NEXT ENERGY CAPITAL

NEXT IS NOW®

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

for the year ended 31 December 2023

Contents

TERRA INSTINCT

Introduction

NextEnergy Capital ('NEC' or the 'Company') is on a mission to generate a more sustainable future by leading the transition to clean energy. Sustainability disclosures are essential to facilitate the growth of sustainable investments and the pursuit of a more rapid transition to clean energy. We recognise this, and are pleased to present NextEnergy Capital's 2023 Task Force on Climate-related Financial Disclosures ('TCFD') Report, which is aligned with the International Sustainability Standards Board ('ISSB') S2 – Climate-related Disclosures. These reporting frameworks are designed to provide stakeholders with consistent, comparable, and reliable information on the potential financial impacts of climate-related risks and opportunities on our business.

What are TCFD and ISSB?

The TCFD was established by the Financial Stability Board in 2017 to provide guidelines for companies to disclose the financial risks and opportunities related to climate change. These disclosures focus on four key areas: governance, strategy, risk management, and metrics and targets. In 2023, the TCFD was disbanded and superseded by the ISSB S2, under the auspices of the International Financial Reporting Standards ('IFRS') Foundation. The ISSB sets global sustainability reporting standards, including disclosures related to Environmental, Social, and Governance ('ESG') issues. Both the TCFD and ISSB S2 frameworks are designed to help investors, regulators, and other stakeholders assess the long-term sustainability and resilience of companies in the face of climate-related challenges.

NEC's Climate Ambition

Climate change poses both physical and transitional risks to countries, communities, businesses and individuals alike. It is a primary driver of nature loss, with implications for geopolitics, social cohesion and economies. It is only by recognising these interdependencies that we can achieve the more prosperous future for people and nature envisioned by the UN 2030 Agenda for Sustainable Development.

NEC's core business activities are focused on generating climate-related positive impacts through the avoidance of carbon emissions. We understand the need for more detailed, standardised and decision-useful information on climate-related risks and opportunities to achieve the 1.5 °C warming goal of the Paris Agreement. By adopting TCFD and ISSB S2 reporting standards, we are proactively demonstrating our commitment to transparency, risk management, and value creation to pursue a more prosperous future for people and nature. These disclosures help us to better assess and manage climate-related risks, identify new opportunities, and ultimately enhance stakeholder confidence in NEC's commitment to balance long-term risk-adjusted financial returns with long-lasting value creation for a more sustainable future.

We hope you will find NextEnergy Capital's 2023 TCFD-ISSB Report informative. We will continue to build on our approach to climate-related risk management and opportunity identification to lead the clean energy transition in a way which generates prosperity for our business, our investors, and the communities in which we operate.

Governance

NextEnergy Capital, operating within NextEnergy Group (the 'Group'), is an Investment Advisor for Solar and related Infrastructure (e.g. Battery storage) funds with $2.41bn of Assets Under Management ('AUM'). The Group has established a comprehensive and integrated governance structure that cascades down to NEC, with clear roles and responsibilities to oversee and manage climate-related risks and opportunities. The Group's Head of ESG, who sits on both the Group Risk Committee and NEC's Investment Committee, ensures effective implementation of climate governance across the organisation. NEC manages a number of private funds and one listed fund, leveraging the Group's ESG expertise and governance framework.

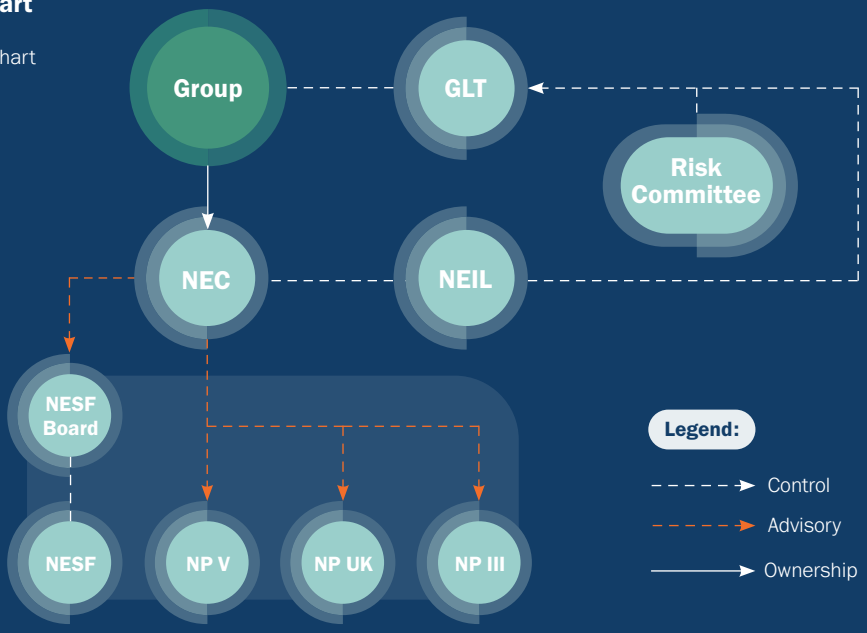
NEC's Climate Governance Structure

NEC's climate approach is governed by the NextEnergy Investment Leadership ('NEIL') team. NEIL comprises high-profile professionals with deep expertise in energy, finance, and sustainability. This ensures NEIL has the right capabilities to effectively guide NEC's climate strategy, risk management, and disclosures.

NEIL reports into the NextEnergy Group Leadership Team ('GLT'), led by the Chief Executive Officer ('CEO') and the Chief Investment Officer ('CIO'), who together oversee the implementation of the climate agenda. Through the CIO's position on GLT and the Head of ESG's participation in the Group Risk Committee, climate-related risks and opportunities are managed at the highest level. NextEnergy Group has a dedicated ESG team headed by the Head of ESG, who reports to the CEO. The Head of ESG is tasked with implementing the Group's Sustainability Framework across the organisation, including its Sustainable Investment Policy at NEC level, and maintaining best practices for climate risk and opportunity management. Their responsibilities include providing climate expertise for investments, overseeing climate risk processes, producing disclosures, and engaging with industry groups.

Governance Structure Chart

Figure 1: Governance Structure Chart



* Private funds as at 31 December 2023 are NextPower III ("NPIII"), NextPower UK ("NPUK") and NextPower V ("NPV")
** NextEnergy Solar Fund ("NESF") is listed on the London stock exchange

Key Climate Leaders

Giulia Guidi
Head of ESG / NextEnergy Group

Giulia has more than 25 years' experience in ESG and Sustainable Finance. She oversees the implementation of the Group's Sustainability Strategy and its integration across the business.

David Hawkins
Climate Lead / NextEnergy Group

David has 13 years of expertise in ESG risk management and he oversees the development and implementation of the Group's Climate Transition and Net Zero Plan.

NEIL's Climate Oversight

NEC's climate governance, overseen by NextEnergy Group, is operated through NEIL. It is the responsibility of the Head of ESG, a NEIL member, to ensure:

- It reviews the climate risks and opportunities as noted throughout the Strategy and Risk Management sections of this report. These are identified by the ESG Team through due diligence during transactions, ongoing asset under management, climate risk assessments, and TCFD/ISSB level reviews and reporting. The findings are reviewed by the Head of ESG and discussed with the NEIL team. Based on this information, NEIL weighs trade-offs and provides guidance on how climate factors should influence NEC's strategy and investment decisions. NEIL considers climate risks and opportunities 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-financial impacts to evaluate trade-offs, with support from the ESG team.
- It 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.
- It monitors progress towards climate-related targets and alignment of incentive structures to promote sound climate risk management across the organisation. 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.
- It 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.

Head of ESG Department and Responsibilities

The Head of ESG also leads NEC's dedicated ESG team, which executes the firm's climate policies and strategy on a day-to-day basis. Key responsibilities include:

- Implementing the Sustainability Framework that covers climate change and defines NEC's approach to managing climate-related risks and opportunities. The Head of ESG and the ESG team are responsible for rolling out and upholding the Sustainability Framework across NEC's activities.
- Providing climate expertise during investment due diligence, including conducting climate risk assessments and making recommendations to the Investment Committee on how to address climate factors in deal evaluation and structuring. The Head of ESG collaborates closely with the investment team on these climate-related reviews.
- Overseeing processes for climate risk identification, assessment, mitigation, and reporting across NEC's investment portfolio. This includes working with the portfolio management team and asset manager to monitor climate factors at the asset level. The ESG team institutes processes to continually identify, analyse, mitigate and report on climate risks, and track relevant key performance indicators ('KPIs').
- Producing climate-related disclosures such as the TCFD and ISSB S2 reports and impact reports. The Head of ESG oversees the development and publication of these climate disclosures.
- Participating in ESG-focused industry groups like the Principles for Responsible Investment ('PRI'), which have a strong emphasis on climate issues, to stay abreast of best practices that NEC can implement. The Head of ESG leads NEC's engagement with these industry initiatives.

Cross-Departmental Collaboration

The ESG team collaborates across departments, including investment, construction and procurement team, portfolio management, and fund management teams, to ensure effective governance and risk management related to climate factors. The ESG team works closely with these teams to integrate climate considerations throughout NEC's operations.

Climate-Related Risks and Opportunities

Operational assets:

NEC has undertaken comprehensive physical and transition climate risk assessments across its operational asset portfolio as of 31 December 2023. The results of these climate risk analyses are then integrated into NEC's overall enterprise risk management framework to inform risk mitigation strategies and guide investment decision-making. The details of these climate risk assessments and their implications are outlined further in the Strategy section of this report.

Supply Chain:

During the reporting period, NEC conducted an in-depth study to assess the climate-related risks and greenhouse gas ('GHG') emissions profile of its solar PV and battery storage supply chains. The findings from this supply chain climate assessment have directly informed NEC's climate strategy, as the firm works to enhance the resilience and sustainability of its sourcing activities. The supply chain analysis and its strategic implications are discussed in greater detail in subsequent sections of this report.

Strategy

NEC has carefully analysed the climate-related risks and opportunities that could reasonably affect its operational renewable energy assets and supply chain across different time horizons.

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. The time horizons defined by NEC are presented in the table below. 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 decarbonisation.

Table 1: The different time horizons defined by NEC

Period	Time Horizon
Short-term	Less than 5 years
Medium-term	Between 5 and 10 years
Long-term	Greater than 10 years

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 and cause global shortages and price hikes. Drought poses a particular threat, as it can force suppliers to adopt more energy-intensive manufacturing processes, significantly increasing their carbon footprint. For instance, water scarcity may necessitate energy-intensive desalination for production, leading to higher emissions. This could result in increased carbon taxes and strain net zero ambitions, potentially restricting 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 decarbonisation 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.

