

# **NEXTENERGY** **SOLAR FUND**

Generating a more  
sustainable future

Climate Transition Plan  
JUNE 2025





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## Foreword

NextEnergy Solar Fund (**NESF**, or the **Company**) is a specialist solar energy and energy storage company listed on the London Stock Exchange. NESF's mission is to generate a more sustainable future by leading the transition to clean energy.

Since NESF's initial public offering (**IPO**) in 2014, NESF has positioned itself at the forefront of climate action within the investment community by recognising early on that clean energy infrastructure represents both a solution to climate change and a compelling investment opportunity. This positioning has enabled NESF to deliver on its prospectus commitment – to generate robust, risk-adjusted returns for its shareholders – while demonstrating that financial performance and climate action are mutually reinforcing objectives.

Despite the challenges posed to the investment sector by the macro-economic and political environments, the financial materiality of climate change means that it increasingly influences capital allocation decisions. The global energy landscape also continues to evolve at unprecedented speed, making investment strategies focused on technologies which deliver immediate emissions reductions while supporting the broader transformation of energy systems of paramount importance. NESF's established expertise in renewable energy infrastructure provides a distinct advantage in the climate transition with a portfolio which meets both climate objectives and financial requirements.

Against this backdrop, NESF is pleased to present its **Climate Transition Plan** (or the **Transition Plan**, or the **Plan**). It represents an important milestone in NESF's journey as a critical enabler of the low-carbon transition. The Plan complements NESF's International Sustainability Standards Board (**ISSB**) S2 Climate disclosure. The ISSB S2 provides an annual, point-in-time update on NESF's climate-related governance, strategy, risk management, and metrics and targets. Instead, this Transition Plan is a forward-looking articulation of how NESF will further enhance its positive

environmental impact while strengthening the portfolio's resilience in an ever-changing environmental, social, regulatory and economic landscape.

The Transition Plan builds on NESF's inherent alignment with global climate goals; it will enable NESF to make more informed investment decisions; strengthen operational resilience; and, pursue growth opportunities created by evolving climate policy and market dynamics. In an environment of increasingly stringent sustainability regulations and growing stakeholder expectations for climate action, NESF's comprehensive approach to climate transition planning positions NESF for sustainable growth while minimising potential compliance and reputational risks.

As NESF implements this Plan, it will continue to balance rigorous financial discipline with ambitious climate action, demonstrating the potential for infrastructure investment to drive both shareholder returns and positive environmental outcomes. The NESF Board of Directors (the **Board**) is confident that this approach will strengthen NESF's position as a leader in sustainable energy infrastructure investment while contributing meaningfully to the global effort to address climate change.

**Josephine Bush**  
Chairwoman of the NESF Board's  
ESG Committee





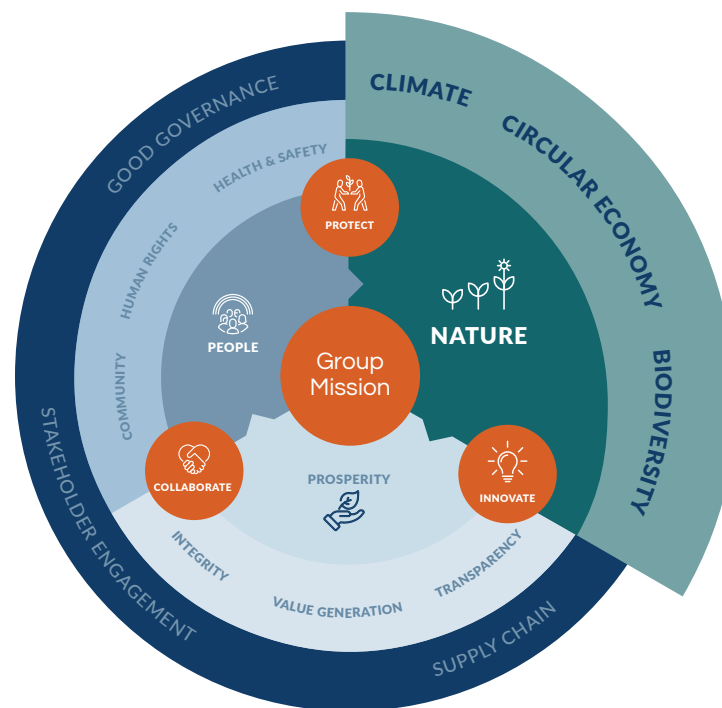
# 1. INTRODUCTION

A stable climate is fundamental for life on Earth. It determines human wellbeing, biodiversity and economic stability. Yet, the global climate is rapidly changing and this poses one of the most formidable challenges of our time. Addressing climate change requires urgent action to reduce emissions, transform energy systems, and ensure a safe operating space within which people and nature can thrive in harmony.

NESF operates at the nexus of financial performance and climate action. NESF's investment strategy focuses exclusively on solar photovoltaic (**PV**) and energy storage assets, two renewable energy technologies which are critical enablers of the low-carbon transition. Since 2014, NESF has built a proven track record of delivering robust, risk-adjusted investment returns for its shareholders with a fundamentally positive environmental impact for humanity.

NESF's approach to sustainability is oriented by a Sustainability and Environmental, Social and Governance (**ESG**) Framework (the **Framework**). Within this Framework, climate constitutes a focus area, given the material importance of climate change to NESF's operations and its centrality to global sustainability.

As an Article 9 financial product under the EU Sustainable Finance Disclosure Regulation (**SFDR**), NESF has committed to making sustainable investments with an environmental objective. NESF's investments meet the technical screening criteria for the EU Taxonomy's 'Climate Change Mitigation' objective and maintain appropriate minimum safeguards. NESF also monitors



its portfolio's impacts against the other EU Taxonomy objectives through the Do No Significant Harm (**DNSH**) approach. This positive contribution to climate change mitigation positions NESF well to lead the climate transition.

NESF's approach to the climate transition goes beyond risk management. It acts as a catalyst for transformation. NESF not only contributes to climate change mitigation through its direct operations, but also recognises its responsibility to address emissions across the solar value chain. The embodied carbon in solar components, emissions from construction activities, and ongoing operational requirements represent opportunities for NESF to further enhance its net climate benefit.

As global climate governance matures and efforts to achieve the 2015 Paris Agreement goal of limiting global warming to 1.5°C above pre-industrial levels<sup>1</sup> ramp up, NESF's **Climate Transition Plan** provides the structure to enhance the Fund's positive climate impact by identifying and progressively reducing emissions across both its operations and value chain. It is aligned with the Transition Plan Taskforce (**TPT**) framework, ensuring consistency with emerging best practices while providing stakeholders with decision-useful information on NESF's climate strategy, governance, and performance. NESF is confident that this Climate Transition Plan will strengthen its position as a leader in sustainable infrastructure investment while supporting the broader transition to a low-carbon, climate-resilient global economy.

<sup>1</sup> United Nations (2015), Paris Agreement <ADOPTION OF THE PARIS AGREEMENT - Paris Agreement text English (unfccc.int)>



# 2. NESF'S APPROACH TO THE CLIMATE TRANSITION

NextEnergy Solar Fund recognises that the global transition towards a low-carbon economy represents both significant risks and opportunities. NESF directly invests in solar PV and energy storage assets across the UK and Italy and has co-investments in two international solar PV assets. NESF also has a \$50m investment in a private international solar private equity vehicle. As such, the investment strategy is inherently aligned with enabling the transition to a clean energy future. NESF is aware that climate change presents both financial risks to investments and creates significant opportunities to enhance resilience. The risks and opportunities manifest in two distinct categories:

**Physical:** Solar PV and energy storage assets are exposed to acute and chronic physical impacts of climate change. The increasing frequency and severity of extreme weather events—including storms, flooding, and heatwaves—can potentially damage infrastructure, reduce generation capacity, and disrupt supply chains. Chronic, or long-term, shifts in climate patterns may affect solar irradiation levels and temperature conditions with the potential to influence asset performance and financial returns.

**Transition:** Policy and legal, technology, market and reputational changes associated with the transition to a lower-carbon economy also translate into risks and opportunities. While generally favourable for renewable energy businesses, NESF must navigate evolving subsidy regimes, technological innovations, changing investor expectations, and competitive market dynamics in order to remain abreast of their impacts.

In NESF's efforts to address climate-related risks and capitalise on opportunities, it carries out annual assessments of climate scenarios. The scenario analysis is aligned with the recommendations outlined by the Task Force on Climate-related Financial Disclosures (**TCFD**) recommendations and the outcome of assessments is disclosed in NESF's annual **Sustainability and ESG Report**. Since 2024, that Report has been voluntarily prepared in accordance with the ISSB Standards **S1** (General) and **S2** (Climate). A summary of the main risks and opportunities identified in NESF's latest climate scenario assessment is in Table 1 on p.11. Please refer to NESF's **Sustainability and ESG Report for the year ended 31 March 2025** for the full results.



Decarbonisation Approach

In 2022, NESF conducted its first comprehensive emissions baselining across Scope 1, 2 and 3 emissions. These figures have been updated annually and NESF now utilises the year ended 31st March 2024 as its baseline. Please refer to Section 5: Metrics and Targets for more details. NESF’s approach to decarbonisation is based on the materiality of its emissions profile and structured through two complementary lenses:

**Supply Chain (Point-in-Time):** NESF acknowledges that the majority of the carbon footprint occurs in the upstream supply chain, particularly in the manufacturing of solar PV modules and other equipment. These are viewed as “point-in-time” emissions as they are associated with discrete events in the asset lifecycle. NESF is working to quantify these emissions more precisely, engage with suppliers on reduction strategies, and establish procurement criteria that incentivise lower-carbon products and services.

**Operational (Ongoing):** The day-to-day operations of solar PV and energy storage assets generate a much smaller, but persistent, carbon footprint through activities such as maintenance, monitoring, land management, and electricity consumption during non-generating hours. NESF approaches these as “ongoing” emissions that require continuous management and progressive reduction over time.

NESF's Transition Plan Approach

NESF’s activities focus on climate change mitigation. As such, NESF is already a leading participant in the global decarbonisation trajectory. However, NESF recognises that this focus does not exempt it from the responsibility to critically examine NESF’s operations, supply chain, and business practices to ensure that it maximises its positive climate impact while minimising any potential negative ones.

NESF’s Climate Transition Plan aims to strategically position the Company with global climate governance mechanisms so that it continues to be a leader towards a low-carbon, climate-resilient future. It articulates the Fund’s strategic climate ambition, its action to address climate-related risks and to identify climate-related opportunities, and its accountability mechanisms to oversee progress towards NESF’s climate metrics and targets, including stakeholder engagement to achieve the desired decarbonisation objectives. The Plan has been developed with a time horizon of 25 years in order for NESF to meet its medium- and long-term SBTi-validated targets (See Section 5: Metrics and Targets).

NESF has chosen to structure its Climate Transition Plan around the four aforementioned asset lifecycle stages – due diligence, supply chain and construction, operational asset management, and decommissioning – in order to transparently communicate how its ambition is not only to decarbonise the NESF portfolio, but also to support its suppliers and contractors to decarbonise their own operations. This is because NESF recognises that delivering immediate emissions reductions must be combined with the broader transformation of energy systems. See Figure 1 for an overview of the Plan’s structure.

