



# **NEXTENERGY**

## **SOLAR FUND**

**NextEnergy Solar Fund Limited**

**Sustainable Investment Policy**

Version 01 – February 2025

## Introduction

NextEnergy Solar Fund Limited (**NESF** or the **Company** or the **Fund**) is a specialist solar energy and energy storage fund listed on the premium segment of the London Stock Exchange. NESF's mission is to generate a more sustainable future by leading the transition to clean energy. Ensuring that communities thrive and that ecosystems are healthy and resilient is fundamental to this mission. NESF recognises that its continued success not only depends on driving the clean energy transition, but also on empowering communities and safeguarding nature; it is their prosperity which underpins the long-term viability of both the Company's operations and its financial performance.

NESF's Sustainable Investment Policy (herein, **the Policy**) stems from the Company's Sustainability and ESG Framework. This Framework was developed by NextEnergy Group, of which NESF's Investment Manager and Investment Adviser, NextEnergy Capital (**NEC**), is part. NESF adopted the Sustainability and ESG Framework in the year ending 31 March 2025.



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*NextEnergy Solar Fund's Sustainability and ESG Framework is at the core of the Company's approach to sustainability.*

Since NESF's initial public offering (**IPO**) in 2014, it has built a robust sustainability foundation by integrating potential ESG risks and opportunities into the Company's investment decision-making. This approach has enabled NESF to deliver on its prospectus commitment – to generate robust, risk-adjusted investment returns for its shareholders – while simultaneously advancing best-in-class sustainability practices.

This Sustainable Investment Policy codifies NESF's rigorous ESG principles which guide the Company's approach to a more prosperous, ethical future. It also cements NESF's *Principles and Commitments* to ensure that the Company remains focused on addressing the most material global challenges for the solar industry and its stakeholders. NESF is advancing these sustainable leadership efforts alongside the Investment Adviser and NextEnergy Group.

## Scope

The UN-supported Principles for Responsible Investment (**UN PRI**) is the world's leading proponent of responsible investment. NESF's Sustainable Investment Policy follows the UN PRI's technical guide for developing and updating such a policy, and is aligned with **NextEnergy Group's Sustainability Policies**. NESF's Investment Adviser uses NextEnergy Group's Sustainability Policies to guide the Company's sustainability strategy.<sup>1</sup>

This Policy applies to NESF's investment decision-making and its direct operations. It covers the following areas:

- Principles and commitments
- Integration
- Excluded activities
- Supply chain management
- Responsibilities and governance
- Conflicts of interest
- Stewardship and engagement
- Reporting
- Monitoring and review

## Principles and Commitments

NESF believes that promoting the highest ESG standards for nature and people reduces operational risks and ensures long-term financial performance. NESF's Sustainable Investment Policy aligns with the principles of international conventions, standards and guidelines which are relevant for the solar and sustainable investment industries. These standards are applied to the Company's investments and throughout its value chain, from the Investment Adviser's staff, to the Fund's suppliers and services providers, its business partners, and the broader communities in which it operates.

NESF values its collaborative partnerships and recognises that safeguarding and accelerating the transition to a low-carbon economy requires broad consultation and engagement with all stakeholders. Supported by the Investment Adviser, the Company leverages its network of academia, NGOs, civil society, reputable experts in the field, and memberships with industry associations and initiatives. It also benefits from NEC's staff's involvement in the industry working groups which they actively participate in and lead, whenever the opportunity arises. These include the **UN PRI**, SolarEnergy UK (**SEUK**), SolarPower Europe (**SPE**), and the Solar Stewardship Initiative (**SSI**).

## Climate

NESF's solar energy and energy storage assets help deliver the goals of the Paris Agreement and facilitate investing aligned with global net zero emissions. NESF is a supporter of the Task Force on Climate-Related Financial Disclosures (**TCFD**) and aligns with the TCFD's recommendations. The TCFD was disbanded and superseded by the International Sustainability Standards Board (**ISSB**) S1 and S2 Standards in November 2023. NESF was an early adopter of the ISSB S1 and S2 Standards and commits to disclosing its sustainability and climate- risks and positive impacts in

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<sup>1</sup> A list of these is provided in the Annex to this Sustainable Investment Policy.

accordance with it. The Company has aligned its decarbonisation activities with the Science Based Targets Initiative (**SBTi**) and the UK Transition Plan Taskforce (**TPT**) framework.

