ESG and Sustainability Report

For the year ended 31 March 2024



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15,178 tonnes CO2e avoided



renewable electricity stored



Introduction

As the world continues to warm at an increasing rate¹ – the last 12 months marked the hottest on record² – the need to transition to a more sustainable, fossil-free power system has never been more apparent. Gore Street Energy Storage Fund ("GSF" or "the Company") was founded in 2018 with a clear ambition to support the energy transition by investing in innovative, urgently needed energy storage infrastructure. Today, the Company owns a portfolio of operational and construction assets across five grids. In the FY2023/24 reporting period, GSF increased its operational capacity from 291.6 MW to 371.5 MW³ and acquired a 75.0 MW pre-construction project in the Republic of Ireland, strengthening its role in driving change in key markets.

This ESG & Sustainability Report highlights the contribution of energy storage systems to a net zero economy while also reporting on the Company's progress towards integrating environmental, social and governance (ESG) factors into its business activities.

Battery energy storage systems support the build-out of intermittent renewable energy sources, in part, by providing a host of ancillary services to stabilise the grid and balance demand and supply. A greater share of cheap, renewable power on the grid can result in significant consumer savings, as the case study on the Irish grid on page 10 shows. The Company's assets also provide important stabilising services during times of external pressures, such as extreme weather events, as highlighted on page 30.

While clean energy solutions, such as those owned by the Company, are seen as vital for the energy transition, there is an increased demand for transparency and integrity to prove business operations also meet environmental and social standards. In 2023, the Financial Conduct Authority unveiled the UK Sustainability Disclosure Requirements (SDR) and accompanying anti-greenwashing legislation to improve trust in sustainability-labelled investment products.

In the EU, policymakers have shifted their focus towards battery supply chains and recycling by introducing the EU Battery Regulation, which will drastically improve visibility over working conditions and environmental standards in global mineral supply chains.

The Company welcomes these developments and plans to align itself with the new SDR investment labelling regime by the end of 2024. As an Article 8 fund under the EU's Sustainable Finance Disclosure Regulation (SFDR), the Company already has valuable experience in ESG reporting and integration. In addition to mandatory reporting, this year marks the third year of voluntary disclosure under the Task Force on Climate-Related Financial Disclosures (TCFD) framework for the Company. For this year's TCFD report, the team reviewed and updated the climate-related risks and opportunities to understand how GSF's business strategy aligns with the challenges and opportunities of the future. The full TCFD report can be found on page 22 of this document.

The Company is also committed to implementing the Principles of Responsible Investment (PRI), a UN-backed initiative which it joined in 2021. This year, the Company has taken an important step towards further implementation by publishing its Responsible Investment Policy and submitting its first public assessment report under the PRI framework.

In addition to tangible sustainability outcomes and performance metrics, the ESG & Sustainability Report also includes information on the Company's efforts to support communities up and down the value chain. This reporting period marks the second year of GSF's membership in the Fair Cobalt Alliance, a multi-stakeholder initiative aimed at supporting mining communities in the Democratic Republic of the Congo. The report also gives an update on local CSR initiatives undertaken by the Company and its Investment Manager, including the CleanTech Challenge and a partnership with FareShare.

Environmental

Investing in energy storage to support the global energy transition:

During the reporting period, the Company's portfolio continued to support the global energy transition by increasing its operational capacity by 27% from 291.6 MW to 371.5 MW. As of 31 March 2024, GSF's total capacity was 1.25 GW spread across five different grids. Its operational fleet avoided 15,178 tCO2e and stored 26,232 MWh of renewable electricity.



Working with communities across the value chain:

The Company believes in the importance of supporting communities, both in the UK, where GSF is based, and throughout its supply chains. The Company continues to support cobalt mining communities in the DRC via its membership in the Fair Cobalt Alliance. In the UK, the Company and its Investment Manager supported the anti-food poverty charity FareShare through a donation and a corporate volunteering day.

Governance

Improving transparency and accountability:

The Company is committed to high standards of transparency and reports its ESG performance against internationally recognised frameworks. For the FY2023/24 reporting period, GSF continued to report under Article 8 of SFDR and TCFD. The Company also submitted its first public assessment under the PRI and published a Responsible Investment Policy, which details its integration of ESG into the investment lifecycle.

1 Carbon Brief: https://www.carbonbrief.org/factcheck-why-the-recent-acceleration-in-global-warming-is-what-scientists-expect/

2 Copernicus: https://climate.copernicus.eu/copernicus-may-2024-12th-consecutive-month-record-high-temperatures

3 Energised capacity: 421.4 MW (FY23/24)

Patrick Cox Chair of the Company



On behalf of the Board, I am pleased to present the FY2023/2024 ESG & Sustainability Report for Gore Street Energy Storage Fund plc.

With the publication of our latest ESG & Sustainability Report, we can celebrate a growing contribution to the green energy transition through our expanding portfolio of energy storage assets. The past reporting period has seen increasing levels of renewable generation across key markets, led by Ireland and Texas, making its activities to balance system volatility and integrate clean power even more important.

The Company took a considerable step forward in operational capacity during the period, reaching 371.5 MW (FY2022/23: 291.6 MW) following the completion of the 79.9 MW Stony project. Overall, the scale of this newly bolstered operational portfolio was reflected by an increase in avoided emissions, which rose to 15,178 tCO2e (FY2022/23: 3,580 tCO2e), and a rise in renewable electricity managed by its systems. The Company's assets stored over 26.2 GWh (FY2022/23: c.9.1 GWh) of clean power over the reporting period driven by, in part, an overall increase in energy imports and exports due to a greater focus on energy arbitrage.

This rise seen across the metrics we use to chart the Company's contribution to the net zero transition was also a result of an increase in efficiency across assets compared with the previous year. I congratulate the Investment Manager for actively and efficiently managing the fleet and responding dynamically to changing system needs.

I am proud to see the scale of impact made by the Company's portfolio increase, as it demonstrates that sustainability rests at the heart of our strategy. It also showcases the material role energy storage can play within the energy transition; a view we have held since becoming the first energy storage fund to list on the London Stock Exchange over six years ago.

Since then, the Company has transformed how it reports the impact of its activities on the planet, its people, and the businesses it works with. We continue to voluntarily adopt the recommendations of the TCFD, and report under Article 8 of SFDR to provide a clear and transparent platform for investment.

We are also contributing to improvements in working conditions within the supply chains utilised by energy storage technologies through our membership of the Fair Cobalt Alliance and continue to support the Investment Manager in promoting the values of diversity, equity and inclusion within its own staff and externally.

Delivering against our metrics while promoting the non-financial drivers of a responsible business ensures the Company continues to play a leading role in our market segment while maintaining sustainability as a core driver of how value is delivered to our shareholders.

We look forward to continuing this work in the coming years.

Alex O'Cinneide Chief Executive of the Investment Manager



As the Company and the Investment Manager continue to deliver growth across a global portfolio, we are proud to showcase our latest achievements in ESG and sustainability with our third report.

The past year has seen energy markets around the world continue to rebalance following the global shock caused by Russia's invasion of Ukraine and the growing realisation that fossil fuels do not represent secure power. The resulting push towards renewable generation has been seen across Europe in particular, where policymakers have placed energy storage at the heart of a clean and stable energy system. New measures are being introduced across the European Union to encourage greater deployment of the technology, while individual countries are also taking steps to ensure clean flexibility is available to support rapid decarbonisation. This follows a similar journey that has been underway in the US for some time, with states like Texas and California experiencing high levels of energy storage deployment to integrate generation from wind turbines and solar farms.

The increasing understanding that energy storage represents a crucial technology for the energy transition has come at a critical time for the fight against climate change. An acceleration in decarbonisation is needed now more than ever, and energy storage remains the key to integrating clean power and pushing fossil fuels off the global energy system. Following a period of growth through substantial acquisitions, the Company and Investment Manager have focused on increasing operational capacity over the past year. This has pushed us forward in scale, and the momentum is set to continue as some of the biggest projects in the portfolio continue to progress towards energisation. This growth has also meant we are having a bigger impact on the environments in which we operate, making ESG and sustainability more integral to our daily operations.

As a diverse group of around fifty energy professionals working in GB, Ireland and the US to deliver the clean energy solutions needed for the future energy system, embedding these principles across the full range of services provided by the Investment Manager — from investment and commercial activity through to construction, asset management, legal and more — is a key part of our success. This report provides a clear and transparent account of the Company's ESG and sustainability activities and showcases how we are maintaining the high sustainability standards expected by the investment community. I am proud of the work we have done at the Investment Manager over the past year in this regard and we look forward to continuing to play a material role in the Company's ESG journey.

About us

About Gore Street Energy Storage Fund

Gore Street Energy Storage Fund plc ("GSF" or "the Company") was launched in 2018 to deliver sustainable returns to investors by investing in utility-scale energy storage systems.

GSF is listed on the London Stock Exchange and included in the FTSE All-Share Index. Through investments in the UK, Ireland, Germany, and the US, the Company became London's first internationally diversified energy storage fund and the only one with a portfolio supporting the transition to clean energy across five different grids.

The Company is managed by Gore Street Capital Limited (the "Investment Manager"), which is a full-scope Alternative Investment Fund Manager ("AIFM") authorised and regulated by the Financial Conduct Authority.

