NEXTENERGY CAPITAL

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Taskforce on Climate-related Financial Disclosures ("TCFD")

for the year ended 31 December 2022

Contents

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Head of ESG at NextEnergy Capital

1. Introduction

The existential threat posed by climate change continues to manifest in extreme weather conditions, heatwaves, and floods. This is justification enough for the transition to clean energy, but current geopolitical events also create demand for improved energy security and local production. The wars in Ukraine and the Middle East, combined with domestic policy shifts away from globalisation, highlight the need for localised and resilient energy systems, to lower power prices. Solar PV and energy storage solutions are well-positioned to meet these demands.

It is vital that as we make progress on climate change, we also drive accountability. As a leading clean energy investor, we have a responsibility to ensure the highest sustainability, environmental, social, and governance standards. For that reason, I am pleased to present the NextEnergy Capital ("NEC") Taskforce on Climate-related Financial Disclosures ("TCFD") report which has been prepared in accordance with International Sustainability Standards Board S2 – Climate-related Disclosures.

This report explains NEC's climate strategy, how this is implemented and provides a monitoring update. For the first time, this report will present the climate baseline performance of NEC and the investments it manages. This is a vital first step in our climate and net zero strategy and will be enhanced year after year as we work through a detailed implementation to decarbonise and support the transition to net zero. We believe we have designed our approach to sustainability in a way that reflects the changing expectations of society and investors.

Our commitment to ensuring that our work reflects evolving international sustainability standards is reflected in the wide range of public disclosures made by NEC and the funds it manages, including our flagship listed fund NextEnergy Solar Fund Limited. This includes transparency on our risk management and proprietary due diligence procedures, including our approach to investment decision-making and governance.

Climate and broader sustainability are central to NEC's mission, and I am confident that NEC will continue expanding on its positive impact in the future. As we look forward, the NEC reporting regime will be reviewed to reflect the numerous developments in this space over recent years. The finalisation of the International Sustainability Standards Board's ("ISSB") first two standards, the amalgamation of TCFD into the ISSB, the publication of the Taskforce on Nature-related Financial Disclosures, and (in the UK) the Transition Plan Taskforce disclosures all represent a material change in the reporting landscape that has quickly been reflected in investor expectations. We recognise the importance of these developments in enhancing transparency over sustainability-related matters and will seek to engage with them accordingly.

I want to thank our passionate ESG team for their tireless work and commitment to driving our sustainability performance. We look forward to continuing to expand our positive impact.

2. Governance

NEC has established a governance structure with clear roles and responsibilities to oversee and manage climate-related risks and opportunities.

2.1. NEC's Climate Governance Structure

NextEnergy Investment Leadership committee ("NEIL" or "NEIL Committee"), comprising high-profile professionals with expertise across energy, finance, and environmental sectors, advises and oversees NextEnergy Capital's ("NEC") climate strategy, major decisions, risk management, and related disclosures. NEIL has the appropriate skills and competencies to govern climate issues through members with specialized experience in environmental sustainability. This helps ensure that NEIL has the capability to provide effective oversight of climate-related strategies.

NEIL is supported by NEC's senior management team, led by the CEO, who is responsible for executing the climate strategy. NEC also has a dedicated ESG Team. The Head of ESG is appointed to lead the ESG team, reporting directly to the CEO. The Head of ESG is responsible for overseeing NEC's commitment to implementing the Sustainability Framework, including the Sustainable Investment Policy, and maintaining best practices related to climate risks and opportunities. With dedicated ESG experience, the Head of ESG helps ensure NEC has the appropriate skills and competencies to manage climate-related risks and opportunities. Their responsibilities include providing climate expertise during investment due diligence, overseeing climate risk identification and reporting, producing climate-related disclosures, and participating in climate-focused industry groups to stay abreast of best practices.

2.2. NEIL's Climate Oversight

Specifically, NEIL oversees the following aspects related to climate governance:

• Review climate risks and opportunities during investment due diligence to weigh trade-offs and provide guidance on how climate factors should influence NEC's strategy and investment decisions. NEIL considers climate risks and opportunities identified during due diligence when providing guidance on NEC's overall strategy and investments. This includes reviewing ESG assessments and potential mitigation measures related to climate factors. NEIL weighs climate-related risks against expected returns and non-finacial impacts to evaluate trade-offs, with support from the ESG team.

• Ensures climate is adequately captured in risk reporting through NEC's overall risk management framework. This includes defining appropriate risk and mitigation strategies. NEIL ensures climate risks are incorporated into NEC's overall risk management processes. It reviews risk reporting to confirm climate is covered sufficiently and risk profile and mitigation strategies are appropriate.

• Monitors progress towards climate-related targets and alignment of incentive structures to promote sound climate risk management across the organization. NEIL oversees the setting of climate-related targets and tracks performance against those targets. It also aims to align compensation structures to promote effective climate risk management.

• Assesses management's capabilities related to climate risks through regular updates from the Head of ESG. NEIL evaluates whether management has the appropriate expertise to manage climate issues, partly through regular climate-related reporting from the Head of ESG.

2.3. Head of ESG Department and Responsibilities

The Head of ESG executes NEC's climate policies and strategy on a day-to-day basis, including:

• Implementing the Sustainability Framework that covers climate change and defines NEC's approach to managing climate-related risks and pursuing climate-related opportunities. The Head of ESG is responsible for rolling out and upholding the Sustainability Framework across NEC's activities.

• Providing climate expertise during investment due diligence, including risk assessments, and advising the Investment Committee on how climate factors should influence deal evaluation and structuring. The Head of ESG conducts climate risk reviews during due diligence and makes recommendations on how to address climate factors in investment decision-making.

• Overseeing processes for climate risk identification, assessment, mitigation, and reporting across NEC's investment portfolio. This includes collaborating with NEC's portfolio management team and WiseEnergy ("Asset Manager") to monitor climate factors at the asset level. The Head of ESG institutes processes to continually identify, analyze, mitigate and report on climate risks across the portfolio. They work with portfolio management and the Asset Manager to track climate KPIs.

• Producing climate-related disclosures such as TCFD reports and impact reports. The Head of ESG is responsible for developing and publishing climate disclosures such as this TCFD report.

• Participating in climate-focused industry groups like the Principles for Responsible Investment (PRI) to stay abreast of best practices that NEC can implement. The Head of ESG engages with industry climate initiatives to benchmark NEC's practices and identify improvement opportunities.

2.4. Cross-Departmental Collaboration

The Head of ESG collaborates across departments, including investment, construction team, portfolio management, and partner relations teams, to ensure effective governance and risk management related to climate factors. For example, the ESG team can develop, where appropriate, climate risk mitigation action plans during due diligence that are integrated into investment proposals and asset management. The investment team works closely with the ESG team and external consultants to conduct further in-depth climate risk assessments when potential risks are identified during due diligence. The ESG team then partners extensively with NEC's portfolio management team and the Asset Manager to implement the climate risk action plans and report on progress at the individual asset level on an ongoing basis. The Asset Manager collects granular climate-related data and monitors detailed performance indicators for each asset. At the portfolio level, NEC and the Asset Manager track and analyze an extensive set of climate principal adverse impact metrics. NEC collaborates closely with external independent partner Terra Instinct ("ESG Consultants" or "Sustainability Consultants") and internal partner WiseEnergy ("Operations Manager") to produce comprehensive climate-focused impact reports.

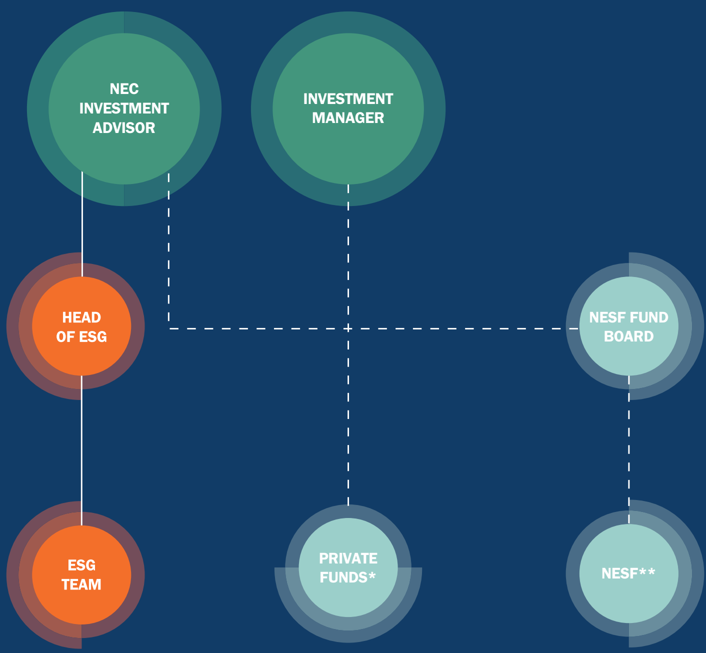
2.5. Integrated Climate Governance Model

With oversight from the NEIL, input from the Head of ESG, the CEO and senior management, NEC has fully integrated climate considerations across all areas of its governance, strategy, risk management, and operations. NEIL provides high-level guidance and assessment of climate issues. The Head of ESG supplies the climate expertise, frameworks, and day-to-day management. In addition, the business unit leaders are responsible for implementing climate initiatives, with the technical support of the ESG team. Furthermore, there is close cross-departmental coordination through routines like the ESG team developing climate risk plans during diligence that are implemented by portfolio management during asset management. This enables NEC to execute its duties as an Investment Advisor or Investment Manager to its Fund clients. NEC also engages external experts to enhance in-house capabilities and provide independent assessments of climate factors. This robust, multi-layered governance structure and close collaboration across internal teams and with external independent partners allows NEC to effectively identify, assess, and mitigate the risks and opportunities presented by climate change.

