A close-up photograph of a bee on a pink flower. The bee is positioned on the left side of the frame, facing left. It has a fuzzy body with black and yellow stripes and orange legs. The flower is in the foreground, with several pink petals and yellow stamens. The background is a soft, out-of-focus green. On the right side of the image, there is a large, semi-transparent blue circular graphic that overlaps the text.

# NEXTENERGY

## SOLAR FUND

Generating a more  
sustainable future

**Sustainability and ESG Report**  
for the year ended 31 March 2023

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## the importance of transitioning to clean energy generation is increasing

It is vital that as we make progress on climate change, we also drive accountability. The 2023 NESF Sustainability & ESG Report explains how NESF has taken action to deliver on its current priorities, and outlines the strategic review being undertaken to ensure that the Investment Manager's approach to Sustainability & ESG reflects the changing expectations of society and investors.

The Report describes the comprehensive work that NESF is implementing to improve biodiversity at its existing assets. It provides a detailed update on the work NESF is doing on supply chains, to ensure that future investments meet the highest standards possible in responsible sourcing. And it also highlights the broader contribution NESF makes to society – for example, through the direct funding to community initiatives it provides, and its contribution to the NextEnergy Group charity, the NextEnergy Foundation.

Our commitment to ensuring that our work reflects evolving international Sustainability and ESG standards is reflected in our wide range of public disclosures. This includes transparency on our ESG risk management and proprietary due diligence procedures, including our approach to investment decision-making and governance.

NESF is classified as an Article 9 Fund under the EU Sustainable Finance Disclosure Regulation, and has sustainable investment as its objective. In addition, its investments are fully aligned with the EU Taxonomy. Sustainability and ESG are central to NESF's mission, and I am confident that NESF will continue expanding on its positive impact into the future. As we look forward, the 2024 NESF Sustainability and ESG Report will present the findings of the strategic Sustainability and ESG review being carried out this year and how NESF's approach will evolve in light of this.

The NextEnergy Capital Sustainability and ESG team continues to drive NESF's Sustainability and ESG performance, and I would like to thank them for their hard work, passion and dedication to what they do, contributing to a sustainable future.

**Josephine Bush,**  
Chair of the NESF Board ESG Committee

## 1. Introduction

### 1.1. Foreword from the ESG Committee Chair

In 2022, the world emerged from the pandemic, only to enter an energy crisis, against the backdrop of geopolitical and macroeconomic tensions. Simultaneously, the increasing impact of climate change continued to be felt, with a record-breaking heatwave across Europe, and the war in Ukraine making the energy trilemma more challenging to address.

In light of this, the importance of transitioning to clean energy generation is increasing. Solar PV and energy storage are vital to this. Both technologies contribute to global energy security and independence, while ensuring affordable power for homes and businesses. Policy developments have recognised this: the British government outlined an ambition for the UK to deploy 70GW of solar capacity by 2035 – to which the NextEnergy Solar Fund (NESF) will contribute – while the EU has declared a target of 600GW of solar by 2030.

The level of these targets is a welcome reflection of the importance of a clean energy supply. Furthermore, it comes with a responsibility to ensure the highest sustainability and environmental, social and governance ('Sustainability & ESG') standards. For example, debates on land use and social standards in supply chains have accompanied the setting of these deployment targets, as policymakers grapple with how to expand the role of solar in the global energy system.



“  
there is a  
direct link between  
biodiversity and  
climate change, so  
NESF's support to  
biodiversity  
is crucial

## 1.2. An introduction to NESF's ESG achievements by Ross Grier, COO and Head of UK Investments, and Michael Bonte-Friedheim, CEO and Founder of NextEnergy Group

Over the last 12 months, the Fund progressed its pipeline of solar assets and expanded into battery storage, in line with our core mission to deliver new clean energy for society. We believe in showing the impact of this in detail and, as such, our new reporting and disclosure initiatives in 2022 included the publication of our first-ever dedicated NESF Sustainability and ESG Report.

The 2023 Sustainability and ESG Report illustrates that the breadth and depth of our Sustainability and ESG work continues to increase, and so we are delighted that the NextEnergy Capital ESG team which advises NESF has doubled in size and expanded its skillset and expertise. As well as ensuring that our ESG approach is best in class, the team is deeply involved in industry-wide projects, such as the Solar Stewardship Initiative, which launched publicly in October 2022. The purpose of this is to help ensure responsible sourcing across the solar supply chain, which NESF is driving through its comprehensive internal approach to supply chain Sustainability and ESG management.

We have continued to develop our approach to biodiversity, with the expansion of our Universal Biodiversity Management Plan, that is improving the local environment

around existing NESF assets. This is a voluntary initiative and demonstrates NESF's commitment to identify every opportunity to promote nature and the environment. There is also a direct link between biodiversity and climate change, and so NESF's support to biodiversity is crucial to our mission to generate a sustainable future, by leading the transition to clean energy.

Further progress includes the continued development of our proprietary due diligence tool and screening processes. The tool is focused on environmental and social impacts and will be used to understand the nature-related, climate, and social impacts of potential NESF investments. We also continue to collect data on our emissions avoided, which is independently calculated by the Macquarie Green Investment Group.

As an EU SFDR Article 9 Fund<sup>1</sup>, we make all relevant disclosures for Funds that have sustainable investment as their objective. We have also updated the NESF website to include a dedicated Sustainability and ESG section, allowing easy access to the reporting and information that our investors need in order to understand our ESG approach in detail.

NESF goes from strength to strength, and we are excited to present further information on our current and future impact in this 2023 Sustainability and ESG Report.

<sup>1</sup> This refers to the EU Sustainable Finance Disclosure Regulation. See page 9 for more information.

## 2. Performance highlights (as at 31 March 2023 unless stated)

### ESG

Tonnes of CO<sub>2</sub>e emissions avoided per year

**363,000**

Equivalent to UK homes powered for one year

**242,000**

Equivalent cars taken off UK roads for one year

**c. 120,000**

Total emissions avoided since 2014 (ktCO<sub>2</sub>e)<sup>2</sup>

**2,181**

Total fossil fuel avoided since 2015

**929.4**

(kilotonnes of oil equivalent)

Community funding FY 2022-23 (through Special Purpose Vehicles)

**c. £104,000**

Donated to the NextEnergy Foundation FY 2022-23

**£400,000**

Universal Biodiversity Management Plan (UBPM) sites

**45**

15 more due by year end

Number of biodiversity exemplar sites

**8** (completed or in development)

Total hectares of wildflowers across portfolio

**15.42**

Portfolio with enhanced biodiversity measures

**63%** Based on UBMP and Exemplar sites as a proportion of relevant UK ground-mounted assets

### Operational

Total capacity installed

**865MW**

Total electricity generation for the year

**870GWh**

Operating solar assets

**99**

Generation above budget for the year

**3.8%**

### Financial

Gross asset value (GAV)

**£1,218m**

Ordinary shareholders' Net Asset value (NAV)

**£674.4m**

NAV per ordinary share

**114.3p**

Dividends per ordinary share for the year ended 31 March 2023

**7.52p**

Target dividend FY 2023-2024

**8.35p**

Forecast dividend cover

**1.3-1.5x**

NAV total return per ordinary share

**7.3%**

Ordinary Shareholder Total Return

**8.6%**

Financial debt gearing

**28%**

Total gearing

**45%**

<sup>2</sup> This refers to 'thousands of tonnes of carbon dioxide equivalent'.

### 3. The NESF approach to Sustainability and ESG



NESF's investment objective is to provide ordinary shareholders with attractive risk-adjusted returns, principally in the form of regular dividends, through a diversified portfolio of solar energy infrastructure assets with the addition of complementary technologies, such as energy storage. These assets are helping to lead the transition to clean energy. NESF's current approach to Sustainability and ESG is centred around three pillars: climate change, biodiversity, and human rights. Each pillar poses material challenges to NESF, but also presents opportunities to make positive impacts. NESF's approach to Sustainability and ESG is being developed; we are guided by the current approach for this year's reporting and the new approach will form the basis for NESF's sustainability reporting from next year.

#### 3.1. NESF's Sustainability and ESG priorities

NESF assets are helping to address climate change, by generating clean electricity. They support the local environment, because NESF champions biodiversity on its solar farms, transforming energy infrastructure into a haven for flora and fauna. NESF also works to promote and protect human rights, in its own activities and throughout the solar and energy storage supply chain.

These priorities are incorporated at every stage of NESF's work.



#### 3.2. Keeping current

NESF is committed to ensuring that its Sustainability and ESG priorities remain relevant, and that it is proactively identifying areas to effect positive change for people and the planet.

As such, the Fund's Investment Adviser is currently undertaking a strategic review of its Sustainability and ESG strategy. This is being carried out with external assistance and is due to be completed by the end of 2023. NESF is monitoring the review, which could provide valuable insights on how to enhance NESF's approach to Sustainability and ESG, ensuring it reflects the current and future Sustainability and ESG landscape, and is relevant to its business objectives. NextEnergy Capital is also developing a climate change and net zero strategy that will inform how NESF takes action to reduce its emissions; an environmental strategy to strengthen its conservation objectives in line with best practice; and a community engagement strategy to ensure it can deliver positive impacts to local communities.

#### 3.3. NESF Board ESG Governance

NESF's corporate governance is intended to give shareholders and other key stakeholders confidence in its trustworthiness, fairness and transparency. The NESF Board has overall responsibility for NESF's governance, performance and management. Sustainability and ESG issues such as climate and supply chain risk are some of the most fundamental issues the Board manages, reflecting the increased and welcome scrutiny from responsible investors. A NESF Board ESG Committee was established in 2022 to further drive the Fund's Sustainability and ESG agenda. Chaired by Josephine Bush, who has extensive experience in sustainable finance, the Committee provides

a specific structure to examine ESG issues in more detail. The Board contains a wide range of additional relevant expertise, for example through Chair-elect Helen Mahy, who Chairs the Safety, Sustainability, Health and Environment Advisory Committee at SSE plc.

## A dual approach

NESF has a dual approach to its corporate governance. The main Board currently comprises six Directors, all of whom are non-executive and independent of the Investment Manager and the Investment Adviser. NESF's culture is based on openness, trust and candour between Board members, respect for differing opinions and areas of expertise, and individual and collective accountability. The Board believes that this culture encourages constructive and robust challenge and debate, generates strong collective wisdom, and ultimately leads to good decision making, all of which are important to the successful implementation of NESF's strategy.

The Fund also benefits from a separate Board at its manager level, the NextEnergy Capital Investment Management Board, which oversees NextEnergy Capital's performance and provides a consistent service to NESF based on the direction of the NESF Board. The services provided by the Investment Manager and Investment Adviser are kept under review by the NESF Board.

Progress and changes in Sustainability and ESG risks and opportunities are discussed during NESF Board meetings and ESG Committee meetings, as well as quarterly meetings between the ESG team and the Investment Manager. The NextEnergy Capital Head of ESG, Giulia Guidi, actively engages with the NESF ESG Committee to discuss, among other things, the strategy, performance, and reporting requirements relating to NESF.

Giulia sits on the NESF Investment Committee, and takes an active role in the investment decision-making process, meeting weekly with the Investment team and at least bi-

weekly with senior managers of the Investment Adviser to discuss emerging ESG issues and how NESF can deepen its positive impact on society.

NESF implements processes to ensure that its activities are monitored and recorded appropriately, including the generation of data and statistics such as those included in this Sustainability and ESG Report.

An overview of the NESF Governance structure is below.

## NESF Board and ESG Committee

The Board of Directors of NESF oversees the Fund's strategy and activities and established the ESG Committee in 2022 to further drive the Fund's Sustainability and ESG agenda.

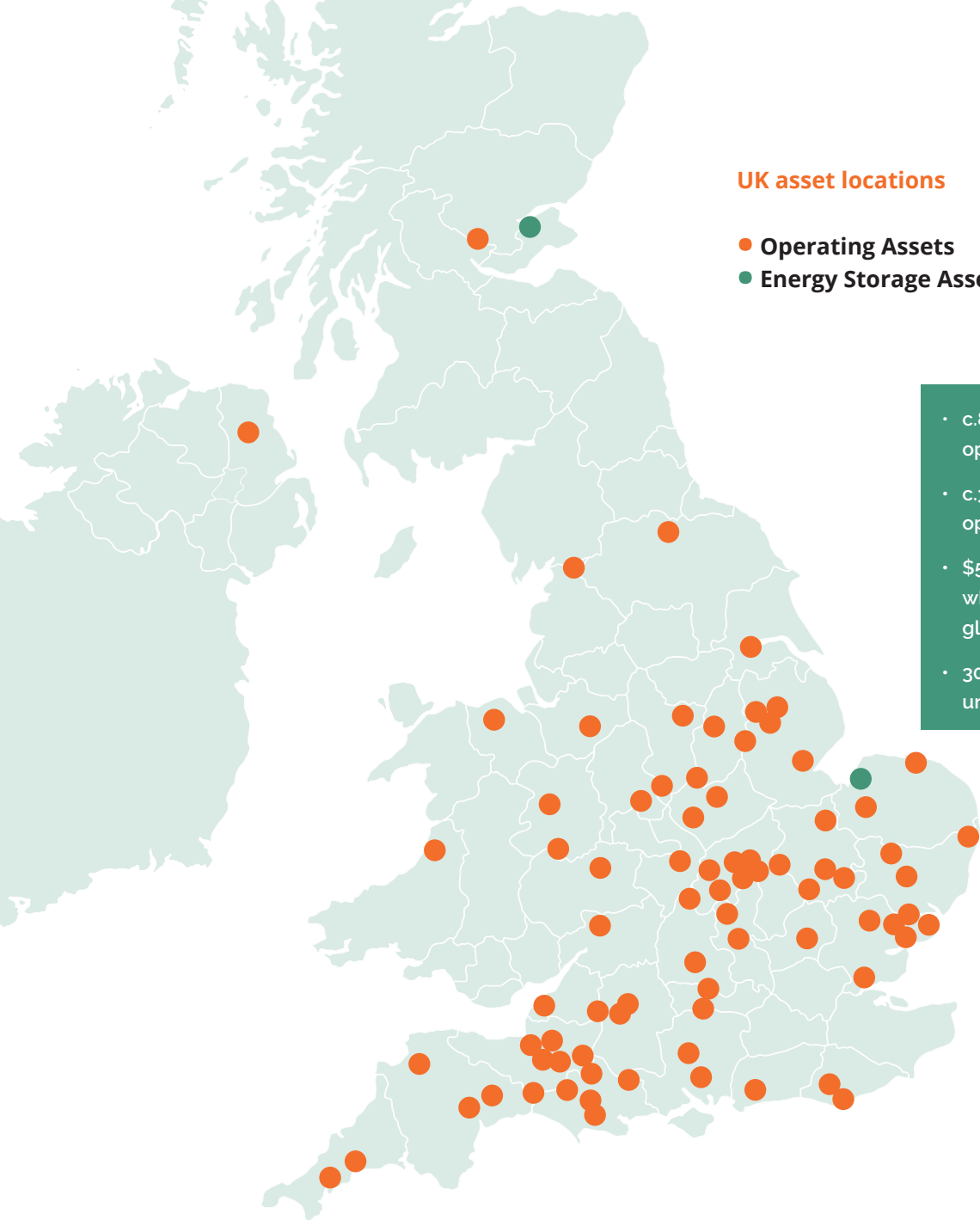
## NextEnergy Capital

NESF is managed and advised by NextEnergy Capital. NextEnergy Capital's ESG team provides NESF with its sector-leading expertise and advice on Sustainability and ESG matters.

- NextEnergy Capital has been a leading player in the energy transition since the company was established in 2007.
- Its activities include developing and constructing solar and energy storage assets.
- NextEnergy Capital currently has over \$3.4bn in assets under management, across three investment vehicles.
- To date, NextEnergy Capital has invested in more than 375 separate solar plants across nine countries and four continents, with a total capacity of over 2.4GWp<sup>3</sup>.