Memberships and Awards



United Nations Principles for Responsible Investment (UN PRI)

The UN-supported Principles for Responsible Investment (PRI) is an international framework promoting the integration of ESG factors into investment practice to support the move towards a more sustainable global financial system. As a signatory of the PRI, the Company is committed to incorporating the Principles into its own investment processes, and recently published a <u>Responsible</u> <u>Investment Policy</u> on its website. The Company also submitted its first publicly available assessment report in 2024.



Global Impact Investing Network

The Company is a member of the Global Impact Investing Network (GIIN) to connect with like-minded investors and help advance the network's goal of scaling impact investing across the world.



Green Economy Mark

The Company has been awarded the London Stock Exchange's Green Economy Mark, recognising that it derives more than 50% of its revenues from products and services that contribute to environmental objectives.

Our strategy

The Investment Manager's investment, construction and development, and asset performance teams seek to monitor and integrate the Company's health and safety, ESG and investment objectives into its acquisition, construction, and operations model. ESG considerations support and service the Company's goals on the route to a more sustainable energy system.

Asset identification and assessment

As part of its assessment of investment opportunities, the Investment Manager routinely runs market analyses on each grid network within its geographical mandate. The Investment Manager's team also works with local advisors to evaluate the regulatory environment applicable to each grid operator. The Company has established a strong network of project developers with a deep understanding of early-stage project development to ensure that projects identified for investments meet or will meet land, planning and grid energisation requirements by the time of acquisition.

John-Michael Cheshire



Investment Principal at Gore Street Capital

Performance optimisation,

responsible management,

The Investment Manager forms bidding

market dynamics, regulatory limitations, and

and monitoring

"Any project we take on must have met planning and permitting conditions that may include onerous $ecological \ impact \ assessments \ and \ prospective \ wildlife$ habitat mitigation. We also take community feedback into account, where possible, and have previously responded to concerns around noise pollution."

and assessment

Performance optimisation responsible management, and monitoring



optimisation and trading professionals to maximise revenue streams. The team also monitors asset performance to ensure asset availability for revenue contracts. The Investment Manager is responsible for managing relationships with stakeholders, monitoring technical performance and maximising asset availability.

Daniel Sherlock-Burke

Head of Asset Performance at Gore Street Capital

"We have begun to implement battery analytics software to detect irregular battery cell behaviour and head off any potential thermal runaway incidents. Use of data in this way is a win-win for asset owners by improving asset optimisation while materially improving safety."

Acquisition execution and onboarding of new assets/projects

The Investment Manager manages the acquisition process from bid to close, using third parties to assist with due diligence and remove biases when assessing opportunities. It aims to design transactions in a manner that assesses project risks in accordance with the Company's investment policy. The Investment Manager's commercial team supports the onboarding process of new assets by screening route-to-market partners. This allows the construction and commercial teams to begin the technical implementation and detailed preparation for commissioning tests and onboarding of the assets into revenue streams.



Alicja Kowalewska-Montfort Technical Principal at Gore Street Capital

"We are increasingly interested in local flexibility markets to improve grid stability in the immediate areas around our projects, and utilise local suppliers and partners to limit the environmental impact of our activities. We also target brownfield locations able to pass our viability criteria to limit our use of sites that would have a positive alternative use."

Procurement and construction

Procurement and construction

The Investment Manager has an in-house procurement team, with the legal and technical expertise to negotiate all key contracts for project engineering and construction and obtaining warranties for continued battery performance. 3 The construction and development team is responsible for monitoring project construction and holding relevant stakeholders accountable for cost and quality control, and timeline management.

Richard Wagstaff Head of Project Development at Gore Street Capital

"Managing our environmental impact responsibly is important to us. One aspect we consider carefully is our impact on water resources. We keep surfaces as permeable as possible and include local attenuation ponds to slow the water run-off from the site to watercourses. The ponds can help support biodiversity around the developments."

The Company is currently updating its sustainability framework and reviewing its alignment with the Sustainable Development Goals (SDGs). The new framework will be included in the ESG & Sustainability Report FY2024/25.

Environment

Supporting the transition to Net Zero

Investment in energy storage plays an important role in facilitating the transition to clean, renewable power.

According to the International Energy Agency's Net Zero Emissions Scenario, global energy storage capacity needs to grow to 1.5 TW by 2030, with battery energy storage systems expected to deliver around 90% of this capacity. The use of batteries represents about 60% of the CO2 emissions reductions in the energy sector in 2030, emphasising their critical role in decarbonisation.⁴

Energy storage technologies such as batteries provide the grid flexibility needed to integrate intermittent energy sources such as wind and solar. Batteries can store excess electricity when supply exceeds demand and discharge this electricity when required, which helps to balance the system and avoid curtailment of renewables. They can increase reliability of supply during disruptions caused by extreme weather events and help restart the system in the case of blackouts.

A

Moreover, batteries provide critical ancillary services to maintain grid stability against the backdrop of declining system inertia⁵, a consequence of increased reliance on renewables. Compared to other energy storage technologies, batteries have the benefit of being able to respond in short timescales and can play a vital role in replacing conventional stabilisers, such as gas and coal-fired power plants.

The Company measures the contribution of its operational assets to the net zero transition via two metrics: net CO2 emissions avoided, and total renewable electricity stored. In the last year, the Company's operational portfolio helped avoid 15,178 tonnes of CO_2 e and stored 26,232 MWh of renewable electricity, thereby driving the green energy transition in the UK, Ireland, Germany, and the US.

"Batteries are key to the transition away from fossil fuels and accelerate the pace of energy efficiency through electrification and greater use of renewables in power."

International Energy Agency

These values refer to the IEA's NZE scenario. Further details: https://www.iea.org/reports/batteries-and-secure-energy-transitions/executive-summary
Inertia refers to the kinetic energy stored in spinning parts, such as turbines and generators in nuclear plants, coal and gas-fired power stations, which helps to maintain grid frequency. Wind and solar power don't produce inertia (source: https://modoenergy.com/research/5548).

What are ancillary services and how do they support the power system?

One of the main applications of battery energy storage systems - alongside capacity markets and wholesale trading - are ancillary services.

Ancillary services refer to support services necessary for maintaining the stability, reliability, and quality of electricity supply. These services encompass activities such as frequency regulation (e.g. maintaining a grid frequency of 50 Hz ± 1% in GB), voltage control, reactive power support, and black start capability. Examples of ancillary services provided by the Company's assets include:

Great Britain

- Dynamic Containment (DC): A service offered by electricity grid operators to address sudden imbalances in supply and demand, usually in response to significant disturbances or faults.
- Dynamic Moderation (DM): A service provided by electricity grid operators to manage smaller imbalances in supply and demand, often in response to minor fluctuations or disturbances.
- Dynamic Regulation (DR): A real-time service to actively manage and regulate grid frequency, ensuring a stable and balanced power system.
- Firm Frequency Response (FFR): A rapid and automated response to changes in grid frequency, aiding in the stabilisation of the grid within milliseconds or seconds.

Ireland

DS3: Delivering a Secure, Sustainable Electricity System is the programme implemented by both Transmission System . Operators (TSO) for the single Irish grid with the aim of increasing the renewable penetration level in a safe and secure manner.

Germany

- Automatic Frequency Restoration Reserve (aFFR): This service is designed to support FCR should it fail to deliver the flexibility needed to maintain the grid by maintaining a reserve in the power grid that helps to keep the grid frequency stable.
- Frequency Control Reserve (FCR): A mechanism to regulate and control grid frequency within an acceptable range.

Texas

- ERCOT Contingency Reserve Service (ECRS): An ancillary service to ensure the availability of reserves in case of contingencies . or emergencies, thereby assisting in maintaining grid stability.
- Responsive Reserve Service (RRS): An ancillary service procured by grid operator ERCOT to arrest frequency deviations in the grid. RRS can be further split into Primary Frequency Response, Under Frequency Response, and Fast Frequency Response.
- Regulation Up: A grid balancing mechanism used during periods when frequency drops. A battery can either discharge or reduce its charging schedule in order to provide this service.
- Regulation Down: A grid balancing mechanism used during periods when frequency rises. A battery can either charge or increase its charging schedule in order to provide this service.







Case Study: Supporting the energy transition in Ireland by providing vital flexibility services

The Irish grid has become one of the most valuable for the Company as grid operators in Northern Ireland (NI) and the Republic of Ireland (ROI) reward the unique capabilities of energy storage in balancing volatility caused by increasing deployment of renewable energy assets.

The combined electricity network, managed by SONI in NI and Eirgrid in ROI, has been tasked with ensuring at least 80% of electricity can be integrated from renewable sources by 2030 as a key pillar of the Integrated Single Electricity Market (I-SEM) decarbonisation strategy.⁶

The Delivering a Secure Sustainable Electricity System (DS3) programme⁷ was fully established in 2018 to increase the amount of renewable energy on the Irish power system. The grid operators have achieved this to date by procuring flexibility services from new and existing technologies and participants to maintain a resilient power system.

Battery energy storage has provided the majority of these services due to the technology's ability to quickly respond and meet the world-leading technical requirements of the DS3 programme. This has allowed the level of system nonsynchronous penetration (SNSP) from sources like the c.5.6 GW Irish wind fleet to increase in recent years to benefit consumers⁸.