2.6. Climate-Related Risks and Opportunities

NEC has conducted an analysis to identify potential climate-related risks and opportunities impacting its renewable energy investments over different timeframes. Key physical risks include increased probability of extreme weather events that could damage assets and disrupt operations in the short term. Longer-term risks involve changes in precipitation, temperatures, and water availability affecting asset efficiency and generation. Transition risks and technology advancements also exist from shifting government policies and regulations associated with achieving net-zero emissions targets. In terms of opportunities, NEC sees potential for increased electricity demand in sectors transitioning away from fossil fuels. Innovations like agrivoltaics also present opportunities. Agrivoltaics involves co-locating solar photovoltaic panels and agricultural production on the same land, aiming to maximize efficiency of land use for both renewable energy generation and crop cultivation or livestock grazing. This innovative approach allows dual use of land for solar power and food production. Ambitious emissions reduction policies expected to drive growth in renewable energy deployment further benefit NEC. Through its managed investments, NEC aims to leverage opportunities from the low-carbon transition while implementing strategies to manage acute and chronic physical climate risks as well as transitional policy risks across its renewable energy investments.

2.7. Governance Structure Chart



* Private funds as at 31 december 2022 are NextPower III ("NPIII") and NextPower UK ("NP UK")

** NESF is listed on the London stock exchange

3. Strategy

3.1. Identifying Climate-Related Risks and Opportunities

NEC has identified several key physical climate-related risks and opportunities over different time horizons that could reasonably affect its prospects. NEC defines short-term as less than 5 years, medium-term as 5-10 years, and long-term as greater than 10 years. This aligns with its business planning cycles, investment timelines from acquisition to asset operation, and the 25+ year lifespan of its solar and storage assets. The entity incorporates climate factors over these horizons into strategic planning to ensure resilience and contribute to global decarbonization.

From a transitional risk perspective, NEC faces uncertainties from evolving government policies and regulations to achieve net zero emissions targets. Such policy changes could impact NEC's revenue streams as the energy mix and demand landscape shifts during the low-carbon transition.

Supply chain concentration risks also exist for NEC due to the geographical clustering of solar component manufacturing in regions vulnerable to physical climate change impacts. Such disruptions can increase costs and prohibit project development. Climate change, for example, might exacerbate risks of heatwaves and flooding that could disrupt production, cause global shortages and price hikes. Drought can impact the carbon footprint of suppliers, which could lead to increased carbon tax and restraining net zero ambitions. This would restrict NEC's energy project development. The company mitigates these risks through supply chain diversification, industry initiatives for resilience, and flexible supplier relationships.

However, NEC also sees climate-related opportunities that could benefit its prospects. These include rising clean energy demand as sectors like transport, heating, and other heavy industries transition away from fossil fuels to meet decarbonization goals. Supportive government policies and incentives aimed at emissions reductions also advantage NEC by enabling greater renewable energy deployment.

The table below covers the key risks and opportunities, identified by NEC, faced over the short, medium, and long term.

Term	Risk Type	Risks	Opportunities
Short Term (<5 years)	Physical	Physical risks, whilst somewhat limited currently, may increase in the short term and this could potentially include more frequent extreme weather events like storms, floods, and heatwaves that might damage NEC Solar PV assets and associated facilities and disrupt operations. In addition, the useful life of components (electrical and mechanical components) in solar photovoltaic systems may be shortened due to higher irradiance.	Agrivoltaics innovation presents an adaptation opportunity as does optimizing portfolio resilience. For NEC, agrivoltaics provides an opportunity to pilot adaptive solar projects that counter risks such as heat, drought, and flooding. Optimized site designs can boost energy generation during hot weather when crop shading cools panels. Agricultural productivity beneath panels can also mitigate revenue loss from generation disruptions. Furthermore, early efforts to diversify the supply chain reinforce competitive advantage. Namely, expanding procurement across differing regions can safeguard against supply chain disruption from extreme weather events.
	Transition	Transition risks as policies evolve to reach net zero targets, which could impact NEC's revenue streams as energy mix and demand change. However, these policies also support renewable energy growth.	Opportunities from rising clean energy demand as sectors like transport and heating transition from fossil fuels to meet decarbonization goals.
Medium Term (5-10 years)	Physical	Over the medium term, NEC anticipates key physical climate risks including: • Increased water stress potentially impacting mineral extraction for solar panels, inverters, and batteries. This could make materials more expensive or harder to obtain. Additionally, lack of water availability, especially in southern European regions, can make panel cleaning difficult and reduce system efficiency.	Flood risk adaptation measures like elevating panels can provide biodiversity benefits from the land underneath while protecting assets. Flood barriers and dams could also open innovative revenue streams from new flood protection products and services. Testing innovative water recycling solutions at solar farms prone to drought can maintain efficiency amidst water scarcity.

Medium Term (5-10 years)	Physical	• Heightened flood risks, especially for UK assets, which can damage sites and limit access. • Rising temperatures are likely to reduce solar panel efficiency and output through heat losses and component degradation. Hence, the core medium-term risks are increasing water shortages, flooding, and higher temperatures that can negatively impact asset efficiency and access if adaptation measures are not implemented. Over the medium term, supply chain disruption will have limited impact on existing funds since they will have fully deployed their capital. However, rising costs as a result of acute weather events (especially in China) could lead to price increases, impacting the economics of solar PV investment and potentially hampering NEC's ability to raise additional capital.	Improving energy storage technologies like lithium-ion batteries would allow solar farms to store excess energy during peak production and release it later when needed. This can smooth fluctuations from climate impacts on generation. Storage also creates opportunities to strategically shift solar power generation to higher demand periods.
	Transition	Medium-term transition policy shifts critical for renewables growth may occur later than NEC forecasts, causing renewable energy demand increases to also be delayed from projections. This uncertainty regarding the timing and pace of supportive policy rollout poses risks to NEC's expected prospects.	Supportive government policies aimed at aggressive economy-wide decarbonization are expected to spur clean energy demand growth and require massive new renewable capacity. Electrification of transport and heating to displace fossil fuels will also necessitate expanded renewable power generation.
Long Term (<10 years)	Physical	Over the long term, chronic physical climate impacts are expected to worsen as temperatures continue rising, which will negatively affect NEC's assets and prospects unless major adaptation efforts are undertaken: • Drought conditions and water scarcity will increase, making solar panel cleaning operations and more difficult. • Flooding is also projected to become more frequent and severe, leading to potential site and equipment damage. • More regular extreme weather events will likely cause asset destruction and costly repairs. In addition, the increasing frequency of extreme storms, floods, and heat waves could directly affect material extraction and transportation costs needed for solar component manufacturing and repairs.	NEC can future-proof operations and become an industry leader in climate resilience. By making proactive investments in adaptation measures and temperature resilient technologies, NEC can get ahead of worsening climate impacts and safeguard asset efficiency over the long-term. This includes investing in innovations that perform better under high temperature conditions. Additionally, integrating drainage channels and small-scale wetlands around installations can mitigate flooding through natural water capture. These nature based solutions could also filter water for reuse during droughts and enhance biodiversity.
	Transition	Global climate targets may be missed, and emissions remain unchecked, emergency policy actions by governments are possible but difficult to foresee right now and could cause upheaval.	An ambitious orderly societal transition to net zero can sustain high clean energy demand over the long term as decarbonization policies become more aggressive over time to get on track. This presents opportunities for NEC's business.

3.2. Impacts on Business Model and Strategy

NEC aims to manage climate-related risks and pursue opportunities by adapting its strategy and business model through targeted renewable energy investments, efficiency improvement measures, supply chain mitigation efforts, and financial and organizational resource allocation.

Climate change brings risks and opportunities likely to impact NEC's business model and value chain, including:

- Lower revenues in the near term due to asset damage during extreme weather events, though higher wholesale electricity prices are offsetting this impact which can be attributed to climate policy effects.

- Looking ahead, NEC anticipates a higher risk of asset damage and business interruptions from increasing physical risks if sufficient adaptation is not undertaken. This highlights the need to manage downside risks.

To adapt its strategy and business model, NEC aims to pursue opportunities for growth from rising renewable energy demand while also implementing measures to address climate risks, including:

- Plans to expand renewable investments, upgrade existing assets to maintain efficiency as temperatures rise, and increase spare part inventories and warehouse capabilities to enable rapid repairs after extreme weather disruptions.

- Testing innovative water recycling solutions at solar farms prone to drought, replacing electrical components vulnerable to heat, elevating critical equipment above potential flood levels, and qualifying alternative suppliers to mitigate geographic supply chain concentration risks.

- Adding battery storage and tilting solar panels are other measures aimed at maintaining project efficiency as climate patterns shift.

NEC intends to fund these initiatives through:

- Reinvesting profits, allocating more capital expenditure towards technology improvements and ESG programs, utilizing fund commitments, and leveraging partnerships like the Eelpower joint venture.