The Plan has been aligned with the United Kingdom Transition Plan Taskforce (TPT). The TPT was established in 2022 by HM Treasury to develop standards for private sector climate transition plans. As more jurisdictions worldwide develop frameworks for implementing and reporting on action towards the Paris Agreement’s goals, the TPT represents the most credible and robust approach for organisations to articulate their pathways to a low-carbon future. Indeed, in 2024, the TPT’s

framework was integrated under the auspices of the ISSB, creating a coherent global approach to climate-related financial disclosure.

NESF does not view its Climate Transition Plan as a static document. Rather, it is a roadmap that will be regularly reviewed and enhanced as climate science, technologies, market conditions, and stakeholder expectations continue to evolve.

Figure 1. NESF’s Climate Transition Plan structure





NESF responds to climate- and climate change-related risks and opportunities with an approach which is strategically interwoven throughout the asset lifecycle and the Fund's operations.

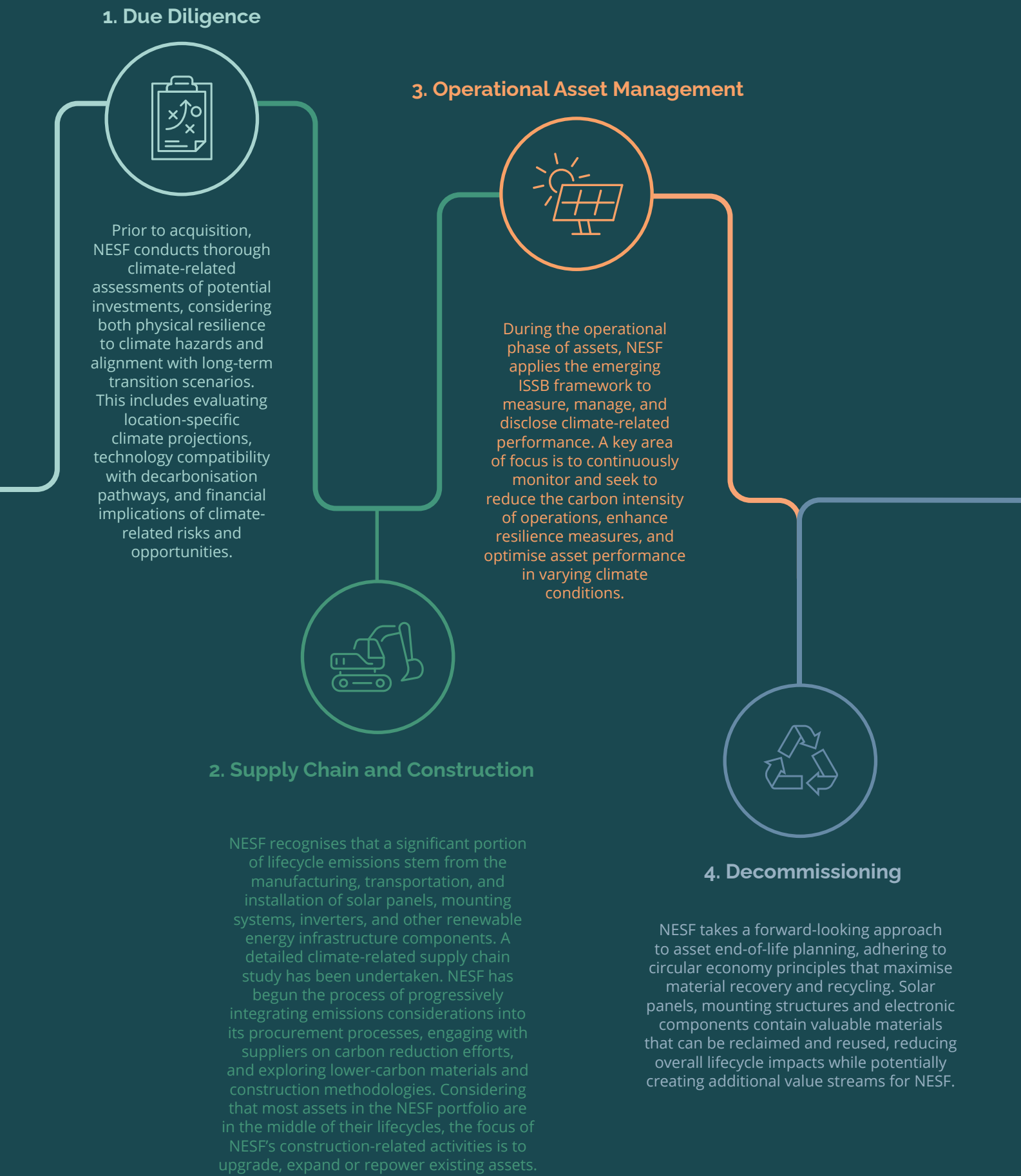


Table 1. Summary of material climate-related risks and opportunities for NESF

Climate-related risk and opportunity category	Climate-related risk and opportunity sub-category	Risk and opportunity descriptions	Materiality to NESF and the solar industry
Physical Risks	Acute	Flood risk to assets	<div><div></div></div>
		Wildfire risk to assets	<div><div></div><div></div></div>
		Natural disaster risk to the value chain	<div><div></div><div></div><div></div></div>
	Chronic	Heat stress to assets	<div><div></div><div></div><div></div></div>
		Climate-driven impacts to resource availability and the value chain	<div><div></div><div></div></div>
		Increasing maintenance costs to assets	<div><div></div><div></div><div></div></div>
Transition Risks	Policy and Legal	Stricter manufacturing emissions standards or carbon pricing mechanisms in operational costs	<div><div></div><div></div></div>
		Increasing planning processes and grid connectivity issues	<div><div></div><div></div><div></div></div>
		Potential litigation arising from non-compliance with environmental standards.	<div><div></div></div>
		Potential risks associated with the increasing deployment of battery storage, including the use of conflict minerals in battery supply chains.	<div><div></div><div></div><div></div></div>
	Market	Power market shifts affecting revenue streams	<div><div></div><div></div><div></div></div>
	Technology	Alternative low-carbon technologies disrupting existing solar energy assets	<div><div></div></div>
		Changes in the costs of competing technologies to the competitiveness of solar power	<div><div></div></div>
	Reputational	Greenwashing (overstating) and greenhushing (understating) sustainability credentials	<div><div></div></div>
		Increasing demand for sustainable / low-impact manufacturing	<div><div></div><div></div></div>
	Climate-Related Opportunities	Opportunity	Increasing demand for clean energy to meet national and corporate net zero goals
Enhancing reputation as a climate leader through transparent disclosures			<div><div></div><div></div><div></div></div>
Improving efficiency through new technologies			<div><div></div><div></div></div>
Meeting new sources of demand for clean electricity, such as data centres			<div><div></div><div></div><div></div></div>





### 3. NESF'S CLIMATE AMBITION

#### Foundations

NESF's investment objective is to provide ordinary shareholders with attractive risk-adjusted returns through a diversified portfolio of solar energy infrastructure assets with the addition of complementary technologies, such as energy storage. But investment in solar energy infrastructure not only returns long-term shareholder value – it also mitigates climate change and creates prosperity for people and planet. For this reason, sustainability and ESG are part of NESF's purpose.

Climate change is the most financially material sustainability-related risk for the investment industry and the global economy. As such, mitigating it is at the heart of NESF's environmental and social purposes. NESF seeks to deliver on its investment objective whilst also contributing to energy security in the UK and other markets where NESF operates, thus ensuring a net zero future.

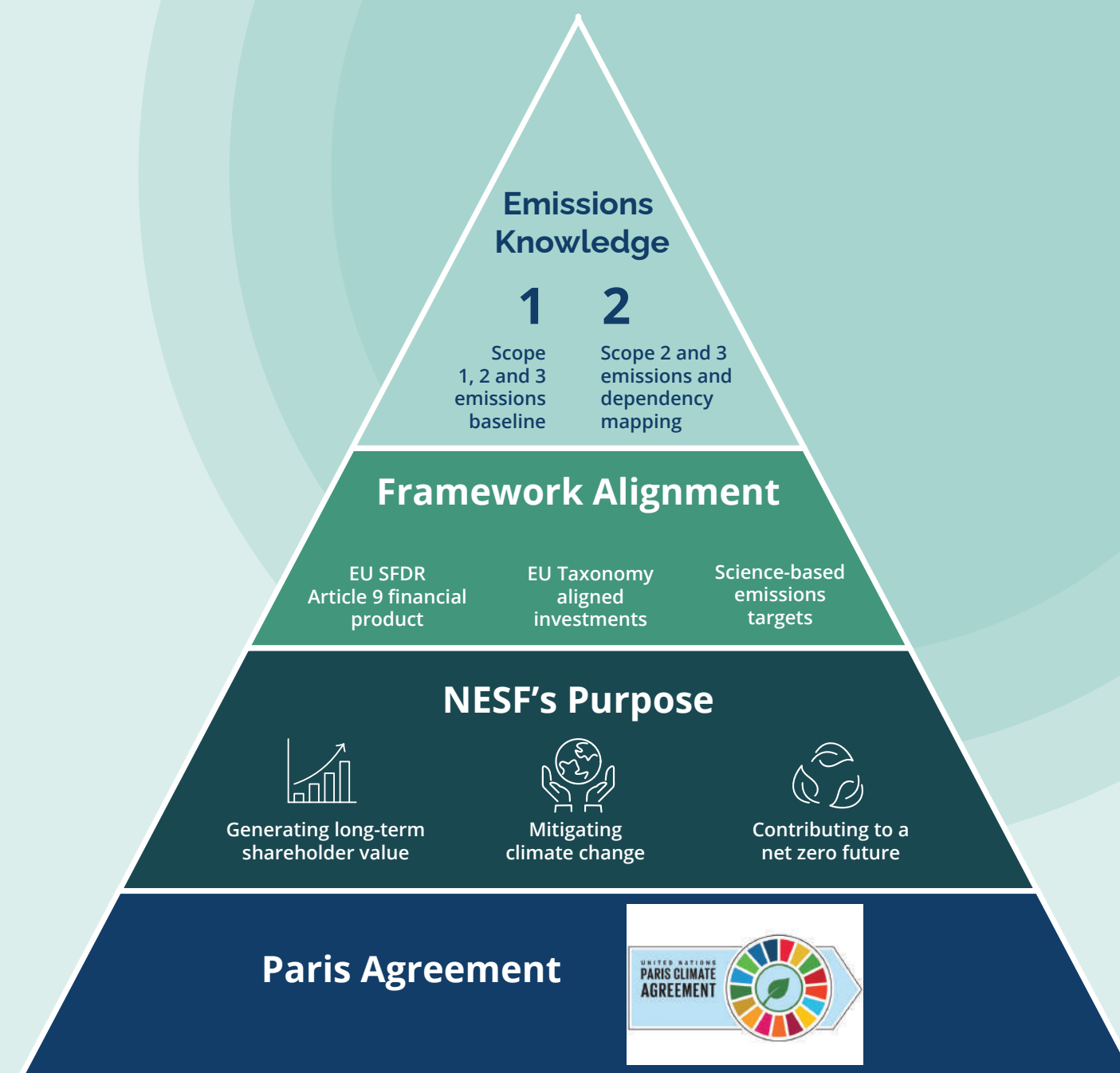
Accordingly, NESF's climate ambition is to contribute its part to the goals of the **Paris Agreement** and to facilitate investing aligned with global net zero emissions. The EU SFDR and Taxonomy are two of the most advanced legislations within the architecture of policies, frameworks and standards developed to support the Paris Agreement. NESF is classified as an Article 9 financial product under the EU SFDR. NESF's role in supporting the renewable energy transition is

further corroborated by having sustainable investment as its core objective, whereby its investments are fully aligned with the EU Taxonomy. The three pillars of the EU Taxonomy – Minimum Safeguards, DNSH and Technical Screening criteria – ensure that NESF considers broader environmental and social factors alongside its climate ambition.

