Environmental, social, and governance

# POWERING A SUSTAINABLE FUTURE

Located in Yorkshire, the 66 MWh / 33 MW Wormald Green BESS is due to be energised in 2024.

## ESG HIGHLIGHTS

Operational sites have a combined capacity of **555 MWh / 277.5 MW**

capable of powering around **833,000** UK homes for two hours

**30,938 MWh** renewable energy stored

Estimated **15,415 tonnes of $CO_2e$** emissions avoided

**Biodiversity net gain assessments completed for all assets,** with all sites on track to deliver a net gain in habitat units

**Launched the Company's first five Community Funds,** with a combined total value of £35,000 per year

**68%** of key Tier 1 suppliers signed up to the Supplier Code of Conduct

Published the Company's inaugural integrated **TCFD and TNFD report**

Submitted the Company's first **UN PRI report**

Published the Company's inaugural **Responsible Investment Policy**

# Introduction from the ESG Committee Chair

The Company strives to generate value for Shareholders and society by financing, building, and operating energy infrastructure needed to achieve a more sustainable future.

The Company's assets support the UK's net zero carbon ambition, while contributing to energy security and affordability. The Company strives to operate responsibly and promote positive environmental and social change.

**DR SHEFALY YOGENDRA,**
CHAIR OF THE ESG COMMITTEE

Energised in October 2023, the Little Raith BESS has been designed to enable agricultural activities in the land within the site's red line boundary.

In its second year, the Company has strengthened its ESG strategy and articulated its ESG ambition: 'powering a sustainable future'. The strategy will enable the Company to manage ESG risks effectively and generate positive environmental and social impact. This report sets out how the Company has begun to deliver on its ESG priorities and discloses baseline data against a complete set of metrics to measure performance.

The path to net zero continues to be a challenging one following the Covid-19 pandemic, Ukraine war, and cost-of-living crisis.

The Company believes that the net zero transition is part of the solution to many current challenges, ultimately helping to deliver a more sustainable, healthy and prosperous future for everyone. By enabling the adoption of more renewable power, battery energy storage is integral to achieving net zero. Large-scale deployment of battery energy storage and complementary renewable generation infrastructure throughout the UK will also help to secure a more affordable domestic energy supply, while contributing to the decarbonisation of the energy system.

In 2022/23, a large proportion of the Company's initial portfolio of assets moved from "under construction" to "operational", adding 555 MWh / 277.5 MW of battery energy storage capacity to the grid. These assets can power around 833,000 UK homes for two hours. During the Financial Year, the Company's assets stored 30,938 MWh of renewable energy and avoided an estimated 15,415 tonnes of $CO_2e$ emissions from entering the atmosphere.

With the expansion of the Company's activities comes a responsibility to develop truly sustainable renewable energy infrastructure by considering wider environmental and social aspects throughout the asset lifecycle. Combined with good governance, the Company believes that consideration of environmental and social factors is integral to generating and sustaining long-term financial value.

The Company considers the environmental and social context in which it operates and strives to make a positive local impact. In 2023, the Company conducted biodiversity net gain assessments for all assets and implemented action plans to ensure that all sites are on track to deliver a net increase in habitat units, as well as having launched five community funds with a combined value of £35,000 per year, while creating skilled jobs at the heart of the energy transition.

The Company also launched its Supplier Code of Conduct (the "**Supplier Code**") to strengthen sustainability in its supply chain, with 68% of key Tier 1 suppliers signing the Code during the Period. The Company increased collaboration with suppliers and industry associations on key issues such as human rights and circularity.

As the Company makes progress on its ESG ambitions, it's important that it enhances its disclosures to support transparency. The Company's inaugural integrated TCFD and TNFD disclosure is included on pages 58-69 of this report. The Company also submitted its first voluntary UN PRI report, ahead of publishing its first public Transparency Report in the 2024 reporting cycle.

The Company and the Investment Adviser put sustainability and ESG at the heart of the business strategy, with a new Head of Sustainability joining the Investment Adviser team this year to accelerate the delivery of the ESG strategy. The Investment Adviser's dedicated and experienced team continues to drive the Company's sustainability and ESG performance. I would like to thank them for their contributions towards powering a sustainable future.

No organisation can possibly solve the myriad sustainability issues alone, but by working in partnership with government, investors, industry bodies and other stakeholders, we can make a positive contribution towards the creation of a more sustainable future - for the Company, as well as for the environment and communities in which it operates.

**Dr Shefaly Yogendra**
Chair of the ESG Committee

# Climate change and energy transition context

"As we head towards a net zero system, electricity storage will play a vital role in helping manage supply and demand."

**National Grid ESO[1]**

## CLIMATE CHANGE

2023 was the warmest year on record, marked by unprecedented heatwaves and other extreme weather events around the world[2].

To remain in line with the Paris Agreement, global greenhouse gas ("**GHG**") emissions are required to decrease by at least 45% by 2030 compared to 2010 levels[3]. The UK has set one of the world's most ambitious net zero targets, aiming to lower GHG emissions by 78% by 2035 compared to 1990 levels.

With energy accounting for approximately three quarters of global GHG emissions, the energy sector has the opportunity and the responsibility to respond to the world's climate challenge[4]. The shift to renewable energy will play a crucial role in decarbonising the energy system and wider economy. In recognition of this, in October 2021, the UK Government set a commitment for all electricity generation to be decarbonised by 2035, subject to security of supply[5]. This ambition was reinforced by the UK government in a recent pledge at COP28, together with other countries, to triple global renewable generation capacity to 11 TW by 2030.

However, the increase in renewable energy sources presents a challenge for electricity system operators, who need to match varying demand with intermittent supply to maintain the stability of the system and avoid blackouts.

BESS are the missing link in the chain that can enable energy systems to run on increasing proportions of renewable electricity. BESS can solve the problem of intermittency by balancing supply and demand of electricity, and storing energy as it is generated and exporting it to the grid during times of peak demand. This prevents curtailment (i.e. renewable energy assets being paid to stop generating) and allows renewable energy sources to contribute a greater proportion of electricity, reducing the need for fossil fuel generation and lowering GHG emissions. Batteries also provide critical ancillary services to support grid stability against the backdrop of declining system inertia resulting from the increased reliance on renewables. This allows more electricity from renewable sources onto the system.

"Developing energy storage will further strengthen the UK's energy security by helping unlock the full potential of home-grown renewables."

**UK Government[6]**

## ENERGY SECURITY AND AFFORDABILITY

Energy security rose up the global agenda after Russia's invasion of Ukraine in February 2022, which resulted in soaring energy prices and heightened costs of living and running a business. While energy prices decreased in 2023, concerns about energy security and affordability remain due to the UK's continued reliance on fossil fuel imports.

The net zero transition presents an opportunity to shift to clean, domestic renewable energy that bolsters energy security and helps achieve climate targets. By enabling the integration of more renewable electricity onto the system, battery energy storage helps to maximise the benefits of renewable energy and reduce reliance on polluting fossil fuels. Batteries are therefore crucial to enabling the UK to 'keep the lights on' and secure its energy independence, while advancing the net zero transition.

With renewables now the most cost-effective form of electricity generation, batteries can store affordable renewable power for use at peak times. This helps to reduce overall energy costs, resulting in lower energy bills for people and businesses.

## ESG REGULATION CONTEXT

ESG regulation continues to evolve at pace, with the introduction of the EU Sustainable Finance Disclosure Regulation and the UK Sustainability Disclosure Requirements ("**SDR**"), which aim to improve the consistency of reporting across the market and prevent greenwashing.