NEC aims to manage climate-related risks and pursue opportunities by adapting its strategy and business model through targeted renewable energy investments, efficiency improvement measures, supply chain mitigation efforts, and financial and organizational resources allocation.

3.3. Transition policies across jurisdictions

The transition risks and opportunities driven by climate policies across the jurisdictions covered have implications for the solar and storage assets held by NEC funds. As a leading investor in solar energy infrastructure, both the downside risks and upside potential impact NEC's ability to operate and expand its renewable energy portfolio over time.

Each jurisdiction's most impactful policies have been identified, researched, and evaluated against five key criteria. Scores for each policy in each country have been developed, and the results are displayed below. Policy is evaluated using the following criteria:

- Stringency:

The degree to which a policy is demanding or ambitious in terms of establishing specified objectives and goals to promote progress on an issue.

- Enforceability:

The strength of compliance procedures, financial sources, and legislation required to enforce solar-related provisions and assure policy implementation.

- Comprehensiveness:

The extent to which the policy targets major hurdles, incentivizes all stages of solar project development, integrates solar into the power system, and makes incentives widely available.

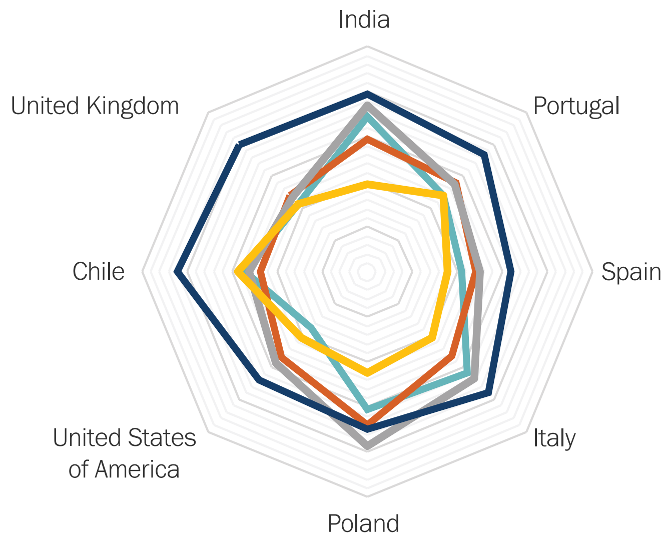
- Adaptability:

This refers to how well the policy is constructed to adapt changes over time through built-in policy evaluations, flexible targets, and procedures to promote continual improvement as situations change.

- Impact:

This refers to how directly the policy generates measurable growth in solar energy generation and uptake if properly implemented and enforced.

Policy assessment by jurisdiction



A separate policy assessment was conducted based on an internal desk research review of available solar power market data, news sources, and regulatory information for each jurisdiction. The five evaluation criteria were analyzed across the selected geographies to allow for market comparisons. The chart depicts the distribution of outcomes across the five criteria. India and Poland are standout performers in all categories. The findings reflect the maturity of solar development in various jurisdictions. The UK market has progressed beyond subsidized solar to viable development without subsidies; as a result, regulatory involvement is no longer required, which explains some of the UK's lower rankings. In contrast, authorities looking to encourage solar growth have more targeted regulations in place.

Overall, the climate-related transition risks and opportunities driven by policies across jurisdictions have direct implications on NEC's solar energy infrastructure investments and operations in these countries. While the policies largely incentivize NEC's existing assets, challenges remain in fully transitioning broader systems that NEC's assets depends on. Alongside policy and legal transition risks, NEC faces additional technology, market, and reputational transition factors with associated risks and opportunities. The table below outlines the key risks arising from each transition element, as well as related opportunities NEC can potentially leverage through strategic management.

*This assessment was based on an internal desk research review of available solar power market data, news sources, and regulatory information for each jurisdiction. The five evaluation criteria were analyzed across the selected geographies to allow for market comparisons.

Type	Risks	Opportunities
Technology	Solar PV technology deployed on older projects has a degree of uncertainty around levels of degradation towards the end of their useful life. This is because there are no/few examples of this technology that has been deployed for 30+ years. Available data enables the modelling of production and this is refined periodically but the risk related to this unkown performance remains.	Adopting advancements like solar tracking, bifacial panels, and automated control systems can increase energy yields and reduce operating costs to improve project economics. New storage solutions alongside solar enable additional revenue streams from capacity services while creating opportunities to shift power generation. Upgrading to high-performance components boosts outputs from existing assets. Most importantly, through R&D partnerships and piloting cutting-edge technologies, NEC can cement itself as an innovation leader able to commercialize advances ahead of competitors.
Market	Climate change can significantly alter energy market dynamics, creating transition risks as demand shifts occur. Falling renewable energy costs and rising carbon pricing are increasing solar's competitiveness versus fossil fuels. This market shift towards clean power creates uncertainty on the timing and location of new solar energy demand growth. If demand rises slower than expected or favors markets where NEC lacks project pipelines, it may miss growth opportunities. Additionally, policy impacts on energy supply and demand remain an unpredictable factor that could disrupt NEC's solar expansion if market shifts do not match its project investments.	Growing solar competitiveness from technology advances and carbon pricing is expanding NEC's addressable market. Strategically targeting regions with strong projected solar demand growth, through mechanisms like partnerships with local players, helps align investments with market transitions and mitigate risks. NEC could also leverage opportunities around entering growing markets early, offering new ancillary grid services, and participating in decentralized clean energy trading platforms. Continuous monitoring of policy impacts across key markets enables NEC to adapt and capture additional upside as the energy transition accelerates. By anticipating market shifts and positioning itself where solar demand is poised to surge, NEC aims to mitigate risks and maximize the opportunities presented by climate change-driven disruptions to global energy markets.
Reputational	NEC faces reputational risks as stakeholder expectations evolve around corporate climate action and renewable energy development. As climate change impacts intensify, customers, communities, and regulators may judge companies more critically on their sustainability practices and contributions to the low-carbon transition. If NEC fails to implement robust climate policies, responsibly manage land use and community impacts, address supply chain risks, and communicate transparently, it risks damaging its reputation. This could negatively affect relations with local partners, governments, and the public in project sites.	Pioneering innovations, exceeding standards, implementing nature-positive solar farms, contributing to broader climate goals and operate a just and inclusive transition with communities and contractors, NEC can enhance its reputation as an ESG leader in renewable investment. Proactively engaging stakeholders, pursuing certifications, and reporting on sustainability initiatives allows NEC to demonstrate its commitment to ethical, sustainable solar investment. Managing contributions to climate progress, sustainable development, and a just transition for people is crucial for NEC to uphold its reputation with partners and stakeholders.

3.4. Scenario Analysis

NEC conducted a climate-related scenario analysis during the recent reporting period to assess risks across its portfolio. The analysis utilized the IPCC's Shared Socioeconomic Pathways (SSP) which encompass a range of potential climate futures based on different trajectories.

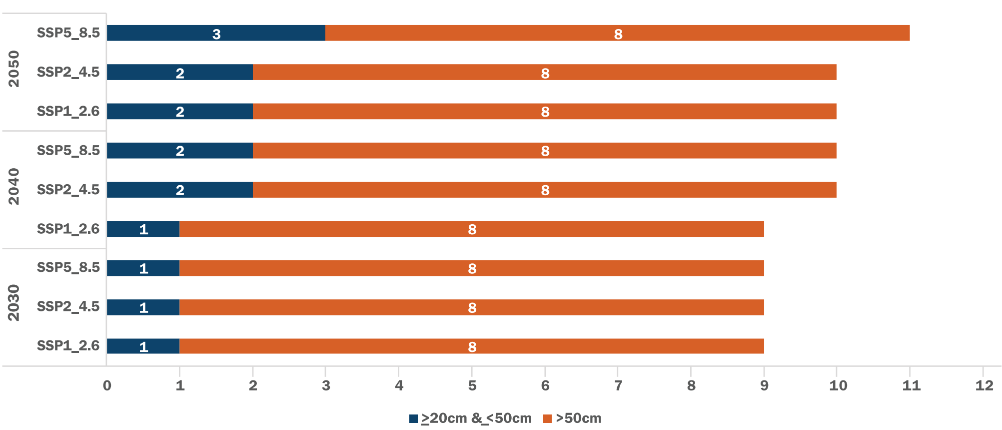
The scenario analysis was comprehensive in scope, covering the fund's portfolio of renewable energy assets across various geographies including the United Kingdom, Central and Southern Europe, the United States, and other locations. The analysis examined climate impacts over the short, medium- and long-term time horizons, enabling the evaluation of risks over the lifetime of assets, which is especially important given the 25+ year operating life of renewable projects. Conducting a periodic scenario analysis as part of climate reporting facilitates risk assessment based on the latest climate science projections and NEC's evolving renewable energy asset portfolio. Specifically, NEC evaluated how temperature change could impact the funds' assets over three-time horizons; 2030, 2040, and 2050; and across three different scenarios, SSP1_2.6, SSP2_4.5, and SSP5_8.5. The range of scenarios were analyzed reflecting on different global warming pathways, from an optimistic rapid decarbonization case to a pessimistic high emission scenario. In addition to the previous aspects, the flood risk assessment reflects on the exposure of assets to different flood types under a defended and undefended scenario. It considers the portfolios exposure to pluvial, fluvial, and coastal sources of flooding, as well as the likely impact these flood types would have on the portfolio in the event a defense infrastructure is present or not. For further elaboration, refer to the Tables shown below.