Short (0-5 years)

Table 2: Short-term climate-related risks and opportunities

Risks	Opportunities
Physical Risks **Operational:** • Extreme weather events: Heatwaves, storms, hail, high winds, and flooding can cause immediate damage to solar panels and infrastructure, leading to reduced power generation and increased maintenance costs. • Dust and soiling: Drought conditions and dust storms can lead to increased accumulation of dust on solar panels, reducing their efficiency in the short term. • Wildfire risks: In countries like the USA, Chile, Italy, and Portugal, the increasing frequency and intensity of wildfires pose immediate risks to solar assets, causing damage and reduced output due to smoke and ash. **Supply Chain:** • Mining disruptions: Extreme weather events, such as heavy rainfall, flooding, or heatwaves, can cause temporary disruptions to mining operations for raw materials like silicon, silver, and copper. • Manufacturing delays: Severe weather conditions can lead to short-term production delays and reduced output at solar PV manufacturing facilities. • Shipping and logistics challenges: Extreme weather events can disrupt shipping routes and cause delays in the delivery of solar PV components and equipment to project sites. **Transition Risks** **Operational:** • Policy changes: Uncertainty around incentive programs, tax incentives, and regulatory shifts in each jurisdiction could impact the short-term profitability of solar PV assets (e.g The EU SFDR, the UK Emissions Trading Scheme (ETS) etc.). • Market fluctuations: Short-term volatility in energy markets, driven by economic conditions or geopolitical events, can affect solar PV project revenues. • Technological competition: Rapid development of alternative renewable energy technologies may impact the short-term competitiveness of solar PV in some markets. **Supply Chain:** • Policy uncertainties: Rapid changes in government policies, such as shifts in import tariffs, local content requirements, or environmental regulations, can disrupt the solar PV supply chain and increase costs in the short term. • Market demand fluctuations: Sudden changes in market demand, driven by factors such as policy changes, economic conditions, or competing technologies, can create short-term supply chain imbalances and price volatility. • Geopolitical tensions: Escalating trade disputes or geopolitical tensions between major solar PV manufacturing countries can disrupt the flow of raw materials, components, and finished products in the short term.	**Physical Opportunities** **Operational:** • Increased demand for renewable energy: Growing public and private sector commitments to decarbonisation can drive up demand for existing solar PV assets, leading to higher energy sales and potential valuation premiums. • Access to green finance: The expansion of sustainable finance initiatives and green bonds can provide favourable financing conditions for operational solar PV assets, enabling refinancing or additional investments in efficiency improvements. **Supply Chain:** • Expansion of production capacity: The surge in demand for solar PV can create opportunities to expand manufacturing and supply chain capacity, which in turn can drive down the overall cost per unit. • Strategic partnerships and vertical integration: Forming strategic partnerships with key suppliers to secure access to critical materials, components, and distribution channels, enhancing competitive position.

• Missed net zero targets: If governments and industries fail to meet emissions reduction goals, it could lead to more strict policy interventions down the line, further disrupting NEC's supply chains and increasing transition risks and potential exposure to considerations such as carbon taxes.	

Medium (5-10 years)

Table 3: Medium-term climate-related risks and opportunities

Risks	Opportunities
Physical Risks **Operational:** • Accelerated degradation: Prolonged exposure to higher temperatures and humidity levels can accelerate the degradation of solar panels and electrical components, reducing their lifespan and performance over the medium term. • Policy and regulatory changes: Shifts in government policies and regulations related to climate change mitigation and adaptation could impact the operation and profitability of solar assets within the next 5 to 10 years. • Supply chain disruptions: As extreme weather events and climate-related disasters become more frequent, supply chain disruptions for solar components, spare parts, and maintenance services may become more common in the medium term. **Supply Chain:** • Resource availability: As the frequency and severity of extreme weather events increase over the medium term, the availability and cost of raw materials for solar PV manufacturing may be impacted. • Supply chain adaptations: Companies may need to adapt their supply chains to build resilience against more frequent climate-related disruptions, potentially leading to increased costs and longer lead times. • Manufacturing facility risks: Solar PV manufacturing facilities located in areas increasingly prone to climate risks, such as flooding or wildfires, may face higher operational risks and insurance costs. **Transition Risks** **Operational:** • Grid integration challenges: Growing share of solar PV may require additional investments in storage and grid infrastructure, impacting project profitability across jurisdictions. • Evolving market mechanisms: Introduction of competitive auctions, carbon markets, or changes to existing market mechanisms could affect the medium-term profitability and competitiveness of solar PV assets.	**Physical Opportunities** **Operational:** • Integration with storage and other technologies: As energy storage and other complementary technologies mature, operational solar PV assets can explore opportunities to integrate these technologies, enhancing their dispatchability, grid services, and potential revenue streams. • Participation in new energy markets: The development of new energy markets, such as peer-to-peer trading, energy-as-a-service models, or local energy communities, can create opportunities for operational solar PV assets to diversify revenue streams and engage with new customer segments. • Generation of Carbon Credit: As NEC expands its renewable energy portfolio, generating and selling carbon credits could present a medium-term financial opportunity. With growing demand for carbon offsets from governments and corporations, NEC's unsubsidised solar projects may be eligible to produce verified emissions reduction credits. **Supply Chain:** • Localisation of supply chains: As countries seek to reduce their dependence on imported solar PV components and support local job creation, there may be opportunities strategic partners in the supply chain to establish local manufacturing facilities and benefit from domestic content incentives. • Development of circular economy solutions: The growing emphasis on sustainability and resource efficiency can drive opportunities for supply chain partners to develop and commercialise circular economy solutions, such as recycling technologies, refurbishment services, or second-life applications for solar PV components.

• Changing consumer preferences: Shifts towards more sustainable and decentralised energy solutions may impact the demand for utility-scale solar PV projects. **Supply Chain:** • Shifting manufacturing landscapes: As countries implement more stringent environmental regulations and carbon pricing mechanisms, the geographic distribution of solar PV manufacturing may shift, leading to supply chain restructuring and potential disruptions in the medium term. • Technological advancements: The rapid development and commercialisation of new solar PV technologies, such as perovskite or tandem cells, may disrupt existing supply chains and require significant investments in retooling and upgrading manufacturing facilities. • Evolving sustainability standards: The adoption of more stringent sustainability standards and certification requirements, such as those related to carbon footprint, human rights, or recycling, may necessitate changes in supplier selection and manufacturing processes in the medium term. • Supplier net zero targets: If NEC's solar component manufacturers fail to meet their own decarbonisation goals, it could impact the emissions profile and sustainability of NEC's supply chain in the medium term, potentially requiring the firm to find alternative suppliers and could result in exposure to carbon taxes.	

Long (10+ years)

Table 4: Long-term climate-related risks and opportunities

Risks	Opportunities
Physical Risks **Operational:** • Sustained changes in weather patterns: Long-term changes in weather patterns, such as increased cloud cover, reduced solar irradiance, or persistent air pollution, can significantly impact the performance of solar PV assets over the next 10 to 30 years. • Chronic climate impacts: Rising sea levels, persistent drought conditions, and long-term changes in temperature and precipitation patterns can lead to more severe and frequent extreme weather events, exacerbating the risks to solar assets in the long run. • Technological and market shifts: As the world transitions to a low-carbon economy, the adoption of new technologies and changes in energy markets may create additional risks and uncertainties for solar PV investments over the next 10 to 30 years. **Supply Chain:** • Shifts in resource distribution: Long-term changes in climate patterns may alter the geographic distribution of raw material reserves, potentially leading to geopolitical tensions and supply chain disruptions.	**Physical Opportunities** **Operational:** • Repowering and life extension: As solar PV assets approach the end of their initial design life, there may be opportunities to repower or extend the life of these assets through technology upgrades, retrofits, or performance optimisation, ensuring their continued contribution to the low-carbon energy mix. • Integration with green hydrogen and other emerging technologies: The long-term growth of green hydrogen and other emerging low-carbon technologies can create opportunities for operational solar PV assets to provide renewable electricity for hydrogen production or other innovative applications, opening up new revenue streams and business models. **Supply Chain:** • Leadership in sustainable and responsible sourcing: As sustainability and social responsibility become increasingly important differentiators, working with supply chain partners can demonstrate leadership in sustainable and responsible sourcing practices, providing a competitive advantage and access to premium markets.

- Chronic climate impacts on manufacturing: Persistent changes in temperature, humidity, and weather patterns can impact the efficiency and longevity of solar PV manufacturing equipment and facilities.
- Infrastructure vulnerabilities: Long-term climate risks, such as sea-level rise and chronic heat stress, can threaten the integrity of transportation infrastructure and energy grids, affecting the solar PV supply chain's ability to deliver products to market.

Transition Risks

Operational:

- Technological disruption: Emergence of disruptive technologies, such as advanced storage, green hydrogen, or next-generation solar PV, may alter the long-term competitiveness and role of current solar PV assets.
- Societal and demographic shifts: Changes in population growth, urbanisation patterns, and energy consumption behaviour may impact the demand for and viability of solar PV projects in different regions within each country.
- Policy and market transformation: Long-term policy goals, such as net-zero emissions targets, and fundamental market redesigns could significantly reshape the operating environment for solar PV assets.

Supply Chain:

- Resource availability and competition: As the demand for solar PV grows in line with global decarbonisation efforts, competition for critical raw materials, such as silicon, silver, and rare earth element,may intensify, leading to long-term supply constraints and price pressures.
- Circular economy transitions: The increasing focus on circular economy principles, such as recycling, refurbishment, and end-of-life management, may require significant changes in the solar PV supply chain, including the development of new reverse logistics networks and recycling technologies.
- Geopolitical power shifts: Long-term shifts in global economic and political power dynamics, driven by the energy transition and climate change mitigation efforts, may reshape the solar PV supply chain landscape, with new players emerging and existing power structures being challenged.

- Innovation in next-generation technologies: The long-term transition to a net-zero economy can drive opportunities for partnerships with suppliers to invest in research and development of next-generation solar PV technologies, such as advanced materials, high-efficiency cells, or integrated solutions, positioning themselves as technology leaders in the future solar PV market.

Impacts on Business Model and Strategy

Operational:

The impact of identified risks and opportunities on the business model of existing operational assets primarily derives from physical risks. Climate scenario analysis has not identified a financially material risk. Nonetheless, minor interventions may be appropriate to minimise exposure. Nature-based solutions are favoured where feasible, e.g., planting to reduce flood risk.

Supply Chain:

Climate risk assessments on our supply chain for the construction of future assets have identified potentially significant risks. These can result in delays in supply and price spikes. We are actively engaging with strategic suppliers to understand their mitigation and efforts to reduce exposure to these risks.

Transition Policies Across Jurisdictions

The transition risks and opportunities driven by climate policies across the jurisdictions covered have implications. These manifest as technology, market, legal or reputational risks. All of these considerations have been summarised in the table above. The overall impact is largely favourable to NEC and supportive of the core business strategy. There is short-term policy risk as there are elections covering half the global GDP in 2024 which may see policy shifts in the next few years. However, the overriding direction of travel is to align with the 2015 Paris Accords and the global policy environment is expected to increase efforts to decarbonise, which is favourable to the solar strategy. This has already been seen in the changes between the first Nationally Determined Contributions under the Paris Accords and the second submission which pushed closer to the target. As time moves on it is expected that policy will come forward to increase the nationally determined commitments and align ever closer to the target. The increasing manifestation of physical climate risks will likely lead to an acceleration in transitional policies too.

