

TCFD and TNFD Report

Climate change and the natural environment are intrinsically linked - both to each other, and to the Company's core purpose and mission. The world's economies depend on nature and the services it provides, the loss of which also compromises the ability of societies to mitigate and adapt to climate change. As a battery energy storage investor, the Company's business model both supports and relies on a successful net zero transition. Enabling a net zero energy system is its primary strategic priority – climate-related opportunities are at the heart of its investment strategy, and it seeks to mitigate climate change by investing in renewable infrastructure. Nature has been identified as the Company's second strategic ESG priority, and the Company is committed to developing net zero infrastructure in a way that mitigates biodiversity loss. The Company must also consider its exposure to climate and nature risks to safeguard its strategy.

The TCFD and TNFD are international initiatives to assess and disclose climate and nature issues in a financial context. The aim of these frameworks is ultimately to shift global financial flows away from negative climate and nature outcomes toward positive outcomes, by providing decision-makers with accurate and timely information to improve strategic planning, risk management, and capital allocation.

Acknowledging the interconnectedness of climate and nature, the Company is pleased to present its first combined TCFD and TNFD report. This includes a risk and opportunity assessment related to climate and nature, aligned with best practice guidance as set out within one integrated disclosure. The Company does not currently fall within the scope of the FCA's mandatory reporting requirement but has chosen to voluntarily report in line with both frameworks.

GOVERNANCE

Board oversight of climate- and nature-related issues

Due to the nature of the Company's activities, climate and the natural environment are central to its key strategic, investment, and operational decisions. It is therefore critical that the Company has robust decision-making processes and oversight of these topics.

The Board has ultimate responsibility for and oversight of climate- and nature-related risks, opportunities, dependencies, and impacts. Many of the Board members are competent on these issues, though the Board also uses external experts to support its deliberations. The Board has delegated certain ESG-related responsibilities to its Committees and the Investment Adviser. For more information on the Company's ESG governance structure, including an organogram, please refer to page 42 of this report.

Management's role in assessing and managing climate- and nature-related issues

The Investment Adviser is responsible for the implementation of the ESG strategy, as part of which climate change, GHG emissions, nature, and biodiversity are key focus areas (a materiality matrix and outline of the Company's strategy are included on pages 38 and 39 of this report).

Consideration of climate- and nature-related issues is part of the Company's investment process, from the initial screening and due diligence phases, including supplier vetting, through to the management, reporting, and decommissioning stages, guided by the Company's Responsible Investment Policy. More information is available on pages 40 and 41 of this report.

There is a close working relationship between the Company, the Investment Adviser, and the AIFM who manage the risk register. The AIFM provides risk management services to the Company and ensures compliance with applicable regulations. Representatives of the AIFM meet with the Investment Adviser at least quarterly, as well as on an ad hoc basis when required, to review the Company's risk register. More information on this process and the AIFM's involvement, is detailed in the Risk & Impact Management section on pages 64 and 65 of this disclosure.

Assessing and responding to nature-related issues, human rights policies, stakeholder engagement activities, and oversight of these by the Board and management

As an investment trust, the Company has no offices or employees, but recognises the risks associated with nature and all affected stakeholders across both its sites and BESS supply chain, particularly in the upstream areas of mineral extraction, refining, and manufacturing. To support the delivery of the Company's commitments to climate and nature across the supply chain, including to any Indigenous or Local Communities (as there are no Indigenous groups near Company sites), the Company requests that key suppliers sign the Supplier Code. The Investment Adviser monitors compliance with the Supplier Code and engages with key suppliers on an ongoing basis to ensure risks are being adequately managed. More information on this is available on page 55 of this report.

The Investment Adviser engages with a wide group of stakeholders on behalf of the Company throughout each project's lifecycle. Key stakeholders include the local community, landowners, National Grid ESO, investors, and suppliers. The Company promotes public participation in the planning and development processes through a range of ongoing engagement methods, such as public drop-in events, exhibitions, virtual events, surveys, focus groups, interviews, leaflets, and workshops. The Company also funds local initiatives through its project-level Community Funds and it is in the process of setting up an ESG Fund to support strategic ESG initiatives. Further details on the Company's approach to managing local community impact and human rights can be found on pages 50, 51 and 53 of this report, respectively.



Managing Director, Paul Mason, hosted numerous investor presentations at our sites in 2023.