In 2023, the Company undertook a readiness review in relation to SFDR, with an intention to align with Article 8 of the framework on a voluntary basis in future. The FCA published the SDR after the end of the Period. In 2024, the Company will begin a review into future alignment with the SDR.

1 https://www.nationalgrideso.com/document/273166/download
2 https://www.carbonbrief.org/state-of-the-climate-2023-smashes-records-for-surface-temperature-and-ocean-heat/
3 https://unfccc.int/news/climate-plans-remain-insufficient-more-ambitious-action-needed-now
4 https://www.iea.org/data-and-statistics/data-tools/greenhouse-gas-emissions-from-energy-data-explorer
5 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033990/net-zero-strategy-beis.pdf
6 https://www.gov.uk/government/news/energy-storage-backed-with-over-32-million-government-funding

"Flexible technologies like batteries will form part of the UK's smarter electricity grid, supporting the integration of more low-carbon power, heat and transport technologies, which it is estimated could save the UK energy system up to £40 billion by 2050."

**UK Government**[7]

## CASE STUDY

### THE ROLE OF BESS IN MAINTAINING GRID STABILITY WHILE FACILITATING HIGHER RENEWABLE PENETRATION

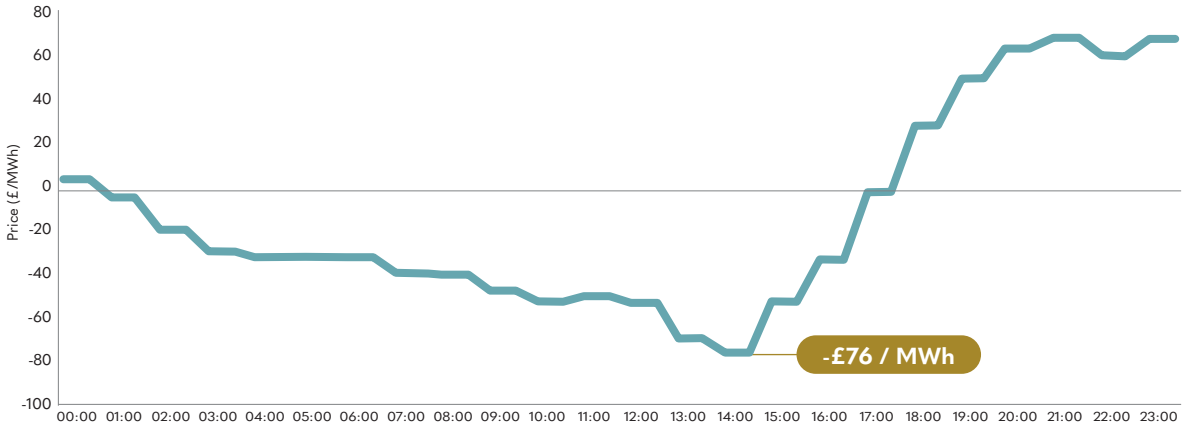
On 2 July 2023, power prices plummeted to a record low of -£76/MWh, due to an excess of power on the grid driven by high wind and solar generation combined with low demand. Negative pricing events such as this are increasingly common and usually result in wind generation being curtailed. In this scenario, the Company's assets played a critical role in maintaining grid stability, while reducing the amount of wind which is curtailed by storing the surplus renewable energy generated and then discharging it back onto the grid when demand is higher and/or the wind has lessened.

During this day, the Company's assets stored 67.13 MWh of renewable energy and avoided 23.05 tonnes of $CO_2e$ emissions from entering the atmosphere.

This is four times the daily average that the portfolio realised throughout the remaining days of July 2023.

At the same time, the portfolio was contracted through various ancillary services to stand available to either discharge or charge if called upon by National Grid ESO. These actions help to slow or correct deviations in frequency caused by irregular or unplanned changes in national generation patterns. On days such as 2 July when wind generation accounted for up to 54.5% of national generation, the risk of Frequency Deviations was elevated because wind is inherently volatile and difficult to predict with 100% accuracy. In this way the Company's assets contribute meaningfully towards maintenance of grid stability.

**FIGURE 1: GB POWER PRICES REACHED RECORD NEGATIVE LEVELS ON 2 JULY 2023**




7 https://www.gov.uk/government/news/battery-storage-boost-to-power-greener-electricity-grid

# Approach to ESG

## The Company finances, builds and operates renewable energy infrastructure needed to achieve a more sustainable future.

### ESG STRATEGY

Delivering a more environmentally, socially and financially sustainable future will require the Company to address its key sustainability and ESG risks and opportunities. By effectively managing ESG, the Company can help to build a more sustainable and resilient future – for the business, as well as for the environment and communities in which it operates.

#### Materiality assessment

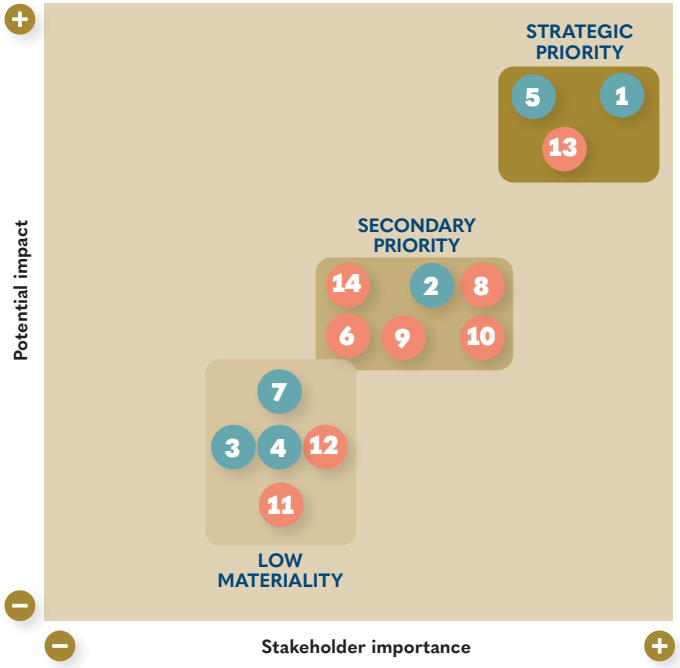
In 2022, the Company completed a materiality assessment to identify the ESG and sustainability areas most relevant to the business. Sustainability themes were scored based on market analysis and stakeholder interviews. Two criteria were considered to assess the materiality of sustainability areas:

- Importance to key stakeholders: employees, investors, customers, suppliers, partners, peers, communities; and
- Potential impact of the Company on the environment and wider communities – positive or adverse.

This helped to evaluate the ESG context in which the Company operates and included a review of industry reporting standards.

The most relevant themes were climate and GHG emissions, biodiversity and community and social vitality. The materiality assessment is presented in a matrix that compares stakeholder importance with potential impact, with the highest priorities appearing in the top right corner, as shown below.

**FIGURE 2: MATERIALITY MATRIX**




| | | | |
|---|---|---|---|
| ENVIRONMENTAL | 1 | Climate & GHG emissions | H |
| | 2 | Land use | M |
| | 3 | Water | L |
| | 4 | Pollution | L |
| | 5 | Biodiversity | H |
| | 6 | Waste | M |
| | 7 | Use of resources | L |
| SOCIAL | 8 | Health, safety, wellbeing | M |
| | 9 | Labour and human rights | M |
| | 10 | Diversity and inclusion | M |
| | 11 | Ethical behaviours | L |
| | 12 | Employee development | L |
| | 13 | Community and social vitality | L |
| | 14 | Wealth creation and employment | L |


The Envision Energy batteries landed at Hawthorn Pit in November 2023.