A 2024 study⁹ revealed wind generation saved consumers connected to the I-SEM almost €1.6 billion over the 2023 calendar year by displacing fossil gas and associated carbon credits. A total of 13.7 TWh of wind output delivered around 35% of Ireland's electricity during the year, reducing demand for around 2.2 billion cubic meters of fossil gas. This rose to an average of 41.1% for the 2023/24 financial year as high winds were felt across the winter months.

In December 2023, when wind provided half of Ireland's electricity, the average wholesale electricity prices was €88.97 per MWh, down 68% from €276.52/MWh in December 2022 when gas prices were exceptionally high due to the impact of Russia's invasion of Ukraine and the subsequent constraints on European gas supplies. This average price fell to €75.94/MWh on days with the most wind generation, with consumers across the I-SEM saving a total of €170 million over the month.



Figure 1: Electricity demand and subsequent pricing in Ireland based on data compiled by Wind Energy Ireland

Integration of the renewable generation that has led to these savings has been made possible by the battery energy storage assets working within the DS3 suite of ancillary services. Gore Street Energy Storage Fund was one of the first to bring large-scale energy storage assets online in Ireland, with 130.0 MW already operational as part of a total Irish portfolio of 385.0 MW. These assets began delivering DS3 services in March 2021 and continue to ensure the Company makes an important contribution to the decarbonisation of the Irish grid, which helps to deliver savings for consumers.

- 6 Government of Ireland: https://www.gov.ie/pdf/?file=https://assets.gov.ie/270956/94a5673c-163c-476a-921f-7399cdf3c8f5.pdf#page=nul
- 7 EirGrid: https://www.eirgrid.ie/ds3-programme-delivering-secure-sustainable-electricity-system
- 8 Wind Energy Ireland: https://windenergyireland.com/about-wind/the-basics/facts-stats

⁹ Wind Energy Ireland, Baringa: https://efaidnbmnnnibpcajpcglclefindmkaj/https://windenergyireland.com/images/files/final-baringa-wind-energy-ireland-cuttingcarbon-cutting-bills-2023.pdf

CleanTech Challenge

In its pursuit of sustainable returns for investors and support for the green energy transition, the Company remains agnostic towards energy storage technologies. Currently, the Company's portfolio consists of lithium-ion battery assets, as they align with market incentives for rapid, short-duration response in Great Britain, Ireland, Germany, and the United States.

The Investment Manager has a duty to the Company to explore and evaluate emerging technologies as the energy transition progresses. As part of this commitment, a five-year partnership was established with the CleanTech Challenge in 2023. The competition, spearheaded by students from the London Business School and University College London, is designed to assist young innovators in transforming clean technology concepts into viable business ventures. In 2024, GSC continued to provide mentorship for the competition, delivering constructive feedback to the entrants' pitches before final presentations were made to the judging panel, which included a Principal of the Investment Manager.

The 2024 winner was Tuuli, which uses an integrated data platform to produce embodied carbon estimates for construction projects to promote the use of sustainable materials.

HOSTED BY LBS & UCL POWERED BY GORE STREET CAPITAL

CLEANTECH CHALLENGE MENTORS

Contribution to a circular economy

Circular economy principles are an essential element of the energy transition by ensuring clean power can be provided in a sustainable way that reduces the consumption of finite resources. Battery energy storage systems, such as those within the Company's portfolio, use a range of metals — lithium, nickel, cobalt, for example — from supply chains that can have a considerable impact on the environments from which they are extracted. The recycling of these materials and reduction of their use within the energy storage sector is, therefore, important as more of the technology is deployed.

In the year since the Company's FY2022/23 ESG and Sustainability Report, Great Britain's operational grid-scale battery fleet increased from around 2.5 GW to 4.0 GW and, while deployment has slowed in 2024, the figure could reach 18.0 GW by the end of 2027.¹⁰ In the US, where the Inflation Reduction Act has driven the deployment of renewable generation, energy storage capacity has also grown considerably, with 7.3 GW installed in California¹¹, where the Company is building its largest asset to date – the 200.0 MW/400.0 MWh Big Rock project. Texas is also among the leading states for deployment, with c.3.1 GW already installed and expected to rise to 10.0 GW by the end of 2024.¹²

In the EU, deployment is increasing rapidly, with several countries introducing national targets in addition to a broader set of actions¹³ agreed by the European Parliament. These include periodic assessments of national and Union-wide non-fossil flexibility needs, setting of indicative national objectives, and establishment of support schemes specific to energy storage where needed to address market barriers.

With these measures set to drive growth in battery energy storage systems, the European Union has introduced new battery regulations to strengthen the internal market, help establish a circular economy, and reduce environmental and social impacts throughout all stages of a battery system's life cycle. The Battery Regulation¹⁴, which came into force in August 2023, aims to modernise the European framework for batteries across a range of sectors by introducing sustainability and safety requirements for products placed on the EU market.

In addition to measures aimed at improving labelling, marketing and information, due diligence, waste management, and safety, the regulation requires battery systems to contain an increasing proportion of recycled content over time. This is intended to reduce reliance on materials from outside the EU in the coming years and exposure to supply chains with a large range of social and environmental issues. To date, the Company has acquired European energy storage assets in Germany and Ireland, where additional capacity is being constructed.

The Company currently does not qualify as a producer, manufacturer, importer or distributor under the regulation and therefore is not directly affected by the new requirements. The Investment Manager will continue to monitor the regulatory requirements of the European market to determine the Company's responsibilities and adjust its procurement strategy accordingly. The Company remains committed to the sustainability of its supply chains and is supportive of increased efforts from regulators to reduce, recycle and repurpose the materials needed for a responsible energy transition.

¹⁰ Modo Energy: https://modoenergy.com/research/gb-benchmark-battery-energy-storage-pipeline-projection-may-2024

¹¹ U.S. Energy Information Administration: https://www.eia.gov/todayinenergy/detail.php?id=61202

¹² Reuters: https://www.reuters.com/business/energy/texas-energy-storage-dash-brings-1-gw-batteries-within-sight-2024-05-09/

¹³ European Parliament: https://www.europarl.europa.eu/doceo/document/TA-9-2024-0284_EN.html

¹⁴ Regulation (EU) 2023/1542 of the European Parliament: https://eur-lex.europa.eu/eli/reg/2023/1542/oj



Human rights in supply chains: Fair Cobalt Alliance

The Company's energy storage assets employ different lithium-ion battery chemistries, including NMC (nickel-manganese-cobaltoxide). Although new battery chemistries are being developed, cobalt remains a key metal for the sector. The Democratic Republic of the Congo (DRC) accounts for more than 70% of the global cobalt supply, with 15% to 30% coming from artisanal and small-scale mines (ASM)¹⁵, which have been linked to poor working conditions, human rights abuses, and child labour. It is currently impractical to distinguish ASM cobalt from industrially mined cobalt, as both are mixed at refineries before entering the general supply chain.

As the Company utilises NMC technology, it has committed to engaging with the sector to improve labour conditions and livelihoods. It has also taken steps, via its Investment Manager, to incorporate supply chain standards in procurement processes and due diligence.

Additionally, the Company is continuing its membership in the Fair Cobalt Alliance (FCA) for a second year as part of a strategy to engage with the wider supply chain and professionalise the extraction from ASM mines. The Fair Cobalt Alliance works to improve working conditions through five workstreams¹⁶:

- enabling safe and dignified working conditions,
- child labour remediation,
- raising workers' income,
- achieving market acceptance of Fair ASM cobalt,
- and creating an enabling environment for this systemic change.

In order to ensure safe working conditions, the organisation pursues several strategies, such as distribution of personal

protective equipment (PPE), hosting various training workshops, toolbox training and working with external partners to help identify additional ASMs.

The FCA has a Child Labour Remediation Hub that ensures children found in mines are referred to case managers and receive financial support as well as other forms of assistance in regard to safety, well-being, and reintegration back to education. There are currently 18 children under the remediation programme.

The organisation operates off-site community programmes designed to create and diversify sustainable livelihoods accessible to all community members. One notable programme is the Voluntary Savings and Loans Association (VSLA). This initiative is designed to support communities, mine workers and disadvantaged people to save more efficiently and to help build solidarity among members while providing a safety net against predatory lending in the community. There is a total of 21 operational VSLAs, with 456 people having participated in saving activities, allowing community members to have access to credit, which is critical to support school fees allocation for children and learning to save for emergencies.

This vital work cannot be done in isolation and requires multistakeholder support. The FCA works with the Technical Cell for Coordination and Mining Planning (CTCPM) and the Ministry of Mines, which has resulted in a five-year joint strategic plan, allowing for technical and financial partners to formalise their relationship with government entities.

The Company's continued membership in the Fair Cobalt Alliance supports the organisation's mission to improve conditions in and around small-scale cobalt mines for all stakeholders.

Photo credits: David Sturmes / The Impact Facility



15 World Economic Forum: https://www.weforum.org/publications/making-mining-safe-and-fair-artisanal-cobalt-extraction-in-the-democratic-republic-of-the-congo/ 16 Fair Cobalt Alliance: https://www.faircobaltalliance.org/approach/

Striving towards the highest standards of Health & Safety

Safe operations of battery energy storage systems (BESS) have been of paramount importance to the Company since its launch, not only to ensure continued uptime for its systems but also to protect those working on site. As more capacity is added to the Company's portfolio, as well as the global BESS fleet, it is vital that correct health and safety (H&S) standards are maintained and supported by appropriate regulations and widely available guidance.