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STRATEGY

Identified climate- and nature-related risks, opportunities, dependencies, and impacts

The Company’s strategy is centred around the opportunity presented by the net zero transition. However, it is prudent to recognise that the pace and scale with which the opportunity is realised may be subject to some risks and constraints.

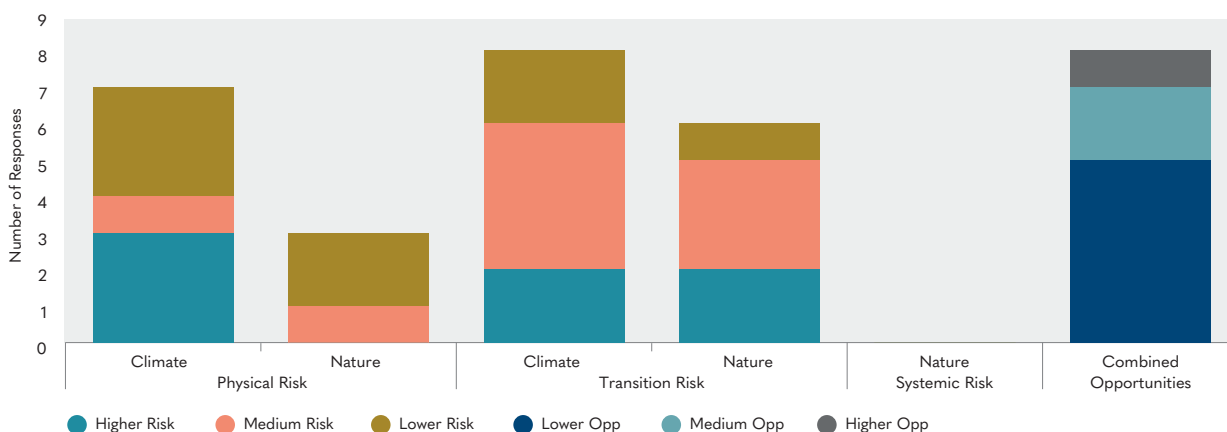
In order to understand where such risks and constraints lie, or conversely, where accelerators relating to the climate opportunity may lie, a screening exercise has been undertaken, jointly for climate and nature. This identified a long-list of 32 climate- and nature-related risks and opportunities that may impact the Company, or create a dependency or impact on nature, shown in

Table 5 and Chart 12 (below). Each risk or opportunity was categorised as physical, transitional, or systemic. A description of the impact, dependency, or effect – business model and financial impact – was included, with the financial areas aligned to TCFD and TNFD guidance. The term ‘business model impact’ is used by the Company as a reference to specific activities or functions within the value chain. Each risk and opportunity was assigned a preliminary ‘higher’, ‘medium’, or ‘lower’ rating based on stakeholder consultations, a review of peer organisations, and qualitative scoring of impact to the Company’s business model and finances.

TABLE 5: SUMMARY OF LONG-LIST OF CLIMATE- AND NATURE-RELATED RISKS AND OPPORTUNITIES BEFORE SCORING PRODUCED THE SHORT LIST. SOME OPPORTUNITIES WERE JOINT CLIMATE AND NATURE, SO HAVE NOT BEEN SEPARATED.

	HIGHER SCORE	MEDIUM SCORE	LOWER SCORE	TOTAL
Climate physical risks	3	1	3	7
Climate transition risks	2	4	2	8
Nature physical risks	0	1	2	3
Nature transition risks	2	3	1	6
Nature systemic risks	0	0	0	0
Opportunities (combined)	1	2	5	8
Total	8	11	13	32

CHART 12: SUMMARY OF THE 32 CLIMATE- AND NATURE-RELATED RISKS AND OPPORTUNITIES BEFORE SCORING PRODUCED THE SHORT LIST. SOME OPPORTUNITIES WERE JOINT CLIMATE AND NATURE SO HAVE NOT BEEN SEPARATED.



Potential impacts and effects on the Company's business model, value chain, strategy, and financial planning

The risks and opportunities assigned higher scores are detailed in Table 6. The Company has described any current mitigation actions against the collective risks and opportunities in Table 6 on pages 62 and 63. For each of the most material risks and opportunities, the impact to the most relevant business model stage is detailed in accordance with the stages set out in the Risk & Impact Management section on pages 64 and 65. Prior to prioritising the most material risks, the long list showed that each stage of the business model is impacted by climate and nature, or the Company is impacting nature. The Company recognises that even though some risks and opportunities fall outside the direct ownership and control of their business model, such as project development owned by Harmony Energy Limited, the Company can still indirectly influence action.