Scenario Analysis

NEC considers climate change to represent a significant potential financial risk to its renewable energy investments. As such, the Company conducts a detailed, multi-faceted climate risk analysis across its entire portfolio of assets and office locations. The portfolio and office-level analyses utilise the Shared Socioeconomic Pathway ('SSP') scenarios developed by the Intergovernmental Panel on Climate Change ('IPCC') to evaluate potential climate-related risks under different global emissions trajectories.

Specifically, NEC assesses the impacts of the SSP1-2.6, SSP2-4.5 and SSP5-8.5 on its portfolio and the impacts of SSP1-2.6, SSP3-7.0, and SSP5-8.5 on its office locations across three time horizons - 2030, 2040, and 2050. This allows the Company to understand how physical climate risks like flooding, water stress, and heat stress could evolve and affect its solar assets over their operational lifetimes. For the purposes of this report, the focus is on the SSP1-2.6 scenario for 2030.

Table 5: Description of the SSPs used for the scenario analyses

Climate Scenarios	Senario Analysis	Description
SSP 1 - 2.6	Portfolio and Corporate Level	Net zero emissions after 2050. Temperatures stabilise around 1.8C above pre-industrial levels by 2100.
SSP 2 - 4.5	Portfolio Level	Emissions decrease but do not reach net zero by 2100. Temperatures rise 2.7C above pre-industrial levels by 2100.
SSP 3 - 7.0	Corporate Level	Projects global emissions remain high throughout the 21st century, resulting in global average temperatures rising by approximately 3.7 °C above pre-industrial levels by 2100.
SSP 5 - 8.5	Portfolio and Corporate Level	Represents an unchecked fossil-fuel driven future. CO2 emissions double by 2050 leading to 4.4 °C temperature rise by 2100.

- Water Stress Analysis: Conducted using the World Resources Institute's Aqueduct tool to model changes in water availability across NEC's portfolio and office locations under the different SSP scenarios.
- Heat Stress Analysis: Used projection data from the sixth Coupled Model Intercomparison Project ('CMIP6'), accessible through the World Bank Climate Change Knowledge Portal. CMIP6 generates authoritative global climate model projections informed by the most current climate science and data assessed by the IPCC.
- Flood Risk Analysis: Focused on NEC's portfolio of renewable energy assets to assess exposure to acute physical climate impacts.

The following sections detail the scenario analyses conducted at three distinct levels:

A- Portfolio
B- Corporate
C- Supply Chain

A. Portfolio Scenario Analysis

To comprehensively assess the climate-related risks facing its renewable energy portfolio, NEC has conducted a detailed scenario analysis covering physical climate impacts such as flood risk, heat stress, and water stress.

Climate risk percentages are a relative measure that quantifies the potential impact of climate-related events on the portfolio of assets. The risk measure does not directly equate to a financial loss percentage but indicates the level of risk exposure due to climate factors. The score signifies a potential for adverse financial impacts due to climate events. The exact financial impact depends on various factors, including the specific nature of the hazards, the effectiveness of risk mitigation strategies, and the resilience of the assets. The climate risk calculation has been conducted in line with the IPCC methodology and the final score for each scenario is summarised in the table below:

Table 6: The scenarios associated with the different climate scores*

Scenario	NEC Climate Risk Score
SSP 1 – 2.6	5%
SSP 2 – 4.5	7%
SSP 5 – 8.5	8%

*The climate risk scores represent the level of potential adverse impacts due to climate-related factors, rather than directly corresponding to financial loss percentages.

The portfolio has some level of exposure to transition and physical risks but this is not considered to be financially material. This is based on our detailed analysis which shows that only a small percentage of assets (less than 1%) are exposed to significant physical risks like flooding, and these risks have a low probability (10%) of occurrence. NEC had already implemented some mitigation measures, minimising any potential residual risks.

Additionally, the portfolio's geographic diversification and existing resilience measures further reduce the potential financial impact of these risks. The portfolio is also well placed to benefit from opportunities emerging from physical and transition climate change. Capital expenditure on risk mitigation and adaptation is yet to be finalised as the specific implications for each asset are still under review, this is not considered to be financially material.

Portfolio Flood Risk

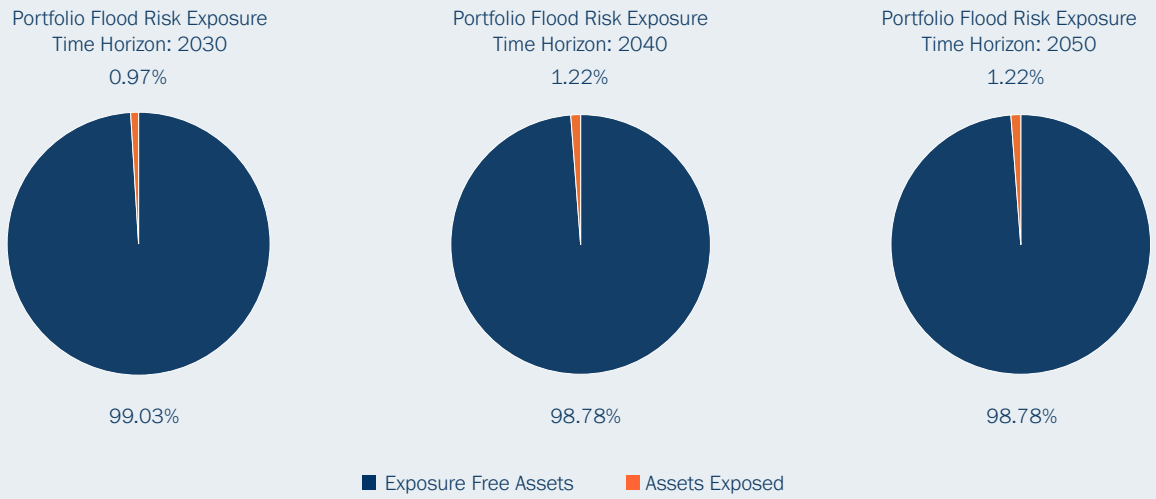
NEC thoroughly analysed flood risk stress across its global portfolio. The flood risk assessment reflects on the exposure of assets to different flood types under defended and undefended conditions, considering multiple climate scenarios, including SSP 1 - 2.6, SSP 2 - 4.5, and SSP 5 - 8.5, with a focus on the sustainable development scenario (SSP 1 - 2.6) for the 2030 projections. The assessment considers the portfolio's exposure to pluvial, fluvial, and coastal sources of flooding, as well as the likely impact these flood types would have on the portfolio. Additional detail on the flood types is provided in the table below.

Table 7: The assessed flood types

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.

The analysis detailed in the charts below reflects on the total number of assets that are at risk of flooding across the three climate scenarios and time horizons. Specifically, it identifies that across all of NEC's extensive portfolio, only 0.97% of the total portfolio has a 10% chance of being at risk of flooding in 2030, increasing slightly to 1.22% of the total portfolio in later time horizons. Additionally, the mean depth is presented, providing insight into the broader anticipated impacts of flooding across the portfolio.

Figure 2: Percentage of Assets Exposed to Flooding with a 10% chance of Occurence - Mean Depth



Financial Impact and Mitigations

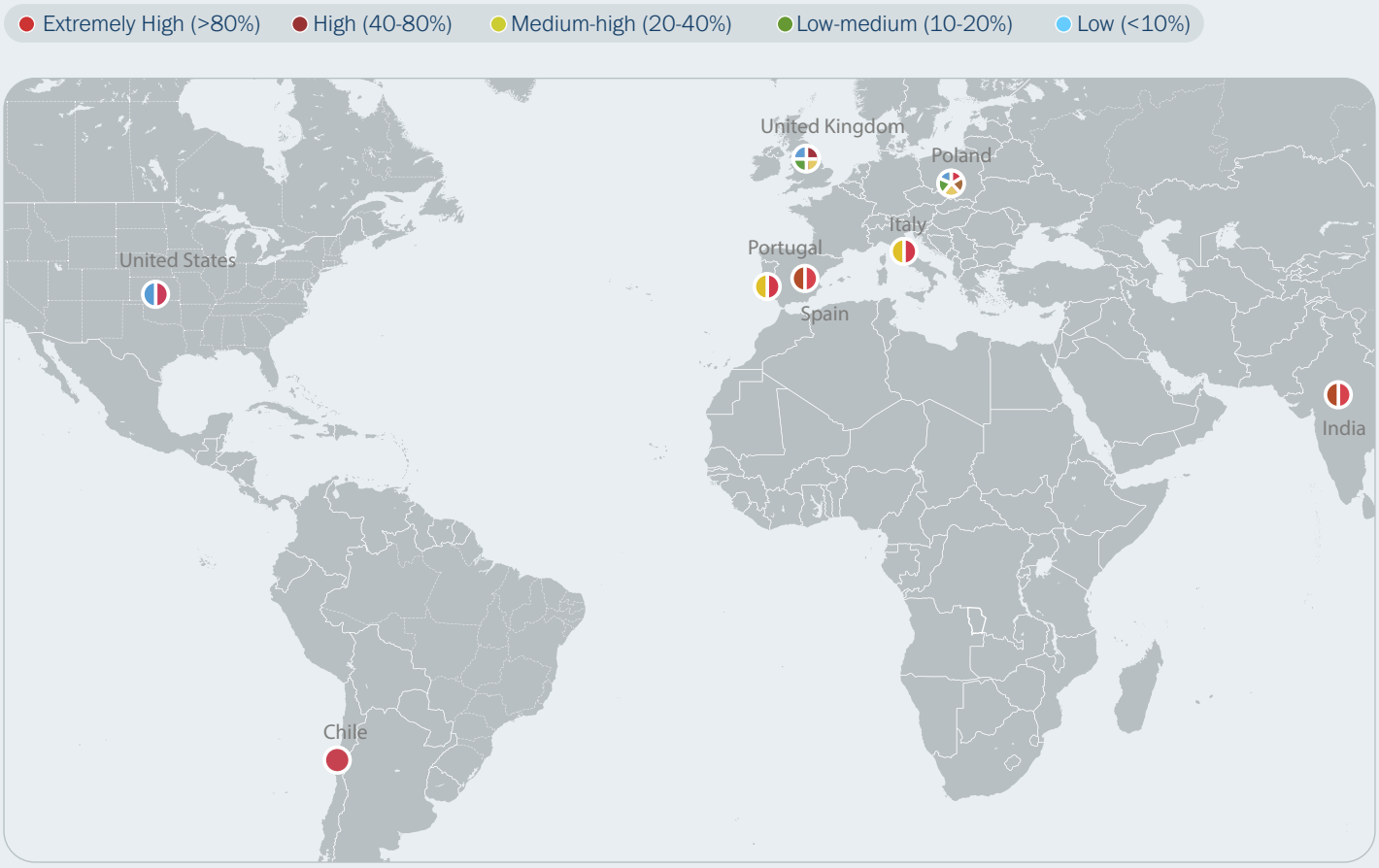
Based on this assessment, the financial risk associated with this climate physical risk is not considered material across the scenarios. The sites are resilient to a flash flood as the panels are mounted with clearance to the ground. For some assets that were identified as more susceptible to flooding during pre-acquisition due diligence, additional flood mitigation measures have been specifically designed into the layout, such as buffers from watercourses or increased racking height. Site access may be disrupted as a result of flooding, however, this is often short-term in nature, and access is usually regained within a few days for any necessary repairs.

