the O&M contractor (where the O&M Contractor has internal ESG capabilities and resources) will be responsible for the implementation of any given Action Plan. Action Plans vary from asset to asset and can include biodiversity, climate change, water management, operational health and safety, grievance and community engagement matters amongst others.

The impacts considered post-acquisition are therefore two-fold: those monitored across the whole portfolio through various ESG KPIs; and the specific impacts set out in a given Action Plan, as identified during the ESG assessment pre-acquisition. The monitoring and reporting on the progress of the

[18] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, OJ L 317, 9.12.2019, p.1-16.

[19] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p. 13-42.

[20] See https://www.nextenergycapital.com/sustainability/transparency-and-reporting/.

[21] Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1-72).

implementation of any Action Plan and on any applicable ESG KPIs is managed by the portfolio manager and the asset manager.

Actions taken in respect of principal adverse impacts

Pre-Investment

During the pre-investment phase, NEC engages in the ESG screening and ESG due-diligence process to identify potential risks to the project and to NEC; where sustainability risks and impacts are identified, NEC proposes appropriate mitigation measures, which seek to mitigate such risks through the adoption of an Action Plan, or by including conditions precedent and/or representations and warranties in the binding offer for the relevant investment.

In the event that 'No-Go' impacts are identified during the initial screening process, these proposed investments are escalated to the investment committee for the relevant fund and it is recommended to that investment committee that NEC does not invest.

Further to the ESG screening, additional due-diligence is conducted by the ESG Team and, where relevant, by an ESG consultant. The ESG consultant's scope of work will be determined by the stage of the project and the risks identified during the initial screening process. The relevant consultant will prepare a report outlining the key risks and presenting any Action Plan to fill in any gaps between the project, its contractors, and the standards which NEC seeks to uphold.

The impacts identified in the course of the ESG screening and due-diligence are further considered by NEC's ESG Team, using the documentation provided by the relevant parties. Where necessary, more detailed investigations will be carried out by the NEC ESG Team through further information gathering from the seller, the legal and the technical advisors and/or a site visit by the appointed ESG advisor and/or the NEC ESG Team.

Where non-compliance or gaps with national and/or international standards, as set out in NEC's ESG Policies and supporting position statements and Code of Conducts, are identified in the process of the ESG screening and due-diligence, an Action Plan is prepared, which is to be implemented either pre- or post-acquisition (depending on the nature of the mitigative actions and the risks they seek to address). In addition, contractual obligations may be included in the financing documentation to aid the implementation of any Action Plan. The NEC ESG Team will subsequently prepare an ESG memo, which sets out the relevant risks and opportunities identified and the recommendations for mitigating such risks. This memo accompanies the investment proposal to be considered by the relevant investment committee. The memo may recommend that the investment committee may invest, does not invest, or suggest conditions for investment, such as the implementation of the relevant Action Plan to bring the relevant investment in line with NEC's standards.

Where necessary, NEC engages with business partners to mitigate identified risks and encourages them to improve their standards and practices.

Ownership Phase

The implementation of any Action Plan (to the extent these were not conditions to closing), post-acquisition, is transferred to NEC's portfolio manager, and to NEC's wholly owned asset manager, Wise Energy. Wise Energy will be responsible for the implementation, monitoring and reporting during the ownership and operational phases of any project. At present, Wise Energy's reporting includes an update on the progress of a given Action Plan and PAI as per Table 1 Annex 1 of the Level 1 RTS, alongside other key technical, financial and commercial information.

The frequency of reporting depends on the obligations of each fund towards its limited partners.

Separately, NEC has commissioned a number of independent reports to report on specific ESG factors, both at the group level and fund level. These can be found on the NEC website.[22]

Likely impacts of sustainability risks on the financial returns of financial products

NEC's consideration of the impact of environmental, social or governance events or conditions which may have an actual or negative impact on the return of investments is mainly qualitative and is carried out by the relevant investment committees on a case-by-case basis. The investment paper presented to an investment committee pre-investment includes, among other things, a summary of the relevant sustainability risks identified and, where applicable, an Action Plan and costs for implementing such Action Plan. Such Action Plan identifies what actions are needed to mitigate such risks, as well as including an indication of the costs and resources required to implement such measures; these costs are included in the financial model of the transaction, for approval by the investment committee for the relevant fund. As such, sustainability risks are comprehensively assessed as part of NEC's commitment to compliance with NEC's ESG Policies. The NEC ESG team record and monitor any cost associated to ESG activities (i.e. implementation of the Action Plans amongst other) and ensures these costs (whether capex or opex) are included in the financial model prior to acquisition. The team monitors with the portfolio managers and WiseEnergy that the Action Plan is implemented within the given budget.

C. International Standards

NEC aligns itself with a number of national and international standards on responsible business conduct, due-diligence and reporting. These standards include the following:

1. UN Sustainable Development Goals[23] – NEC's sustainability framework is centred around a selected number of SDGs;
2. UN Principles for Responsible Investment[24];
3. Institutional Investors Group on Climate Change – NEC is part of the IIGCC PAII Infrastructure Working Group which seeks to align investments with the goals of the Paris Agreement[25];
4. Recommendations from the Task Force on Climate-Related Financial Disclosure (TCFD) (2017)[26];
5. International Finance Corporation Performance Standards[27];
6. Equator Principles[28];
7. The fundamental ILO Conventions[29];

[22] See https://www.nextenergycapital.com/sustainability/transparency-and-reporting/.

[23] United Nations Department of Economic and Social Affairs – Sustainable Development, *The 17 Goals.* Available at: *https://sdgs.un.org/goals*.

[24] Principles for Responsible Investment, *What are the Principles for Responsible Investment?.* Available at: https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment .

[25] Institutional Investors Group on Climate Change, website: https://www.iigcc.org/ .

[26] Task Force on Climate-Related Financial Disclosures, website: https://www.fsb-tcfd.org/recommendations/ .

[27] International Finance Corporation World Bank Group, *Performance Standards*. Available at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards .

[28] The Equator Principles Association, *The Equator Principles*. Available at: https://equator-principles.com/ .

[29] International Labour Organization, *Conventions and Recommendations.* Available at: https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm .

8. United Nations Universal Declaration of Human Rights[30]; and
9. UN Guiding Principles on Business and Human Rights[31].

While some of these standards apply to every new investment, some may only be relevant depending on the nature and location of the investment.

D. Integration of Sustainability Risks into Remuneration Policy

A 'sustainability risk' is defined in Article 2(22) of the SFDR as "an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment". NEC's remuneration policy is designed to ensure that NEC's compensation arrangements are aligned with NEC's business strategy, objectives, values and in the long-term interests of investors. Therefore, sustainability risks that might cause an actual or potential material negative impact on the value of an investment are not only integrated into NEC's investment decisions, but also are part of NEC's remuneration policy. NEC's remuneration policy seeks to promote sound and effective risk management with respect to sustainability risks and ensures that any decisions concerning remuneration do not encourage risk-taking with respect to sustainability risks.

NEC's ESG Policies forms part of NEC's strategy and the remuneration policy thus seeks to align compensation arrangements with its implementation. Members of NEC's governing body, senior management and senior staff responsible for heading portfolio, energy sales, human resources, finance, compliance, investor relations and IT all have the shared broad objective of developing and implementing NEC's sustainability framework.

[30] United Nations, *United Nations Universal Declaration of Human Rights.* Available at: https://www.un.org/en/universal-declaration-human-rights/ .

[31] United Nations, *Guiding Principles on Business and Human Rights - Implementing the United Nations "Protect, Respect and Remedy" Framework* (2011). Available at: https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf .

Sustainability-related disclosures required for Article 9 funds under the SFDR

E. NextPower III LP

I. Summary

NextPower III LP ("**NPIII**") (LEI: 213800IV1PUWYWMD5740) is a private ESG infrastructure fund established to invest in the international solar sector, specifically to fund the construction and long-term ownership of solar power plants. NPIII's target markets comprise mainly of OECD countries and OECD Key Partner Countries. NPIII does not currently engage in development activities.

As a private ESG infrastructure fund specialising primarily in solar power plants, NPIII's sustainable investment objective is to substantially contribute to the environmental objective of climate change mitigation whilst fully aligning with the Do No Significant Harm ("**DNSH**") approach as per the definition within the EU Taxonomy Regulation.

Specific KPIs have been defined to track the performance and impacts of each asset under management. A full set of indicators related to PAIs has been developed consistently with the requirements of Table 1, Annex 1 of the RTS. The performance against these indicators will be released by Q2 2023. Furthermore, NPIII's sustainable investments are aligned with the associated requirements of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as detailed below.

To enable the attainment of the sustainable investment objective, ESG PAIs are integrated and embedded within NPIII's Investment Strategy in order to appropriately select investments (binding elements include technology, geography, financing and sourcing). NPIII has not designated a specific index as a reference benchmark to meet the sustainable investment objective. NEC conducts extensive due-diligence on any potential investment in NPIII. Pre-investment, potential assets are subject to a robust and in-depth due diligence approach and reviewed against compliance with local legislation, alignment with NEC standards, international best practice, and all relevant risks, including but not limited to: environmental, climate, social, contractor, supply chain and anti-corruption/anti-bribery considerations. This process fully aligns with the DNSH and minimum safeguard approach from the EU Taxonomy. It also allows NEC and NPIII to review overall ESG risks and opportunities, but also to understand the specific risks and considerations in achieving our sustainable investment objective.

As per the Investment Strategy, NPIII only invests in assets and therefore does not consider investee companies within this disclosure. The existing and future allocation of the fund is 95% sustainable investment. The proportion of investments included under "#2 Not sustainable" is minimal. These are for government bonds, fixed-income securities, money market instruments, such as units in money market funds and overnight and/or time deposits at credit institutions. These investments are required for the Sub-Fund 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 Sub-Fund's portfolio.

Monitoring of progress against the sustainable investment objective is carried out through the use of sustainability indicators: specifically, calculated emissions and fossil fuel use avoided as a result of the renewable energy generation from our assets. This is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognised International Financial Institution ("**IFI**") Harmonised Conversion Factors released and

maintained by the United Nations Framework Convention on Climate Change ("**UNFCCC**"). As this is calculated on an asset level, data can be provided on a portfolio, country, or fund level. All calculations are checked by an external third-party specialist prior to release. The emissions and fossil fuel use avoided figures are then published in various sustainability related reports. Only forecasts of emissions avoided, and the associated expected/estimated generation data is estimated. This estimate is based on asset capacity, irradiation and asset up-time.

