

# Approach to Nature

Generating a more  
sustainable future

NOVEMBER 2024

Prepared in collaboration with ETIFOR



ETIFOR  
valuing nature

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# Preface

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

Since the Fund's initial public offering (**IPO**) in 2014, NESF has built a robust foundation of environmental sustainability, incorporating rigorous environmental due diligence; risk management protocols; dual land-use programmes; and biodiversity enhancement initiatives across its solar sites. This approach has enabled NESF to deliver on its prospectus commitment, to generate robust, risk-adjusted investment returns for its shareholders, while simultaneously advancing best-in-class sustainability practices. The financial success of NESF is deeply intertwined with the resilience of the ecosystems it operates in, as healthy ecosystems support the stability of renewable energy assets; reduce operational risks; and ensure long-term value creation. Equally important to this success is engaging with local communities, which remain central to the clean energy transition and bring invaluable knowledge on land stewardship and nature conservation.

In recognition of the importance of nature to its operations and financial outcomes, NESF has undertaken an extensive assessment of how its activities interface with the natural environment. This document outlines the Fund's Approach to Nature and the structured framework through which NESF will manage and enhance its relationship with nature. It also sets out clear and meaningful commitments to guide decision-making at both the strategic and operational levels.

The Approach does not serve as a formal disclosure; rather, it is a foundational document that establishes



how NESF will continue to integrate nature into the energy transition. The Approach is aligned with emerging global standards, such as the Taskforce on Nature-related Financial Disclosures (**TNFD**), and it will support our decision-making and ensure that we are well-prepared to meet future nature-related disclosure requirements. Additionally, NESF's strategic Approach to Nature will help us to prioritise and address nature-related risks and opportunities in a more structured and transparent way, ultimately contributing to the financial resilience and long-term success of the Fund.

For definitions of specific terms used in this document, please refer to the glossary.

# Foreword

Nature is fundamental to life on Earth. It is intrinsically linked to our climate, wellbeing, and economic stability. Yet, its key components are declining at an unprecedented rate, and global efforts to halt and reverse this loss are falling short of the targets set by the Kunming-Montreal Global Biodiversity Framework (KM-GBF)<sup>1</sup>. Addressing this crisis requires a fundamental rethink of how we interact with nature. Solar energy both reduces emissions and enhances biodiversity. It therefore offers a unique opportunity to optimise the co-benefits between climate action and nature conservation, while delivering robust, risk-adjusted investment returns for a more sustainable future.

NESF has a proven track record of balancing financial growth with nature positive outcomes. Since 2014, NESF has pioneered solutions to protect, conserve, and enhance natural ecosystems around its solar and energy storage assets. Between 2023 and 2024, we conducted a double materiality assessment to develop a strategic approach to nature. This ensures that both our impacts and dependencies on nature are fully understood, aligning NESF with global standards such as the KM-GBF and positioning us to proactively manage nature-related risks and opportunities.

At NESF, we recognise that a scientifically grounded approach to nature and ecosystems is essential for long-term success. Our approach is designed to manage nature-related risks across our operations and supply chains, enhancing resilience in the face of economic and environmental uncertainty. By addressing the challenges posed by nature loss, we are de-risking future investments; safeguarding our assets; and, positioning NESF for sustainable growth in an evolving regulatory landscape.

However, our approach goes beyond risk management. It acts as a catalyst for transformation. By embedding nature-positive practices into our operations, NESF not only avoids and mitigates risks but also capitalises on emerging opportunities. This forward-looking plan enables us to unlock the intrinsic value of the biodiversity and ecosystems surrounding our solar and energy storage assets.



As markets for carbon, biodiversity, and other ecosystem services mature, these initiatives have the potential to generate additional revenue streams.

By aligning with nature-related frameworks and standards, NESF is well-positioned to leverage these opportunities and reinforce our commitment to sustainable growth.

NESF's ambition for nature reflects our dedication to leading the solar and sustainable investment sector in creating a nature positive future. Our approach provides investors with the tools and transparency needed to integrate nature into their decision-making processes, offering quantifiable value creation through responsible and sustainable investments.

As part of our commitment to transparency and responsible stewardship, NESF prioritises comprehensive disclosures. By identifying nature-related risks and opportunities, our materiality assessment enhances our understanding of our critical interfaces with the natural world. This insight not only enables us to meet evolving regulatory expectations, but also strengthens our position as a leader in sustainable renewable energy investment.

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

<sup>1</sup> The Kunming-Montreal Global Biodiversity Framework was adopted during the fifteenth meeting of the Conference of the Parties. This historic Framework supports the achievement of the Sustainable Development Goals and sets out an ambitious pathway to catalyse, enable and galvanize urgent and transformative action to halt and reverse biodiversity loss and to reach the global vision of a world living in harmony with nature by 2050.

# Introduction

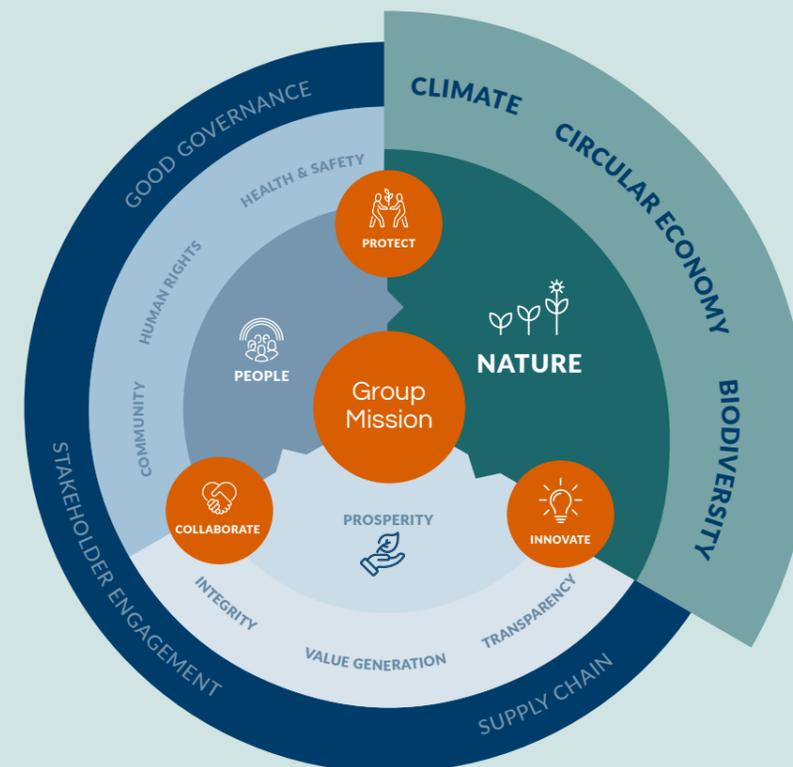
## Why is nature important?

Nature describes our natural world and encompasses four realms: Land, Ocean, Freshwater and Atmosphere.<sup>2</sup> It is intrinsically linked to our well-being, livelihoods, and economic stability. Natural systems regulate our atmosphere and the air we breathe; shelter us from extreme events and disease; and underpin our economy. Nature therefore provides humanity with the essential resources and services to survive.

However, natural ecosystems and biodiversity are in decline all over the world. Nature loss and climate change are inextricable global challenges which must be overcome to ensure a more prosperous future. Transformative and decisive action is needed to **mitigate climate change, halt and reverse biodiversity loss, and ensure safe, fair, and equitable working conditions for all**. In order to meet these challenges, we must reevaluate how we interact with nature and act with urgency.

In 2024, NESF strengthened its long-standing commitment to sustainability by adopting a new Sustainability Strategy and supporting Environment, Social and Governance (ESG) Framework. During the Strategy development process, we conducted a comprehensive materiality assessment, which included a thorough reassessment of NESF's ongoing relationship with nature. This reinforced our focus on nature as one of the three priority areas of the new Sustainability Strategy, alongside people and prosperity.<sup>3</sup>

<sup>2</sup> Taskforce for Nature-Related Financial Disclosures (TNFD), 2023. *Recommendations of the Taskforce on Nature-related Financial Disclosures*. Available from: <https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content>  
<sup>3</sup> NextEnergy Group, 2023. *Sustainability Report 2023*. Available from: [https://cdn.next1.nextenergycapital.com/next/2024/02/NextEnergy\\_Group\\_Sustainability-Report.pdf](https://cdn.next1.nextenergycapital.com/next/2024/02/NextEnergy_Group_Sustainability-Report.pdf)



## NESF's Approach to Nature

NESF's Approach to Nature aims to strategically align the Fund with the **KM-GBF** so that it continues to contribute toward a nature positive economy. It stems from a clear understanding that our work in solar energy infrastructure development, financing and management both impacts and depends upon nature.

Material nature topics could generate risks to stakeholders, natural landscapes and the long-term success of NESF, but they also present opportunities to create value for them. NESF's Approach to Nature is **carefully designed to avoid and mitigate nature-related risks while seizing opportunities to pave the way towards a nature positive future**. The rigorous risk management processes that underpin this approach are expected to enhance NESF's social licence to operate and, where appropriate, could generate additional commercial opportunities for the Fund to leverage.

In addition to the scientific basis and logical framework underpinning the Approach to Nature, a key mechanism to deliver against the Fund's ambitions is through target setting and enhanced governance. Highlights include:



**No Conversion of Natural Ecosystems, a Science Based Targets Network (SBTN)-aligned commitment to prevent the material loss of natural ecosystems in direct operations and supply chains.**



**Responsible Land Use will be achieved through updated nature-related risk management procedures.**



**30x30 Nature Restoration Target to restore natural ecosystems in the regions where NESF operates and which need support.**

NESF intends to participate as an Early Adopter<sup>4</sup> of the TNFD by aligning future disclosures and reporting with the TNFD framework. TNFD and SBTN provide internationally recognised frameworks and approaches which will enable NESF to set meaningful targets; transparently disclose on progress; and provide stakeholders and peers with a pioneering example of how to take responsibility for nature-related topics. A full overview of the delivery framework is provided in Section 3.

The core components of the Approach to Nature include **strong governance, evidence-led action plans, science-based targets, and transparent disclosures**, which are necessary for NESF to undertake its work safely and responsibly. NESF knows that the severity and magnitude of the risks it seeks to address require collective action and that it **cannot meet these challenges alone**. NESF values collaborative partnerships and recognises that achieving its nature-based targets will require broad consultation and engagement with its stakeholders across the value chain, including communities, suppliers, investors, and the Fund's Investment Adviser, as well as industry associations, service providers, NGOs, and academia. **Complex problems require multifaceted solutions**, but NESF believes that progress thus far, further elaborated in our Approach, places NESF in a strong position to drive the normative shift needed to effect **meaningful and long-lasting change towards a nature positive future**.

<sup>4</sup> Early Adopters are the companies and financial institutions that have committed to start making disclosures aligned with the TNFD Recommendations in their corporate reporting by the financial year 2024 (or earlier) or 2025, announced at the World Economic Forum in Davos in January 2024



photo credit: Jon Elven

## 1. Background

Nature loss and ecosystem degradation are the sources of profound economic and social risks. NESF's Approach to Nature seeks to address these challenges through a delivery framework which underpins our nature positive ambition. The following sections provide an overview of the key concepts and nature-related topics which are material to NESF.