NESF's **ESG** commitments are not only driven by regulatory requirements. For NESF, generating risk-adjusted returns while creating value for people and nature begins with its Sustainability and ESG Framework. The Framework is supported by **NESF's Sustainable Investment Policy** and the **Sustainability Policies of NextEnergy Group**, of which the NESF Investment Adviser, NextEnergy Capital Limited (**NEC**), is part. NESF adopts NextEnergy Group's Sustainability Policies in full. These include position statements on **Climate Change**, **Human Rights**, and **Nature**, and NextEnergy Group's **Responsible Supply Chain Approach**.

The principles and commitments set out in these policies are applied throughout NESF's 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 NESF operates. NESF is convinced that only a holistic transformation of the energy sector will ensure the delivery of the Paris Agreement's 1.5°C ambition.

Figure 2. NESF's Climate Transition Plan foundations





### JUST TRANSITION

The transition to net zero is as much a social transition as an environmental one. NESF recognises that its continued success not only depends on driving the clean energy transition, but also on empowering communities. Promoting the highest ESG standards for both nature and people reduces operational risks and ensures long-term shared value creation for NESF's shareholders, landowners and communities surrounding its projects. NESF 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 is also committed to co-creating positive impacts with local stakeholders and has an established community impact approach which involves maximising local community involvement in project planning, development, and operations, and supporting communities financially and through other local collaborations. For more details, please refer to **NESF's annual Community Funding Report**.

NESF's business and operational models inherently contribute to the clean energy transition as the energy produced directly from the solar PV and energy storage assets in the NESF portfolio avoids emissions from fossil fuel sources. Generating revenue from one of the most plentiful and sustainable sources of energy already positions NESF at the forefront of transition finance.

However, emissions are incurred through renewable energy infrastructure operations (Scope 2) and throughout the value chain (Scope 3). Indeed, operational and value chain emissions represent the most significant emissions sources for businesses and the financial sector. As such, the focus of NESF's climate

ambition and action is on abating the Company's Scope 2 and 3 emissions in order to support the broader decarbonisation of the energy sector.

By proactively identifying, measuring and managing both physical and transition risks across its operations and supply chain, NESF aims to protect and enhance long-term value for shareholders while supporting broader societal goals. NESF is confident that implementing its dual-track approach to decarbonisation – addressing both supply chain and operational emissions – across the asset lifecycle places it in a strong position to deliver immediate emissions reductions while supporting the broader transformation of energy systems.



### TARGET SETTING AND REPORTING

NESF has followed the best practice guidelines established by the Science Based Targets initiative (SBTi) to set emissions reductions targets aligned with the Paris Agreement's 1.5°C pathway. These targets orientate NESF's climate ambition and derive from the comprehensive emissions baselining across NESF's Scope 1, 2 and 3 emissions for the financial year ended 31 March 2024. For more details about how NESF has mapped and analysed material dependencies and emissions in its supply chain to identify a pathway to decarbonisation see Key Assumptions below.

NESF already reports on its annual CO2e emissions avoided in line with the requirements of Article 9 financial product under the EU SFDR and the ISSB Standard S2. Following NESF's emissions reduction targets' submission to the SBTi in the year ending 31 March 2026, NESF will report on its emissions profile and progress towards its targets annually. NESF will also review its targets and submit them for re-validation to the SBTi at least every five years, ensuring full transparency and accountability for its climate ambition.

## Business and Operating Model

NESF's climate ambition straddles the Company's top-down business model and its bottom-up operating model. The activities to deliver the business and operating models are outsourced to NESF's principal service providers: the Investment Manager, the Investment Adviser, the Asset Manager and the Administrator.

From a top-down perspective, the Company's business model is to deploy the equity raised through ordinary shares and preference shares into solar PV and energy storage investments. The investments are made through holding companies (**HoldCos**), and expand and strengthen the portfolio in line with the Company's **Investment Policy**. The Investment Policy establishes how NESF seeks to achieve its investment objective. NESF also has a **Sustainable Investment Policy** which details how NESF integrates sustainability in its investment strategy and key strategic initiatives to generate financial value. Full details about this integration can be found in NESF's **Annual Report** and Sustainable Investment Policy.

- **Investment Focus:** NESF seeks to invest in and own a broad range of large-scale solar energy infrastructure and energy storage assets, targeting those from which NESF expects to generate reliable cash flows over their useful lives (typically, at least 25-40 years from energisation). Given the complexity and interdependency of sustainability challenges, NESF seeks to simultaneously generate value for its shareholders whilst mitigating climate change, improving local biodiversity, and forging a more responsible supply chain through its investments.

- **Disciplined Capital Allocation Policy:** NESF seeks to deliver on its investment strategy through a disciplined capital allocation policy. The Company successfully executed its Capital Recycling Programme in the year ended 31 March 2025. The Programme was the first in the sector and enabled NESF to unlock and deliver strategic growth opportunities to offer longer-term value to shareholders. Part of the Programme's proceeds are being used to secure future value accretive investments for the NESF portfolio, particularly to upgrade existing assets in the portfolio, thus simultaneously contributing to optimising shareholder return and grid decarbonisation.
- **Asset Management:** NESF seeks to enhance returns from its assets through proactive and effective asset management. An extensive ESG due diligence is undertaken pre-acquisition and asset-specific Action Plans are put in place following the investment decision to mitigate financially material sustainability risks, capitalise on opportunities, and deliver on NESF's ESG purpose throughout the asset lifecycle.
- **Risk Management:** NESF seeks to actively manage potential risks, including maintaining a diversified exposure by location, third-party suppliers, service providers and other commercial counterparties to improve the resilience of the Company's portfolio and contribute to its long-term sustainable success. ESG is a core part of NESF's and the Investment Adviser's risk management approach; it increases asset-level resilience, maintaining generation and business continuity to ultimately help to safeguard the financial performance of the Company. Full details can be found in NESF's **Sustainability and ESG Report for the year ended 31 March 2025**.



From a bottom-up perspective, NESF's climate ambition is to integrate considerations of climate-related risks and opportunities throughout the investment process – from due diligence to supply chain and construction, operational asset management and decommissioning. Section 4: Climate Action articulates NESF's implementation and engagement strategies to achieve its climate ambition at each stage of the asset lifecycle.

### Key Assumptions

NESF's Climate Transition Plan – particularly the Ambition and Action to decarbonise the portfolio and achieve net zero by 2050 – is dependent on a set of assumptions about the speed and scale of national- and sectoral-level commitments, climate- and broader sustainability-related policy developments, and technological advancements to meet the Paris Agreement's 1.5°C warming limit. These assumptions comprise dependencies on external factors which exist on a spectrum, from those over which NESF has visibility today to predict the world tomorrow, to those entirely outside of NESF's control.

#### 1. National commitments

As concerns about climate change grow, and governments, businesses and consumers increasingly prioritise sustainability, the demand for renewable energy is expected to rise significantly. This includes in the UK and Italy which have both enshrined legally binding greenhouse gas reduction targets, committing to net zero by 2050 and interim targets to cut emissions by 2035. In the UK, where the majority of the Company's assets are located, the Government's intent is to consent to major solar projects and reform planning to support renewable energy development, which should create a more favourable policy environment for NESF's investments. The same is true in Italy, where incentives such as feed-in tariffs, tax deductions, and grants for innovative renewable energy technologies are expected to further drive solar power development.

Based on a comprehensive analysis of NESF's operational emissions profile, the Company has identified the critical national-level dependencies and assumptions that will shape its decarbonisation journey. The analysis indicates that through concerted national policy commitments, NESF can reduce its operational emissions to approximately 38% of current levels by 2035. This assessment is grounded in realistic assumptions about the pace of grid decarbonisation, electric vehicle adoption, and technological advancement. As per the mitigation hierarchy (i.e., avoid, reduce, restore and only then offset), the residual emissions will be addressed through the development of a carbon offset approach using verified carbon credits. NESF's Investment Adviser is currently formulating this approach, which will prioritise high-integrity offsets with demonstrable additionality.

Material emissions sources that are influenced by national commitments are detailed on the following page.



**Consumption of imported energy at solar sites for monitoring systems, communications equipment, and other auxiliary functions**

While NESF aims to progressively reduce this dependency through on-site renewable solutions, the pathway assumes continued decarbonisation of the UK and Italian electricity grids in line with national commitments.

Currently, NESF is not always able to procure renewable energy due to lack of availability.

This should change as more renewables come onto national grids.



**Fossil fuel consumption by maintenance contractors when travelling to and operating on sites**

NESF depends on the transportation sector's transition to electric vehicles and contractors' abilities to upgrade their fleets accordingly.

Legislation is already in place to support this in key jurisdictions.





## 2. Sectoral commitments

Suppliers are key actors in the solar sector's value chain. NESF's ambition is not only to accelerate its own pathway to net zero, but also to support its suppliers to accelerate their own pathways. This is because the majority of solar PV and energy storage assets' lifecycle emissions reside in the supply chain.

NESF has mapped material supply chain-related dependencies and emissions sources to identify feasible reduction pathways. Key external factors include the decarbonisation of energy-intensive manufacturing processes for solar PV panels and mounting systems, reductions in shipping emissions through industry initiatives, and the scaling of lower-carbon material alternatives. The supply chain mapping incorporates known sectoral decarbonisation plans and targets, acknowledging both their ambition and limitations.

NESF acknowledges that achieving the climate ambition of this Transition Plan hinges on direct engagement with suppliers and contractors. For full details of NESF's climate-related stakeholder mapping and engagement strategy, refer to Section 4: Climate Action.

As a first step toward collaborative reduction efforts, the Investment Adviser's ESG team has already successfully engaged with key suppliers to enhance transparency on carbon emissions. The second step

is a review of the Company's suppliers' emissions reductions commitments. Although the review has already been conducted at the time of publishing this Transition Plan, the outcome is yet to be factored into the Key Assumptions. As NESF's approach to the energy transition evolves, NESF will update its supplier dependency assumptions accordingly.

## 3. Technological advancements

NESF is well-positioned to capitalise on the opportunities presented by the transition to clean technologies, while managing the associated risks. It continuously monitors the development of new technologies and its engagement success with suppliers, contractors, industry initiatives and policy experts in the energy industry. However, the timeframe for the evolution of low-carbon technologies varies, as it does for the manufacturing and shipping of key components and commodities in the solar sector. This variance also affects the pace of NESF's decarbonisation pathway. For example, for manufacturing and shipping, NESF has adopted conservative timelines that reflect the harder-to-abate nature of these sectors, with substantial progress expected primarily in the 2035-2045 period. Instead, a faster reduction in the emissions profile of the Operations and Maintenance (**O&M**) phase has been assumed since electric vehicle costs are expected to decrease and charging infrastructure is expected to expand in the 2035-2040 period.