<sup>3</sup> This relates to total capacity installed and under construction, as of 31 March 2023.





**UK asset locations**

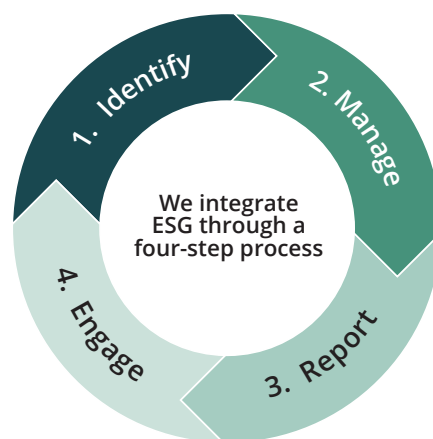
- Operating Assets
- Energy Storage Assets

- c.830 MW of Solar PV assets operational in UK
- c.35 MW of Solar PV assets operational in Italy
- \$50m investment into NP III LP, which holds 149 solar assets globally
- 300MW of Energy Storage assets under construction / development

**WiseEnergy**

NESF's solar assets are managed on a day-to-day basis by WiseEnergy, a leading operating asset manager in the solar sector. Through its proactive management approach, the WiseEnergy team plays a key role in helping NESF to deliver its mission.

- Since its foundation in 2009, WiseEnergy has provided solar asset management, monitoring and technical due diligence to over 1,350 utility-scale solar power plants.
- WiseEnergy currently manages an installed capacity in excess of 1.8GWp.



*Please see section 9.4 for more detail on the investment decision-making process.*



# NEXTENERGY SOLAR FUND

## Our Structure

Independent Board of Directors

ESG Committee

Audit Committee

Remuneration and Nominations Committee

Management Engagement Committee



Investment Manager  
and Adviser

Investment Committee

NEC IM Board



Operating Asset  
Manager

## Sustainable investment: the EU taxonomy and the European Sustainable Finance Disclosure Regulation (SFDR)

### EU taxonomy

The EU Taxonomy is a financial transparency tool that classifies a list of sustainable economic activities. It is intended to ensure investors know how their financing is supporting climate-friendly initiatives, such as the transition to net zero, and that they are not involved in greenwashing. NESF's investments are aligned with the requirements of the EU Taxonomy and the details of this alignment are reported on in the Sustainable Finance Disclosure Regulation (SFDR) Annex I, Annex III, Annex V, as well as the ESG Disclosure document, disclosed on NESF's website.

### Sustainable Finance Disclosure Regulation – Principal Adverse Impact Statement

The EU SFDR requires fund managers to assess and disclose how sustainability matters and risks are considered in their investment processes, and how they consider investment decisions that

might result in negative effects on sustainability factors, known as Principal Adverse Impacts (PAIs). The regulation was developed to improve transparency, reduce greenwashing and direct capital towards more sustainable investments and businesses.

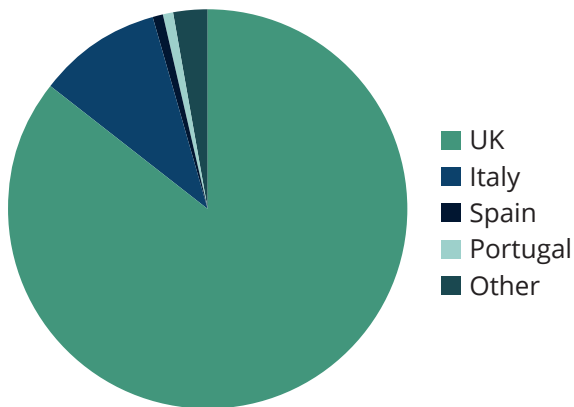
The NESF Sustainability and ESG risk management process reviews all aspects of the development and operation of its assets to determine PAIs (including those relating to the environment, social, human rights and employee issues, and anti-corruption). NESF reports its PAIs consistent with the requirements of SFDR and of the Regulatory Technical Standard (RTS), and these are included in the PAI table contained in the Annex to this Sustainability and ESG Report.

SFDR Annex I, also known as PAI Table, is included as an annex to this Report and it is also available on NESF's website.

## 4. Operations

### 4.1. Where NESF invests

NESF has invested capital across the UK and internationally: 85.5% in the UK, 10.2% in Italy, 0.8% in Spain, 0.7% in Portugal, and 2.7% in other international locations<sup>4</sup>. For more details about the investments across our portfolio, see the [2023 Annual Report](#).



### 4.2. Where NESF operates

NESF's total installed and operational capacity as at 31 March 2023 is 889MW, comprising 91 assets in the UK<sup>5</sup> and 8 in Italy, and a 6.21% share in a private equity vehicle, NextPower III LP:



<sup>4</sup> Figures are stated to the nearest 0.1% which may lead to rounding differences.  
<sup>5</sup> See page 8 for a breakdown of UK assets.

## 5. NextEnergy Capital ESG experts



The dedicated NextEnergy Capital ESG team which advises NESF has doubled in size in the last 12 months, to six people, expanding its skillset and expertise. This reflects NESF's commitment to ensuring a robust Sustainability and ESG approach is maintained at the heart of its work. The ESG team advising NESF consists of a Head of ESG, Vice President, two Associates, and two Analysts, who all have targets in their individual performance goals relating to ESG. These relate, for example, to developing expertise in specific areas to support transaction due diligence processes, and leading strategic projects that extend across NESF's activities, including responsible sourcing.

**50:** combined years of experience across the dedicated ESG team

Overall, the dedicated ESG team has 50 years of combined experience across a range of sustainability and ESG issues relating to the energy sector. Other NESF advisers include a senior Environmental Impact Manager who is dedicated to valuing the natural capital of NESF's portfolio, and the NextEnergy Capital senior management team, which has extensive strategic and operational experience of engaging with Sustainability and ESG topics across energy and infrastructure projects.

More information on NESF's Sustainability and ESG experts is available on the [NextEnergy Capital website](#).

## Management

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### Ross Grier

Chief Operating Officer and Head of UK Investments

Ross oversees all NESF activity. Over the last 10 years he has deployed over £1.5bn of capital into UK solar and energy storage, including over 900MW of transactions for NESF.



### Stephen Rosser

Investment Director & UK Counsel

Stephen manages NESF's investments and oversees regulatory and legal risk across the portfolio. He has over 10 years' experience of sustainable procurement and over 20 years' experience in M&A.

## Dedicated ESG team

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### Giulia Guidi

Head of ESG

Giulia oversees NESF Sustainability and ESG. She is the NextEnergy Group Head of ESG and has over 20 years' experience in ESG and risk management in the financial sector.



### David Hawkins

Vice-President of ESG

David has over 10 years' sustainability and environmental experience in the energy sector.



### Flavia Galdiolo

ESG Research and Engagement Associate

Flavia leads the NextEnergy Group's strategic sustainability and ESG engagement and communication, and manages the NextEnergy Foundation.



### Kevin McCann

ESG Associate

Kevin supports a range of transaction, supply chain and due diligence initiatives to ensure responsible investment across the NESF portfolio.



### Damilola Toriola

ESG Analyst

Damilola undertakes sustainability and ESG due diligence and reviews transaction and other reporting. She previously worked in mining.



### Marianna Ricca

ESG Analyst

Marianna undertakes Sustainability and ESG due diligence for acquisitions and identifies key risks and compliance gaps with international standards.

## Sustainability team

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### Sulwen Vaughan

Fund Special Purpose Vehicle Director

Sulwen has over 30 years' business management experience and provides oversight to the NESF portfolio from a Special Purpose Vehicle level.



### Hing Kin Lee

Environmental Impact Manager

Lee has over 18 years' experience in the environmental sector and provides environmental governance across the portfolio.



## 6. The NESF Sustainability and ESG approach

The NESF Sustainability and ESG approach is based on three core pillars: climate change, promoting biodiversity, and respecting human rights. As detailed in this Report, an external review of this is underway in order to ensure that its strategic approach remains current. The current approach has been developed with reference to the UN Sustainable Development Goals (SDGs) as an underlying impact framework, and the SDG targets which are relevant to NESF's impact are outlined at the start of the relevant sections below.



Climate Change



Biodiversity



Human Rights

This review is driven by a combination of the internal evolution of NextEnergy Group's activities, its Sustainability and ESG journey, external energy-related geopolitical and political pressures, as well as investor and regulator-driven changes in Sustainability and ESG practices. The process for identifying risks has included a stakeholder engagement exercise, facilitated via an external advisor, and an assessment of Sustainability and ESG priorities against relevant standards and reporting frameworks.

Once finalised, the new Sustainability and ESG strategy will be aligned with relevant Sustainability and ESG industry initiatives, standards, and disclosure frameworks. It will form the basis for future NESF Sustainability and ESG reporting.

### 6.1. ESG risk and opportunities

NESF investments typically give rise to a consistent set of ESG risks and opportunities. By acknowledging and addressing them, NESF is better positioned to mitigate the risks, and benefit from the opportunities. NESF manages risk through its investment and development process, including the screening of assets and detailed due diligence, risk management, and ESG delivery processes. This includes measuring and reporting on all relevant risk factors during the asset management phase, and engaging fully with relevant stakeholders.

### 6.2. Supply chain



Some of the most material risks NESF faces are the environmental and social challenges embedded within the solar and energy storage supply chain. During the last 12 months, this has been a key focus area for NESF while it has developed its market-leading approach to identifying and managing supply chain Sustainability and ESG risk.

NextEnergy Capital's Construction and Procurement team, ESG team, and Investment team work collaboratively both towards stronger internal supply chain risk management, and to support industry-led initiatives aiming to make the solar and energy storage sector more resilient.

This is crucial, given the supply chain includes potential Sustainability and ESG risks relating to the local environment, raw material extraction, climate issues and carbon emissions, human rights and labour practices, and governance and transparency issues. These are discussed throughout this report, in particular in the context of social and human rights in section 8. However, NESF considers all aspects of supply chain Sustainability and ESG as part of its investment and management processes. The NESF approach to these will continue to be developed and explained in future reporting.

A breakdown of the risks and opportunities relevant to NESF which have been considered to date as part of investment, operational activity and supply chain management is provided below. These risks may change and future reporting will be updated accordingly.

NESF faces a variety of risks associated with the solar and energy storage supply chain. NESF looks at all environmental, social and governance topics it deems to be material both within its own operations, and throughout the manufacturing and value chain. These include the topics outlined here. More information on the NESF approach to managing supply chain Sustainability and ESG risk is included in Section 8.1.



## Risks

- Biodiversity and natural capital impacts
- Circular economy
- Climate risks
- Decommissioning and end-of-life
- Energy efficiency
- Land use and waste management
- Supply chain
- Water and other resource stress

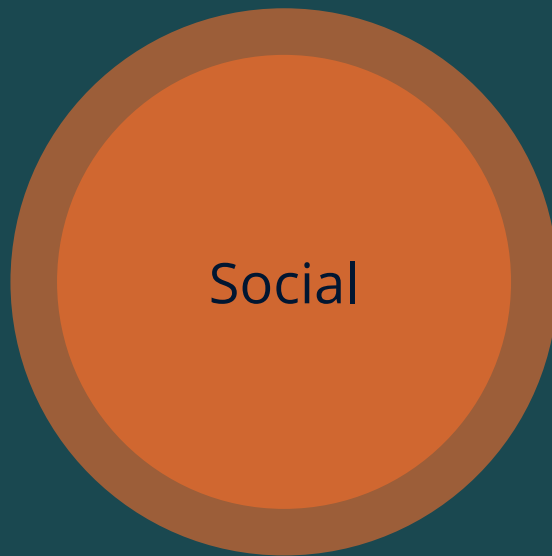


## Opportunities

- Addressing climate change by avoiding greenhouse gas emissions
- Enabling multi-functional land use (such as through grazing and habitat creation)
- Developing a circular economy
- Generating investment revenue from nature-positive solutions
- Identifying improvement opportunities
- Increasing natural capital stocks and ecosystem service provision (such as plants, soil and minerals)
- Supporting local flora and fauna

## Risks

- Community impacts
- Health and safety, and working conditions
- Human rights abuses
- Impacts on indigenous peoples and other land users
- Supply chain



## Opportunities

- Contributing to the development of local communities
- Contributing to social equity and a just transition
- Developing a strong social licence to operate
- Increasing diversity and inclusion
- Identifying improvement opportunities
- Supporting climate and biodiversity awareness and education
- Supporting job creation

## Risks

- Anti-corruption
- Anti-money laundering and anti-bribery legislation
- Business integrity
- Risk management and governance processes
- Supply chain



## Opportunities

- Increased transparency by adhering to the rule of law
- Identifying improvement opportunities
- Improving disclosure and data quality across the value chain

## 7. Environment

This section outlines the contribution NESF is making to the following environment-related UN Sustainable Development Goals:



### UN SDG Target 3.9

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

### UN SDG Target 6.4, 6.A, 6.b

- By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
- By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling, and reuse technologies
- Support and strengthen the participation of local communities in improving water and sanitation management



## UN SDG Targets 7.1, 7.2

- By 2030, ensure universal access to affordable, reliable and modern energy services
- By 2030, increase substantially the share of renewable energy in the global energy mix

## UN SDG Target 13.3

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

## UN SDG Targets 15.2, 15.5, 15.b

- By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
- Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species
- Mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation

The core environmental benefits of NESF assets are to address climate change and promote local biodiversity. This section outlines the key progress NESF has made during the last 12 months. It explains the NESF approach to the environment, describes how NESF is ensuring this remains current, and provides a detailed update on the climate change and biodiversity impacts that NESF assets have delivered. NESF's approach to the environment is based on four key areas:

- **Addressing climate change.** The core global impact of the NESF portfolio is to avoid greenhouse gas emissions caused by fossil fuel power generation. In total, NESF assets avoided the release of 363,000 tonnes of greenhouse gases in 2022-2023.
- **Improving the local environment.** Drawing on a comprehensive suite of site-specific measures, designed with the support of ecological experts, NESF assets support local flora, fauna, and habitats.

- **Meeting and exceeding regulatory requirements.** NESF sites are designed, wherever possible, to deliver environmental outcomes that go beyond local authority planning requirements. This also means that NESF is well positioned to benefit from future legislative developments, such as the implementation of the UK Environment Act 2021.
- **Driving best practice across the industry.** Working with trade associations, policymakers, and environmental researchers, NESF is generating evidence on how solar farms can support nature. This is helping to inform and drive best practice across the industry.

As part of the broader Sustainability and ESG review, the Investment Adviser appointed a conservation specialist in Q1 2023 to develop an environmental strategy and deliver NESF environmental procedures by 2024. As an interim step, a **Biodiversity Position Statement** was published on the NESF website in Q1 2023, and a roadmap for development of the overall strategy has been presented internally.

Sustainable  
Markets  
Initiative

TCFD IIGCC

T N  
F D

Solar  
Energy  
UK



## Thought leadership:

### environmental management and reporting initiatives

The NESF Investment Adviser, NextEnergy Capital, proactively engages with national and international environmental bodies and is committed to developing and implementing industry best practice. For example, NextEnergy Capital is a supporter of Terra Carta and the Task Force on Climate-related Financial Disclosures, and a member of the Institutional Investors Group on Climate Change. The NESF Special Purpose Vehicle Director, Sulwen Vaughan, is Chair of Solar Energy UK's Natural Capital Working Group, which in 2022 published industry-wide Natural Capital Best Practice Guidance, and Environmental Impact Manager Hing-Kin Lee is a member of the Solar Energy UK Natural Capital Steering Group. NextEnergy Capital also became a forum member of the Taskforce on Nature-related Financial Disclosures in 2022, which is developing a global approach to reporting on biodiversity.