### 1.1 Planetary Boundaries

**Our economy and our well-being depend on stable, secure, and self-regulating Earth systems** – the atmosphere, biosphere, hydrosphere, and other natural systems which underpin our livelihoods and our prosperity. These systems have the ability to absorb our impacts on nature, but their capacity to do so is limited. Beyond a certain threshold, they begin to break down. These **planetary boundaries** therefore represent the safe operating space within which we can thrive without exceeding or compromising nature's capacity to sustain itself.<sup>5</sup>

<sup>5</sup> Rockström, J. et al. 2009. A safe operating space for humanity. Available from: <https://www.nature.com/articles/461472a>

<sup>6</sup> Intergovernmental Panel on Climate Change (IPCC), 2023. Climate Change 2023: Summary for Policymakers. Available from: [https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC\\_AR6\\_SYR\\_SPM.pdf](https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf)

<sup>7</sup> IPBES (2019): Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem

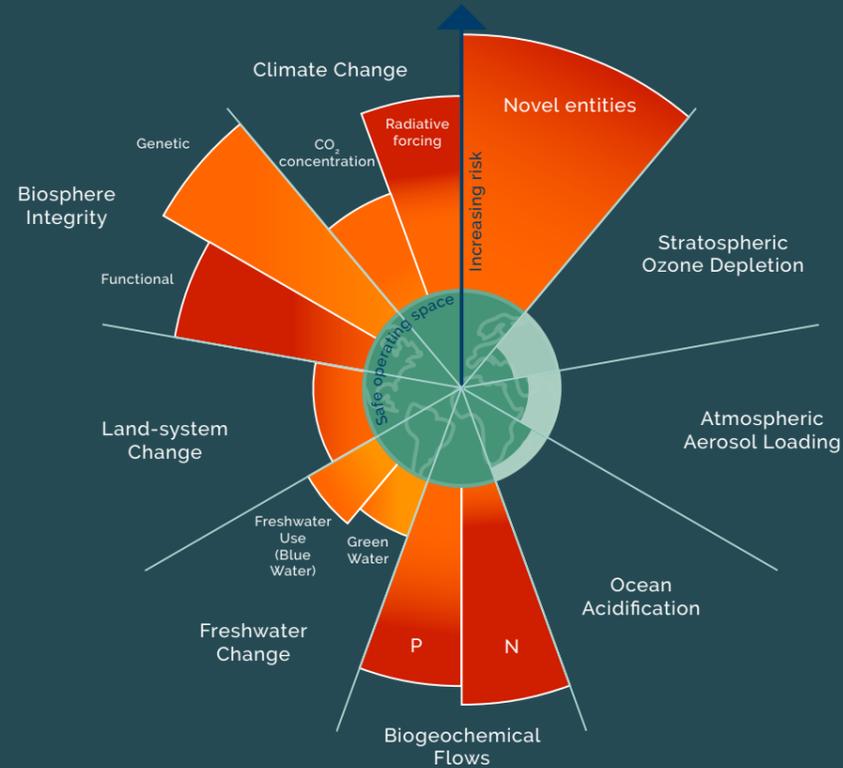
In 2023, the Stockholm Research Centre confirmed that **we have exceeded six out of the nine planetary boundaries** originally identified in 2009, **including climate change, biosphere integrity, land-use change, and freshwater change** (Figure 1 below). This assessment was underpinned by a strong scientific consensus on the critical state of our Earth systems. Without a fundamental overhaul of our energy system and immediate, deep cuts to our greenhouse gas emissions, we are on a path to surpass both the 1.5°C target and the 2°C limit of the Paris Climate Accord.<sup>6</sup> Nearly 75% of the Earth's land cover has been heavily modified through human development, agriculture, and industry.<sup>7</sup> Biodiversity and ecosystem integrity are declining rapidly worldwide. The global rate of species extinction is already tens to hundreds of times higher than the average rate over the past 10 million years<sup>8</sup>, and is accelerating, and there is a decline even among those not classified as threatened or endangered: nearly a 70% decline in terrestrial populations and an 83% decline in freshwater populations.<sup>9</sup>

Services. E. S. Brondizio, J. Settele, S. Diaz, and H. T. Ngo (editors). IPBES secretariat, Bonn, Germany, 1148 pages. Available from: <https://doi.org/10.5281/zenodo.3831673>

<sup>8</sup> Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), 2019. Global Assessment of Biodiversity and Ecosystem Services. Available from: <https://www.ipbes.net/global-assessment>

<sup>9</sup> World Wildlife Fund (WWF), 2024. Living Planet Report 2024. Available from: <https://livingplanet.panda.org/en-US/>

Figure 1. Planetary boundaries in 2023<sup>10</sup>



Earth systems and their planetary boundaries are intertwined; each impacts and is, in turn, impacted by the others. The Intergovernmental Panel on Climate Change (IPCC) and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) emphasise the **inextricable links between climate change, land-use change, and biodiversity loss**, stating clearly that “Limiting global warming to ensure a habitable climate and protecting biodiversity are mutually supporting goals, and their achievement is essential for sustainably and equitably providing benefits to people.”<sup>11</sup>

Our ambition is to ensure that NESF operates within safe boundaries for people and the planet. NESF recognises the threats and pressures placing strain on Earth’s interdependent systems. This validates NESF’s holistic Approach to Nature, including how it assesses, manages, and discloses its impacts and dependencies on natural resources. Importantly, NESF does not aim for zero impacts on nature, as this is neither prudent, nor realistic, nor achievable; everything we do interacts with nature to some degree. However, **NESF recognises its obligation to understand its impacts and ensure these do not**

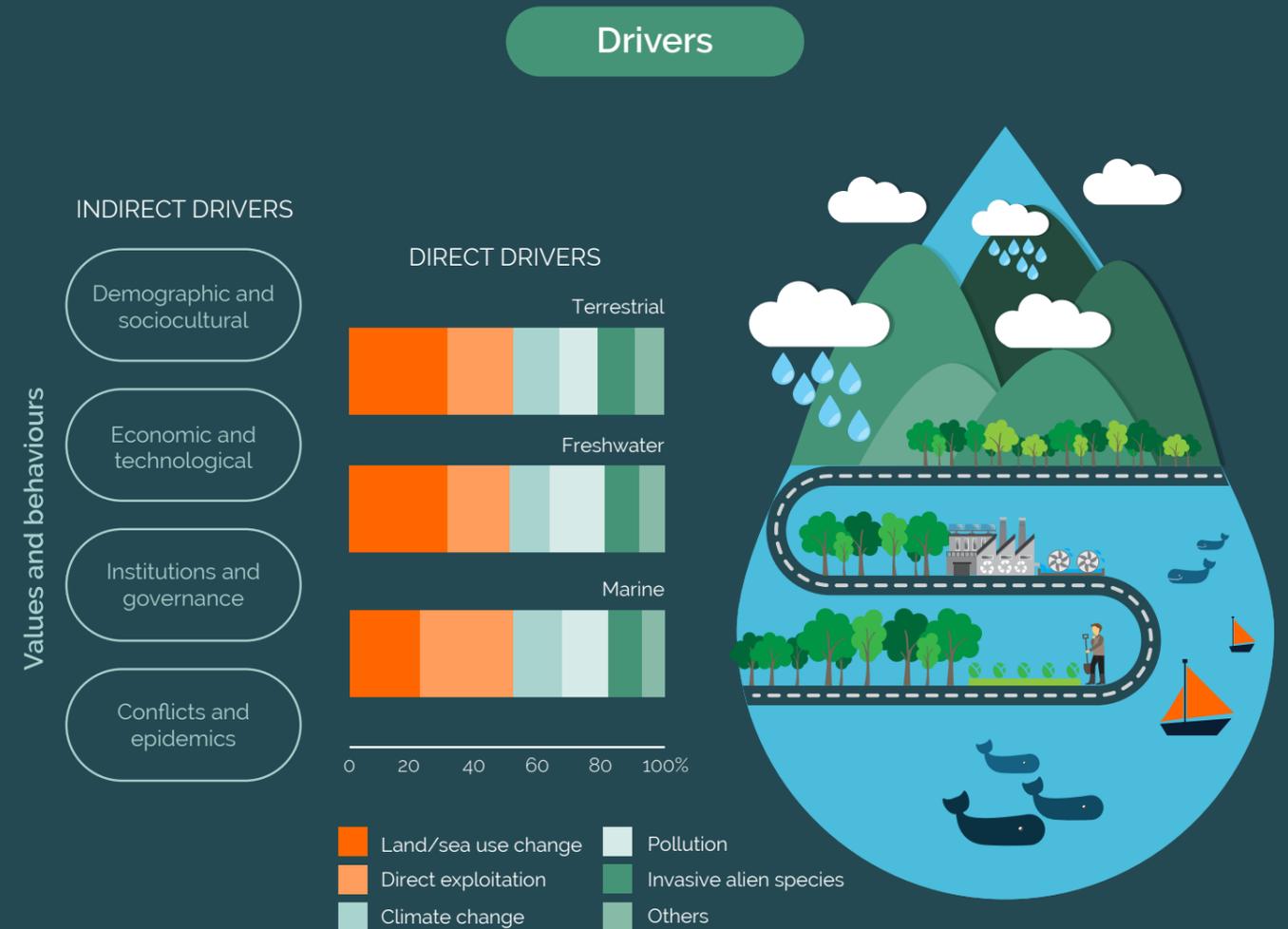
**exceed the capacity of natural systems to self-regulate.** This position is broadly supported by the **Nature Positive Initiative** and underpins the central tenets of the SBTN.

### 1.2 Drivers of Nature Loss

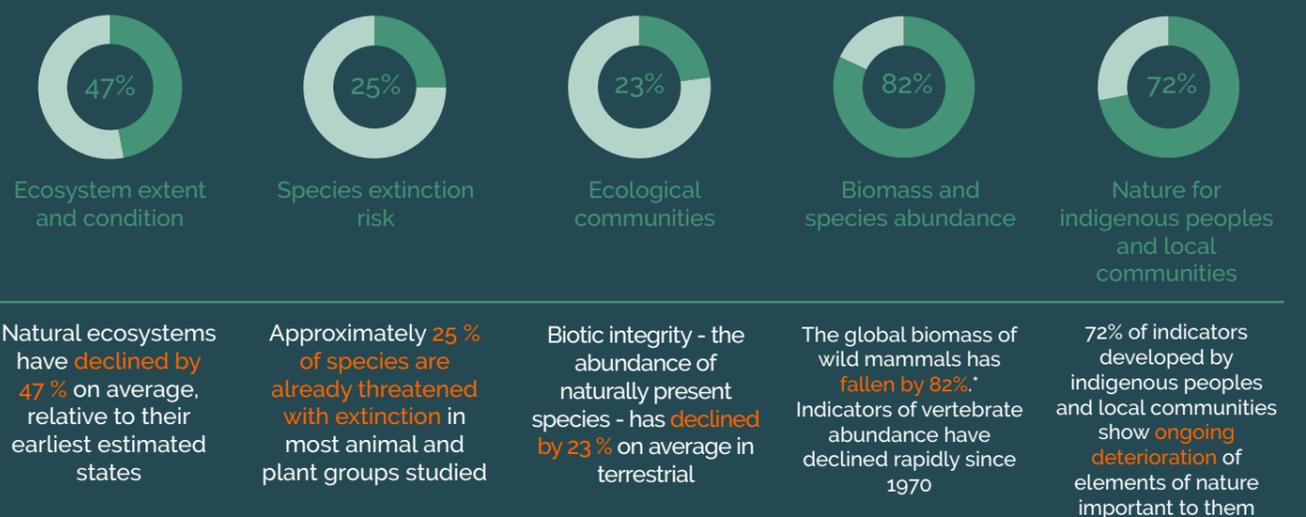
IPBES has identified **five main drivers of nature loss: land/sea use change, direct exploitation of natural resources, climate change, pollution, and invasive alien species** (Figure 2). Each of these drivers intersects with solar energy operations and supply chains in different ways. It is necessary to assess material risks or opportunities for each one to develop an effective Approach to Nature.

