

NextEnergy Capital Limited
(the "Company")

SUSTAINABLE INVESTMENT POLICY

Introduction

Being sustainable and responsible is a mindset. Next Energy Capital ("NEC") is guided by five *Corporate Values*, including to be responsible, as we recognise the privilege we have to generate clean energy for the planet. NEC aims to hold itself, and others, to the highest ethical and social standards: we maintain that managing others' capital and assets demands nothing less of us. NEC's Sustainable Investment Policy reflects our commitment to live our Values and advance our Mission to generate a more sustainable future by leading the transition to clean energy.

"Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors, alongside other material risks and opportunities, into investment decisions to generate sustainable, long-term returns."

There is increasing recognition within the financial community in the value ESG factors play in determining risk and return. NEC believes that identifying and accounting for ESG performance makes our investments risk-sound and improves longer-term returns, making ESG integration a source of innovation and competitive advantage for our core business. We thus continue to commit to generating economic value in a way that also benefits society by both addressing its challenges, and safeguarding and accelerating the transition to a low-carbon economy.

This Policy applies to NEC activities across two distinct investment areas: private equity and listed equity. It provides a framework for integrating our analysis of potential ESG risks and opportunities into our decision-making by identifying:

- Our Principles
- Excluded Activities
- Integration
- Engagement
- Reporting and Governance

Principles and Commitments

NEC's Mission is to generate a more sustainable future by leading the transition to clean energy. NEC's *Corporate Values* are aligned with the **UN Sustainable Development Goals (SDGs)**¹. We have adopted them as the underlying framework to identify, manage and measure our impacts on the environment and society; they extend to the whole value chain of the business, from our investments and employees, to our suppliers and services providers, our business partners, and the broader communities we operate in.

We recognise that our role in society goes beyond increasing access to clean energy. As such, we aim to address global challenges, including climate change, biodiversity conservation and human rights' violations, through our sustainable investment activities.

Climate Change

Tackling Climate Change is an integral part of our Mission and our core business. Solar has emerged as one of the key technologies to support the transition away from carbon-intensive fossil fuels towards clean energy. As a Company, we specialise exclusively in solar: we are convinced this focus enables us to outperform, and outperformance accelerates the achievement of our Mission.

¹ <https://sustainabledevelopment.un.org/>

We acknowledge that an effective approach to climate change requires leadership, consistent commitment, and cooperation among governments, investors, portfolio companies and society more broadly. To this extent, NEC is an active member of the **Institutional Investors Group on Climate Change (IIGCC)**², and we officially adopt and support the recommendations of the **Task Force on Climate-Related Financial Disclosure (TCFD)**³. NEC targets a significant reduction of CO2 emissions every year, and we are committed to disclose our climate change risks and positive impacts.

Conservation – Biodiversity

For NEC, solar presents a key opportunity to create a web of protected biodiversity hubs throughout the world.

NEC recognises that some areas and locations have a higher biodiversity value. We also acknowledge that, although solar plants aim to reduce greenhouse gas emissions and air pollution, they depend on ecosystem services and can adversely impact biodiversity and ecosystems. Therefore, NEC has established an internal process to identify and understand the effects of our investments on local biodiversity, and to define the necessary actions to mitigate, restore and enhance conservation. Given the nature of the physical structures and activities undertaken at our solar plants, we believe our solar plants can have a significant positive impact.

Human Rights

NEC supports fundamental human rights' principles. Our commitment to respect human rights is guided by the United Nation Declaration of Human Rights.

We recognise the Guiding Principles of Business and Human Rights⁴ as the framework to identify and manage human rights' risks associated with our operations, our supply chain and throughout our business relationships.

Integration and Engagement

NEC recognises the positive impact of integrating ESG principles in the investment process and the value in considering ESG metrics when identifying potential investment opportunities. Consequently, NEC has developed a comprehensive Sustainability Framework, including this Sustainable Investment Policy and other supporting procedures. We are committed to evolving our process to deliver responsible and sustainable growth for the long term.

NEC Group is a signatory of the **UN Principles for Responsible Investment (UNPRI)**⁵, an independent, international initiative that is the leading proponent of sustainable and responsible investment. As a signatory, NEC works to enhance the effectiveness by which we implement their **six Principles**.

Excluded Activities

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

- modern slavery, such as forced labour and human trafficking, or child labour;
- impacts on areas with high biodiversity value, including UNESCO World Heritage Sites, unless there is prior consensus with both the government authorities and UNESCO that such operations will not adversely affect the site's Outstanding Universal Value, or habitats and species listed on the Red List of the International Union for Conservation of Nature (IUCN).

NEC will perform an enhanced review in cases where the initial screening highlights one of the following higher risks:

- risk of corruption, money laundering and bribery, based on a country macro-analysis and the track record of counterparties, whereby NEC expects that its business integrity standards are upheld;

² <https://www.iigcc.org/>

³ <https://www.fsb-tcfid.org/>

⁴ https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

⁵ <https://www.unpri.org>

- impact on Indigenous People⁶ and minorities, whereby NEC expects that meaningful consultation is carried out and Free Prior and Informed Consent (FPIC)⁷ is sought;
- land acquisition that requires involuntary resettlement, whereby NEC expects that meaningful consultation is carried out according to applicable international standards.