Following its voluntary disclosure against the TCFD and TNFD recommendations this year, the Company may consider time horizons as part of next year's scenario analysis. Time horizons are not specifically defined in the Company risk register and instead implied through the scoring for likelihood and severity, i.e., higher likelihood scores implying nearer term. The Company is aiming to develop the necessary frameworks and methodologies to undertake scenario analysis in future, in recognition of its importance in informing more effective strategy setting and financial planning.

The Company will consider implementing the TNFD's Locate, Evaluate, Assess and Prepare ("LEAP") guidance as a means of further identifying and assessing nature-related issues to improve its nature-related disclosures. An initial analysis of material impacts and dependencies has been carried out in a screening assessment with specialist third-party consultants. In the risk registry, a comparatively lower number of nature risks were rated as a high priority, relative to climate.

Impact on nature

The most important factor for a deep-dive in line with the TNFD-LEAP approach is to move from a company perspective to location-specific context. The TNFD recommendations urge organisations to disclose their priority and sensitive locations, as defined by the TNFD definition (see textbox below).

Ecological surveys and biodiversity net gain assessments have been conducted at all sites. In the future, the Company intends to conduct site level analysis in line with the TNFD-LEAP methodology to gain a more detailed understanding of the impacts and dependencies relevant to each location.

For the supply chain, the Company's material dependencies and risks are linked to the extraction and processing of lithium. In future, the Company intends to conduct further analysis of the supply chain to identify more detailed location-specific information regarding where impacts, dependencies, risk and opportunities occur.

Sensitive locations are locations where the assets and/or activities in an organisation's direct operations – and, where possible, upstream, and downstream value chain(s) – interface with nature in:

- Areas important for biodiversity; and/or
- Areas of high ecosystem integrity; and/or
- Areas of rapid decline in ecosystem integrity; and/or
- Areas of high physical water risks; and/or
- Areas of importance for ecosystem service provision, including benefits to Indigenous Peoples, Local Communities and affected stakeholders.

Recommendations of the Taskforce on Nature-related Financial Disclosures, September 2023

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TABLE 6: CLIMATE- AND NATURE-RELATED RISKS AND OPPORTUNITIES, DEFINED AS PHYSICAL OR TRANSITIONAL AND WITH THEIR BUSINESS MODEL AND FINANCIAL IMPACT DETAILED.

RISK CAUSE	RISK EVENT	RISK EFFECT	BUSINESS MODEL IMPACT	FINANCIAL IMPACT
CLIMATE RISKS: PHYSICAL				
CHRONIC				
Extreme heat	Batteries and cooling fans operating outside designed temperature parameters, working harder to maintain optimised temperatures and wearing components faster.	Hot batteries are less efficient and fans may shutdown if they overheat, both resulting in increased maintenance costs. Noise from fans leads to noise complaints, damaging reputation and incurring potential legal costs.	Operations	P&L Cost
Mitigating action: The Company's battery assets are designed to withstand operating temperatures of -30°C to 45°C. All Company assets are in the UK, so there is a lower risk of breaching the upper or lower limit of the temperature range. Warranties for equipment performance and degradation are in place if equipment was to degrade due to operating in higher temperatures. Noise complaints are addressed individually and BESS suppliers fed back to with the aim of collaboratively reducing noise levels.				
ACUTE				
High winds	Grid network power lines may fail.	Impedance to battery charge/discharge resulting in reduced energy storage/supply to the off-taker, and reduced revenue.	Operations	Revenue
Mitigating action: Harmony Energy Limited ("HEL"), who operates assets on behalf of the Company, works closely with DNOs to schedule outages to times that least affect revenues. In the event of an unplanned outage on the grid network, the Company is exposed to the first 30 days of lost revenue. Thereafter, the Company can lodge a Business Interruption claim with its insurance underwriter. On a more macro level, the Company's portfolio is better hedged against this risk by having a larger number of 50MW or lower sized sites that are geographically spread, rather than a few 100MW+ sites.				
Flash flood	Difficulty dispersing excess water on site can lead to damaged equipment/halted operations and injured workforce.	Both or either costs to replace or fix equipment and impact on legal/insurance fees and delays in on-site work. The relative financial impact will vary with employee numbers and type of insurance cover.	Operations	P&L Cost
Mitigating action: Pre-acquisition due diligence on potential target assets considers flood risk and mitigation measures to ensure adequate protection is in place. Flood risk assessments are completed as part of the site selection process by HEL. Mitigation measures are also incorporated into site design, for example, all sites have appropriate drainage and equipment is elevated on platforms at certain sites to alleviate flood risk.				
CLIMATE RISKS: TRANSITIONAL				
POLICY & LEGAL				
UK net-zero ambition	There is a gap between the UK's ambitious net-zero target and the current policies needed to achieve it.	There could be a reduction in UK specific renewables investment, and thus BESS, reducing potential revenue.	Project Development	Revenue
Mitigating action: Subscriptions to market intelligence services increase the Investment Adviser's awareness of any policy and market developments. The Investment Adviser and Board regularly engage with industry stakeholders and policymakers around the importance of net zero-aligned policies that support renewable infrastructure. This is achieved through different quarterly meetings, reports, papers, and written updates. These two factors allow the Company both to monitor the political landscape as well as to engage in consultations and contribute to policy making. Any changes to the market outlook are factored into revenue forecasts and investment proposals. Additional financial provision has been added to the financial model to account for slow ramp-up of new projects to full operational capability.				

