

# Task Force on Climate-Related Financial Disclosures (TCFD)



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## 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 comprises 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 multi-teamed approach, the Investment Manager can implement more impactful policies and risk mitigation strategies for pre-operational 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	<p><b>(TR1) Volatility in cost of commodities:</b></p> <p>Commodity price fluctuations (e.g. lithium) could increase capital and operational costs.</p>	<p><b>Description:</b></p> <p>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.</p> <p><b>Management response:</b></p> <ul style="list-style-type: none"> <li>Projected revenue curves used in investment analysis factor in potential commodity price fluctuations.</li> <li>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.</li> </ul>
	<p><b>(TR2) Renewables slowdown:</b></p> <p>A slowdown in renewable energy deployment could reduce the demand for battery energy storage services.</p>	<p><b>Description:</b></p> <p>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.</p> <p><b>Management response:</b></p> <ul style="list-style-type: none"> <li>The business undertakes continuous monitoring of the policy landscape and renewable penetration trends for OECD countries of operation, which helps manage risk exposure.</li> <li>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.</li> <li>The Investment Manager engages with policymakers and regulators through its membership in trade associations, e.g. Electricity Storage Network/Regen and Energy Storage Ireland.</li> </ul>



Risk Type	Transition Risks	Potential Impact
Reputation	<p><b>(TR3) Stakeholder expectations:</b></p> <p>The growing focus of regulators, investors and other stakeholders on ESG-related issues can increase near-term operational costs to meet expectations regarding ESG performance and disclosure.</p>	<p><b>Description:</b></p> <p>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.</p> <p>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.</p> <p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>The Investment Manager has a dedicated ESG team working with internal and external stakeholders, including ESG advisers, to monitor and mitigate potential ESG risks.</li> <li>The Company reports against a number of frameworks, including SFDR, TCFD and PRI, to meet the growing demand for ESG disclosures from investors.</li> <li>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.</li> </ul>
	<p><b>(TR4) Reputational damage:</b></p> <p>Businesses could face reputational damage from negative environmental and social value chain impacts.</p>	<p><b>Description:</b></p> <p>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.</p> <p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>GSF has several processes to identify and mitigate supply chain risks: <ul style="list-style-type: none"> <li>Supplier Know Your Client (KYC) checks.</li> <li>Contractual requirements for partners to comply with all applicable regulations and the Company's Code of Conduct.</li> <li>Data collection from EPC, AM and O&amp;M* suppliers on an annual basis as part of GSF's ESG reporting.</li> </ul> </li> </ul>
Policy and Legal	<p><b>(TR5) Policy uncertainty:</b></p> <p>Political changes and discrepancies between stated climate policy and actual transition pathways can result in uncertainty regarding clean energy incentives and revenue projections.</p>	<p><b>Description:</b></p> <p>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.</p> <p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>The Company's investment policy is open to exploration of all OECD markets, offering the benefit of spreading investments and risk across different jurisdictions.</li> <li>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.</li> <li>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.</li> </ul>

\* 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	<p><b>(PH1) Acute physical hazards:</b></p> <p>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.</p>	<p><b>Description:</b></p> <p>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.</p> <p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>When assessing specific development locations, the investment and technical teams consider relevant climate-related factors, including risks from physical hazards.</li> <li>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.</li> <li>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.</li> </ul>
Chronic	<p><b>(PH2) Chronic physical hazards:</b></p> <p>Extreme temperatures could exceed asset design parameters, potentially leading to disruption to services and reduced asset performance.</p>	<p><b>Description:</b></p> <p>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.</p> <p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>When assessing specific development locations, the investment and technical teams consider relevant climate-related factors, including risks from physical hazards.</li> <li>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.</li> </ul>

Table 3: Opportunities and management response

Risk Type	Opportunity	Potential Impact
Markets (Technology)	<p><b>(OP1) Technology:</b></p> <p>Increased investment in clean technology could lead to new low-carbon/climate-resilient energy storage technologies becoming available.</p>	<p><b>Description:</b></p> <p>The need to transition to a low-carbon economy has spurred on R&amp;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.</p> <p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>The Investment Manager maintains relationships with suppliers of existing and emerging technology, putting it in a good position to adopt new and improved technology.</li> </ul>
Markets (Policy)	<p><b>(OP2) Alignment with transition policy:</b></p> <p>Ambitious climate and energy policy can encourage the uptake of clean energy generation.</p>	<p><b>Description:</b></p> <p>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.</p> <p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>

Risk Type	Opportunity	Potential Impact
Markets	<p><b>(OP3) Cost of carbon:</b></p> <p>Carbon price growth increases the generation price of electricity, incentivising the substitution of fossil fuels with clean energy alternatives.</p>	<p><b>Description:</b></p> <p>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.</p> <p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>
Products and Services	<p><b>(OP4) Access to capital:</b></p> <p>Battery energy storage supports the clean energy transition and is an attractive asset class for green financing.</p>	<p><b>Description:</b></p> <p>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.</p> <p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>
Resilience	<p><b>(OP5) Acute and chronic physical hazards:</b></p> <p>Increased volatility of climatic conditions (including heat, wind and solar) can lead to more frequent demand peaks for energy storage.</p>	<p><b>Description:</b></p> <p>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.</p> <p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>

## 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 decision-making. 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 2023<sup>27</sup>, 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.