Whilst there are two important limitations to the above methodologies, these limitations do not materially affect the attainment of the sustainable investment as (a) the IFI Harmonised Factors are internationally recognised, and their limitations are widely understood, and (b) the actual measure of progress against the goal of substantial climate change mitigation is predominantly based on actual renewable electricity generated and the associated emissions avoided calculations rather than relying solely on forecasts.

NEC's materiality assessment for determining the ESG factors it considers are determined through stakeholder engagement and by reference to best practices. NEC thus discusses the NEC approach with a set of selected stakeholders, including the UNPRI, IIGCC, the Solar Trade Association, the Business and Human Rights Resource Centre and other industry bodies, consultants, NGOs and where applicable, with investors. The objective of this regular stakeholder engagement is to continue to evolve and enhance NEC's investment approach.

For further information, detail and context, please continue reading to the appropriate section.

II. No Significant Harm to the 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. The risks are aligned with the DNSH approach of the EU Taxonomy Regulation[32] (with extension beyond) and include:

(i) Transition to a circular economy: During the initial due-diligence and screening processes, NEC considers the identity of the module suppliers, the source of the module materials and whether the PV panels and associated components have been designed and manufactured for high durability, easy dismantling, refurbishment and recycling. Additionally, NEC (or the relevant consultant) will consider the waste management processes in place for the relevant asset.

(ii) Climate change adaption: Depending on the stage of the project, NEC (either through the NEC ESG Team or through an external ESG consultant) will review any environmental and social impact assessments that are required by local authorities, as well as the progress of any environmental and social management plans and the implementation of any steps proposed by such plan. In instances where such assessments have not been carried out (such as where the national regulations do not require it), NEC commissions appropriate assessments to identify the relevant risks in accordance with NEC's ESG Policies and applicable national or international standards

[32] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p. 13-42.

(such as the Equator Principles[33] and the IFC Performance Standards[34]). Depending on the location of the site, NEC may additionally carry out a climate change risk assessment, through external consultants.

(iii) **Protection and restoration of biodiversity and ecosystems:** The No-Go assessment considers whether assets are located on protected natural areas, such as land designated as Natura 2000 (or non-EU equivalent), or as a UNESCO Heritage Site, or where the investment could impact habitats and species listed on the Red List of the IUCN. NEC also considers whether any biodiversity impact assessments have been carried out, whether any biodiversity action plans are in place, and identify potential adverse impacts on biodiversity.

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.

From a climate change mitigation perspective, NPIII substantially positively contributes to the objective by avoiding CO2e emissions to atmosphere and fossil fuel use. NPIII reports the amount of CO2e avoided consistently year on year through a publicly available report called the Green Impact Report which is prepared independently by the Green Investment Group.

How are the indicators for principal adverse impacts taken into account?

The due diligence process, as detailed in NEC's ESG Policies and this ESG Disclosure document, reviews all aspects of the asset(s) and the associated adverse impacts (including environmental, social and employee, human rights, anti-corruption etc.) during the pre-investment stage. Post-acquisition of the assets, all relevant contractors are subject to ad-hoc suppliers due diligence processes to capture and identify any potential risks.

Specific KPIs have been defined to track performance and impacts of each asset under management and they are tracked by Wise Energy and reported to NPIII. These indicators provide an ongoing narrative of any positive or negative impacts the assets may have on the surrounding considerations. KPIs include CO2e and fossil fuels avoided. A full set of indicators related to PAI has been developed consistently with the requirements of Table 1, Annex 1 of the RTS.[35] The performance against these indicators will be released by Q2 2023.

In addition to quantitative KPIs, detailed action plans are also handed over to the asset manager to ensure that each asset continues to be comply with any national requirements and to be aligned with NEC's ESG Policies.

[33] The Equator Principles Association, *The Equator Principles*. Available at: https://equator-principles.com/.

[34] International Finance Corporation World Bank Group, *Performance Standards.* Available at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards .

[35] Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1-72).

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

Yes. NEC and NPIII have strong ESG Policies, a Human Rights Position Statement, and a Code of Conduct for Suppliers which are all aligned with the associated requirements of OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. 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.

Additionally, NPIII 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 assessment.

Moreover, NPIII ensures that its investments are aligned with the principles and rights set out in the Declaration of the ILO on Fundamental Principles and Rights at Work and also the International Bill of Human Rights.

III. Sustainable Investment Objective of the Financial Product

NPIII is a solar investment fund, which is currently active both in the acquisition of solar PV assets on the secondary market, as well as investing in solar PV assets that are under development (e.g., at the stage of origination, project planning or construction) when acquired.

NPIII's sustainable investment objective is:

- to substantially contribute to the environmental objective of climate change mitigation within the meaning of the EU Taxonomy Regulation.

This objective contributes to the Article 9 qualification, under "economic activities that qualify as environmentally sustainable under the EU Taxonomy" and more specifically, qualifies as contributing substantially to climate change mitigation.

NPIII's integration of ESG PAIs, is currently driven by the fund's alignment with Equator Principles and IFC Performance Standards and other international standards as per the NEC ESG Policies, through a due diligence process that seeks to apply these standards to each acquisition in particular regarding biodiversity, climate, water, community engagement and supply chain risks.

Furthermore, NPIII continues to integrate NEC's ESG Policies methodologies into the NPIII investment decision-making processes, to further enhance and strengthen the existing consideration of ESG factors.

IV. Investment Strategy

How is the investment strategy used to attain the sustainable investment objective?

ESG factors are embedded within the investment strategy of NPIII in order to appropriately select investments for the attainment of the sustainable investment objective.

The binding elements can be summarised as follows:

(i) **Technology:** NPIII focuses primarily on the solar sector but has the opportunity to invest up to 10% of Total Commitments in other renewable energy technologies, and intends to use the flexibility only when such other technologies are acquired in conjunction with solar PV plants.

(ii) **Geography:** The Fund invests in solar plants based in OECD countries, with no more than 20% of commitments invested in any country other than OECD. The only non-OECD geography at present is India, this is due to the fact that NEC have had a presence there since 2018. NPIII is not planning on investing in any other non-OECD geographies.

(iii) **Financing:** The Fund is building a diversified portfolio that, when fully invested, will compromise an estimated 50-150 individual solar PV plants, with an aggregated generating capacity of 2-2.5GW. The Fund's financial exposure to assets under development will not constitute more than 10% of its Total Commitments in aggregate value.

(iv) **Sourcing**: The Fund derives pipeline sourcing advantages as a result of its significant global footprint. Since the COVID-19 pandemic, competition in the market has decreased. NPIII also benefits from Project Sourcing Agreements (PSAs) with credible counterparties established by NextEnergy Capital.

Implementation of the investment strategy

As part of NPIII's due-diligence processes, NEC ensures that NEC's ESG Policies are applied.

As set out in B above, NEC integrates the consideration of a range of ESG factors throughout the investment decision-making processes. Risks are identified and assessed throughout the ESG screening and due-diligence and ESG recommendations are presented to the investment committee for NPIII in an ESG memo. Investments that could fall under the 'No-Go' activities are recommended to be excluded from NEC's investment prospects.

Based on initial findings from the ESG screening, NPIII will engage independent consultants to carry out a review of the ESG commitment, capacity and track records of the project counterparties against NEC's ESG Policies.

Such consultants conduct an in-depth review of the policies and management systems in place on the part of sellers and EPC/O&M Contractors (where applicable), as well as their compliance track records. This process considers the adherence of counterparties to environmental policies and procedures (climate change, biodiversity, water, and waste management), community, human rights and labour commitments, their implementation of suitable sustainability, anti-corruption, anti-bribery and anti-money laundering policies, as well as their track record of ESG performance. Consultants additionally review and report on the asset, including whether relevant regulatory approvals and environmental assessments were obtained or are required (depending on the status of the relevant project) and carry

out a gap analysis against national regulatory requirements, NEC's ESG Policies and the international standards it refers to, including the IFC Performance Standards[36] and the Equator Principles[37].

The ESG review carried out by the independent consultants and the ESG Team will integrate any risks identified into an ESG report which, where applicable, sets out an Action Plan for their mitigation. Depending on the nature of the risk, the outcome of a review could be: (i) a recommendation to senior managers that the asset is not suitable for investment, typically before presenting the opportunity to the investment committee for NPIII; (ii) a recommendation to proceed with the investment; or (iii) a recommendation to proceed with the investment subject to specific actions to be implemented either before or after financial close. In the case of investments falling within options (ii) and (iii), the ESG Team will work with the investment team to include any relevant ESG obligations into the contractual arrangements, to ensure that the EPC Contractor, the O&M Contractor and the asset manager, construct, operate and manage the assets in accordance with NEC requirements and standards.

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

NEC and NPIII do not invest in companies – only in renewable energy assets. However, the due diligence performed pre-acquisition makes sure that NPIII assesses the good governance of the asset from an ESG perspective, for example whether there are the relevant policies and management systems to implement these policies and maintain compliance with the relevant standards set out in NEC ESG Policies. Post-acquisition, the NEC ESG team continues to do so through Wise monitoring and reporting on each asset/portfolio as explained in the section above.

NPIII is committed to ensure that it and its business partners are transparent and fair in their dealings. NPIII 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 AML purposes.

During Investment Committees, the Head of ESG is present to ensure ESG-related investment objectives are consistently upheld across the portfolio.

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

V. Proportion of Investments

NPIII only invests in solar assets and does not invest in companies.

At least 95% of NPIII's investments are sustainable. The fund's sustainable investments will consist of investments in the Reference Fund and Co-Investments alongside the Reference Fund.

Up to 5% will fall under "#2 Not Sustainable". The fund´s investments included under "#2 Not Sustainable" will consist of government bonds, fixed-income securities, money market instruments,

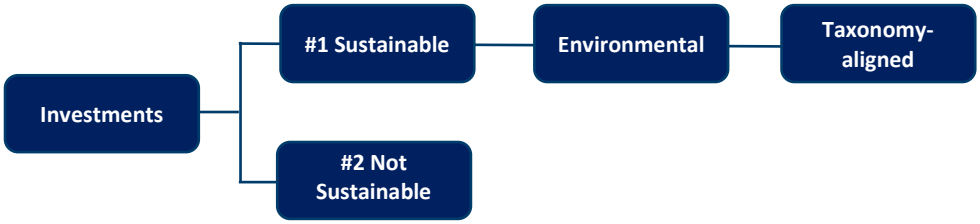
[36] International Finance Corporation World Bank Group, *Performance Standards.* Available at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards .

[37] The Equator Principles Association, *The Equator Principles*. Available at: https://equator-principles.com/ .

such as units in money market funds and overnight and/or time deposits at credit institutions. These are permitted exclusively for purposes of investing excess liquidity. In addition, the fund may engage in currency and interest rate risk hedging using derivative techniques and instruments.

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

As above, the asset allocation is at least 95% sustainable investment and up to 5% not sustainable.



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

This is not applicable to NPIII.

VI. Monitoring of Sustainable Investment Objectives

Monitoring of progress against the sustainable investment objective is carried out through the use of sustainability indicators: specifically, calculated emissions and fossil fuel use avoided as a result of the renewable energy generation from our assets. This is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognised IFI Harmonised Conversion Factors released and maintained by the UNFCCC. As this is calculated on an asset level, data can be provided on a portfolio, country, or fund level. All calculations are checked by an external third-party specialist prior to release. Data can be used to create forecasts or can be based on actual historic power output data to provide greenhouse gas ("**GHG**") emission and fossil fuel avoided figures. The emissions and fossil fuel use avoided figures are then published in various sustainability related reports.

The positive impacts of the NPIII biodiversity commitments are also being reviewed to understand if they can be quantified and included in the contribution toward climate change mitigation within future NPIII reports.

At the asset level, where risks have been identified in the pre-acquisition phase, the implementation and monitoring of any Action Plan is managed by the portfolio manager and the asset manager. Responsibility for the implementation of any Action Plan will rest with the O&M Contractor, or where the O&M Contractor does not have the requisite capabilities, with an external consultant hired for such implementation. Action Plans vary from asset to asset and can include biodiversity, climate change, water management, operational health and safety, grievance, and community engagement matters, amongst others. Moreover, an Action Plan includes details of the responsibilities, costs and the timescale to address any gaps between the current operation of the project or the EPC/O&M Contractor's operations vis-à-vis NEC's ESG Policies.

At the portfolio level, Wise Energy provides NPIII with a quarterly report which details aggregate monthly asset electricity output/generation alongside other key technical, financial and commercial

information. NEC has worked with Wise Energy to develop a range of PAIs as required under the RTS.[38] These PAIs will collected from O&M Contractors, starting from 1st January 2023, and they will be monitored and reported on during the ownership phase by Wise and reported by NEC publicly on an annual basis.

Specific to climate mitigation related PAIs (emissions avoided), each investment made under NPIII is subject to a 'Green Impact Report' (currently prepared by the Macquarie Green Investment Group), which includes a measure of the investment's positive contribution to a reduction in greenhouse gas emissions, and an indication of NEC's direct and indirect performance against other applicable UN SDGs. Such report is issued on the NPIII portfolio twice a year. This reporting sits alongside NEC's annual commissioning of a report on the whole group's performance against the selected UN SDGs which are considered material to the NEC sustainability framework.[39]

VII. Methodologies

As stated above, the monitoring of progress against the sustainable investment objectives is primarily based on the calculation of GHG emissions and fossil fuel consumption avoided by the generational capacity (and actual generation) of solar assets within the NPIII portfolio. Avoidance of GHG emissions is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognised IFI Harmonised Conversion Factors released and maintained by the UNFCCC. Through this publicly available and globally recognised methodology, GHG avoidance is derived by comparing the emissions associated with the portfolio to a counterfactual (marginal grid emissions). The table below provides an overview of the annual performance of the portfolio in terms of GHG avoided, as well as other emissions to air and fossil fuel consumption avoided during the Reporting Period (2021).

Metric	**Unit**	**2021**
GHG Avoided	$KtCO_2e$	189
NO_x Avoided	tonnes	303
SO_x Avoided	tonnes	738
$PM_{2.5}$	tonnes	35
PM_{10}	tonnes	6
Fossil Fuels Avoided	Kilotonnes oil equivalent (ktoe)	69

These numbers are based on the renewable electricity generation (GWh) related to 2021 calendar year (i.e. 1st January 2021 to 31st December 2021). As indicated in the table, up to 189ktCO2e of emissions and up to 69kt of oil equivalent has been avoided.

VIII. Data Sources and Processing

The Data Sources Used to Attain the Sustainable Investment Objective

To calculate the emissions and fossil fuel avoided figures, the net renewable energy generation is required to be multiplied against the relevant conversion factors.

[38] Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1-72).

[39] These reports are available on the NEC website: https://www.nextenergycapital.com/sustainability/transparency-and-reporting/.

The net renewable energy generation is asset specific and depending on whether the data is a forecast, or based on actual generated electricity, the sources comprise of:

(i) actual generation of the assets within the fund (metered); or

(ii) generation capacity of the assets within the fund is required for forecasting purposes (this is provided by technical documentation and specifications).

The relevant conversion factors that are used – the IFI Harmonised default grid factors – are provided by the UNFCCC and are periodically updated.

The IFI Harmonised default grid factors are based on a country's Default Emissions Factor ("**DEF**"), which is essentially the average electricity grid mix per country, and take into account the amount of electricity generated from the use of oil, gas, coal and other fuels. This is calculated using a Combined Margin ("**CM**") which consists of an Operating Margin ("**OM**") and Build Margin ("**BM**"). Further information on the IFI Harmonised approach can be found on the UNFCCC website here.

The Measures Taken to Ensure Data Quality

The generation data from the assets are metered and maintained on a basis determined by the meter's original equipment manufacturer or even more frequently.

NEC ensures that the IFI factors are correct by utilising the latest version provided by the UNFCCC on their official website.

Furthermore, NEC utilises a third-party specialist to ensure that input data is consistent and the overall calculation results are correct.

How Data is Processed

Electricity generation data is captured within specific technical software and quality checked by the relevant technical personnel (within the Asset Management team) and signed off prior to issue to the ESG Team.

The Proportion of Data that are Estimated

For calculations based on actual emissions avoided, the generation data is not estimated.

Only forecasts of emissions avoided, and the associated expected/estimated generation data is estimated. This estimate is based on asset capacity, irradiation and asset up-time.

Additionally, it is important to note that whilst the IFI Harmonised Factors are internationally recognised, they are based on country specific averages/estimates and associated build plans of alternate electricity sources. In reality, actual progress of a country against its plan may differ. The IFI Harmonised Factors are updated by the UNCCC periodically to reflect any changes.

IX. Limitations to Methodologies and Data

Limitations of the methodologies that are important to note are:

(i) the IFI Harmonised Factors are based on the OM and BM of a country. Both elements have their own considerations in the calculation process of the overall Harmonised Emission Factor. The details of the approach can be found on the UNFCCC website here; and

(ii) all forecasts will have limitations. In any forecasted emissions avoided numbers, it is important to understand as they are estimates only and cannot account for unexpected changes in variables that directly impact generation.

These limitations will not materially affect the attainment of the sustainable investment objective as:

(i) the IFI Harmonised Factors are internationally recognised, and their limitations are widely understood, yet they are one of the most efficient and accurate ways to estimate grid emissions and therefore, emissions avoided. They are maintained and updated as required by industry specialists to ensure they remain as accurate and representative as possible; and

(ii) the actual measure of progress against the goal of substantial climate change mitigation is predominantly based on actual renewable electricity generated and the associated emissions avoided calculations rather than relying solely on forecasts.

X. Due-Diligence

NEC conducts extensive due-diligence on any potential investment in NPIII. The format and content of such due-diligence exercise will vary according to the type of the investment, the status of the plant and the plant's location.

Broadly, a standard process is followed involving legal, technical, ESG, financial, and tax due-diligence, carried out by relevant advisors to highlight any relevant corporate, property, planning, environmental, community, or other related issues. The ESG due-diligence covers all aspects identified in section B above. From an ESG perspective, the due-diligence process includes the processes explained in the preceding sections.

All of NEC's proposed investments in NPIII are presented to the investment committee for the fund in the form of an investment proposal (into which any ESG report is integrated). Any key risks identified during the ESG screening and due-diligence processes are presented in a risk matrix, including, where relevant mitigation strategies. The NEC Head of ESG is a member of the investment committee and further ensures ESG considerations are understood and recognised.

XI. Engagement Policies

NEC and NPIII do not invest in companies – only in renewable energy assets. However, due diligence performed pre-acquisition includes the review of the stakeholder engagement processes that occur or will have to occur (depending on the asset stage) at asset level. If the NEC ESG team identifies any gap with international standard, an Action Plan will be put forward. Post-acquisition, the NEC ESG team continues to monitor engagement through Wise monitoring and reporting activities.

More broadly, NEC's materiality assessment for determining the ESG factors it considers are determined through stakeholder engagement and by reference to best practices. NEC thus discusses the NEC approach with a set of selected stakeholders, including the UNPRI, IIGCC, the Solar Trade Association, the Business and Human Rights Resource Centre and other industry bodies, consultants, NGOs and where applicable, with investors. The objective of this regular stakeholder engagement is to continue to evolve and enhance NEC's investment approach.

Furthermore, together with Solar Power Europe, the NEC group has recently launched the Solar Stewardship Initiative[40]. The Solar Stewardship Initiative's mission is to further develop a responsible,

[40] The Solar Stewardship Initiative. Available at: https://solarstewardshipinitiative.org/.

transparent, and sustainable solar value chain to further develop supply chain transparency and strengthen confidence in how, where, and by whom products and solar components are manufactured.

XII. Attainment of the Sustainable Investment Objective

There has been no specific index designated as a reference benchmark to meet the sustainable investment objective.

Sustainability-related disclosures required for Article 9 funds under the SFDR

F. NextEnergy Solar Fund Limited

I. Summary

NextEnergy Solar Fund Limited ("**NESF**") (LEI: 213800ZPHCBDDSQH5447) is a listed solar investment fund, managed by NEC IM. NESF is currently active both in the acquisition of solar PV assets on the secondary market, as well as investing in solar PV assets that are under development (that is, at the stage of origination, project planning or construction) when acquired.

As a listed ESG infrastructure fund specialising primarily in solar power plants, NESF's sustainable investment objectives are to substantially contribute to the environmental objective of climate change mitigation and to commit to support UK governmental ambitions of bringing greenhouse gas emissions to net zero by 2050 whilst fully aligning with the DNSH approach as per the definition within the EU Taxonomy Regulation.