Portfolio Water Stress

As part of its comprehensive climate risk assessment, NEC has conducted a detailed water stress analysis across its portfolio of renewable energy assets. This assessment utilises the World Resources Institute's Aqueduct tool to evaluate changes in water availability at NEC's portfolio locations under various SSP scenarios. The analysis indicates that many of the Company's assets in Italy and the United States are located in areas projected to experience "extremely high" (over 80%) water stress by 2030 under the SSP1-2.6 climate scenario. Similarly, assets in Chile and parts of India are also forecast to be in regions with "extremely high" or "high" (40-80%) water stress.

In contrast, the majority of NEC's portfolio in the United Kingdom appears to be located in areas with relatively lower water stress, predominantly in the "low" (under 10%) to "low-medium" (10-20%) risk categories. However, there are some pockets within the UK that are projected to face "medium-high" (20-40%) or "high" water stress by 2030.

Figure 4: Water Stress Map - SSP1_2.6; 2030 Projection – Portfolio level



Financial Impact and Mitigations

Currently water stress is considered by NEC throughout the investment cycle and addressed by a number of mitigation measures, including minimisation of water use during construction and the adoption of waterless cleaning solutions where applicable.

Following the implementation of these mitigation measures, the residual risk is not considered to be financially material for NEC's portfolio.

Going forward NEC will continue to deepen its assessment to inform strategic decision, operational adjustment and continuous investment in water efficient technology to enhance the long term resilience of its renewable energy assets.

Portfolio Heat Stress

To understand the potential impacts of rising temperatures on the operational performance of its global renewable energy portfolio, NEC has conducted a comprehensive heat stress analysis across its asset locations. This assessment utilises the SSP1-2.6 climate scenario to project changes in seasonal maximum air surface temperatures at the Company's sites by the year 2030.

Figure 5: Temperature Difference (ºC) between Projected Period (2023-2030) and Reference Period (1991-2022); SSP1-2.6 - Portfolio level

The results reveal some noteworthy regional differences in the anticipated temperature changes across the analysed countries. While the chart focuses on relative temperature movement, it's crucial to interpret these changes in the context of each region's absolute temperatures. For instance, a 1°C increase in a country with a cooler climate may have less material impact than the same increase in a country that already exhibits higher average temperatures. This nuance is important when assessing the potential heat stress impacts and planning appropriate mitigation strategies for each region in our portfolio.

NEC's assets located in Italy and the United States are projected to face the highest average temperature increases compared to the 1991-2022 historical baseline. In Italy, the largest anomaly is expected in July, with a 1.19°C rise. A similar pattern emerges for NEC's US-based assets, which are forecast to see temperature differentials of 1.05°C in July.

In contrast, NEC's portfolio in India appears to be relatively less exposed to heat stress, with more moderate temperature anomalies of 0.52°C in January, 0.56°C in April, 0.32°C in July, and 0.27°C in October. Similarly, the Company's assets in Chile are projected to face comparatively smaller increases, ranging from 0.50°C to 0.64°C across the different seasons. NEC's UK and Polish assets fall somewhere in the middle, with the UK sites anticipated to see temperature rises between 0.31°C and 0.61°C, and the Polish assets facing increases of 0.51°C to 1.06°C. Spain and Portugal also exhibit a mixed heat stress outlook, with the most significant impacts expected during the summer months.

Financial Impact and Mitigations

While the analysis suggests these increases in maximum seasonal temperatures could potentially impact solar panel efficiency and overall energy generation, it's worth noting that such small temperature changes are often considered immaterial in many contexts, and their actual effect on solar panel performance may be minimal.

Going forward, NEC will continue to deepen its heat stress assessment to inform strategic decision, operational adjustment and continuous investment in technology to minimise the exposure to this risk.

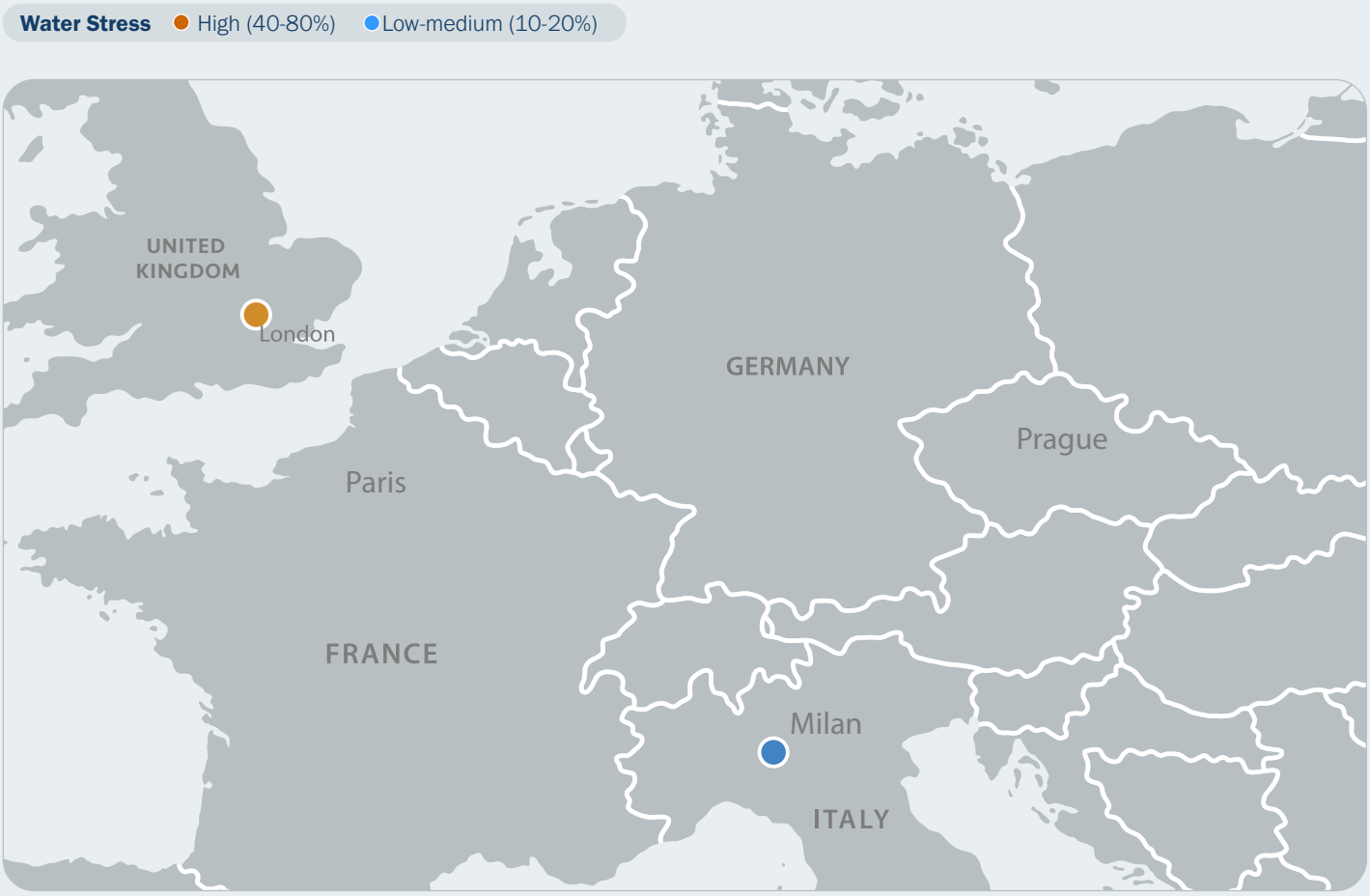
B. Corporate Scenario Analysis

NEC has undertaken a scenario analysis to assess the potential physical climate impacts, specifically heat stress and water stress, on its own corporate office locations.

Corporate Water Stress

NEC has also conducted a water stress assessment specifically focused on its corporate office locations in London, United Kingdom and Milan, Italy. This complementary analysis provides insight into the potential climate-related risks facing the Company's own operational facilities.

Figure 6: Water Stress Map - SSP1_2.6; 2030 Projection – Corporate level



The results indicate that NEC's London office is situated in an area projected to experience "high" (40-80%) water stress by 2030 under the SSP1-2.6 climate scenario. This elevated water risk could present operational challenges and increase costs for the Company's headquarters. Potential impacts may include difficulties in securing adequate water supplies for basic building functions, as well as limitations on water usage for activities like facility maintenance and employee amenities.

In contrast, NEC's office in Milan, Italy is located in a region forecast to have relatively "low-medium" (10-20%) water stress over the same time horizon. While not immune to future water scarcity concerns, this lower level of risk provides more favorable operating conditions for the Italian location compared to the UK office.

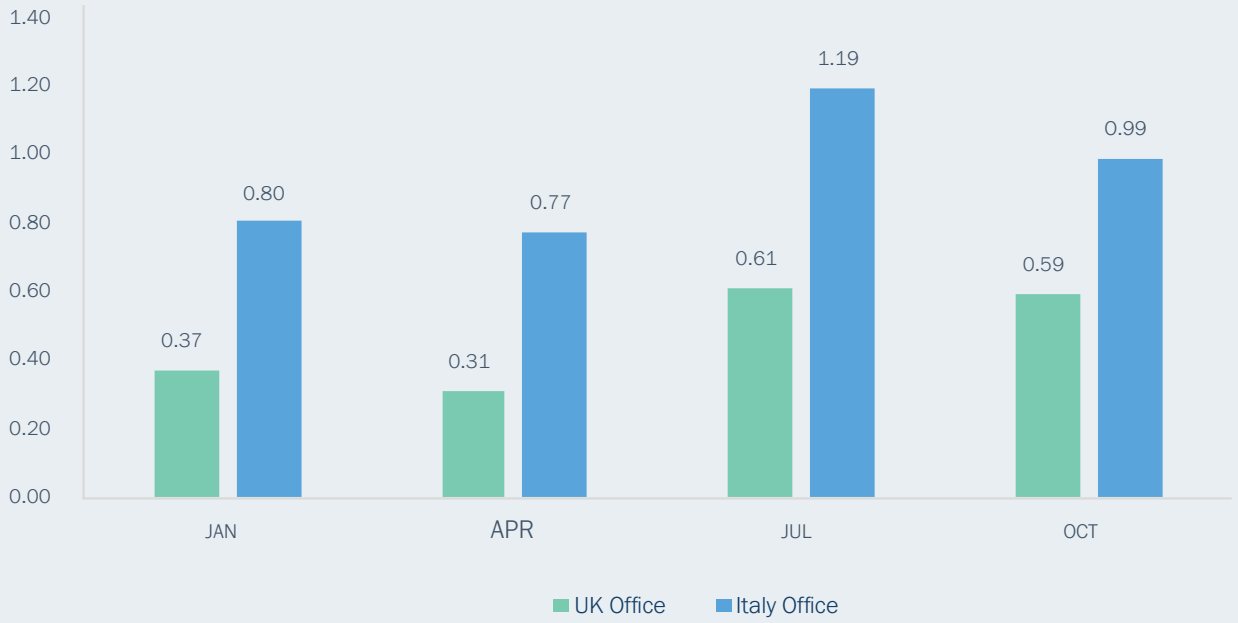
Understanding the unique risks facing each of its corporate facilities will enable the Company to implement appropriate adaptation measures and ensure the continued smooth operation of its core business functions. Overall the risks are mitigated through a number of approaches, including the successful implementation of a hybrid working approach where personnel can work from home, and NEC utilising its own admin personnel to issue alerts and recommendations to personnel ahead of time as much as possible. Additionally, the London office utilises efficient water management techniques such as water flow limiters in its taps in its approach.