## 4. Industry collaboration

NESF's Transition Plan's success not only depends on direct engagement with suppliers and contractors, but also on broader systemic action by governments and industries. Decarbonising any sector requires a unified industry approach to advocate for climate policy and to hold all actors accountable to accelerating climate action and innovation.

NESF acknowledges its interdependency with the solar industry and benefits from the extensive involvement of its Investment Adviser in UK and European action to collectively drive a cleaner and more responsible solar industry. This notably includes NextEnergy Capital's Chief Investment Officer as a member of the UK industry-government Solar Taskforce, NextEnergy Group's Head of ESG's position as a Board Member of the Solar Stewardship Initiative (**SSI**), and the chairing positions held by the Investment Adviser's team members in key Solar Energy UK (**SEUK**) and SolarPower Europe working groups.

### Verification and Financial Integration


NESF's Investment Adviser is working with an external consultant to test the robustness of the assumptions and assess the feasibility of accelerating NESF's decarbonisation pathway beyond the baseline projections. This analysis includes quantifying the capital expenditure (**CAPEX**) required for accelerated emissions reduction initiatives, which will enable the development of an internal carbon price per tonne of CO<sub>2</sub>e that can inform investment decisions and help to prioritise abatement opportunities.

NESF recognises that its financial performance will be increasingly influenced by climate-related factors. The assumptions underpinning this Transition Plan are therefore being progressively integrated into financial planning and disclosures. This integration ensures

that NESF's financial statements and capital allocation planning increasingly account for the implications of climate commitments and the changing external environment. The capital and operational expenditures estimated to increase the climate resilience of the NESF portfolio are not expected to materially impact NESF's financial performance in the short-term. For more details, please refer to NESF's latest [Sustainability and ESG Report](#).

NESF has grounded its Climate Transition Plan in realistic assumptions while continuing to seek opportunities to exceed baseline expectations. This approach allows NESF to maintain strategic flexibility as technologies evolve, policies advance, and new decarbonisation opportunities emerge across the solar PV and energy storage value chain.



A wide-angle photograph of a solar farm at sunset. The sun is a bright, glowing orb in the upper right, casting a warm orange and yellow light across the sky and the solar panels. The solar panels are arranged in neat, parallel rows across a grassy field, reflecting the sunlight. In the background, there is a line of trees and a distant horizon. On the right side, a large, leafy tree is partially visible. In the lower-left foreground, there is a semi-transparent circular graphic containing a quote.

” Investment in solar energy infrastructure not only returns long-term shareholder value - it also mitigates climate change and creates prosperity for people and planet.





## 4. CLIMATE ACTION – IMPLEMENTATION AND ENGAGEMENT

Transformative and decisive action is necessary to mitigate climate change. NESF's solar PV and energy storage assets are already avoiding significant amounts of emissions annually, advancing the Company's mission to lead the transition to renewable energy. The following section details how NESF is systematically identifying and implementing decarbonisation initiatives throughout the asset lifecycle, and the engagement it is undertaking to achieve its climate ambition.

As the energy transition accelerates, NESF is capitalising on the opportunities presented by complementary technologies, namely energy storage, to derive attractive revenues and support the grid stabilisation necessary to achieve national commitments to meet net zero. As introduced in the previous section, NESF and the Investment Adviser are keeping abreast of technological advancements to optimise and accelerate the impact of its decarbonisation initiatives. These range from innovative engine technologies, such as electric vehicles to abate on-site contractor emissions, to self-powering solutions throughout the assets' operational lifetimes. More information about how NESF is unlocking value from these opportunities at each stage of the asset lifecycle is provided below.

NESF regularly maps its stakeholders to identify those with which to prioritise its engagement strategy. Full details of NESF's stakeholder mapping across a range of climate, nature and social issues are in NESF's latest **Sustainability and ESG Report**. As introduced in the Foundations section, acting to decarbonise operational and value chain emissions is NESF's priority since they represent the highest emissions sources for businesses and the financial sector. As such, NESF has identified these suppliers and contractors, including sub-contractors, as the key stakeholders with whom to address its Scope 2 (operational) and Scope 3 (value chain) emissions. Table 2 illustrates how NESF embeds Scope 2 and 3 emissions considerations across the asset lifecycle.

Table 2. NESF's consideration of Scope 2 and 3 emissions across the asset lifecycle

Due Diligence	Supply Chain and Construction	Operational Asset Management	Decommissioning
<p>Supplier climate commitments and performance – NESF undertakes an extensive ESG supplier due diligence. This includes climate considerations and informs investment decision-making. Engaging with suppliers and contractors at this stage enables the early identification of climate-related risks and opportunities for improvement which are actioned throughout the remainder of the asset lifecycle.</p>	<p>Encouraging suppliers' Paris-aligned decarbonisation trajectories – NESF has mapped its Tier 1 suppliers and their positions and progress toward their own net zero objectives. The outcome is a prioritisation matrix to inform NESF's engagement efforts and catalyse transformative emissions reductions throughout its value chain.</p> <p>Minimising contractors' emissions – NESF selects contractors with strong environmental credentials and works with them to minimise emissions during construction and to encourage a broader shift towards climate-conscious practices.</p>	<p>Reducing operational emissions – NESF's operational decarbonisation strategy includes enhanced energy efficiency measures, reducing Scope 2 emissions through renewable energy procurement or self-powering solutions, and working with O&amp;M contractors on initiatives such as the transition to electric maintenance vehicles. This three-pronged approach ensures a holistic transformation to improve environmental conditions at the local and global levels.</p>	<p>Developing a forward-looking approach to end-of-life – NESF's decommissioning strategy is nascent as most assets in the portfolio are early or in the middle of their operational lives. Notwithstanding this, NESF has initiated discussions with solar panel manufacturers and recycling specialists to ensure that end-of-life emissions are minimised at the industry level.</p>

### Due Diligence

Climate considerations are fully integrated into NESF's investment decision-making process. The process is formalised through **NESF's Sustainable Investment Policy** and **NextEnergy Group's Climate Position Statement**, which NESF adopts in full. It applies to potential acquisitions as well as expansions and repowering of existing assets in the NESF portfolio.

NESF has established clear climate-related criteria against which the Investment Adviser's Investment Committee for NESF can evaluate potential acquisitions,

including compatibility with the intended science-based targets and resilience to projected climate impacts. These factors are outlined below and weighted alongside traditional financial and operational metrics to ensure climate considerations materially influence capital allocation decisions. The ultimate aim is to derisk any new, expanded or repowered assets from a climate perspective, thus ensuring long-term performance.

### Implementation Strategy

NESF conducts comprehensive climate risk assessments that evaluate both physical and transition risks at the asset level. These assessments inform the identification of the necessary resilience measures



and the development of Climate Management Plans, where relevant. These Plans are intended to increase asset-level resilience, thus maintaining generation and business continuity to contribute to safeguarding NESF's long-term financial performance.

Technical due diligence specifications have been updated to incorporate carbon performance criteria for major components or parts for repairs. NESF now requests suppliers to provide lifecycle carbon assessments for solar PV panels. This information enables the comparison of emissions profiles across different technology options and manufacturers, creating market incentives for lower-carbon solutions. NESF intends to extend these requests to the suppliers of other key components, namely mounting systems and inverters.

NESF is also establishing a process to model how new acquisitions will contribute to, or may potentially detract from, its current net zero targets and its future planned science-based targets. This process includes assessing land use implications and biodiversity impacts to integrate climate and nature approaches at the point of investment.

Engagement Strategy

Engagement begins in the due diligence phase of any potential acquisition, or when expanding or repowering existing assets in the NESF portfolio. NESF undertakes an extensive supplier due diligence which includes, amongst other considerations, a systematic assessment of potential suppliers' and contractors' climate commitments and performance. NESF's Investment Adviser has developed a standardised list of climate metrics which has been incorporated into the NESF procurement process for all major solar PV components and services. The Investment Adviser intends to extend the inclusion of these metrics into the NESF procurement process for major energy storage components and services.

For potential acquisitions of constructed or operating assets, NESF conducts a thorough review of the existing supply chain arrangements and O&M contracts in order to identify climate-related risks and opportunities for improvement. This process helps to quantify the climate implications of investment decisions and informs post-acquisition engagement priorities.

A more extensive engagement is undertaken before major transactions, asset expansions or repowering projects with key equipment providers to understand suppliers' and contractors' own climate transition plans, technological roadmaps, and emissions reduction initiatives. The interest which NESF signals in this way during the due diligence phase supports commercial

advancements while positioning NESF to benefit from emerging lower-carbon solutions.

Supply Chain and Construction

The embodied emissions in the supply chain (Scope 3 emissions) represent the most significant carbon impact for businesses and the financial sector. NESF is implementing a multi-faceted approach to drive supply chain and construction-related decarbonisation. The operational lifetime of solar assets is 25+ years, whilst that of energy storage assets is 10+ years. Considering that most assets in the NESF portfolio are in the middle of their lifecycles, the focus of NESF's construction-related activities is to upgrade, expand or repower existing assets. In particular, site repowering represents an opportunity not only to extend the productive use of land, but also to upgrade to more efficient technologies while reusing existing infrastructure such as grid connections, access roads, and foundations. This has the potential to reduce lifecycle emissions compared to new construction elsewhere.

Implementation Strategy



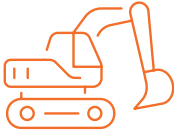
Suppliers

The Investment Adviser's Construction and Procurement team is increasingly incorporating specific climate-related provisions in supplier agreements, including emissions disclosure requirements, reduction targets, and preferences for science-based commitments. These items are all considered in NESF's proprietary supply chain due diligence and engagement process.

This process has already instigated a mapping of NESF's Tier 1 suppliers and their positions and progress toward their own net zero objectives. NESF has complemented this mapping with a detailed supply chain study to understand both the climate risks and the emissions from embodied carbon in solar panels, mounting structures, inverters, and other key components. The outcomes of these assessments are informing NESF's supplier climate engagement strategy, as elaborated later in this section.

NESF is considering a preferential procurement approach that will progressively incentivise suppliers to verify their

emissions reduction trajectories and align them with 1.5°C pathways, as well as to establish collaborative industry partnerships to address systemic challenges in hard-to-abate processes, such as polysilicon and aluminium production. NESF integrates supplier decarbonisation performance into its monitoring framework to ensure accountability and promote continuous improvement. This will enable a quantitative assessment of progress against suppliers' emissions reduction targets. This approach reflects NESF's recognition that achieving its strategic climate ambition not only requires immediate operational improvements but also structural transformation of the most carbon-intensive upstream value chain segments.



Construction

For construction activities across assets being expanded or repowered, NESF selects contractors with strong environmental credentials and works with them to minimise emissions during the installation phase. This includes optimising transportation logistics, reducing construction waste, and implementing energy-efficient site practices. Broader activities are also undertaken with key suppliers to support and encourage emission abatement.

NESF is developing protocols to minimise emissions from site preparation, equipment installation, and commissioning activities. These include requirements for optimised logistics planning to reduce transportation emissions, waste management practices that maximise recycling, and energy efficiency measures during construction. NESF is also exploring the feasibility of requiring Engineering, Procurement and Construction (EPC) contractors to use electric equipment where available and practical.