## STRATEGY UPDATE

In 2023, the Company strengthened its ESG strategy and articulated its ambition to 'powering a sustainable future'. The strategy will enable the Company to manage ESG risks effectively and generate positive environmental and social impact.

The strategy builds on the Company's material issues as identified through the materiality assessment and has three strategic pillars: enabling a net zero energy system, enhancing our natural environment and promoting positive people impacts. The relevant United Nation Sustainable Development Goals ("**SDGs**") were allocated to each of the focus areas.

The Company has identified actions to maximise positive benefits and minimise adverse impacts of the business on the priority ESG areas. This includes the direct influence the Company can have on addressing ESG issues on BESS sites and in the Investment Adviser's offices, as well as the role of the wider supply chain.

Over the next year the focus will be on integrating the Company's ESG strategy. The Investment Adviser has implemented a system to collect, analyse and monitor ESG data to measure ESG performance.

**FIGURE 3: ESG STRATEGY**

**POWERING A SUSTAINABLE FUTURE**

We generate value for Shareholders and society by financing, building and operating the energy infrastructure needed to achieve a more sustainable future. Our assets play a vital role in delivering net zero, while contributing to energy security and affordability. We strive to operate responsibly and promote positive environmental and social change. We aim to enhance biodiversity where we operate to mitigate the twin biodiversity and climate challenges.

| ENABLING A NET ZERO ENERGY SYSTEM | ENHANCING OUR NATURAL ENVIRONMENT | PROMOTING POSITIVE PEOPLE IMPACTS |
|---|---|---|
| Facilitating the increased adoption of renewable power through net zero infrastructure | Delivering net zero infrastructure in a way that protects and enhances biodiversity and nature | Championing a fair transition to net zero that benefits people, workers and communities |
| Climate change mitigation | Biodiversity | Community impact |
| Greenhouse gas emissions | Waste, resources and pollution | Employment, human and labour rights |

**BEHAVING AND INVESTING RESPONSIBLY**

We embed sustainability in our investment process to ensure that we use our capital to promote positive environmental and social impact whilst delivering a superior return on investment.

# Integrating ESG throughout the investment lifecycle

## The Company seeks to achieve its investment objective through investing in energy storage and complementary renewable energy generation assets. The Company believes that, in combination with good governance, consideration of wider social and environmental factors is integral to its long-term financial success.

As an investor in renewable energy infrastructure, the Company's investment strategy has sustainability and responsibility at its heart. The Company recognises the fundamental link between the sound performance of wider ESG matters and the creation of long-term investment value. As such, the Company is committed to actively managing ESG-related risks and opportunities by integrating ESG considerations into the investment lifecycle.

In 2023, the Company introduced its first Responsible Investment Policy describing how ESG considerations are embedded throughout the investment process, as detailed in the diagram below.

### UN PRI

The Principles for Responsible Investment are a set of voluntary principles which promote the integration of ESG considerations into investment decision-making processes. The Company became a UN PRI signatory in 2022 and published its first voluntary UN PRI report in 2023, with the intention to publish the first Transparency Report in 2024.

PRI Principles for Responsible Investment

In December 2023, the Bumpers BESS was showcased on BBC News for a feature titled 'Five reasons for optimism on climate'.

## FIGURE 4: RESPONSIBLE INVESTMENT PROCESS

### INVESTMENT POLICY AND RESTRICTIONS

The Company invests in renewable energy infrastructure. Investments in fossil fuels are prohibited.

### INVESTMENT SCREENING

Target assets are assessed against the Investment Policy and investment restrictions for suitability.

### DUE DILIGENCE

Prior to recommending any asset for acquisition, the Investment Adviser performs detailed ESG due diligence on potential investments.

### PROJECT INVESTMENT REVIEW AND APPROVAL

The due diligence report is provided to the AIFM and the Board. The Board incorporates ESG into investment decision making.

### MANAGEMENT, MONITORING AND REPORTING

Post-acquisition, the Company strives to play an active role in the management of its assets, ensuring that ESG risks and opportunities are managed.

### SUPPLIER CODE OF CONDUCT

Suppliers are required to sign the Supplier Code of Conduct.

### END-OF-LIFE

Every effort will be made to implement and track sustainable end-of-life practices.

- PRE-INVESTMENT
- ONGOING MANAGEMENT
- END-OF-LIFE

# ESG governance

## How ESG is embedded throughout the asset lifecycle

The Board has ultimate responsibility for and oversight of ESG and the Board considers ESG as part of investment decision making. Shefaly Yogendra is the Non-Executive Director with overall responsibility of ESG as Chair of the Company's ESG Committee.

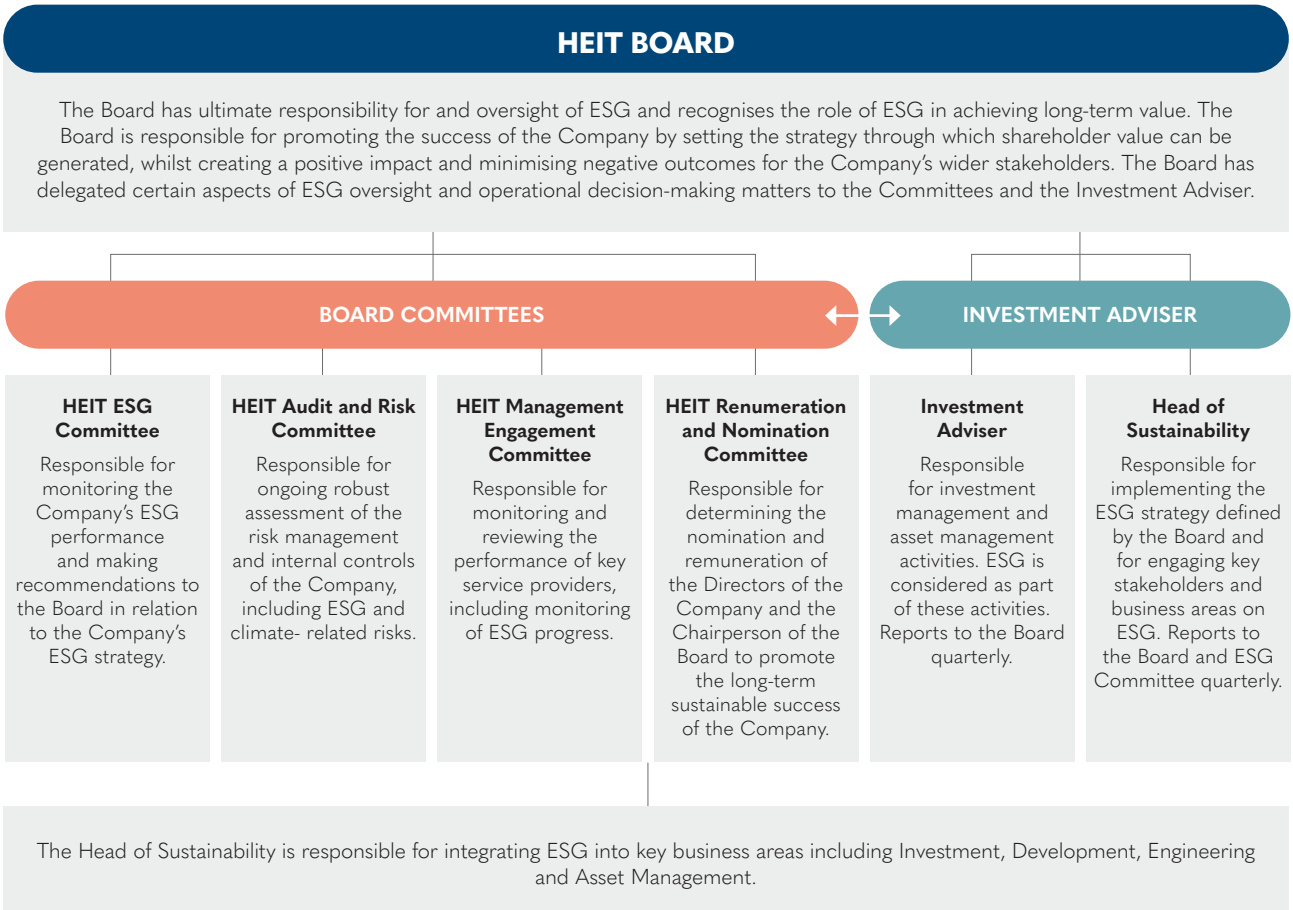
The Board has delegated certain aspects of ESG oversight and operational decision-making to the ESG Committee. The role of the Committee is to monitor and review the Company's ESG-related performance and activities and to make recommendations to the Board in relation to the Company's ESG strategy.