The Company has taken a leading role during the reporting period, with support from the Investment Manager, to improve H&S standards while developing new and innovative strategies for managing risk at its own sites.

The Company implemented Al-driven battery data analytics software at the 10.0 MW Lower Road project in 2022 to test its capabilities for increasing safety by reducing the risk of thermal runaway and operational issues. Thermal runaway occurs when battery cells overheat, which can be caused by a range of internal and external factors, including physical damage, misuse, ageing, and fluctuating temperatures outside of the safe temperature range. A sharp rise in the internal temperature can spread to surrounding battery cells, eventually leading to a fire and explosion as off-gases are released.

The technology tested at Lower Road, which is to be installed at the 79.9 MW Stony and 49.9 MW Ferrymuir assets post-reporting period, uses millions of data points from the cell level to assess state of health, state of charge and internal temperature. This information is compiled and analysed in the cloud to detect irregular battery cell behaviour, diagnose battery health, and recommend corrective action for any problems identified. The platform gives the Investment Manager more control and lead time to address critical issues, ensuring the Company's systems run safely and at peak performance.

The technology was also used to secure improved terms from insurers who valued the material risk reduction of this approach. The Company was able to agree what is thought to be the first deal of its kind in the UK to leverage an analytics solution, demonstrating how it is showing leadership in facilitating improved safety across the energy storage sector.

The Company also believes it is important to leverage its expertise to provide guidance to the wider sector, which is growing considerably as new entrants with less experience in energy storage enter the market. To that end, the Investment Manager's Head of Asset Performance provided input to the UK Department for Energy Security and Net Zero's Health and Safety Guidance for Grid Scale Electrical Energy Storage Systems¹⁷, published in March 2024.

The good practice document highlights existing legislation, regulations, standards and other industry guidance relevant to grid-scale BESS developers, owners and operators to help ensure correct H&S measures are integrated at all levels of a project, from design and planning through to decommissioning and end of life.

The Company will continue to promote high standards of health and safety as a leading market player in BESS, both at its own sites and across the sector.



17 Department for Energy Security and Net Zero's Health and Safety Guidance for Grid Scale Electrical Energy Storage Systems: https:// efaidnbmnnnibpcajpcglclefindmkaj/https://assets.publishing.service.gov.uk/media/661feca73771f5b3ee757fac/grid-scale-storage-health-safety-guidance.pdf

Fostering Diversity, Equity and Inclusion

The energy sector continues to face a lack of diversity, with women making up only $32\%^1$ of middle management roles in energy companies in the UK. This has implications for the transition to a more sustainable future. A study¹⁸ by National Grid and POWERful Women, which examined the relationship between diversity, equality, and inclusion (DEI) and the shift to net zero, found DEI to be essential in three key areas:

- 1. enabling the industry to find innovative solutions by challenging the traditional way of thinking,
- 2. better understanding the needs of society,
- 3. and building a net zero workforce.

Not only are there tangible benefits of DEI for the green transition, but there are also financial advantages. A McKinsey study¹⁹ found that companies ranking in the top quartile for gender diversity on executive teams were 25% more likely to have above-average profitability than companies in the fourth quartile. The results for ethnic and cultural diversity were equally compelling, with top-quartile companies outperforming their least diverse peers by 36% in profitability.

Diversity in the financial sector

The Financial Conduct Authority requires all listed companies in the UK to disclose the diversity of boards and executive committees. As an investment trust with no employees or senior management, and a small number of directors, the Company will aim to meet the board diversity targets where possible. At the end of March 2024, the Company had met the targets relating to the percentage of women on the Board and a number of senior board positions held by a woman, but had not yet met the target for board members from a minority ethnic background.

Investment Manager's commitment to DEI

The Investment Manager, which conducts the day-to-day operations on behalf of the Company, also believes in the importance and value of DEI. In February 2024²⁰, women represented over a third of its workforce and 40% of senior management roles.

Diversity extends beyond gender; it includes a range of ages, experiences, and cultures within the workforce. The Investment Manager's workforce is composed of 12 different nationalities and 14 languages spoken amongst the team.

To ensure that diversity is supported throughout all stages of employment, the Investment Manager has several policies that promote greater inclusion within the workplace. These include enhanced maternity and paternity leave, a menopause policy, and a period policy, reinforcing the Investment Manager's commitment to inclusion.





Gender Diversity within Senior Management as of February 2024



POWERful Women (PfW) is a professional initiative that aims to create a gender-balanced, diverse, and inclusive UK energy sector. In November 2023, GSC sponsored the initiative's annual conference to support PfW in publicising its research, creating a forum for industry to discuss DEI issues, and encouraging organisations, as well as potential mentors and mentees, to join and work towards a more genderbalanced energy sector.

¹⁸ National Grid: https://www.nationalgrid.com/careers/inclusion-and-diversity/dei-net-zero-future

¹⁹ McKinsey: https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters?cid=other-eml-alt-mip-mck&hlkid=4544abd2e8 754189a3d1dde5d27f0754&hctky=11855514&hdpid=4eaa142d-de5f-46b3-aa50-423380d53597

²⁰ The Investment Manager's DEI staff survey was conducted at this time.

Community engagement: FareShare

FareShare donation

The Company and its Investment Manager are conscious of their responsibility to support communities in London where their offices are located. The particular focus is on supporting initiatives that take a holistic approach to sustainability, valuing environmental and social aspects with equal priority. A charity that embodies this holistic approach is FareShare.

Food insecurity has risen greatly in the UK, partly due to the cost-of-living crisis. There is a joint crisis of food poverty and food waste with one in six people in the UK currently experiencing food insecurity whilst 10 billion meals are wasted.²¹ FareShare is a charity working to tackle these pressing challenges.

FareShare redistributes surplus food to charities to turn it into meals for people in need. This work increases the reach of these charities, helping individuals who are making tough choices between basic needs, such as keeping the heating or fridge on. By using food that would otherwise go to waste, FareShare is also able to have a positive environmental impact by reducing waste emissions. In FY2023/24, GSF donated £20,000 to further the work of reducing food poverty and waste. This donation enabled FareShare to redistribute the equivalent of 100,000 meals across England and Northern Ireland.

Community engagement: Ace of Clubs

One of FareShare's partner charities is Ace of Clubs, a Londonbased charity that serves those in the community experiencing homelessness. These services include providing food, laundry, healthcare, clothing, and welfare advice.²² Ace of Club's holistic approach and strong track record have ensured their integration into the community, allowing them to help a diverse range of people.

In May 2024, a group of GSC employees volunteered as part of a community engagement day, which entailed sorting through clothing donations, cleaning, and serving meals.



21 FareShare: https://fareshare.org.uk/what-we-do/

22 Ace of Clubs: https://aceofclubs.org.uk/

Governance

P. REFERENCES

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Governance structures

The Board of Directors is actively involved in guiding the Company's sustainability strategy, with day-to-day management and accountability resting with the Investment Manager.

The Investment Manager has an ESG team that is responsible for developing, implementing, monitoring and reporting on the sustainability strategy. The team regularly reviews and updates policies and procedures to ensure that the Company is meeting the expectations of its stakeholders, including regulators and investors. In line with the Company's commitment to transparency, the team prepares periodic ESG disclosures, supported by external sustainability consultants, to ensure alignment with regulatory requirements and industry best practices.

The Company's Board is given quarterly and, where necessary, ad hoc updates by the Investment Manager to ensure its directors are kept appraised of ESG developments and progress. Moreover, the Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a matrix of principal risks affecting the Company's business – including climate risk – and has established, via the Investment Manager, associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit committee on an ongoing basis.

These measures reflect the importance that the Company places on sustainability, allowing the Company greater reassurance and transparency around ESG considerations.

Business ethics

Business ethics refer to "the standards for morally right and wrong conduct in business"²³. Acting with integrity promotes fairness in decision-making, builds trust from key stakeholders and creates a positive, respectful working environment.

The Company's Investment Manager is committed to maintaining the highest standards of honesty, openness and accountability and recognises that all employees have an important role to play in achieving this goal. To this end, the Investment Manager organises periodic training on topics including money laundering, bribery and corruption. Additionally, the firm has a whistleblowing policy that encourages staff to report potential or actual infringements through an independent and autonomous channel.

Cybersecurity

The energy sector has grown rapidly, leading to an increased overlap between physical infrastructure and digital services. While these improvements have led to improved energy access and greater security for users of the energy system, those who manage energy infrastructure face a greater risk of cybersecurity threats. The energy sector faces 39% of critical infrastructure attacks²⁴, being particularly vulnerable due to the complexity and internationally. Protecting against cyberattacks is therefore vital to the Company's business.

The Investment Manager provides regular IT, data and cybersecurity training to its office staff to mitigate against the risk of cyberattacks and ensure data and systems confidentiality. Its asset management team works with expert consultants to audit the cybersecurity of all battery storage sites in the Company's portfolio through penetration tests and is actively engaged in continuous improvement to ensure high security standards are maintained as the portfolio grows and the digital environment changes.