The purpose of the dedicated environmental and biodiversity strategy will be to define specific environmental objectives that are material for NESF, and key metrics that will be incorporated into governing documents. This assessment will identify the interface between NESF assets and nature, establish dependencies across the business, and design metrics to measure biodiversity and other environmental impacts. The metrics will be developed using science-based target setting and will align with international standards and NESF organisational goals.

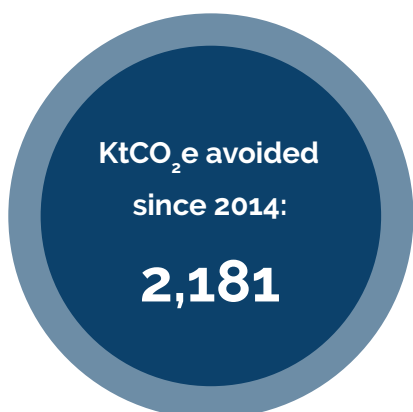
The policy context for environmental protection and improvements associated with infrastructure is material to NESF, and evolving. For example, in the UK the biodiversity net gain (BNG) provisions of the Environment Act 2021 are due to come into force by the end of 2023. These will require new infrastructure projects to deliver at least 10% BNG, over and above ensuring they do no harm. NESF's commitment to improving biodiversity around its assets means it may be able to benefit from this in future, where it is able to generate improvements to the local environment around new assets that exceed the minimum threshold.

This work will provide an ambitious but achievable plan for NESF biodiversity, together with a framework for delivery, which builds on the work described in this Report.

## 7.1. Climate change

### Emissions

NESF contributes to climate change mitigation by reducing the need for fossil fuel electricity generation. NESF uses the independent support of Macquarie Green Investment Group (GIG) to report on annual CO<sub>2</sub>e emissions avoided, and, since 2021, NESF has also provided an estimate of the overall lifecycle carbon footprint of the portfolio. This includes Scope 1, 2 and 3 Greenhouse Gas emissions.



NESF assets do not emit significant direct emissions, and so its Scope 1 and 2 emissions are low in comparison with many other industries. NESF's operational emissions are outlined in the table below:

Emissions scope	Emissions (TCO <sub>2</sub> e)
Scope 1	0
Scope 2	1,169
Scope 3 <sup>6</sup>	150
<b>Total</b>	<b>1,319</b>

NESF's indirect emissions arise from the manufacturing and shipping of the components in its power plants, such as solar PV panels and battery storage systems. The processes involved in the extraction and refining of raw materials also create emissions, although research indicates that the level of lifecycle emissions for solar PV is among the lowest of all generation technologies, and the actual generation of electricity from a solar plant produces almost no emissions<sup>7</sup>. NESF is currently developing its approach to ensure the sustainability of mineral extraction and battery storage, to reflect the progress made on assessing its PV module supply chain. As part of the enhanced supplier review process described in section 8 of this report, NESF now requests that all suppliers provide figures on the carbon intensity of their modules, enabling a more detailed assessment of the carbon impact of a potential transaction.

### Emissions strategy

As described in section 3.2, NESF is developing a climate and net zero strategy and, on an operational level, the NESF asset manager has engaged with contractors to gather the data needed to quantify and generate an emissions baseline from operations in the field. This includes fuel use on site, fuel use via transport and equipment, and energy in the form of electricity purchased from the grid which is not from a renewable source. NESF has used the services of a dedicated third-party specialist to help analyse this data, understand the biggest emissions contributions, and ensure that the data accuracy is understood, closing gaps through data-based methodological estimates where needed. This has resulted in NESF developing a clear emissions baseline this year for the first time. These are the emissions figures outlined in this section.

NESF has also made progress from a supply chain-related Scope 3 emissions perspective. Moving forward, NESF

<sup>6</sup> The Greenhouse Gas Protocol approach has been used to calculate O&M emissions. However, at present NESF is still identifying its construction and supply chain emissions. As such, the Scope 3 figure provided is an estimate and may increase significantly in future as the Fund is able to report more fully on the emissions which fall into this category. A description of Scope 1-3 emissions is provided in the glossary.

<sup>7</sup> See, for example, research from the International Energy Agency, available at <https://iea.blob.core.windows.net/assets/d2ee601d-6b1a-4cd2-a0e8-dbo2dc64332c/SpecialReportonSolarPVGlobalSupplyChains.pdf>

will be requiring carbon footprints for solar modules purchased, and is also considering the emissions associated with battery storage. This step is important because supply chain emissions are likely to make the largest contribution to the overall emissions baseline. Through the enhanced supply chain review process described in section 8, NESF is also mapping emissions-based commitments made by module suppliers, and this will influence module supply decisions for future NESF assets. Work to understand supply chain emissions is ongoing and will be covered in more detail in the climate and net zero strategy under development.

### Emissions strategy next steps

The next steps NESF will take are to conduct decarbonisation assessments to understand focus areas, and which issues are most material from an emissions perspective. Further analysis of the new baseline will provide these focal areas and allow NESF to explore where abatement is possible, or offsetting may be needed.

Once this is complete, NESF will move to the second stage, which will include setting and publishing ambitions, including on greenhouse gas emissions reduction targets and priorities for decarbonisation.

## Thought leadership:



### NESF Natural Capital Series

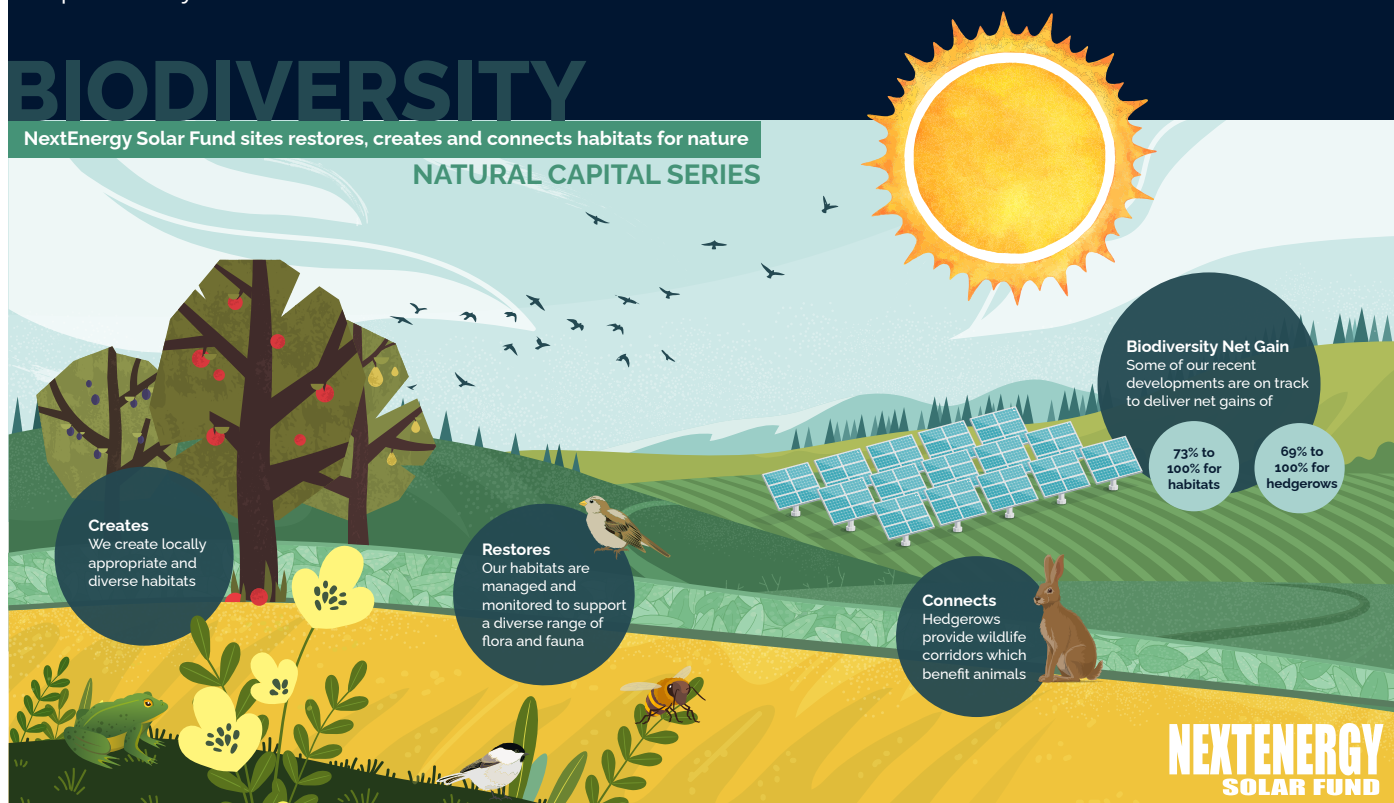
In support of the **COP15 UN Biodiversity Conference in Montreal**, NESF launched a natural capital educational initiative in December 2022, to explain the additional biodiversity benefits that its solar assets provide. For 7 days from the 7 December 2022, NESF posted an educational natural capital infographic highlighting the ecosystem services provided by solar PV.

The series is **available to view** on the NESF website and, in recognition of this work, NESF was shortlisted in summer 2023 for the Investment Week Sustainable Investment Awards 2023 "Best Sustainable Investment Education Initiative".

# BIODIVERSITY

NextEnergy Solar Fund sites restores, creates and connects habitats for nature

## NATURAL CAPITAL SERIES



## 7.2. Biodiversity

As well as helping to address climate change by producing clean electricity, NESF aims to deliver a positive local environmental impact across its portfolio. NESF is particularly proud of the work it is doing across its landed estate to assess its biodiversity footprint. This includes the development of methodologies for the assessment of biodiversity impacts and dependencies, data gathering, and enhancement opportunities.

### NESF biodiversity 2022-2023

Solar farms provide the perfect opportunity to design and implement bespoke and effective measures that restore, repair, and connect local wildlife, habitats, and ecosystems. To do so, the mitigation hierarchy is embedded into the investment decision making and asset lifecycle approach.

NESF works closely with environmental experts from Wychwood Biodiversity, a UK-based company working with organisations worldwide to improve biodiversity on their land, and land management contractors who specialise in solar farm maintenance. Collectively, these organisations help ensure that NESF delivers a range of nature-positive initiatives and nature-based solutions.



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# 45

Universal Biodiversity Management Plan sites, with a further 15 to be implemented in Autumn 2023.



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# 8

Exemplar biodiversity sites



## Buglife B-Line initiative sites.

NESF recognises the importance of diverse and flower-rich habitats and the role they play for both food-security and biodiversity. Following a review of its operating asset portfolio with conservation organisation **Buglife**, NESF has invested in additional planting at strategic locations to help native insect pollinators as part of the **B-Line initiative**. This initiative helps create 'insect pathways', linking countryside and towns around the country.

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NESF promotes multifunctional land use that accommodates farming practices alongside clean renewable power generation. Through collaboration with local farmers and landowners, approximately **50% of NESF solar sites** are grazed by sheep on a rotational basis.



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# 15.42

hectares of land sown with wildflowers.

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# 144

shrubs planted across the NESF Exemplar, UBMP and Buglife portfolio, which all deliver additionality beyond planning requirements.



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New complementary habitat provisions on NESF sites as of March 2023:

**65** bird boxes installed, **66** bug hotels, **22** bat boxes, **24** raptor boxes, **6** owl boxes, **22** hibernacula created and **c.26** beehives, all of which are additional to statutory planning obligations.

NESF is also collaborating with academic and industry research partners to measure the impact of its biodiversity initiatives. This work is designed to investigate how best the finance and investment sectors can promote nature, and share best practice to enable them to do so. The research will also help NESF to benefit from potential revenue-generating opportunities, such as the introduction of the biodiversity provisions of the UK's Environment Act 2021. These will come into force in Autumn 2023 and may allow for revenue to be generated from environmental initiatives, for example by trading biodiversity credits.

NESF recognises the urgency for action to be taken to reduce the intensity and drivers of biodiversity loss as part of the Global Biodiversity Framework. NESF's overall

approach to biodiversity also seeks to align with the UK Government's 25-Year Environment Plan, and the goals of the Environmental Improvement Plan 2023 (EIP23), with assets actively supporting the delivery of EIP23's environmental targets and commitments. As forum members of the Taskforce on Nature-related Financial Disclosures (TNFD), NESF is committed to, and working towards, testing and aligning its activity with the nature-related risk management and disclosure framework.

Overall, NESF's biodiversity work offers a way to maximise the value of NESF assets, secure a social licence to operate, and drive best practice across the solar and energy storage industry.



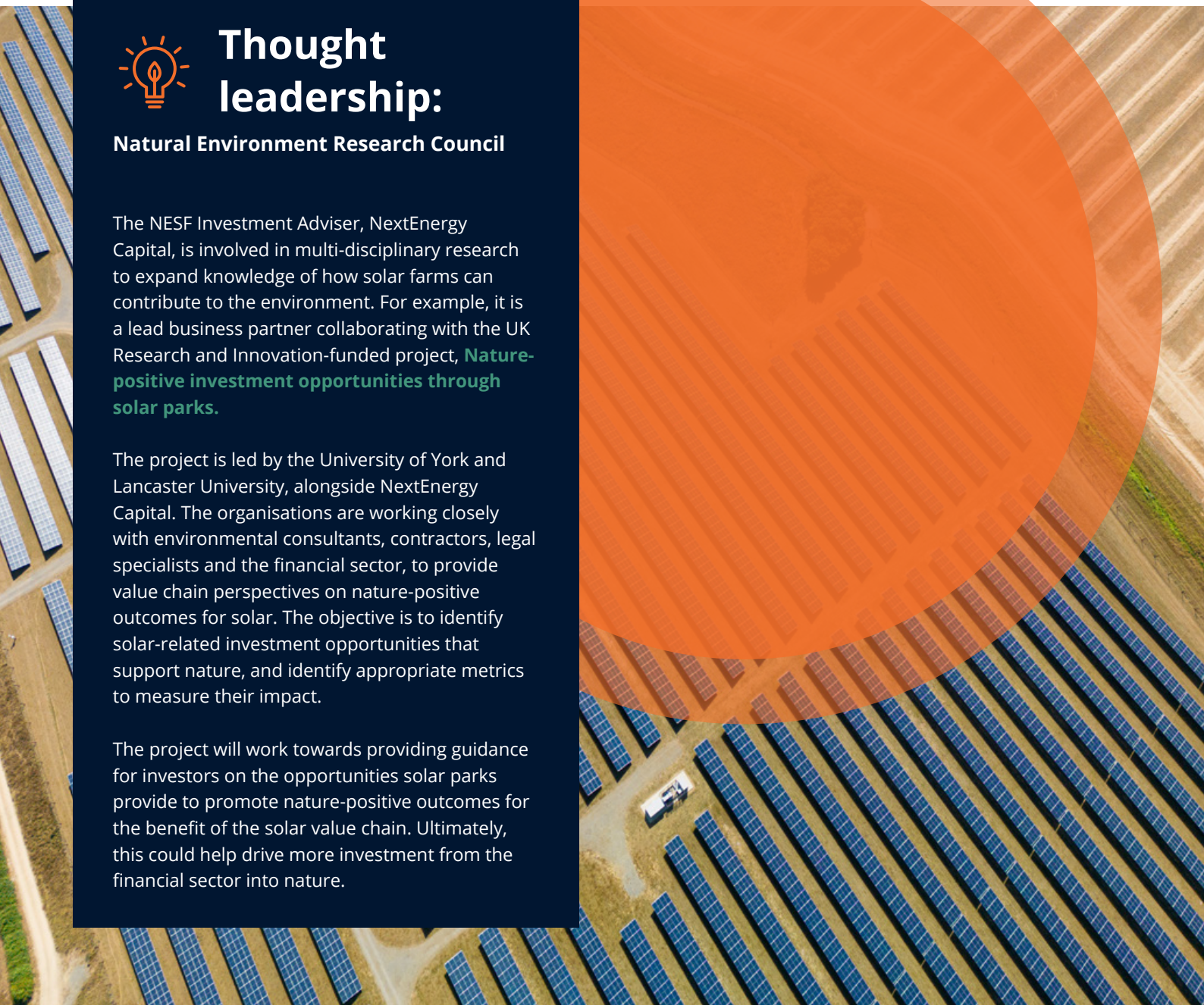
## Thought leadership:

### Natural Environment Research Council

The NESF Investment Adviser, NextEnergy Capital, is involved in multi-disciplinary research to expand knowledge of how solar farms can contribute to the environment. For example, it is a lead business partner collaborating with the UK Research and Innovation-funded project, **Nature-positive investment opportunities through solar parks.**

The project is led by the University of York and Lancaster University, alongside NextEnergy Capital. The organisations are working closely with environmental consultants, contractors, legal specialists and the financial sector, to provide value chain perspectives on nature-positive outcomes for solar. The objective is to identify solar-related investment opportunities that support nature, and identify appropriate metrics to measure their impact.