Specific KPIs have been defined to track the performance and impacts of each asset under management. A full set of indicators related to PAIs has been developed consistently with the requirements of Table 1, Annex 1 of the RTS. The performance against these indicators will be released by Q2 2023. Furthermore, NESF's sustainable investments are aligned with the associated requirements of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as detailed below.

To enable the attainment of the sustainable investment objective, ESG PAIs are integrated and embedded within NESF's investment strategy in order to appropriately select investments (at a high level this places emphasis on investment, asset management, financing and risk management). NESF has not designated a specific index as a reference benchmark to meet the sustainable investment objective. NEC conducts extensive due-diligence on any potential investment in NESF. Pre-investment, potential assets are subject to a robust and in-depth due diligence approach and reviewed against compliance with local legislation, alignment with NEC standards, international best practice, and all relevant risks, including but not limited to: environmental, climate, social, contractor, supply chain and anti-corruption/anti-bribery considerations. This process fully aligns with the DNSH and minimum safeguard approach from the EU Taxonomy. It also allows NEC and NESF to review overall ESG risks and opportunities, but also to understand the specific risks and considerations in achieving our sustainable investment objective.

As per the Investment Strategy, NESF only invests in assets and therefore does not consider investee companies within this disclosure. The existing allocation of the fund is 100% sustainable investment.

Monitoring of progress against the sustainable investment objectives and the sustainability indicators used to measure the attainment of the sustainable investment objective is primarily based on the calculation of GHG emissions and fossil fuel volume avoided by utilisation of the solar assets and their output in MW. This is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognised IFI Harmonised Conversion Factors released and maintained by the UNFCCC. As this is calculated on an asset level, data can be provided on a portfolio, country, or fund level. All calculations are checked by an external third-party specialist prior to release. The emissions and fossil fuel use avoided figures are then published in various sustainability related reports. Only forecasts of emissions avoided, and the

associated expected/estimated generation data is estimated. This estimate is based on asset capacity, irradiation and asset up-time.

Whilst there are two important limitations to the above methodologies, these limitations do not materially affect the attainment of the sustainable investment as (a) the IFI Harmonised Factors are internationally recognised, and their limitations are widely understood, and (b) the actual measure of progress against the goal of substantial climate change mitigation is predominantly based on actual renewable electricity generated and the associated emissions avoided calculations rather than relying solely on forecasts.

Community and stakeholder engagement form part of NESF's investment strategy both during the development of sites as well as after the acquisition of secondary market projects. NESF engages, through its development partners, with local parishes and councils during the pre-planning phase to ensure the suitability of site proposals and, where possible, incorporates community feedback into the planning proposal. The objective of this regular stakeholder engagement is to continue to evolve and enhance NEC's investment approach.

For further information, detail and context, please continue reading to the appropriate section.

II. No significant harm to sustainable investment objective

NESF is conscious that while investments in solar PV energy make a positive contribution to mitigate climate change, to ensure that such investments are sustainable, it is equally important that NESF avoids, to the extent possible, significant harm to other social and environmental objectives and factors and ensures that its investments are carried out in accordance with certain minimum safeguards. Other environmental objectives include climate change adaption, sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

Specifically, for economic activities in solar PV energy generation to be sustainable within the meaning of the EU Taxonomy Regulation[41], potential significant harms to other environmental objectives include potential impacts on ecosystems and biodiversity, potential increased negative effects on current and expected climate, and potential impacts from the production and end-of life management of the PV systems and its components.

NESF's due-diligence and investment decision-making processes therefore seek to ensure that any risks of significant harms to other environmental objectives are avoided to the greatest extent possible (among other considerations, such as seeking to ensure its investments are carried out in accordance with other safeguards, relating in particular to human rights matters):

(i) Protection and restoration of biodiversity and ecosystems: NESF has developed a Biodiversity Strategy that encompasses an approach to biodiversity that seeks to go 'above and beyond' regulatory requirements. The strategy has been introduced on certain sites (known as Exemplar Sites), with the objective to extend its application across the portfolio. An Exemplar Site consists of site-specific measures to enhance the native flora and fauna situated near or on the solar farm. These sites have also had new biodiversity management plans developed to aid the management and promotion of a biodiversity net gain over the plant's lifetime. More details are explained below and are also discussed on NESF's website.[42]

[41] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p. 13-42.

[42] See https://www.nextenergysolarfund.com/esg/biodiversity/.

A committed biodiversity budget is incorporated into the financial profile for each new investment.

Development Activities: The first stage of any development investment seeks to ensure that the location is suitable. Projects are only developed in areas where impacts on biodiversity and the community are either avoided or minimised. NESF conducts a comprehensive range of surveys to assess potential risks to the biodiversity and ecosystem of a given site. At the pre-planning stage, NESF prepares an ecology masterplan and biodiversity proposal for the mitigation of any risks identified.

Identified impacts are mitigated during the development, design, construction and operation phases, through the implementation of planning conditions (as may imposed by the relevant local council), as well as additional biodiversity measures and contractual obligations identified during the due-diligence process.

Mitigation measures are implemented before, during and/or after construction and the portfolio management team ensure both short and long-term mitigation strategies are monitored and managed throughout the lifetime of the asset. Mitigation measures to be implemented during the construction phase are incorporated into the construction programme and delivery for the project. This includes a landscape and environmental management plan for the site, which forms a key part of the contractors' work during construction and is subsequently adopted by the operational team post construction, for continued monitoring and management. All planning conditions imposed under the planning consent will form part of the contractors' obligations.

Secondary-Market Acquisitions: For secondary market acquisitions, NESF carries out extensive due-diligence to confirm (among other things) that the relevant project complies with any planning conditions associated with the planning consents for the project. In addition, NESF considers whether there are any additional biodiversity measures that may be required to ensure that identified potential impacts are limited and mitigated against during the lifetime of the asset. Continued monitoring and management of any outstanding or newly identified measures is handed over to the portfolio management team and NESF's asset manager, Wise Energy, following acquisition.

(ii) Climate change adaption: In the context of development activities, NESF identifies climate-related risks, such as areas at risk of flooding according to the Environment Agency's datasets, during the pre-investment phase. NESF seeks to avoid areas at risk of flooding or other extreme events and conducts modelling to ensure that the project design minimises any negative flood risk and include mitigation measures. All sites are designed using a 100-year flood protection to account for projected climate-induced risks. Where relevant, further climate-related physical risk assessments for climate-induced risks other than flooding may be conducted during the pre-acquisition phase to further investigate risks identified during the due-diligence process.

(iii) Transition to a circular economy: NESF has developed module framework agreements to identify and select reputable manufacturers with a proven track record of high-quality products that are manufactured for high durability, easy dismantling, refurbishment and recycling. These framework agreements integrate ESG considerations into NESF's supplier selection. Moreover, NESF, alongside NEC more broadly, has recently developed a due-diligence questionnaire for module and inverter manufacturers. This due-diligence questionnaire has been provided to NESF's selected manufacturers and is intended to assess these suppliers' consideration of ESG factors as part of their business and thereby reduce supply chain risks.

Where possible, biodegradable or recyclable materials are sourced.

How are the indicators for principal adverse impacts taken into account?

The due-diligence process as detailed in NEC's ESG Policies and this ESG Disclosure document review all aspects of the asset and the associated adverse impacts (including environmental, social and employee, human rights, anti-corruption etc) during the pre-investment stage. Post-acquisition of the assets, all relevant contractors are subject to separate due-diligence processes to capture and identify any potential risks.

Specific KPIs are utilised to track against the ongoing performance and impacts of the assets under management and their delivery is implemented by Wise Energy. These indicators provide an ongoing narrative of any positive or negative impacts the assets may have on the surrounding considerations. KPIs include CO2e and fossil fuel avoided. A full set of indicators related to PAIs has been developed consistently with the requirements of Table 1, Annex 1 of the RTS.[43] The performance against these indicators will be released by Q2 2023.

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

Yes. NEC and NESF have strong ESG Policies, a Human Rights Position Statement and a Code of Conduct for Suppliers which are all aligned with the associated requirements of OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. NESF policies require NESF to perform due diligence on both its own activities and its business relationships with the objective of acting upon any findings.

Additionally, NESF ensures that NESF's activities are carried out in compliance with other safeguards, relating in particular to human rights matters, guided by the United Nations Declaration of Human Rights. NESF works with counterparties to ensure that they abide by human rights related principles and may incorporate contractual protections into agreements with sellers and EPC Contractors, requiring confirmation of their respect of human rights matters, anti-slavery, anti-corruption and anti-bribery in the conduct of their business (among other factors).

Moreover, NESF ensures that its investments are aligned with the principles and rights set out in the Declaration of the ILO on Fundamental Principles and Rights at Work and also the International Bill of Human Rights.

III. Sustainable Investment Objective of the Financial Product

NESF is a listed solar investment fund, which is currently active both in the acquisition of solar PV assets on the secondary market, as well as investing in solar PV assets that are under development (e.g., at the stage of origination, project planning or construction) when acquired.

NESF's sustainable investment objectives are:

[43] Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1-72).

- to commit to support UK governmental ambitions of bringing greenhouse gas emissions to net zero by 2050; and

- to substantially contribute to the environmental objective of climate change mitigation within the meaning of the EU Taxonomy Regulation[44].

Together, these fund objectives contribute to the Article 9 qualification, under "economic activities that qualify as environmentally sustainable under the EU Taxonomy Regulation" and more specifically, qualifies as contributing substantially to climate change mitigation.

NESF's integration of ESG PAIs, including its development activities, is currently driven by compliance with all aspects of national and local UK environmental and planning regulations and solar industry best practice, as well as internal processes which seek to go above and beyond these requirements in respect of, in particular, biodiversity and supply chain risks.

Furthermore, NESF continues to integrate NEC's ESG Policies' methodologies into the NESF investment decision-making processes, to further enhance and strengthen the existing consideration of ESG factors.

IV. Investment Strategy

At a high level, NESF's investment strategy places an emphasis on four key areas:

(i) Investment: NESF seeks to own a broad range of large-scale solar energy infrastructure assets, primarily located in the UK but with up to 30% of its gross asset value (the "**Gross Asset Value**" or "**GAV**") in other OECD countries, that generate reliable cash flows over their useful lives (typically, at least 25-40 years from energisation).

(ii) Asset management: NESF seeks to enhance the returns from its assets through effective asset management, including controlling costs, delivering operational efficiencies, extending their useful lives and executing short and medium-term electricity sales hedges to mitigate power price risk.