Corporate Heat Stress

An analysis of projected heat patterns across NEC's office locations was conducted to assess risks for its operations under the sustainable development scenario SSP 1 - 2.6 projected to 2030. The study considered a reference period from 1991 to 2022 by exploring the seasonal average maximum surface air temperatures across the different office regions. By comparing current temperature baselines with projected temperatures under the SSP 1 - 2.6 scenario, the analysis aimed to identify the extent of warming and its potential implications for workplace suitability and business continuity. To gain a comprehensive understanding of potential risks, additional analyses were performed under different scenarios, including SSP 1 - 2.6, SSP 3 - 7.0, and SSP 5 - 8.5, projected to 2030, 2040, and 2050.

The SSP 1 - 2.6 scenario was selected for its relevance to NEC's sustainability commitments and its alignment with global efforts to mitigate climate change. This scenario provides a plausible representation of future temperature changes based on moderate emissions reductions and policy interventions.

Figure 7: Temperature Difference (ºC) between Projected Period (2023-2030) and Reference Period (1991-2022); SSP1-2.6 - Corporate level



The results indicate that NEC's UK office is expected to experience a relatively moderate increase in maximum temperatures across the seasons compared to the 1991-2022 historical reference period. The largest temperature anomaly is projected to occur in July, with a 0.61°C rise, followed by a 0.59°C increase in October. The smaller changes observed in January (+0.37°C) and April (+0.31°C) suggest the UK office location may be less vulnerable to severe heat stress during the cooler months. In contrast, the analysis reveals that NEC's Milan, Italy office is forecast to face more pronounced heat stress impacts. The largest temperature differential is anticipated in July, with a 1.19°C increase over the historical baseline. Significant warming is also projected for the other seasons, including +0.80°C in January, +0.77°C in April, and +0.99°C in October.

However, it's important to note that these projected temperature increases are relatively small and unlikely to significantly impact office operations or comfort levels. NEC recognises that while HVAC systems are essential for maintaining comfortable office environments, their energy efficiency is an important consideration in the overall emissions reduction strategy. NEC will continue to monitor these trends as part of its overall risk management approach, with a focus on optimising building systems efficiency.

C. Supply Chain Scenario Analysis

In addition to the portfolio and corporate scenario analyses, NEC conducted a comprehensive assessment of its solar energy supply chain, encompassing international production and logistics networks, based on climate projections. By applying the latest climate science, NEC can make evidence-based assessments of intensifying risks that may impact the availability and budget consistency of PV solar modules and batteries. While the detailed results of this analysis are commercially sensitive, a summary of key findings is available in NEC's public disclosures.

Financial Impacts

This section expands on how NEC assesses and monitors financial implications associated with climate-related risks and opportunities.

Financial Risks and Opportunities

Financial Risks

Financial risks associated with the scenario analysis provided at the portfolio, corporate, and supply chain levels are not considered material. However, NEC continues to monitor these risks to ensure they do not become material over time.

Specifically, from a transition risks perspective:

- an increased reliance on subsidy-free, wholesale power market-exposed solar assets can introduce uncertainty around price volatility;
- emissions-intensive scenarios could lead to higher insurance premiums.

From a physical risks perspective:

- rising global temperatures could reduce solar asset efficiency and generation, negatively impacting revenues;
- severe weather events like droughts and floods could further disrupt operations, requiring repairs and potentially limiting power production.

Financial Opportunities

As a solar PV investment manager, NEC is well-positioned to derive financial benefits from the climate transition.

From a transition opportunities perspective:

- the growing demand for clean energy as sectors like transport and heating transition away from fossil fuels could provide a significant boost;
- supportive carbon pricing and incentives could drive upward revaluations of NEC's assets as solar becomes increasingly competitive.

From a physical opportunities perspective:

- adaptation measures like flood defenses, while requiring capital investment, can enhance the long-term resilience of the portfolio;
- technological improvements like solar panel tilting can help mitigate some of the physical risks, enhancing the resilience of NEC's portfolios.

Conclusion

In line with the ISSB financial impact disclosure requirements, NEC integrates the identification, assessment, and management of climate-related financial risks and opportunities into its overall risk management and investment strategy. While current assessments indicate these risks are not material, NEC recognises the dynamic nature of climate change and its potential future implications. Accordingly, NEC continues to actively monitor both transitional and physical climate-related risks and opportunities to ensure its portfolio of renewable energy infrastructure remains resilient and capable of delivering long-term value.

Resilience

Operational:

Overall, the solar portfolio has limited financial exposure to climate risk and is resilient to the impacts of climate change. There are some specific risks that do carry exposure, such as a decrease in efficiency of panels subject to more extreme heat, and potential grid infrastructure vulnerabilities. Grid resilience is a key consideration as climate change could impact transmission infrastructure, potentially limiting plant expansion capabilities or affecting operational efficiency. NEC addresses these risks through:

- Strategic geographical diversification of assets across different grid networks
- Development of battery storage solutions to enhance grid flexibility
- Regular engagement with grid operators on their climate adaptation plans
- Where feasible, implementation of localised micro-grid solutions

Regarding panel efficiency, some capital expenditure may be required for mitigation depending on the best technologies available at the time. Currently this is not a present risk and no expenditure is planned for panel-related adaptations.

Supply Chain:

New assets' supply chains are more likely to be disrupted than operational assets'. This does not impact the current financial position but may impact projects in the medium to long term. The complexity of the supply chain means there is multi-jurisdictional exposure. NEC is engaging with suppliers to understand the mitigation that they have in place and to highlight risks that they may need to adapt for. Key strategic partnerships with suppliers are a vital mitigation to the impacts of climate risk.

Risk Management

NEC has robust procedures to identify, assess, prioritise, and manage climate-related risks throughout its investments. The starting point is an initial ESG screening conducted by the ESG team on all assets at the transaction stage to identify potential physical and transitional risks. This is further reviewed on an annual recurring basis for assets under management. Where risks are flagged during this screening, external climate risk advisors are engaged to perform more in-depth climate risk assessments on the assets.

The ESG team and consultants conduct climate risk assessments aligned with established guidelines, focusing on key physical and transition risks that could affect portfolio assets. These assessments examine factors such as: Flood risk exposure; Water stress levels; Heat stress impacts; Grid resilience; Policy and regulatory changes.

Based on these assessments, NEC integrates climate risk considerations into its asset management strategy and determines where additional third-party climate risk assessments may be needed post-acquisition.

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, advisors, planning authorities and site visits to evaluate climate risks for each asset, highlighting any gaps compared to NEC's climate risk standards.

At the portfolio level, WiseEnergy (the 'Asset Manager') provides quarterly reports that track performance on critical climate risk indicators such as greenhouse gas emissions avoided 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 NextEnergy Group's overall risk register and governance managed by the Company's Risk Committee.

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.

To ensure effective implementation of these requirements and action plans, the ESG team works in close collaboration with the construction, procurement, and WiseEnergy teams during the negotiation of EPC ('Engineering, Procurement, and Construction') and O&M ('Operations and Maintenance') contracts for both new developments and secondary market acquisitions. This collaboration ensures:

- ESG action plans are explicitly incorporated into contractual obligations
- Adequate financial provisions are allocated in the financial model through both CAPEX and OPEX to implement these action plans effectively
- Resources are properly allocated for implementing climate risk management measures

This integrated approach to contract negotiation and financial planning is fundamental to NEC's risk management strategy, ensuring that ESG and climate-related commitments are backed by appropriate resource allocation and capital planning.

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 to ensure responsible sourcing, counterparty due diligence procedures on module, inverter, and battery suppliers are undertaken. Reviews consider 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 summarising identified climate risks in a risk matrix and

presenting risk mitigation strategies like action plans. The Head of ESG and other senior ESG Team members review due diligence results to confirm alignment with NEC's Sustainable Investment Policies and Climate Change Position Statement.

Climate-related Scenario Analysis

NEC has started utilising climate-related scenario analysis to evaluate and understand potential climate risks across its portfolio of renewable energy assets, corporate offices and supply chain.

Operational:

NEC has conducted a comprehensive climate-related scenario analysis across its operation, including its portfolio of renewable energy assets and its corporate offices.

- The Portfolio Analysis evaluated the potential risks from flood, water stress, and heat stress under the IPCC's SSP1-2.6, SSP2-4.5, and SSP5-8.5 scenarios, considering various timelines up to 2050.
- The Corporate Analysis has mapped water stress and heat stress impacts on NEC's office locations in the UK and Italy under the IPCC climate scenarios SSP1-2.6, SSP3-7.0 and SSP5-8.5.

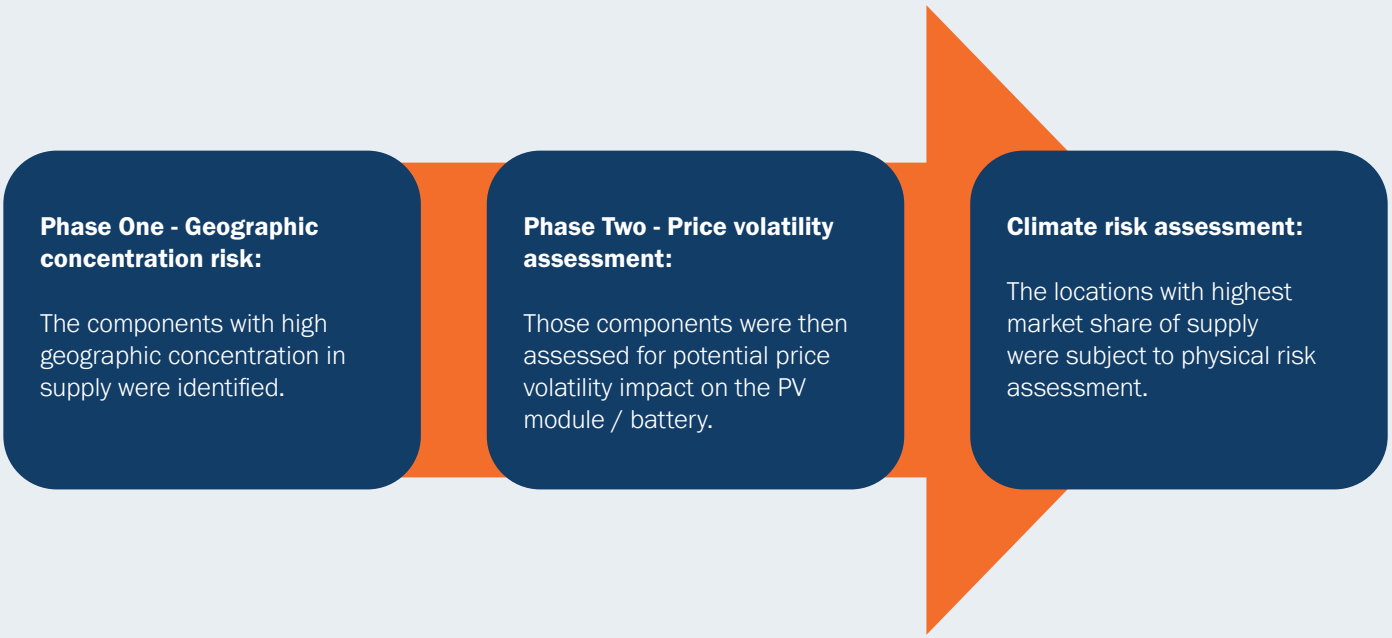
As expanded in the Strategy section, NEC manages these risks throughout the investment cycle and aims to continue deepening its assessment to enhance its portfolio resilience and minimise associated financial risks.