The project will work towards providing guidance for investors on the opportunities solar parks provide to promote nature-positive outcomes for the benefit of the solar value chain. Ultimately, this could help drive more investment from the financial sector into nature.







## Thought leadership:

### policy maker engagement at Condover

Enhanced biodiversity measures are now being implemented at more than half of all NESF sites, and the Investment Adviser is proud to use these to demonstrate the potential for solar and energy storage to contribute to multifunctional land use. For example, NextEnergy Capital staff were pleased to show Government officials around the Condover solar farm in Spring 2023, explaining how NESF sites can simultaneously produce clean energy, provide new habitats for flora and fauna, and enable seasonal grazing by livestock. NESF engages regularly with officials, academia and NGOs to update and learn from other professionals working on energy and environmental policy.

*Image: A team from NextEnergy Capital, the NESF Investment Adviser, facilitated a visit for UK Government land use and environment officials to the NESF Condover site in Spring 2023. They demonstrated how solar farms can enable multi-functional land use, with sheep grazing on site and wildflowers growing nearby.*

## Universal Biodiversity Management Plans

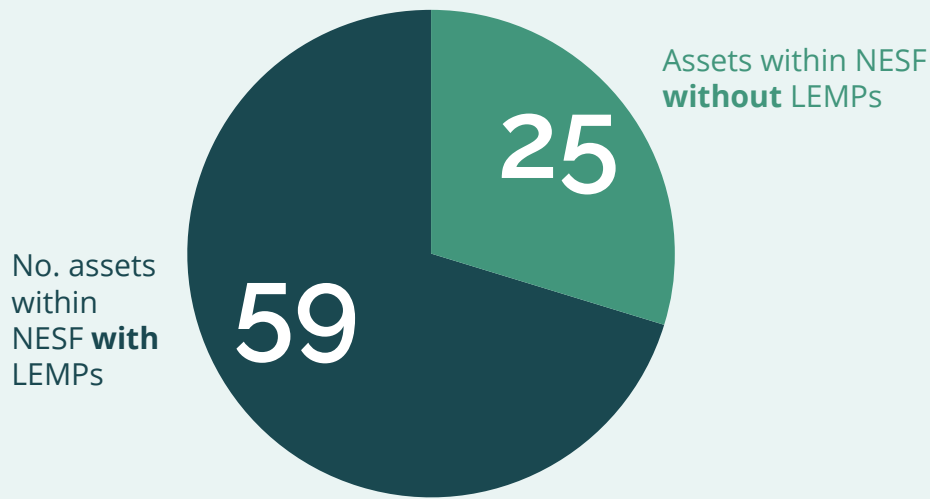
NESF's asset-level approach to biodiversity is structured through two proprietary initiatives: Universal Biodiversity Management Plans (UBMPs) and Exemplar sites.

A UBMP is a set of site management activities designed to maximise biodiversity on a solar farm, above and beyond the conservation measures required as part of planning requirements, which are typically included in a site Landscape and Environmental Management Plan, or LEMP.

NESF recognises that only 59 of its operating assets have LEMP planning obligations, and so the UBMP programme has been deployed to implement a high standard of conservation practice, increase biodiversity, and achieve consistency in biodiversity additionality across the Fund. UBMPs are assessed by third-party advisers, and NESF ensures specialist contractors implement the plan at each site.



**Specialist contractors implement biodiversity plans at NESF sites**



*Figures refer to relevant UK ground-mounted assets*

UBMPs include monitoring and measurement as standard, so that impact can be assessed, while a key benefit is that the measures are designed to be replicable and scalable. This means UBMPs are being rolled out across the NESF portfolio. 45 NESF sites in total are now managed under a UBMP to support nature, which is a 50% increase on the 30 sites reported in 2022. The UBMP programme is also being used to generate robust evidence on the ecology of solar sites and their benefit to UK biodiversity as a whole.

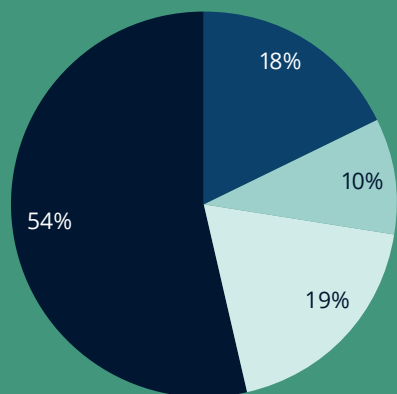
**NESF has committed to implementing a further 15 UBMP sites by Autumn 2023, taking the total to 60 assets across the NESF portfolio that will have nature-related enhancements additional to statutory requirements by the end of 2023.**





## Proportion of NESF with additional NEC biodiversity measures

Figures refer to relevant UK ground-mounted assets



- Assets with additional UBMP measures
- Assets planned for UBMP 2023
- Assets with additional Exemplar measures
- Assets without any additional NESF biodiversity measures

No. assets without any additional NESF biodiversity measures

**16**

No. assets planned for UBMP 2023

**15**

No. assets with additional UBMP measures

**45**

No. assets with additional Exemplar measures

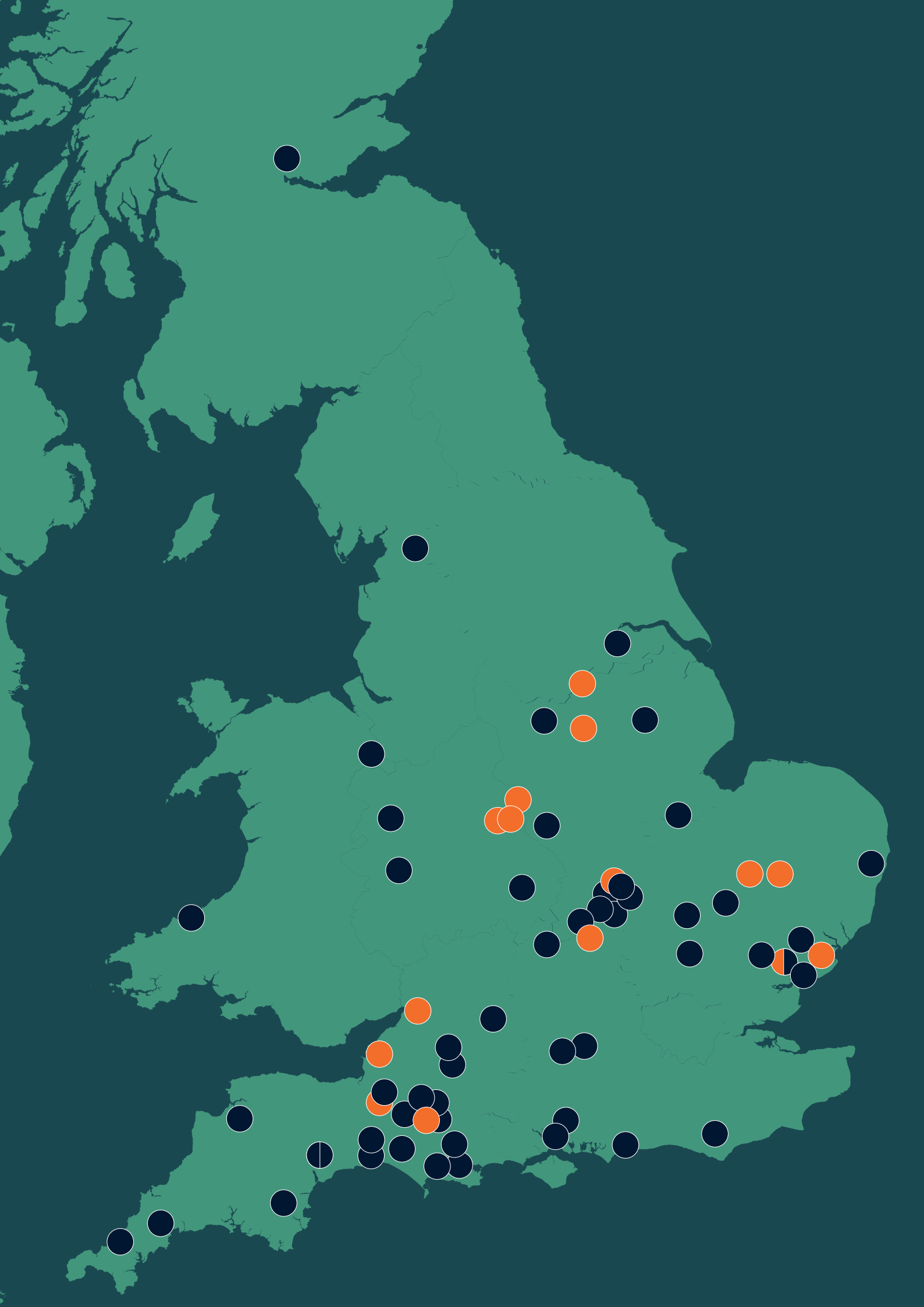
**8**

*Planned or in development*

○ Operational UBMP sites      ● UBMP sites in development

Site name	Type and year of enhancement	Location
● Aller Court	UBMP 23/24	TA10 0QR
○ Axe View	UBMP 20/21	EX13 7AS
○ Balhearty	Exemplar 20/21	FK13 6NA
● Barnby Moor	UBMP 23/24	S81 8EU
● Bay Farm	UBMP 23/24	IP28 6BS
○ Berwick	Exemplar 17/19	BN26 6TH
○ Bilsham	UBMP 19/20	BN18 0EB
● Bilsthorpe	UBMP 23/24	NG22 8LS
● Birch Community	UBMP 23/24	CO5 9XH
○ Birch Solar Farm	UBMP 19/20	CO5 9XH
○ Blenches Mill	UBMP 22/23	BA13 4LR
○ Bottom Plain	UBMP 19/20	BH20 7PD
○ Bowden	UBMP 22/23	BA8 0PF
● Bowerhouse	UBMP 23/24	BS29 6EL
○ Boxted	Exemplar 17/19	CO4 5NW
○ Brafield	Exemplar 20/21	NN7 2BA
○ Branston	UBMP 19/20	LN4 1NJ
○ Brickyard	UBMP 19/20	CV33 9QD
○ Burrowton	Exemplar 19/20	EX5 3DA
○ Chilton Cantello	UBMP 22/23	BA22 8BQ
○ Cock Hill	UBMP 19/20	BA14 9BQ
○ Condover	UBMP 19/20	SY5 7DA
● Coton Park	UBMP 23/24	DE12 6RE
○ Crossways	UBMP 22/23	DT2 8BG
○ Croydon	UBMP 19/20	SG8 0DX
○ Decoy	UBMP 19/20	PE6 0LX
○ Ellough I	UBMP 22/23	NR34 7UH
○ Emberton	Exemplar 17/19	MK46 5DN
○ Flixborough	UBMP 20/21	DN15 8RR
○ Forest Farm	UBMP 20/21	SO32 2LL
○ Gilleys Dam	UBMP 22/23	PL26 8ND
○ Glebe & Odell	UBMP 20/21	NN29 7JQ
○ Gover Farm	UBMP 19/20	TR4 8BH
○ Great Wilbraham	UBMP 20/21	CB21 5JW

Site name	Type and year of enhancement	Location
● Green Farm	UBMP 23/24	CO11 2FZ
○ Hall Farm	UBMP 19/20	LE9 9NL
○ Henley	UBMP 20/21	SY8 4JX
○ Higher Hatherleigh	UBMP 19/20	BA9 8AE
○ Hill Farm	UBMP 20/21	OX25 6JJ
● Honington	UBMP 23/24	IP31 1EH
○ Hook Valley	UBMP 22/23	BA9 8BS
● Huddlesford House Farm	UBMP 23/24	WS13 8PY
● Huddlesford Park Lane	UBMP 23/24	WS13 8QB
○ Kentishes	UBMP 20/21	CM77 8BX
○ Knockworthy Farm	UBMP 22/23	EX38 7HJ
○ Langen hoe	Exemplar 17/19	CO5 7NA
○ Llwyndu	UBMP 19/20	SA43 2AU
○ Low Bentham	UBMP 22/2	LA2 7ET
○ Mill Farm	UBMP 20/21	SG11 1JR
○ North Farm	UBMP 19/20	DT11 9DH
○ Park View	UBMP 20/21	TQ13 7ND
○ Pickhill	UBMP 20/21	LL13 0UH
○ Pierces Farm	UBMP 22/23	RG7 1LY
○ Raglington	UBMP 20/21	SO32 2HL
○ Rampisham	UBMP 22/23	DT2 0HS
○ Salcey Farm	UBMP 22/23	NN7 2HA
○ Saundercroft	UBMP 22/23	EX5 3DA
○ Shacks Barn	UBMP 19/20	NN12 8TB
● Stalbridge	UBMP 23/24	DT10 2RR
● Sywell	UBMP 23/24	NN6 0DL
○ Temple Normanton	Exemplar 20/21	S42 5DH
● Thornborough Grounds	UBMP 23/24	MK18 2AB
● Tower Hill	UBMP 23/24	GL12 8QA
○ Wasing	UBMP 20/21	RG7 5SQ
○ Wellingborough	UBMP 20/21	NN8 2NF
○ Whitley	UBMP 22/23	TA7 9QA
○ Wickfield	UBMP 22/23	SN5 8ET
○ Wyld Meadow	UBMP 20/21	EX13 5UJ



Measures NESF implements at its UBMP sites to promote biodiversity include:

- **Wildflower and grass planting.** This can help renew intensively farmed soil and encourage the presence of pollinator species, such as bees and butterflies. Increasing the variety of species can also, for example, help to protect endangered birds. Planting biodiversity 'corridors' can help connect existing areas of ecological interest.
- **Creating new breeding sites.** This can include the installation of nesting boxes, hibernacula and refugia. NESF monitoring data shows that providing artificial nesting habitats is associated with increasing the diversity of target species.
- **Conservation management.** Ensuring habitats are managed to the requirements of target habitats and species and to maximise ecosystem services from our managed natural capital. This includes leaving wildflower areas uncut during the summer months, to maximise foodplant availability for invertebrates and increase pollination services.

## Species management

NESF is committed to reducing the impacts caused by alien invasive species on native biodiversity. Baseline ecological surveys are used to identify non-native species across NESF sites, and this can include the presence of invasive species, such as Japanese knotweed, Himalayan balsam and cotoneaster. NESF records and monitors these species, the spread of which is a significant risk for threatened species and ecosystem services at the global level. NESF site design and management includes appropriate pathway control measures to prevent the spread of any invasive species identified. These could also include, for example, eradication through excavation, remediation, and disposal to a licensed landfill.

*Image: NESF aims to prevent the spread of invasive species, such as Japanese Knotweed, pictured.*

## Exemplar sites

NESF is investing heavily to improve understanding of the best impact a solar farm can have on biodiversity. To support this, NESF also implements Exemplar sites. The Exemplar site programme seeks to provide a bespoke biodiversity plan for individual sites, with monitoring and measures specifically designed to target conservation objectives for the site and local area.