This analysis reflects on the total number of assets that are at risk of flooding, under a Climate Scenario SSP1_2.6 in the near term (2030). It highlights the number of assets that have a 10% chance of being at risk of flooding with depth ranges that are greater than 20cm and 50cm. The analysis highlights the Maximum Depth, reflecting the most severe flooding that could occur, and the Mean Depth, representing the broad impacts expected from flooding across a large area.

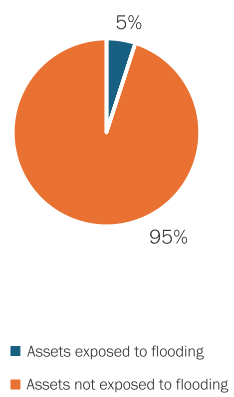
Cimate Scenarios	Description
SSP1-2.6	Net zero emissions after 2050. Temperatures stabilize around 1.8C above pre-industrial levels by 2100.
SSP2-4.5	Emissions decrease but do not reach net zero by 2100. Temperatures rise 2.7C above pre-industrial levels by 2100.
SSP5-8.5	Represents an unchecked fossil-fuel driven future. CO2 emissions double by 2050 leading to 4.4C temperature rise by 2100.

Flood Type	Description
Pluvial Flooding	Flooding that occurs when heavy rainfall overwhelms drainage systems and the ground's absorption capacity, creating surface flood conditions.
Fluvial Flooding	Flooding that occurs when excessive rain or snowmelt causes a river or stream to overflow its banks.
Coastal Flooding	Flooding that occurs because of strong windstorms that push seawater onto the land or tsunamis.

Number of Assets Exposed to Flooding with 10% Chance of Occurrence - Maximum Depth



Assets exposed to Flooding (%)



The bar chart above represent the number of assets exposed to flooding for flood depths greater than or equal to 20 and 50cm across the three climate scenarios and time horizons. In addition, the flood data retrieved from the fathom database and assessed across the three scenarios and time frames indicates that the vast majority of the portfolio, as highlighted in the pie chart, does not experience any flooding. In practice, the sites are resilient to a flash flood since the panels are mounted with clearance to the ground. Site access may be disrupted but, in a flood, this is often short-term in nature, and access is usually regained within a few days for any necessary repairs. However, floods above the 50cm depth can cause significant damage.

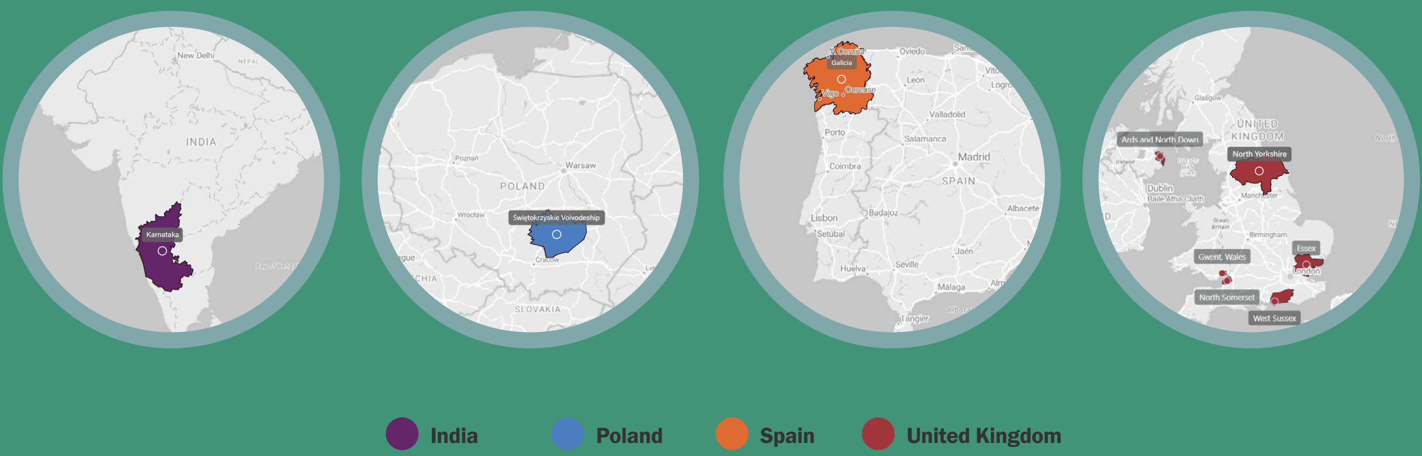
When assessing the Maximum Depth, the analysis identified a 10% chance of 8 assets having a flood risk of more than 50cm depth by 2030, 2040 and 2050 across all scenarios. When examined closely, assets exposed to this flood risk remained consistent across the scenarios and timeframes. For the flooding to occur, the actual scenario must come to pass. There are no commonly agreed probabilities for these scenarios, but it does mean that the absolute probability of the flood event is scenario x flood, which will be less than 10%.

The nature of flooding for the eight assets is split between fluvial and coastal in an undefended scenario. Should these scenarios play out then there is a reasonable likelihood of broader infrastructure investment from the public sector. In the meantime, a deeper analysis of these specific sites, the sources of potential flooding and any flood defence plans in place will be undertaken.

Furthermore, the whole portfolio was assessed for location-specific flood risk while considering pluvial, fluvial, and coastal sources of flooding. These were analyzed at one point in time, 2030, based on the most plausible near-term scenario, SSP1 2.6. Furthermore, the analysis differentiated between defended (site equipped with infrastructure against flooding) and undefended (site not equipped against flooding) sites, which will allow NEC to make more informed decisions based on the required enhacements needed in terms of infrastrcuture.

The analysis shows that many assets are prone to pluvial flooding. While the risk is moderate with flood depths between 20-50cm, the likelihood is low. For fluvial flooding, undefended assets face high risk of over 50cm flooding. With defenses, the likelihood becomes low but the risk of 20-50cm remains. Additionally, some coastal undefended assets have over 50cm flood risk, which infrastructure enhancements could mitigate. For sites with a low (2%) probability, insurance may be more cost-effective than infrastructure.

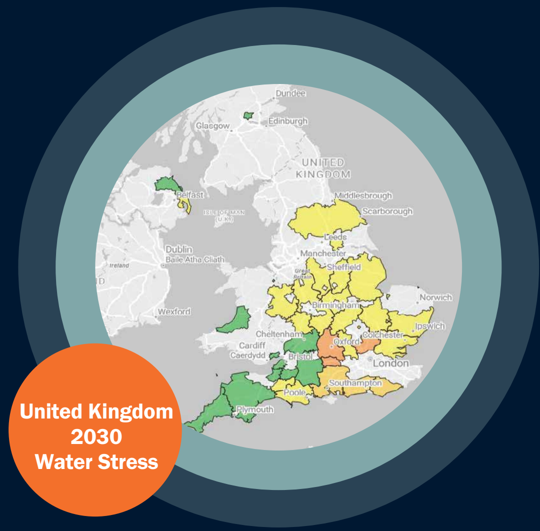
Global Impact - Flood Risk Under SSP1_2.6 in 2030 with 10% Chance of Occurrence - Maximum Depth

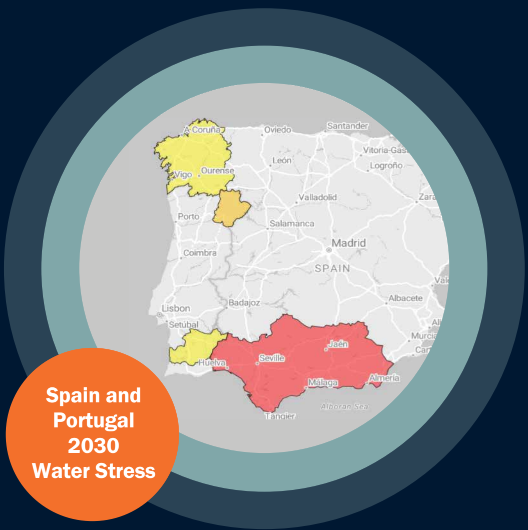


When examining the map shown above, it reflects on the number of assets with a 10% chance of being at risk of flooding under a SSP1_2.6 2030 climate scenario. When assessing the Maximum Depth, the number of assets presented coincide with the charts displayed previously, such that 9 assets are exposed to flood risk under SSP1_2.6 2030 climate scenario with a 10% chance of occurrence. The geographic dispersal of these assets means mitigation measures will vary based on costs and what is feasible in their location. However, when examining the country-level map charts, the United Kingdom reflects the highest number of assets exposed to flood risk of greater than 50cm under the SSP1_2.6 2030 climate scenario.

3.5. Water Stress

NEC's assets have a particular exposure to water stress because of climate factors, particularly increasing temperatures. The World Resource Institute's Aqueduct tool was used to forecast the change in water stress from a 2019 baseline year to 2030. Water stress was modelled based on three different scenarios (SSP1_2.6, SSP2_4.5, SSP5_8.5) however, the below results focus on the most plausible scenario (SSP 2.6). The tool uses actual data for the baseline year, and it was updated in 2021.