Supply Chain:

A detailed analysis of the solar PV supply chain to assess climate-related physical risks has also been undertaken in a separate study. This study included identifying key components and suppliers, evaluating concentration risk for critical inputs, and modelling potential disruptions from extreme weather under various climate scenarios. For example, the impacts of severe flooding, heat stress, and water stress in China on the supply of polysilicon, a key input for solar panels, were assessed. The analysis looked at how different climate hazards like heavy precipitation, temperature rise, and drought may disrupt polysilicon production and/or extraction. The findings from this granular supply chain analysis study provide insights into vulnerabilities and opportunities to build resilience across NEC's solar PV supply chain against a range of climate impacts.

The study also followed the process outlined in the graph below to evaluate the potential financial materiality across different stages of the value chain. Disruptions to the supply of key components—such as solar panels, inverters, and batteries—could result in significant cost increases or delays in the construction of new assets. In response, NEC has implemented a proactive supply chain engagement strategy. This includes conducting site visits and maintaining direct, ongoing dialogue with key suppliers, particularly in China, where a substantial portion of solar component manufacturing is concentrated. Through these efforts, NEC aims to continue to assess supply chain dependencies, enhance transparency, and build stronger relationships that support supply chain resilience and reduce the risk of future disruptions.

Figure 8: Process for the identification of material financial impacts - Supply Chain



Metrics

This section presents NEC's climate-related metrics, covering emissions from both its corporate operations and investment portfolios.

Measurement Approach

NEC quantifies its GHG emissions in accordance with the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard. Emissions are calculated by multiplying activity data, such as energy consumption, by appropriate emissions factors sourced from the UK Government's Department for Environment, Food and Rural Affairs ('DEFRA') and country-specific emission factors from approved sources. This approach ensures consistency with national GHG accounting methodologies while providing accuracy and comparability by utilising the most up-to-date emissions intensities for relevant activities.

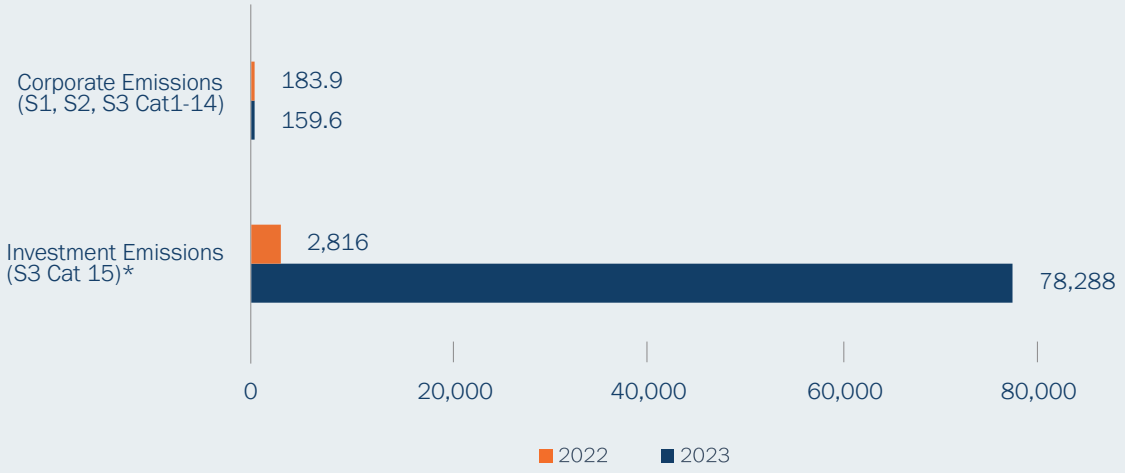
Environmental Metrics

Understanding NEC's GHG Emissions Structure

NEC's GHG emissions are categorised according to the GHG Protocol Corporate Standard.

Scope 1: Direct emissions from owned or controlled sources	NEC has no scope 1 emissions as it does not own or operate emission-generating equipment
Scope 2: Indirect emissions from purchased electricity	Emissions from electricity consumption at NEC offices (2.14 tCO2e)
Scope 3 (Categories 1-14): Other indirect emissions from corporate activities	Includes business travel, employee commuting, purchased goods and services, and other corporate activities (157.47 tCO2e)
Scope 3 (Category 15): Investment emissions	Includes operational and supply chain emissions from managed funds (78,288 tCO2e)

Figure 9: NEC Emissions Overview (tCO2e) 2022 vs 2023

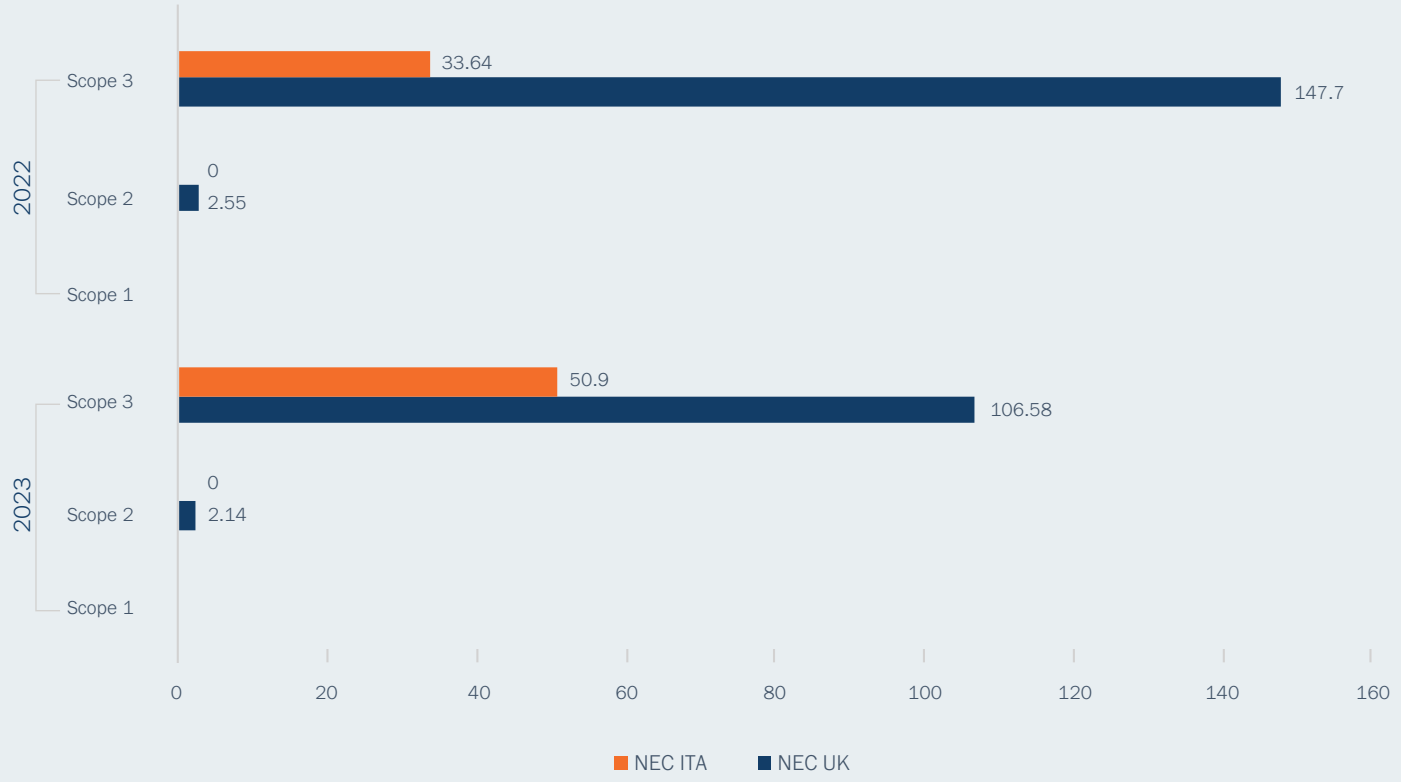


2023 inventory included supply chain emissions for the first time, which explains the increase from 2022. Supply chain emissions include cradle-to-gate emissions, transport, and installation of solar PVs and energy storage systems. These emissions are accounted for based on the project's first-generation date. The investment-related emissions are further outlined in the "Portfolio Metrics" section of this report, which provides a detailed explanation of emissions arising from both operational activities and the supply chain.

Corporate Metrics

NEC has quantified the GHG emissions associated with its corporate office operations in the United Kingdom and Italy. The Company has no Scope 1 emissions because all of its operational activities are managed by various O&Ms, hence accounted for under Scope 3 emissions. The analysis mainly covers indirect (Scope 2 and Scope 3) emissions, providing a comprehensive view of the Company's carbon footprint.