In 2025, NESF's Investment Adviser also began a longer-term workstream to capitalise on the extensive engineering, construction, procurement, health and safety, and asset management expertise from NextEnergy Capital and NextEnergy Group's operating Asset Manager, WiseEnergy, across solar PV and energy storage assets. The Investment Adviser has been carrying out workshops with key internal stakeholders from teams across NextEnergy Group, including NextEnergy Capital, WiseEnergy and Starlight, the Group's renewable energy project developer. These workshops have enabled NEC to identify climate- and climate change-related risk behaviours and mitigations which are applicable across the development, construction and

operational phases of an asset's lifecycle. The aim is to more systematically integrate this expertise into NESF's seasonal readiness and ancillary approaches to increase the portfolio's resilience to climate-related risks.

Engagement Strategy

NESF focuses its engagement efforts on the supply chain and during the construction as this is where the majority of an asset's lifecycle emissions are generated. NESF is implementing a dedicated schedule of environmental and social conditions across both suppliers and construction contracts to ensure a mutual understanding of expectations and adequate leverage for NESF to ensure that the commitments are turned into action. Importantly, NESF recognises the power of collaboration and engages with industry partners wherever possible to drive sector-wide improvements in manufacturing and construction processes. See the *Cross-cutting Initiatives* section for more details on the Investment Adviser's industry engagement, including on behalf of NESF.



Suppliers

NESF has mapped its Tier 1 suppliers based on emissions intensity, emissions targets and ambitions, and strategic importance to the business. This has resulted in a prioritisation matrix to guide the depth and frequency of NESF's engagement activities. The ultimate aim is to establish a procurement criteria that favours lower-carbon alternatives because NESF recognises that abating Scope 3 emissions, and encouraging suppliers to do the same throughout their value chains, is of paramount importance to exceed any Scope 3 emissions target.

NESF has begun its climate-related supplier engagement with a structured programme to encourage all of its priority suppliers to develop and implement their own climate targets and objectives. NESF has already identified solar panel manufacturers, mounting system producers, and inverter suppliers as the most material engagement targets due to the materiality of the emissions intensities in their manufacturing processes. Considering the interconnectivity of sustainability challenges, this engagement is being extended by the Investment Adviser to ensure that NESF's suppliers are creating positive outcomes on nature-related, social, human rights, health and safety topics too.

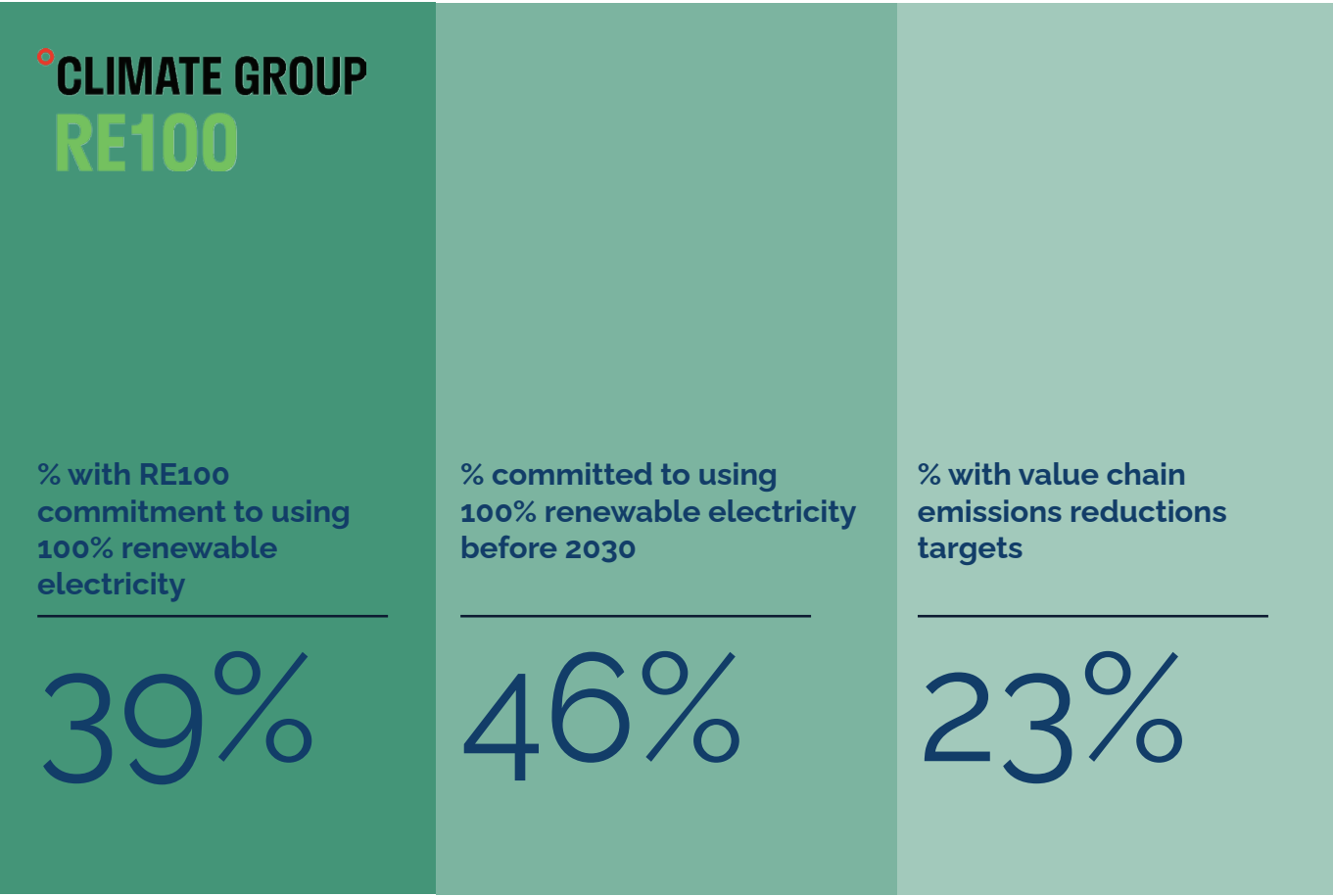


NESF is building on the deep relationships it has developed with key suppliers over time. It periodically undertakes extended due diligence and brings together technical and sustainability leaders from both organisations to discuss challenges, best practices, and collaborative opportunities. These sessions have already yielded important insights, such as revealing that some of the NESF’s solar panel suppliers have developed viable pathways to power their manufacturing facilities with renewable energy. Indeed, the majority of the largest solar module suppliers have their own decarbonisation-based objectives, with almost 40% having objectives for net zero in their own operations (excluding value chain emissions) by 2030. Figure 3 illustrates the extent of these targets, including those aligned with Climate Group

RE100, the global initiative of corporates committed to 100% renewable electricity in their operations.

NESF is now tailoring its engagement approach for each key supplier. This forms part of NESF’s longer-term (2030-2040) enhanced supplier engagement programme designed to catalyse transformative emissions reductions throughout its value chain. For those suppliers with established climate commitments, NESF is focusing on supporting implementation through knowledge sharing and potential collaboration. For suppliers earlier in their climate journeys, NESF – through the Investment Adviser – is offering to provide technical assistance and guidance to help them to develop credible transition roadmaps aligned with science-based methodologies.

**Figure 3. NESF’s solar panel suppliers’ climate commitments**  
As at 31 March 2025



**CASCADING ACTION**

A critical dimension of NESF’s supplier engagement involves encouraging cascading action throughout the extended supply chain. NESF recognises that its direct suppliers face similar challenges with their own suppliers – particularly in energy-intensive processes like polysilicon production and aluminium refining. Consequently, NESF is working to develop standardised approaches for engaging with its Tier 1 suppliers and their upstream partners, creating alignment in metrics, expectations, and timeframes that reduce the reporting burden while maximising impact. As an example, NESF has already been able to secure modules with audited raw material origins for an existing asset as part of a project to procure replacement parts for it.



**Construction**

For assets undergoing initial construction, expansions or repowering projects, NESF begins to engage with contractors early in the project planning process to establish climate-conscious construction methodologies. This includes discussions about equipment choices, logistics planning, waste management, energy use during installation, and the possibility of self-powering during the operational lifetime. NESF is also planning the development of standardised climate specifications for construction contracts that establish clear expectations while providing flexibility for contractors to innovate in their approaches.

As part of the planned development of climate specifications, NESF will establish clear escalation protocols in cases of engagement activities not yielding the progress expected. These will begin with executive-level discussions to identify barriers and potential solutions, followed by joint problem-solving sessions with technical experts, if needed. For suppliers and contractors who consistently fail to make progress against agreed milestones, a tiered response framework will be developed to determine the influence on procurement decisions this may have while ensuring maintenance of the quality and reliability NESF’s business model requires.

**Operational Asset Management**

In order to action NESF’s decarbonisation ambition throughout the operational lifetime of the Fund’s assets, NESF is focused on addressing its two primary sources of emissions: imported energy consumption at solar sites and contractor fuel use. However, the focus of NESF’s engagement strategy during this phase of the asset lifecycle shifts from suppliers and EPC contractors to O&M contractors, local communities, and system operators.

**Implementation Strategy**



**Operational decarbonisation**

For its direct operations, NESF is implementing a comprehensive strategy that includes enhanced energy efficiency measures, reducing Scope 2 emissions through renewable energy procurement or self-powering solutions, and working with O&M contractors on initiatives such as the transition to electric maintenance vehicles.

To reduce grid-imported energy, NESF and its operating Asset Manager are investigating the feasibility of a materiality-led site-by-site assessment to identify opportunities for “behind-the-meter” solutions, such as small-scale storage that can power monitoring and communications equipment during non-generating hours. For sites where such solutions are technically or economically unfeasible, NESF is transitioning to verified renewable energy contracts, subject to availability.

To address contractor emissions, NESF and its operating Asset Manager are reviewing existing operational protocols and contractual provisions, and establishing new ones where necessary, to drive efficiency in site visits, maintenance activities, and data provision. This includes optimising maintenance schedules to reduce travel frequency, developing route planning tools to minimise distances travelled, and implementing remote monitoring capabilities to reduce unnecessary site visits. NESF is also reviewing the feasibility of provisions in contract renewals that progressively increase requirements for contractors to utilise low- or zero-emission vehicles.





### Asset resilience

NESF extends its operational approach beyond pure decarbonisation to encompass resilience and adaptation. Solar PV assets have operational lifespans of 25+ years, a timeframe over which frequency and intensity of climate change-related physical risks will increase. As such, NESF is aware of the need to increase the operational resilience of its assets to these risks, in turn enhancing NESF's financial resilience.

NESF carries out an annual ISSB-aligned climate scenario analysis of the portfolio to understand risk profiles of its assets. Full details can be found in NESF's latest **Sustainability and ESG Report**. The analysis is based on the Shared Socioeconomic Pathways (**SSPs**) model, which has been established by the Intergovernmental Panel on Climate Change (**IPCC**) and considers the impacts of varying changes in temperature ranges. The analysis is based on the Shared Socioeconomic Pathways (SSPs) model, which has been established by the Intergovernmental Panel on Climate Change (IPCC) and considers the impacts of varying changes in temperature ranges. The scenario analysis informs NESF's seasonal readiness processes which identify and apply mitigation measures as relevant. The process is evolving in order to ensure that NESF identifies the appropriate level of mitigation against climate change physical events and, ultimately, the financial impacts that can arise from these events.