 $^{23 \ \} Red lands: https://www.red lands.edu/study/schools-and-centers/business/sbblog/2019/may-2019/3-reasons-why-business-ethics-important/schools-and-centers/business/sbblog/2019/may-2019/3-reasons-why-business-ethics-important/schools-and-centers/business/sbblog/2019/may-2019/3-reasons-why-business-ethics-important/schools-and-centers/business/sbblog/2019/may-2019/3-reasons-why-business-ethics-important/schools-and-centers/business-sbblog/2019/may-2019/3-reasons-why-business-ethics-important/schools-and-centers/business-sbblog/2019/may-2019/3-reasons-why-business-ethics-important/schools-and-centers/business-sbblog/2019/may-2019/3-reasons-why-business-ethics-important/schools-and-centers/business-sbblog/2019/may-2019/3-reasons-why-business-ethics-important/schools-and-centers/business-sbblog/2019/may-2019/3-reasons-why-business-sbblog/2019/may-2019/3-reasons-why-business-sbblog/2019/may-2019/3-reasons-why-business-sbblog/2019/may-2019/3-reasons-why-business-sbblog/2019/may-$

²⁴ Security Magazine: https://www.securitymagazine.com/articles/99915-energy-sector-faces-39-of-critical-infrastructure-attacks

Sustainable Finance Disclosure Regulation (SFDR)

The Company qualifies as an Article 8 product under the European Sustainable Finance Disclosure Regulation (SFDR), which is aimed at preventing greenwashing and improving transparency in the market for sustainable investment products. It promotes the following environmental characteristics under Article 8 of the regulation:

- enabling the integration of renewable energy sources into the power grid.
- avoiding carbon emissions from the power sector.

The Company's pre-contractual disclosures and website disclosures are available on its website under <u>Sustainability-Related Disclosures</u> and <u>Shareholder Literature</u>.

The table below summarises the Company's performance in the 2023/24 financial year, as reported against the environmental characteristics and principal adverse impacts (PAI). The Company's full periodic report under Article 11 of SFDR can be found in its Annual Report and Financial Statement FY2023/24.

Table 1: GSF's PAI disclosures for operational and under construction assets during the period of 1 April 2023 to 31 March 2024

Торіс	#	Indicators	Financial year 2023/24	Financial year 2022/23				
Due diligence on principal adverse impacts (PAI)								
Climate and other environment-related indicators								
Greenhouse gas emissions	1	Total greenhouse gas (GHG) emissions (Scope 1, 2 and 3) (see below for breakdown)	32,879 tCO ₂ e	25,621 tCO2e				
	2	Carbon footprint	84 tCO2e / £M	107 tCO2e / £M				
	3	GHG intensity of investee companies	1,661 tCO2e / £M	185 tCO2e / £M				
	4	Exposure to companies active in the fossil fuel sector	No exposure	No exposure				
	5	Share of non-renewable energy consumption and production	57.7%	72.1%				
	6	Energy consumption intensity per high impact climate sector	0.52 GWh / £M	0.31 GWh / £M				
Biodiversity	7	Activities negatively affecting biodiversity-sensitive areas	None identified	None identified				
Emissions to water	8	Emissions to water	0.00 t / £M	0.00 t / £M				
Waste	9	Hazardous waste ratio	0.00 t / £M	0.00 t / £M				
Social and employee	matte	rs						
UNGC principles or	10	Violations of principles/guidelines	None identified	None identified				
for Multinational Enterprises	11	Lack of processes and mechanisms to monitor compliance	No formal process or mechanism identified	No formal process or mechanism identified				
Gender equality	nder equality 12 Unadjusted gender pay gap		N/A	N/A				
Gender diversity 13 Board board		Board gender diversity (weighted average of male and female board members at investee company level)	30%	22%				
Controversial 14 Exposure to co cluster munitio		Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons)	No exposure for GSF's activities under direct control	No exposure for GSF's activities under direct control				
Additional sustainabi	i lity d i	isclosures						
Air emissions	15	Emissions of air pollutants	0.00 t / £M	0.00 t / £M				
Additional water and	16	Water usage and recycling	0.00 m ³ / £M	0.00 m ³ / £M				
emissions	17	Non-recycled waste ratio	0.00 t / £M	0.00 t / £M				
Human rights	18	Operations and suppliers at significant risk of incidents of child labour	No exposure for GSF's activities under direct control	No exposure for GSF's activities under direct control				
	19	Operations and suppliers at significant risk of incidents of forced or compulsory labour	No exposure for GSF's activities under direct control	No exposure for GSF's activities under direct control				
	20	Number of identified cases of severe human rights issues and incidents	None identified	None identified				
Environmental	21	Net CO ₂ emissions avoided*	15,178 tCO2e	3,580** tCO2e				
characteristics	22	Total renewable electricity stored	26,232 MWh	9,055 MWh				

* On behalf of the Company, the Investment Manager continues to monitor efforts in the battery storage sector to agree on a methodology that reflects the true value battery storage systems add to the electricity system.

** Last year's results have been recalculated by the Company's sustainability consultant due to an inconsistency.

Data gathering

Scope: The assessment covered all assets in operation or under construction held by the Company's investee companies during the 2023/24 financial year (1 April 2023 to 31 March 2024). In total, this comprised 20 assets, including four assets that were fully or partially under construction (Stony, Ferrymuir, Enderby and Big Rock). The assessment did not include the Company's assets which were in the pre-construction phase and did not record any operational or commercial activity.

Process: The ESG team collected a variety of data from GSF's external suppliers – EPC, O&M and AM²⁵ providers – as well as internal sources. The data was processed by external sustainability consultants to calculate the Company's ESG metrics.

Discussion of the results

The portfolio's total greenhouse gas emissions increased during the reporting period, mainly driven by an increase in Scope 3 emissions. This can be attributed to a rise in emissions related to capital goods for construction as well as the use of sold products (due to an increase in exported electricity by the operational portfolio during the reporting period). As the construction of new battery storage assets takes place over several years, construction-related emissions have been allocated proportionally over the project time schedules, resulting in a more even spread of emissions over several reporting periods.

Other notable changes include an increase in GHG intensity of investee companies (due to the inclusion of the Stony asset, which became operational just before the end of the reporting period) and an increase in carbon footprint (based on net asset value increasing more than emissions due to the inclusion of Big Rock in this year's calculations).

The share of non-renewable electricity consumed decreased as the portfolio saw an increase in battery efficiency and grid decarbonisation progress. Net CO2e emissions avoided by the operational portfolio increased significantly during the period, as did the total amount of renewable energy stored. This was driven by an overall increase in electricity imported and exported – due to an operational regime more focused on energy arbitrage – and improved efficiency across most battery assets compared with the previous year.

Greenhouse gas emissions

There are three categories of greenhouse gas (GHG) emissions under the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard: Scope 1, 2 and 3.

Scope 1	covers direct emissions from owned or directly controlled sources;
Scope 2	covers indirect emissions from the generation of purchased energy;
Scope 3	covers all other indirect emissions that occur in producing and transporting goods and services, including the Company's supply chain.

Total greenhouse gas emissions were calculated at 32,879 tCO2e²⁶. The Company's breakdown of emissions is as follows:

- Scope 1 emissions represented less than 1% of total emissions*.
- Scope 2 emissions comprised approx. 10% of total emissions, primarily arising from battery efficiency losses.
- Scope 3 represented approx. 90%, the largest share of total emissions, mainly stemming from:
 - the impact of the electricity commercialised downstream (use of sold products);
 - the acquisition and use of capital goods for construction;
 - upstream transportation and distribution;
 - fuel and energy-related activities.

Figure 2: Breakdown of total emissions by scope and relevant Scope 3 category for FY 23/24



* The Company's only source of Scope 1 emissions is fugitive emissions. Data on leakages was only partially available for the 2023/24 reporting period.

25 Engineering, Procurement, Construction (EPC), Operations and Maintenance (O&M), Asset Management (AM)

26 CO2e is a unit of measurement to allow for comparison of different greenhouse gases with different warming potentials. For example, methane is a potent greenhouse gas and absorbs 28x more infrared radiation than CO2 over a 100 year-period.

Task Force on Climate-Related Financial Disclosures (TCFD)



Task Force on Climate-Related Financial Disclosures (TCFD)

1. Executive summary

The Company, Gore Street Energy Storage Fund (GSF), does not fall within the scope of the UK Financial Conduct Authority (FCA)'s climate-related reporting requirements but has chosen to voluntarily report in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to promote transparency around its governance and consideration of climate-related risks and opportunities as part of the broader investment strategy.

The report compromises the four pillars of the TCFD framework:

- Governance: information on the Company's oversight of climate-related risks and opportunities.
- Strategy: disclosure of actual and potential impacts of climate-related risks and opportunities on the Company's business, strategy and financial planning where such information is material.
- Risk Management: a description of how the Company identifies, assesses, and manages climate-related risks.
- Metrics and Targets: measures used to assess and manage relevant climate-related risk and opportunities where such information is material.

The following chapters provide information on the Company's governance, monitoring, and management of climate-related risks during the 2023/24 financial year.

2. Governance

Board oversight

The Board, which is the Company's governing body, consists of five Directors and is responsible for overseeing the business affairs of GSF in accordance with the Articles, the Companies Act and the investment policy. It has overall responsibility for the Company's activities, including its strategy and investment activities, both of which consider the impact of climate-related risks and opportunities.

The Audit Committee is a Board Committee, wherein all Directors are members of the Committee. The Committee has delegated authority from the Board and is responsible for monitoring the integrity of the financial reporting, quality and effectiveness of external audit, risk management and the system of internal control. This includes reviewing the Company's ESG disclosures and receiving assurance on those disclosures from the service providers and advisers preparing disclosures on behalf of the Board.