Furthermore, the Board has outsourced the day-to-day investment management and asset management activities to the Investment Adviser. ESG is considered as part of these activities. The Head of Sustainability, a representative of the Investment Adviser, is responsible for implementing the ESG strategy defined by the Board of the Company. In addition, the Company engages external ESG consultants where additional ESG expertise is required.

ESG is monitored through regular interactions between the Board and the Investment Adviser, including through quarterly Board meetings, quarterly Board reports, ESG Committee Meetings, Committee papers, written updates and ad hoc meetings.

The Company's ESG policy, which communicates its ESG ambition and strategy, is available on its website: www.heitp.co.uk/content/uploads/2023/09/ESG-Policy-September-2023.pdf.

**FIGURE 5: ESG GOVERNANCE STRUCTURE**



## ENABLING A NET ZERO ENERGY SYSTEM

BESS infrastructure is integral to the net zero transition through its role in enabling the adoption of a greater proportion of renewable power.

As an investor in BESS and complementary renewable energy generation assets, the Company's investment policy has the net zero transition at its core and climate-related opportunities are inherently considered in business, strategic and financial planning.

## CLIMATE CHANGE MITIGATION

### Approach

The Company's BESS contribute to climate change mitigation through enabling the integration of more renewable energy onto the grid and displacing fossil fuel generation, thereby reducing the carbon intensity of the grid. On admission to the London Stock Exchange, the Company was awarded the LSE's Green Economy Mark, recognising it as a significant contributor to the transition to a net zero economy, a distinction that has been renewed every year since.

### Progress update

During the Period the Company brought its first five BESS projects into operation with a combined capacity of 277.5 MW, capable of powering around 833,000 UK homes for two hours. The Company's BESS assets stored 30,938 MWh of renewable energy and avoided an estimated 15,415 tonnes of $CO_2e$ emissions from entering the atmosphere. The methodology for calculating avoided emissions is detailed on pages 68 and 69.

### Looking ahead

- Further develop the Company's methodology for measuring the carbon avoidance potential of its BESS.

Bumpers and Little Raith (pictured) were energised in October 2023, representing a 115% increase to the portfolio's operating capacity.

## ENABLING A NET ZERO ENERGY SYSTEM

# GREENHOUSE GAS EMISSIONS

### Approach

Though the Company's assets support the decarbonisation of the grid, it also takes responsibility for the GHG emissions it creates. The Company is committed to managing, reducing and reporting its GHG emissions annually.

The Company's analysis suggests that over the lifetime of a BESS asset, it will avoid more carbon than it emits, making the overall carbon impact net positive. However, the Company recognises its responsibility to understand and reduce its operational and supply chain emissions. The Investment Adviser is implementing initiatives to reduce the GHG emissions of the Company's assets, as well as engaging with suppliers to reduce upstream and end-of-life impacts as detailed in the following section ("**Progress update**").

### Progress update

The Company's carbon footprint increased from 1,879 tonnes of $CO_2e$ to 154,930 tonnes of $CO_2e$ between 2021/22 and 2022/23. GHG emissions increased significantly this year due to the Company's high level of construction activity and the inclusion of construction and upstream GHG emissions in reporting for the first time. Under the methodology used, the construction and materials emissions for a project will be recognised only once the construction of that project is complete. As there were no operational projects during 2021/22, emissions reported for the prior reporting Period did not provide a representative baseline. Further details regarding the Company's carbon footprint methodology can be found on page 67.

The Investment Adviser has implemented initiatives to reduce its environmental impact, including travel policies to restrict the use of flights and encourage rail use, an electric vehicle salary sacrifice scheme and flexible working to reduce commuting. The Investment Adviser's London office uses energy from renewable sources for its electricity and heating.

In 2023, the Investment Adviser engaged with its key suppliers (including its two BESS equipment suppliers) regarding the measurement and management of supply chain climate impacts. During the Period, both BESS suppliers conducted lifecycle assessments of their batteries which were shared with the Investment Adviser for inclusion in the Company's carbon footprint assessment. Both suppliers are implementing carbon reduction initiatives such as on-site renewable electricity generation and energy efficiency measures within their own operations, as well as engaging with their suppliers to reduce upstream supply chain GHG emissions relating to mineral extraction, refining and parts manufacturing.

### Looking ahead

- Assess climate target options, including a net zero target and a science-based carbon reduction target.
- Strengthen the Company's understanding, management and disclosure of climate-related risks and opportunities.

**TABLE 3: PRIOR YEAR AND CURRENT YEAR GHG EMISSIONS FIGURES**

| GHG EMISSIONS | 2021/22 DATA | 2022/23 DATA |
|---|---|---|
| Scope 1 GHG emissions ($tCO_2e$) | 0 | **0** |
| Scope 2 GHG emissions ($tCO_2e$) | 0 | **1,323** |
| Scope 3 GHG emissions ($tCO_2e$) | 1,879 | **153,607** |
| Total Scope, 1, 2 and 3 GHG emissions ($tCO_2e$) | 1,879 | **154,930** |
| GHG intensity relative to revenue ($tCO_2e$/£m) | NA – not reported | **23,345** |

## CASE STUDY

### EMBEDDING SUSTAINABILITY IN THE BESS ASSET CONSTRUCTION PROCESS

The Investment Adviser engaged with a construction sub-contractor regarding the measurement and management of GHG emissions through the construction process for its Bumpers, Wormald Green and Hawthorn Pit projects (c.45% of the portfolio by MW). The sub-contractor provided energy, water, waste, material and GHG emissions data, as well as implementing low carbon initiatives on site such as energy efficient welfare cabins powered by solar diesel hybrid generators with a BESS pack, solar and wind powered lighting towers and sustainable materials such as lower carbon concrete.


The Envision Energy batteries landed at Wormald Green in November 2023.

### CLIMATE- AND NATURE-RELATED RISKS AND OPPORTUNITIES

The Task Force on Climate-related Financial Disclosures is an international initiative to assess and report climate change risks and opportunities in a financial context.

The Task Force on Nature-related Financial Disclosures builds on the model developed by TCFD. It provides a framework for organisations to report and act on evolving nature-related dependencies, impacts, risks and opportunities.

The Company does not currently fall within the scope of mandatory reporting requirements for TCFD or TNFD, however it has chosen to report in line with both frameworks on a voluntary basis. In recognition of the interrelatedness of climate and nature, the Company has conducted an integrated climate- and nature-related risk and opportunity assessment in line with TCFD and TNFD – see pages 58-59 for further information.