(iii) Financing: NESF seeks to optimize the risk-adjusted returns to its ordinary shareholders by funding its activities through an appropriate mix of shareholder equity and debt, subject to debt being capped at 50% of GAV.

(iv) Risk management: NESF seeks to actively manage potential risks, including maintaining a diversified exposure by location, third-party suppliers, service providers and other commercial counterparties to improve the resilience of the Company's portfolio and contributing to its long-term sustainable success.

How is the investment strategy used to attain the sustainable investment objective?

NESF integrates ESG PAIs in investment decisions by implementing NEC's ESG Policies throughout the investment cycle, from preliminary screening and exclusion to risk management during pre-investment and ownership phases, in order to select the investments appropriate for the attainment of sustainable investment objectives.

[44] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p. 13-42.

The Policy provides a framework for integrating NESF's analysis of potential ESG risks and opportunities which are taken into account in the decision-making process by identifying:

(i) The fund's principles;

(ii) Excluded activities;

(iii) Integration;

(iv) Engagement; and

(v) Reporting and governance.

NESF is solely a solar energy fund and invests in solar PV assets or enabling technologies only as described more fully in NESF's investment policy. The investment policy ensures that the sustainable investment objective – substantial contribution to climate change mitigation – is always one of its priorities. As required by the Financial Conduct Authority's (the "**FCA**") Listing Rules, any material changes to NESF's investment policy would require approval by both the FCA and NESF's ordinary shareholders.

NESF seeks to achieve its investment objective by investing predominantly in solar PV assets located in the UK. No more than 30% of NESF's GAV (calculated at the time of investment) may be invested in solar PV assets that are located outside the UK. Investments in solar PV assets outside the UK will be made in OECD countries that NEC believe have a stable solar energy regulatory environment and provide investment opportunities with similar, or better, investment characteristics and returns relative to investments in the UK, although NESF may acquire an interest in solar PV assets located in non-OECD countries where those assets form part of a portfolio of solar PV assets in which NESF acquires an interest and where NESF's aggregate investment in any such assets is, at the time any such investment is made, not greater than 3% of the GAV.

NESF intends to continue to acquire solar PV assets that are primarily ground-based and utility-scale and which are on sites that may be agricultural, industrial or commercial. NESF may also acquire portfolios of residential or commercial building-integrated installations. NESF targets solar PV assets that are anticipated to generate stable cash flows over their asset lifespan.

NESF typically seeks to acquire sole ownership of individual solar PV assets through SPVs but may invest in solar PV assets through entering into joint ventures, acquiring minority interests or via private equity structures, provided that not more than 15% of the GAV may be invested in private equity structures (calculated at the time of investment). Where a controlling interest of less than 100% in a particular solar PV asset is acquired, NESF intends to secure controlling shareholder rights through shareholders' agreements or other legal arrangements. Where a non-controlling interest is being acquired (either directly in a solar PV asset or through a private equity structure) NESF intends to secure minority protection rights or protections through limited partnership agreements in line with typical private equity structures. Investments by NESF in solar PV assets may be either by way of equity or a mix of equity and shareholder loans.

NESF has built up a diversified portfolio of solar PV assets and its investment policy contains restrictions to ensure risk diversification. No single investment (or, if an additional stake in an existing investment is acquired, the combined value of both the existing and the additional stake) by NESF in any one solar PV asset will constitute (at the time of investment) more than 30% of the GAV. In addition, the four largest solar PV assets will not constitute (at the time of investment) more than 75% of the GAV.

NESF will continue, primarily, to acquire operating solar PV assets, but may also invest in solar PV assets that are under development (that is, at the stage of origination, project planning or construction) when acquired. Such assets will constitute (at the time of investment) not more than 10% of the GAV in aggregate.

NESF may also agree to forward-fund by way of secured loans the construction costs of solar PV assets where it retains the right (but not the obligation) to acquire the relevant asset once operational. Such forward-funding will not fall within the 10% development restriction above but will be restricted to no more than 25% of the GAV (at the time such arrangement is entered into) in aggregate and will only be undertaken where supported by appropriate security (which may include financial instruments as well as asset backed guarantees).

The right to forward fund, subject to the above limitations, enables NESF to retain flexibility in the event of changes in the development pipeline over time. In addition, NESF will not employ forward funding and engage in development activity in relation to the same project or asset.

A significant proportion of NEC's income is expected to result from the sale of the entirety of the electricity generated by the solar PV assets within the terms of power purchase agreements ("**PPAs**") to be executed from time to time. These are expected to include the monetisation of ROCs and other regulated benefits and the sale of electricity generated by the assets to energy consumers and energy suppliers. Within this context, NESF expects to execute PPAs with creditworthy counterparties at the appropriate time.

NESF will continue to diversify its third-party suppliers, service providers and other commercial counterparties, such as developers, engineering and procurement contractors, technical component manufacturers, PPA providers and landlords.

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

NEC and NESF do not invest in companies – only in renewable energy assets. However, the due diligence performed pre-acquisition makes sure that NESF assesses the good governance of the asset from an ESG perspective, for example whether there are the relevant policies and management systems to implement these policies and maintain compliance with the relevant standards set out in NEC ESG Policies. Post-acquisition, the NEC ESG team continues to do so through Wise monitoring and reporting on each asset/portfolio as explained in the section above.

NESF is committed to ensure that it and its business partners are transparent and fair in their dealings. NESF 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 AML purposes.

During Investment Committees, the Head of ESG is present to ensure ESG-related investment objectives are consistently upheld across the portfolio.

More broadly, NESF believes that corporate governance gives its shareholders and other key stakeholders confidence in its trustworthiness, fairness and transparency. The practice of good governance is, therefore, an integral part of the way NESF manages itself and plays an important role in shaping NESF's long-term sustainable success and achieving our strategic objectives. NESF's Governance Framework[45] reflects the fact that, as an investment company, NESF has no employees,

[45] https://cdn.nesf1.nextenergysolarfund.com/nesf/2021/06/Governance_Framework.pdf

its Directors are all non-executive and its day-to-day activities, including investment management and administration, are outsourced to external service providers.

V. Proportion of Investments

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

The asset allocation is 100% sustainable investment.

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

This is not applicable to NESF.

VI. Monitoring of Sustainable Investment Objectives

Monitoring of progress against the sustainable investment objectives and the sustainability indicators used to measure the attainment of the sustainable investment objective is primarily based on the calculation of GHG emissions and fossil fuel volume avoided by utilisation of the solar assets and their output in MW. This is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognised IFI Harmonised Conversion Factors released and maintained by the UNFCCC. As this is calculated on an asset level, data can be provided on a portfolio, country, or fund level. All calculations are checked by an external third-party specialist prior to release. Data can be used to create forecasts or can be based on actual historic power output data to provide GHG emission and fossil fuel avoided figures. The emissions and fossil fuel use avoided figures are then published in various sustainability related reports.

The positive impacts of the NESF biodiversity commitments are also being reviewed to understand if they can be quantified and include the contribution toward climate change mitigation within future NESF reports. NESF seeks to ensure that its investments continue to contribute to the objective of climate change mitigation throughout their lifetime.

Additionally, during the lifetime of an asset, NESF works with NEC's asset management arm, Wise Energy to work on and monitor ESG factors such as GHG emission reduction associated with energy generation, biodiversity and land management, and community engagement:

(i) Biodiversity: Wise Energy manages various initiatives on behalf of NESF to improve the biodiversity across a range of UK sites. In this context, Wise engages and manages specialist consultants and monitor and analysis biodiversity annual surveys.

NESF works with NEC's dedicated biodiversity team to ensure that land management and native fauna and flora are considered throughout the investment and ownership phases. A set of proven biodiversity solutions are included within planning-controlled site proposals. NESF has additionally consulted biodiversity specialist companies to design and implement bespoke and effective measures that develop, repair and connect local wildlife, habitats and ecosystems. At present, these measures have been implemented across a number of NESF's sites and further roll-out is on-going.

Biodiversity enhancement: NEC, alongside Wise Energy, has developed a biodiversity strategy which includes site-specific measures to enhance the native flora and fauna situated near or on the relevant solar plan. Such sites (known as 'Exemplar Sites') will also have 'Biodiversity Management Plans' ("**BMPs**") developed to aid in the management and promotion of a net gain in the biodiversity of a plant over the plant's lifetime.

Separately NESF and Wise Energy have developed the so-called 'Universal Biodiversity Management Plan' ("**UBMP**"), which will allow non-site-specific biodiversity measures to be introduced throughout the entirety of NESF's portfolio over time. Each site may then also be subject to further, site-specific measures, all with the aim of achieving a net biodiversity gain across the portfolio through, for example, the installation of measures such as wildflower planting, bird/bat boxes and bug hotels. At present, thirty of NESF's sites implement the UBMP, which includes a range of tried and tested management prescriptions to help the site prioritise biodiversity. Fifteen more of NESF's sites are due to introduce the UBMP within the next 12 months.

(ii) Carbon emissions: Wise Energy provides NESF with the amount of electricity generated by the NESF portfolio annually. These figures are used to calculate the level of CO2e emissions avoided through renewable energy generation by the NEC ESG Team and the Green Investment Group.

NEC has worked with Wise Energy to develop a range of PAIs as required under the RTS.[46] These PAIs will collected from O&M Contractors, starting from 1st January 2023, and they will be monitored and reported on during the ownership phase by Wise and reported by NEC publicly on an annual basis.

VII. Methodologies

As stated above, the monitoring of progress against the sustainable investment objectives is primarily based on the calculation of GHG emissions and fossil fuel consumption avoided by the generational capacity (and actual generation) of solar assets within the NESF portfolio. Avoidance of GHG emissions is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognised IFI Harmonised Conversion Factors released and maintained by the UNFCCC.

Through this publicly available and globally recognised methodology, GHG avoidance is derived by comparing the emissions associated with the portfolio to a counterfactual (marginal grid emissions). The table below provides an overview of the annual performance of the portfolio in terms of GHG avoided, as well as other emissions to air and fossil fuel consumption avoided during the Reporting Period (2021).

Metric	Unit	2021
GHG Avoided	$KtCO_2e$	328.7
NO_x Avoided	tonnes	296.3
SO_x Avoided	tonnes	549.7
$PM_{2.5}$	tonnes	25.2
PM_{10}	tonnes	6.2
Fossil Fuels Avoided	kilotonnes oil equivalent (ktoe)	142.8

[46] Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1-72).

	million barrels	1.0

These numbers are based on the renewable electricity generation (GWh) related to 2021 tax year (i.e. 1st April 2021 to 31st March 2022)[47].