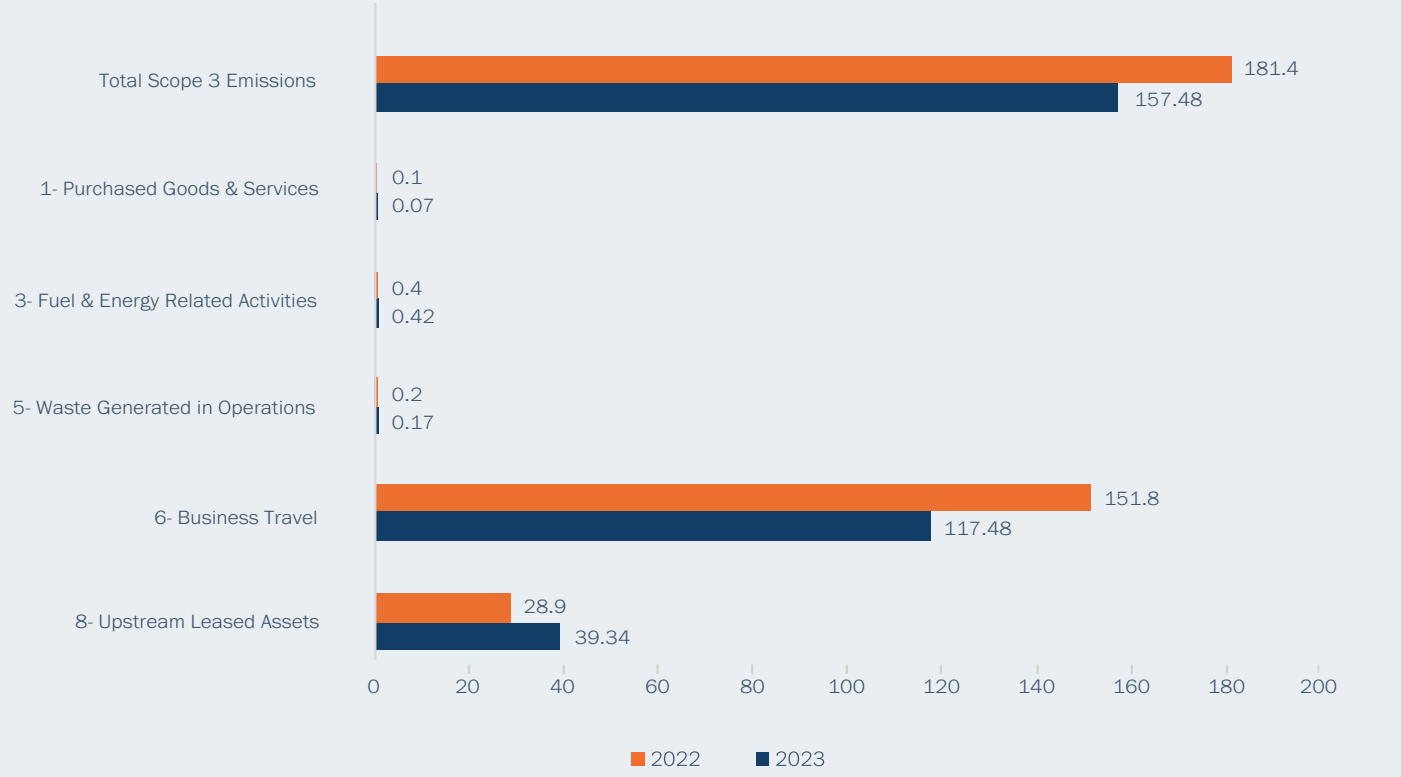
Figure 10: NEC Corporate Emissions Breakdown by Scope (tCO2e) 2022 vs 2023



Scope 2 emissions from purchased electricity show similar patterns in both years - the UK office had 2.55 tCO2e in 2022 and 2.14 tCO2e in 2023, while the Italian office maintained zero Scope 2 emissions across both years.

The majority of NEC's corporate carbon footprint comes from indirect Scope 3 emissions (GHG Protocol Categories 1-14). In 2022, these totaled 181.34 tCO2e (147.7 tCO2e for the UK and 33.64 tCO2e for Italy). In 2023, Scope 3 emissions decreased to 157.48 tCO2e (106.58 tCO2e for the UK and 50.9 tCO2e for Italy).

Figure 11: NEC Corporate Scope 3 Categories 1 - 14 Emissions (tCO2e) 2022 vs 2023



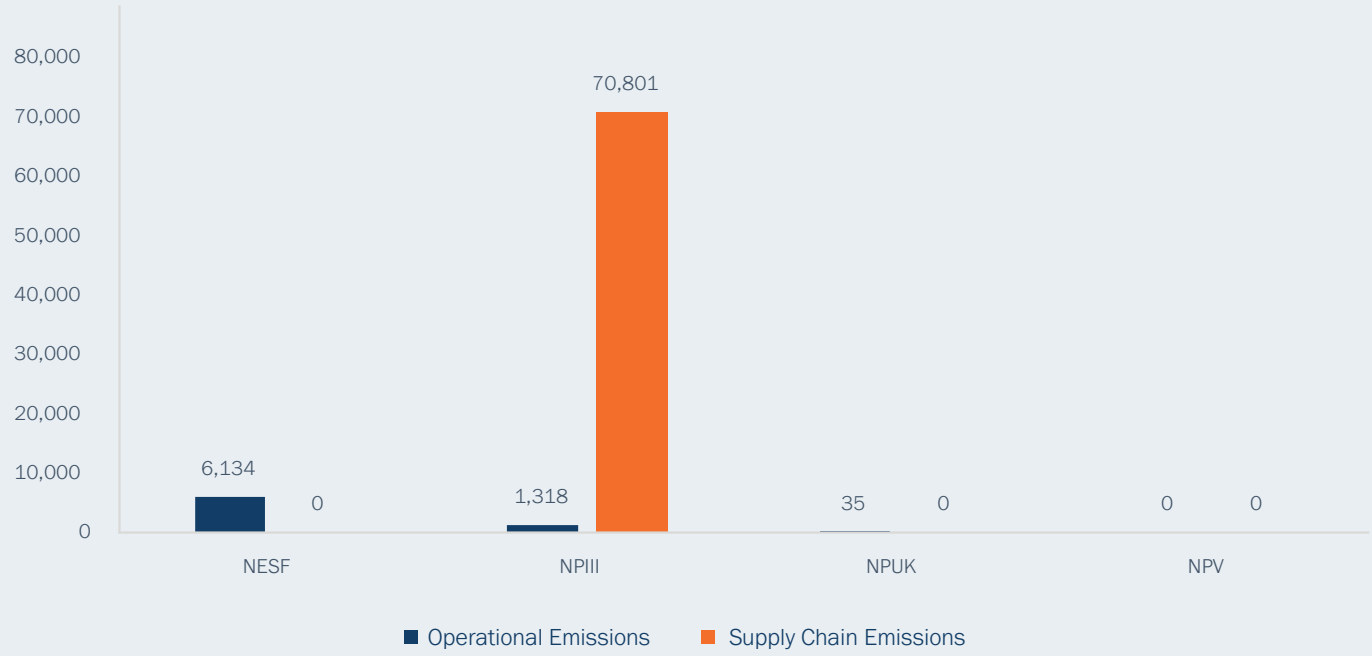
The significant categories within Scope 3 in 2022 and 2023 are as follows: Category 6 (Business Travel) was 151.8 tCO2e in 2022 and 117.48 tCO2e in 2023, with the 2023 figure comprising air travel (88.07 tCO2e), land travel (16.35 tCO2e), and hotel stays (13.07 tCO2e). Category 8 (Upstream Leased Assets) from electricity consumption was 28.9 tCO2e in 2022 and 39.34 tCO2e in 2023. Category 3 (Fuel & Energy Related Activities) was 0.4 tCO2e in 2022 and 0.42 tCO2e in 2023. Category 5 (Waste Generated in Operations) was 0.2 tCO2e in 2022 and 0.17 tCO2e in 2023. Category 1 (Purchased Goods & Services) covering water usage was 0.1 tCO2e in 2022 and 0.07 tCO2e in 2023.

Although relatively low in comparison to Scope 3 emissions, NEC has already begun addressing its Scope 1 and 2 emissions through efficiency measures, as outlined in the Group Sustainability Report. These efforts will continue, with a focus on improving office efficiency and exploring the transition to renewable energy sources for electricity and land travel, contributing to NEC's overall emissions reduction strategy.

Portfolio Metrics

In addition, NEC's major GHG emissions are a result of its investment activities reported under Scope 3 category 15 emissions. These encompass operational and supply chain emissions, as shown in the chart below.

Figure 12: NEC Portfolio Scope 3 Category 15 Operational vs Supply Chain Emissions (tCO2e) 2023



NEC has four funds as at 31 December 2023, each with its own operational and supply chain emissions. The Funds' operational emissions include import electricity, water consumption, transmission & distribution, water transport, waste generation, investments and business travels. During the reporting year (2023), NEC strengthened its commitment to comprehensive emissions accounting by including supply chain emissions from site construction and material sourcing for any assets that reached their "first generation date" within the reporting period. As a result, NPIII, one of the funds under NEC, has included supply chain emissions related to the assets that became operational in 2023. The other funds did not report supply chain emissions as they had no new assets reaching their first generation date during the reporting period.

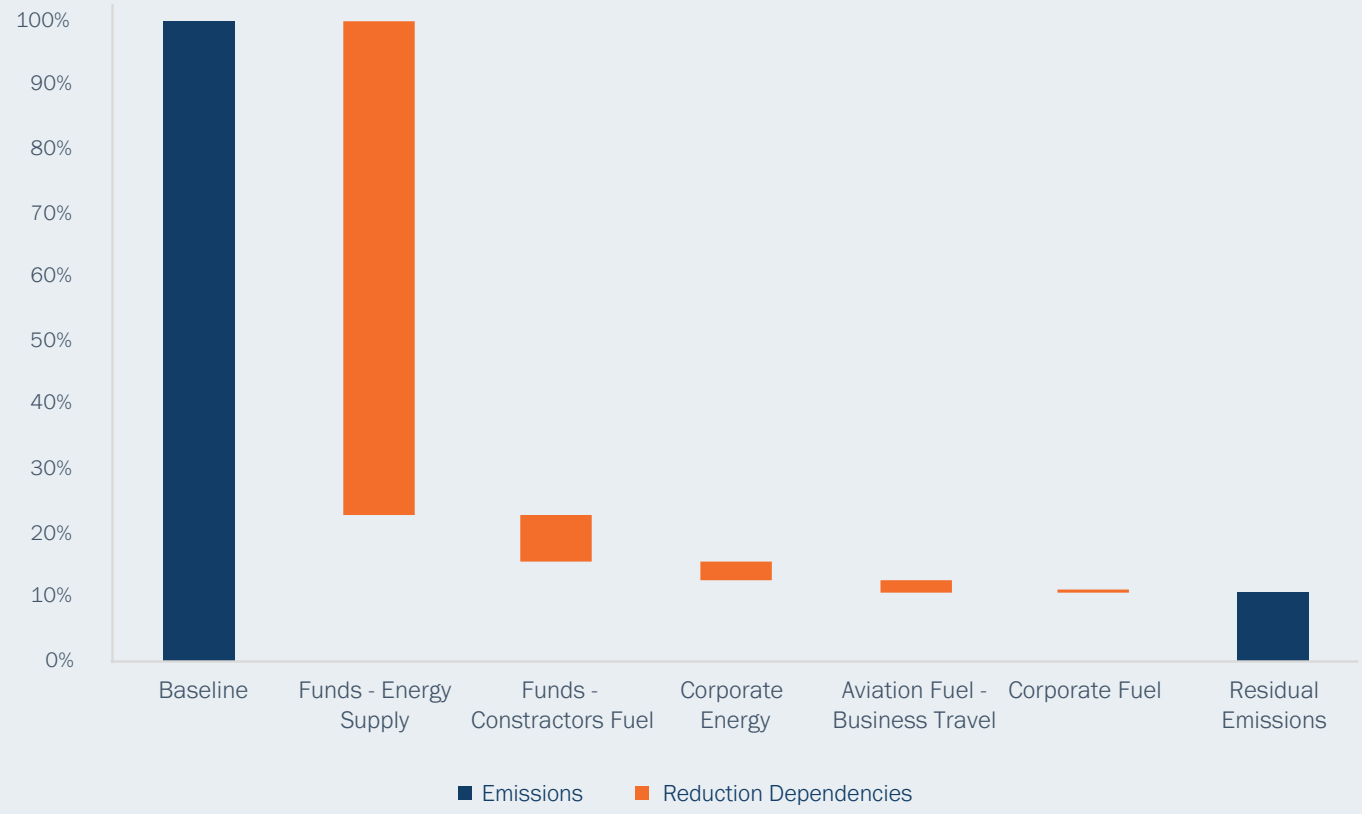
Targets

As a sustainability-focused organisation, NEC is committed to aligning its GHG reduction targets with climate science and the Paris Agreement's 1.5°C trajectory. NEC achieved carbon neutrality for its corporate operations in 2023, excluding financed emissions from its funds, as detailed in the NextEnergy Group Sustainability Report. Building on this achievement, NEC continues to focus on reducing its emissions further and implementing comprehensive decarbonisation strategies.