# ENHANCING OUR NATURAL ENVIRONMENT

The Company strives to deliver net zero infrastructure in a way that protects and enhances biodiversity and nature. The Company takes accountability for the environmental impact of its operations and supply chain, including its impact on biodiversity, waste, resources, and pollution.


## BIODIVERSITY

### Approach

The UN Conference of Biological Diversity (COP15) in December 2022 saw nations come to an historic agreement to protect a third of the planet for nature by 2030, reflecting the increasing ambition to protect and enhance biodiversity.

The Company has set a target to deliver a biodiversity net gain at all existing sites and a minimum 10% biodiversity net gain at newly acquired sites, ahead of the mandatory UK Government BNG target coming into force in 2024.

To achieve this, the Company strives to ensure that the delivery of net zero infrastructure incorporates nature and biodiversity considerations at all stages of an asset's lifecycle. Delivering BNG across the portfolio is an additional way to mitigate climate change beyond the Company's contribution to the net zero transition through energy infrastructure.

### Progress update

The close relationship between the Company and Harmony Energy Limited (via the Investment Adviser) enhances the Company's ability to implement, manage and monitor biodiversity initiatives across its portfolio, embedding them throughout the asset lifecycle, from pre-acquisition stages (site origination, planning etc.) through construction, operations and finally to decommissioning.

The Company and the Investment Adviser work with environmental specialists and ecologists to assess biodiversity impacts, dependencies and enhancement opportunities. These assessments inform asset- specific habitat creation and maintenance action plans which ensure that biodiversity considerations are embedded across the asset lifecycle. Action plans are designed to maximise biodiversity on the Company's sites, above and beyond the conservation measures required as part of planning requirements, which are typically included in a site Landscape and Environmental Management Plan ("**LEMP**"). This helps to ensure the creation of a positive biodiversity benefit following completion of the construction phase.

During the Period, the Company engaged independent ecologists to conduct BNG assessments in line with Defra's Biodiversity Net Gain Metric for all the Company's assets. Action plans have been put in place to ensure that all sites will achieve a biodiversity net gain. The Company is on track to deliver a combined total BNG of 15% across the portfolio once asset-level landscaping plans have been implemented.

The Company's sites are designed wherever possible to deliver multi-functional land use, such as facilitating agricultural activities, promoting biodiversity, increasing habitats and supporting the recovery of land after intensive farming. For example, the Little Raith site has been designed to enable agricultural activities in the land within the site's red line boundary.

### Looking ahead

Key future priorities include:

- Deliver a BNG at all existing sites and a minimum 10% BNG at newly acquired sites.
- Introduce a Biodiversity Policy covering 100% of assets.
- Conduct BNG assessments and put action plans in place for all sites.
- Strengthen the Company's understanding, management and disclosure of nature-related risks, opportunities, impacts and dependencies.

The Pillswood BESS is on track to deliver habitat enhancement and creation initiatives that are resulting in a 10% increase in habitat units and a 100% increase in hedgerow units.

## CASE STUDY

### PROTECTING AND ENHANCING BIODIVERSITY WHILE DELIVERING FOR NET ZERO AT BUMPERS

The Company uses the Defra BNG Metric to measure the biodiversity impact its portfolio has on developed land. The metric focuses on the change in the biodiversity value of a site, comparing the pre- and post-construction biodiversity values to ensure a positive impact overall.

The Company plans to deliver habitat enhancement and creation initiatives resulting in a 44% increase in habitat units and an 81% increase in hedgerow units at its 99 MW Bumpers site. During the next planting season, the Company will enhance 1.05 hectares of grassland habitat through the inclusion of a species-rich and diverse seed mix and plant 0.4 kilometres of native species-rich hedgerow, with some sections containing additional native trees.

In addition, prior to construction starting, work was carried out by independent ecologists to trap and safely relocate great crested newts, following identification of a pond within 100 metres of the site which may have been a newt habitat. A total of 25 days of trapping was carried out by an ecologist appointed by the Company and three great crested newts were relocated offsite.

## ENHANCING OUR NATURAL ENVIRONMENT

# WASTE, RESOURCES AND POLLUTION

### Approach

Batteries are integral to the Company's sustainability mission. All the Company's current assets use lithium iron phosphate ("**LFP**") battery technology instead of nickel manganese cobalt ("**NMC**") technology. Use of LFP batteries increases the lifespan of projects, since LFP batteries deliver more charge cycles and suffer less degradation than NMC batteries.

Although LFP batteries avoid the need to use cobalt and nickel, they still contain raw materials including lithium, iron, phosphate, graphite and copper. As demand for more BESS projects grows globally, demand for raw materials will increase. The Company is committed to working with suppliers to drive sustainable practices in the upstream supply chain, particularly with respect to key issues such as water scarcity, water pollution, energy use and air pollution as well as improving end-of-life practices.

In addition, the Company is closely monitoring developments in alternative battery energy storage technologies that are less reliant on critical minerals and that have lower exposure to environmental and social risks.

The Company is also committed to working with sub-contractors to manage and reduce waste, resources and pollution during the construction and operational phases of the asset lifecycle.

### Progress update

During the Period, the Investment Adviser engaged with the construction partner for the Company's Bumpers, Wormald Green and Hawthorn Pit sites to encourage the measurement and management of waste, resources and pollution during construction. Zero reportable environmental incidents were recorded at the Company's sites.

While the Company's BESS sites directly interface with the natural environment, it also recognises the environmental risks in the supply chain, including those relating to the extraction, refining and processing of minerals used in LFP batteries. The Supplier Code sets out the Company's expectations and requirements for suppliers to minimise waste and pollution and conserve resources. During the Period, the Company engaged with Tesla, the principal supplier and contractor for the Company's operational projects, to understand their work on reducing the environmental impact of materials sourcing and processing, focusing on key issues such as water scarcity and water quality.