Extremely High (>80%) | High (40-80%) | Medium-high (20-40%) | Low-medium (10-20%) | Low (<10%)

The maps above show that by 2030 assets in southern Spain, Italy and central Poland might face an 80% increase in water stress. This directly impacts and makes the region more vulnerable to extreme events including flash floods from storms, earthquake vulnerabilities and socioeconomic impacts as labor moves away from the area. Portugal and the United Kingdom are less prone to water stress, however inland areas might face a moderate 40 to 60% increase in water stress.

Extremely High (>80%) | High (40-80%) | Medium-high (20-40%) | Low-medium (10-20%) | Low (<10%)

Most of the assets in the United States of America (except for New York State), Chile and India are prone to a very high risk of water stress, where an increase of 80% might be observed by 2030. This means that NEC's assets within these locations might face significant risks due to water scarcity. As water becomes more limited, solar facilities may face restrictions in using water for regular panel washing and equipment cooling. This can directly impact power generation and equipment maintenance.

More frequent cleaning (weekly or biweekly) might be essential to maintain optimal performance, especially in drier regions.

This would lead to higher operation and maintenance costs for water delivery and storage systems to ensure adequate supply. New expenses may include drilling wells, installing on-site desalination systems, building water storage tanks, and importing in water. Permitting and regulatory risks also increase as water districts limit allotments for solar operations during shortages.

During extreme droughts, solar facilities may be required to restrict water usage to comply with emergency cuts mandated across sectors. This directly impacts revenue. Lack of water for equipment cooling can also lead to overheating of critical components like inverters and transformers.

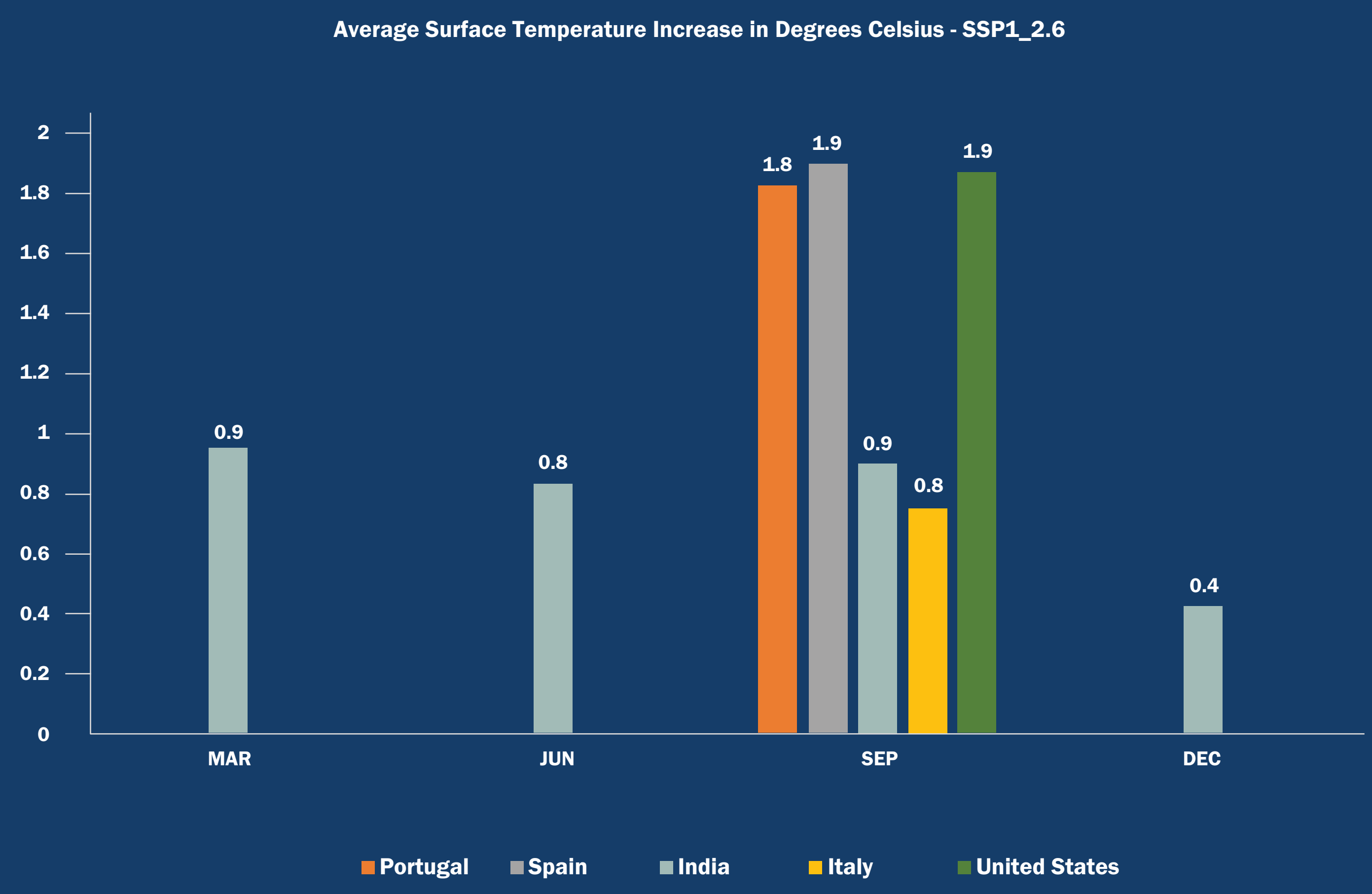
Proactive management of escalating water risks by improving water efficiency, utilizing dry-cleaning technology, recycling water on-site, and responsibly locating assets will be critical for NEC's plans to build sustainable and socially responsible renewable energy portfolios.

3.6. Heat Stress

Solar photovoltaic system performance exhibits reduced energy yield with increasing operating temperature. Elevated temperatures introduce thermal stress on vital system components including inverters and transformers, reducing their efficiency and detrimentally impacting overall energy yield. Panel technical specifications indicate a coefficient of -0.35% per °C power output reduction above 25°C temperature. The graph below highlights the percentage of power efficiency production decrease for every 1°C temperature increase above 25°C.

Elevated panel temperature introduces thermal stress that decreases conversion efficiency and overall productivity. Maintaining ideal irradiance and temperature conditions through proper system design mitigates these thermal inefficiencies and optimizes solar energy generation.

Global temperature is expected to keep on increasing with time. This will affect NEC's assets in terms of efficiency. The chart below highlights the average maximum surface temperature across all locations where NEC owns any assets. The average maximum surface temperature refers to the average of the annual highest daily temperature reached within a certain location over a certain period of time. The maximum daily temperature variable was selected in order to accurately characterize the heat stress impact on NEC's solar assets. Using the average maximum temperature provides a representative measure of daytime conditions when solar facilities are operating, as opposed to an avergae daily temperature whcih considers nighttime lows, and underestimats the peak temperatures experienced within a 24-hour period.



Solar assets across NEC's global portfolios, except for those in the UK, Poland and Chile, may suffer greater heat losses and reduced power generation efficiency due to temperature increase above 25°C. The remaining European and American sites are most vulnerable to heat stress during peak summer months from June to September. Indian assets experience heightened thermal stresses nearly year-round, with the brief exception of January and December. However, the moderate and stable climates of the UK, Poland and Chile offer resilient conditions for maintaining solar energy productivity.

With increasing future temperatures, NEC solar assets' productivity might decrease further, especially in the case of the sites already facing heat stress. The graph below shows the forecasted average air temperature for 2023-2030 based on the SSP1-2.6 scenario. In addition, the bar chart above highlights the anomalies (or temperature differences) between the projected period 2023-2030 and the baseline period 1991-2022 across all NEC's locations.

Overall, several countries may undergo a moderate decrease in electricity production in hotter months by 2030 relative to 2022 benchmarks, with the most significant impacts projected in Spain, Portugal, and Italy due to higher anomaly values.

However, proactive asset management by service providers will be key for NEC to maintain optimal energy generation if faced with increased temperatures. Regular maintenance activities like cleaning solar panels, inspecting electrical components, and monitoring equipment performance and efficiency will help catch issues before they worsen. Scheduled preventive maintenance based on operating hours can identify problems before they lead to breakdowns. Having relationships with suppliers to ensure availability of spare parts for prompt repairs when needed will minimize costly downtime.

With well-maintained assets, NEC will be in a good position to operate efficiently even with higher temperatures. While increased heat can degrade solar panel effectiveness and energy yields, keeping the equipment in optimal condition through cleaning, repairs, and monitoring can mitigate these impacts.

Proactive maintenance keeps assets running at high performance levels through their operational lifetime, despite rising temperatures. With robust management, NEC's assets can adapt to climatic changes and aim to maintain optimal solar electricity generation. The key will be monitoring for temperature-related degradation and conducting preventive maintenance to catch issues early.

3.7. Financial postion, Performance, and Cash Flows

Climate-related risks and opportunities are expected to have adverse and positive financial implications for NEC's funds over time. While financial reporting has not yet quantified the potential effects across different time horizons, the critical factors identified provide insight into likely impacts.

3.7.1. Current Financial Effects

Higher wholesale electricity prices during the reporting period, attributed partially to reduced Russian gas supply, likely contributed to increased revenues for NEC's funds. Although the shortage was not climate-related, this does demonstrate the potential for climate-related energy market shifts (when they do occur) to influence financial performance. In addition, favorable weather conditions and solar irradiation resulting from climate change factors have driven generation outperformance that positively impacted revenues.

