

Table 1

## Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: NextEnergy Solar Fund Limited, 213800ZPHCBDDSQH5447 on behalf of NextEnergy Capital Limited

## Summary

NextEnergy Solar Fund Limited (the "Company"), 213800ZPHCBDDSQH5447, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of NextEnergy Solar Fund Limited.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1st April 2022 to 31 March 2023, in line with the financial reporting year.

The tables below contain the principal adverse impacts required by regulation and considered material to the Company. The results show limited adverse impacts in line with the sustainable investment objective. The most significant adverse impact is scope 2 greenhouse gas emissions. This reflects electricity that is consumed by solar projects on-site, imported from the grid. Much of this energy across the portfolio is sourced as renewable but the emissions reflect the proportion of imported energy that is non-renewable. Work is ongoing to assess whether additional renewable energy can be sourced as an alternative. The renewable energy generated by the portfolio is exponentially larger than non-renewable energy consumed as demonstrated by the 0.3% share of non-renewable energy consumption and production indicator.

This is the first reporting period for principal adverse impacts. The nature of the portfolio means the majority of activity is outsourced to third-party providers, mainly operations and maintenance contractors. This creates a particular problem for the collection of data to process into the principal adverse impacts. The company is reliant on the provision of data from these third parties. In the current year, there is a high degree of estimation across most metrics because overall response rates were materially below total portfolio coverage. The data quality of the responses has been assessed, and improvements made where possible. However, the nature of data provided in the current year means there is a lack of transparency to establish the overall accuracy. This is offset to a degree through statistical analysis of responses to detect anomalies and resolve them. The investment advisor and asset manager are actively engaged in improving the completeness and accuracy of data going forward.

Overall the principal adverse indicators reflect the positive nature of the sustainable investment objective and provide targeted areas for improvement in the future which the Company is actively engaged in addressing. The nature of the PAI are designed to be negative in isolation. However, to review the fund's positive attributions please refer to the ESG reports <https://www.nextenergysolarfund.com/esg/esg-reports-and-publications/>

## Description of the principal adverse impacts on sustainability factors

See descriptions below table:

| Indicators applicable to investments in investee companies   |   |   |                                     |                   |  |   |    |
|--|---|---|-------------------------------------|-------------------|--|---|----|
| Adverse sustainability indicator   | Metric  | Impact 2023   | Impact 2022                         | Explanation       | Actions taken and actions planned and targets set for the next reference period  |   |    |
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS   |   |   |                                     |                   |  |   |    |
| Greenhouse gas emissions   | 1. GHG emissions  | Scope 1 GHG emissions   | 0                                   | NA                | The investee companies are SPVs that hold solar PV projects. The construction and operation of these are outsourced to third parties so no scope 1 emissions are incurred.   | NA  |    |
|  |   | Scope 2 GHG emissions   | 1,169 tCO2e                         | NA                | Scope 2 emissions related to purchased import electricity. On a small number of sites there were meter issues during the year so some estimation has been applied to usage at those sites. These emissions reflect non-renewable electricity imported, a significant portion of the portfolio imports renewable energy and does not incur emissions.   | Import data will continue to be collected, options for sourcing more renewable energy are being explored. |    |
|  |   | Scope 3 GHG emissions   | 150 tCO2e                           | NA                | Scope 3 is subject to a large degree of estimation uncertainty. Data provided from suppliers was incomplete (did not cover the full portfolio). Estimations were formed using the data that was provided as a proxy. In the current year there was limited transparency on the data that was provided and formed the basis for these estimates. As a result the level of accuracy cannot be established. Procedures were undertaken to analyse the data, this took correlation of responses from different providers into account. Where possible anomalies were queried and improvements to quality made with additional information. | The investment advisor and asset manager are actively engaged in improving data quality from suppliers.   |    |
|  |   | Total GHG emissions   | 1,319 tCO2e                         | NA                | GHG emissions are calculated in accordance with the GHG Protocol using DEFRA emission factors. As noted above, coverage of scope 3 emissions was limited in the current year.  | NA  |    |
|  |   | 2. Carbon footprint   | Carbon Footprint                    | 1.02 tCO2e per €M | NA   | NA  | NA |
|  |   | 3. GHG intensity of investee companies  | GHG intensity of investee companies | 6.68 tCO2e per €M | NA   | NA  | NA |
|  | 4. Exposure to companies active in the fossil fuel sector   | Share of investments in companies active in the fossil fuel sector  | 0.0%                                | NA                | The investment strategy is focused on assets that produce renewable energy.  | NA  |    |
|  | 5. Share of non-renewable energy consumption and production   | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources   | 0.3%                                | NA                | The portfolio produces renewable energy, electricity generation is exponentially larger than electricity consumed.   | The strategy will continue, options for sourcing renewable import electricity are being explored.         |    |
|  | 6. Energy consumption intensity per high impact climate sector  | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector  | 0 GWh per €M                        | NA                | Renewable energy is not considered a high impact climate sector.   | NA  |    |
| Biodiversity   | 7. Activities negatively affecting biodiversity-sensitive areas   | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas  | 0.0%                                | NA                | The Company undertakes environmental assessments before sites are constructed. There is an active biodiversity program in place to improve the performance of sites.   | Biodiversity improvements will continue as part of the overall ESG strategy.                              |    |
| Water  | 8. Emissions to water   | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average  | 0 t per €M                          | NA                | No nitrates, phosphates and pesticides are emitted in operations. Operations and maintenance contractors are not permitted to use harmful chemicals during the module cleaning process.  | NA  |    |
| Waste  | 9. Hazardous waste and radioactive waste ratio  | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average   | 0 t per €M                          | NA                | No hazardous waste was produced.   | NA  |    |
| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS |   |   |                                     |                   |  |   |    |
| Social and employee matters  | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises  | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises  | 0.0%                                | NA                | The Company applies these policies, with a particular focus on supply chain. The investee companies themselves are SPVs holding assets and have no employees.  | NA  |    |
|  | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0.0%                                | NA                | The Company applies these policies, with a particular focus on supply chain. The investee companies themselves are SPVs holding assets and have no employees.  | NA  |    |
|  | 12. Unadjusted gender pay gap   | Average unadjusted gender pay gap of investee companies   | 0                                   | NA                | The Company has no employees. It invests in SPVs which hold solar assets. The operations are outsourced to third-party contractors.  | NA  |    |
|  | 13. Board gender diversity  | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members   | 46%                                 | NA                | Investee companies are SPVs holding assets, these are not operational trading companies.   | NA  |    |
|  | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)                                  | Share of investments in investee companies involved in the manufacture or selling of controversial weapons  | 0.0%                                | NA                | Investments are all in solar PV projects.  | NA  |    |

## Other indicators for principal adverse impacts on sustainability factors

| Additional climate and other environment-related indicators |  |   |  |             |   |   |
|---|--|---|--|-------------|---|---|
| Adverse sustainability impact                               | Adverse impact on sustainability factors (qualitative or quantitative) | Metric  | Impact 2023                              | Impact 2022 | Explanation   | Actions taken and actions planned and targets set for the next reference period           |
| Indicators applicable to investments in investee companies  |  |   |  |             |   |   |
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS            |  |   |  |             |   |   |
| Water, waste and material emissions                         | 6. Water usage and recycling   | 1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies<br>2. Weighted average percentage of water recycled and reused by investee companies | 1. 84.5 m <sup>3</sup> per €M<br>2. 0.0% | NA          | The goal is to strike a balance between proactive maintenance and resource efficiency. By scheduling regular cleanings, excessive dirt buildup is prevented, which can lead to a significant drop in energy output. At the same time, the aim is to avoid unnecessary interventions and minimize water usage by relying on natural precipitation whenever possible.<br><br>Through this approach, solar sites are ensured to operate at their highest capacity, generating clean and sustainable energy for customers while minimizing the impact on the environment. | Opportunities for recycling water are being explored, as are alternatives to using water. |
|   | 7. Investments in companies without water management policies          | Share of investments in investee companies without water management policies  | 0.0%                                     | NA          | Coverage for this indicator is limited to c.50% of SPV contractors in the current year.   | Actively engaging with suppliers to provide more data and improve quality.                |
|   | 8. Exposure to areas of high water stress                              | Share of investments in investee companies with sites located in areas of high water stress without a water management policy   | 0.0%                                     | NA          | Coverage for this indicator is limited to 15% of SPV contractors for sites located in high water stress areas in the current year.  | Actively engaging with suppliers to provide more data and improve quality.                |