Integration – Due diligence and Standards

NEC undertakes an extensive due diligence on ESG aspects to ensure compliance with this Policy. The due diligence is integrated in the broader investment process, from the initial screening stage through monitoring over the life-cycle of the investment.

The ESG due diligence scope is determined by the country/regions, by the potential risks associated with the specific counterpart and project, and by the risks inherent to the photovoltaic sector. The objective of the due diligence is to identify any red flags pre-acquisition, and to ensure that projects are in line with local ESG regulation and, where applicable, with international standards such as the Equator Principles⁸ and the IFC Performance Standards⁹ throughout the investment cycle. The due diligence is ongoing and applies to the different stages of the investment cycle. Where non-compliance is identified, NEC engages with its business partners and works towards effective mitigation. In addition, NEC aims to identify and account for positive impacts associated with our acquisitions, ones that align with our Values and Mission.

Typical ESG risks and opportunities considered during the due diligence and monitoring phases are articulated below.

Environmental

- NEC takes in full account exposure to climate change risk, energy efficiency, water management, biodiversity impacts, land use, and waste management;
- NEC is committed to account for its contribution to reducing greenhouse gas emissions and achieving global climate mitigation targets, protecting the natural environment by enhancing biodiversity at sites.

Social

- NEC takes in full account any human rights' violations, health and safety, working conditions and community impacts. Particular attention is given to potential impacts on Indigenous People¹⁰ and minorities, and we expect that our business partners engage in meaningful consultation with the goal of achieving their Free Prior Informed Consent (FPIC)¹¹;
- NEC is committed to engage with local communities and stakeholders, and to measure its contribution to the development of local communities, including additional job creation globally.

Governance

- NEC is governed by the Financial Conduct Authority. As a result, our internal Compliance Manual details, amongst other things, the importance of avoiding conflicts of interest, upholding employee fiduciary duties and responsibilities, and preventing fraudulent activities. In addition, NEC's private equity funds do not intend to invest in projects developed by NEC;
- NEC takes into full account business integrity, anti-corruption and anti-money laundering legislation and rules in each jurisdiction in which we own and operate our assets;
- NEC is committed to conduct its dealings with local authorities in a transparent manner, adhering to the rule of law and procedures of each jurisdiction in which we own and operate our assets.

Engagement

Stakeholder engagement is a fundamental pillar of our Sustainability Framework and sustainable investment commitment. We believe that regularly mapping our stakeholders allows us to better understand and manage our supply chain risks.

⁶ NEC refers to the definition of Indigenous People given in IFC Performance Standard 7

⁷ <https://www.ohchr.org/Documents/Issues/ipeoples/freepriorandinformedconsent.pdf>

⁸ <https://equator-principles.com/>

⁹ https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

¹⁰ NEC refers to the definition of Indigenous People given in IFC Performance Standard 7

¹¹ <https://www.ohchr.org/Documents/Issues/ipeoples/freepriorandinformedconsent.pdf>

Our engagement strategy involves our business partners, the communities in which we operate, our management teams and employees, our suppliers, industry associations and initiatives, NGOs and academia. We expect all our stakeholders to be aware of our policies, standards, and requirements, and to abide by our working standards.

We engage our staff on our *Corporate Values* and train them on our sustainability strategy, including ESG incorporation and engagement. Our objective is to constantly improve communication of our ESG activities within the organisation and to encourage change with regard to the management of ESG issues.

NEC has also launched an independent charitable foundation, **NextEnergy Foundation**¹², which focuses on alleviating poverty through the promotion of renewable energy. Every employee is encouraged to volunteer their time and expertise to contribute to the success of the Foundation.

Reporting and Governance

NEC's Advisory Board includes high profile professionals with energy, financial and environmental backgrounds. It advises the management team in implementing and upholding best governance practices.

In 2017, NEC created the role of ESG senior advisor for the Group. Mrs. Giulia Guidi was appointed to this role in August 2017 and she is now the Head of the ESG team, reporting to the CEO. She is responsible for overseeing NEC's commitment to implementing the Sustainability Framework, including this Sustainable Investment Policy, and maintaining best practices.

Responsibilities of the role also include advising the Investment Committee on the ESG risks and opportunities associated with each acquisition and taking responsibility for the Company's sustainability reporting, including a UNPRI annual report, a NEC ESG annual report and SDG impact reporting.

As regard our most recent fund, NextPower III ("NP3"), NEC has appointed the Green Investment Group (GIG) as the independent ESG consultant to provide further transparency and reporting on NP3 activities. GIG is the world's first green investment bank: their Green Impact assessment methods have been applied to a total £12bn of green infrastructure investments. GIG will produce independent ESG reporting on NP3, known as the Green Impact Report, which will be made available to investors. The report will include quantified, comparable data on: greenhouse gas emissions avoided at fund level; greenhouse gas emissions avoided by asset; air pollutants and equivalent fossil fuel use avoided; and, other SDG-related impacts.

This NextEnergy Capital Sustainable Investment Policy has been reviewed by senior management and approved by the CEO. It is effective from September 2019 and is re-evaluated and amended as appropriate from time to time.

Version 10.2019

¹² <https://nextenergyfoundation.org/>