<sup>10</sup> Source: Adapted from Azote for Stockholm Resilience Centre, Stockholm University. Based on Richardson et al. 2023, Steffen et al. 2015, and Rockström et al. 2009. Available from: <https://www.stockholmresilience.org/research/planetary-boundaries.html>  
<sup>11</sup> Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and Intergovernmental Panel on Climate Change (IPCC), 2021. IPBES-IPCC Joint Report. Available from: [https://files.ipbes.net/ipbes-web-prod-public-files/2021-06/20210609\\_workshop\\_report\\_embargo\\_3pm\\_CEST\\_10\\_june\\_0.pdf](https://files.ipbes.net/ipbes-web-prod-public-files/2021-06/20210609_workshop_report_embargo_3pm_CEST_10_june_0.pdf)  
<sup>12</sup> Source: Adapted from IPBES Global Assessment. Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), 2019. Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. Available from: <https://doi.org/10.5281/zenodo.3831673>

Figure 2 IPBES Drivers of Nature Loss<sup>12</sup>



### Examples of Declines in Nature



\*since prehistory

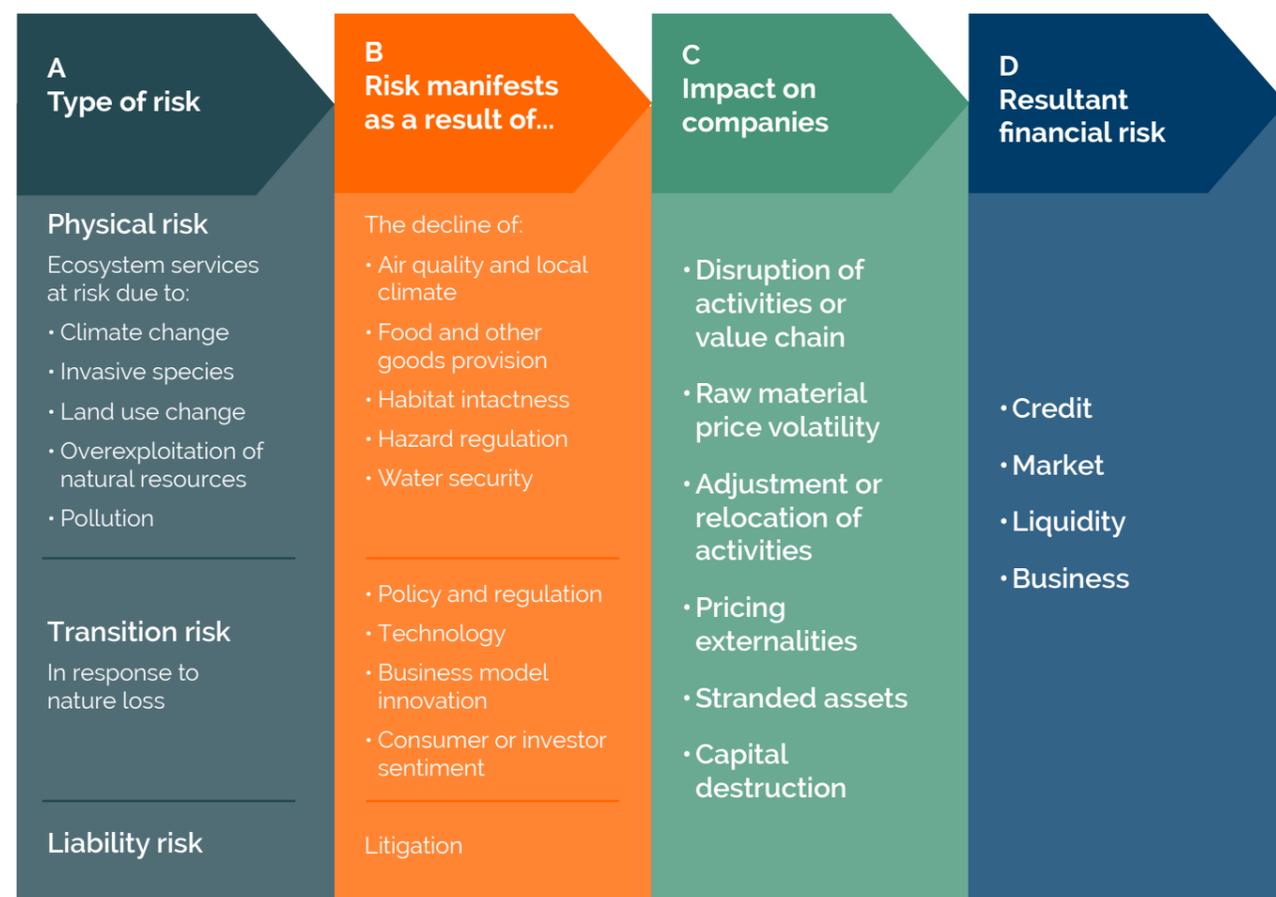
The drivers of nature loss are **highly location-dependent**, differing by geography, land-use history, local economic incentives, natural resource distributions, and wealth disparities, amongst other factors. Geographically, NESF's solar assets are located primarily in the UK and Italy, with a smaller presence in other international markets. Accordingly, NESF's approach to nature risk identification and management is spatially explicit and location-dependent.

### 1.3 Nature-related Economic Risks

Nature loss is closely linked with economic risk. **An estimated 55% of global GDP is moderately to highly dependent on nature, with most industries also exhibiting hidden dependencies in their**

**value chains on more than 50% of the Gross Value Added (GVA) of their products.**<sup>13</sup> If nature loss and ecosystem degradation continue at their current pace, the potential impacts are not only cultural, aesthetic, or natural, but also financial. The World Bank has stated that the global decline of biodiversity and ecosystem services is an economic development issue: current degradation rates are leading to an estimated 2.3% contraction in real Global GDP by 2030, with a disproportionate impact on low-income countries (up to 10% contraction in real GDP).<sup>14</sup> In the United Kingdom alone, it is estimated that biodiversity loss, environmental degradation, and climate change will lead to a contraction in GDP by up to 8% in the 2030s, equivalent to between four and seven years of lost growth.<sup>15</sup>

Figure 3 Types of nature-related risks and impacts for businesses<sup>16</sup>



<sup>13</sup> PricewaterhouseCoopers (PwC), 2023. Managing Nature Risks. Available from: <https://www.pwc.com/gx/en/strategy-and-business/content/sbpwc-2023-04-19-Managing-nature-risks-v2.pdf>  
<sup>14</sup> World Bank Group, 2021. The Economic Case for Nature. Available from: <https://openknowledge.worldbank.org/server/api/core/bitstreams/gf0d9a3a-83ca-5c96-bd59-9b16f4e936d8/content>  
<sup>15</sup> Green Finance Institute, 2024. UK Nature-Related Risks: Full Report. Available from: <https://www.greenfinanceinstitute.com/wp-content/uploads/2024/06/GFI-GREENING-FINANCE-FOR-NATURE-FINAL-FULL-REPORT-RDS4.pdf>  
<sup>16</sup> Source: Adapted from Cambridge Institute for Sustainability Leadership (CISL), 2021. Handbook for NatureRelated Financial Disclosures. Available from: <https://www.cisl.cam.ac.uk/system/files/documents/handbook-for-nature-related-financial.pdf>

Financial risk related to nature loss is typically categorised as either **physical, transitional, or**

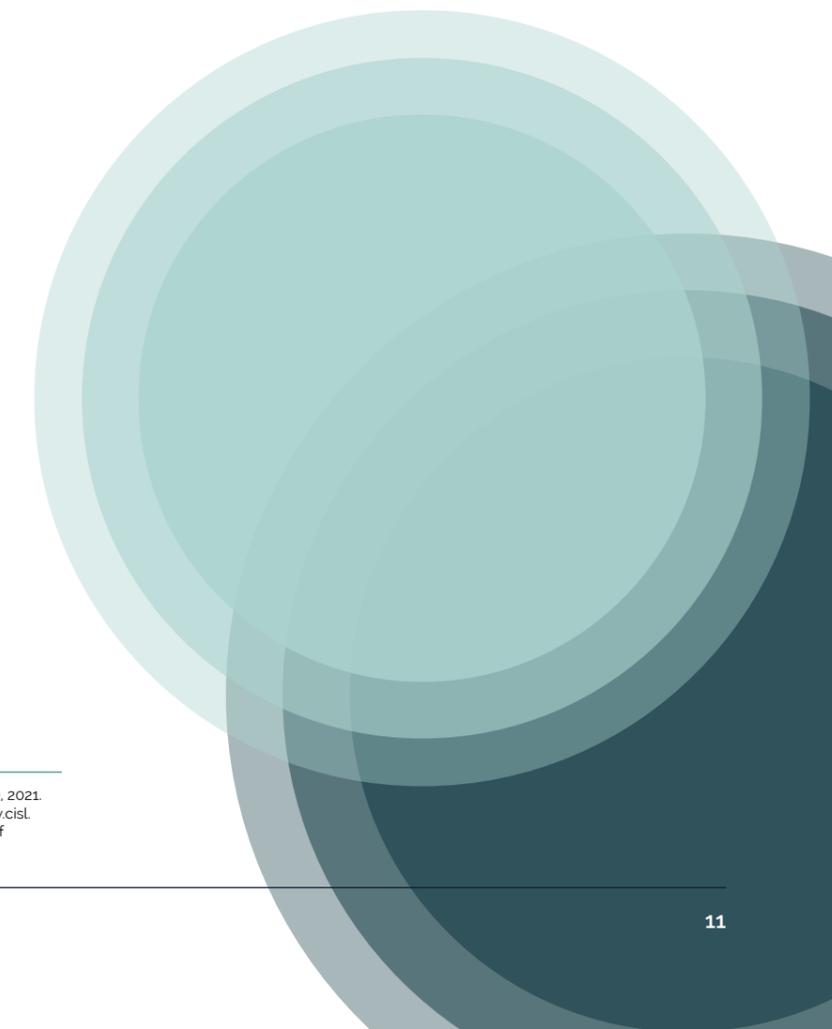
**liability/reputational risk.** Table 1 provides a brief description of each type of nature-related risk.

Table 1. Types of Nature-related financial risk<sup>17</sup>

| Type of Risk | Description  |
|--------------|--|
| Physical     | Risks derived from compromised natural systems, including extreme events (drought, flooding, heatwaves) as well as widespread, acute, or chronic changes to ecosystem equilibriums, processes, functions, and services   |
| Transitional | Regulatory or market efforts to reverse nature loss can negatively impact businesses and result in stranded assets; this includes the sudden or disorganised introduction of public policies, technological changes, shifts in consumer or investor sentiment, and disruptive business model innovations |
| Liability    | Historic and emerging legal cases and litigation related to nature loss, including pay-outs, fines, legal and administrative costs, insurance costs, financing costs, and reputational costs   |

Risk and return are directly related, but until now many nature-related risks have been externalised from standard financial valuations. NESF's integration of nature risks into its due diligence, risk

management, and Sustainability Framework holds the potential to de-risk future investments and deliver more value for people and nature.



<sup>17</sup> Source: Adapted from Cambridge Institute for Sustainability Leadership (CISL), 2021. Handbook for NatureRelated Financial Disclosures. Available from: <https://www.cisl.cam.ac.uk/system/files/documents/handbook-for-nature-related-financial.pdf>

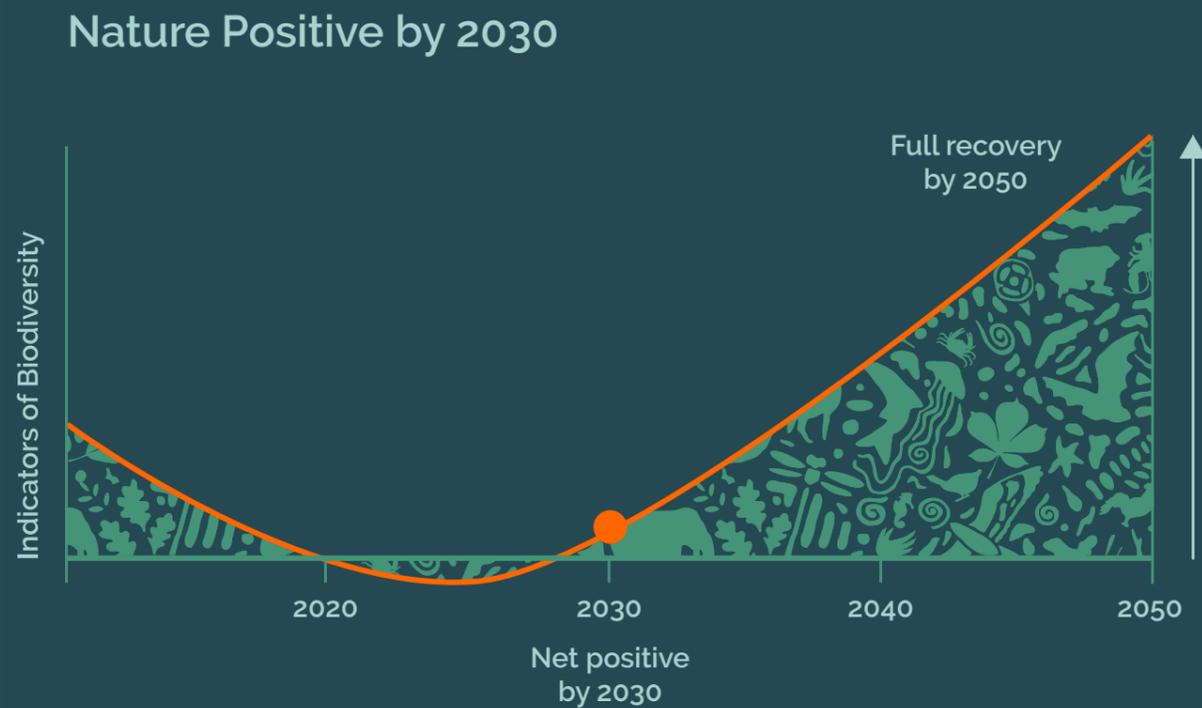
## 2. Nature Positive Ambition Statement

NESF will contribute its part to realising the **KM-GBF Targets** and the **Global Goal for Nature**, to be nature positive **by 2030** (Figures 4 and 5). The Global Goal for Nature, similar to the KM-GBF, includes measures to halt and reverse nature loss from 2020 to 2030, aiming for full nature recovery by 2050. Our ambition encompasses three core activities relevant to NESF:

- Asset Development
- Investment Management
- Asset Management

These activities are prioritised in the Approach to Nature as they form the core of NESF's operations and account for the majority of its commodity use. To achieve its nature positive vision, NESF commits, in line with its strategic objectives, to **support the transition toward an economy that operates within safe planetary boundaries; avoid and minimise the principal drivers of nature loss; support nature restoration at scale; and effectively manage nature-related risks in its operations and supply chains.**

Figure 4. The Global Goal for Nature<sup>18</sup>



<sup>18</sup> Source: Adapted from Nature Positive Initiative, n.d. Available from: <https://www.naturepositive.org/>.