## Nature

NESF has a proven track record of balancing financial growth with nature positive outcomes. The Company is committed to supporting the transition toward an economy that operates within safe planetary boundaries. NESF aims to avoid and minimise the principal drivers of nature loss; fund nature restoration at scale; and effectively manage nature-related risks in its direct operations and throughout its supply chains, as set out in the Company's [Approach to Nature](#). This is the structured framework through which NESF manages and enhances its relationship with nature. The Approach to Nature is aligned with global standards, such as the Kunming-Montreal Global Biodiversity Framework (**KM-GBF**), the Taskforce on Nature-related Financial Disclosures (**TNFD**) and the Science Based Targets Network (**SBTN**). NESF's nature targets guide decision-making at both the strategic and operational levels. As an early adopter of the TNFD, the Company monitors and reports on its impacts through ISSB/TNFD-integrated disclosures.

## Human Rights

NESF respects fundamental human rights principles and operates in accordance with the UN Universal Declaration of Human Rights (**UNDHR**), the OECD Guidelines for Multinational Enterprises (**OECD MNE**), the UN Guiding Principles on Business and Human Rights (**UNGPR**), and the UN Global Compact. The Company has a zero-tolerance policy towards human rights abuses and publishes an annual Modern Slavery Statement, in line with the principles and requirements of the UK Modern Slavery Act. NESF acts on its commitment through NEC, and its suppliers and contractors must commit to its standards and abide by NextEnergy Group's [Supplier Code of Conduct](#). NESF's human rights principles extend from its own operations and throughout the Fund's supply chain.

## Community

NESF aims to create a positive impact on society. The Fund's community impact approach involves maximising local community involvement in project planning, development, and operations, and supporting communities financially and through other local collaborations. NESF is committed to co-creating positive impacts by listening to its local stakeholders' needs and concerns, and addressing them by including community benefits agreements in investment documentation, where possible.

NESF prioritises skills development and educational projects relating to the environment, such as partnering with schools and supporting biodiversity conservation efforts. It is through these community engagement initiatives that the Company builds trust and fosters positive relationships with stakeholders in the areas where it operates.

The Company also supports charitable giving through NextEnergy Group's international charity, the NextEnergy Foundation.

## ESG Integration

NESF fully integrates ESG principles in the Fund's investment process. This strengthens strategic decision-making and enhances value creation.

## 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;
- Conversion of natural ecosystems<sup>2</sup>;
- Adverse impacts on protected areas, 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 and Endangered species, and associated critical habitats<sup>3</sup> categorised on the Red List 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. If any such risk is identified, the transaction does not proceed unless NESF has assurance that appropriate mitigation measures will be implemented, in accordance with the Principles and Commitments in this Sustainable Investment Policy:

- Impact on Indigenous People<sup>4</sup> and minorities, whereby NESF expects that meaningful consultation is carried out and Free Prior and Informed Consent<sup>5</sup> (**FPIC**) is sought;
- A land acquisition that requires involuntary resettlement, whereby NESF expects that meaningful consultation is carried out according to applicable international standards;
- Direct or indirect impacts on areas of high biodiversity value, ecosystem integrity, or threats to water quality or quantity;
- 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.

## Risk Management and Due Diligence

NESF employs a comprehensive approach to identify, assess, prioritise, and monitor potential financially material sustainability-related risks and opportunities, in its direct operations and across its value chain. This includes assessment at each stage in the lifecycle of a NESF investment or asset, including development, re-acquisition, construction, operation, and decommissioning. The aim of the approach is also to ensure that all projects comply with this Sustainable Investment Policy and the standards to which it makes reference throughout their investment cycles.

<sup>2</sup> As defined by the Accountability Framework Initiative: Accountability Framework Initiative (2024), *Definitions* <<https://accountability-framework.org/use-the-accountability-framework/definitions/natural-ecosystem/>>

<sup>3</sup> As defined in the International Finance Corporation's (IFC) Performance Standard 6 on Biodiversity and the Sustainable Management of Living Natural Resources: IFC (2012), *Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources* <<https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-6>>

<sup>4</sup> As defined in the IFC's Performance Standard 7 on Indigenous Peoples: IFC (2012), *Performance Standard 7: Indigenous Peoples* <<https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-7>>

<sup>5</sup> Food and Agriculture Organization of the United Nations (2016), *Free Prior and Informed Consent: An indigenous peoples' right and a good practice for local communities* <<https://openknowledge.fao.org/server/api/core/bitstreams/8a4bc655-3cf6-44b5-b6bb-ad2aeede5863/content>>