As indicated in the table, up to 328,7ktCO2e of emissions and up to 142.8kt of oil equivalent has been avoided.

VIII. Data Sources and Processing

The Data Sources Used to Attain the Sustainable Investment Objective

To calculate the emissions and fossil fuel avoided figures, the net renewable energy generation is required to be multiplied against the relevant conversion factors.

The net renewable energy generation is asset specific and depending on whether the data is a forecast, or based on actual generated electricity, the sources comprise of:

(i) actual generation of the assets within the fund (metered); or

(ii) generation capacity of the assets within the fund is required for forecasting purposes (this is provided by technical documentation and specifications).

The relevant conversion factors that are used – the IFI Harmonised default grid factors – are provided by the UNFCCC and are periodically updated.

The IFI Harmonised default grid factors are based on a country's DEF, which is essentially the average electricity grid mix per country, and take into account the amount of electricity generated from the use of oil, gas, coal and other fuels. This is calculated using a CM which consists of an OM and BM. Further information on the IFI Harmonised approach can be found on the UNFCCC website here.

The Measures Taken to Ensure Data Quality

The generation data from the assets are metered and maintained on a basis determined by the meter's original equipment manufacturer or even more frequently.

NEC ensures that the IFI factors are correct by utilising the latest version provided by the UNFCCC on their official website.

Furthermore, NEC utilises a third-party specialist to ensure that input data is consistent and the overall calculation results are correct.

How Data is Processed

Electricity generation data is captured within specific technical software and quality checked by the relevant technical personnel (within the Asset Management team) and signed off prior to issue to the ESG Team.

[47] The 328,700 tCO2e avoided figure provided within this document and the 31 March 2022 Annual Report is calculated based on a total generation of 774.85GWh for the year ended 31 March 2022, which includes all assets that have reached connection date (COD) at 31 March 2022. This total generation figure differs slightly (1.85GWh) from the 773GWh presented in the 31 March 2022 Annual Report, which does not include generation data from ii) assets 92-93, as those are yet to achieve Provisional Acceptance Clearance ("**PAC**"), and ii) rooftop assets 96-99, as these are not monitored for solar irradiation. Please refer to page 38 of the 31 March 2022 Annual Report.

The Proportion of Data that are Estimated

For calculations based on actual emissions avoided, the generation data is not estimated.

Only forecasts of emissions avoided, and the associated expected/estimated generation data is estimated. This estimate is based on asset capacity, irradiation and asset up-time.

Additionally, it is important to note that whilst the IFI Harmonised Factors are internationally recognised, they are based on country specific averages/estimates and associated build plans of alternate electricity sources. In reality, actual progress of a country against its plan may differ. The IFI Harmonised Factors are updated by the UNCCC periodically to reflect any changes.

IX. Limitations to Methodologies and Data

Limitations of the methodologies that are important to note are:

(i) the IFI Harmonised Factors are based on the OM and BM of a country. Both elements have their own considerations in the calculation process of the overall Harmonised Emission Factor. The details of the approach can be found on the UNFCCC website here; and

(ii) all forecasts will have limitations. In any forecasted emissions avoided numbers, it is important to understand as they are estimates only and cannot account for unexpected changes in variables that directly impact generation.

These limitations will not materially affect the attainment of the sustainable investment objective as:

(i) the IFI Harmonised Factors are internationally recognised, and their limitations are widely understood, yet they are one of the most efficient and accurate ways to estimate grid emissions and therefore, emissions avoided. They are maintained and updated as required by industry specialists to ensure they remain as accurate and representative as possible; and

(ii) the actual measure of progress against the goal of substantial climate change mitigation is predominantly based on actual renewable electricity generated and the associated emissions avoided calculations rather than relying solely on forecasts.

X. Due Diligence

Sustainability risks are identified and managed through a range of technical, legal and financial due-diligence, including surveys to determine the environmental and community impact of potential development activities, as well as the integration of social and human rights compliance obligations into contracts with counterparties. NESF is additionally informed by the Solar Trade Association's eleven commitments for solar farms[48] to help guide the considerations of relevant ESG risks and opportunities.

NESF conducts extensive due-diligence on any potential investment. The format and content of such due-diligence exercise varies depending on the type of the investment (i.e., whether it is a new development or a secondary market acquisition), the location of the site and the value thereof.

[48] Solar Trade Association, Solar Farms: 11 Commitments. Available at: https://solarenergyuk.org/resource/solar-farms-11-commitments/ .

Development Activities

In the context of proposed development activities, NESF commissions a range of surveys to assess the viability and suitability of the location and the project; these assessments include environmental impact assessments (within the meaning of the UK planning process and where applicable), flood risk assessments, land grading surveys, topographical surveys, tree surveys, archaeological surveys and heritage surveys, depending on the relevant site. Any results are submitted as part of the planning application and impacts (if any) are incorporated into the design and overall project proposal together with a landscaping and ecology masterplan which sets out the tailored biodiversity enhancement scheme for the site.

Identified impacts are mitigated during the development, design, construction and operation, through the implementation of the planning conditions, additional biodiversity measures and community engagement, and contractual obligations by NESF. Where an impact cannot be mitigated appropriately, the investment does not go ahead.

Secondary-Market Acquisitions

In the context of an acquisition of an existing UK solar asset, a standard process is followed involving legal and compliance, technical, financial and tax due-diligence, carried out by relevant advisors to highlight any relevant corporate, property, planning, environmental or other related issues. Moreover, the investment team reviews the due-diligence carried out by the team and its advisors at the time of the site's initial development.

Any due-diligence for secondary market acquisitions includes a review of whether planning permission was granted at the time of development and the extent to which any conditions to such planning (if applicable) have been implemented.

All NESF's proposed secondary market acquisitions and matured development opportunities are presented to the investment committee for NESF, NEC and the NESF Board for approval. Any key risks identified during the due-diligence and screening processes are presented in a risk matrix, including, where relevant mitigation strategies. By integrating NEC's ESG Policies into NESF's investment and development process, NESF is ensuring sustainable growth can be delivered over the long-term.

XI. Engagement Policies

NEC and NESF do not invest in companies – only in renewable energy assets.

Community and stakeholder engagement form part of NESF's investment strategy both during the development of sites as well as after the acquisition of secondary market projects. As noted above, NESF has incorporated the UBMP for 30 sites which seeks to improve local community and stakeholder engagement and education on the benefits of transforming solar plants into ecosystem-friendly assets. Further, NESF engages, through its development partners, with local parishes and councils during the pre-planning phase to ensure the suitability of site proposals and, where possible, incorporates community feedback into the planning proposal. In the past, this has included changes to the specific land use (the loss of agricultural land due to land development), site design, landscaping strategy and its implementation. As an example of this, following consultation with the local community of an NESF site, land take was reduced, and a "green corridor" introduced to enhance and integrate the site within its natural setting.

More generally, NESF recognises the importance of maintaining a high standard of business conduct and a strong and constructive relationship with NESF's key stakeholders to deliver its strategic

objectives over time and a community benefit fund is incorporated into the financial profile for each new investment.

Furthermore, together with Solar Power Europe, the NEC group has recently launched the Solar Stewardship Initiative[49]. The Solar Stewardship Initiative's mission is to further develop a responsible, transparent, and sustainable solar value chain to further develop supply chain transparency and strengthen confidence in how, where, and by whom products and solar components are manufactured.

XII. Attainment of the Sustainable Investment Objective

There has been no specific index designated as a reference benchmark to meet the sustainable investment objective.

[49] The Solar Stewardship Initiative. Available at: https://solarstewardshipinitiative.org/.

Sustainability-related disclosures required for Article 9 funds under the SFDR

G. NextPower UK ESG Fund

I. Summary

NEC's newest fund, NextPower UK ESG Fund, is comprised of NextPower UK 1 LP and NextPower 2 LP (together "**NPUK**"). Launched in December 2021, investments in NPUK are focused on investing in new-build utility scale, subsidy-free solar in the UK.

As a private ESG infrastructure fund specialising primarily in solar power plants, NPUK's sustainable investment objective is to substantially contribute to the environmental objective of climate change mitigation whilst fully aligning with the DNSH approach as per the definition within the EU Taxonomy Regulation.

Specific KPIs have been defined to track the performance and impacts of each asset under management. A full set of indicators related to PAIs has been developed consistently with the requirements of Table 1, Annex 1 of the RTS. The performance against these indicators will be released by Q2 2023. Furthermore, NPUK's sustainable investments are aligned with the associated requirements of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as detailed below.

To enable the attainment of the sustainable investment objective, ESG PAIs are integrated and embedded within NPUK's Investment Strategy in order to appropriately select investments (binding elements include technology, geography, financing and sourcing). NPUK has not designated a specific index as a reference benchmark to meet the sustainable investment objective. NEC conducts extensive due-diligence on any potential investment in NPUK. Pre-investment, potential assets are subject to a robust and in-depth due diligence approach and reviewed against compliance with local legislation, alignment with NEC standards, international best practice, and all relevant risks, including but not limited to: environmental, climate, social, contractor, supply chain and anti-corruption/anti-bribery considerations. This process fully aligns with the DNSH and minimum safeguard approach from the EU Taxonomy. It also allows NEC and NPUK to review overall ESG risks and opportunities, but also to understand the specific risks and considerations in achieving our sustainable investment objective.

As per the Investment Strategy, NPUK only invests in assets and therefore does not consider investee companies within this disclosure. The existing and future allocation of the fund is 95% sustainable investment. The proportion of investments included under "#2 Not sustainable" is minimal. These are for government bonds, fixed-income securities, money market instruments, such as units in money market funds and overnight and/or time deposits at credit institutions. These investments are required for the Sub-Fund 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 Sub-Fund's portfolio.

Monitoring of progress against the sustainable investment objective is carried out through the use of sustainability indicators: specifically, calculated emissions and fossil fuel use avoided as a result of the renewable energy generation from our assets. This is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognised IFI Harmonised Conversion Factors released and maintained by the UNFCCC. As this is

calculated on an asset level, data can be provided on a portfolio, country, or fund level. All calculations are checked by an external third-party specialist prior to release. The emissions and fossil fuel use avoided figures are then published in various sustainability related reports. Only forecasts of emissions avoided, and the associated expected/estimated generation data is estimated. This estimate is based on asset capacity, irradiation and asset up-time.