Figure 5. The Kunming-Montreal Global Biodiversity Framework Themes and Targets<sup>19</sup>



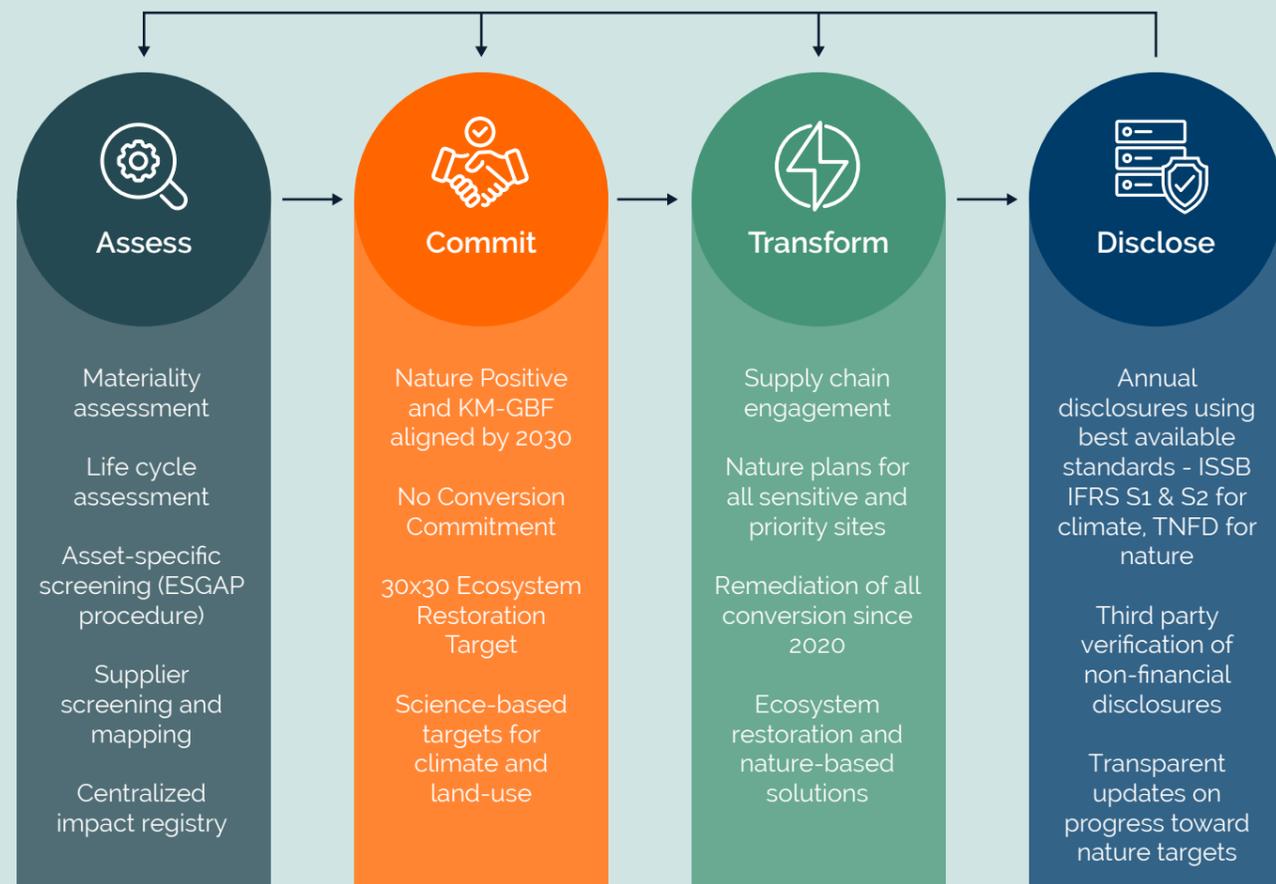
<sup>19</sup> Source: Adapted from Government of Canada, 2023. Toward a 2030 Biodiversity Strategy for Canada: Halting and reversing nature loss. Available from: <https://www.canada.ca/en/environment-climate-change/services/biodiversity/canada-2030-nature-strategy.html>

# 3. Approach to Nature Delivery Framework

The Approach is reinforced by best practices and internationally recognised frameworks and standards to deliver on NESF's nature positive ambition. The core pillars of the Approach to Nature and delivery framework include initiatives to:

- **Measure, manage, and reduce nature impacts** and risks driven by our asset development and management activities.
- Increase **supply chain traceability and engagement** on high-impact commodities.
- Support **nature restoration at scale**.
- Transparently **disclose nature-related topics** and progress toward our nature targets with our stakeholders.

Figure 6: ACT-D Approach<sup>20</sup>



The Approach to Nature follows the recommendations of the **ACT-D framework** which is endorsed by the Capitals Coalition, WWF, TNFD, and SBTN (Figure 6)<sup>20</sup>. It defines a stepwise and iterative approach to align with the KM-GBF targets and the Global Goal for Nature – **Assess, Commit, Transform, and Disclose**.

The Approach to Nature consolidates and builds upon the lessons learned from 10 years of active environmental engagement since IPO, while looking ahead to meet ambitious global targets. It signifies a shift toward a more **coherent and centralised framework** that determines and

prioritises engagement with nature-related issues, while recognising the nuances of each of the assets. Most importantly, the Approach reflects the scale and ambition of NESF; it establishes a **science-based and evidence-led thread uniting asset development, investment management and asset management** to ensure a consistent and standardised delivery framework is adopted to meet our nature ambitions.

<sup>20</sup> Source: Adapted from Capitals Coalition, n.d. ACT-D: High Level Business Actions on Nature. Available from: <https://capitalscoalition.org/business-actions/>

## Assess

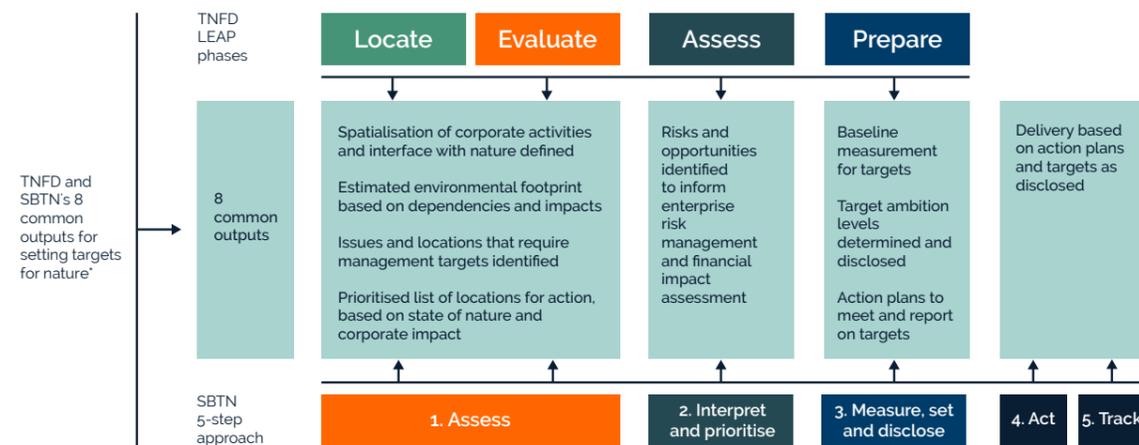
Insight enables impact. A robust assessment and evaluation of NESF's interface with nature is fundamental to the Approach. The assessment methodology is iterative and adaptive to identify material nature-related topics for NESF, and in order to integrate them into the due diligence, measurement and monitoring activities.

The Approach is underpinned by a materiality assessment conducted between 2023 and 2024 to identify material nature-related impacts, dependencies, risks, and opportunities. Materiality was delineated by the IPBES-defined contributors to nature loss:

1. Terrestrial use and change;
2. Direct exploitation;
3. Climate change;
4. Pollution; and,
5. Other drivers such as alien invasive species.

The assessment covered both financial and impact materiality, known as **double materiality**. The materiality assessment was carried out in collaboration with ETIFOR, a spin-off of the University of Padova, and followed prescriptive guidance from the **TNFD LEAP approach** and the **SBTN's 5-Step Process**, specifically Step 1: Assess and Step 2: Prioritise (Figure 7).<sup>21</sup>

Figure 7. Common outputs of the TNFD LEAP and SBTN 5-step approach<sup>21</sup>



\*There are 8 common outputs from the TNFD LEAP approach and SBTN methods. An organisation using either one of the approaches would produce these 8 common outputs. They are not the only outputs an organisation requires to report against TNFD recommendations or to use the SBTN methods.

Alignment with both frameworks allows NESF to prepare to disclose on nature-related topics through the recommendations of TNFD, and to set ambitious and comparable science-based targets for nature following the prescriptive requirements from SBTN.

The boundaries of the materiality assessment encompassed NESF and its three core underlying activities, including asset development, investment management and asset management. Given the business model, nature-related materiality was assessed at the asset level and aggregated for the Fund. Local pressures, states of nature, and upstream value chain impacts were assessed for each asset. This tiered approach supports relevant

policies and target-tracking, while allowing for prioritisation within and across NESF for planning, budgeting, and reporting purposes. Table 2 below outlines the key outputs of the materiality assessment. As NESF continues to grow and diversify, the Fund is committed to updating its materiality assessment accordingly.