On the cost side, physical climate impacts like extreme weather might lead to asset damage and lower generation in some cases. However, no major financial consequences were reported as the diversified portfolio provided resilience. Still, such physical risks may incur repair and maintenance costs going forward.

3.7.2. Anticipated Future Financial Effects

NEC’s funds can expect both risks and opportunities from climate-related factors. Growth opportunities exist from increasing clean energy demand as sectors like transport and heating transition from fossil fuels. This would benefit revenues. However, an increased share of subsidy-free solar assets exposed to wholesale power price volatility poses some uncertainty and risk.

Rising global temperatures could potentially reduce solar asset efficiency and generation, negatively affecting revenues. But technological improvements like solar panel tilting could help mitigate this risk. Elevated emissions scenarios may also drive-up insurance costs to cover higher physical climate risks.

On the opportunity side, factors like supportive carbon pricing and incentives may require upward asset revaluations as solar becomes more competitive. But supply chain disruptions from climate impacts could require write-downs for early component replacement.

Adaptation measures like flood defenses may also involve capital costs. NEC's hedging strategy provides some short-term revenue stability, but power price volatility exposure will increase over time.

Overall, NEC's funds face risks to revenues and asset values from both transition and physical climate impacts but also upside potential from clean energy demand growth. The diversified asset base provides some resilience, but proactive risk monitoring and mitigation strategies will be essential to manage both downside and upside implications on financial performance and position.

3.7.3. Resilience

Evaluating climate resilience requires NEC to assess key risks and uncertainties while also building adaptive capacity. There are some important implications for NEC's business model that require evaluation. These include potential infrastructure investments to maintain asset efficiency as temperatures rise, adjusting electricity sales strategies if policies drive greater renewable energy penetration, and diversifying supply chains to mitigate geographic climate impact risks.

In terms of uncertainties, NEC has examined the potential impacts of evolving government policies aimed at emissions reductions that could affect solar revenue streams. As noted above the possible financial effects and insured costs associated with increasing extreme weather events resulting from climate change are being assessed. The risk analysis is expected to quantify the potential impact of extreme weather on NEC's assets and revenue streams. Initial outcomes from this assessment will inform NEC's climate resilience planning and adaptation investments by 2030. Additionally, the global emissions pathway determining the severity of future physical climate impacts is a key uncertainty.

To enhance resilience and adapt over time, NEC may need financial flexibility to channel capital into asset upgrades, new mitigation/adaptation initiatives, and R&D. Operationally, enhancing assets by repowering sites can maintain project viability amidst climate shifts. Ongoing innovation investment is also crucial to thrive in the transitioning energy landscape.

By evaluating climate impact implications for its business model, assessing key uncertainties, and ensuring organizational agility, NEC can manage risks and pursue opportunities across a variety of future climate scenarios. Building resilience requires a comprehensive approach.

4. Risk Management

NEC has robust procedures to identify, assess, prioritize, and manage climate-related risks throughout its investments. The starting point is an initial ESG screening conducted by the ESG team on all assets to identify potential physical and climatic risks. Where risks are flagged during this screening, external ESG consultants are engaged to perform more in-depth climate risk assessments on the assets.

The ESG team and appointed consultants also conduct climate risk assessments aligned with various guidelines. This results in a climate risk rating system determining if additional third-party climate risk assessments should be commissioned post-acquisition for at-risk assets.

Pre- or post-acquisition, tailored action plans are created for assets to mitigate any specific climate risks identified. The ESG team then monitors the progress of implementing these action plans and reports on them during the ownership phase.

Some key parameters used in the climate risk identification process include screening each asset acquisition for acute physical risks like extreme weather events and chronic longer-term shifts in climate patterns. The ESG team thoroughly reviews documentation from sellers, consultants, and site visits to evaluate climate risks for each asset, highlighting any gaps compared to NEC's climate risk standards aligned with local ESG regulations and international standards like the Equator Principles and IFC Performance Standards. The objective is to identify any climate-related "red flags" pre-acquisition and ensure assets meet requirements throughout the investment cycle as part of NEC's ongoing ESG due diligence process.

At the portfolio level, the Asset Manager provides quarterly reports that track performance on critical climate indicators such as amount of greenhouse gas emissions across the portfolio. In addition, asset-specific action plans are monitored by the asset manager post-acquisition to ensure ongoing climate risk management.

Multiple roles oversee the integration of climate risk identification, assessment and management. This includes the CEO, Head of ESG, and Investment Committee. Importantly, climate-related risks are incorporated into NEC's overall risk register and governance.

4.1. Due Diligence

NEC conducts extensive due diligence on potential investments to identify and assess climate-related risks and opportunities. The exact due diligence scope is determined by investment type, location, project status, and potential risks identified during initial screening.

For renewable energy projects under development, due diligence evaluates whether required environmental permits and approvals have been obtained, and if environmental and social impact assessments meet standards like the Equator Principles and IFC Performance Standards. NEC reviews project counterparties' sustainability policies, ESG track records, and ability to meet NEC standards. Independent ESG consultants may be engaged to review counterparties' compliance, conduct climate risk assessments, and develop action plans to address gaps versus NEC policies.

For secondary market acquisitions, due diligence examines the asset's original planning permissions, confirms compliance with approval conditions, and evaluates whether additional climate adaptation steps are required. It assesses counterparty due diligence procedures on module, inverter, and battery suppliers to ensure responsible sourcing. Reviews are undertaken of whether sellers and targets have policies on human rights, environment, health, and safety, and if due diligence is performed across their supply chain.
NEC also performs financial, technical, and insurance due diligence from various risk perspectives to evaluate climate-related exposures. This includes assessing the potential environmental and community impacts of proposed renewable energy projects. It also involves integrating social and human rights compliance obligations into contracts with counterparties.

NEC’s investment team integrates due diligence findings into proposals presented to investment committees. This includes summarizing identified climate risks in a risk matrix and presenting risk mitigation strategies like action plans. The Head of ESG reviews due diligence results to confirm alignment with NEC’s climate policies and investment guidlines.

4.2. Climate-related scenario analysis

NEC has started utilizing climate-related scenario analysis to evaluate and understand potential climate risks.

Flood risk analysis has been conducted under different climate scenarios to identify which sites across the portfolio may be most vulnerable to flooding risks now and in the future. As mentioned earlier, the analysis considers various timelines up to 2050 and incorporates climate scenarios from the Intergovernmental Panel on Climate Change (IPCC), particularly SSP1 2.6, SSP2 4.5, and SSP5 8.5.

Mapping of water stress has also been done for timelines extending to 2030 using established IPCC climate scenarios. This assesses increasing water scarcity and impacts on solar assets located in hotter and drier regions like southern Italy.

A detailed analysis of the solar PV supply chain to assess climate-related physical risks has been undertaken in a separate study, and will be available in future reports. The scenario analysis is used to inform identification and prioritization of transition and physical climate risks across operations, supply chain, and financial planning. It provides data-driven projections of impacts under various potential climate scenarios, enabling development of robust adaptation strategies. While still maturing, NEC has completed initial assessments using climate-related scenario analysis. The findings from these assessments will be presented to the Group Risk Committee and discussed with NEIL to determine appropriate actions based on the projected climate impacts and risks.

4.3. Qualitative and Quantitative Assessment of Climate -Related Risks and Opportunities

NEC employs a combination of qualitative and quantitative methods to evaluate the nature, likelihood, and potential magnitude of climate-related risks and opportunities.

On the qualitative side, NEC has developed a climate risk rating system that provides assessment of primary transition risk. For physical risks both quantitative and qualitative assessment was done through detailed mapping previously explained.

Additionally, quantitative techniques are used to complement the qualitative assessments. Financial analysis assesses the impacts on costs, asset values, revenues and cash flows under a variety of simulated climate scenarios to the extent possible with the available information.

While both qualitative and quantitative methods are employed, NEC's risk assessment processes focus more holistically on in-depth qualitative analysis of the likelihood, nature and magnitude of climate-related risks based on granular, asset-specific reviews and scenarios. Quantitative assessment provides supplemental data-driven insights. The combination allows NEC to evaluate climate risks from both bottom-up asset-specific and top-down portfolio-wide perspectives.

NEC through its risk identification, assessment and management processes defined above has classified physical risks based on acute and chronic risks. The table below provides an overview of the risks.

Risk Classification	Type	Consequences
Acute Physical Risks	Increased severity and frequency of extreme weather events like floods, storms, heatwaves and fires. Supply chain disruptions from extreme weather events.	Severe weather events could result in lost revenues, increased repair costs, and health and safety incidents. In addition, fire risks could result in asset write-downs and lost revenues. Supply chain risks will potentially delay project implementation and in most cases lead to an increase in implementation cost.
Chronic Physical Risks:	Changes in precipitation patterns, solar irradiation, temperature, and water stress reduce efficiency and power generation over time. Water stress affects solar assets in southern Italy and India, increasing costs for panel cleaning. Rising temperatures reduce solar asset efficiency and output due to heat losses.	Climatic changes will result in lower revenues and increased operating costs. Particularly, water stress causes efficiency declines and reduced power output. In addition, increased temperature will lower revenue while requiring higher maintenance costs.