RISK CAUSE	RISK EVENT	RISK EFFECT	BUSINESS MODEL IMPACT	FINANCIAL IMPACT
NATURE RISKS: PHYSICAL				
CHRONIC* (NATURE & CLIMATE)				
Water scarcity, drought	A dependency on lithium places pressure on water sources needed by lithium mines and local communities.	Increase cost of lithium for battery suppliers and therefore HEIT (and possibly other raw materials).	Contracting	Capital Cost
	Mitigating action: Capex has been, and continues to be, volatile, driven by underlying commodity costs (specifically lithium). However, the Investment Adviser ensures that capex is fully contracted prior to the Company making investment decisions. HEAL reviews sub-contractors' pricing prior to approval and has successfully reduced quoted prices on several signed projects. The contracting SPV owned by the Company aims to sign Engineering, Procurement and Construction (EPC) contracts with robust obligations regarding price. Contingency has been included to cover unexpected cost increases, approved by our supplier RINA as part of the debt due diligence process. Subscriptions to market intelligence services also increase the Investment Adviser's awareness of commodity cost changes. Additionally, the Company monitors developments in emerging BESS technologies for example, sodium-ion batteries, which are less reliant on the critical minerals facing supply deficits, such as lithium.			
NATURE RISKS: TRANSITIONAL				
REPUTATION				
Mining	The Company's BESS are dependent on lithium for the production processes. Mining lithium often negatively impacts local communities, water quality, forests and biodiversity, air pollution and energy use.	Damage to reputational image and costs to rectify if company linked with these activities.	Contracting	P&L Cost
	Mitigating action: Pre-acquisition, the Investment Adviser conducts ESG due diligence on potential acquisitions and suppliers, including relating to environmental and social risks to help ensure supply chain risks are being managed. The due diligence process will be reviewed and updated where relevant to incorporate lithium mining as a result of this reporting exercise. Post acquisition, the Company requires suppliers to sign its Supplier Code setting out the standards, principles, and values that suppliers are expected to uphold, including a specific commitment to protect the environment. The Investment Adviser monitors compliance with the Supplier Code and engages with suppliers to drive performance improvements.			
OPPORTUNITIES				
MARKET				
EU & UK net-zero targets	UK net zero target requires accelerated growth of renewable energy.	Demand for BESS increases to match growth and revenue potential increases. Demand stems from increased demand for grid frequency and balancing services.	Project Development	Revenue
	Enabling action: BESS infrastructure is integral to the net zero transition by providing grid stability services that enable the adoption of more renewable power. The UK's legally binding target of Net Zero by 2050 acts as an enabler, as this provides investor confidence that future investment in grid stability is needed as we transition away from fossil fuel generation sources. This includes BESS and renewable power, clearly aligning with the Company's business model. As an investor in battery energy storage systems and complementary renewable energy generation assets, the net zero transition is at the core of the Company's investment policy and climate-related opportunities are inherently considered in business, strategic, and financial planning.			
Increased renewables	An increase in intermittent renewable energy sources supplying the grid can lead to supply- demand imbalances, contributing to electricity price volatility.	Greater wholesale market spreads create revenue opportunities for BESS. Volatility furthered by extreme weather effects negatively impacting renewables.	Operations	Revenue
	Enabling action: Battery energy storage provides the infrastructure needed to integrate more renewable energy into power systems. The Company will expand its activities to match the increasing proportion of renewables on the grid over time, allowing it to maximise the benefits of increased revenues due to greater wholesale market spreads.			
Battery recycling technology	Tesla and Envision are developing lithium battery recycling technology.	Recycling lithium in production reduces end of life battery disposal cost and future carbon taxes.	End-of-Life	Revenue
	Enabling action: The Company actively engages with key BESS suppliers and industry bodies to try and accelerate developments in end-of-life recycling processes.			