NEC has calculated the reduction in emissions required to get to net zero in its operational emissions (including funds) and also in the supply chain of the funds (construction of new assets). These trajectories are calculated in line with the Science Based Targets initiative ('SBTi') with different target years reflecting the distinct challenges and opportunities in each area. Operational emissions target 2035 due to the more direct control NEC has over these reductions through technological improvements and grid decarbonisation. Supply chain emissions target 2050, aligning with both the typical 25-30 year lifetime of solar panels and the longer-term transformation needed in manufacturing processes and industrial energy systems, particularly in key manufacturing regions.

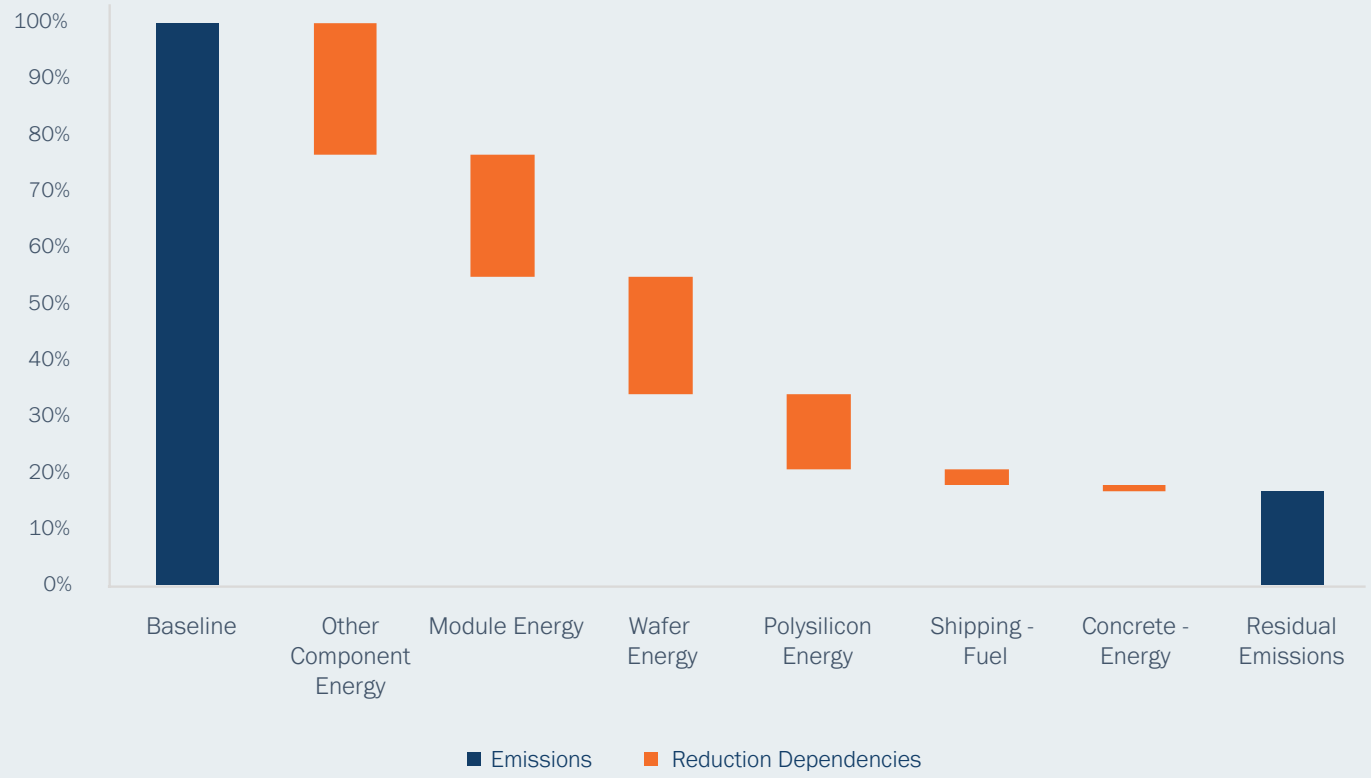
These two emission reduction targets (the first to 2035, the second to 2050) are significantly different in scale and complexity, and it is evident that the supply chain emissions are those most impacting the carbon footprint of the funds, as further explained below. As part of this work, NEC has identified its key dependencies to achieve the required reductions. Work is currently underway to better assess the decarbonisation process, including an evaluation of options to either accelerate progress or follow the pathway outlined in this report. Part of this evaluation includes assessing carbon price for carbon budgeting. The reduction dependencies are set out below:

Figure 13: NEC Operational Decarbonisation Dependencies - to 2035



The operational decarbonisation dependencies to 2035 clearly show that the energy supply to the sites held by the funds is the most significant emission reduction required. The decarbonisation of grids in operational jurisdictions will enable this reduction.

Figure 14: NEC Supply Chain Decarbonisation Dependencies - to 2050 (tCO2e/MW)



Supply chain decarbonisation dependencies to 2050 show a fairly even weighting through the manufacturing process. This largely depends on the decarbonisation of industrial energy in China. Engagement activity is underway in key areas of the supply chain both through direct supplier engagement and through industry-led initiatives such as the Solar Stewardship Initiative (SSI), where NEC's Head of ESG sits on the Board and takes an active role in driving industry-wide supply chain decarbonisation efforts. Following reduction efforts, NEC expects that there will be residual emissions to be offset.

Appendix I: Transition Policies

Understanding current and emerging climate policies across jurisdictions allows NEC to strategically navigate associated transition risks and opportunities in alignment with its net zero goals. Tracking major policy developments across different regions provides insights on risks to operations from factors like carbon pricing, reporting obligations, building standards and litigation exposure. It also conveys potential upsides, like serving larger markets for sustainability advisory services. Maintaining a comparative analysis of climate policy drivers facilitates evidence-based risk management, compliance budgeting and strategic planning to manage downsides while harnessing opportunities for a systematic transition.

<table>
<tr><th>Policies</th><th colspan="2">Overall Summary</th></tr>
<tr><td rowspan="4">EU Sustainable Finance Disclosure Regulation (SFDR)</td><td colspan="2">As momentum builds behind standardised sustainability reporting and transparent integration of climate factors across global financial markets, NEC closely tracks associated regulatory shifts, particularly across Europe.

The EU's Sustainable Finance Disclosure Regulation enacted in 2021 mandates that financial entities like fund managers and institutional investors disclose information related to sustainability risk consideration, adverse impact assessments and promotion of environment/social objectives in investment processes. The regulation intends to curb potential greenwashing and empower investor sustainability decision-making by elevating transparency.</td></tr>
<tr><td>Transition Risks</td><td>Transition Opportunities</td></tr>
<tr><td>Potential transition risks include navigating disclosure compliance complexity and dedicating appropriate resources to meet heightened reporting standards.</td><td>Opportunities emerge to expand the Company's climate analytics services, showcase its sustainability strategies, and appeal to escalating numbers of impact-focused investors - especially amidst retirements.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td rowspan="4">EU Taxonomy Regulation</td><td colspan="2">The EU Taxonomy Regulation effective 2020 establishes criteria and standards determining whether investments and economic activities sustainably contribute to priorities like emissions mitigation and climate adaptation.

By providing common sustainability definitions and performance metrics, the taxonomy intends to prevent organisations from making unfounded environmental claims while empowering asset managers and corporations to showcase legitimately their climate progress. Under the regulation, investment firms must disclose alignment with the taxonomy's thresholds and objectives for net zero trajectories.</td></tr>
<tr><td>Transition Risks</td><td>Transition Opportunities</td></tr>
<tr><td>Key transition risks that could impact the Company's funds and business operations include potential restrictions on investment strategies combined with increased costs to comply with and report on taxonomy sustainability criteria and metrics at a sufficient scale.</td><td>The EU Taxonomy Regulation guides NEC to develop new investment products aligned with the taxonomy criteria for substantial emissions reductions or climate change adaptation, showcasing sustainability to stakeholders.</td></tr>
<tr><td colspan="2"></td></tr>
</table>

Transition policies across India:

Policies	Overall Summary	
India's Carbon Tax	As part of India's 2022 Union Budget, the country implemented a national carbon tax in 2023. Coverage will expand over time as India pursues its net zero emissions target by 2070. By establishing a national price on carbon emissions, India aims to incentivise businesses and consumers to reduce activities resulting in greenhouse gas pollution while mobilising resources enabling decarbonisation. An escalating tax rate aligned with India's mid-century climate ambition is reasonably anticipated.	
	Transition Risks	Transition Opportunities
	Directly increasing tax liabilities associated with offices, facilities, fleets, and business travel as taxable units and activities grow over the coming years.	Renewables integration, storage, and smart grid infrastructure offer valuable opportunities for the Company.
Energy Conservation Building Code (ECBC)	The policy stipulates stringent efficiency, renewable energy, and water mandates that require upgrades to existing commercial facilities over time. It requires nontrivial retrofits for existing commercial facilities, including minimum renewable energy generation as a share of load; stricter whole-building energy intensity limits progressively applied based on occupancy; prescriptive HVAC, lighting, pump efficiency and passive architecture standards; and plumbing upgrades lowering water use.	
	Transition Risks	Transition Opportunities
	Compliance costs could be substantial for the Company's state offices as additional locales release codes advancing India's climate priorities.	Contribute to providing solutions catering to surging corporate demand for both compliance and leadership as government signals escalate.

Transition policies across the United States of America:

Policies	Overall Summary	
Infrastructure Investment and Jobs Act - Bipartisan Infrastructure Law	Invests over $50 billion towards climate resilience and emissions reduction goals through upgraded transmission grid infrastructure, expanded public transit, electric vehicle deployment incentives and charging investments. Implies potential electricity reliability improvements but also higher taxes/regulatory oversight.	
	Transition Risks	Transition Opportunities
	Higher tax burden and regulatory costs from grid modernisation funding mechanisms that upgrade transmission networks utilities recapture through commercial ratepayers.	Enhanced infrastructure reliability provides confidence for operational continuity planning leveraging resilient grid access.
Executive Orders on Federal Sustainability and Climate Resilience (EO 14057 & EO 14008)	The agreements focus on catalysing Clean Energy Industries and Jobs Through Federal Sustainability. Directs wide-ranging emissions reductions, renewable energy integration, climate considerations and justice-focused requirements across federal agency operations with related contractor spillover. In addition, it establishes a government-wide approach to climate resilience via funding prioritisation, planning requirements, materials sustainability and emissions considerations for facilities and contractors.	
	Transition Risks	Transition Opportunities
	Enhanced regulatory and disclosure requirements impose administrative costs for climate considerations and broad sustainability goals.	Proactively showcase the Company's commitment to sustainability by piloting innovative workplace enhancements.

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