Furthermore, NEC, through its risk management process, identified several climate-related opportunities based on the climate-related scenario analysis. This analysis examined opportunities over the lifespan of the entity's renewable energy assets. The scenario analysis informs identification of opportunities like rising clean energy demand, increased solar irradiation, and growth from supportive net zero policies.

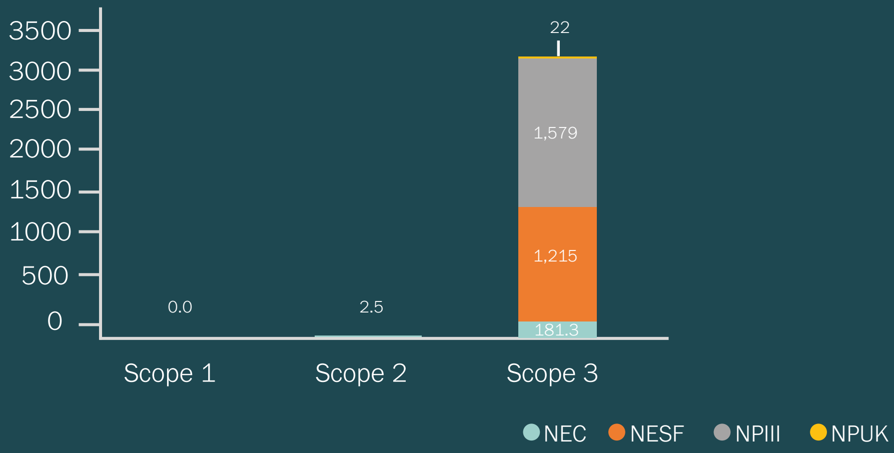
Moreover, the entity incorporates climate factors into strategic planning to pursue opportunities across business planning cycles. Examples of progress include developing storage projects, advancing construction plans, and expanding internationally to enhance geographic diversity.

Additionally, the entity evaluates implications for its business model to seize opportunities, such as infrastructure investments to maintain asset efficiency amid rising temperatures. Building adaptive capacity and flexibility into operations and finances is noted as crucial to capitalize on opportunities.

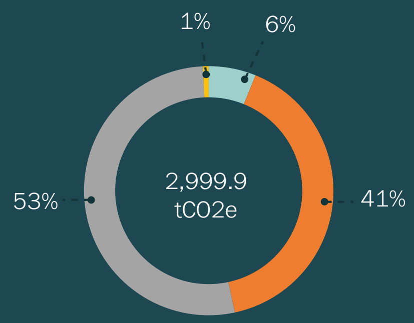
5. Metrics and Targets - For the year ending 31 December 2022

5.1. Highlights

Total Operating Emissions by Scope (tCO2e)

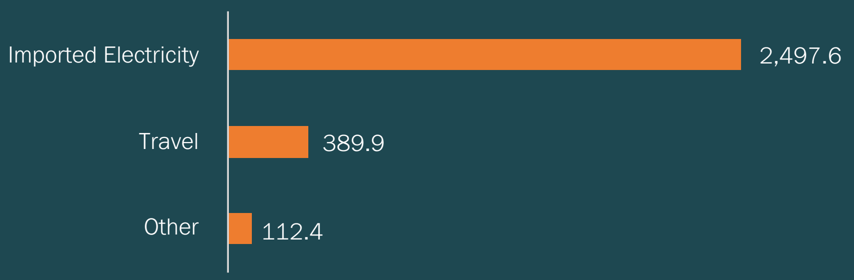


Operating Emissions by Entity (tCO2e)

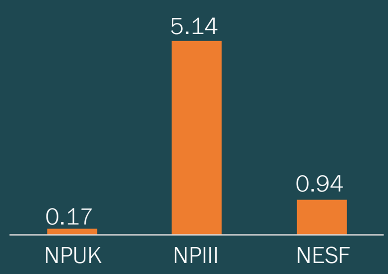


*Emissions do not include assets constructed in this reporting period which would increase scope 3 significantly. NEC is planning to report full scope 3 emissions starting next reporting cycle.

Operating Emissions by Activity (tCO2e)



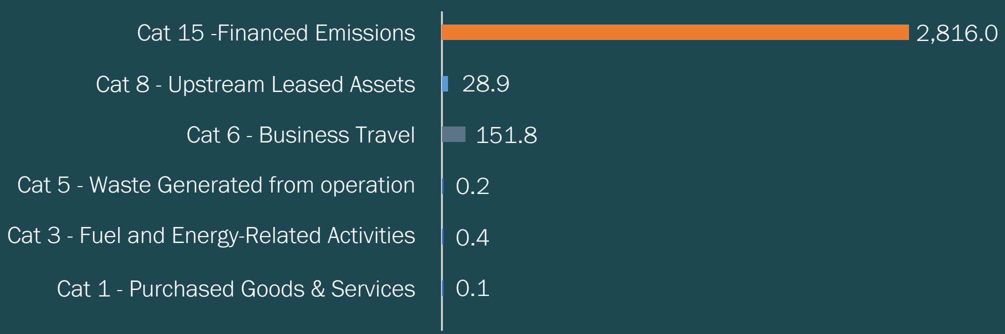
Carbon Footprint (tCO2e per €M)



*Emissions do not include assets constructed in this reporting period which would increase scope 3 significantly. NEC is planning to report full scope 3 emissions starting next reporting cycle.

*Carbon footprint calculated as annual tCO2e emissions divided by €M of investee company. This intensity metric enables comparison across funds of differing asset sizes. Emissions vary based on each fund's activities - for example, NPIII assets consume more grid electricity leading to higher indirect emissions.

Analysis of Scope 3 Operating Emissions (tCO2e)



*GHG intensity calculated as annual portfolio tCO2e emissions divided by €M fund revenue. This intensity ratio enables standardized comparison of GHG emissions across funds with differing revenues. It helps understand how efficiently climate emissions are managed relative to financial returns.

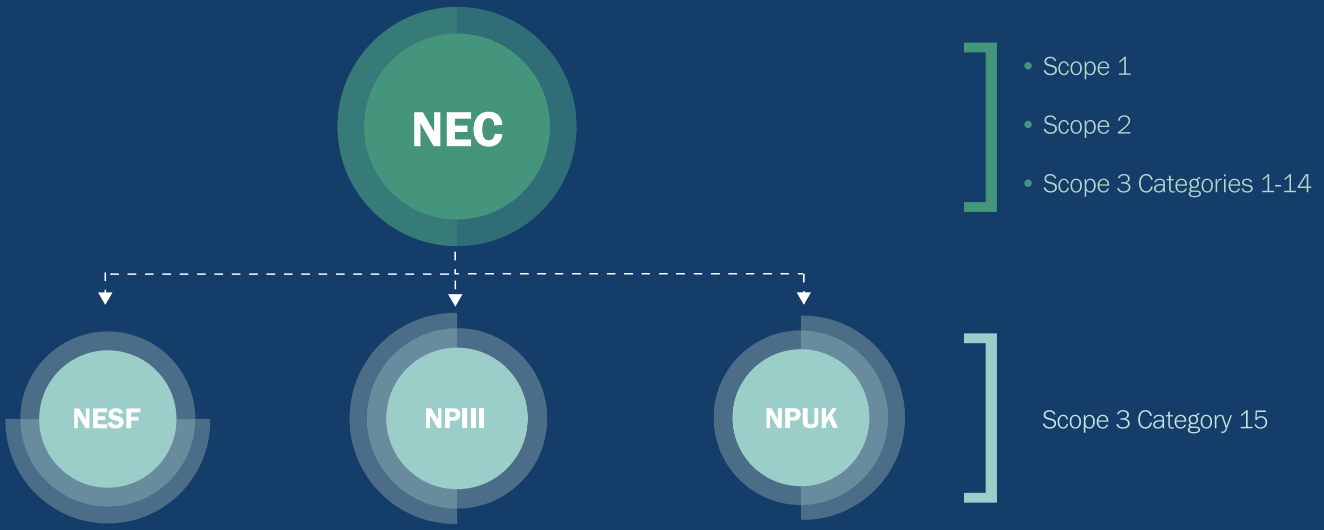
5.2. Metrics

NEC discloses a range of climate-related metrics and targets to track and drive performance on sustainability issues material to its business model and strategy. This includes emission quantification, operational impacts, and target setting.

NEC quantifies and reports absolute GHG emissions annually for both its own corporate office operations and investment funds. In the current reporting period this does not include construction activities and related embodied emissions due to data limitations which are being addressed for future reporting periods.

- Scope 1: Direct greenhouse gas emissions from sources owned or controlled by a company.
- Scope 2: Indirect emissions associated with purchased electricity, steam, heating, and cooling used in the company's operations.
- Scope 3: All other indirect emissions occurring from sources not owned or directly controlled by the company but related to company operations.