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RISK & IMPACT MANAGEMENT

Identifying, assessing, and prioritising

During the Period, the Company conducted a screening assessment with specialist third-party consultants to identify material climate- and nature-related risks, opportunities, dependencies, and impacts across both direct operations and upstream and downstream value chain activities. The Company's value chain can be described using the various stages of its business model: Stage 1: Project Development; Stage 2: Contracting; Stage 3: Construction; Stage 4: Operations; and Stage 5: End-of-Life. The Company only acquires "shovel ready" projects, with Harmony Energy Limited performing the initial Project Development stage.

Project Development and End-of-Life disposal activities are outside of the Company's 'direct' ownership and control. However, these activities could still present climate- and nature-related commercial risks to the Company and have therefore been included within the scope of the risk screening process. The Company has a level of 'indirect' influence over these activities and would look to apply this influence in the management of any climate- and nature-related risks and opportunities, should it be relevant to do so.

The process for determining the significance of climate and nature risks varied from the regular corporate and site risk assessment processes due to increased, focused stakeholder consultation. Additionally, the time horizons considered for climate and nature risks and opportunities include grouping the long, medium, and short terms; as opposed to just the short and medium terms, which have historically been more in focus for the corporate and site assessments.

However, once scenario analysis has been performed and risks are better understood and quantified, these two processes may become better integrated, and updated on a regular, periodic basis, reducing the need for additional, focused stakeholder engagement on climate and nature.

A multi-functional stakeholder group from across the Company participated in a workshop, including members of the Board and the Investment Adviser to produce a long list to support the preparation of this disclosure. The long list included a variety of sub-categories of risks—physical (acute and chronic), transitional (policy and legal, including emerging regulations, technology, market, reputation, liability), and systemic (ecosystem stability, financial stability)—and opportunities—transitional (resource efficiency, energy source, products and services, markets, resilience) and systemic (ecosystem restoration) in alignment with TCFD and TNFD guidance.

As the Company operates only in the UK, any issues were considered nationally. The specific timescales or locations of impact were not considered at this stage. These would be explored as part of any future scenario analysis using data to quantify both climate- and nature-related issues.

For each identified risk and opportunity, an impact pathway assessment was undertaken to define the impact to the relevant stage of the Company's business model, compare against industry peers, and weight the relative financial impact. This was used to generate a qualitative score to allow for prioritisation—a higher score is associated with a given risk or opportunity impacting multiple areas of the supply chain, a qualitative assessment concluding high relative financial impact, and more frequent prioritisation across the peer group. The initial long list was ranked according to this scoring system; the prioritised short list is presented above under the Strategy subsection.

In line with the Company's previous ESG materiality assessment, a "material" area is one that has the potential to impact the long-term viability of the company and is of concern to stakeholders.

Risks are categorised and assessed to determine likelihood (the chance, or frequency of occurrence) and impact (the magnitude of damage). Ratings are applied to the risks before any mitigating action and again following consideration of the adequacy of mitigating actions. More information on this process can be found in the Governance section above, describing management's role in assessing and managing climate- and nature-related risks, opportunities, impacts, and dependencies.