The Investment Manager, Gore Street Capital (GSC), provides the Company with investment management and risk management services. Through the Investment Manager, the Board has established a framework to identify and manage GSF's principal risks and opportunities, including those relating to climate change and the energy transition. The Investment Manager reports to the Board on a quarterly basis, ensuring that the Directors are kept updated on progress of investments and climate-related matters with potential to impact the Company's strategy or financial performance.

The Investment Committee oversees the financial, legal and technical diligence of the Company's proposed transactions, ensuring that they are consistent with the investment policy and take into consideration climate-related matters and ESG considerations that could impact the financial performance of the transaction. The Committee is made up of four members, all of whom have experience in clean energy projects. The Committee receives reporting on a quarterly basis or as needed on all potential projects as well as ad hoc meetings which are convened to discuss specific investment decisions as they fall due.

Over the last reporting period, the Board has overseen the implementation of GSF's disclosure requirements under Article 8 of SFDR as well as the continuation of reporting against several voluntary frameworks to guide its sustainability strategy, including the TCFD and PRI. The Board has also approved a responsible investment policy, which is now available on the fund's website.

Management oversight

The Investment Manager has an ESG team working closely with the in-house investment, construction, commercial, and asset management teams to regularly review and implement the Company's sustainability strategy. Ownership of climate-related issues is distributed amongst these business functions, ensuring that climate considerations are made throughout the investment process from construction to operations. Through this multiteamed approach, the Investment Manager can implement more impactful policies and risk mitigation strategies for preoperational and operational assets as well as pre-investment due diligence on pipeline opportunities. Additionally, the Company has external advisors who support the ESG agenda and provide guidance on its approach to sustainability.

The Investment Manager is responsible for ensuring the Company's assets are optimally managed and available to provide a range of services to the grid that enable the integration of higher proportions of variable, renewable energy. This activity plays a vital role in transitioning to a low-carbon economy and is a central component of the Company's sustainability strategy.



3. Strategy

Identified Risks + Opportunities (R+Os)

As a listed energy storage fund, the Company recognises the role it can play in the energy transition from fossil fuels to renewables. The Company has, therefore, adopted the recommendations of the TCFD to effectively identify and manage its risk exposure and explore climate-related opportunities and their impact on the business and investments.

Climate-related risks and opportunities can be classified as transitional and physical. Transitional risks and opportunities arise from the shift to a low-carbon economy and can relate to changes in policy and legal frameworks, the emergence of new technologies, market responses and reputational considerations. Physical risks refer to the impact of acute climate-driven events, such as extreme weather, as well as chronic long-term shifts in temperatures, precipitation patterns and variability in weather patterns.

For the FY2023/24 report, the Company built upon its previous TCFD disclosures and sought support from its advisers to improve understanding of its exposure to climate-related risks and opportunities. As part of this work, the Company refreshed its climate risk and opportunities register, leveraging expertise from different business functions to ensure these risks and opportunities reflect the full range of business activities and the likely impacts. A shortlist of risks and opportunities from the updated register is described below.

Table 1: Transition risks and management responses

Risk Type	Transition Risks	Potential Impact
Market	(TR1) Volatility in cost of commodities: Commodity price fluctuations (e.g. lithium) could increase capital and operational costs.	Description:The Company's investments are sensitive to fluctuations in the price of key commodities, even though they only constitute a small aspect of overall costs. Volatility in the cost of raw materials, such as lithium, could lead to increased capital and operational costs.Management response:• Projected revenue curves used in investment analysis factor in potential commodity price
		 fluctuations. The Company's investment policy is open to consideration of alternative energy storage technologies that could afford protection from increases in certain raw material prices in the future.
	(TR2) Renewables slowdown: A slowdown in renewable energy deployment could reduce the demand for battery energy storage	Description: A slowdown in renewables penetration due to an uncertain political and economic environment presents a moderate risk to the fund as it could reduce demand for battery storage. This risk might increase if the incentives and profitability of green technologies like wind and solar are reduced or if policies shift to favour nuclear energy generation. Although unlikely to occur, such developments could undermine the growth and financial viability of battery storage investments.
	services.	 Management response: The business undertakes continuous monitoring of the policy landscape and renewable penetration trends for OECD countries of operation, which helps manage risk exposure. The Company's investment policy is open to exploration of all OECD markets and spreads investments across different jurisdictions, affording some protection from potential policy and market shifts that could impede renewables growth. The Investment Manager engages with policymakers and regulators through its membership in trade specifications of a specific for the policy market shifts that could impede renewables growth.



Risk Type	Transition Risks	Potential Impact			
Reputation	(TR3) Stakeholder	Description:			
	expectations: The growing focus of regulators, investors and other stakeholders on ESG- related issues can increase near-term operational costs to meet expectations	Battery supply chains face significant risks, including geopolitical tensions in sourcing critical materials like lithium and cobalt, ethical concerns over labour practices, and environmental impacts of extraction and processing. These factors, coupled with the need to ensure a just transition and manage carbon footprints, can add complexity and cost to the Company's supply chain management. Climate-related financial disclosure expectations from investors and anti-greenwashing regulations underscore the increased demand for reporting and transparency, which could also impose additional costs.			
	regarding ESG performance	Management Response:			
		 The Investment Manager has a dedicated ESG team working with internal and external stakeholders, including ESG advisers, to monitor and mitigate potential ESG risks. 			
		• The Company reports against a number of frameworks, including SFDR, TCFD and PRI, to meet the growing demand for ESG disclosures from investors.			
		• The Company has commissioned external ESG experts to help interpret and progress ESG disclosure requirements, reducing the risk of non-compliance and enhancing disclosure quality.			
	(TR4) Reputational	Description:			
	damage: Businesses could face reputational damage from negative environmental and social value chain impacts.	The energy storage sector faces increasing scrutiny over its environmental and social practices, exacerbated by a lack of transparency in the supply chain and uncertainties surrounding end-of-life battery disposal. As the Company has limited control over the supply chain of its assets and end-of-life treatment, reputational risks are increased and highlight the importance of improved visibility of supply chain processes to ensure responsible and sustainable practices across the whole value chain.			
		Management Response:			
		• The introduction of the EU Battery Regulation is welcomed as a means of incentivising enhanced supply and end-of-life transparency. It is expected that the required infrastructure will also develop to further enable responsible battery production, use and disposal. As value chain visibility improves, the Company can use this to better identify and manage any negative environmental and social impacts.			
		GSF has several processes to identify and mitigate supply chain risks:			
		Supplier Know Your Client (KYC) checks.			
		 Contractual requirements for partners to comply with all applicable regulations and the Company's Code of Conduct. 			
		 Data collection from EPC, AM and O&M* suppliers on an annual basis as part of GSF's ESG reporting. 			
Policy and	(TR5) Policy uncertainty:	Description:			
Legal	Political changes and discrepancies between stated climate policy and actual transition pathways can result in uncertainty	The disconnect between net zero ambitions and the necessary policies to incentivise the market poses a challenge when projecting revenues. A changing political landscape could lead to the reduction or removal of clean energy incentives such as those provided for new projects under the US Inflation Reduction Act or EU Net-Zero Industry Act.			
	regarding clean energy incentives and revenue	 The Company's investment policy is open to exploration of all OECD markets, offering the benefit of spreading investments and risk across different jurisdictions. 			
	projections.	 The investment analysis accounts for stated policy climate scenarios in its revenue projections. Additionally, the investment and operational teams monitor policy and market developments in existing and potential markets to track policy-related risks. 			
		• The Investment Manager engages with policymakers and regulators through its membership in trade associations, e.g. Electricity Storage Network/Regen and Energy Storage Ireland, in order to improve market conditions for battery energy storage systems.			

Engineering, Procurement, Construction (EPC), Asset Management (AM), Operations & Maintenance (O&M)

*

Table 2: Physical risks and management response

Risk Type	Physical Risk	Potential Impact
Acute	(PH1) Acute physical hazards: The occurrence of heatwaves, wildfires, storms or floods could result in potential damage to project infrastructure, disruption to supply and business operations, and increased insurance costs.	 Description: Energy infrastructures such as battery energy storage systems are vulnerable to extreme weather events, potentially leading to downtime and revenue loss. As extreme weather events such as heatwaves and floods become more frequent and severe, they could threaten the operational capacity of the assets and potentially increase insurance costs and overall risk exposure for GSF's investments. Management Response: When assessing specific development locations, the investment and technical teams consider relevant climate-related factors, including risks from physical hazards. When designing new assets, technical specifications are evaluated with consideration of expected local climate conditions. Where specific risks have been identified, the technical teams incorporate adaptative measures (e.g. attenuation ponds) into the asset design to increase resilience. In Texas, GSF assets registered with the Electric Reliability Council of Texas, Inc. (ERCOT) must implement weather emergency preparation measures that could reasonably be expected to ensure sustained operation during summer and winter weather conditions.
Chronic	(PH2) Chronic physical hazards: Extreme temperatures could exceed asset design parameters, potentially leading to disruption to services and reduced asset performance.	 Description: Long-term temperature changes, particularly under higher warming scenarios, increase the likelihood of extreme temperatures exceeding asset design parameters, posing a potential risk to the performance and reliability of the energy storage systems. This risk not only affects the operational efficiency of energy storage projects but also requires additional measures for asset maintenance and resilience, thereby potentially increasing operational costs. Management Response: When assessing specific development locations, the investment and technical teams consider relevant climate-related factors, including risks from physical hazards. During the design phase, the Investment Manager's technical team evaluates specifications with consideration of expected climatic conditions. For example, ambient temperature ranges over the asset life are considered in HVAC, cable, and transformer design requirements.