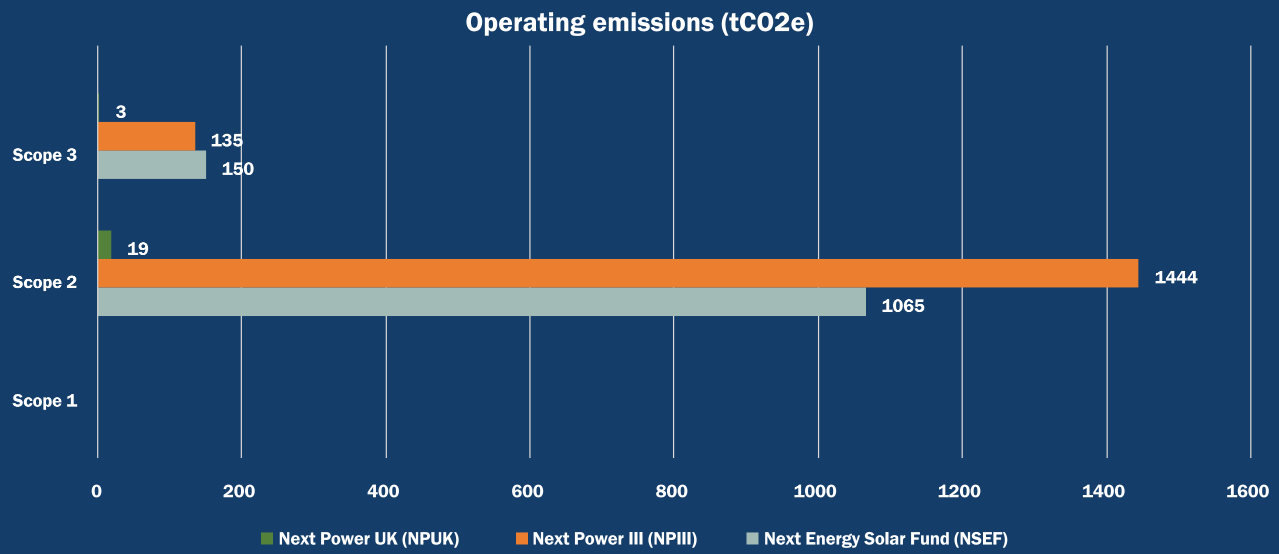
For the current period, NEC reports on scopes 1, 2 and Categories 1-14 of Scope 3 relate to the NEC corporate emissions (primarily office operations and business travel). The most significant emissions relate to Scope 3 Category 15 – Financed Emissions. Under the GHG Protocol NEC is required to account for these emissions due to services provided to the fund clients under the definition of 'managed investments and client services'.



NEC's corporate greenhouse gas emissions primarily originate from Scope 3 sources, with business travel activities accounting for the majority share. The remainder of NEC's Scope 3 emissions result from leased assets, waste generation, fuel and energy related activities, and purchased goods and services. By contrast, Scope 2 emissions linked to purchased electricity are minor for NEC:

Scope 3 Category 15 emissions predominantly stem from the activities of NEC's three investment funds: NextEnergy Solar Fund, NextPower III, and NextPower UK. By financing and overseeing renewable energy projects, these funds indirectly contribute to NEC's value chain emissions.

The chart below presents the Scope 3 Category 15 emissions on a look-through basis (i.e. the Scopes 1-3 of the funds that become Scope 3 Category 1 of NEC).



*Emissions do not include assets constructed in this reporting period which would increase scope 3 significantly. NEC is planning to report full scope 3 emissions starting next reporting cycle.

NEC's Funds total GHG emissions are equal to 2,816 tCO2e, among which 0 tCO2e from scope 1 activities, 2,528 tCO2e from scope 2 activities and 288 tCO2e from scope 3 activities. Most of the emissions are related to scope 2 imported electricity. The sites import electricity for operational activities (CCTV, monitoring equipment etc). The Company is actively exploring opportunities to source renewable energy to reduce these emissions. Scope 3 activities relate to outsourced arrangements with operations and maintenance contractors (service visits etc). NEC does not have any scope 1 emissions because the funds own special purpose vehicles that in turn own solar photovoltaic projects. In addition, construction and operations are outsourced to third-party contractors and the funds do not directly control any processes that would generate scope 1 emissions. In addition, construction and operations are outsourced to third-party contractors and the funds do not directly control any processes that would generate scope 1 emissions.

The GHG Protocol methodology and UK-specific DEFRA emissions factors are used to calculate emissions based on electricity and fuel consumption data from suppliers. Significant estimates were required for certain principal adverse impact calculations in this first reporting period, as expected. Robust and defensible estimation methodologies were applied that can withstand scrutiny. The three most material estimates are summarized below along with key inputs, assumptions, and confidence ratings.

For emissions from imported electricity, meter readings were obtained for all sites. Where available, the energy mix and percentage of renewables were utilized from suppliers. Otherwise, standard grid emission factors were applied. UK DEFRA emissions factors were used for consumed electricity. There is high confidence in this estimation methodology given the actual meter data and standard emission factors applied. For emissions from fuel use, distances traveled were estimated based on contractor location when not provided. The number of visits was extrapolated from known data. There is moderate confidence in this estimation methodology due to the need for distance and visit extrapolations.

For water usage, some supplier data was provided. Liters were calculated per MW capacity. Water use differs significantly by geography. There is moderate confidence in this estimation methodology given the geographic variability necessitating extrapolations.

While estimates were material, methodologies applied were appropriately conservative. As data quality and availability improve over time, reliance on estimates will diminish.

In addition to emissions, NEC tracks industry-specific operational sustainability metrics relevant to its solar investments. The table below is a representation of these metrics for NESF, NPIII, and NPUK:

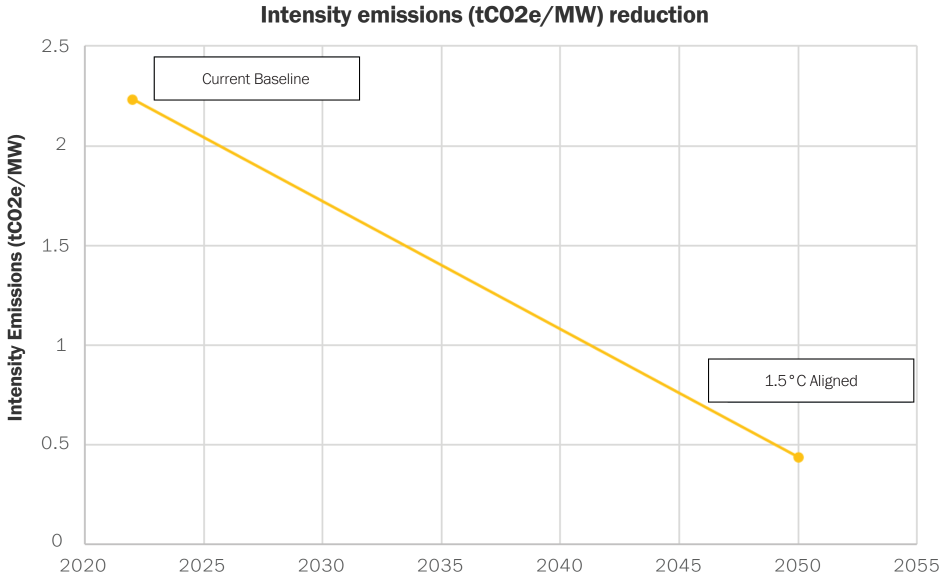
Metrics	NESF	NPIII	NPUK
Non-renewable energy share	0.3%	0.4%	0.5%
Cubic meters of water consumption per €1 million revenue	84.5	352	61
Carbon Footprint (tCO2e per €1 million investee company)	0.94	5.14	0.17
GHG intensity (tCO2e per €1 million Revenue)	7.34	29.30	17
Board Gender Diversity	46%	6%	50%

In addition, other key metrics were analyzed across the funds that yielded values of 0. For NESF, NPIII, and NPUK, these metrics included rate of accidents, number of days lost, investments without workplace accident prevention policies, lack of supplier codes of conduct, exposure to fossil fuel companies, energy consumption intensity per high impact climate sector, activities negatively affecting biodiversity, emissions to water, hazardous waste ratio, water recycled, violations of UNGC principles, lack of processes to monitor UNGC compliance, and exposure to controversial weapons. Assessing these metrics, provides NEC visibility into areas of strong performance across health and safety, human rights, and governance.

5.3. Targets

As a leading operator of solar assets, NEC is considering defining a quantitative target around expanding its solar energy generation capacity to align with climate goals. NEC across its funds is evaluating potential science-based emissions reduction targets through the Science Based Targets initiative to further its climate mitigation strategy. Science-based target setting will help ensure NEC's climate mitigation efforts are consistent with the pace of decarbonization required to meet the goals of the Paris Agreement. To set an SBTi, NEC is developing a detailed Net Zero strategy and transition plan to understand the impact to its business model.

As part of NEC's climate mitigation strategy, initial analytical work has been undertaken to evaluate potential greenhouse gas emissions reduction pathways across the Fund's portfolios. Baseline emissions intensity was established for each fund in units of tonnes of CO2 equivalent per megawatt capacity (tCO2e/MW). Scenario modeling (based on the Science-Based Target Temperature Modeling Tool) was then conducted to project decreasing emissions trajectories aligned with limiting global temperature rise to 1.5°C, as targeted by the Paris Agreement. Evaluating science-based intensity pathways ultimately aids NEC's overarching mission to accelerate the renewable energy transition through its investments.



This foundational analysis involved determining the current portfolio emissions intensity of 2.23 tCO2e/MW across all funds and projecting intensity reductions required by 2050. This analytical work provides an important baseline methodology and scientific foundation to inform NEC's future emissions mitigation efforts. As the Fund continues developing its decarbonization strategy, this analysis supports potential alignment with climate goals after further research and appropriate processes.

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