Monitoring and managing

The Board recognises the importance of effective risk management in enabling the Company to deliver its strategic objectives. Mitigation measures and action plans are put in place to manage identified risks. The Investment Adviser oversees implementation of any of these measures, such as biodiversity and land management, and community engagement. Identified risks are assigned owners within the Investment Adviser to ensure accountability; day-to-day ownership sits with these named individuals who monitor both current and emerging risks. These risks and mitigations are recorded in site-level risk registers and reflected in the Company-level risk registers, which is reviewed quarterly by the Board to advise on the implementation of additional risk management actions if deemed necessary.

Current descriptions of agreed mitigation measures for managing the material risks identified as part of the climate and nature screening are included in Table 6 above under the Strategy heading of this disclosure. Future management actions for newly identified risks would take a similar format.

Integrating into overall risk management

The identified risk owners within the Investment Adviser are responsible for formal quarterly reporting of all current and emerging risks and issues. A formal quarterly review of the risk register is carried out by the Investment Adviser and any recommendations for updates are made to the AIFM. The proposed updates to the Company's risk register are further reviewed and approved by the AIFM's internal Risk Committee in advance of circulation to the Board for its approval. Mitigating actions are also summarised in the risk register and are subject to review and monitoring.

The Company has worked closely with the AIFM to integrate the risks identified as part of the recent screening into the risk register. The AIFM conducted a gap assessment against the existing risks in the risk register to ensure that any new climate and nature risks were integrated.



The launch event for the 196 MWh / 98 MW Pillswood BESS took place in March 2023.

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METRICS AND TARGETS

For information about the Company's approach and progress towards monitoring climate change mitigation, GHG emissions, and nature and biodiversity metrics, including priority targets for the upcoming year, see pages 43-48 of this report. The full list of ESG metrics identified through a materiality assessment process is listed on page 56 of this annual report.

The following table is a summary of indicators associated with the TNFD, including all the core metrics, and a description of its relevancy to the Company on a comply or explain basis. The climate change indicators are relevant to both the TCFD and TNFD frameworks.

TABLE 7: TNFD CORE GLOBAL DISCLOSURE INDICATORS AND STATUS OF METRICS FOR NATURE-RELATED DEPENDENCIES AND IMPACTS, AS APPLICABLE TO THE COMPANY

CATEGORY	INDICATOR	STATUS
Climate change	GHG Emissions	The Company measures scope 1, 2, and 3 emissions in line with the GHG Protocol. See p. 56 and the description below this table for details.
	Carbon Avoidance	15,415 tCO ₂ e
	Renewable Energy Stored	30,938 MWh
	Weighted average carbon intensity (WACI)	23,345 tCO ₂ e/£m
Land/freshwater/ocean- use change	Total spatial footprint	Nature-related data is nascent, and the Company does not yet capture this information.
	Extent of land/freshwater/ocean-use change	
Pollution/pollution removal	Pollutants released to soil split by type	Nature-related data is nascent, and the Company does not yet capture this information
	Wastewater discharged	
	Waste generation and disposal	Nature-related data is nascent, and the Company does not yet capture this information
	Plastic pollution	
	Non-GHG air pollutants	
Resource use/replenishment	Water withdrawal and consumption from areas of water scarcity	Nature-related data is nascent, and the Company does not yet capture this information.
	Quantity of high-risk natural commodities sourced from land/ocean/freshwater	Nature-related data is nascent, and the Company does not yet capture this information.
Invasive alien species and other	Measures against unintentional introduction of invasive alien species (IAS)	Nature-related data is nascent, and the Company does not yet capture this information.
State of nature	Ecosystem condition	Nature-related data is nascent, and the Company does not yet capture this information.
	Species extinction risk	

TABLE 8: METRICS RELATING TO THE FINANCIAL IMPACT (MONETARY VALUE) OF IDENTIFIED MATERIAL RISKS AND OPPORTUNITIES.

CATEGORY	INDICATOR	STATUS
Risk	TNFD requires reporting on a metric depicting value of assets, liabilities, revenue, and expenses that are assessed as vulnerable to nature-related transition and physical risks (total and proportion of total).	Future quantitative scenario analysis and the LEAP-approach will be combined with the Company's asset value and revenue to understand financial exposure and proportion of the Company's portfolio exposed to physical and transitional climate- and nature-related risks. This can include legal and policy risks if deemed material.
Opportunity	TNFD requires reporting on a metric depicting an amount of capital expenditure, financing or investment deployed towards nature-related opportunities, by type of opportunity, with reference to a government or regulator green investment taxonomy or third-party industry or NGO taxonomy, where relevant.	Further work such as quantitative scenario analysis and the LEAP- approach will be required to enable disclosure of these metrics.
	Increase and proportion of revenue from products and services producing demonstrable positive impacts on nature with a description of impacts.	