<sup>21</sup> Source: Adapted from Taskforce for Nature-related Financial Disclosures (TNFD), n.d. The Leap Approach. Available from: <https://tnfd.global/wp-content/uploads/2022/03/tnfd-the-leap-approach.pdf> and Science Based Targets for Nature (SBTN), 2024. SBTN 5-Step Process. Available from: <https://sciencebasedtargets.org/companies/take-action/how-to-get-started/>



Table 2. Key outputs of NESF's materiality assessment

**NextEnergy Solar Fund's Materiality Assessment**

| Output                       | Description  |
|------------------------------|--|
| Stakeholder ESG survey       | Engagement on material topics through a survey sent to 175 internal and external stakeholders, including employees, suppliers, partners, investors, and local communities.   |
| Materiality screening        | Screening on nature-related materiality in the solar energy sector related to terrestrial and marine ecosystem use, water use, climate change, pollution, and other main drivers of nature loss using the SBTN Materiality Screening Tool (MST) derived from the ENCORE database and refined to the specific activities of NESF. |
| Supply chain assessment      | Analysis of the primary components and raw materials used in our photovoltaic (PV) sites, with an assessment of supply chain structures, traceability, and mapping of key input materials and high-impact commodities.   |
| Risk assessment              | Evaluation of nature-related risks (physical, transition, reputational) and opportunities in direct operations and supply chains; mapping of asset value exposure to nature-related risk for NESF.   |
| Impact & dependency analysis | Evaluation of impacts and dependencies on nature in NESF's direct operations, including the most important impacts and dependencies and corresponding risks, for biodiversity and water for each asset.  |
| Pressure estimation          | Quantitative estimate of contributions toward material pressures in direct operations and upstream, including land use, GHG emissions, water consumption, and soil pollutants.   |
| State of nature indicators   | Quantitative estimate of local states of nature, including a pressure-sensitive indicator for each pressure category as well as ecosystem integrity and biodiversity intactness.   |
| Prioritisation matrix        | Prioritisation of NESF's assets and upstream sourcing areas by pressure-state indices derived from the relevant magnitude of our impacts on nature compared with the local capacity of ecosystems to self-regulate and assimilate impacts.   |
| Sensitivity analysis         | Prioritisation of NESF's assets and upstream sourcing areas by proximity to landscapes of high ecosystem integrity and biodiversity intactness.  |

The results of the materiality assessment indicate that NESF's core business operations have material impacts and dependencies on nature. Impacts are driven mainly by **terrestrial ecosystem conversion and use, greenhouse gas emissions, water use, and soil and water pollution**. The magnitude and severity of these nature-related impacts are distributed unevenly through the solar energy production process, with the vast majority embedded in upstream commodity sourcing, refinement, manufacturing, and transportation. Critical dependencies include mass and slope stabilisation, flood control, water availability, and predictable atmospheric conditions.

Importantly, the materiality assessment has provided

NESF with the spatially explicit data necessary to enable an evidence-led Approach to Nature; identify key information gaps; and, prioritise hotspots, both in NESF's value chains and the ecosystems in which it operates. As a result, NESF can allocate its resources more efficiently toward mitigating material nature-related risks and seizing nature-related opportunities.

At the asset level, an update has been made to the **ESG Action Plan (ESGAP)** following the materiality assessment findings. The ESGAP is integrated across all phases of the investment process. It **provides detailed step-by-step guidance and handover instructions** across asset development, investment management, and asset management. It supports

identifying and assessing nature-related risks and opportunities for each asset and ensures compliance with nature positive ambitions.

Looking ahead, NESF will seek to update its **supplier screening questionnaire and traceability systems** to identify key focus areas in the supply chain that contribute to land-use change, greenhouse gas emissions, water use, pollution, and other drivers of nature loss. NESF is currently prioritising the evaluation of three principal site components – **PV modules, mounting racks, and access tracks** – as well as three high-impact commodities in the solar supply chain – **steel, silica sand, and aluminium**. Together, these comprise **more than 90% of the mass for both assets and sourcing volumes of high-impact commodities**.

In parallel with these efforts, NESF intends to deepen investor engagement, aiming to better understand investors' perspectives on

the added value, competitive advantage, and potential sustainable finance mechanisms associated with the Approach.

Additionally, NESF plans to conduct a **Life Cycle Assessment (LCA)** of the main impacts associated with its direct operations and supply chain to establish a quantitative baseline against which science-based targets can be set. NESF also aims to carry out a **natural capital assessment** using a well-established protocol or standard (e.g. the Capitals Coalition Natural Capital Protocol or the British Standards Institute (BSI) 8632 standard) to better understand the financial materiality of nature-related impacts and dependencies, and to support investment and budgetary decision-making.<sup>22</sup>

<sup>22</sup> Natural Capital Coalition, 2021. Natural Capital Protocol. Available from: [https://capitalscoalition.org/capitals-approach/natural-capital-protocol/?fwp\\_filter\\_tabs-guide\\_supplement](https://capitalscoalition.org/capitals-approach/natural-capital-protocol/?fwp_filter_tabs-guide_supplement). BSI Standards, 2021. BSI 8632: Natural Capital Accounting for Organizations. Available from: <https://knowledge.bsigroup.com/products/natural-capital-accounting-for-organizations-specification?version-standard>



## Commit

The main commitments in the Approach to Nature include a **Nature Positive Ambition Statement** (Section 2), our commitment to **No Conversion of Natural Ecosystems** and our **30x30 Nature Restoration Target** (Section 5).



### No Conversion of Natural Ecosystems

– this ambition aims to provide a structured approach to prevent the loss of natural ecosystems where they may arise through NESF's direct operations and supply chains. No Conversion according to the SBTN means avoiding all land use change that results in the conversion of natural ecosystems. This ambition requires the remediation of **any conversion from a 31st December 2020 deadline**. It also aligns with the requirements of the **SBTN Land Targets** guidance, as well as the scope, terms and definitions, and approach recommended by the **Accountability Framework Initiative (AFI)** for developing and implementing a robust and science-based no conversion implementation framework.<sup>23</sup> **Conversion definitions, guidelines, and assessment tools** are integrated into the ESGAP and supplier screening processes, described above in the "Assess" section, during the asset development stage. These are **supported by escalation strategies, or redlines**, to ensure that none of NESF's assets or supply chains contribute to the conversion of natural ecosystems.

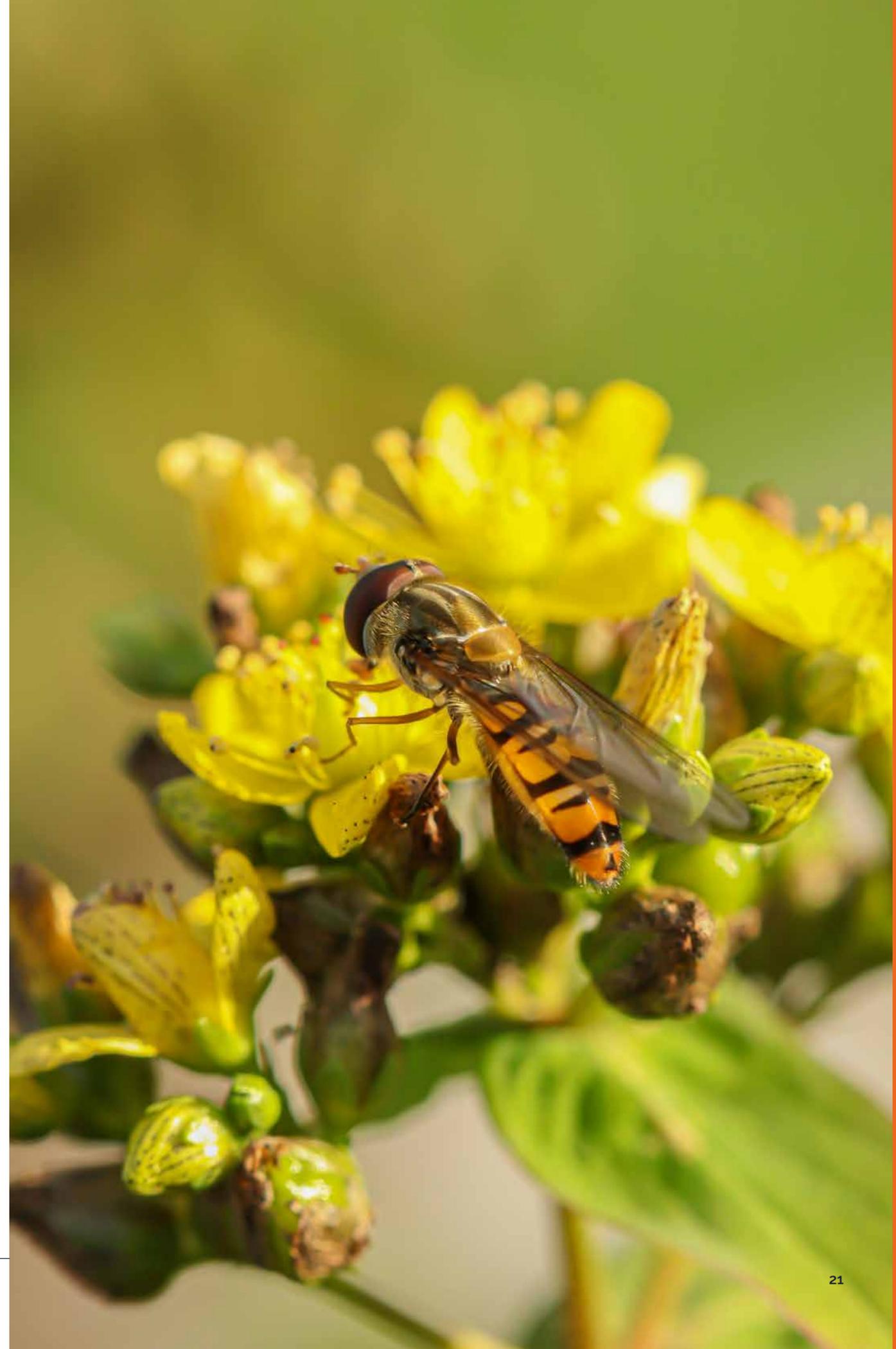


### 30x30 Nature Restoration Target

– this ambition aligns with Targets 2 and 19 of the KM-GBF. NESF commits to support nature restoration over an area up to 30% of the Fund's operational land footprint by 2030. Restoration opportunities will be prioritised in **highly sensitive or highly degraded ecosystems in appropriate proximity to our solar assets**. The key common metric between restoration projects will be the extent, in hectares, of natural ecosystems successfully undergoing restoration, although other relevant and site-dependent metrics will also be included. The aim is to holistically measure local biodiversity impacts and to **maximise opportunities for other sustainability benefits, including carbon, water, and community gains**.

NESF also plans to submit science-based targets for nature, specifically, land and climate targets, to the **Science Based Targets Initiative (SBTi)** and the SBTN. The "Disclose" and "Nature Governance" sections below outline how NESF will monitor, track progress, and report on these targets.

<sup>23</sup> Science Based Targets Network, 2024. Land Guidance. Available from: <https://sciencebasedtargetsnetwork.org/about/hubs/land/>.  
Accountability Framework Initiative, 2024. Available from: <https://accountability-framework.org/>



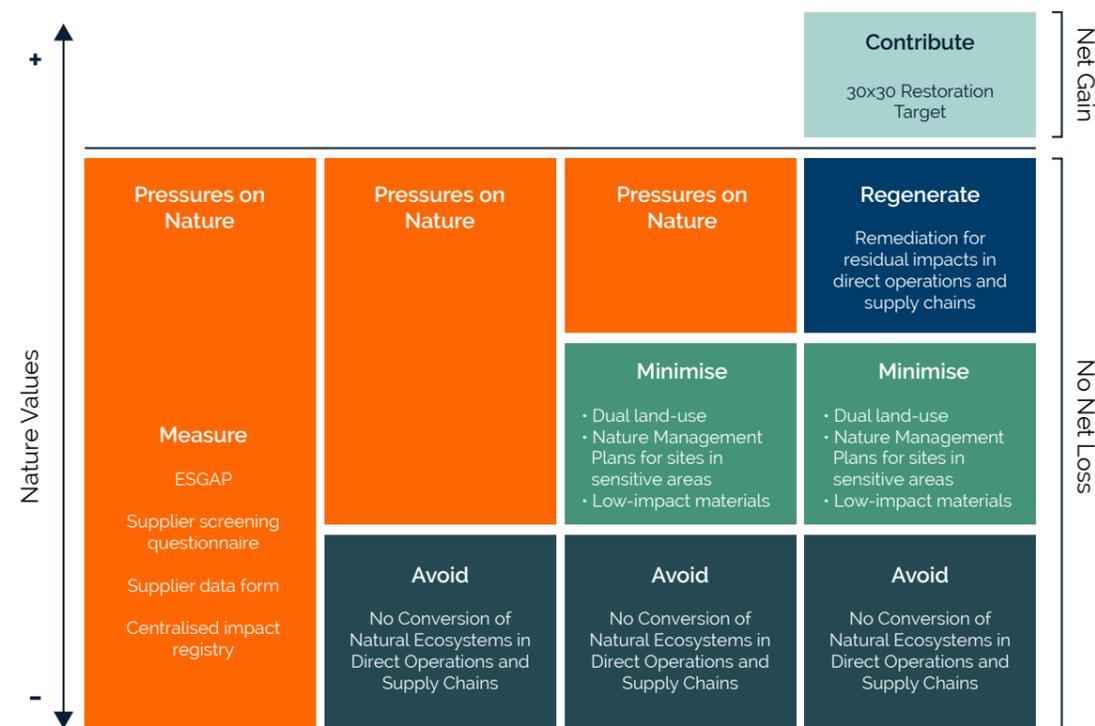
# Transform

Measures to transform NESF's business model and the solar sector include supply chain engagement through programmes such as the **Solar Stewardship Initiative (SSI)**, where there is proactive engagement to develop a supply chain sustainability standard.<sup>24</sup> This will include targeted market initiatives in pre-competitive forums with suppliers, producers, and developers to prioritise key high-impact commodities, starting with silica, steel, and aluminium.