Table 3: Opportunities and management response

Risk Type	Opportunity	Potential Impact	
Markets (Technology)	(OP1) Technology: Increased investment in clean technology could lead to new low-carbon/climate- resilient energy storage technologies becoming available.	 Description: The need to transition to a low-carbon economy has spurred on R&D and investment in new energy storage technologies that could offer benefits such as reduced reliance on critical minerals, reduced carbon footprints or improved efficiency. Management Response: The Company's investment policy is open to consideration of alternative energy storage technologies that could be more climate resilient and/or less carbon-intensive. The Investment Manager maintains relationships with suppliers of existing and emerging technology, putting it in a good position to adopt new and improved technology. 	
Markets (Policy)	(OP2) Alignment with transition policy: Ambitious climate and energy policy can encourage the uptake of clean energy generation.	 Description: The US Inflation Reduction Act clean energy tax credits are an example of how battery energy storage can benefit from transition policy alignment. Tax credits for both the energy storage class and renewable developments incentivise growth in the US renewables market. Increased renewables rollout, in turn, increases the demand for energy storage assets, creating a favourable market for the Company with potential for increased revenue. Management Response: The growth rate of current and potential future renewables penetration is a key input into GSF's investment analysis to ensure market alignment with energy storage demand. Energy transition policy incentives and climate-related policy are considered in the Company's analysis of revenue curve projections. Its US assets already benefit from the US Inflation Reduction Act. 	

Risk Type	Opportunity	Potential Impact		
Markets	(OP3) Cost of carbon:	Description:		
	Carbon price growth increases the generation price of electricity, incentivising the substitution of fossil fuels with clean	The increasing global prevalence and costs of carbon pricing mechanisms such as carbon taxes or cap-and-trade schemes provide an incentive for the transition to clean energy alternatives as electricity generation from fossil fuels becomes more expensive. In turn, this can drive demand for energy storage solutions to facilitate the integration of intermittent renewables into the grid and reduce reliance on fossil fuels.		
	energy alternatives.	Management Response:		
		• The investment policy is to operate in OECD countries where the wholesale energy price is often influenced by the carbon price, thereby driving demand for clean renewable energy and storage solutions.		
Products and	(OP4) Access to capital:	Description:		
Services	Battery energy storage supports the clean energy transition and is an	The energy storage sector is poised for significant growth as it plays a crucial role in facilitating the transition to renewable energy sources. As demand for clean energy solutions rises, energy storage funds like GSF stand to benefit from heightened investor interest.		
	attractive asset class for	Management Response:		
	green mancing.	• As a listed fund exclusively investing in utility-scale energy storage systems, the Company is inherently aligned with the clean energy transition and has the potential to attract capital from investors looking to invest in these new technologies. This alignment is further evidenced by annual disclosures under SFDR and voluntary disclosure in accordance with TCFD recommendations.		
Resilience	(OP5) Acute and chronic	Description:		
	physical hazards: Increased volatility of climatic conditions (including heat, wind and solar) can lead to more frequent demand peaks for	Increased volatility of climatic conditions presents an opportunity for the fund as more frequent demand peaks for energy storage are expected due to severe weather events like heatwaves, windstorms, and fluctuating solar output. The volatility in renewable energy production, thermal loads, and electricity prices can enhance revenues if the Company effectively captures and manages these peaks.		
	energy storage.	Management Response:		
	-	 The Company holds assets in regions that already experience extreme climate conditions, including in Texas where winter storms and summer heatwaves have exposed vulnerabilities in the state's power grid. The Company is targeting ERCOT's ancillary services market to respond to grid frequency deviations and provide power during both winter and summer crises when thermal generators struggle. 		

Impact of R+Os

The Company recognises the importance of understanding the impact of climate-related risks and opportunities on its investment strategy and financial planning processes and plans to regularly review and advance its analysis.

To this end, GSF aims to leverage and adapt its existing processes to help support the further integration of climate into decisionmaking. The Company already takes climate-related opportunities, such as policy environments and market conditions, into account when making investment decisions. Since the Company acquired its first assets in the UK in 2018, the country's share of electricity generated from wind and solar has grown from 21% to almost 33% at the end of 2023²⁷, leading to increased demand for battery energy storage services. During this five-year period, the Company also expanded its operations into a market that was less mature for energy storage at the time: Texas. In deciding to invest in this region, the Company considered the outlook of energy policy, renewables penetration and available incentives in the decision and investment process. As the identified risks and opportunities evolve with time, the Company will continue to consider the relevance of these to its decision-making and strategic plans for the growth of the Company.

27 Ember Climate: https://ember-climate.org/countries-and-regions/countries/united-kingdom/

Physical climate risk assessment

In 2022, the Company conducted a physical climate risk assessment, covering investments across the US, GB, Ireland and Germany. Supported by an external ESG advisor, the Company identified the ten assets that are the most exposed to various climate-related risks and are representative of the locations in the portfolio. This assessment was updated in 2023 to include the Company's largest project to date, and its first in the state of California, Big Rock. The table below sets out the assets deemed to be most exposed to various climate risks.

Table 4: Physical climate risk assessment

Site	Location	Relevant climate risk
Big Rock	California, US	Baseline water stress, drought, extreme heat
Snyder	Texas, US	Baseline water stress, drought, extreme heat, wildfire
Mineral Wells	Texas, US	Drought, extreme heat, wildfire
Sweetwater	Texas, US	Baseline water stress, drought, extreme heat, wildfire
Brook Hall	Wiltshire, UK	Drought
Boulby	North Yorkshire, UK	Coastal flooding, drought
Cenin	Bridgend County, UK	Coastal flooding, drought
Lower Road	Essex, UK	Coastal flooding, drought
Porterstown	County Kildare, Ireland	Drought
Cremzow	Brandenburg, Germany	Riverine flooding, drought

To understand the possible impact of physical climate risks to the sites identified in Table 4, the Company undertook climate change scenario analysis using three scenarios. These scenarios were selected to cover a broad range of plausible futures, in line with TCFD recommendations, and were modelled over a 30-year timespan to align with the likely lifespan of the impacted assets.

Figure 3: Climate change scenarios based on IPCC Shared Socioeconomic Pathways (SSP)

Strong Mitigation 1.8C by 2100

This scenario represents the optimal sustainable path, also referred to as the Green Road (SSP1-RCP2.6). It encompasses socioeconomic and representative emissions pathways consistent with a gradual and pervasive global shift towards a more sustainable future. Global mean temperatures will rise by approx. **1.8C by 2100**, in line with the target of the Paris Agreement on climate change.

Middle of the Road 2.4C by 2100

This scenario represents a middle path with challenges to climate mitigation (SSP2-RCP4.5). In this scenario, overall emissions continue to rise through mid-century before beginning to decline. This causes environmental systems to experience degradation and climate change to worsen through the end of the century. This is a likely scenario if governments and policy reflect a strong sense of urgency towards climate adaptation. Global mean temperatures will rise by approx. **2.4C by 2100**, but higher emissions raise the risk of tipping points.

High Emissions 4.3C by 2100

This scenario represents a future where the world continues its current trajectory, also referred to as Fossil-Fuelled Growth (SSP5-RCP8.5). Global markets are increasingly integrated, and total population and per-capita consumption have increased. Emissions peak around 2090 and global mean temperatures rise by approximately **4.3C by 2100**.

Hazard findings

Wildfires and heatwaves were found to pose the greatest threat to the Company's assets. Although the analysis found a significant risk of water stress across the portfolio, it is not expected to have a material impact on operations due to negligible levels of water consumed on-site. On average, exposure to sea-level rise, flooding, and tropical cyclones was low across the three different scenarios.

	Table	5:	Climate	change	impacts	by	<pre>geography</pre>	based	on climate change scenario	S
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Hazard	Scenario	United States	Great Britain	Ireland	Germany
Water stress	1	High	Low	Medium	Medium
	2	High	Low	Medium	Medium
	3	High	Medium	High	Medium
Heatwaves	1	Medium	Low	Low	Low
	2	Medium	Low	Low	Low
	3	High	Medium	Medium	Medium
Wildfire	1	Medium	Low	Low	Low
	2	Medium	Low	Low	Low
	3	Medium	Low	Low	Low
Sea-level rise	1	Low	Low	Low	Low
	2	Low	Low	Low	Low
	3	Low	Low	Low	Low
Flooding	1	Low	Low	Low	Low
	2	Low	Low	Low	Low
	3	Low	Low	Low	Low
Tropical storms	1	Low	Low	Low	Low
	2	Low	Low	Low	Low
	3	Low	Low	Low	Low

Impact: Heatwaves

High temperatures caused by heatwaves can reduce the operational lifespan of energy storage assets, as they can increase the rate at which the assets degrade. The Company's assets are designed considering the specific environmental conditions of each location, encompassing considerations for climate change and realistic extremes of both high and low temperatures. Since the Company's fleet includes a range of geographic areas, its assets are designed to operate in temperatures varying from -20C to 40C, with headroom and foot room factored in.