Whilst there are two important limitations to the above methodologies, these limitations do not materially affect the attainment of the sustainable investment as (a) the IFI Harmonised Factors are internationally recognised, and their limitations are widely understood, and (b) the actual measure of progress against the goal of substantial climate change mitigation is predominantly based on actual renewable electricity generated and the associated emissions avoided calculations rather than relying solely on forecasts.

NEC's materiality assessment for determining the ESG factors it considers are determined through stakeholder engagement and by reference to best practices. NEC thus discusses the NEC approach with a set of selected stakeholders, including the UNPRI, IIGCC, the Solar Trade Association, the Business and Human Rights Resource Centre and other industry bodies, consultants, NGOs and where applicable, with investors. The objective of this regular stakeholder engagement is to continue to evolve and enhance NEC's investment approach.

For further information, detail and context, please continue reading to the appropriate section.

II. No significant harm to sustainable investment objective

NPUK'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. The risks are aligned with the DNSH approach of the EU Taxonomy Regulation[50] (with extension beyond) and include:

(i) Transition to a circular economy: During the initial due-diligence and screening processes, NEC considers the identity of the module suppliers, the source of the module materials and whether the PV panels and associated components have been designed and manufactured for high durability, easy dismantling, refurbishment and recycling. Additionally, NEC (or the relevant consultant) will consider the waste management processes in place for the relevant asset.

(ii) Climate change adaption: Depending on the stage of the project, NEC (either through the NEC ESG Team or through an external ESG consultant) will review any environmental and social impact assessments that are required by local authorities, as well as the progress of any environmental and social management plans and the implementation of any steps proposed by such plan. In instances where such assessments have not been carried out (such as where the national regulations do not require it), NEC commissions appropriate assessments to identify the relevant risks in accordance with NEC's ESG Policies and applicable national or international standards (such as the Equator Principles[51] and the IFC Performance Standards[52]). Depending on the

[50] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p. 13-42.
[51] The Equator Principles Association, *The Equator Principles*. Available at: https://equator-principles.com/.
[52] International Finance Corporation World Bank Group, *Performance Standards.* Available at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards .

location of the site, NEC may additionally carry out a climate change risk assessment, through external consultants.

(iii) **Protection and restoration of biodiversity and ecosystems:** The No-Go assessment considers whether assets are located on protected natural areas, such as land designated as Natura 2000 (or non-EU equivalent), or as a UNESCO Heritage Site, or where the investment could impact habitats and species listed on the Red List of the IUCN. NEC also considers whether any biodiversity impact assessments have been carried out, whether any biodiversity action plans are in place, and identify potential adverse impacts on biodiversity.

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.

How are the indicators for principal adverse impacts taken into account?

The due diligence process, as detailed in NEC's ESG Policies and this ESG Disclosure document, reviews all aspects of the asset(s) and the associated adverse impacts (including environmental, social and employee, human rights, anti-corruption etc.) during the pre-investment stage. Post-acquisition of the assets, all relevant contractors are subject to ad-hoc suppliers due diligence processes to capture and identify any potential risks.

Specific KPIs have been defined to track performance and impacts of each asset under management and they are tracked by Wise Energy and reported to NPUK. These indicators provide an ongoing narrative of any positive or negative impacts the assets may have on the surrounding considerations. KPIs include CO2e and fossil fuels avoided. A full set of indicators related to PAI has been developed consistently with the requirements of Table 1, Annex 1 of the RTS.[53] The performance against these indicators will be released by Q2 2023.

In addition to quantitative KPIs, detailed action plans are also handed over to the asset manager to ensure that each asset continues to be comply with any national requirements and to be aligned with NEC's ESG Policies.

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

Yes. NEC and NPUK have strong ESG Policies, a Human Rights Position Statement, and a Code of Conduct for Suppliers which are all aligned with the associated requirements of OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. NPUK policies require NPUK to perform due diligence on both its own activities and its business relationships with the objective of acting upon any findings.

Additionally, NPUK ensures that its investment activities 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

[53] Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1-72).

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 assessment.

Moreover, NPUK ensures that its investments are aligned with the principles and rights set out in the Declaration of the ILO on Fundamental Principles and Rights at Work and also the International Bill of Human Rights.

III. Sustainable Investment Objective of the Financial Product

By focusing on solar PV assets, NPUK's investments seek to substantially contribute to the environmental objective of climate change mitigation, within the meaning of the EU Taxonomy Regulation[54]. Moreover, through the integration of NEC's ESG Policies, NPUK's investment processes seek to avoid significant harm to other environmental objectives and to ensure that NPUK's activities are carried out in compliance with other safeguards, such as human rights and international labour considerations.

NPUK's sustainable investment objective is:

- to substantially contribute to the environmental objective of climate change mitigation within the meaning of the EU Taxonomy Regulation.

This objective contributes to the Article 9 qualification, under "economic activities that qualify as environmentally sustainable under the EU Taxonomy" and more specifically, qualifies as contributing substantially to climate change mitigation.

NPUK's integration of ESG PAIs is currently driven by the fund's alignment with Equator Principles and IFC Performance Standards and other international standards as per NEC's ESG Policies, through a due diligence process that seeks to apply these standards to each acquisition in particular regarding biodiversity, climate, water, community engagement and supply chain risks.

Furthermore, NPUK continues to integrate NEC's ESG Policies methodologies into the NPUK investment decision-making processes, to further enhance and strengthen the existing consideration of ESG factors.

IV. Investment Strategy

NPUK's investment strategy focuses on the acquisition and construction of utility scale solar PV assets located in the United Kingdom. NPUK focuses on ground mounted grid connected solar assets and will seek to hold its investments during the entire life of NPUK (ten years). NPUK will have the ability to co-locate some additional renewable energy technologies (e.g., battery storage) to the assets once constructed, but intends to only deploy this optionality where returns justify the deployment. The whole investment strategy is underpinned by NEC's ESG Policies.

ESG factors are integrated throughout the investment assessment cycles, from initial project selection, through a detailed assessment during negotiation, to measuring, managing and reporting on ESG performance indicators during the operational phase. NPUK's processes integrate the NEC

[54] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p. 13-42.

sustainability framework to allow for the identification and assessment of a range of ESG risks and opportunities.

By integrating NEC's ESG Policies and through compliance with national and local UK planning and environmental regulation for planning consent, NPUK seeks to ensure that no significant harm to occurs to other environmental objectives, such as climate change adaption, sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

How is the investment strategy used to attain the sustainable investment objective?

ESG factors are embedded within the investment strategy of NPUK in order to appropriately select investments for the attainment of the sustainable investment objective.

The binding elements can be summarised as follows:

(i) **Technology:** NPUK focuses primarily on the solar sector but has the opportunity to invest up to 10% of Total Commitments in standalone batteries, and intends to use the flexibility only when such other technologies are acquired in conjunction with solar PV plants.

(ii) **Geography:** The Fund invests in solar plants based in the UK only.

(iii) **Financing:** The Fund is building a diversified portfolio that, when fully invested, will compromise an estimated 30-50 individual solar PV plants, with an aggregated generating capacity of 1.5-2GW. The Fund's financial exposure to assets under development will not constitute more than 5% of its Total Commitments in aggregate value.

(iv) **Sourcing**: The Fund derives pipeline sourcing advantages as a result of its significant pipeline in the UK that has been created over the past few years. The NextEnergy Group, via its development company Starlight, have projects in place for this fund.

Implementation of the investment strategy

As part of NPUK's due-diligence processes, NEC ensures that NEC's ESG Policies are applied.

As set out in B above, NEC integrates the consideration of a range of ESG factors throughout the investment decision-making processes. Risks are identified and assessed throughout the ESG screening and due-diligence and ESG recommendations are presented to the investment committee for NPUK in an ESG memo. Investments that could fall under the 'No-Go' activities are recommended to be excluded from NEC's investment prospects.

Based on initial findings from the ESG screening, NPUK will engage independent consultants to carry out a review of the ESG commitment, capacity and track records of the project counterparties against NEC's ESG Policies.

Such consultants conduct an in-depth review of the policies and management systems in place on the part of sellers and EPC/O&M Contractors (where applicable), as well as their compliance track records. This process considers the adherence of counterparties to environmental policies and procedures (climate change, biodiversity, water, and waste management), community, human rights and labour commitments, their implementation of suitable sustainability, anti-corruption, anti-bribery and anti-money laundering policies, as well as their track record of ESG performance. Consultants additionally

review and report on the asset, including whether relevant regulatory approvals and environmental assessments were obtained or are required (depending on the status of the relevant project) and carry out a gap analysis against national regulatory requirements, NEC's ESG Policies and the international standards it refers to, including the IFC Performance Standards[55] and the Equator Principles[56].

The ESG review carried out by the independent consultants and the ESG Team will integrate any risks identified into an ESG report which, where applicable, sets out an Action Plan for their mitigation. Depending on the nature of the risk, the outcome of a review could be: (i) a recommendation to senior managers that the asset is not suitable for investment, typically before presenting the opportunity to the investment committee for NPUK; (ii) a recommendation to proceed with the investment; or (iii) a recommendation to proceed with the investment subject to specific actions to be implemented either before or after financial close. In the case of investments falling within options (ii) and (iii), the ESG Team will work with the investment team to include any relevant ESG obligations into the contractual arrangements, to ensure that the EPC Contractor, the O&M Contractor and the asset manager, construct, operate and manage the assets in accordance with NEC requirements and standards.

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

NEC and NPUK do not invest in companies – only in renewable energy assets. However, the due diligence performed pre-acquisition makes sure that NPUK assesses the good governance of the asset from an ESG perspective, for example whether there are the relevant policies and management systems to implement these policies and maintain compliance with the relevant standards set out in NEC ESG Policies. Post-acquisition, the NEC ESG team continues to do so through Wise monitoring and reporting on each asset/portfolio as explained in the section above.

NPUK is committed to ensure that it and its business partners are transparent and fair in their dealings. NPUK 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 AML purposes.

During Investment Committees, the Head of ESG is present to ensure ESG-related investment objectives are consistently upheld across the portfolio.

More broadly, the practice of good governance is an integral part of the way NPUK executes its investment strategy and plays an important role in shaping NPUK's long term sustainable success and the achievement of the NEC group's strategic objectives. The NEC Advisory Board includes high profile professionals with energy, financial and environmental backgrounds who advise the management team at NPUK to implement and uphold the best governance practices.