Based on this knowledge, the Exemplar programme can therefore help deliver best practice. Exemplar sites also present an opportunity to pilot new biodiversity management techniques, in addition to implementing a monitoring programme. This means NESF can learn over time which measures are most effective, in turn feeding back into broader biodiversity initiatives, such as the UBMP programme, and planning processes, such as the Landscape Environmental Management Plans typically developed for a new solar site.

In 2022, NESF committed to increasing the number of Exemplar sites from six to eight, with its Balhearty and Temple Normanton assets identified for site-specific biodiversity measures. The programme of implementation for these Exemplar sites is ongoing, and will be completed by the end of 2023. Examples of the site-specific biodiversity measures being implemented at an Exemplar site are provided below.





photo: Wychwood Biodiversity, Temple Normanton, 2022



## Temple Normanton

### Temple Normanton - under-panel planting trial:

Areas underneath the solar panels have been planted with shade tolerant species in the form of woodland bulbs, ferns and wildflower plugs. NESF will monitor their establishment and assess the ecological benefit of utilising this space that would ordinarily be low diversity grassland.

Temple Normanton is one of the NESF Exemplar sites being developed in 2023. Areas under its solar array are being planted with shade tolerant species as part of a biodiversity trial.

	Total 2020	Total 2021	Total 2022	Total 2023*
Sites designated as Exemplars for biodiversity	4	6	6	8
Sites with Universal Biodiversity Management Plans	15	30	45	60

\* Work in progress and proposed for completion (full implementation) by year end

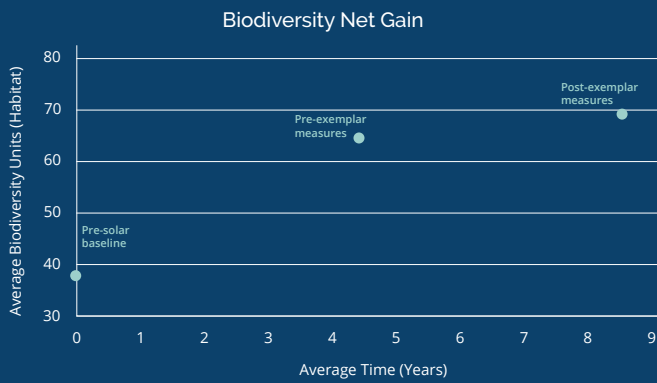
### Impact in numbers

The section below provides information on a range of metrics and other indicators derived from our Exemplar sites. These show the impact that NESF's biodiversity measures have had.

### Biodiversity

Using the Defra Metric, NESF is able to measure the positive impact its portfolio has on developed land, as well as providing a measure of how its additional management interventions are contributing to the recovery of nature. The following data shows biodiversity habitat units (BU), averaged across Exemplar sites, at three stages: prior to solar being developed, prior to additional Biodiversity Management Plans (BMP) being implemented, and following BMP implementation.

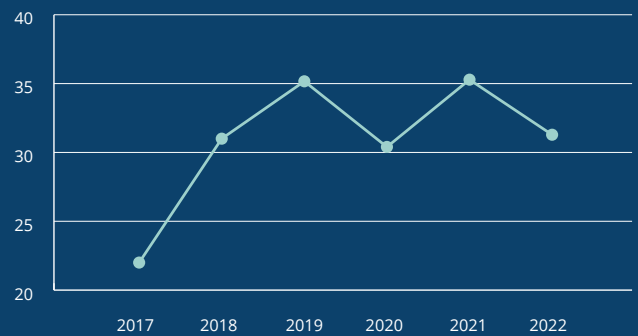
Average Time (Years)	Average Biodiversity Units (BU)	Phase	Average % Habitat BNG
0	37.64	Pre-solar baseline	N/A
4.4	64.51	Pre-Exemplar measures	71%, compared with pre-solar baseline
8.5	69.02	Post-Exemplar measures	7%, compared with pre-Exemplar baseline



Based on data from NESF Exemplar sites, on average the pre-solar biodiversity baseline for a NESF site measured approximately 37.64 BU. The assets monitored typically achieved a 70% biodiversity net gain for habitats after an average period of 4.4 years. NESF's additional biodiversity management measures – delivered through the Exemplar site programme – have then led on average to an additional 7% biodiversity net gain for habitats approximately four years after the implementation of Exemplar measures. This represents approximately an 83% biodiversity net gain for habitats overall, compared with the pre-solar baseline.

**83%** total biodiversity net gain for habitats on Exemplar sites, compared with pre-solar baseline

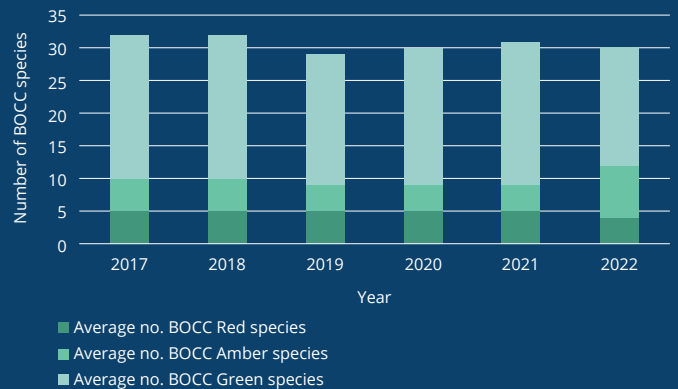
Average botanical species richness across Exemplar sites



## Birds

According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), nature is in dangerous decline, with a million species known to be at risk of extinction. NESF recognises that species extinction is an irreversible loss, and through habitat creation and conservation management, its Exemplar sites monitor the number of bird species, and their conservation importance, as a measure of how effective sites and interventions are for Birds of Conservation Concern (BOCC)<sup>8</sup>.

Average number of BOCC recorded across Exemplar sites



## Botany

Direct drivers of biodiversity loss include land use change, which can result in the reduction of genetic diversity through factors such as habitat loss and fragmentation. Plant diversity is known to be an indicator of ecosystem functioning and provisioning, and monitoring across the Exemplar portfolio shows that NESF solar sites, on average, show a positive trend in the number of botanical species recorded over time.

<sup>8</sup> \*Birds of Conservation Concern (BoCC) is compiled by a coalition of the UK's leading bird conservation and monitoring organisations, and reviews the status of all regularly occurring birds in the UK, Channel Islands, and Isle of Man. The bird species that breed or overwinter are assessed against a set of objective criteria and placed on a Green, Amber, or Red list to indicate an increasing level of conservation concern.







## Case study: Owl watch at Bottom Plain

NESF supports a range of nature research and conservation initiatives. For example, last year two owl boxes were fitted with cameras at Bottom Plain solar farm, Dorset, in collaboration with Wildlife Windows. Powered by solar panels, the cameras provide a live stream via a 4G broadband connection, with the aim of recording any nesting activity. A highlight this year has been the successful uptake of a nest box by a breeding pair of the barn owl *Tyto alba*, demonstrating that NESF sites can provide suitable nesting and foraging habitat for this species, which is protected under the Wildlife and Countryside Act 1981. NESF will continue to monitor activity throughout the breeding season to ensure that its sites adopt appropriate nature-positive management and design solutions, and support the Global Biodiversity Framework in the recovery and conservation of species.

### Invertebrates: bees and butterflies

Invertebrates such as bees and butterflies can be used as indicators of habitat condition and ecosystem health. In addition, their presence directly reflects the positive contribution NESF sites are having in supporting vital regulating ecosystem services, such as pollination<sup>9</sup>.

#### Average number of invertebrates (counted within 100m) across Exemplar sites



2017 1.6  
2018 2.5  
2019 2.9  
2020 2.6  
2021 3.0  
2022 2.0



2017 2.8  
2018 4.0  
2019 4.0  
2020 5.2  
2021 4.5  
2022 7.6

### Soil

NESF recognises the importance of soil carbon and organic matter as an essential ecosystem service that supports biodiversity, greenhouse gas regulation, food production, nutrient cycling, and water cycling. Since 2022, NESF has been using its Exemplar sites to analyse soil samples so it can properly understand the impact its assets have on this critical natural capital resource. Parameters currently being analysed include:

- Organic matter (using the DUMAS laboratory test method)
- Organic carbon content
- Organic carbon stock
- Total carbon
- Total carbon stock
- Soil mineral content and nitrogen

<sup>9</sup> The figures provided here reflect abundance: the number of bees and butterflies recorded in a 100m transect across each exemplar site, averaged across all sites for each given year. Natural variation in invertebrate numbers occurs because of factors such as the weather, and this will account for changes in particular years.



## Case study: Multi-functional land use at Tower Hill

NESF assets can deliver multiple land use benefits at once: around half of all NESF sites are grazed, and more may be suitable, depending on the availability of graziers. For example, at the Tower Hill site, a grazing licence was agreed upon energisation. Operational areas were seeded with native grass swards to encourage sheep grazing among the arrays. The landscape scheme for the site also created species-rich meadow areas. These improve ecological connectivity with Tyherington Common, a locally designated Site of Nature Conservation Interest for calcareous grassland which is to the south-west of the site.

NESF solar sites are designed wherever possible to deliver multi-functional land use. This means that as well as supporting clean energy generation, they can:

- Support agriculture – such as the grazing of sheep, as at Tower Hill.
- Promote biodiversity, through the seeding of native wildflower and other grass mixes. This can improve the quality of pasture, which is typically species-poor, and so increase the number of insect pollinators, in turn supporting food production.
- Increase bird and other habitats by infilling and planting new hedgerows, which are vital to the health of the countryside and provide a natural screen of a site.
- Support the recovery of the land itself, for example where it may previously have been intensively farmed. Because solar sites can be fully decommissioned, this may leave a legacy of improved soil quality for British farmland.

*Image: NEC UK Chief Operating Officer and Head of UK Investments, Ross Grier, at Tower Hill, a NESF site. The solar farm is used to graze rectangular-headed Charollais sheep, features hedgerows to provide natural screening, and provides ecological connectivity with an adjacent Site of Nature Conservation Interest.*

### 7.3. Water

Water is a precious resource and NESF takes careful steps to preserve it. NESF screens the potential for water stress at its sites as part of its climate due diligence, using the World Resources Institute (WRI) tool Aqueduct. NESF solar sites are not connected to a mains water supply, and water delivered to site during construction is monitored and quantified.

When a site becomes operational, the primary water requirements are for panel cleaning. To determine

cleaning frequency, NESF assesses the conditions of panels following a specific time frame, taking into account local weather patterns and rainfall. The goal is to strike a balance between proactive maintenance and resource efficiency. Regular cleaning helps to prevent excessive soiling, which can lead to a significant drop in output. However, NESF aims to avoid unnecessary interventions, and to minimise water usage by relying on natural precipitation wherever possible.

Water that is used is delivered by tanker, and water volumes are recorded. This is in line with EU SFDR

requirements, for which NESF collects water consumption data from each of the Special Purpose Vehicles used to manage its assets.

## 7.4. Physical, transition and supply chain risk

The NESF Investment Adviser, NextEnergy Capital, is one of the leading specialist solar and energy storage investors and asset managers, and conducts extensive due diligence on the environmental aspects of any potential transaction. This process was developed and improved during 2022-2023, when NextEnergy Capital developed a proprietary asset screening tool. This generates a structured, pre-investment assessment of every potential asset against environmental criteria, as detailed in section 9, including climate and transition risk, biodiversity impacts, and land use. The assessment informs the development of an asset-specific environmental action plan, which is implemented as part of the construction, operation and decommissioning of the site.

NESF ensures that this process considers the climate change and biodiversity risks associated with its supply chain – such as embodied carbon, and the potential impacts on local biodiversity of different processes – and in line with NESF’s commitments as a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), the screening tool informs the broader NESF climate assessment process. This seeks to identify sites that are at risk of flooding, drought, and other severe climate events. Data from additional sources, such as the UK Environment

Agency, are used to inform transaction decisions, and where a risk is identified, appropriate measures are implemented to mitigate it.



This focus on due diligence and lifecycle management means that NESF is confident that its sites deliver the maximum local and global environmental benefit. Examples of the type of action taken through asset-level environmental action plans are included in the biodiversity section of this report above.

The NESF TCFD report published as part of the **2023 NESF Annual Report** includes further detailed information on physical and other types of transition risk material to the NESF portfolio.



## Case study: Rainwater harvesting in Hook Valley

At NESF’s Hook Valley site, in Somerset, a rainwater harvesting feature has been installed on the community beekeeping hut located within the site grounds. The collection and storage of rainwater runoff means that the local beekeeping association can use it to clean its apiaries, which are located onsite. The rainwater is collected from the guttering on the roof and redirected to a tank to be used when necessary. This is one of the simplest and oldest methods to recycle water naturally for small-scale projects. NESF is using this example to explore how water harvesting features could be used across its portfolio, either for long-term water storage or groundwater recharge at a larger scale.

*Image: Rainwater harvested at NESF’s Hook Valley solar farm is used to clean the onsite apiaries.*

## 8. Social

This section outlines the contribution NESF is making to the following social-related UN Sustainable Development Goals:



### UN SDG Target 7.b

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

### UN SDG Target 8.5

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

### UN SDG Target 8.7, 8.8

- Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.
- Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

## UN SDG Target 9.1, 9.a

- Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
- Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological, and technical support to African countries, least developed countries, landlocked developing countries, and small island developing States

## UN SDG Target 11.4

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

## UN SDG Targets 12.2, 12.4, 12.5

- By 2030, achieve the sustainable management and efficient use of natural resources
- By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment
- By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse



## NESF is a responsible investor

NESF is a responsible investor and respects fundamental human rights principles, promotes community engagement, and supports social impact across its business relationships. NESF has also donated to the NextEnergy Foundation every year since 2019.

NESF is proactively developing its approach across these areas of focus, including responsible sourcing and supply chain due diligence, and is involved in industry-led initiatives to increase transparency and improve social accountability.

This section explains NESF's approach to ensuring social standards are upheld throughout its own operations and the supply chain, provides an overview of how NESF funding has directly supported community engagement

and initiatives, and describes the impact of the donations it makes to the NextEnergy Foundation. It also explains the NextEnergy Group approach to Health and Safety, and Diversity and Inclusion.

NESF's approach to social responsibility may be reviewed as part of the Investment Adviser's broader work to update its approach to social and supply chain sustainability.

### 8.1. Responsible sourcing and supply chain

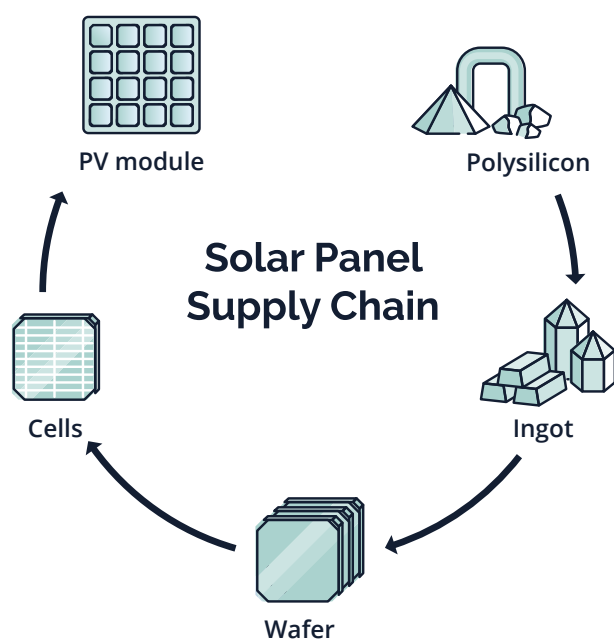
A key focus for NESF during the last year has been addressing the risk of social and human rights abuses in its supply chains, with broader environmental and governance considerations also taken into account. NESF has developed a detailed approach to screening and engaging with key supply chain partners, such as solar panel and battery manufacturers, in response to concerns about the sustainability of their operations. This includes collaborating with other third-party experts to learn from best practice in other industries.