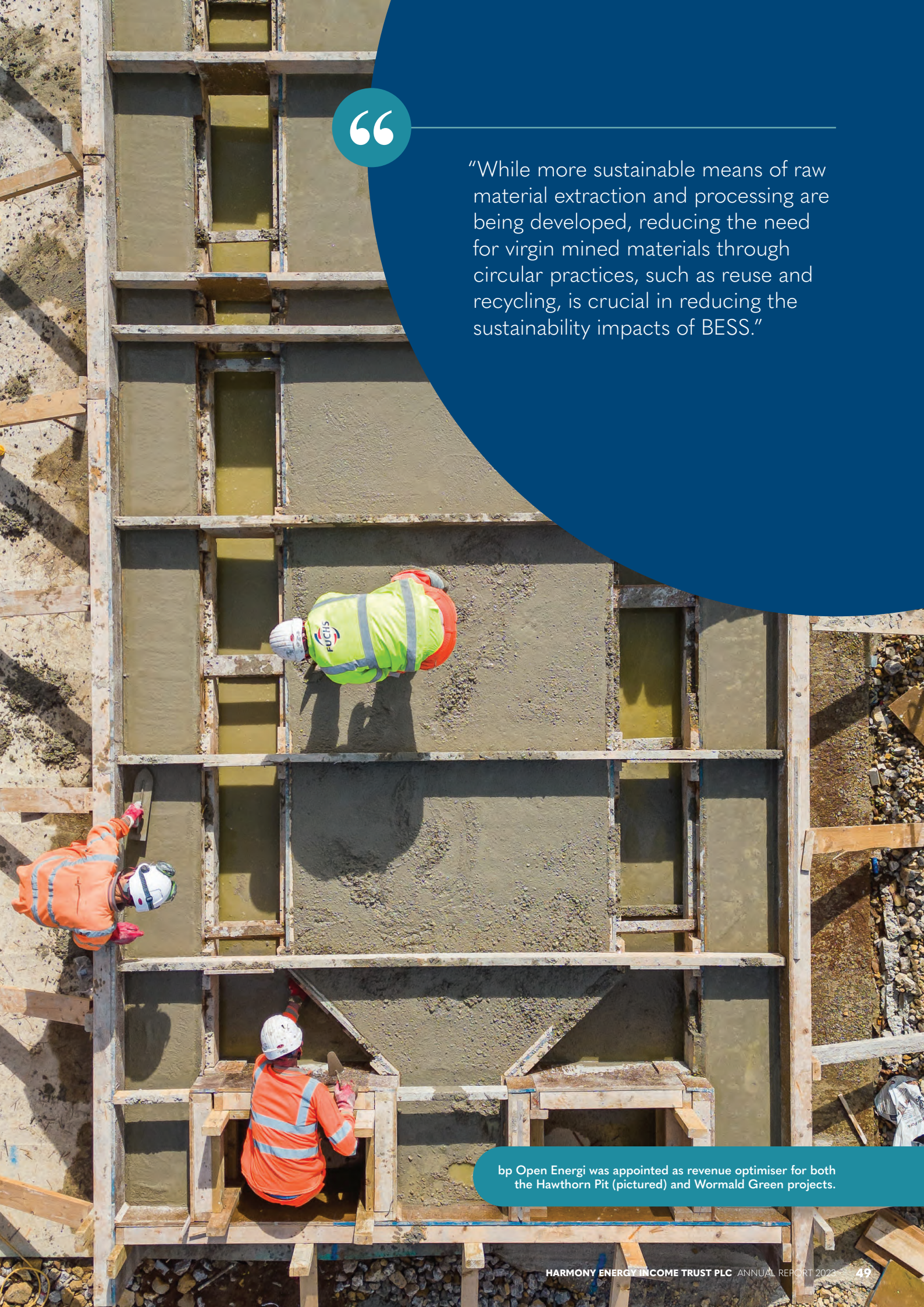
While more sustainable means of raw material extraction and processing are being developed, reducing the need for virgin mined materials through circular practices, such as reuse and recycling, is crucial in reducing the sustainability impacts of BESS. These processes can be difficult to define due to the long lifetime of renewable technology assets, which often spans several decades, and the uncertainty around future recycling practices as large-scale recycling facilities have yet to be established. However, the Company intends to make every effort to follow best practice in line with industry standards at the time of decommissioning.

In 2023, the Investment Adviser engaged with its two key BESS suppliers to better understand and encourage circular practices. Both suppliers estimate that up to approximately 95% of the battery modules can be recycled upon decommissioning. To facilitate end-of-life recycling, both suppliers are developing in-house recycling capabilities, as well as working with third-party reuse and recycling specialists. Given that the Company's first sites only became operational in 2022, there were few instances of BESS equipment replacement or removal during the Period. However, the Investment Adviser will work with equipment suppliers to ensure that future opportunities for equipment reuse and recycling are maximised.

### Looking ahead

Key future priorities include:

- Introduce a Waste Policy covering 100% of assets.
- Develop the Company's approach to measuring waste.
- Continued engagement with suppliers and industry bodies to improve transparency of recycling processes and reporting.



"While more sustainable means of raw material extraction and processing are being developed, reducing the need for virgin mined materials through circular practices, such as reuse and recycling, is crucial in reducing the sustainability impacts of BESS."

bp Open Energi was appointed as revenue optimiser for both the Hawthorn Pit (pictured) and Wormald Green projects.

# PROMOTING POSITIVE PEOPLE IMPACTS

The Company champions a fair and just transition to net zero that benefits workers and communities.


## COMMUNITY IMPACT

### Approach

The Company considers the local communities in which it operates throughout the project lifecycle and strives to make a positive contribution to people that live and work nearby. The Company is typically responsible for each of its sites from site construction, through to operation and end-of-life, so it is well placed to manage community impacts throughout the asset lifecycle.

The Company and the Investment Adviser engage closely with a wide range of stakeholders throughout the project lifecycle. Harmony Energy Limited seeks to build strong relationships with local communities by keeping residents informed, consulted and empowered through the development process. From the point of acquisition, the Company engages meaningfully and openly, ensuring that stakeholders can share their views, ask questions and have issues addressed where possible. We support Harmony Energy Limited's promotion of public participation in the planning process and accessibility by using a range of engagement methods such as public drop-in events, exhibitions, online events, surveys, focus groups, interviews, leaflets and workshops.

The Company's community funds support initiatives that have a positive impact on the local community or environment throughout the lifetime of the project. The Company contributes £100 per MW every year from the start of commercial operations for each project with a minimum value of £5,000 per site per year. The Company has partnered with BizGive, a platform which links funders with community groups and third sector organisations seeking funding, to administer deployment of these funds. The Company chooses to allocate funds to initiatives benefitting the local area around each project and aligned with the priority SDGs identified from the materiality assessment.

The Investment Adviser also facilitates educational initiatives such as talks and visits, from local schools and universities, to sites, providing opportunities for people to learn about renewable energy and biodiversity.

The Company's NAV at 31 October 2023 exceeded £250 million. Therefore, in line with the commitment in the Prospectus, an additional "ESG Fund" has been established to support environmental and social initiatives within the wider investment trust and BESS industries. This fund has a budget of up to £250,000 per annum, funded from the difference between Board fees and 0.1% of the Company's NAV, based on the audited accounts for the financial year.

### Progress update

Applications for community funds for our first five operational projects were welcomed in 2023. The Pillswood community fund, totalling £10,000 annually, was the only fund to allocate donations in the Period. The other funds, which came online later in the reporting Period, will allocate funds during the next reporting Period. These five funds will contribute £35,000 per year towards local initiatives over the asset lifecycle.

In addition, the Company's ESG Fund accrued £21,000 during the Period, which will be allocated in 2024.

### Looking ahead

Key future priorities include:

- Develop a funding deployment strategy for the ESG fund.

The Pillswood community fund supported seven local charities and organisations in 2023.

## CASE STUDY

### PILLSWOOD COMMUNITY FUND: GENERATING A POSITIVE LOCAL IMPACT

The Company's multi-award winning Pillswood project supported the local area through its community fund during the Period.

The Company invited local community groups to apply for a share of the £10,000 per year fund, with grants split between initiatives. Seven local charities and organisations were supported through the fund including Environmental and Management Solutions (EMS) Yorkshire, Bag Books and Neighbourhood Network Hull.

EMS Yorkshire said: "The grant we have received has already helped hundreds of residents feed their families. We have used the funds to buy a large selection of long-life packet and tinned goods to stock the shelves of our affordable food shop. This gives residents a good choice to pick from to complement the fresh and chilled produce we have in stock."

Bag Books, a charity that enhances the lives of disabled individuals through multi-sensory books and storytelling, said: "We can't wait to get out and spread joy through our sensory storytelling!"

Neighbourhood Network Hull said: "This will make a huge difference to the Alf Marshall Community Centre and the wider community."