**Risk identification and mitigation:** NESF's risk management approach tracks the lifecycle and management of its solar and energy storage assets. It includes:

- The structured assessment of any new assets which the Company may acquire, using the proprietary due diligence process developed by the Investment Advisor, and ensuring that any issues are escalated and resolved appropriately, with relevant mitigations passed into the portfolio management stage of an asset.
- Ongoing assessment and management of operating assets to ensure compliance with relevant consents, monitoring obligations, and other planning and regulatory requirements.
- Review of ESG aspects of any new contracts updated or implemented by portfolio management and review of other counterparty management processes as necessary, to ensure that NESF ESG standards and commitments are passed onto existing and new suppliers and contractors.
- Developing, gathering and interrogating data to generate and manage structured ESG performance metrics to comply with applicable regulatory and quasi-regulatory frameworks.
- Monitoring the external environment to identify and respond to emerging sustainability risks for NESF portfolio.

**Compliance with NESF's principles and commitments:** Compliance with this Sustainable Investment Policy and the standards to which it makes reference are facilitated by the strong collaboration between the Investment Adviser's ESG, internal Investment, Construction and Procurement, and Portfolio Management teams.

This collaborative approach ensures that sustainability-related financial risks and opportunities are given appropriate weight alongside other types of risks in the overall risk management process. The ongoing monitoring and management of sustainability-related risks and opportunities are carried out in line with the asset-specific action plan, allowing the Company to proactively manage these risks and benefit from the opportunities throughout the asset lifecycle

Typical ESG risks and opportunities considered as part of NESF's risk management approach are articulated below.

### Environment

NESF takes in full account exposure to climate change risk, energy efficiency, water management, biodiversity impacts, land use and permitting, and waste management.

NESF is committed to account for its contribution to reducing greenhouse gas emissions and achieving the global climate change mitigation targets set out in the Paris Agreement. The Company is also focused on protecting, restoring and enhancing local biodiversity to achieve the targets of the KM-GBF, and encouraging circularity in the solar value chain.

### Social

NESF takes in full account any human rights violations, health and safety (**H&S**), working conditions, community impacts, and diversity and inclusion (**D&I**) within the solar and energy storage industry.

NESF is committed to protecting the health and safety of those it works with and, where necessary, improving safety performance. These commitments are set out in NextEnergy

Group's internal H&S Management System Manual, which applies to NESF. The Investment Adviser's ESG team regularly interacts with NextEnergy Group's dedicated H&S Manager to ensure adherence to the Manual.

NESF works to sustain and grow the local communities in which its solar and energy storage assets operate. The Company is regularly in dialogue with the communities surrounding its assets to ensure that it not only leads a sustainable transition, but also a just one.

### Governance

NESF and its Investment Adviser, acting on the Company's behalf, are committed to conduct their dealings with local authorities in a transparent manner, adhering to the rule of law and procedures of each jurisdiction in which the Company owns and operate its assets.

The Company takes business integrity, anti-corruption and anti-money laundering local and international legislation and good practice into full account in each jurisdiction in which it owns and operates its assets. Checks are conducted of management executives and the board members of the Company's business partners, where applicable, using an external intelligence tool. NESF strives to ensure that all of its assets' counterparties implement proper corporate governance, conduct and business integrity policies and procedures.

## Supply Chain Management

Supply chain management, good governance, and stakeholder engagement and are the three levers through which NESF balances competing interests on how to address material sustainability challenges and opportunities (see **Sustainability Framework**).

NESF commits to implement its *Principles and Commitments* throughout the value chain. NESF has developed a comprehensive approach to supply chain risk management: it is fully integrated into the investment process; benefits from proprietary solar PV module and battery suppliers' assessment tools; and includes a dedicated supplier engagement strategy to ensure that the Fund's partners abide by its working standards throughout the value chain. NESF's market-leading approach is fully detailed in a dedicated section on NESF's website: [Supply Chain - NextEnergy Solar Fund](#).

NESF will not knowingly invest in an asset where its suppliers cannot meet NESF's standards. NESF requires all of its suppliers to commit to its standards and abide by NextEnergy Group's Code of Conduct for Suppliers, which is adopted by NESF through the Investment Adviser and must be signed as part of the business contract with a NESF Group entity. The **NESF Group** includes the Company and any NESF subsidiaries being the Holding Companies (**HoldCos**) and Special Purpose Vehicles (**SPVs**).