Rapid progress is being made in the industry, which will help ensure that NESF can meet its commitments to responsible sourcing. More broadly, supply chains are changing as capital is directed to new investment and manufacturing destinations in response to global events. NESF aims to identify how it can increase its supply chain resilience, working with industry and other partners, to minimise supply chain risk. NESF intends to assess the potential impact of issues such as carbon pricing, the availability of critical minerals, and new policy and legislation under development in the jurisdictions in which it operates.

The NESF approach to ensuring supply chain sustainability is based on three principles:

- Ensuring supply chain policies meet and exceed relevant national and international standards.
- Carrying out comprehensive due diligence and detailed engagement with supply chain partners.
- Supporting industry action to drive best practice and learning from other supply chain experts.

More detail is provided on these below.



### Supply chain policy and disclosures

The solar and energy storage supply chain includes potential risks relating to the local environment, human rights and labour practices, the climate and other impacts associated with raw material extraction, and governance and transparency. To date, NESF's work has focused on addressing potential human rights issues, although all

aspects of supply chains are considered as part of the investment process.

NESF respects fundamental social and human rights principles, and expects the same across its business relationships, including its supply chain. NESF publicly commits to the highest supply chain standards, and makes extensive disclosures relating to its Sustainability and ESG policies, which include a Human Rights Position Statement, Code of Conduct for Suppliers, and Sustainable Investment Policy. These are aligned with the requirements of international ESG performance standards, such as the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. NESF opposes any form of slavery and forced labour, and publishes an annual Modern Slavery Statement.

## Solar Stewardship Initiative and industry Statements to which NESF is a signatory

The NESF Investment Adviser NextEnergy Capital is a sponsor of the Solar Stewardship Initiative. It is also a signatory of the Solar Energy UK Supply Chain Statement, the Solar Energy Industries Association (SEIA) Forced Labor Prevention Pledge, and the SSI Joint Industry Endorsement Statement, and monitors the development and implementation of relevant legislation. This includes, for example, the EU Corporate Sustainability Due Diligence Directive, which is currently being developed by the European institutions. A full list of policies is provided in section 9.2.



## Due diligence and supplier engagement

NESF has developed a dedicated internal approach to supply chain due diligence. As with other Sustainability and ESG considerations, this is fully integrated into the investment process. It includes, for example, a proprietary solar PV module supplier assessment tool, which was developed in 2022-23. Based on responses to a detailed due diligence questionnaire, interviews, and publicly available information, the tool is used to carry out an enhanced review of potential PV module suppliers. This includes examining their product and material origins, working practices, human rights standards, and environmental and emissions profiles, such as the carbon intensity of manufacturing processes.

The ESG and Construction and Procurement teams – who meet weekly to discuss supply chain developments – use the tool to review potential suppliers and understand whether they meet NESF standards. Every potential transaction is assessed for supply chain risk, which forms only part of the pre-investment due diligence process, and NESF will not invest in an asset where suppliers cannot meet its standards. The process includes reviewing engineering, procurement and construction (EPC) and Operations and Maintenance (O&M) where appropriate, and technologies which are being integrated into NESF's portfolio, such as battery energy storage systems.

NESF is also examining circular economy approaches and end-of-life issues, such as decommissioning, to understand how it and other companies across the value chain can support the most sustainable solar and energy storage industry possible. The topic is under discussion by the broader renewable energy sector, and NESF will seek to use its experience to contribute to the development of a range of end-of-life approaches.

This approach means that NESF is not only able to assess transaction-level supply chain risk based on the most detailed information possible, but also provide insight on how suppliers as a whole are positioned from an ESG perspective. As such, NESF is able to support the industry to understand the Sustainability and ESG risks it faces, feed this back to its supply chain partners, and use this experience as part of the sector-wide initiatives in which it participates. In doing so, NESF is helping to influence the development of emerging supply chain best practice, and the speed at which it is adopted.

**”**  
**NESF assesses  
supply chain risk  
using the most  
detailed information  
possible**







**NESF is at the heart of industry supply chain initiatives**

### **Supporting industry action - the Solar Stewardship Initiative**

Building on the development of its internal approach to responsible sourcing, NESF is at the heart of industry initiatives to advance supply chain Sustainability and ESG. This notably includes the Solar Stewardship Initiative (SSI), to which the Investment Adviser NextEnergy Capital has made a significant contribution.

The SSI, which publicly launched in October 2022, is a joint initiative of Solar Energy UK (SEUK) and SolarPower Europe (SPE). Its objective is to further develop a sustainable solar sector, including establishing a mechanism for end-to-end supply chain transparency. The launch of the SSI was a significant milestone, and was followed with the launch of a public consultation on its work in May 2023. The ambition of the initiative is to have a full supply chain assurance system in place by the end of 2023. NextEnergy Capital has provided strategic, operational and financial input to the

SSI as one of its founding sponsors and supporters, and the NextEnergy Capital Head of ESG, Giulia Guidi, is a member of its coordination group.

NextEnergy Capital has been at the forefront of industry debate on supply chains, and its operating team supports industry initiatives wherever possible. For example, ESG Associate Kevin McCann is a member of the Solar Energy UK Responsible Sourcing Steering Group, which is helping to coordinate UK solar industry action on supply chain Sustainability and ESG. NextEnergy Capital has also participated in external research on responsible procurement in solar. This is because NextEnergy Capital is keen to ensure that, wherever possible, others can benefit from the experience it has gained through the development of its approach to supply chain Sustainability and ESG. An example of this is provided below.



## Thought leadership:

### responsible sourcing guidance

Supply chains are formidably complex, and subject to commercial, technical, regulatory and geopolitical pressure. Building a more resilient solar supply chain involves a wide range of stakeholders, including investors, suppliers, regulators, industry associations, and civil society, including NGOs. This is why NextEnergy Capital has engaged, for example, with **Action Sustainability**, an expert leader in sustainable procurement and supply chain management. Action Sustainability is developing international responsible sourcing guidance for solar panel buyers, and NextEnergy Capital's ESG staff participated in an interview and workshop process to support the development of this guidance in Spring 2023. This included discussing approaches to sustainability, how solar investors can play their part in increasing transparency, and how to drive best practice across the industry. An introduction to the project is available at <https://www.actionsustainability.com/event/briefing-international-responsible-sourcing-guidance-for-solar-panels/>, and the procurement guidance is intended to be published by the end of 2023.

## 8.2. Community engagement and social impact

Community engagement is a vital part of ensuring the solar and energy storage industry's social licence to operate. As with all aspects of its work, NESF takes its responsibilities towards host communities seriously, and takes action to raise awareness of the benefits of solar, to connect with those who live around its assets, and to invest in and support their future. The NESF approach to community impact is based on three areas of work:

- Maximising the involvement of local communities in solar and energy storage project planning, development and operations.
- Investing directly in communities through NESF Special Purpose Vehicles, and collaborations with civil society partners led by the NextEnergy Group.
- Supporting charitable giving through the NextEnergy Foundation.

## Community involvement – project planning and development

Before NESF acquires an asset, the Investment Adviser engages closely with representatives of the local community, such as councils and local parishes. The purpose of this is to share plans and design them so they reflect local needs. This includes ensuring that traffic and construction planning avoids or minimises any potential disturbance. Where possible, community feedback is incorporated into proposals, and used as the basis for long-term development throughout the life of an asset. NESF also commits to employing people from local communities, where practical – for example, working with local farmers to assist in land management and stewardship.



Students on a solar farm site visit as part of the Earth Energy Education programme.

## Direct investment

### Community funding in FY 2022-23 through Special Purpose Vehicles

# C. £104k

NESF provides direct community funding through its Special Purpose Vehicles. In 2022-2023, community engagement and investments included a wide range of activities, including:

- Outreach work with local schools, including an education collaboration with Earth Energy Education, involving 20 sites. This launched in the 2022-2023 academic year. As part of the programme, students visited a solar farm as part of the national curriculum, providing the opportunity for them and staff to see how a solar plant operates in practice. A follow-up visit to the classroom by Earth Energy Education staff then allowed children to experiment with renewable energy models. One pupil commented after a classroom visit that “I enjoyed getting to make different circuits and using solar panels and turbines models to see them working.”

- During June and December, a community trial was carried out with BizGive, a community giving platform. 15 community groups were successful in their bids to receive a donation from the BizGive trials, supporting a range of local initiatives. The successful bids included those from:
  - o The Millennium Wood Management Group, to improve biodiversity on a nature conservation site.
  - o Project Seagrass, which is supporting two teachers and 30 students with marine conservation.
  - o Wiveliscombe Community Swimming Pool Club, to support the installation of solar panels, making the pool more sustainable and helping to ensure the pool is open for additional days.
- Supporting school students’ curriculum studies with a Science, Technology, Engineering and Maths (STEM) Olympic event. This included providing a trophy shield for use in future events, at which students engage in a competitive way to learn and develop their understanding of STEM subjects.



Via the BizGive platform, NESF is helping to support STEM education initiatives.

### 8.3. Health and safety

The NESF Health and Safety Management System (“HSMS”) is the framework that NESF uses to ensure the methodical management of health and safety issues throughout the sites and workplaces NESF operates. NESF’s HSMS is implemented by the Company’s asset manager, WiseEnergy, a NextEnergy Group company. Under Board oversight, WiseEnergy and the Investment Adviser, NextEnergy Capital, continue to drive improvements in the Company’s health and safety performance both during construction and throughout the operational life of NESF assets.

#### Policies and procedures

NESF operates in accordance with all applicable occupational and environmental health and safety standards. Health and Safety is a priority for the Board, which has overseen the development of robust processes that include ensuring that all NESF construction and, where appropriate, operational activity adhere to the principles of the Construction, Design and Management Regulations 2015, in accordance with Health & Safety Executive (HSE) guidelines.

Further obligations to manage and minimise the broader impact of construction activities are incorporated as part of the planning, consents and permitting process for NESF projects. This includes the development and implementation of key process and control documents, such as Landscaping and Ecological Management Plans, Flood Risk Assessments, traffic management plans, and noise assessments.

Relevant health and safety measures are captured and implemented as part of NESF’s contracting and management. This includes, for example, ensuring that O&M contractors prepare and maintain up to date Risk Assessments and Method Statements (RAMS) to prevent incidents from taking place, that these are properly observed, and that any incidents which do occur are reported, investigated and remediated appropriately. Where relevant, any control measures to prevent incidents recurring are identified and implemented.

#### Driving change – developments in NESF health and safety management

A key development in 2022-2023 was the appointment by NextEnergy Group of a Group Health and Safety Manager with over 20 years’ specialist health and safety experience, including nine years as a health and safety regulator. The remit of the Group Health and Safety Manager includes ensuring that the NESF portfolio is managed with the highest regard for operational health and safety.

During the year, NESF’s HSMS has been thoroughly reviewed to ensure it remains up to date and fit for purpose. A review of risk and exposure across the NESF rooftop portfolio has also been initiated, focussing on test and inspection history.

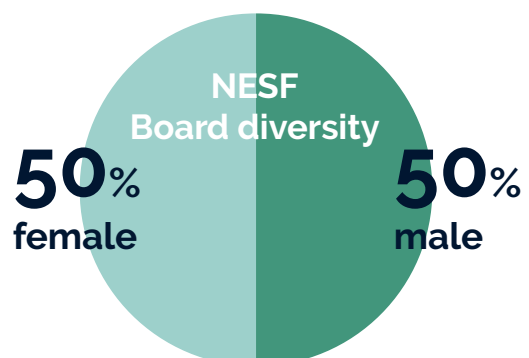
The Company has outlined a programme of work to ensure that NESF’s HSMS will continue to meet the highest safety standards going forward. Specific activities that will be carried out include:

- Evolving the HSMS beyond policies and procedures to an outcomes-focussed approach based on common principles applicable to assets in any country in the NESF portfolio.
- Enhancing contractor selection, and increasing health and safety resilience through a strengthened pre-qualification processes.
- Continuing to digitise data capture and reporting, enhancing thematic analysis and informing opportunities for continued improvement.

The 2024 NESF Sustainability and ESG Report will provide an update on the progress of these activities.

### 8.4. Diversity and inclusion

The reporting here is based on the approach of the NextEnergy Group’s diversity and inclusion (D&I) strategy. This is in turn based on the work of the steering committee established in 2021 to advance its D&I agenda, including support to people with disabilities. NextEnergy Group’s D&I activity is organised through six workstreams and objectives:





## 1. Legal compliance and D&I literacy

- We will have a workforce with high literacy and understanding of D&I issues in the workplace, including the legal framework applicable to their location.

## 2. Gender balance

- Improve the gender balance at senior levels in some parts of the organisation.
- Ensure a more balanced gender representation within teams.
- Understand challenges to healthy gender balance in the organisation.
- Design an action plan on improving gender balance statistics.
- Create an inclusive place of work for all genders.

## 3. Cultural, religious and linguistic inclusivity

- Continue to celebrate our diversity of nationalities and grow our understanding of diverse cultures, religions and ways of working.
- Provide support and considerate accommodations where necessary for employees of the Group not working in their native language.

## 4. Educational and socio-economic background

- Focus on entry level and junior roles initially.
- Level the playing fields to enable those from diverse educational or less advantaged socio-economic backgrounds to obtain employment at NextEnergy Group.
- When hiring, reduce the likelihood of unconscious bias being able to affect selection decisions.

## 5. Neurodiversity

- Provide good support for existing and new employees who are neurodiverse.
- Build awareness among managers and leaders to better understand how to best champion and support neurodiverse talent in the organisation.
- Break down the barriers by talking about neurodiversity at work to help it become part of everyday conversations.

## 6. LGBTQ+

- Offer a workplace in which all LGBTQ+ employees feel welcome, and be a visible ally for this community in the renewables sector.

### Focus on gender at NextEnergy Group

In the summer of 2022 NextEnergy Group initiated efforts to better understand the diversity of staff at all levels of the business, as well as the levels of inclusion and belonging that people feel in their day-to-day work experiences at the firm. This includes a focus on gender balance. The primary purpose of the exercise is to understand the points in the employee journey where gender has an impact, so NextEnergy Group can then understand how it might intervene to create different and better outcomes. Three main workstreams were identified as part of the data-gathering phase of the Gender Balance project:

- Generating quantitative data to understand trends and drivers in the workforce, from a gender perspective.
- Obtaining detailed qualitative data, at both a leadership and individual female level, to understand the experience and perception of life at NextEnergy Group. This was gathered through one-to-one interviews.
- Analysing available data in relating to the hiring and talent management processes across the NextEnergy Group, to understand if these should be particular focus areas and if hiring poses a significant source of issues with diversity.

In addition, as part of the annual Pay, Performance, Promotion & Bonus process, the NextEnergy Group HR team carries out detailed equal pay analysis and a review of promotion rates by gender. This data is used to interrogate decisions and as a basis for amendments, where objectively justified at the individual level.

NextEnergy Group continues to evaluate potential partnerships and associations to promote gender equality in the workplace.

NESF is also working to ensure that it has continued access to a skilled workforce, working with the Investment Adviser NextEnergy Capital to ensure the continued recruitment and retention of the highest calibre of staff.

# Gender breakdown at NextEnergy Group

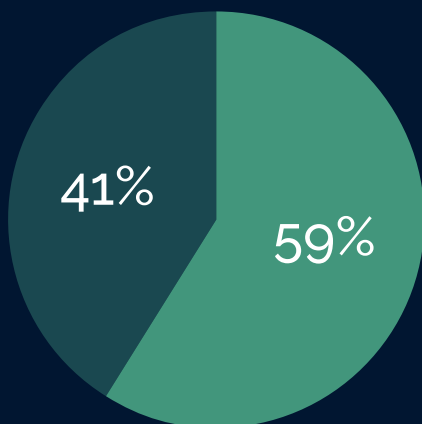
All figures as at 31 March 2023

Please note that the figures on page 47 reflect the fact that three Leaders sit on multiple Leadership Teams, and their presence is counted separately for each. As such they do not total to the same figure as the NextEnergy Group Combined Leadership Team figure.