Scope 1, 2, and 3 GHG emissions

The Company has calculated its carbon footprint for the previous two years, covering the reporting periods of 2021/2022 and 2022/2023, in line with the World Resource Institute's (WRI) internationally recognised reporting standard the GHG Protocol.

The Company defines its organisational boundaries using the equity share approach as per the GHG Protocol Corporate Standard, whereby a company accounts for GHG emissions from operations according to its share of equity in the operation. This approach focuses on including GHG emissions from activities that are under the financial control of the reporting company, presenting a more accurate picture of the Company's environmental impact by including GHG emissions from entities it has a significant influence over. Under the equity share approach, all Special Purpose Vehicles ("SPVs") are within the Company's organisational boundary, as they are fully owned subsidiaries. Under the methodology used, the construction and materials' GHG emissions for a project will be recognised only once the construction of that project is complete.

With no employees or physical offices during the Period, the Company had zero Scope 1 GHG emissions.

Emissions relating to electricity consumed and lost on operational BESS sites are accounted for under the Company's Scope 2 emissions. Electricity consumption and losses figures are calculated based on the difference between half-hourly energy import and export data. To calculate Scope 2 emissions relating to the operation of the batteries, UK National grid carbon intensity values are applied to electricity consumption and losses data.

When calculating Scope 3 GHG emissions, the relevant categories for the Company include:

- Category 1: Purchased goods and services – professional services purchased by the Company; and
- Category 6: Business travel – Non-executive Board business travel.

Scope 3 GHG emissions for the Company that derive from SPV-level activities include:

- Category 1: Purchased goods and services – goods and services purchased by SPVs;
- Category 2: Capital goods – cradle-to-supplier gate emissions of capital goods (e.g. battery packs and transformers) purchased or acquired by SPVs;
- Category 3: Fuel and energy related activities – well-to-tank ("WTT") and transmission & distribution ("T&D") emissions of electricity consumed or lost on SPV sites;
- Category 5: Waste generated in operations – waste generated on-site, and disposal of equipment (e.g. battery packs) at the end of its life; and
- Category 11: Use of sold products – upstream emissions of the electricity exported to the grid (i.e. not consumed or lost on site).

A range of methodologies are used to calculate the GHG emissions for different activities and entities. Various levels of data quality are available across the different GHG emission categories, therefore different methodologies must be applied.

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For the next periods, the Company aims to increase the quality of data where possible and the coverage of reporting. For example, collecting activity data over spend-based data will be a priority for business travel, as well as waste and water use data to ensure more granular detail of future inventories. Additionally, the Company intends to consider setting a GHG emissions reduction target in 2024.

TABLE 9: PRIOR YEAR AND CURRENT YEAR GHG EMISSIONS FIGURES

SCOPE AND CATEGORY	2021/22 DATA (TCO ₂ E)	2022/23 DATA (TCO ₂ E)
GHG Emissions	Scope 1	0
	Scope 2	0
	Scope 3	1,879
	Total Scope 1, 2, and 3	1,879

Renewable energy stored

The Company calculates the total renewable energy stored for all operational sites that the Company invests in. This metric allows the Company to measure the role of BESS in facilitating the increased adoption of renewable power.

Renewable energy for this metric includes wind, solar, biomass, geothermal, and hydroelectric generation, and excludes coal, gas, nuclear, imported or 'other' energy sources categorised by the National Grid's API. Half-hourly asset-specific energy data combined with energy generation mix data from the National Grid was used to calculate the amount of energy from renewable sources that was consumed by the BESS sites relative to energy from non-renewable sources. For 2022/2023, a total of 30,938 MWh imported by the operational portfolio was derived from renewable sources, constituting 36% of the total electricity imported.

Carbon avoidance

The Company calculates the GHG emissions avoidance impact of its BESS assets. The Company's BESS provide critical grid services and can be used for different modes of operation such as energy arbitrage actions, balancing mechanism actions, or ancillary services actions; the metric calculates carbon avoided for these three uses. Each of these battery energy actions has a subsequent carbon impact due to the resulting change in the net load system the action produces.