NESF is also acutely aware of the inextricability of the climate change and nature loss challenges. **NESF's Approach to Nature** establishes how NESF avoids and mitigates nature-related risks while seizing opportunities because climate change cannot be tackled without healthy and biodiverse ecosystems. Accordingly, NESF is implementing site-specific resilience measures and carbon-conscious land management practices that enhance sequestration potential while supporting biodiversity.

Nature Management Plans are put in place for all assets located in areas of high ecosystem integrity or biodiversity intactness. The Plans aim to mitigate impacts and restore biodiversity values on site, enabling NESF to simultaneously support carbon sequestration and habitat creation. Both of these are critical factors to mitigate physical climate- and climate change-related risks.

This integrated approach enables NESF to optimise the climate and nature co-benefits of its sustainable land management practices. It also positions the portfolio to benefit from the increasing value assigned to these contributions by evolving regulatory frameworks. These initiatives collectively support the global journey to net zero while enhancing local resilience against both physical and transition risks. They also maintain alignment with NESF's Article 9 status under the EU SFDR, and drive continuous improvement in NESF's Principle Adverse Impact (**PAI**) indicators.

### POLICY IMPACTS

NESF monitors the evolution of regulatory and market developments across its operational jurisdictions in order to complement its direct emissions management. NESF takes a structured approach which integrates findings from its annual ISSB-aligned climate scenario analysis. The analyses have identified both transitional risks – including rapid evolution of supply chain regulations, carbon pricing mechanisms, and enhanced disclosure requirements – and corresponding opportunities related to technological advancement, market growth, and policy incentives. NESF's focus is on the operational implications of the EU and UK Carbon Border Adjustment Mechanism (**CBAM**), evolving Emissions Trading Systems (**ETS**), and the ripple effects of country-level Nationally Determined Contributions (**NDCs**) under the Paris Agreement.

### Engagement Strategy



#### Operational decarbonisation

NESF has established regular dialogue with O&M contractors about their climate transition plans, particularly focusing on vehicle fleets, energy use, and the emissions intensity of maintenance practices. This engagement is through NESF's operating Asset Manager, WiseEnergy, which ensures that best practices and behaviours from an energy management perspective are adopted. NESF's Investment Adviser regularly meets with the Asset Manager to understand and review potential opportunities for improvement across site technical aspects, maintenance and/or behavioural considerations, as well as to discuss any potential costs associated with the identified improvement opportunities.

Regarding electricity system operators, NESF engages with both them and regulators on grid integration challenges and opportunities. As the NESF portfolio continues to grow, this engagement will become increasingly important to ensure that NESF's assets contribute optimally to grid decarbonisation while remaining economically viable. NESF works collaboratively with system operators to develop solutions that enhance grid flexibility and stability while reducing overall system emissions.

Finally, NESF maintains ongoing engagement with original equipment suppliers regarding performance monitoring, potential retrofits, and end-of-life planning. This continuous dialogue helps to identify opportunities for efficiency improvements and emissions reductions while preparing for eventual decommissioning or repowering.



#### Asset resilience

NESF's Investment Adviser engages with the operating Asset Manager and contributes to research collaborations on behalf of NESF to increase action and awareness about the importance of tackling climate change and nature loss synergistically. This includes to develop and implement the site-specific Nature Management Plans, promote dual land use solutions to mitigate climate change-related physical risks, where possible, and contribute to research on nature-positive investments within the solar industry.

NESF also engages with the local communities surrounding its assets. This approach has proven valuable in identifying opportunities for climate transition efforts to deliver co-benefits for local communities, such as skills development programmes focused on educational initiatives on renewable energy.

More details can be found in NESF's latest **Sustainability and ESG Report**, and its **Approach to Nature**.

### Decommissioning

Most assets in the NESF portfolio are in the early or middle of their operational lives. Still, NESF recognises the importance of taking a forward-looking approach to ensure responsible end-of-life planning and management. NESF is committed to circular economy principles, maximising the recovery and recycling of materials when assets eventually reach the end of their operational life. Thus, the final action which NESF is undertaking to deliver on its climate ambition is to develop a comprehensive decommissioning framework aligned with circular economy principles.

#### Implementation Strategy

For new assets, NESF will undertake feasibility assessments to implement design specifications that enhance future recyclability, such as investigating the feasibility of mechanical joining methods over adhesives where possible and documenting material composition to facilitate future separation and recycling.

For existing assets, NESF's decommissioning strategy is nascent but its development will include provisions for responsible disposal of solar panels and associated equipment, with a focus on material recovery and minimising waste to landfill. NESF is monitoring and supporting emerging technologies and processes for solar panel recycling, ensuring it will be well-positioned to implement best practices when needed. NESF is also seeking to establish partnerships with specialist recycling firms to ensure maximum material recovery when components reach their end-of-life. Particular attention is being paid to solar PV panel recycling, where NESF is monitoring emerging technologies and contributing to industry initiatives aimed at improving recovery rates for critical materials.

Strategic decarbonisation time horizons align with both climate science and business planning cycles. By 2035, NESF aims to achieve its interim emissions reduction milestones, implement nature positive land management in line with the targets in its **Approach to Nature**, and



substantially enhance the climate resilience of vulnerable sites. Looking beyond 2035, NESF is committed to achieving its science-based net zero target across all scopes, ensuring its solar PV and energy storage assets embody circular economy principles, and demonstrating measurable enhancement of climate resilience throughout the NESF portfolio.

Engagement Strategy

NESF has already initiated discussions with solar panel manufacturers, recycling specialists, and industry bodies regarding developing technologies and best practices for material recovery and circular economy approaches.

For sites approaching the end of their initial operational period, NESF will engage with landowners, local communities, and planning authorities regarding repowering opportunities. These discussions focus on how technological advances can enable more efficient land use and increased generation capacity while minimising additional environmental impacts.

NESF actively participates in industry working groups focused on establishing effective collection and recycling systems for solar equipment, and is contributing to the development of standardised approaches that will facilitate higher recovery rates when assets eventually reach end-of-life. Through the UK’s solar trade body, Solar Energy UK, NESF advocates for regulatory frameworks that support circular economy principles and incentivise design for recyclability.

Cross-cutting Initiatives

NESF’s climate action is also delivered through cross-cutting initiatives which are agnostic to the asset lifecycle. These initiatives are carried out by teams across NESF’s Investment Adviser and operating Asset Manager in order to holistically enhance long-term value creation while making a meaningful contribution to the global climate transition.

Implementation Strategy

The impact on NESF’s business model from the aforementioned implementation measures is expected to be limited. Costs associated with lower-carbon alternatives are already declining and are expected to continue to do so as markets scale. Throughout 2025, NESF is working to understand the potential duration of the measures and CAPEx scenarios. These will be presented to the NESF Board for its consideration prior to adoption and commitment. NESF will update its Transition Plan to reflect the approach following Board approval.

Where additional CAPEx may be required for behind-the-meter solutions or infrastructure upgrades, any decisions will be based on a cost-benefit analysis considering operational savings and risk mitigation benefits. The final financial impact will be determined when the implementation plan is finalised, although it is not expected to be financially material as any works will take place within already scheduled major maintenance engineering windows.

NESF retains flexibility in its implementation approach across all lifecycle. NESF’s implementation strategy will be regularly reviewed and updated to reflect technological developments, market shifts, and emerging best practices, ensuring that NESF remains on track to meet its long-term climate ambition.

Engagement Strategy

Beyond engagement specific to each lifecycle stage, NESF participates in sector- and national-level initiatives that span multiple phases.



Energy and Country Regulators

NESF and the Investment Adviser engage with the UK government, regulators, NGOs, investors, and other energy sector stakeholders to support the development of responsible solar PV and energy storage policy. This includes responding to consultations, calls for evidence and other inquiries, publishing thought leadership on sustainable investment topics, meeting with policymakers and officials, and speaking regularly at conferences and events. The Investment Adviser is actively involved in key government-industry forums. For example, NextEnergy Capital’s Chief Investment Officer, Ross Grier, is a member of the **UK Solar Taskforce** which has been established by the UK government as a joint initiative with industry and regulators to drive forward the action needed to meet the government’s 2030 **Clean Power Mission**. The Taskforce is due to launch a policy Roadmap for solar in 2025.



Industry Associations

NESF benefits from the extensive involvement of its Investment Adviser in UK and European industry action to drive a more responsible solar industry, across a range of climate, nature and social issues related to

NESF’s Sustainability and ESG activity. This notably includes participation in the Solar Stewardship Initiative and membership in Solar Energy UK and SolarPower Europe. The latter two are the primary vehicles through which NESF advances collective action on climate issues. Through these industry bodies, NESF contributes to policy advocacy efforts focused on enabling the clean energy transition with priority areas including enhanced grid connection processes, circular economy frameworks, and incentives for lower-carbon manufacturing. There are also key workscopes on human rights and traceability which allow NESF to not only deliver a sustainable transition, but also a just one.

NESF monitors the alignment between its climate ambitions and the positions taken by industry bodies through formal assessment processes conducted semi-

annually. When potential misalignments are identified – as occurred during the year ended 31 March 2025 with a policy position on CBAMs – NESF engages through the Investment Adviser with the association’s leadership to address concerns.

Through NESF’s comprehensive engagement approach, it aims to catalyse action beyond NESF’s direct operations. By strategically deploying its influence, sharing knowledge, and fostering collaboration, NESF contributes to the broader systemic changes needed to enable an ambitious climate transition while strengthening relationships that create long-term value for the Company.

Investment Adviser Trade Association Engagement<sup>2</sup>

UK Solar Taskforce

- NextEnergy Capital’s Chief Investment Officer, Ross Grier, is a member of the UK government’s Solar Taskforce.

Solar Energy UK (SEUK)

- NextEnergy Group’s Head of ESG, Giulia Guidi, is a member of the Board.
- NextEnergy Group’s Nature Lead, Hing Kin Lee, is the chair of Natural Capital Steering Group.
- NextEnergy Group’s Supply Chain ESG Lead, Kevin McCann, is the chair of the Responsible Sourcing Steering Group.
- NextEnergy Capital’s SPV Director, Sulwen Vaughan, is the chair of the Natural Capital Working Group.

Solar Stewardship Initiative

- NextEnergy Group’s Head of ESG is a member of the Board.
- NextEnergy Group’s Supply Chain ESG Lead is a member of the Procurement Working Group.

The Investment Adviser is a member of or supports



<sup>2</sup> During part or all of the year ended 31 March 2025.



# 5. METRICS AND TARGETS

This section defines NESF’s climate metrics and the targets. These were introduced in Section 3: Climate Ambition of this Transition Plan. NESF has followed the same lifecycle approach – due diligence to supply chain and construction, operational asset management and decommissioning – which guides its Ambition and Action to inform its impact and opportunity metrics.

**Impact Metrics**  
As detailed in the Ambitions section, NESF first calculated an emissions baseline of its operations and value chain in 2022. Key material emissions contributors and suitable metrics which reflect them are in Table 3.