V. Proportion of Investments

NPUK only invests in solar assets and does not invest in companies.

At least 95% of NPUK's investments are sustainable. The fund's sustainable investments will consist of investments in the Reference Fund and Co-Investments alongside the Reference Fund.

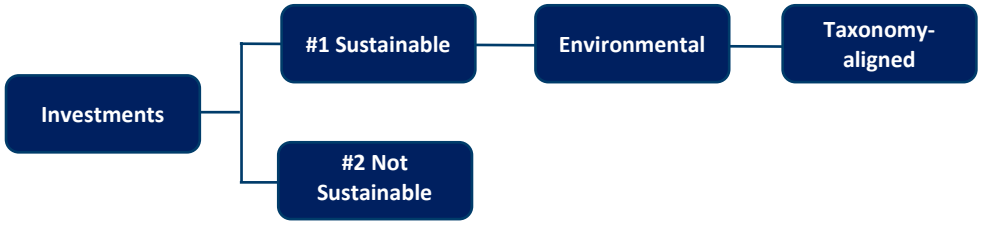
[55] International Finance Corporation World Bank Group, *Performance Standards.* Available at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards).

[56] The Equator Principles Association, *The Equator Principles*. Available at: https://equator-principles.com/.

Up to 5% will fall under "#2 Not Sustainable". The fund´s investments included under "#2 Not Sustainable" will consist 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. These are permitted exclusively for purposes of investing excess liquidity. In addition, the fund may engage in currency and interest rate risk hedging using derivative techniques and instruments.

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

As above, the asset allocation is at least 95% sustainable investment and up to 5% not sustainable.



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

This is not applicable to NPUK.

VI. Monitoring Sustainable Investment Objectives

Monitoring of progress against the sustainable investment objective is carried out through the use of sustainability indicators: specifically, calculated emissions and fossil fuel use avoided as a result of the renewable energy generation from our assets. This is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognised IFI Harmonised Conversion Factors released and maintained by the UNFCCC. As this is calculated on an asset level, data can be provided on a portfolio, country, or fund level. All calculations are checked by an external third-party specialist prior to release. Data can be used to create forecasts or can be based on actual historic power output data to provide GHG emission and fossil fuel avoided figures. The emissions and fossil fuel use avoided figures are then published in various sustainability related reports.

The positive impacts of the NPUK biodiversity commitments are also being reviewed to understand if they can be quantified and included in the contribution toward climate change mitigation within future NPUK reports.

At the asset level, where risks have been identified in the pre-acquisition phase, the implementation and monitoring of any Action Plan is managed by the portfolio manager and the asset manager. Responsibility for the implementation of any Action Plan will rest with the O&M Contractor, or where the O&M Contractor does not have the requisite capabilities, with an external consultant hired for such implementation. Action Plans vary from asset to asset and can include biodiversity, climate change, water management, operational health and safety, grievance, and community engagement matters, amongst others. Moreover, an Action Plan includes details of the responsibilities, costs and the timescale to address any gaps between the current operation of the project or the EPC/O&M Contractor's operations vis-à-vis NEC's ESG Policies.

At the portfolio level, Wise Energy provides NPUK with a quarterly report which details aggregate monthly asset electricity output/generation alongside other key technical, financial and commercial

information. NEC has worked with Wise Energy to develop a range of PAIs as required under the RTS.[57] These PAIs will be collected from O&M Contractors, starting from 1st January 2023, and they will be monitored and reported on during the ownership phase by Wise and reported by NEC publicly on an annual basis.

Specific to climate mitigation related PAIs (emissions avoided), each investment made under NPUK is subject to a 'Green Impact Report' (currently prepared by the Macquarie Green Investment Group), which includes a measure of the investment's positive contribution to a reduction in greenhouse gas emissions, and an indication of NEC's direct and indirect performance against other applicable UN SDGs. Such report is issued on the NPUK portfolio twice a year. This reporting sits alongside NEC's annual commissioning of a report on the whole group's performance against the selected UN SDGs which are considered material to the NEC sustainability framework.[58]

VII. Methodologies

As stated above, the monitoring of progress against the sustainable investment objectives is primarily based on the calculation of GHG emissions and fossil fuel consumption avoided by the generational capacity (and actual generation) of solar assets within the NPUK portfolio. Avoidance of GHG emissions is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognised IFI Harmonised Conversion Factors released and maintained by the UNFCCC. Through this publicly available and globally recognised methodology, GHG avoidance is derived by comparing the emissions associated with the portfolio to a counterfactual (marginal grid emissions).

NPUK made its first acquisition in 2022 and therefore the annual performance of the portfolio in terms of GHG avoided, as well as other emissions to air and fossil fuel consumption for 2021 is not available. NPUK will publish the figures in the table below for 2022 reporting period, once available.

Metric	Unit	2021
GHG Avoided	$KtCO_2e$	N/A – First acquisition occurred in 2022
NO_x Avoided	tonnes	N/A – First acquisition occurred in 2022
SO_x Avoided	tonnes	N/A – First acquisition occurred in 2022
$PM_{2.5}$	tonnes	N/A – First acquisition occurred in 2022
PM_{10}	tonnes	N/A – First acquisition occurred in 2022
Fossil Fuels Avoided	Kilotonnes oil equivalent (ktoe)	N/A – First acquisition occurred in 2022

[57] Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1-72).

[58] These reports are available on the NEC website: https://www.nextenergycapital.com/sustainability/transparency-and-reporting/.

VIII. Data Sources and Processing

The Data Sources Used to Attain the Sustainable Investment Objective

To calculate the emissions and fossil fuel avoided figures, the net renewable energy generation is required to be multiplied against the relevant conversion factors.

The net renewable energy generation is asset specific and depending on whether the data is a forecast, or based on actual generated electricity, the sources comprise of:

(iii) actual generation of the assets within the fund (metered); or

(iv) generation capacity of the assets within the fund is required for forecasting purposes (this is provided by technical documentation and specifications).

The relevant conversion factors that are used – the IFI Harmonised default grid factors – are provided by the UNFCCC and are periodically updated.

The IFI Harmonised default grid factors are based on a country's DEF, which is essentially the average electricity grid mix per country, and take into account the amount of electricity generated from the use of oil, gas, coal and other fuels. This is calculated using a CM which consists of an OM and BM. Further information on the IFI Harmonised approach can be found on the UNFCCC website here.

The Measures Taken to Ensure Data Quality

The generation data from the assets are metered and maintained on a basis determined by the meter's original equipment manufacturer or even more frequently.

NEC ensures that the IFI factors are correct by utilising the latest version provided by the UNFCCC on their official website.

Furthermore, NEC utilises a third-party specialist to ensure that input data is consistent and the overall calculation results are correct.

How Data is Processed

Electricity generation data is captured within specific technical software and quality checked by the relevant technical personnel (within the Asset Management team) and signed off prior to issue to the ESG Team.

The Proportion of Data that are Estimated

For calculations based on actual emissions avoided, the generation data is not estimated.

Only forecasts of emissions avoided, and the associated expected/estimated generation data is estimated. This estimate is based on asset capacity, irradiation and asset up-time.

Additionally, it is important to note that whilst the IFI Harmonised Factors are internationally recognised, they are based on country specific averages/estimates and associated build plans of alternate electricity sources. In reality, actual progress of a country against its plan may differ. The IFI Harmonised Factors are updated by the UNCCC periodically to reflect any changes.

IX. Limitations to Methodologies and Data

Limitations of the methodologies that are important to note are:

(iii) the IFI Harmonised Factors are based on the OM and BM of a country. Both elements have their own considerations in the calculation process of the overall Harmonised Emission Factor. The details of the approach can be found on the UNFCCC website here; and

(iv) all forecasts will have limitations. In any forecasted emissions avoided numbers, it is important to understand as they are estimates only and cannot account for unexpected changes in variables that directly impact generation.

These limitations will not materially affect the attainment of the sustainable investment objective as:

(iii) the IFI Harmonised Factors are internationally recognised, and their limitations are widely understood, yet they are one of the most efficient and accurate ways to estimate grid emissions and therefore, emissions avoided. They are maintained and updated as required by industry specialists to ensure they remain as accurate and representative as possible; and

(iv) the actual measure of progress against the goal of substantial climate change mitigation is predominantly based on actual renewable electricity generated and the associated emissions avoided calculations rather than relying solely on forecasts.

X. Due-Diligence

NEC conducts extensive due-diligence on any potential investment in NPUK. The format and content of such due-diligence exercise will vary according to the type of the investment, the status of the plant and the plant's location.

Broadly, a standard process is followed involving legal, technical, ESG, financial, and tax due-diligence, carried out by relevant advisors to highlight any relevant corporate, property, planning, environmental, community, or other related issues. The ESG due-diligence covers all aspects identified in section B above. From an ESG perspective, the due-diligence process includes the processes explained in the preceding sections.

All of NEC's proposed investments in NPUK are presented to the investment committee for the fund in the form of an investment proposal (into which any ESG report is integrated). Any key risks identified during the ESG screening and due-diligence processes are presented in a risk matrix, including, where relevant mitigation strategies.

XI. Engagement Policies

NEC and NPUK do not invest in companies – only in renewable energy assets. However, due diligence performed pre-acquisition includes the review of the stakeholder engagement processes that occur or will have to occur (depending on the asset stage) at asset level. If the NEC ESG team identifies any gap with international standard, an Action Plan will be put forward. Post-acquisition, the NEC ESG team continues to monitor engagement through Wise monitoring and reporting activities.

NEC discusses its approach to incorporating ESG factors into NEC's investment decision-making with a set of selected stakeholders, including the UNPRI, IIGCC, the Solar Trade Association, the Business and Human Rights Resource Centre and other industry bodies, consultants, NGOs and where applicable, with investors. The objective of this regular stakeholder engagement is to continue to evolve and enhance NEC's investment approach.

Community engagement forms a key part of NEC's ongoing asset management strategy and is intended to form part of NPUK's processes. Furthermore, together with Solar Power Europe, the NEC group has recently launched the Solar Stewardship Initiative[59]. The Solar Stewardship Initiative's mission is to further develop a responsible, transparent, and sustainable solar value chain to further develop supply chain transparency and strengthen confidence in how, where, and by whom products and solar components are manufactured.

XIII. Attainment of the Sustainable Investment Objective

There has been no specific index designated as a reference benchmark to meet the sustainable investment objective.

[59] The Solar Stewardship Initiative. Available at: https://solarstewardshipinitiative.org/.)