TABLE 10: CARBON IMPACT OF BATTERY ACTIONS

MODES OF OPERATION	ENERGY ARBITRAGE	BALANCING MECHANISM	ANCILLARY SERVICES
Description of activity	The Company's BESS are optimised to charge at off-peak times when the carbon intensity of the grid is more likely to be low and discharge at high peak times when the carbon intensity of the grid is more likely to be high.	The Company's BESS responds to dispatches from National Grid ESO to balance supply and demand.	The Company's BESS provide frequency response services to system operators such as National Grid ESO.
The carbon impact	Energy arbitrage actions support carbon emissions avoidance by enabling the integration of additional low-carbon renewable power within the grid's energy mix and, in doing so, displacing more carbon-intensive fossil-based power generation whilst lowering the overall carbon intensity of the electricity on the grid.	BESS responding to dispatches from the National Grid ESO to balance supply and demand contributes to grid stability. The subsequent carbon impact is tied to the ability of the BESS to quickly respond to fluctuations in energy demand and supply. Efficient response helps avoid the need for ramping up or down traditional power plants, particularly those using fossil fuels. This can reduce the carbon emissions associated with the quick adjustments required to maintain grid balance.	Providing frequency response with the BESS involves rapid and precise adjustments to maintain the stability of the grid. The subsequent carbon impact is primarily seen in the reduction of reliance on fossil CCGT plants. By offering quick frequency support, the BESS helps avoid the need to deploy CCGT plants, which are often less efficient and have higher emissions. Similar to balancing mechanism actions, the carbon impact in ancillary services operation is also associated with the BESS's role in balancing supply and demand.

MODES OF OPERATION	ENERGY ARBITRAGE	BALANCING MECHANISM	ANCILLARY SERVICES
Calculation methodologies	<p>The GHG emissions avoidance of a BESS project during energy arbitrage and balancing mechanism actions are calculated as the difference in the emissions between the actual scenario where the BESS is in use and a hypothetical, 'business as usual' scenario when the BESS is not in use. In the first scenario, the supply of electricity to the grid is provided by the BESS assets; in the second, business as usual scenario, it is provided by a gas peaker plant. Emissions associated with system efficiency losses are incorporated into the calculations.</p> <p>GHG avoidance = (emissions of the hypothetical peaking plant scenario) – (emissions of the BESS (arbitrage and balancing mechanism) scenario)</p>		<p>The GHG emission avoidance of a BESS project during ancillary service use is calculated as the difference in the emissions between the actual scenario where the BESS is in use and a hypothetical business as usual scenario where ancillary services are provided by running a CCGT plant. It is assumed the CCGT would be running at a reduced efficiency of 45% as the usual case in this scenario.</p> <p>GHG avoidance = (emissions of the hypothetical CCGT scenario) – (emissions of the BESS (ancillary services) scenario)</p>

Whilst the Company's methodology aligns to the EU methodology and GHG Protocol for assessing avoided GHG emissions, further improvements can be made. For example, this methodology solely incorporates the overall carbon avoidance for the UK grid and does not capture the impact the storage systems have on the marginal carbon intensity from daily import and export services. Future developments in this regard will be closely monitored to ensure the methodology is aligned with current best practice guidance to provide the most accurate assessment of the carbon avoidance potential of BESS.

Climate- and Nature-related Targets

The Company has recently begun tracking against a set of relevant metrics (see page 56 of this report) and, as such, has not yet set any specific climate-related targets regarding GHG emissions, avoided emissions, water usage, or energy usage in line with anticipated regulatory requirements, market constraints, or other ambitions.

The Company's only target at this stage is in relation to biodiversity, targeting a biodiversity net gain of 10% or more across the portfolio, ahead of the UK government mandated BNG target coming into effect in 2024. This reporting year of 2022/23 is the baseline for this target, given that it marks first year of site operation for the Company.

The Company is considering further analysis of the identified risks and opportunities in 2024, potentially to include scenario analysis and/or the LEAP approach, which will enable a more thorough assessment of the material financial impacts of climate and nature issues. The outcomes of this screening and any further analysis will be used to set the most appropriate targets going forward to manage its climate- and nature-related risks and opportunities.