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

## Physical climate risk assessment

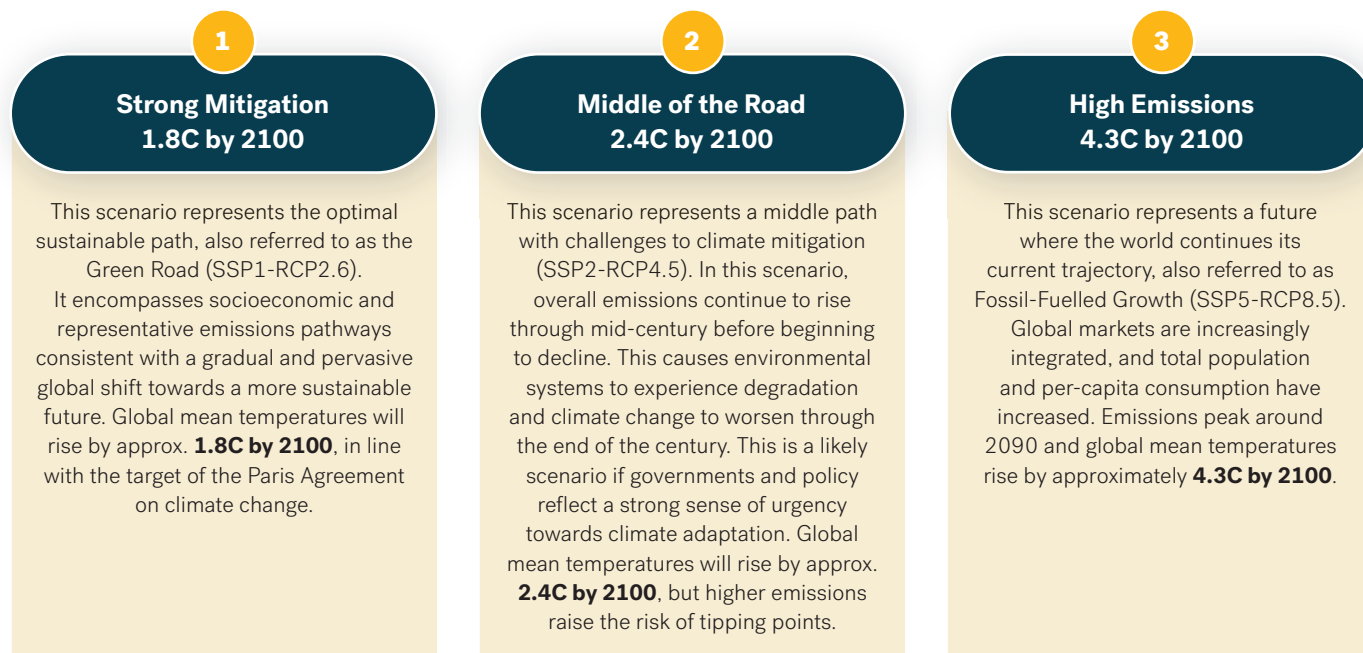
In 2022, the Company conducted a physical climate risk assessment, covering investments across the US, GB, Ireland and Germany. Supported by an external ESG advisor, the Company identified the ten assets that are the most exposed to various climate-related risks and are representative of the locations 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)



## 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 geography based on climate change scenarios**

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 low-carbon electricity to the grid. By taking a proactive approach in engaging with investors and managing physical risks from the pre-construction 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).<sup>28</sup>
- Record-breaking power demand during heatwaves (e.g., 85.5 GW on 10 August 2023).<sup>29</sup>
- Fatalities (246 people died in the February 2021 storm).<sup>30</sup>

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 2024<sup>31</sup>. 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%20grid'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/>