As part of the ESGAP procedures, guidelines have been established to integrate dual land-use programmes, such as grazing and natural meadows, with NESF's solar assets. The materiality assessment

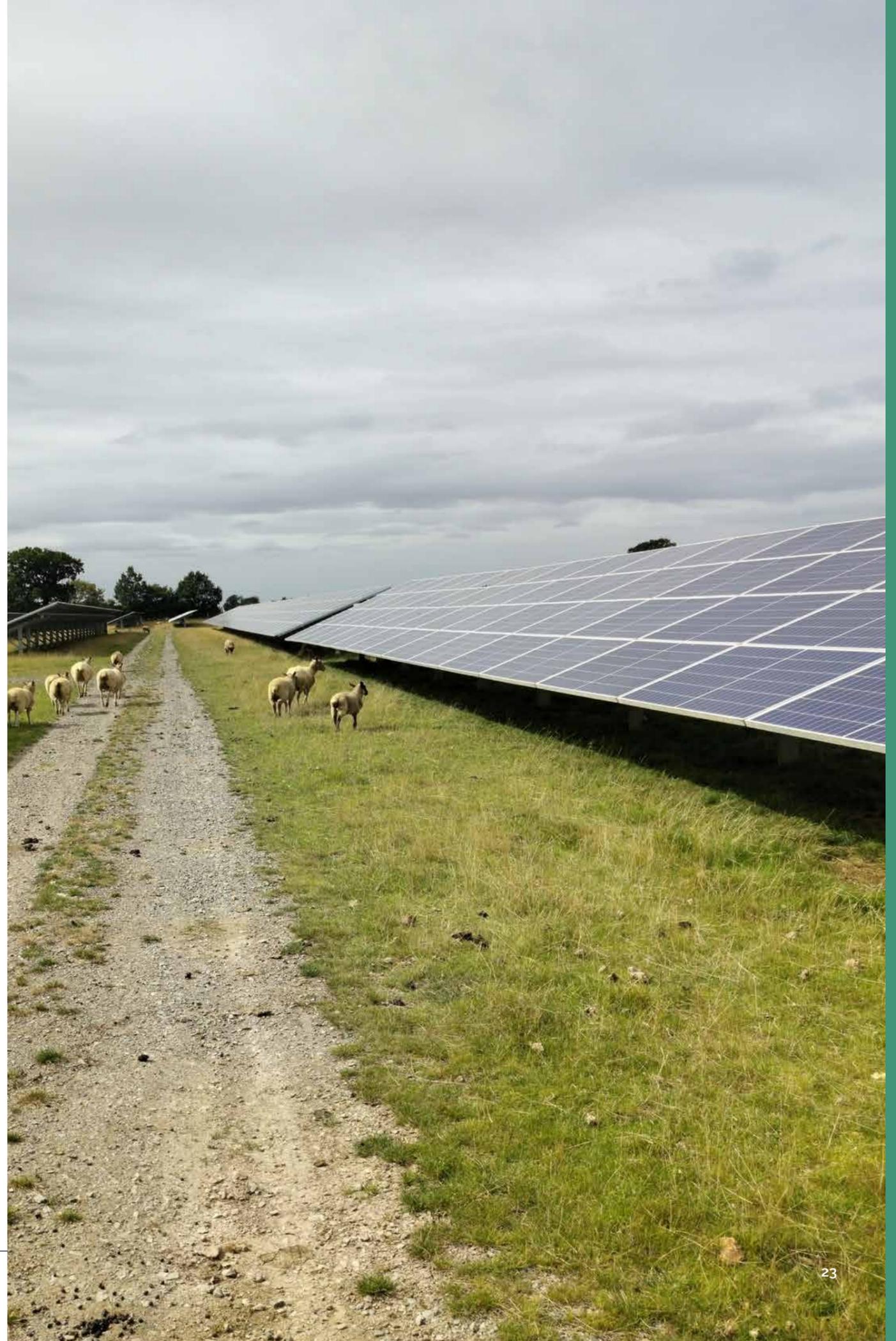
now provides a system to identify sensitive or high-priority sites where NESF can develop and implement Nature Management Plans (**NMPs**) to mitigate impacts and restore biodiversity values on site. An NMP outlines the strategies, interventions and actions necessary to protect, conserve, and enhance natural ecosystems. These NMPs are crucial for biodiversity management efforts, ensuring NESF strategically adopts a more holistic approach to site management that aligns with our commitment to all aspects of nature, not just biodiversity. The NMPs complement NESF's existing Universal Biodiversity Management Plan (**UBMP**) and Exemplar Site programmes.

Figure 8. Approach to Nature Delivery Framework - alignment with the mitigation hierarchy



The delivery framework, which comprises the Assess, Commit, and Transform pillars of the Approach, aligns NESF's priorities with the mitigation hierarchy to avoid, minimise, regenerate, and contribute toward No Net Loss and Net Gain targets for nature (Figure 8).

<sup>24</sup> Solar Stewardship Initiative (SSI). Standards. Available from: <https://www.solarstewardshipinitiative.org/ssi-standards/>



## Disclose

NESF will annually disclose its nature-related impacts, dependencies, risks, and opportunities, as well as progress toward nature targets, following the recommendations from the TNFD. The TNFD identifies as a “global, market-led, science-based and government-supported initiative to help companies and financial institutions incorporate nature into their decision-making.”<sup>25</sup> The initiative aims to provide consistency, comparability, and the capacity to benchmark performance on nature-related materiality for financial market participants and other key stakeholders. The recommendations for disclosure are comparable and interoperable with other leading voluntary and regulatory standards, including the **European Sustainability Reporting Standards (ESRS)**, which is required by the **Corporate Sustainability Reporting Directive (CSRD)**, the **International Financial Reporting**

### Standards (IFRS), and the Sustainability Disclosure Standards (SDS)<sup>26</sup>

The TNFD framework includes 14 recommended disclosures across four pillars: Governance, Strategy, Risk and Impact Management, and Metrics and Targets (Figure 9). The framework also incorporates 10 core nature impact metrics which are material for NESF, including GHG emissions, spatial footprint, extent of land use change, pollutants, and water use, as well as five core risk and opportunity metrics. These include the total and proportion of asset value exposed to nature-related physical and transition risks, the amount of financing or investment deployed toward nature-related opportunities, and the proportion of revenue derived from products or services with a demonstrable positive impact on nature.

Figure 9. TNFD recommended disclosures<sup>27</sup>

| TNFD recommended disclosures  |  |   |   |
|---|--|---|---|
| Governance  | Strategy   | Risk & impact management  | Metrics & targets   |
| <p>Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.</p>   | <p>Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.</p>   | <p>Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risk and opportunities.</p>  | <p>Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.</p>   |
| <p><b>Recommended disclosures</b></p> <p>A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.</p> <p>B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.</p> <p>C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.</p> | <p><b>Recommended disclosures</b></p> <p>A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.</p> <p>B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.</p> <p>C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.</p> <p>D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.</p> | <p><b>Recommended disclosures</b></p> <p>A. (i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.</p> <p>(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).</p> <p>B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.</p> <p>C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.</p> | <p><b>Recommended disclosures</b></p> <p>A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.</p> <p>B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.</p> <p>C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.</p> |

Much of the information requested by the TNFD was gathered during the materiality assessment phase of our Approach (Table 2). The TNFD recommendations will be integrated alongside **NESF's IFRS International Sustainability Standards Board (ISSB) S1 General Disclosures** and linked to the **S2 Climate Disclosures** starting in 2025 (reporting on FY 2024), with annual disclosures thereafter. NESF is committed to sharing the best available information with all of its stakeholders. In the interest of continuous

improvement, NESF will update its disclosures as information gaps are addressed and data granularity improves through annual assessments.

<sup>25</sup> Taskforce on Nature-related Financial Disclosures (TNFD). (n.d.). Recommendations of the TNFD. Available from: <https://tnfd.global/recommendations/>

<sup>26</sup> Taskforce on Nature-related Financial Disclosures (TNFD). 2024. Correspondence mapping ESRS and TNFD. Available from: <https://tnfd.global/wp-content/uploads/2024/06/Correspondence-mapping-ESRS-and-TNFD.pdf>

<sup>27</sup> Taskforce on Nature-related Financial Disclosures (TNFD). 2024. ISSB delivers further harmonisation of the sustainability disclosure landscape as it embarks on new work plan. Available from: <https://tnfd.global/issb-delivers-further-harmonisation-of-the-sustainability-disclosure-landscape/>

<sup>27</sup> Source: Adapted from Taskforce on Nature-related Financial Disclosures (TNFD). (n.d.). Recommendations of the TNFD. Available from: <https://tnfd.global/recommendations/>

## 4. Nature Governance

The corporate governance structure of NESF is disclosed annually in the NESF Sustainability and ESG Report.<sup>29</sup> NESF's Board of Directors (the Board) oversees the Fund's strategy, performance, and management and is committed to including all nature-related risks. In 2022, it established an ESG Committee to further drive the Fund's Sustainability and ESG agenda. This is chaired by Josephine Bush, who has extensive sustainable finance and strategy development experience.

NESF also benefits from the internal governance of NEC, the Fund's Investment Adviser, including its NextEnergy Investment Leadership committee (**NEIL**). NEIL includes senior professionals with

expertise across the energy, finance, construction, procurement, portfolio management and environmental sectors. NEIL advises and oversees the Investment Adviser's nature strategy, including for NESF.

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

### 4.1 Management's role and responsibilities

The Investment Adviser has a dedicated ESG team. This is led by the Head of ESG, who sits on the Investment Committee for NESF and takes an active role in the investment decision-making process. The Head of ESG also sits on NEIL and is responsible for informing and discussing the Fund's Sustainability and ESG agenda with the NESF ESG Committee. The Head of ESG is supported by a Global Lead for Nature, with over 20 years' experience in biodiversity and natural capital, as well as a team of associates and analysts with different backgrounds and expertise.

The services provided to NESF by the Investment Adviser and its ESG team are kept under review by the Board. Progress and changes in sustainability-related risks and opportunities are discussed during NESF Board meetings, and three times a year in ESG Committee meetings. The Head of ESG also meets every month with the Chairwoman of the ESG Committee to discuss the Fund's Sustainability Strategy, which includes nature as an agenda item. The Investment Adviser's ESG team meets at least weekly with the Investment Adviser's Investment team and senior managers. Nature-related issues are included in NESF's risk register and inform its overall approach to risk management.

NESF's Asset Manager, WiseEnergy, plays a key role in helping to deliver the Fund's nature ambitions through its proactive management approach. NESF implements processes to ensure its activities are monitored and recorded appropriately by WiseEnergy, including generating nature-related data and statistics. Management uses these controls and procedures to support the oversight of nature risks and opportunities, integrating them with other internal functions, such as investment decision-making and asset management.



<sup>29</sup>NESF Sustainability Report. Available from: Sustainability & ESG Reports - NextEnergy Solar Fund: <https://www.nextenergysolarfund.com/esg/esg-reports-and-publications/>



## NEC management and advisory services



### Ross Grier

Chief Operating Officer and Head of UK Investments

Ross oversees all NESF activity. Over the last 10 years he has deployed over £1.5bn of capital into UK solar and energy storage, including over 1GW of transactions for the Company.



### Stephen Rosser

Investment Director and UK Counsel

Stephen manages NESF's investments, and oversees regulatory and legal risk across the portfolio. He has over 10 years' experience of sustainable procurement and over 20 years' experience in mergers and acquisitions.

## Chair of NESF Board



### Helen Mahy CBE

Helen chairs an independent Board of Directors, overseeing the overall effectiveness of NESF's direction. She is also a Non-Executive Director of SSE plc and serves as Chair of the Safety, Sustainability, Health, and Environment Advisory Committee.