Climate resilience

Despite posing some risks, the climate transition also creates many opportunities for the Company to continue the growth of battery energy storage solutions that support the delivery of lowcarbon electricity to the grid. By taking a proactive approach in engaging with investors and managing physical risks from the preconstruction phase throughout the whole lifecycle of its assets, the Company is well-positioned to remain resilient to climate-related impacts while capitalising on opportunities presented by the transition. The Company recognises that more work is required to prioritise risks and understand how opportunities may be realised to strengthen climate resilience and considers this to be the next stage in its TCFD-alignment journey. For now, the Company has been focussing efforts on management activities to harness opportunities and limit exposure to physical climate risks, as set out in the case study below.

Case Study



Physical hazard risk management in Texas

Texas regularly experiences extreme weather events, including winter storms and summer heatwaves, which have exposed vulnerabilities in the state's power grid operated by the Electric Reliability Council of Texas (ERCOT).

In the past three years, ERCOT has faced extreme weather with impacts including:

- Loss of power generation capacity during extreme weather events (e.g., 52 GW lost during the February 2021 storm).²⁸
- Record-breaking power demand during heatwaves (e.g., 85.5 GW on 10 August 2023).²⁹
- Fatalities (246 people died in the February 2021 storm).³⁰

The Company is helping to tackle this problem by operating a portfolio of energy storage assets in Texas. The Company is targeting ERCOT's ancillary services market to respond to grid frequency deviations, helping to provide power during both winter and summer extremes when thermal generators struggle.

ERCOT has recognised the need for energy storage to integrate growing renewable capacity, which represents an opportunity for GSF. Energy storage capacity in Texas has grown from 288 MW in Q1 2021 to 3.3 GW in two years, with the potential to reach 7 GW in 2024³¹. The Company's assets, including the upcoming 75.0 MW Dogfish project, support the integration of more renewable capacity and the displacement of thermal generation.

By offering higher reliability than conventional energy providers and providing critical services to the grid, GSF's assets can also help strengthen the climate resilience of the whole power system.

²⁸ University of Texas, Energy Institute https://energy.utexas.edu/sites/default/files/UTAustin%20%282021%29%20EventsFebruary2021TexasBlackout.pdf

²⁹ Reuters: https://www.reuters.com/business/energy/texas-power-demand-break-june-july-records-heat-wave-grid-operator-says-2024-06-26/#:~:text=The%20 grid's%20all%2Dtime%20peak,artificial%20intelligence%20and%20cryptocurrency%20mining

³⁰ Texas Tribune: https://www.texastribune.org/2022/01/02/texas-winter-storm-final-death-toll-246/

³¹ S&P Global: https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/electric-power/060523-us-battery-storage-capacity-reached-nearly-108-gw-in-q1-317-gw-planned-in-q2

4. Risk Management

Processes for identifying and assessing R+Os

In this reporting period, GSF focused on refreshing its list of climate-related risks and opportunities with a view to integrating the assessment of these into the risk management policy and framework moving forward. The following describes the methodology used to identify and short-list risks and opportunities, and to assess coverage by existing and planned risk management measures.

Figure 4: Risk management strategy



Specific risk management responses in place are described for each risk and opportunity in Tables 1, 2 & 3.

The next stage of development of the Company's climate risk and opportunity assessment will be to integrate consideration of these risks (and opportunities) into the risk management process and business planning discussions and to assess the risks and opportunities across forward-looking climate scenarios as part of the next review/update.

Processes for managing R+Os

The Board is ultimately responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. This extends to the management of climate-related R+Os at the principal risk level. Through the Investment Manager, the Board has established policies and processes designed to manage and, where possible, mitigate risks, which are monitored by the Audit Committee on an ongoing basis. Such policies are widely implemented through the Investment Manager's processes by in-house investment, construction, commercial, and asset management teams. Existing management responses to identified risks and opportunities are detailed in Tables 1, 2 & 3.

The due diligence process on new investments serves to identify and eliminate or control potential climate-related risks prior to investment and asset construction. Checks, including flood risk assessments and supplier due diligence surveys, act to limit the Company's exposure to both physical and transitional climate risks. Site design processes factor in climate-related risks, for example, by designing systems to operate within a range of temperatures or adding elements to control flood risk. Once an asset is operational, the commercial and asset management teams are responsible for maintaining active monitoring of physical climate risks.

Risk management integration

Transitional and physical climate risk are integrated into the Company's principal risk register as a standalone risk. However, owing to the nature of the Company's business and exposure to the climate transition, climate-related risk drivers are also reflected in other principal risks including:

- Exposure to lithium-ion batteries, battery manufacturers and technology changes (transitional technology driver)
- Delays in grid energisation or commissioning (transitional market driver)

The Company is working to update its risk policy with the aim to provide a framework for continued consideration of the latest climaterisk assessment in the wider business management processes.

5. Metrics and Targets

The Company uses a number of metrics and targets to assess and monitor climate-related risks and opportunities. As an Article 8 fund, the Company has identified a set of principal adverse impacts (PAIs) which it uses to assess its environmental performance and exposure to possible climate-related risks and opportunities. A full list of PAIs with a description of the methodology used to calculate them can be found on page 20 as well as the official periodic report included in the Annual Report & Financial Statement FY2023/24.

Metrics used to assess climate R+Os

The Company recognises the importance of setting metrics that align with the short list of risks and opportunities to support the understanding of risk and opportunity evolution over time and the effectiveness of implemented management responses. Existing metrics are largely aligned with the SFDR PAIs the Company reports on. The Company also recognises the need to continue the development of climate-related impact metrics and targets that incentivise enhanced climate resilience.

The table below sets out the Company's alignment with the TCFD-recommended cross-industry metrics and associated risks and opportunities.

TCFD Metric Category	GSF Metrics	Rationale for Inclusion
GHG Emissions: Absolute Scope 1, 2 & 3 emissions intensity.	 Scope 1, 2 & 3 emissions (tCO2e)*. Weighted average carbon intensity (tCO2e/£M)*. 	The Company has been reporting GHG emissions since FY2021/22. Tracking emissions helps to monitor the Company's exposure to reputational and policy risks.
Transition Risks: Amount and extent of assets or business activities vulnerable to transition risks.	 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 GWh/£M. Operations and suppliers at significant risk of incidents of child labour*. Operations and suppliers at significant risk of incidents of forced or compulsory labour*. Number of identified cases of severe human rights issues and incidents*. 	The Company is exposed to market and policy changes in addition to reputational impacts under the climate transition. Monitoring exposure to human rights issues and fossil fuel companies supports the management of reputational risks, while the measurement of non- renewable energy consumption & production and energy consumption intensity supports the management of policy and legal risks.
Physical Risks: Amount and extent of assets or business activities vulnerable to physical risks.		In 2021/22, the Company conducted a physical climate risk assessment for the portfolio, which was updated last year to include the Big Rock project. The Company is planning to review and potentially update the assessment in the near future and will discuss the development of specific metrics as part of this exercise.
Climate-related Opportunities: Proportion of revenue, assets, or other business activities aligned with climate-related opportunities.	 Net CO2 emissions avoided*. Total renewable electricity stored*. Wholesale gas prices. Renewable penetration in OECD countries. 	The Company was launched in May 2018 to deliver sustainable returns to investors while supporting the energy transition through the deployment of energy storage systems. This technology is a key lever in the decarbonisation of global grid systems by facilitating the integration of variable renewable energy generation. To measure the size of the opportunity from its products and services, the Company has chosen to measure and disclose the amount of renewable electricity it stores and the emissions avoided by using the Company's operational assets to deliver power in comparison to conventional generation. Additional metrics such as wholesale gas prices and renewable penetration are tracked internally as part of the commercial forecasting and investment strategy and are used to determine when and how the Company should seek to capitalise on its opportunities.
Capital Deployment: Amount of capital expenditure, financing or investment deployed toward climate- related risks and opportunities.	 Value of investments in new assets. Number of new projects receiving investment. 	In monitoring the value of new investments and the total of new projects receiving investment, the Company has direct oversight of the amount of investment deployed to taking climate-related opportunities.

PAIs - details of the methodology and yearly changes to these metrics can be found on page 20 as well as the Annual Report & Financial Statement FY2023/24.

Development targets

The Company will continue to develop its voluntary climate-related financial disclosures and the underlying analysis required to assess potential impacts and integrate climate considerations into business and financial planning.

In 2024, the Company's ESG advisers have undertaken a readiness review against the TCFD guidance and IFRS S2 requirements, which has informed the following selection of targeted development areas for the coming years.

Table 7: Development targets per TCFD pillar

TCFD pillar	Climate-related disclosure development targets
Governance	• Asses the skills and competencies of the Board relating to climate issues affecting the Company and conduct Board training, if needed, to ensure that there is a solid understanding of material issues impacting the Company.
Strategy	 Assess the potential financial impact from risks and opportunities across forward-looking climate scenarios and time-horizons, building on existing future revenue projection and asset specification methodologies. Develop a strategy for engagement activities with suppliers and peers that is aligned with broader strategic ambitions.
Risk Management	 Further integrate consideration of climate-related risks (and opportunities) into risk management processes and business planning discussions with a clear process for both pre-investment and operational phases. Formalise climate into the Company's internal processes, including the risk management policy and control mechanisms for managing climate impacts.
Metrics & Targets	 Explore additional KPIs that can be used to track risks and opportunities and seek to set targets related to these. Explore setting emissions reduction targets. Continue to develop the avoided emissions calculation methodology.





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