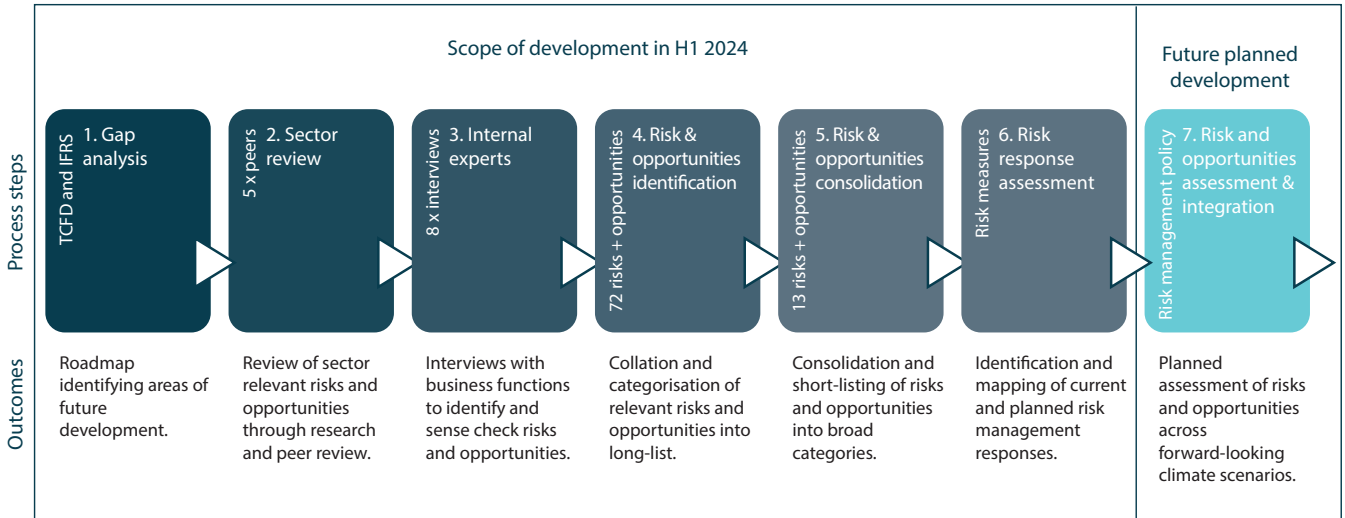
31 S&P Global: <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/electric-power/060523-us-battery-storage-capacity-reached-nearly-108-gw-in-q1-317-gw-planned-in-q2>

## 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 climate-risk 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.

**Table 6: Metrics used to assess climate risk and opportunities**

TCFD Metric Category	GSF Metrics	Rationale for Inclusion
<b>GHG Emissions:</b> Absolute Scope 1, 2 & 3 emissions intensity.	<ul style="list-style-type: none"> <li>Scope 1, 2 &amp; 3 emissions (tCO<sub>2</sub>e)*.</li> <li>Weighted average carbon intensity (tCO<sub>2</sub>e/£M)*.</li> </ul>	The Company has been reporting GHG emissions since FY2021/22. Tracking emissions helps to monitor the Company's exposure to reputational and policy risks.
<b>Transition Risks:</b> Amount and extent of assets or business activities vulnerable to transition risks.	<ul style="list-style-type: none"> <li>Exposure to companies active in the fossil fuel sector.</li> <li>Share of non-renewable energy consumption and production (%).</li> <li>Energy consumption intensity per high-impact climate sector GWh/£M.</li> <li>Operations and suppliers at significant risk of incidents of child labour*.</li> <li>Operations and suppliers at significant risk of incidents of forced or compulsory labour*.</li> <li>Number of identified cases of severe human rights issues and incidents*.</li> </ul>	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.
<b>Physical Risks:</b> 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.
<b>Climate-related Opportunities:</b> Proportion of revenue, assets, or other business activities aligned with climate-related opportunities.	<ul style="list-style-type: none"> <li>Net CO<sub>2</sub> emissions avoided*.</li> <li>Total renewable electricity stored*.</li> <li>Wholesale gas prices.</li> <li>Renewable penetration in OECD countries.</li> </ul>	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.
<b>Capital Deployment:</b> Amount of capital expenditure, financing or investment deployed toward climate-related risks and opportunities.	<ul style="list-style-type: none"> <li>Value of investments in new assets.</li> <li>Number of new projects receiving investment.</li> </ul>	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	<ul style="list-style-type: none"> <li>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.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>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.</li> <li>Develop a strategy for engagement activities with suppliers and peers that is aligned with broader strategic ambitions.</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>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.</li> <li>Formalise climate into the Company's internal processes, including the risk management policy and control mechanisms for managing climate impacts.</li> </ul>
Metrics & Targets	<ul style="list-style-type: none"> <li>Explore additional KPIs that can be used to track risks and opportunities and seek to set targets related to these.</li> <li>Explore setting emissions reduction targets.</li> <li>Continue to develop the avoided emissions calculation methodology.</li> </ul>