### Josephine Bush

Josephine provides strategic advice to the Board on ESG matters, supports and challenges NEC with respect to ESG matters including investment, divestment and asset management activities.

## Dedicated ESG team



### Giulia Guidi

Head of ESG

Giulia oversees the approach to the Company's Sustainability and ESG initiatives. As the Head of ESG for NextEnergy Group, she brings over 25 years of experience in ESG and risk management within the financial sector.



### David Hawkins

Global Lead for Climate

David has over 10 years' sustainability and environmental experience in the energy sector, and oversees the development and implementation of climate transition and net zero activity.



### Hing Kin Lee

Global Lead for Nature

Lee has 20 years' experience in the environmental sector, and leads on nature and natural capital integration.



### Kristina Vucic

Geospatial Manager

Kristina has over 13 years' experience in location-based data analytics, automation and information management.



### Flavia Galdiolo

ESG Research and Engagement Associate

Flavia leads strategic sustainability and ESG research, engagement and communication.



### Kevin McCann

Senior ESG Associate

Kevin supports a range of transaction, supply chain and due diligence initiatives to ensure responsible investment across the Fund's portfolio.

## 4.2 ESG team

The Investment Adviser's ESG team is sufficiently staffed to ensure that nature risks and opportunities for the Fund are managed appropriately. The team includes nine dedicated ESG staff, with more than 75 years of combined experience across a range of Sustainability and ESG issues relevant to energy infrastructure. The team includes specialist expertise across natural capital, biodiversity, carbon management, community engagement, data analysis and mapping, supply chains, technical due diligence, and policy and public affairs.

More information on NEC's sustainability and ESG experts who support NESF is available on the [NEC website](#), including its Health and Safety and Human Resources teams, which implement health and safety, and diversity and inclusion activities on behalf of the Fund.



### Joshua Marshall

ESG Analyst

Joshua undertakes sustainability and ESG due diligence and reviews transaction and other reporting for NESF.



### Valeria Ramos

ESG Analyst

Valeria undertakes sustainability and ESG due diligence and reviews transaction and other reporting.

## 4.3 Integration of nature-related factors

The Board oversees the implementation of NESF's nature work, ensuring all relevant nature issues are taken into account in strategic decision-making relating to the Fund's mission: to generate a more sustainable future by leading the transition to clean energy.

The Board oversees the setting of nature-related targets and will monitor progress towards those targets (Section 5). In setting performance objectives and monitoring their implementation, the Board also ensures that nature-related issues are incorporated into all executive decision-making. This includes relevant processes throughout the capital allocation lifecycle: pre-acquisition due diligence; implementation of nature initiatives at existing assets; and action to secure future value, for example, through support to industry initiatives to increase positive nature impacts across the solar and energy storage supply chain.

Target year  
**2030**

## 5. Nature Targets and Key Areas of Focus

### GOALS



Supply Chain  
Transparency and  
Sustainability



No Conversion of  
Natural Ecosystems



Responsible  
Land Use

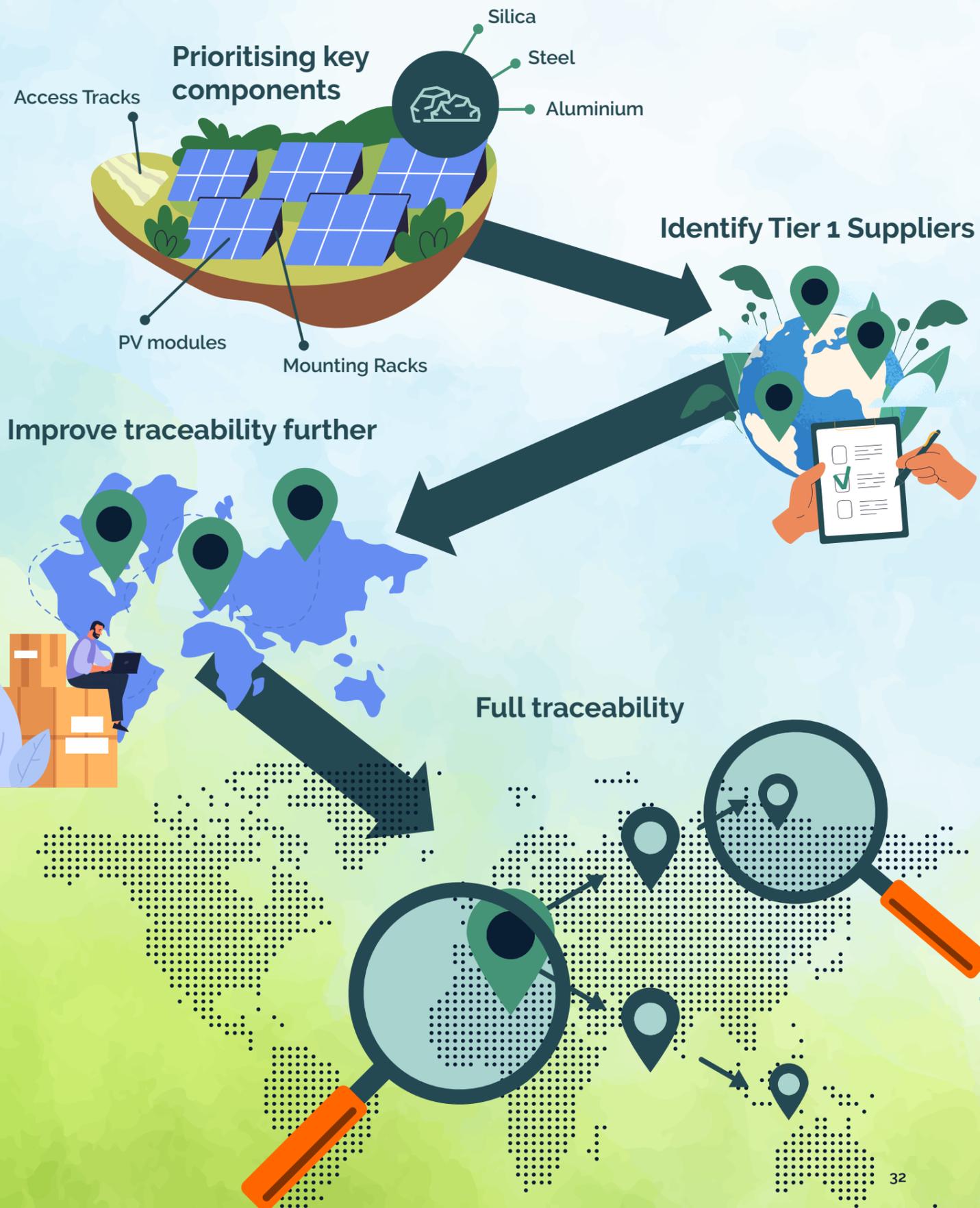


30x30 Ecosystem  
Restoration Initiative

| INTERIM TARGETS   | INTERIM TARGET YEAR |
|---|---------------------|
| 90% of total annual sourcing by mass traceable to Tier 1  | 2025                |
| 90% of net annual sourcing by mass of High Impact Commodities traceable to origin                                 | 2027                |
| 100% of total annual sourcing by mass traceable to origin   | 2030                |
| 90% of total annual sourcing by mass from suppliers with commitments aligned with the KM-GBF                      |                     |
| No conversion in direct operations  | 2025                |
| No conversion in supply chains  | 2030                |
| Full remediation of all post-2020 conversion  |                     |
| Nature management plans for all assets located in sensitive areas   | 2028                |
| 30% of managed land under dual-use  | 2030                |
| Restoration of natural ecosystems in the ecoregions where NESF operates by up to 30% of NESF's land-use footprint | 2030                |

Figure 10. NESF's Nature Targets and KPIs





# Supply Chain Transparency and Sustainability

GBF Alignment: 15 | SDG Alignment: 12

Supply chain traceability is key to achieving the Fund's other nature targets. NESF will begin by prioritising key components: PV modules, mounting racks, and access tracks, as well as the solar sector's key high-impact commodities, including silica, steel, and aluminium. Together, these comprise more than 90% of the total mass and high-impact sourcing across operations. By the end of 2025, NESF's Board will support and oversee the Investment Adviser's work to restructure the procurement data management and supplier screening systems to quickly and effectively identify major Tier 1 suppliers of the components and materials listed above. By 2027, NESF aims to improve traceability beyond the immediate suppliers to trace high-impact commodity sourcing to the extraction or harvest levels. Looking ahead to 2030, NESF will aim to achieve full traceability of the upstream supply chains and to leverage the Investment Adviser's involvement in pre-competitive forums such as the Solar Stewardship Initiative to help its suppliers, and their suppliers, to commit to the KM-GBF targets and align with a nature positive future. It is acknowledged that end-to-end supply chain traceability and full transparency are challenges which will take time to overcome. However, with the Investment Adviser's Responsible Supply Chain<sup>39</sup> commitments, this places NESF in a strong position to lead the solar industry towards a nature positive future.

## Key Performance Indicators

| 2025  | 2027  | 2030  |   |
|---|---|---|---|
| Percentage (%) of annual sourcing by volume traceable to Tier 1 | Percentage (%) of net annual sourcing of High Impact Commodities (silica sand, steel, aluminium) traceable to extraction or manufacturing at the sub-national level | Percentage (%) of total annual sourcing by mass traceable to extraction or manufacturing at the subnational level | Percentage (%) of total annual sourcing by mass with public commitments to align with the goals and targets of the KM-GBF |

<sup>39</sup> Responsible Supply Chain - NextEnergy Capital  
<https://www.nextenergycapital.com/sustainability/sustainable-investing/supply-chain/>



# No Conversion of Natural Ecosystems

GBF Alignment: 2 | SDG Alignment: 15

In alignment with the KM-GBF and the recommendations of Science Based Targets for Nature, NESF commits to No Conversion of Natural Ecosystems in its direct operations, solar energy development, investment, and asset management by 2025, and will work towards no conversion in its supply chains by 2030. This ambition also requires NESF to remediate any conversion found to have taken place after 31st December 2020 across the solar energy assets or in sourcing areas, proportionate to the area commensurate with sourcing volumes. NESF will embed the Investment Adviser's screening, due diligence, and risk management systems in the Fund's policies and procedures to ensure the No Conversion ambitions and targets are met.

## Key Performance Indicators

2025

2030

Percentage (%) of solar PV assets verified for no conversion from 2020

Percentage (%) of key supply chains (modules, mounting systems, and access tracks) verified for no conversion after 2020, split by component and commodity

Percentage (%) of area converted from 2020 restored in an ecologically equivalent area

Conduct environmental surveys



No conversion of natural ecosystems



Trace suppliers





# Responsible Land Use

GBF Alignment: 2, 3, 19 | SDG Alignment: 12, 15

By 2028, NESF will draft and begin to implement Nature Management Plans for all assets located in areas of high ecosystem integrity or biodiversity intactness. These metrics are identified and integrated during the due diligence and screening processes. By 2030, NESF will aim to have 30% of its spatial footprint managed under dual land-use regimes, including either productive nature-based enterprises like animal grazing, or conservation easements and set-asides.

## Key Performance Indicators

2028

2030

Percentage (%) of solar PV assets located in sensitive landscapes covered by a nature management plan with active on-site nature conservation or restoration measures

Percentage (%) of land footprint managed as either  
1) productive land-use or  
2) natural areas

Conservation easements

Implement Nature Management Plans

Dual land-use regimes



# 30x30 Ecosystem Restoration Initiative

GBF Alignment: 2, 3, 19 | SDG Alignment: 15

By 2030, NESF will contribute to the ecological restoration of natural areas in up to 30% of the Fund's spatial footprint. In particular, this will focus on restoration areas of high degradation or high sensitivity near its assets to maximise the impact and engage proactively with the landscapes in which NESF operates.



## Key Performance Indicators



Hectares (ha) of natural ecosystems under restoration

Percentage (%) of solar PV land use footprint with an equivalent area (ha) under restoration

## 6. Our Guiding Standards and Initiatives

NESF's approach to create a nature positive future aligns with a number of international policy objectives, standards, coalitions, and initiatives associated with climate- and nature-related risk management, reporting, and nature positive goals. The summary provided below outlines commitments from NESF and its Investment Adviser. As the nature positive initiative continues to mature and new initiatives emerge, this will be updated accordingly.

