Gore Street Energy Storage Fund PLC

Responsible Investment Policy

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Purpose and philosophy

Gore Street Energy Storage Fund plc ("the Fund" or "the Company") is a UK listed energy storage fund. The Company was formed to deliver a long-term sustainable dividend by playing a material role in the transition to a low-carbon economy through investing in utility-scale energy storage systems.

The move towards greater levels of renewables in the UK and elsewhere provides demand and opportunity for technologies able to integrate this variable generation into grid systems. The Company established the UK energy storage investment class upon launch to help provide the system flexibility needed to assist deployment of clean power. Thus, supporting the transition to a net zero economy and climate change mitigation efforts is at the core of GSF's business.

Diversification has always been a guiding principle of the Company's strategy to reflect the global changes in policy and regulation driving renewables deployment. It is the only UK-based energy storage fund with a portfolio spread across several grid networks.

The Company also believes that responsible corporate governance practices and consideration of environmental and social factors are important contributors to the creation of long-term shareholder value.

Scope of the policy

The Responsible Investment Policy applies to the Fund's investment activities.

This policy seeks to guide the Company on asset allocation, investment decisions, how stewardship is carried out and how it reports on its activities. It also outlines how the Board views environmental, social and governance (ESG) risks and opportunities and sustainability issues, and how it interprets its fiduciary duties in relation to ESG incorporation and active ownership.

The policy will be reviewed annually.

Alignment with responsible investment standards

The Company:

- has received the Green Economy Mark from the London Stock Exchange;
- reports voluntarily in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD);
- meets the criteria of Article 8 under the Sustainable Finance Disclosure Regulation (SFDR).

Investment strategy

a) Investment objective

The investment objective of the Company is to provide investors with a sustainable dividend over the long term by investing in a diversified portfolio of utility-scale energy storage assets. In addition, the Company seeks to provide investors with capital growth, in accordance with the Company's investment policy. The Company's investment policy is available on its website.

By investing in energy storage systems, the Company supports the green energy transition and climate change mitigation efforts. Energy storage provides the flexibility needed for intermittent energy sources such as wind and solar. Storing excess electricity when supply exceeds demand avoids curtailment and allows these clean energy sources to contribute a greater proportion of electricity. This reduces the need for fossil fuel-based power and helps reduce CO2 emissions. Moreover, technologies such as batteries provide critical ancillary services to ensure grid stability against the backdrop of declining system inertia, a consequence of the increased reliance on renewables.

b) Binding elements and exclusion policy

The following elements of the investment strategy are binding on all investments considered, selected and held by the Company.

<u>Positive screening</u>: The Company will only invest in utility-scale energy storage projects, all of which are expected to support the transition to a low-carbon economy.

<u>Negative screening</u>: Through its investment policy, the Company excludes investments in other projects that are not related to energy storage and could have a negative environmental or social outcome. The Company also has a stand-alone exclusion policy which further prohibits investments in fossil fuel extraction, weapons, firearms, tobacco and other asset classes with a negative ESG outcome.

c) Climate risk

Through the Investment Manager, the Company has established a framework to identify and manage the Company's principal risks and opportunities, including those relating to climate. Climate-related risks and opportunities, both physical and transitional, are considered as part of the investment process.

The Company has adopted the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") and publishes an annual report detailing the Company's approach to climate risk management, climate-related risks and opportunities, and climate change scenario analysis for physical risks. The TCFD reports are published as part of the annual ESG & Sustainability Report, which can be found on the Company's website under *Shareholder Literature*.

Due diligence

a) Good governance

The Company invests in energy storage projects that sit within special purpose vehicles which do not have management structures, employees, or tax policies. However, the Investment Manager, who manages the assets on the Company's behalf, has put in place policies and procedures to ensure responsible business conduct.

These include due diligence processes and internal training covering issues such as bribery, corruption, money laundering and cyber security.

b) Principal Adverse Impacts

Good governance practices are also assessed, and monitored, as part of the Company's consideration of the Principal Adverse Impacts (PAI) of its investment on sustainability factors. Specifically, with regard to the PAI, the Investment Manager conducts due diligence on the following concerns:

- **Greenhouse gas emissions**: The Company excludes any investments in fossil fuels.
- **Biodiversity**: The Investment Manager assesses the Company's assets' impact on biodiversity during the investment and construction process and takes appropriate action to avoid negative impacts to ensure compliance with local planning regulations.
- **Pollution and waste**: The Investment Manager works closely with its suppliers during the construction process and over the lifecycle of the Company's assets to avoid pollution and waste where possible.
- **Human rights, social and employee matters**:
    - The Company supports the UN Global Compact Principles and OECD Guidelines for Multinational Enterprises and does not tolerate any form of forced labour, child labour or severe human rights abuses in its supply chains.
    - As part of the due diligence process, suppliers working in sectors considered 'high risk' from a sustainability perspective are required to provide details of their supply chain management approach and to confirm, on an annual basis, compliance with the principles outlined in the Investment Manager's supplier code of conduct.
    - The Investment Manager also has processes in place to ensure health and safety standards are met on-site.