Table 3

## Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| Adverse sustainability impact                                     | Adverse impact on sustainability factors (qualitative or quantitative)     | Metric   | Impact 2023 | Impact 2022 | Explanation   | Actions taken and actions planned and targets set for the next reference period |
|---|--|--|-------------|-------------|---|---|
| <b>Indicators applicable to investments in investee companies</b> |  |  |             |             |   |   |
| Social and employee matters                                       | 1. Investments in companies without workplace accident prevention policies | Share of investments in investee companies without a workplace accident prevention policy  | 0.0%        | NA          | The investee companies are SPVs with no employees.  | NA  |
|   | 2. Rate of accidents   | Rate of accidents in investee companies expressed as a weighted average  | 0.0         | NA          | No accidents reported in the year. This data is dependent on third-party contractors and responses were incomplete in the current year. | Actively engaging with suppliers to provide more data and improve quality.      |
|   | 3. Number of days lost to injuries, accidents, fatalities or illness       | Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average  | 0.0         | NA          | No accidents reported in the year. This data is dependent on third-party contractors and responses were incomplete in the current year. | Actively engaging with suppliers to provide more data and improve quality.      |
|   | 4. Lack of a supplier code of conduct                                      | Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) | 0.0%        | NA          | The investee companies are SPVs to hold assets but suppliers are subject to procurement policies from the ultimate parent.              | NA  |

**Description of policies to identify and prioritise principal adverse impacts on sustainability factors**

The Board has established an ESG Committee, which is Chaired by Josephine Bush who has an extensive experience in sustainable finance.

- The Board approved the Sustainable Investing Policy in 2019
- Since it was established the ESG Committee has oversight of this policy with operational implementation delegated to NextEnergy Capital
- The indicators in Table 2 and 3 have been assessed based on their materiality. That is the likelihood and severity of occurrence. This process included an assessment of the asset lifecycle, from supply chain through operational life and end of life.
- The assessment is inherently judgmental in nature which incorporates a margin of error. Feedback from stakeholders will be taken into account when reviewing this selection and amendments made in future reporting cycles if required.
- Data is challenging on a number of metrics because it is primarily provided by third party operations and maintenance contractors. Additional data was available from the asset manager.

Data received from third-party contractors was assessed for quality. Anomalies were queried with providers. Estimates were used on data gaps using the data that was available as a proxy (converting this into an intensity metric and applying to relevant activity).

**Engagement Policies**

The investments are infrastructure assets. Engagement is primarily focused on operations and maintenance contractors to adopt more efficient and sustainable operations (using less fuel and less water are focus areas). Supply chain is the other major area of focus for new sites under construction or parts for repairs. The engagement focus is on human rights and climate risk.

**Reference to international standards**

As an Article 9 fund with a sustainable investment objective the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises are adhered to.

- Indicators 10 and 11 in Table 1 are key to ensuring compliance with these frameworks
- As there is direct control over the infrastructure assets full coverage can be obtained. Extensive work is undertaken to collect data from contractors and suppliers but this has inherent limitations in completeness and accuracy.
- Climate scenarios are not used in the indicators but they are considered as part of the TCFD reporting, publicly available
- Climate scenarios are used as part of TCFD reporting

**Historical comparison**

NA - first reporting period