● Male ● Female

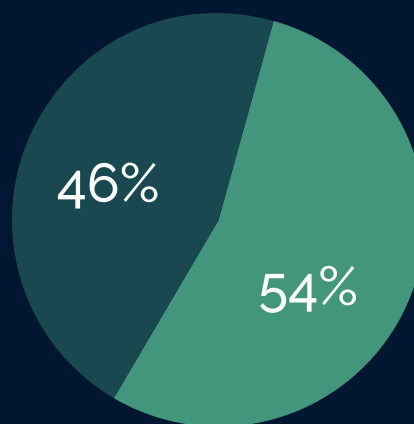
NextEnergy Group

267 people



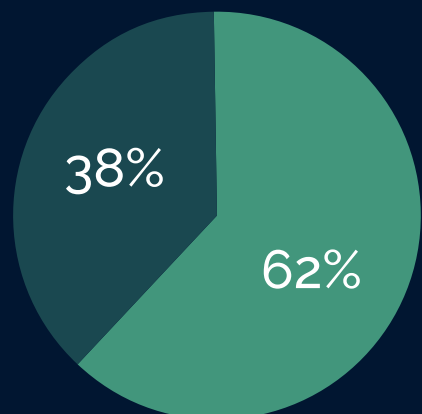
NextEnergy Capital

106 people



WiseEnergy

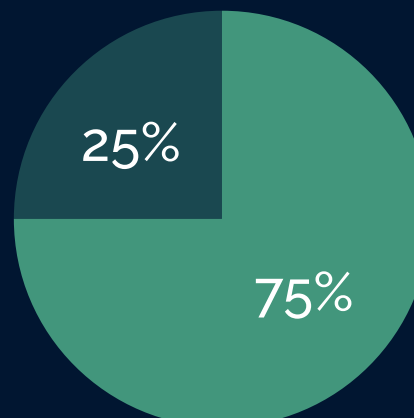
152 people



NextEnergy Group

– Combined Leadership

28 people



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Starlight

7 people

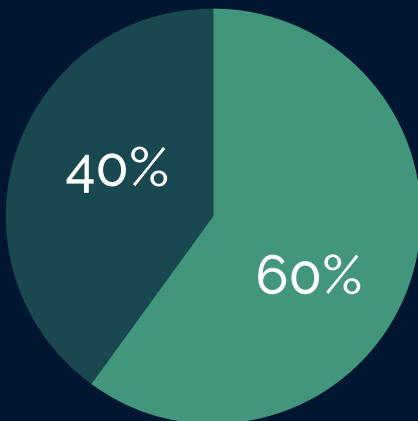


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NextEnergy Group

– Group Leadership Team

5 people

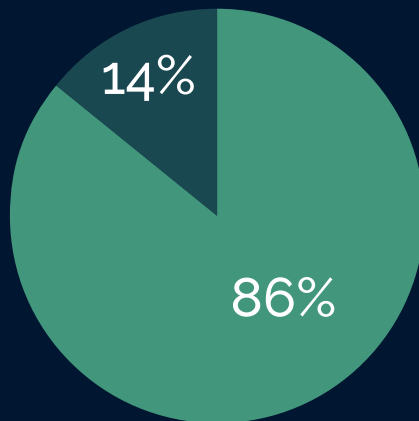


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NextEnergy Capital

Investment Leadership Team

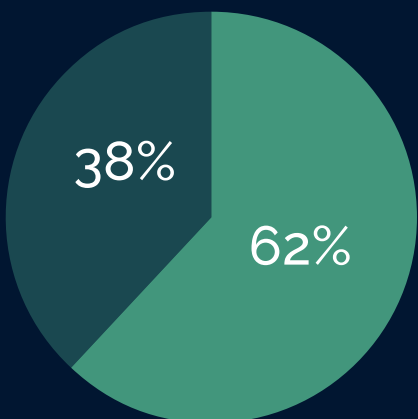
7 people



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WiseEnergy Senior  
Leadership Team

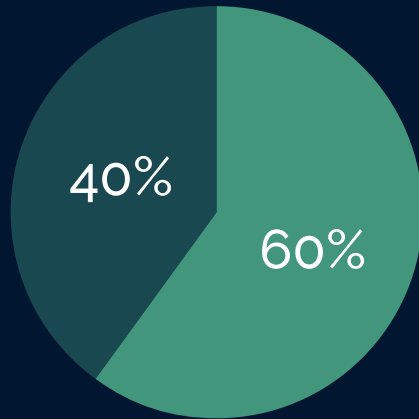
8 people



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Central Functions  
Leadership Team

5 people



## 8.5. The NextEnergy Foundation



The NextEnergy Foundation (NEF, the Foundation) is an international charity which was founded in 2016. The Foundation’s mission is to participate proactively in the global effort to reduce carbon emissions, provide clean power sources in regions where they are not yet available, and contribute to poverty alleviation. NextEnergy Group donates at least 5% of its net annual profits to the Foundation, and NESF has supported the Foundation since 2019.

In line with the current NextEnergy Capital Sustainability Framework, the Foundation’s work delivers impact across the UN Sustainable Development Goals (SDGs), and the Foundation’s contribution to the SDGs is highlighted where relevant in this section.

This year, NESF donated £400,000 to the Foundation, four times as much as the 2022 total of £100,000. Considering this substantial increase, a meeting was held between NESF and NEF to align expectations prior to the Board’s approval of the donation. It was agreed that the donation would be deployed into projects that are directly aligned to NESF’s Sustainability and ESG objectives. In addition, although the NESF Board retains discretion over the allocation of the donation, the governance around the identification of, monitoring, and reporting on projects supported with NESF’s funds has been strengthened: quarterly meetings are being held between the Chair of the NESF ESG Committee, Josephine Bush, NESF Director Jo Peacegood, and NEF’s Secretary and selected Trustees to this end.

As well as considering NESF’s Sustainability and ESG objectives, the Foundation’s rigorous due diligence process has been applied to identify projects. The process begins with a project screening when an organisation and/or project are first identified. A written proposal is requested for those projects where there is a strong potential to contribute to NEF’s mission and the NextEnergy Group’s Core Values. This proposal forms the basis of the due diligence conducted at both the recipient organisation

and project levels; it is akin to the due diligence conducted by the ESG team for the Fund’s investment activities as it considers a range of environmental, social and governance impacts of relevance for the Foundation’s charitable activities.

Approved projects to which this year’s donation from the Fund have been deployed are below. Please visit NextEnergy Foundation’s website for more details about all the projects which the Foundation has supported, and is currently supporting: [NextEnergy Foundation's website](#).

### Ashden



NextEnergy Foundation has partnered with Ashden to promote clean energy solutions in humanitarian settings. Ashden has launched the Power to Refugees and Displaced People programme to create a thriving environment for refugee-led energy solutions. The programme has three aims: (1) to catalyse solutions through Ashden’s Energising Refugees and Displaced People Award; (2) to grow the impact by scaling established solutions; and, (3) to shift policy through strategic communications and advocacy.

NextEnergy Foundation is the sole funder of the 2023 Energising Refugees and Displaced People Award winner; the winner will be announced in November 2023. The Foundation is also the sole funder of grants to support three growth-stage businesses to scale their solutions through Ashden’s Scaling Fund. Two of the three recipient businesses have been confirmed; they are in Kakuma refugee camp in Kenya. The first is a solar-powered internet service provider, Kakuma Ventures, and the second is a company offering solar cooling for food and medicine. The third grantee will be confirmed in Q3 2023 and NEF’s donation will also facilitate the participation of these three innovators at high-profile international gatherings to drive the energy access agenda, notably COP28.

### Empower Malawi



NextEnergy Foundation has been supporting Empower Malawi since 2017. Solar systems have been installed on 100% of the primary and secondary schools in the Nkhata Bay District, Malawi. As a result, Nkhata Bay is the only



District in Malawi where all schools have energy access; schools in the District have improved nationally from 23<sup>rd</sup> to 2<sup>nd</sup>, and the pass rate is 93.9%, versus the national average of 83.2%.

But demand for clean energy access continues to rise. As such, the Foundation is funding the installation of additional systems on 78 schools this year; the aim is to be able to expand the systems on all 245 schools in the District over the next five years, impacting the lives of a further 50,000 children.

In order for Empower Malawi to better coordinate the installations and monitor of the impact of energy access on school attendance and educational performance, NextEnergy Foundation is also covering the salaries of a local team. Empower Malawi has drawn on its network of trusted individuals to curate a team with the right skill set, experience and enthusiasm to continue to further drive the organisation's impact.

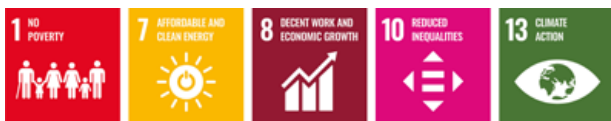
### Humanitas



Humanitas is an international charity which was founded in 2001 to provide long-term, professional support to vulnerable children and communities around the world. With NESF's donation in 2022, the Foundation funded the installation of a solar system on Humanitas' medical van which continues to deliver refrigerated medical supplies and food from Romania to two regional hospitals and numerous displacement centres in Western Ukraine.

This year, NEF is installing a 5kWp rooftop solar system on Humanitas' secondary school in Ayensuako, a rural village 400km from Accra, Ghana. This will bring first-time access to renewable energy to over 550 students, 60% of whom are girls. 2,300 community members will also benefit by being able to use the computers in the school's library and the sewing machines powered by the system.

### SolarAid



NextEnergy Foundation has partnered with SolarAid since 2017 to reduce poverty and combat climate change with solar energy access. Part of NESF's donation this year has been allocated to SolarAid's new programme, Light

a Village. The programme involves free installation of solar home systems (SHSs); flexible payment terms for energy use; and, ongoing repair and maintenance services. Importantly, these services will be delivered by Customer Repair Representatives, many of whom will be Mayi Walas – groups of women entrepreneurs from SolarAid's programme which the Foundation is supporting between 2022-24.



Light a Village was successfully piloted in 2022 in 500 homes in the Traditional Authority, Kasakula, Ntchisi District, Malawi. This area was selected in partnership with the Malawian Government due to its zero grid access and since 97% of the population lives below the extreme poverty line. Before scaling the programme nationwide, it must be stress-tested across a larger sample of homes; SolarAid is scaling the pilot to a further 2,000 homes in the Ntchisi District. With the Foundation's support 184 SHSs will be installed, reaching over 900 people with first-time energy access.


### Remaining Allocation

In addition, NESF's donation in 2022 was directed towards fuel poverty alleviation in the UK and emergency responses to the war between Russia and Ukraine. NESF's support to these causes will be extended this year, and part of the donation will also be allocated to a nature-based project.



## 9. Governance

All NESF business is ultimately conducted under the oversight of the NESF Board and Board ESG Committee, as discussed in section 3.3. Where required, the NESF ESG Committee invites the NextEnergy Capital ESG team to attend its meetings to provide further professional support.



The NESF Board provides oversight of investment, due diligence and asset management approaches. This includes all NESF interests, such as minority holdings in other funds. NESF is considering developing its approach towards emerging issues, and more detail will be provided in the 2024 NESF Sustainability and ESG report.



## 9.1 Our principles and policies

NESF's operational activity is delivered according to its Sustainable Investment Policy, which reflect NESF's commitment to good governance, and is based on the UN Principles for Responsible Investment. The Policy sets out the principles, excluded activities, integration, engagement, reporting, and governance of processes related to NESF Sustainability and ESG.

Three Position Statements on climate change, human rights, and biodiversity, support NESF's Policy. These reflect the three current NESF Sustainability and ESG priorities.

NextEnergy Capital has also developed and implemented a Code of Conduct for Suppliers, which provides additional guidance regarding expectations of the contractors and suppliers involved with NESF projects.

Together, the Sustainable Investment Policy, the three Position Statements on climate change, biodiversity and human rights, and the Code of Conduct for Suppliers

represent the Sustainability Policies. The NESF ESG Board Committee is responsible for reviewing and approving changes to the policies.

The commitments made in these policies are delivered through a range of screening, due diligence and asset management practices. These include, for example, the use of a comprehensive asset screening tool to examine potential solar and energy storage projects for environmental and climate risk, and the detailed engagement NESF carries out with potential module suppliers to evaluate and manage supply chain issues, as set out in section 8.1.

A description of the investment decision-making process, and a full list of policies, are provided in the next sections.

## 9.2. Our Disclosure and Reporting

### NESF and NESF's Investment Adviser disclosures and reporting are outlined below:

#### NESF disclosure and reporting:

- NESF TCFD Report 2023
- NESF Modern Slavery Statement
- NESF – Annex III Pre-Contractual Disclosure for Article 9 Funds
- NESF – Annex V Periodic Disclosure for Article 9 Funds
- NESF – ESG Disclosures

#### NESF Investment Adviser disclosure and reporting:

- NextEnergy Capital UN PRI Report
- NextEnergy Capital UN Sustainable Development Goals Report 2022
- NextEnergy Sustainable Investment Policy
- NextEnergy Climate Change Position Statement
- NextEnergy Human Rights Position Statement
- NextEnergy Biodiversity Position Statement
- NextEnergy Responsible Supply Chain Management
- NextEnergy Capital Code of Conduct for Suppliers
- NextEnergy Capital ESG Disclosure 09.03.21

### 9.3. Team and accountability

NESF benefits extensively from the talented and committed teams of NextEnergy Capital and WiseEnergy. Their employees share a passion for the NESF Mission, and contribute a breadth of specialist skills. In particular, under Giulia Guidi's leadership, the ESG team at NextEnergy Capital is responsible for leading on the NESF Sustainability and ESG agenda, risk management, reporting and stakeholder engagement.

### 9.4. Investment decision-making

ESG is integrated at every stage of investment decision-making. This is based on a four-step process:

- Identifying and assessing ESG issues from the very beginning of a transaction.
- Managing any risks, and acting on the opportunities, presented by ESG.
- Reporting on ESG matters through the NESF website and other disclosures.
- Engaging continuously on issues of material concern to NESF.

#### Identifying and managing ESG issues

NESF undertakes due diligence during the pre-acquisition phase of every project. The purpose of this is to identify potential ESG risks. The process is as follows:

- First, an initial screening is carried out, to ensure that the asset would not represent an investment in any excluded activity.
- Next, detailed ESG due diligence is conducted. This includes:
  - o Ensuring that the project is aligned with NextEnergy Capital's Sustainable Investment Policy.
  - o A structured review of the asset using NextEnergy Capital's proprietary solar site assessment tool, which covers all relevant ESG criteria, including climate and the environment, land use and heritage impacts, the project's supply chain, and social and community issues.
  - o The discussion of any ESG risks and opportunities identified by the ESG team and Investment team, and, where relevant, external advisers. The parties agree upon appropriate mitigation measures where necessary.
  - o Producing an asset-specific action plan (which is generated by the tool), that fully captures all risks, opportunities and mitigation measures.

- o Any additional due diligence that may be required, which can be carried out by NextEnergy Capital personal or third-party specialists.
- The outcome of the due diligence process is then presented to the NESF Investment Committee for a final decision.
- Post-acquisition, the Action Plan is agreed with EPC, O&M and other contractors, and handed over to the Portfolio Management team and WiseEnergy for management.
- Finally, WiseEnergy oversees the implementation of the Action Plan, including biodiversity and land management, community engagement, and health and safety.

#### Excluded activities.

NESF does not knowingly invest in solar plants where there is evidence of:

- modern slavery, such as forced labour and human trafficking, or child labour;
- adverse impacts on areas with high conservation value, such as UNESCO World Heritage Sites, unless there is prior consensus with both government authorities and UNESCO that the operations will not adversely affect the site;
- adverse impacts on Critically Endangered (CR) and Endangered (EN) species, and associated critical habitats categorised on the Red List<sup>10</sup> of the International Union for Conservation of Nature (IUCN).