Monitoring of ESG factors

a) Environmental characteristics and their indicators under Article 8

The Company discloses and reports annually pursuant to Article 8 of SFDR. To substantiate the reporting, the Investment Manager monitors annually the environmental characteristics promoted by the Company and the sustainability indicators, and assesses any required actions.

Methodologies to measure the environmental characteristics promoted by the Company have been developed with a third-party sustainability consultant.

- **Net CO_2 emissions avoided** - The approach is based on a comparison between a scenario where the Company's battery storage assets provide services to the grid, and a second, hypothetical scenario, where the Company's battery storage assets are not in use.
- **Total renewable electricity stored** – The total renewable electricity stored is calculated using the proportion of import energy that is from renewables for each asset, summed across the portfolio and reported on an annual basis.

More information can be found in the Company's *SFDR disclosures*.

b) Principle Adverse Impacts

The Company also measures and reports a number of additional ESG metrics for its operational and construction assets that are aligned with the Principal Adverse Impacts (PAI) under SFDR:

- Total greenhouse gas emissions (Scope 1, 2 and 3)
- Carbon footprint
- Greenhouse gas intensity of investee companies
- Exposure to companies active in the fossil fuel sector
- Share of non-renewable energy consumption and production
- Energy consumption intensity per high-impact climate sector
- Activities negatively affecting biodiversity-sensitive areas
- Emissions to water
- Hazardous waste ratio
- Violations of UNGC principles/OECD guidelines
- Lack of processes and mechanisms to monitor compliance
- Unadjusted gender pay gap
- Board gender diversity
- Exposure to controversial weapons
- Emissions of air pollutants
- Water usage and recycling
- Non-recycled waste ratio

- Operations/suppliers at significant risk of incidents of child labour
- Operations/suppliers at significant risk of incidents of forced or compulsory labour
- Number of identified cases of severe human rights issues and incidents

More details on the methodology and data sources used to assess these metrics can be found on the Company's website under *Sustainability-related disclosures*.

Governance

Gore Street Investment Management Limited (the "Investment Manager") is responsible for deal origination, execution, and asset management of the portfolio in accordance with the Company's investment objectives and policy.

The Company's Board has delegated authority to the Investment Manager to acquire or dispose of assets without seeking further approval from the Board provided that the Board is given the opportunity to consider each acquisition or disposal before it is concluded.

Once a potential project which falls within the Company's investment policy has been identified, and the Investment Manager wishes to proceed, its Investment Committee reviews the project. Investment Committee approval is required to confirm that financial, legal, and technical diligence suggests that the proposed transaction is consistent with the Company's investment policy.

Governance processes related to sustainability

- **Updates to the Company's Board**: The Investment Manager reports to the Board on a quarterly basis, ensuring that the Directors are kept updated on ESG progress and developments. This system allows the Board to guide and approve the Company's sustainability strategy.
- **Risk register**: As part of the Company's risk management framework, climate-related risks are recorded within the principal risk register. These risks are reported to the Audit Committee, the Investment Manager's internal teams and external stakeholders. Recognising the potential impact of climate change on energy storage infrastructure, the Company has integrated climate-related considerations into its investment process. Additionally, the Company requests construction, asset management and operational & maintenance (O&M) contractors to provide data that enables measuring and monitoring of climate-related risks.
- **Dedicated ESG function***:* The Investment Manager has an ESG function to guide and implement the Company's sustainability strategy. The ESG team works across other internal teams to support the integration of ESG factors into operations, covering all stages of the investment cycle. The Fund also has an external ESG adviser, who is well-versed in industry best practices and ensures the Company's ESG framework and reporting are of a high standard.

Engagement

Engagement with investee companies

The Company typically seeks legal and operational control of the energy storage projects it acquires. Thus, it doesn't require a formal engagement strategy or guidelines on proxy voting.

Engagement with key stakeholders

a) **Supplier engagement**: The Company actively takes steps to ensure its suppliers meet its sustainability standards. As part of the due diligence process, new suppliers working in sectors considered 'high risk' from a sustainability perspective are required to sign a supplier code of conduct and to provide information on their sustainability policies and supply chain management approach. Sustainability criteria are also incorporated into third-party contracts with EPC providers and other partners.

   As part of a wider supply chain engagement approach, the Fund is also a member of the Fair Cobalt Alliance, a multi-stakeholder initiative aiming to improve working conditions and living standards in cobalt mining communities in the DRC.

b) **Industry/policy engagement**: The Fund's Investment Manager is a member of the Electricity Storage Network (Regen) and Energy Storage Ireland which connect entities in the energy sector to accelerate the transition to net zero. Additionally, the Investment Manager regularly provides feedback to regulators on energy storage market conditions as well as technical input to government health & safety working groups.

Exit

The Company intends to invest with a view to holding assets until the end of their useful life. However, assets may be disposed of or otherwise realised where the Investment Manager determines that such realisation is in the interests of the Company. Such circumstances may include (without limitation) disposals for the purposes of realising or preserving value, or of realising cash resources for reinvestment or otherwise. In this case, the Company intends to exit responsibly and will assess whether the acquirers of its assets have the necessary expertise and resources to operate the assets so they can continue to support the energy transition.