Table 3. Key material emissions contributors, metrics and methodologies

	Description	Metric	Methodology*
1	Energy purchased from the grid and used by our assets	Scope 2 GHG emissions intensity (tCO <sub>2</sub> e per energy generation, total asset capacity of the Company or revenue)	GHG Protocol and Partnership for Carbon Accounting Financials (PCAF) methodologies for calculation and assurance
2	The emissions footprint of the manufacturing and mining process within the supply chain	Scope 3 GHG emissions intensity (tCO <sub>2</sub> e per energy generation, total asset capacity of the Company or revenue)	GHG Protocol and PCAF methodologies for calculation and assurance

\*Please refer to the NESF Sustainability and ESG Report for the year ended 31 March 2025, which is aligned with the ISSB, for more information on the methodology

## Impact Targets

NESF has set targets for its Scope 2 (operational) and Scope 3 (value chain) emissions reductions (Table 4). The targets use and are based on the emissions baseline from 2024 and the dependency mapping conducted on NESF’s suppliers (Graphs 2 and 3).

The Scope 2 GHG emissions intensity targets have been calculated following the SBTi approach. NESF will submit its interim and 2050 targets to the SBTi for validation and approval in the year ending 31 March 2026, and

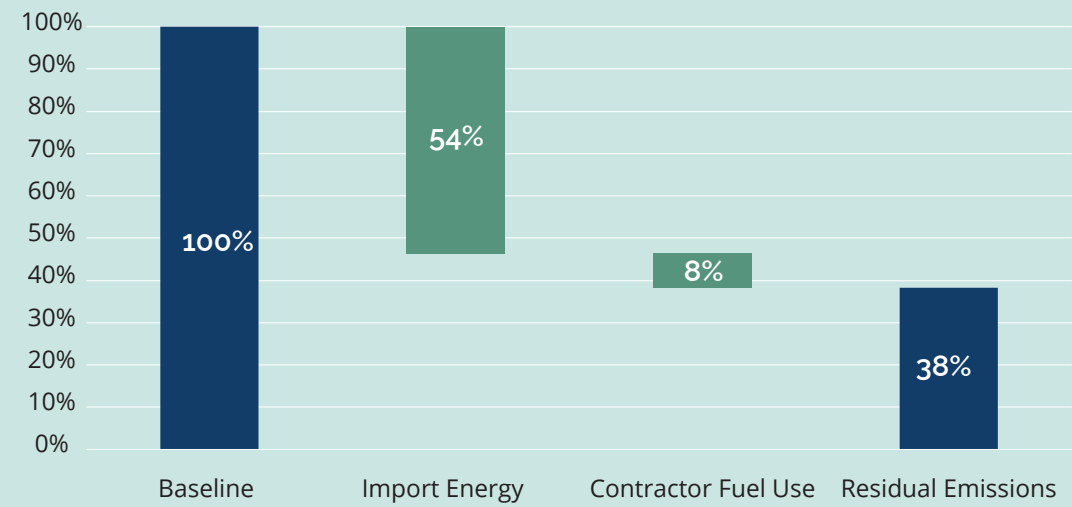
will update this Transition Plan accordingly. The Scope 3 objective is self-determined and utilises the TPT guidance as the SBTi does not yet have specific guidance for Scope 3 target-setting for the Power sector.

Despite NESF’s extensive efforts to reduce its Scope 2 and 3 emissions, some residual emissions will persist. As detailed in Section 3: Climate Ambition, any residual emissions at 2050 will be addressed through the development of a carbon offset approach using verified carbon credits. NESF’s Investment Adviser is currently formulating this approach, which will prioritise high-integrity offsets with demonstrable additionality.

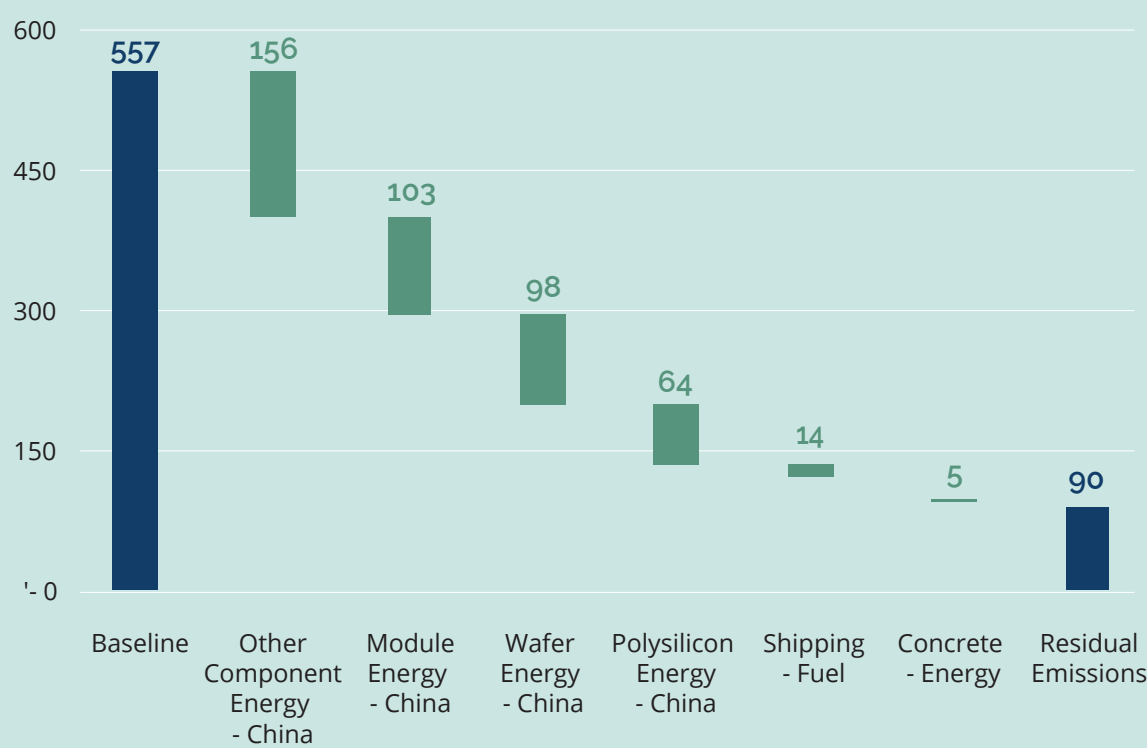
Table 4. NESF’s Scope 2 and 3 emissions reductions targets

	Metric	Interim Target	2050 Target
1	Scope 2 GHG emissions intensity	56.75%	Zero emission
2	Scope 3 GHG emissions intensity	-	17%

Graph 1. NESF’s Operational Decarbonisation Dependencies - to 2035



Graph 2. NESF’s Supply Chain Decarbonisation Dependencies (Scope 3) - to 2035 (tCO<sub>2</sub>e/MW) (Solar PV and Lithium Battery)





Opportunity Metrics

NESF’s purpose inherently places NESF in a positive position of alignment with the climate transition. NESF monitors the extent of the climatic benefits and the progress of its portfolio’s contribution to climate change mitigation through two metrics:

1. Total actual renewable electricity generated in megawatt-hours (MWh)
- a. Measured directly using meters at the assets
2. Emissions avoided in tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e)
- a. Calculated based on renewable electricity generation, and the local grid mix. This represents the fossil fuel associated emissions displacement and the total figure is disclosed annually

Opportunity Targets

The overall volume of emissions avoided will depend on the absolute clean energy generation of the Company. This is subject to seasonal variance and change year-on-year. As such, NESF’s climate opportunity-related target is:

- Continued generation of renewable electricity to the grid and continued emissions avoided

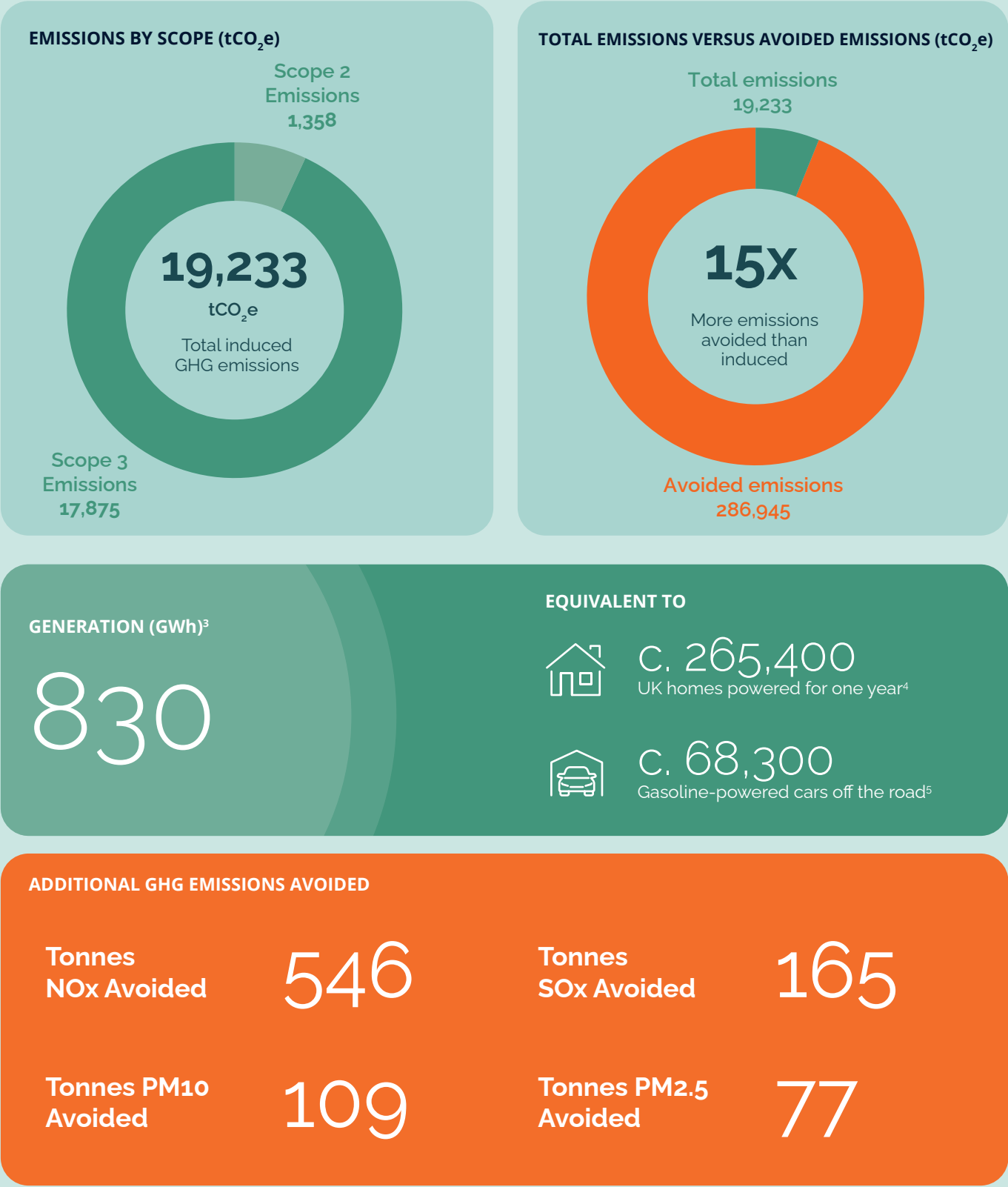
Table 5. Operational-Specific Metrics Across the Asset Lifecycle

	Due Diligence	Supply Chain and Construction	Operational Management	Decommissioning
1	Climate Risk	Count of suppliers: <ul style="list-style-type: none"><li>Engaged</li><li>Reporting on Scope 1, 2 and 3 emissions</li><li>With a net zero target</li><li>Reporting on emissions and energy efficiency measures and progress</li><li>Assessing climate change risk</li></ul>	Incurred emissions from operation of sites	Waste recycled ratio
2	Avoided and Incurred Emissions for New Assets	N/A	<ul style="list-style-type: none"><li>Actual avoided emissions from operation of sites (excluding the year built and supply chain)</li><li>Forecast emissions avoided from operational assets</li></ul>	N/A

The emissions avoided calculation is carried out by a third-party specialist to ensure its validity. The Investment Adviser is developing an Emissions Avoided Methodology Report to be published in the year ending 31 March 2026

Summary of NESF's Climate Metrics, Targets and Performance

As at 31 March 2025







## 6. CLIMATE GOVERNANCE AND ACCOUNTABILITY

### Corporate Governance

The corporate governance of NESF is intended to give shareholders and other key stakeholders confidence in its trustworthiness, fairness and transparency. In 2022, the NESF Board established an ESG Committee to further drive the Fund's Sustainability and ESG agenda. This is chaired by Josephine Bush, who has extensive sustainable finance and strategy development experience.