## PROMOTING POSITIVE PEOPLE IMPACTS

# WEALTH CREATION AND EMPLOYMENT

### Approach

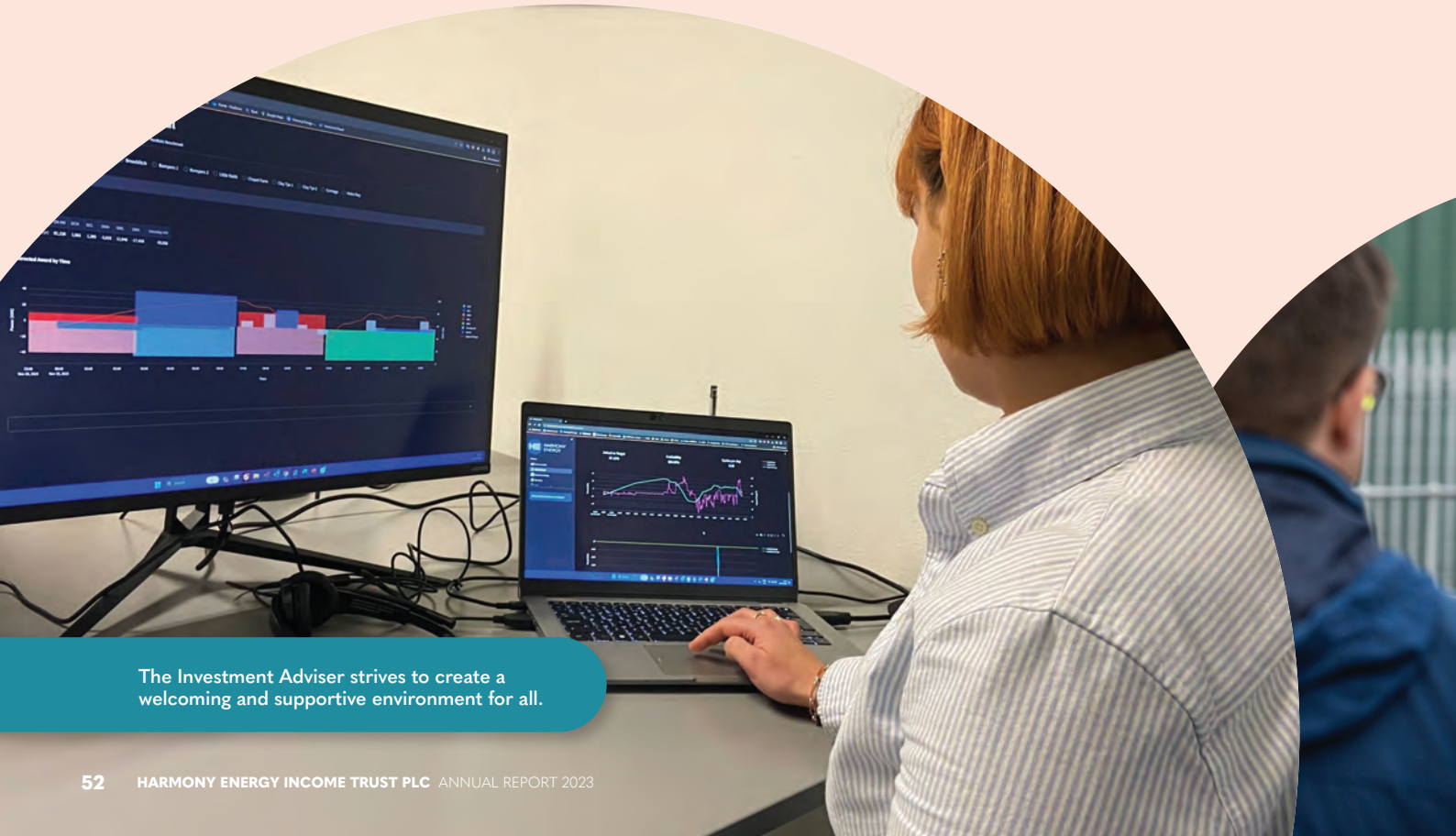
The Company aims to promote local employment and sustainable economic growth by encouraging contractors to use local suppliers and to create skilled green job opportunities for local people at the heart of the energy transition.

### Progress update

The Investment Adviser strengthened its team during the Period, creating 11.2 new jobs because of the Company's activities. Jobs in the construction industry have also been supported through the construction of the Company's sites, and additional jobs created in the Company's supply chain and at the Company's service providers. The Investment Adviser will endeavour to report in more detail on indirect job creation in future reporting periods.

The Investment Adviser regularly engages with its 27 UK-based employees (as at the end of the Period), seeking feedback through employee surveys. In its summer 2023 survey, the Investment Adviser achieved an employee net promoter score of 76 (on a range from -100 to +100), based on the likelihood employees would recommend the organisation to others as a place to work. Learning is promoted through internal knowledge-share sessions and externally facilitated training sessions, as well as employer-funded access to external training programmes.

The Investment Adviser is committed to creating a culture and working environment which encourages equality, diversity and inclusion and recognises the benefits of a diverse workforce. During the Period, an externally facilitated training session on equality, diversity and inclusion was delivered to all Investment Adviser employees, as well as inclusive recruitment training for all hiring managers. An equality, diversity and inclusion survey was sent to all staff to better understand the profile of the workforce. The data will help to identify any gaps or issues and enable the Investment Adviser to work towards improving them. At the end of the Period, 41% of the Investment Adviser's employees were female and 21% of employees were from ethnic minorities. These proportions have increased since the prior reporting Period and initiatives are planned to ensure inclusive human resources practices continue to be developed.



The Investment Adviser strives to create a welcoming and supportive environment for all.

## LABOUR AND HUMAN RIGHTS

### Approach

The renewable energy and storage industry has a responsibility to uphold social standards to ensure that the transition to a low carbon energy system is fair and just for workers and communities. Human and labour rights are important considerations for the Company. As an investment trust, the Company has no offices or employees, but it recognises the risks in the upstream BESS supply chain areas of mineral extraction, refining and parts manufacturing, and in relation to health and safety on the Company's sites.

All the Company's current assets use LFP battery technology instead of NMC technology. The absence of cobalt in the LFP batteries reduces exposure to human rights risks relating to cobalt extraction in the Democratic Republic of Congo, where most of the world's supply is sourced. However, risks remain, and the Company is committed to implementing robust due diligence processes to address these.

### Progress update

The Company promotes respect for human rights in its supply chain through the requirements set out in the Supplier Code. In 2023, the Company introduced a requirement for all new and existing key Tier 1 suppliers to sign its Supplier Code. Human rights due diligence is conducted on potential suppliers, during the procurement process, and the Investment Adviser continues to work closely with key suppliers, including its two existing BESS suppliers, to better identify risks and mitigations, particularly in respect of the mining, refining and manufacturing stages of the BESS supply chain.

Health, safety and wellbeing is one of the Company's priority areas and it has introduced robust health and safety standards and transparent reporting. Suppliers are evaluated and scored on health and safety performance, capabilities, policies and management as part of the procurement processes for sites.

During the Period, the Investment Adviser has regularly engaged with the Company's suppliers on health and safety matters. The type of engagement varied depending on the topic and included formal meetings to discuss the health and safety legal responsibilities of each supplier, periodic site visits with the aid of health and safety specialists and informal site visits by the Investment Adviser's project management team. In addition, the Investment Adviser has introduced health and safety initiatives for promoting effective health and safety reporting, such as the site observations campaign offering monthly £50 Amazon vouchers to the staff member who submits the most effective safety observation at each site every month.

The Company is pleased to report zero RIDDOR reportable Health and Safety incidents during the Period and a high level of engagement with the Company's safety observation campaign (443 observations submitted across the portfolio).

### Looking ahead

Key future priorities include:

- Introduce a Human Rights Policy covering 100% of assets.
- Increase adoption of the Supplier Code across the supplier base.
- Further develop supply chain mapping to better understand and mitigate risks.

The Company's flagship BESS, Pillswood, hosted numerous tours in 2023.