- **Kunming-Montreal Global Biodiversity Framework (KM-GBF)<sup>31</sup>** – NESF's Approach to Nature and delivery framework align with the 2030 targets and 2050 goals of the KM-GBF, in particular Targets 1, 2, 3, 8, 11, 15, and 19.
- **International Finance Corporation (IFC) Performance Standards<sup>32</sup>** – NESF adopts a standardised approach to apply IFC Performance Standard 6: Biodiversity and the Sustainable Management of Living Natural Resources on developing assets in highly sensitive areas.
- **International Sustainability Standards Board (ISSB) and the International Financial Reporting Standards (IFRS)<sup>33</sup>** – ISSB was established by the IFRS Foundation at the 2021 COP26 climate summit in Glasgow. The ISSB has developed global baseline sustainability standards, with its IFRS S2 Climate-related Disclosures standard incorporating the recommendations of the TCFD. NESF voluntarily issued its first IFRS-ISSB S1 and S2 disclosures in 2024. NESF plans to publish its first ISSB-TNFD integrated disclosure in 2025.
- **Science Based Targets for Nature (SBTN)<sup>34</sup>** – NESF has developed voluntary commitments using the SBTN framework and plans to submit targets for validation.
- **Taskforce for Nature-related Financial Disclosures (TNFD)<sup>35</sup>** – NESF's Investment Adviser is an Early Adopter of the TNFD framework and plans to publicly disclose on nature related topics in 2025 for the 2024 financial year.
- **EU Commission Business and Biodiversity Platform<sup>36</sup>** – NESF's Investment Adviser is an official member of the EU Business & Biodiversity Platform.
- **EU Sustainable Finance Disclosure Regulation (SFDR)<sup>37</sup>** – NESF is classified as Article 9 under the EU SFDR.
- **United Nations Principles for Responsible Investment (PRI) Spring Initiative<sup>38</sup>** – NESF's Investment Adviser endorses the Spring Initiative to support investors on nature finance.

<sup>31</sup>Kunming-Montreal Global Biodiversity Framework

<sup>32</sup>IFC Performance Standard 6

<sup>33</sup>International Financial Reporting Standards - S1 & S2

<sup>34</sup>Science Based Targets Network

<sup>35</sup>The Taskforce on Nature-related Financial Disclosures (TNFD)

<sup>36</sup>EU Business and Biodiversity Platform

<sup>37</sup>Sustainable Finance Disclosure Regulation

<sup>38</sup>PRI Spring Initiative



## 7. Conclusion

The sustainability landscape is increasingly complex. Unravelling this complexity requires tackling sustainability challenges synergistically. Climate change and nature loss are the most formidable and interconnected sustainability challenges of our time. NESF believes that to advance its mission to lead the transition to renewable energy, and to do so whilst creating positive outcomes for people, NESF must tackle both challenges together.

The Approach to Nature is the roadmap for the proactive steps NESF is taking to realise its vision for a nature positive future. NESF's iterative and adaptive approach is rooted in the ACT-D framework and the mitigation hierarchy, and ensures that nature-related risks and opportunities are effectively integrated into our business model, due diligence

systems, governance, and stewardship activities for nature restoration. While nature-related standards, best practices and methodologies are still evolving, a proactive mindset places NESF in a strong position to create a more prosperous future for people via nature.

NESF recognises its position to drive normative change in the solar and sustainable finance industries. NESF takes responsibility for its impacts and dependencies on nature. This Approach to Nature is designed to evolve alongside NESF, and to respond to policy developments that put nature at the heart of global environmental governance decision-making and value systems. Nothing less is enough – the work needed to address the interconnected crises of climate change and nature loss is both necessary and urgent.

# Glossary

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

**Accountability Framework Initiative (AFI)** – The [Accountability Framework Initiative](#) is a roadmap for achieving ethical supply chains that protect forests, natural ecosystems, and human rights. The Framework gives consensus-based guidelines for companies in the agriculture and forestry sectors.

**ACT-D Framework** – [ACT-D](#) is a framework endorsed by the Capitals Coalition, WWF, TNFD and SBTN, that was developed to guide businesses to Assess, Commit, Target-set and Disclose their nature-related impacts. The Framework is built upon high-level actions to spur businesses to transform their relationships with nature. It has been designed so that it can be extended to assessments and disclosures of impacts and dependencies on social and human capital.

**Asset Manager or WiseEnergy** – a market-leading solar asset manager delivering technical services across all elements of the solar asset's life – [www.wise-energy.com](http://www.wise-energy.com).

**Asset developer or Starlight** – a developer focused on the development and construction phase of solar and other renewable energy projects worldwide [www.starlight-energy.com](http://www.starlight-energy.com)

**Conversion** – A change, or loss, of a natural ecosystem to agriculture or another land use. Conversion includes severe and sustained degradation, and any change to the species composition, structure, or function within a natural ecosystem.

**ESG Action Plan (ESGAP)** – The Investment Adviser's proprietary due diligence tool developed to integrate ESG risk and opportunity management across all phases of the investment process. The ESGAP includes detailed step-by-step guidance and handover instructions across asset development, investment management, and asset management. It supports identifying and assessing nature-related

risks and opportunities for each asset and ensures compliance with nature positive commitments.

**EU Corporate Sustainability Disclosure Regulation (CSRD)** – The EU's CSRD applies to large companies and listed companies within and outside the EU. It establishes a set of rules for companies to publish regular reports on the ESG risks they face, and on how their activities impact people and the environment. The ultimate aim is to drive accountability and transparency, while promoting sustainable practices and investments, in order to advance Europe's ambition to be the first climate-neutral continent, which is part of the European Green Deal.

**EU Sustainable Finance Disclosure Regulation (SFDR)** – The EU's SFDR applies to investment products. It sets strict minimum disclosure standards to prevent greenwashing. The SFDR requires reporting organisations to disclose how sustainability risks are considered in their investment process; what metrics they use to assess ESG factors; and, how they address assessment decisions that might result in negative impacts on sustainability.

**EU Sustainable Finance Disclosure Regulation Article 9** – Funds attaining Article 9 status demonstrate that they make a positive impact on society or the environment through sustainable investment, and have a core nonfinancial objective. Many funds only attain Article 8 status, which confirms they promote social or environmental factors and have good governance practices.

**Global Goal for Nature** – The Global Goal for Nature an ambition which is guided by three temporal objectives to achieve a nature positive world: Zero Net Loss of Nature from 2020, Net Positive by 2030, and Full Recovery by 2050. The ultimate aim aligns with the KM-GBF to halt and reverse nature loss by 2030, from a baseline of 2020, and to achieve full nature recovery by 2050. Full details are available [here](#).

**International Sustainability Standards Board (ISSB)** – The ISSB was established by the International Financial Reporting Standards

Foundation at the 2021 COP26 climate summit in Glasgow. The ISSB has developed global baseline sustainability standards. Its IFRS S2 Climate-related Disclosures standard incorporates the recommendations of the TCFD. The NESF 2024 Sustainability and ESG Report is aligned with ISSB S1 and S2 disclosure requirements, and the Fund will continue to align all future annual Sustainability and ESG Reports with these requirements.

**Kunming-Montreal Global Biodiversity Framework (KM-GBF)** – The KM-GBF is a global agreement adopted in 2022 under the auspices of the UN Convention on Biological Diversity. It sets out 4 goals to reach the global vision of a world living in harmony with nature by 2050, and includes 23 interim targets for 2030. The central aim is to instigate urgent action to halt and reverse biodiversity loss, and to foster the investment of \$700 billion per year which is needed to close the biodiversity finance gap and realise the 2050 vision.

**Natural ecosystems** – Natural ecosystems, also known as natural lands, are ecosystems which substantially resemble ones which would be found in an area undisturbed by major human impacts. In accordance with the SBTN target-setting process for nature goals, natural ecosystems include human-managed ecosystems where much of the natural species composition, structure, and ecological function are present.

**Nature positive** – In accordance with the SBTN's Initial Guidance on setting SBTs for nature, nature positive is "A high-level goal and concept describing a future state of nature (e.g., biodiversity, nature's contributions to people) that is greater than the current state".<sup>39</sup> In the context of NESF's Approach to Nature, the high-level goal which the SBTN refers to is to halt and reverse nature loss by 2030, measured from a baseline of 2020.

**Nature Management Plans (NMPs)** – A plan designed by NextEnergy Capital, adopted by NESF and implemented on sensitive or high-priority solar assets to mitigate impacts and restore biodiversity values on site. Each Plan outlines the strategies, interventions and actions necessary to protect, conserve, and enhance natural ecosystems beyond NEC's defined minimum compliance. The Plans complement NESF's existing Universal Biodiversity

Management Plan (UBMP) and Exemplar Site programmes.

**NESF** – NextEnergy Solar Fund Limited.  
**Net gain** – Net gain refers to measures taken to outweigh, or exceed, efforts to ensure no net loss. It is also referred to as net positive.

**No net loss** – There is no universally accepted definition of no net loss, also referred to as **net neutral**, in relation to nature. It is generally used to refer to the goal of balancing negative impacts on biodiversity with compensation measures which follow the mitigation hierarchy – i.e., to avoid, minimise, regenerate and offset – so that no loss, or residual impact, remains.

**NextEnergy Capital** – NextEnergy Capital is part of the NextEnergy Group. It is both the Investment Manager and Investment Adviser for NESF.

**NextEnergy Group** – The NextEnergy Group includes NextEnergy Capital (fund management), WiseEnergy (operating asset management), Starlight (asset development), and NextSTEP (VC sustainability accelerator). It is the founder of the NextEnergy Foundation.

**Paris Climate Accord** – The Paris Climate Accord, often referred to as the Paris Accord or the **Paris Agreement**, is an international treaty on climate change adopted in 2015. It covers climate change mitigation, adaptation and finance. The Paris Accord's central aim is to strengthen the global response to the threat of climate change, with the goal of keeping global temperature rise this century below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit temperature increase further to 1.5 degrees Celsius.

**Science Based Targets Initiative (SBTi)** – The [Science Based Targets Initiative](#) defines and promotes best practice in science-based target setting in emissions reductions.

**Science Based Targets Network (SBTN)** – The [Science Based Targets Network](#) is a group of organisations working to shape private sector and city impacts on nature by using science-based targets.

**Solar photovoltaics (PV)** – The generation of electricity by using solar panels to capture energy from the sun.

**Task Force on Climate-Related Financial Disclosures (TCFD)** – The TCFD developed a set of recommendations to change the way organisations manage climate risks and opportunities. TCFD reporting provides consistent, pertinent, forward-looking information on the material financial impacts of climate change. From 1 January 2021, all UK premium-listed companies were required to state, in their Annual Reports, whether their disclosures were consistent with TCFD recommendations, and if not, to explain why. The UK Government was the first G20 country to make TCFD-aligned disclosure mandatory for over 1,300 of the largest UK-registered companies and financial institutions. [The TCFD was disbanded in November 2023 and superseded by the ISSB Standards.](#)

**Taskforce on Nature-related Financial Disclosures (TNFD)** – The TNFD framework seeks to provide recommendations and guidance on nature-related risks and opportunities relevant to a wide range of market participants, including investors, analysts, corporate executives and boards, regulators, stock exchanges and accounting firms. The framework is being developed following the TCFD principles; else, to be market-usable, science-based, purpose driven, integrated and adaptive, globally inclusive. It embraces a full approach to nature-related risks and employs an integrated approach to climate-and nature related risks.

**United Nations Principles for Responsible Investment (UN PRI)** – The United Nations Principles for Responsible Investment were developed as a guide for investors on how to promote sustainable investment. They suggest possible measures for how to incorporate ESG issues into investment practice.

**United Nations Sustainable Development Goals (UN SDGs)** – The 2030 Agenda for Sustainable Development, adopted by United Nations member states in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 SDGs, which are an urgent call for action by all countries – developing and developed – in a global partnership. They

recognise that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

**Universal Biodiversity Management Plans (UBMPs)** – A type of biodiversity management plan designed by NextEnergy Capital to ensure solar assets align with the biodiversity management guidelines adopted by NESF, and intended to increase net biodiversity value beyond NEC's defined minimum compliance.