End-to-end supply chain traceability and full transparency are challenges which will take time to overcome. Nonetheless, NESF's active involvement in cross-sector engagement initiatives supports the wider solar industry to accelerate sustainable and ethical sourcing globally.

## Responsibilities and Governance

The corporate governance of NESF is intended to give shareholders and other key stakeholders confidence in its trustworthiness, fairness and transparency. NESF's Board of Directors oversees the Company's strategy, performance, and management. This covers all sustainability-related

risks, including climate, nature, and social issues. The Board is also responsible for ensuring adherence to NESF's Sustainable Investment Policy. The Board contains a wide range of relevant expertise and, in 2022, established an ESG Committee to further drive the Company's sustainability and ESG agenda.

NESF also benefits from the internal governance of NEC, including its NextEnergy Investment Leadership committee (**NEIL**). NEIL includes senior professionals with expertise across the energy, finance, construction, procurement, portfolio management and environmental sectors. NEIL advises and oversees the Investment Adviser's climate and nature strategies, risk management, major decisions, and related disclosures, including for NESF.

NEIL also oversees the Investment Adviser's performance in providing a consistent service to the Company, based on the direction of the Board. NextEnergy Group's Head of ESG regularly and actively engages with NESF's ESG Committee to discuss strategy, performance, and reporting requirements related to sustainability risks and opportunities across the Company's operations and value chain.

## Conflicts of Interest

NESF's Board of Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests ('conflict situations'). A Director must inform the Chairwoman (or, in the absence of the Chairwoman, the Senior Independent Director) as soon as they become aware of the possibility of a conflict situation. In accordance with Provision 9 of the Association of Investment Companies (**AIC**) Code, the appointment of any Director has included consideration of the time they have available to the role. The Board considers the external appointments of any Director prior to being appointed.

Where it is deemed appropriate, the Board may approve conflict situations. In deciding whether to approve a conflict situation, the Board will act in a way it considers, in good faith, will be most likely to promote the Company's long-term sustainable success. The Board can impose limits or conditions when giving approval if it considers this appropriate.

## Stewardship and Engagement

Stakeholder engagement is fundamental to advancing improved sustainability outcomes. The Investment Adviser's ESG team is extensively involved with industry, regulatory and policy initiatives relating to Sustainability and ESG across the solar sector. The engagement strategy advocates for alignment with global standards and best practices, and the Investment Adviser regularly maps its stakeholders in order to better understand and manage stakeholder concerns and expectations for a more sustainable future.

NESF expects all its stakeholders to understand and share the *Principles and Commitments* set out in this Sustainable Investment Policy. The Company promotes awareness of this Policy to stakeholders throughout the whole value chain, beginning with the Investment Adviser's employees, and extending to the communities in which NESF's assets operate, its investors, suppliers and service providers, industry associations and initiatives, NGOs, and academia.



## Reporting

Sustainability disclosures are essential to facilitate the growth of sustainable investments and the pursuit of a more rapid transition to clean energy. NESF is committed to pioneering sustainability disclosures through transparency in its approach to sustainability, how it executes on its sustainability strategy, and how it creates impact. As a demonstration of this, NESF voluntarily chose to be an early adopter of the ISSB S1 and S2 standards, and of the TNFD. NESF continuously monitors the evolution of all relevant standards, to ensure the Company retains its market-leading position on transparency and disclosures.

NESF publishes several reports to assess the integration of ESG factors throughout its investment activities. All disclosures are shared with investors at least annually and made publicly available on [NESF's website](#).

## Review and Approval

This Sustainable Investment Policy has been reviewed and approved by NESF's Board of Directors, and signed by the Chairwoman of the NESF Board's ESG Committee. It is effective from February 2025 and is re-evaluated and amended as appropriate from time to time.



**Josephine Bush**

Chairwoman of the ESG Committee  
NextEnergy Solar Fund Limited

## Annex – NextEnergy Group's Sustainability Policies

### NextEnergy Group

- [Sustainability Policy](#)
- [Climate Position Statement](#)
- [Nature Position Statement](#)
- [Human Rights Position Statement](#)
- [Code of Conduct for Suppliers](#)

### Starlight

- [Sustainability Policy](#)

### NextEnergy Capital

- [Sustainable Investment Policy](#)

### NextEnergy Foundation

- [Endowment Fund – Investment Policy Statement](#)

### Version Control

Version	Reason for update	Date of release	Initials
<b>01</b>	New Sustainable Investment Policy	Feb 2025	JRB

**END**