# Operating responsibly

"The Company behaves responsibly in order to ensure positive impacts for all stakeholders including sustainable value for its investors"

## ETHICAL BEHAVIOUR AND GOVERNANCE

As an investment trust, the Company has no executive management or employees. The Board seeks to deliver success through good decision making underpinned by robust debate. The varied professional, educational, socio-economic and cultural backgrounds of the members of the Board ensure there is rich diversity of knowledge, perspectives, and challenge in such debate. Details on the Board composition and Board diversity can be found in the Governance Report from pages 78-105.

The Company takes a zero-tolerance approach to bribery, fraud and corruption, and is committed to acting professionally, fairly, transparently, ethically and with integrity in all business dealings and relationships. The Supplier Code requires suppliers to adhere to anti-bribery and corruption policies no less stringent than those of the Company and the Company monitors key service providers' policies and approach through the annual Management Engagement Committee service provider review process. For suppliers to the project SPVs, the Investment Adviser seeks to ensure service providers have appropriate policies in place and due diligence is conducted as part of the procurement process.

The Pillswood project won three awards in 2023 including the "Utility Scale Storage Project of the Year" award at the Solar & Storage Live Awards.

## PROMOTING A MORE RESPONSIBLE AND SUSTAINABLE SUPPLY CHAIN

The Company recognises the risks in its supply chain and is working to embed responsible sourcing practices to strengthen the sustainability of its supply chain.

The supply chain provides the greatest opportunity for influence on ESG issues. Embedding sustainability in the supply chain will increase the resilience of the business and mitigate risks.

The Investment Adviser conducts ESG due diligence on potential key suppliers during the procurement process through an ESG assessment tool. Post-procurement, alongside sustainability requirements embedded in the contracts with suppliers, the Company requires key Tier 1 suppliers to sign its Supplier Code setting out the standards, principles and values that such suppliers are expected to uphold. The Supplier Code was drafted by reference to key guidance and frameworks such as the UN Global Compact, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, the Responsible Business Alliance Code of Conduct, the Universal Declaration on Human Rights and the UK Government Buying Standards, to ensure best practice supply chain requirements were taken into account. In May 2023, the Company began the process of engaging existing key suppliers to confirm retrospectively their adherence to the Supplier Code. By the end of the Period, 68% of key Tier 1 suppliers had signed the Supplier Code.

Supplier ESG audits have been introduced to monitor compliance with the Supplier Code, starting with an ESG audit of a key supplier's BESS production facility in China. The Company will continue to enhance the supplier due diligence approach, integrating ESG deeper into all processes as further knowledge on the supply chain is developed.

The Investment Adviser is working with existing BESS suppliers to better identify risks and mitigations, particularly in respect of the mining, refining and manufacturing stages of the BESS supply chain. In 2024, we will begin to identify supply chain areas with the most significant risk of adverse impact, considering factors including country risk, supplier reputation and ownership, degree of leverage, category and tier of supplier and nature of relationship. The Investment Adviser will then implement processes to monitor risks, concentrating on higher risk areas.

The Management Engagement Committee will, as in this reporting period, assess questions of service providers' progress against ESG goals through the annual questionnaires and evaluation process.

The Company recognises that no organisation can solve supply chain sustainability challenges in isolation. The Investment Adviser is a member of trade bodies including Solar Energy UK and the Electricity Storage Network, through which it contributes to the development of industry standards in sustainability alongside peers to drive positive change in the supply chain.

### FIGURE 6: ENVIRONMENTAL AND SOCIAL RISKS IN THE BESS SUPPLY CHAIN

**IN THE BESS VALUE CHAIN, KEY RISKS ARE CONCENTRATED UPSTREAM**

| EXTRACTION | REFINING & PARTS MANUFACTURING | BESS ASSEMBLY | IN-LIFE | END-OF-LIFE |
|---|---|---|---|---|
| **ENVIRONMENTAL RISKS** | | | | |
| • Pollution (chemical & mineral)<br>• Resources (mineral & water)<br>• Land use change<br>• GHG emissions | • GHG emissions (chemical reactions and energy use)<br>• Pollution | • GHG emissions (manufacturing processes)<br>• Water use | • Pollution (in case of system failure)<br>• GHG emissions (electricity storage)<br>• Land use change | • Pollution (leakage)<br>• GHG emissions (energy use for recycling) |
| **SOCIAL RISKS** | | | | |
| • Modern slavery<br>• Labour conditions<br>• Communities (community displacement & health impacts of pollution)<br>• Corruption | • Forced labour<br>• Health (health impacts of pollution & hazardous substances)<br>• Labour conditions, decent wages<br>• Corruption | • Health and safety<br>• Decent salary and employment security | • Workplace incidents<br>• Communities | • Health (landfill of waste in developing countries) |

# Metrics

In line with our commitment to transparency on ESG performance, we have developed methodologies and data collection processes for a set of ESG metrics aligned with the strategic priorities identified in the materiality assessment. The below table contains the Company's ESG data for the prior period (1 October 2021 – 31 October 2022) and the current Period (1 November 2022 – 31 October 2023).

**TABLE 4: METRICS**

| ESG PRIORITIES AND ASSOCIATED METRICS | | 2021/22 | 2022/23 |
|---|---|---|---|
| **ENABLING A NET ZERO ENERGY SYSTEM** | | | |
| **Climate change mitigation** | Storage capacity (MW) | 0 | 277.5 |
| | Storage capacity (MWh) | 0 | 555 |
| | Total renewable energy stored (MWh) | 0 | 30,938 |
| | Estimated annual GHG emissions avoided through BESS projects HEIT invests in ($tCO_2e$) | NA – not reported | 15,415 |
| **Greenhouse gas emissions** | Scope 1 GHG emissions ($tCO_2e$) | 0 | 0 |
| | Scope 2 GHG emissions ($tCO_2e$) | 0 | 1,323 |
| | Scope 3 GHG emissions ($tCO_2e$) | 1,879 | 153,607 |
| | Total Scope, 1, 2 and 3 GHG emissions ($tCO_2e$) | 1,879 | 154,930 |
| | GHG intensity relative to revenue ($tCO_2e$/£m) | NA – not reported | 23,345 |
| **ENHANCING OUR NATURAL ENVIRONMENT** | | | |
| **Biodiversity** | Biodiversity net gain (% habitat loss/gain) | NA – not reported | +15 |
| **Waste, resources and pollution** | Number of reportable environmental incidents (#) | 0 | 0 |
| | Maximum share of BESS that is recyclable (% by weight) | NA – not reported | Approximately 95 |
| **PROMOTING POSITIVE PEOPLE IMPACTS** | | | |
| **Communities** | Investment in community projects (GBP) | 0 | 10,000 |
| **Employment** | Number of direct jobs created (#) | 12.5 | 11.2 |
| | Number of hours of training provided to Investment Adviser employees (#) | 88 | 129 |
| **Diversity and inclusion** | Representation on the Company's Board (gender) (%) | 40 | 40 |
| | Representation on the Company's Board (ethnicity) (%) | 20 | 20 |
| | Representation within the Investment Adviser (gender) (%) | 30 | 41 |
| | Representation within the Investment Adviser (ethnicity) (%) | NA – not reported | 21 |
| **Labour and human rights** | Key suppliers committed to the Supplier Code (%) | NA – not reported | 68 |
| **Health, safety and wellbeing** | Total RIDDOR reportable incidents (#) | 0 | 0 |
| | Site safety audits (#) | 22 | 77 |
| | Investment Adviser employee net promoter score (#) | 88 | 76 |

The customer switchroom at each BESS site contains the switchgear necessary to act as the interface point between the site's systems and the DNO substation.