NESF also benefits from the internal governance of the Company's Investment Adviser, including its NextEnergy

Investment Leadership team (**NEIL**). NextEnergy Group, of which the Investment Adviser is part, has a Head of ESG and Climate Lead who regularly and actively engage with NESF's ESG Committee to discuss climate-related strategy, performance, and reporting requirements across the Fund's operations and value chain.

Full details of NESF's corporate governance structure are disclosed annually in its **Sustainability and ESG Report**.

### NESF's climate governance is integrated throughout the asset lifecycle

#### 1. Due Diligence



Climate governance begins at the earliest stages of the investment process. Established policies, including NESF's **Sustainable Investment Policy**, provide structured governance for climate considerations as part of the due diligence process.

The Board oversees the integration of climate risk analysis into investment decisions and the Group Head of ESG has voting rights in the Investment Adviser's Investment Committee for NESF. This ensures climate considerations materially influence capital allocation decisions.

Clear escalation procedures ensure that acquisitions with significant climate implications receive appropriate Board-level scrutiny.

#### 3. Operational Asset Management



During the operational phase, the governance structure focuses on monitoring performance against climate targets and identifying opportunities for emissions reduction.

The Investment Adviser's ESG and Portfolio Management teams, and the operating Asset Manager are responsible for the day-to-day governance of NESF's operational climate performance.

The NESF Board receives annual reports on operational emissions and progress toward reduction targets, with the ESG Committee providing detailed scrutiny of this data.

NESF also undertakes climate modelling and discloses its climate risk in its annual ISSB-aligned Sustainability and ESG Report. Assets are re-assessed through this process and any changes to governance or risk profiles are included in the NESF risk register and considered by the Investment Adviser's Risk Committee on behalf of NESF.



#### 2. Supply Chain and Construction

The Investment Adviser's ESG and Construction and Procurement teams apply climate criteria when selecting equipment and construction partners, and ensure that climate considerations are effectively integrated into contractual arrangements and supplier selection decisions.

The operational Asset Manager supports on-the-ground implementation of climate-conscious construction practices, with clear reporting lines to the Investment Adviser and ultimate oversight by the NESF Board.



#### 4. Decommissioning

Most assets in the NESF portfolio are in the early or middle stages of their operational lives. As such, governance mechanisms for eventual decommissioning are being established. The Board's ESG Committee will oversee the development of the end-of-life strategy, ensuring it aligns with circular economy principles and minimises climate impacts.



### Competencies and Training

Climate considerations are fully integrated into broader governance processes rather than being managed in isolation. The Board contains a range of relevant expertise to oversee this and ensures it maintains appropriate climate competencies through its succession planning process. Individual Board members regularly undertake training, including climate- and broader sustainability-related, and report to the Board about it on a quarterly basis. The ESG Committee Meetings held three times a year are forums to facilitate climate-related knowledge sharing between the Investment Adviser and the Board. Going forward, the Investment Adviser intends to introduce formal training on evolving ESG matters – such as regulations, frameworks and investor-led initiatives – to enhance the Board’s climate and sustainability competencies.

The NESF Investment Adviser sets individual performance goals for its ESG team members related to managing and executing on the Company’s Sustainability Strategy.

Base compensation for senior managers and other staff members is linked to delivering on strategic Sustainability and ESG objectives, which are reviewed regularly by the Investment Adviser’s Remuneration Committee. While specific percentages of executive remuneration are not allocated solely to climate considerations, they form part of a holistic performance review that incorporates these requirements and progress made on Sustainability and ESG activities.

The governance of NESF’s Transition Plan is designed to be dynamic and responsive in order to navigate the complexities of transitioning to a low-carbon, climate-resilient future. Progress and changes in climate-related risks and opportunities are discussed during Board Meetings and three times a year in ESG Committee meetings, as are broader sustainability-related themes for the Company. This ensures that NESF’s approach evolves alongside climate science, technology, and regulatory developments, and that the Investment Adviser and the NESF Board retain the highest level of accountability for NESF’s climate ambition.

## 7. CONCLUSION

Climate change is the most formidable sustainability challenge of our time. Addressing this challenge requires reducing emissions and transforming energy systems at local and global levels. NESF is on a mission to generate a more sustainable future by leading the transition to clean energy. Its solar PV and energy storage assets have helped to deliver the goals of the Paris Agreement and facilitate investing aligned with global net zero emissions since 2014.

As global efforts to reduce greenhouse gas emissions accelerate, NESF’s Climate Transition Plan represents an important milestone in the Company’s journey to realise a future in which people and nature thrive in harmony. By systematically addressing climate considerations across the entire asset lifecycle, the Plan represents a comprehensive framework to enhance the climate resilience of NESF’s business model while contributing positively to a low-carbon future for all.

NESF has grounded its climate ambition in the practical realities of the Company’s business and operational models by building on a network of established stakeholder relationships and adopting a dual-track approach to addressing both supply chain and operational emissions. This will ensure that NESF is in a strong position to navigate the transition finance landscape as the climate science and associated policy, technologies and stakeholder expectations continue to evolve.

The road to net zero will undoubtedly present challenges, but it also offers significant opportunities for innovation, enhanced resilience, and value creation. This Climate Transition Plan establishes a direction of travel and is intended to transform alongside NESF. The Plan will be refined as NESF progresses along its decarbonisation pathway and as its understanding of climate-related risks and opportunities deepens. NESF will also continue to work closely with suppliers, contractors, industry peers, and policymakers to drive systemic change across the value chain. Ensuring the most prosperous future possible for people and nature demands leadership, ambition and profound transformation – nothing else is enough.



# GLOSSARY

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

## Asset Manager or WiseEnergy

WiseEnergy (Great Britain) Limited and WiseEnergy Italia Srl.

## Asset Developer or Starlight

NextPower Development Limited and NextPower Development Italia Srl.

## Battery storage

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 stored, which refers to: the storing of such energy, and its subsequent reconversion into electrical energy, or its use as another energy carrier.

## Carbon Border Adjustment Mechanism or CBAM

A CBAM is a policy instrument to put a fair price on the carbon emitted during the production of carbon intensive goods imported into countries with a carbon tax or emissions trading system. The aim is to encourage cleaner industrial production outside the importing country's border and to prevent carbon leakage, which occurs when companies based in the importing country move carbon-intensive production abroad to countries where less stringent climate policies are in place. The EU and the UK have both introduced a CBAM.

## 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.

## Climate management plan

A plan designed by NextEnergy Capital, adopted by NESF and implemented on assets with material climate-related risks to mitigate the risks. Each plan outlines the mitigation measures and actions to ensure long-term asset resilience.

## CO<sub>2</sub>e or Carbon dioxide equivalent

A term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO<sub>2</sub>e signifies the amount of CO<sub>2</sub> which would have the equivalent global warming impact.

## EU Sustainable Finance Disclosure Regulation or SFDR

The EU 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 SFDR Article 9

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

## EU SFDR Principles Adverse Impact indicators or PAI

The EU SFDR requires financial market participants and financial advisers to publish a PAI statement on their website and describe PAI in pre-contractual information. PAIs comprise mandatory and voluntary indicators to report on the impact of any investment decision or advice that results in negative effects on sustainability factors.

## EU Taxonomy

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 or GHG

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 fossil fuels cause climate change.

## International Sustainability Standards Board or ISSB

The ISSB was established by the International Financial Reporting Standards Foundation at the 2021 COP26 climate summit in Glasgow. The ISSB has developed global baseline sustainability standards, with its IFRS S2 Climate-related Disclosures standard incorporating the recommendations of the TCFD. Since 2024, the NESF Sustainability and ESG Report has been aligned with ISSB S1 and S2 disclosure requirements.

## NESF or the Company

NextEnergy Solar Fund Limited or the Company.

## 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 or NEC

NEC is part of the NextEnergy Group. NextEnergy Capital IM is the Investment Manager to NextEnergy Solar Fund. A Management Agreement between the Company and the Investment Manager sets out the matters over which the Investment Manager has authority and responsibility such as the discretion to make investments in accordance with the Company's Investment Policy, subject to investment recommendations made by the Investment Adviser.

NextEnergy Capital is the Investment Adviser to NextEnergy Solar Fund. An Advisory Agreement exists between the Investment Manager and Investment Adviser who provides origination, evaluation, co-ordination and recommendation of investment opportunities for the Company and the related provision of investment advice to the Investment Manager.

## NextEnergy Group

The NextEnergy Group includes NEC (investment and 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 climate change with a goal of keeping global temperature rise this century below 2°C above pre-industrial levels, and to pursue efforts to limit temperature increase further, to 1.5°C.

## Partnership for Carbon Accounting Financials or PCAF

PCAF is a partnership of financial institutions established in 2015 to develop and implement a harmonised approach to assess and disclose the GHG emissions associated with major financial asset classes.

## Science Based Targets initiative or SBTi

The SBTi defines and promotes best practice in science-based target setting in emissions reductions.

## Scope 1, 2 and 3 emissions

The Greenhouse Gas Protocol classifies GHG emissions into three 'scopes':

- 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.

## Shared Socioeconomic Pathways or SSPs

SSPs are climate change scenarios established by the Intergovernmental Panel on Climate Change that describe a range of social and environmental impacts according to a range of assumed rises in global temperatures.

## Solar Photovoltaics or solar PV

Solar PV is a generation technology which directly converts energy from the sun into electricity.

## Supplier dependency mapping

Supplier dependency mapping is the systematic identification and assessment of the decarbonisation commitments, progress, and capabilities of NESF's key suppliers, which are essential for NESF to reach its Scope 3 net zero target.

## Taskforce on Climate-related Financial Disclosures or TCFD

'Taskforce on Climate-related Financial Disclosures.' The TCFD was established to change the way improve the way organisations manage climate risks and opportunities. TCFD established a standardised reporting methodology to provide forward-looking information on the material financial impacts of climate change. From 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 provisions of the TCFD have now been incorporated into the reporting of the ISSB.

## Transition Plan Taskforce or TPT

The TPT was launched in April 2022 to develop a gold standard for private sector climate transition plans. Its materials were informed by global engagement with financial institutions, real economy corporates, policymakers, regulators and civil society.