NESF performs an enhanced review in cases where the initial screening highlights one of the following higher risks:

- risk of corruption, money laundering and bribery, based on a country macro-analysis and the track record of counterparties, whereby NESF expects that its business integrity standards are upheld;
- impact on Indigenous People<sup>11</sup> and minorities, whereby NESF expects that meaningful consultation is carried out and Free Prior and Informed Consent (FPIC)<sup>12</sup> is sought;
- land acquisition that requires involuntary resettlement, whereby NESF expects that meaningful consultation is carried out according to applicable international standards.

<sup>10</sup> <https://www.iucnredlist.org/>

<sup>11</sup> NEC refers to the definition of Indigenous People given in IFC Performance Standard 7

<sup>12</sup> <https://www.ohchr.org/sites/default/files/Documents/Issues/Peoples/FreePriorandInformedConsent.pdf>



### Project Selection

Only projects that pass our 'No go' selection criteria are selected



### ESG Assessment

Due diligence identifies any discrepancies between the seller/EPC/O&M's standards and NEC's



### Investment Negotiations

ESG clauses are incorporated into financial agreements and contracts



### Risk Management

ESG Action Plan is agreed and capital allocated to implement mitigation measures



### Investment Decision

Documented ESG memo submitted to Investment Committee for approval or rejection



### Post-acquisition Implementation

Drafting of ESG Action Plan and definition of ESG KPIs for each asset



### Operating Plant Maintenance

Implementation of ESG Action Plan and monitoring and reporting of KPIs for each asset

## Reporting and engagement

NESF reports publicly on its dedicated website, [nextenergysolarfund.com](https://nextenergysolarfund.com), and through its Investment Adviser, NextEnergy Capital. This reporting includes detailed disclosures on all material ESG risks and opportunities.

A summary of NESF-relevant reporting is below. NextEnergy Capital and Fund-level reporting is available at:

- [NextEnergy Capital-level reporting](#)
- [NESF Fund-level reporting](#)

NESF-level reporting	
<h3>Sustainability and ESG Report</h3> <p>The first standalone NESF sustainability report was published in 2022, and NESF is pleased to continue this disclosure with the 2023 edition.</p>	<h3>Annual Report</h3> <p>NESF provides an overview of ESG issues as part of its overall Annual Report.</p> <p>→ <a href="#">NESF Annual Report</a></p>
<h3>NESF TCFD</h3> <p>As of 2022, NESF reports against the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).</p> <p>→ <a href="#">NESF TCFD Report</a></p>	<h3>EU SFDR Article 9 Disclosure</h3> <p>NESF complies with the requirements of the SFDR. The Company's legal adviser has confirmed that NESF is classified under Article 9 of the SFDR, and the Fund has made the appropriate disclosures under Annex I, Annexes III and V of the Regulation.</p> <p>→ <a href="#">EU SFDR Article 9 Disclosure</a></p>
NextEnergy Capital-level reporting	
<h3>UN Principles for Responsible Investment (PRI)</h3> <p>The UN PRI Annual Report, which is prepared by the ESG team, is verified internally and includes information on governance and infrastructure.</p> <p>→ <a href="#">NextEnergy Capital Public Transparency Report</a></p>	<h3>UN Sustainable Development Goals (SDGs)</h3> <p>NextEnergy Capital's UN SDG Report is prepared annually by the specialist Green Investment Group. The latest report is for 2022, and includes data on emissions avoided for each NextEnergy Capital fund since inception, and other ESG-related data.</p> <p>→ <a href="#">NextEnergy Capital SDG report</a></p>
<h3>EU Sustainable Finance Disclosure Regulation</h3> <p>The EU SFDR for the financial services sector has been in place since March 2021. NEC's SFDR report is prepared and verified by international lawyers.</p> <p>→ <a href="#">NextEnergy Capital ESG Disclosures</a></p>	



## Thought leadership:

### trade associations and government

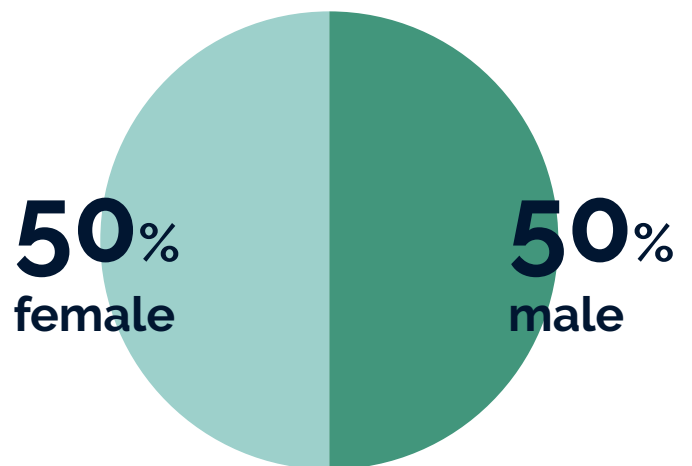
The NESF Investment Adviser, NextEnergy Capital, is an active member of the UK and European solar trade associations, Solar Energy UK (SEUK) and SolarPower Europe (SPE). Members of the NextEnergy Capital ESG team Chair and participate in thematic working groups, speak at industry panels and events, and contribute to responses submitted on behalf of the industry to government and regulator consultations, inquiries, and calls evidence.

NextEnergy Capital as an organisation is a proud member of the joint British government-industry Solar Taskforce, which is co-Chaired by Climate Change Minister Graham Stuart and SEUK CEO Chris Hewett. NextEnergy Capital is represented on the taskforce by COO Ross Grier.

NESF engages with a wide range of industry, government, and civil society stakeholders, through formal and informal meetings, at public events, through written and digital communications, and through industry groups such as trade associations. This engagement across industry, academia and government means NESF can deliver as effectively as possible on its objectives, and explain the rigour and effectiveness of the NESF approach.

NESF communicates through its Investment Adviser, NextEnergy Capital, and its corporate brokers, Cenkos Securities plc and RBC Capital Markets Ltd.

## NESF Board diversity





# NESF stakeholders



## 10. Glossary

Below is a summary of some of the most common terms, organisations, benchmarks and initiatives used in discussions of renewable energy and climate change.

### Operating Asset Manager or WiseEnergy

WiseEnergy (Great Britain) Limited and WiseEnergy Italia Srl.

### Climate change mitigation

Contributing to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous human-caused interference with the climate system. This can be carried out by avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals, and is consistent with the long term temperature goal of the Paris Agreement.

### CO<sub>2</sub>e

This stands for 'carbon dioxide equivalent' and is a measure used to compare the emissions from various greenhouse gases on the basis of their global warming potential, by converting amounts of other gases to the equivalent amount of carbon dioxide.

### Energy storage

Defined as either 1) deferring the final use of electricity to a moment later than when it was generated, or 2) the conversion of electrical energy into a form of energy which can be stored, which refers to: the storing of such energy, and its subsequent reconversion into electrical energy, or its use as another energy carrier.

### EU Sustainable Finance Disclosure Regulation

The EU's Sustainable Finance Disclosure Regulation (SFDR) applies to investment products. It sets strict minimum disclosure standards to prevent greenwashing. The SFDR requires reporting organisations to disclose how sustainability risks are considered in their investment process, what metrics they use to assess ESG factors, and how they address assessment decisions that might result in negative impacts on sustainability.

### EU Sustainable Finance Disclosure Regulation Article 9

Funds attaining Article 9 status demonstrate that they make a positive impact on society or the environment through sustainable investment, and have a core non-financial objective. Many funds only attain Article 8 status, which confirms they promote social or environmental factors and have good governance practices.

### EU taxonomy Regulatory Technical Standards

The EU taxonomy Regulation creates a clear framework for the concept of sustainability, defining when a company or enterprise is operating sustainably or is environmentally friendly. Compared with their competitors, these companies stand out positively and should benefit from higher investment.

### Greenhouse gases

Greenhouse gases (GHG) are gases, such as carbon dioxide, which trap heat in the earth's atmosphere. GHG are released by burning fossil fuels, which is why they cause global warming and climate change.

### GWh

Stands for 'gigawatt hour', a unit of energy representing a thousand megawatt hours, or a billion watt hours. It is a measurement of the output of large electricity generators.

### GWp

Stands for 'gigawatt peak'. This is the theoretical maximum output of energy capacity of a solar or other generation asset, measured in gigawatts.

### LEMP

'Landscape and ecological management plan'. This is a site-specific document used to manage the biodiversity on a solar farm – for example, the planting and habitat promotion measures implemented.

### MWh

Stands for 'megawatt hour', a unit of power equivalent to a thousand kilowatt hours, or a million watt hours.

### MWp

Stands for 'megawatt peak'. This is the theoretical maximum output of energy capacity of a solar or other generation asset, measured in megawatts.

### NESF

NextEnergy Solar Fund Limited.

### Net zero

Net zero refers to the target of reducing greenhouse gas emissions to as close to zero as possible, and re-absorbing any remaining emissions from the atmosphere – for example, by forests and oceans. This means that on a net basis no greenhouse gases are released into the climate.

### NextEnergy Capital

NextEnergy Capital is part of the NextEnergy Group. It is both the Investment Manager and Investment Adviser for NESF.

## NextEnergy Group

The NextEnergy Group includes NextEnergy Capital (fund management), WiseEnergy (operating asset management), and Starlight (asset development), and is the founder of the NextEnergy Foundation.

## Paris Agreement

The Paris Agreement, often referred to as the Paris Accord or the Paris Climate Accord, is an international treaty on climate change adopted in 2015. It covers climate change mitigation, adaptation and finance. The Paris Agreement's central aim is to strengthen the global response to the threat of climate change with the goal of keeping global temperature rise this century below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit temperature increase further, to 1.5 degrees Celsius.

## Scope 1, 2 and 3 emissions

The **Greenhouse Gas Protocol** classifies GHG emissions into three 'scopes', as follows: "Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions."

## Solar photovoltaics

The generation of electricity by using solar panels to capture energy from the sun.

## Special Purpose Vehicle (SPV)

A Special Purpose Vehicle is a legal entity that can be used to manage the relationship between parent companies and their subsidiaries.

## Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD framework seeks to provide recommendations and guidance on nature-related risks and opportunities relevant to a wide range of market participants, including investors, analysts, corporate executives and boards, regulators, stock exchanges and accounting firms. The framework is being developed following the TCFD principles to be market-usable, science-based, purpose driven, integrated and adaptive, globally inclusive, and embracing a full approach to nature-related risks and employing an integrated approach to climate- and nature related risks.

## Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD has developed a set of recommendations that are changing the way organisations manage climate risks and opportunities. TCFD reporting provides consistent, pertinent, forward-looking information on the material

financial impacts of climate change. Since 1 January 2021, all UK premium-listed companies have been required to state, in their Annual Report, whether their disclosures are consistent with TCFD recommendations, and if not, to explain why. The UK Government is the first G20 country to make TCFD-aligned disclosure mandatory for over 1,300 of the largest UK-registered companies and financial institutions.

## United Nations Principles for Responsible Investment (UN PRI)

The United Nations Principles for Responsible Investment were developed as a guide for investors on how to promote sustainable investment. They suggest possible measures for how to incorporate ESG issues into investment practice.

## United Nations Sustainable Development Goals (UN SDGs)

The 2030 Agenda for Sustainable Development, adopted by United Nations member states in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

## Universal Biodiversity Management Plans (UBMPs)

A type of biodiversity management plan designed by NextEnergy Capital to ensure solar assets align with the biodiversity management guidelines adopted by NESF, and intended to increase net biodiversity value beyond NEC's defined minimum compliance.

# 11. Company information

## Company

### NextEnergy Solar Fund Limited

Registered Office:

Floor 2  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey GY1 4LY

Registered no.: 57739  
LEI: 213800ZPHCBDDSQH5447  
Ordinary Share ISIN: GG00BJ0JVY01  
Ordinary Share SEDOL: BJ0JVY0  
London Stock Exchange Ticker: NESF  
Website: [nextenergysolarfund.com](http://nextenergysolarfund.com)

## Directors

Kevin Lyon, Chairman  
Helen Mahy  
Vic Holmes, Senior Independent Director  
Patrick Firth  
Joanne Peacegood  
Josephine Bush  
(all non-executive and independent)

## Investment Manager

### NextEnergy Capital IM Limited

1 Royal Plaza  
Royal Avenue  
St Peter Port  
Guernsey GY1 2HL

## Investment Adviser and Investor Relations

### NextEnergy Capital Limited

75 Grosvenor Street  
Mayfair  
London W1K 3JS

## Operating Asset Manager

### WiseEnergy

NextEnergy Capital Limited  
75 Grosvenor Street, Mayfair  
London W1K 3JS

## Company Secretary and Administrator

### Ocorian Administration (Guernsey) Limited

Floor 2  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey GY1 4LY

## Joint broker and financial adviser

### RBC Capital Markets & RBC Europe Limited

100 Bishopsgate  
London  
EC2N 4AA  
+44 (0) 20 7653 4000  
[www.rbccm.com/en/about-us.page](http://www.rbccm.com/en/about-us.page)

## Joint broker and sponsor

### Cenkos Securities plc

6-8 Tokenhouse  
London  
EC2R 7AS  
+44 (0) 20 7397 8900  
[info@cenkos.com](mailto:info@cenkos.com)  
[www.cenkos.com](http://www.cenkos.com)

## Media and public relations

### H/Advisors Maitland

3 Pancras Square  
London  
N1C 4AG  
+44 (0) 20 3757 4993  
[maitland@h-advisors.global](mailto:maitland@h-advisors.global)  
<https://maitland.h-advisors.global/>

## **Link Market Services (Guernsey) Limited**

PO Box 627  
St Peter Port  
Guernsey  
GY1 4PP  
+44 (0) 1534 847000  
marketservices@linkgroup.je  
[www.signalshares.com](http://www.signalshares.com)

### **Legal advisers**

*As to UK Law*

#### **Stephenson Harwood LLP**

1 Finsbury Square  
London EC2M 7SH

*As to Guernsey Law*

#### **Carey Olsen (Guernsey) LLP**

PO Box 98  
Carey House Les Banques  
St Peter Port  
Guernsey GY1 4BZ

# Annex

## NESF Principal Adverse Impacts

### Table 1: Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant:** NextEnergy Solar Fund Limited, 213800ZPHCBDDSQH5447

#### Summary

NextEnergy Solar Fund Limited, 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 Adviser 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	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
<b>Greenhouse gas emissions</b>	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 tCO <sub>2</sub> e	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 tCO <sub>2</sub> e	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 Adviser and asset manager are actively engaged in improving data quality from suppliers.
		Total GHG emissions	1,319 tCO <sub>2</sub> e	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 tCO <sub>2</sub> e per €M	NA	NA	NA

	3. GHG intensity of investee companies	GHG intensity of investee companies	6.68 tCO <sub>2</sub> e 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 parent 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 parent 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 Fund 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

Table 2:

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 2. Weighted average percentage of water recycled and reused by investee companies	1. 84.5 m <sup>3</sup> per €M 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 to avoid unnecessary interventions and minimize water usage by relying on natural precipitation whenever possible.  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>						
<b>Social and employee matters</b>	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 a Board member.

- a) The Board approved the Sustainable Investing Policy in 2019
- b) Since it was established the ESG Committee has oversight of this policy with operational implementation delegated to NextEnergy Capital
- c) 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.
- d) 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.
- e) 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.

- a) Indicators 10 and 11 in Table 1 are key to ensuring compliance with these frameworks
- b) 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.
- c) Climate scenarios are not used in the indicators but they are considered as part of the TCFD reporting, publically available
- d) Climate scenarios are used as part of TCFD reporting

**Historical comparison**

NA - first reporting period

**NEXTENERGY**  
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