VICTORY HILL

UK Stewardship Code 2022

Report by Victory Hill Capital Partners LLP
For the year ended 31 December 2022

Issued April 2023

Table of Contents

About Victory Hill 4

Foreword 5

Purpose and Governance 6

PRINCIPLE 1 6

Purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society 6

PRINCIPLE 2 12

Governance, resources, and incentives support stewardship 12

PRINCIPLE 3 15

Manage conflicts of interest to put the best interests of clients and beneficiaries first 15

PRINCIPLE 4 16

Identify and respond to market-wide and systemic risks to promote a well-functioning financial system 16

PRINCIPLE 5 23

Review policies, assure processes and assess the effectiveness of activities 23

Investment Approach 25

PRINCIPLE 6 25

Take account of client and beneficiary needs and communicate the activities and outcomes of stewardship and investment to them 25

PRINCIPLE 7 28

Systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil responsibilities 28

PRINCIPLE 8 33

Monitor and hold to account managers and/or service providers 33

Engagement 34

PRINCIPLE 9 34

Engage with issuers to maintain or enhance the value of assets 34

PRINCIPLE 10 36

Participate in collaborative engagement to influence issuers 36

PRINCIPLE 11 38

Escalate stewardship activities to influence issuers 38

Exercising Rights and Responsibilities 40

PRINCIPLE 12 40

Actively exercise their rights and responsibilities 40

Table of Figures

Figure 1: Investment Decision Process ... 7

Figure 2: Portfolio composition as of 31 December 2022 ... 10

Figure 3: Sustainability impact data for financial year 2022 ... 11

Figure 4: Victory Hill Governance Structure ... 12

Figure 5: Gender Diversity at Victory Hill and the Fund Board ... 14

Figure 6: Ethnicity at Victory Hill ... 14

Figure 7: Impact of Physical and Transition Climate Risk on Fund Investment Strategy Under Different Climate Scenarios ... 21

Figure 8: ESG policies to support the Firm's Sustainable Development Culture ... 23

Figure 9: Location of our Investments ... 25

Figure 10: TCFD carbon footprint and exposure metrics ... 26

Figure 11: GSEO Environmental Performance Metrics for 2022 ... 27

Figure 12: GSEO Social Performance Metrics for 2022 ... 27

Figure 13: ESG Risk Identification and Management Process ... 29

Figure 14: Core Sustainability Indicators ... 31

Figure 15: Financial year 2022 Indicator Performance ... 31

Figure 16: Portfolio Energy Use and GHG Emissions Footprint 2022 ... 32

Figure 17: Victory Hill GHG emissions (tonnes CO_2e) ... 32

Figure 18: Hydro Facility Case Study ... 36

Figure 19: Embodied Carbon Life Cycle Analysis of Energy Generation Assets ... 39

About Victory Hill

Victory Hill Capital Partners LLP (the "Firm" or "Victory Hill") is a specialist investment firm targeting direct investments in global energy infrastructure and investee companies that support the UN Sustainable Development Goals ("SDGs"), with the aim of facilitating an orderly energy transition to a net zero carbon future.

For Victory Hill, a core component of our business is selecting investments, which meet not only the risk and returns criteria of the Firm and fund investors, but also importantly, with our sustainable development culture.

Prior to Victory Hill the founders worked together as part of a team for over five years and completed over 91 energy M&A, project finance and capital markets transactions around the globe, building strong and established professional networks in both OECD and developing economies, reflecting the global approach of Victory Hill.

Founded in 2020, the Firm was appointed as investment adviser to VH Global Sustainable Energy Opportunities plc ("GSEO" or "Fund") which completed a successful IPO on 2 February 2021. The Fund has a sustainable investment objective. The Fund's investment policy states that it aims to achieve diversification principally by making a range of sustainable energy infrastructure investments across distinct geographies and a mix of proven technologies that align with the SDGs, where the investments are a direct contributor to the acceleration of the energy transition towards a net zero carbon world.

The Fund's infrastructure investments contribute to reducing carbon emissions by generating renewable energy, avoiding greenhouse gas emissions and/or displacing harmful air emissions. The Fund's investments also seek to have significant impact on the local communities they serve.

The Fund's investments in proven technologies will include, but not limited to, exposure to power generation (renewable and conventional), biomass, transmission, distribution, storage, and waste-to-energy. These investments are made in operational, in construction or 'ready-to-build' assets. The Fund's energy transition pathways address climate change, energy access, energy efficiency and market liberalisation.

No investment is made in extraction projects involving fossil fuels or minerals.

The Firm supports and is signatories of:

PRI Principles for Responsible Investment

United Nations Global Compact

GIIN MEMBER

RACE TO ZERO

Foreword

Victory Hill recognises that stewardship is vital to responsible investment, and our sustainable development culture enables us to make and manage investments in a responsible manner. We are committed to incorporating best practice approaches at all stages of the investment lifecycle. We believe that our responsible investment practices represent an important part of our fiduciary responsibilities and our ability to deliver attractive risk-adjusted returns over the long term.

Victory Hill's asset management activities are focussed on both value preservation and sustainable value creation and optimisation, reflecting GSEO investors' long-term investment horizon. Responsible investment practices and comprehensive consideration of environmental, social and governance ("ESG") factors at all stages of the investment lifecycle are important aspects of this long-term approach. ESG issues present opportunities as well as risks and are therefore integrated into both value preservation and value creation initiatives.

Victory Hill recognises that the infrastructure investments we make and manage on behalf of our clients can have a material impact on the environment, societies and stakeholders associated with those assets. We are committed to conducting our business in a manner that protects the environment, health and safety of our employees, customers, and the international communities in which we operate. We operate on the principle that we can make quality business decisions while conserving and enhancing resources for future generations.

This report covers the Firm's stewardship activities with regard to GSEO through the Fund's financial year, 1 January 2022 to 31 December 2022.

We are pleased to provide our second stewardship report covering our first full year of GSEO operations, demonstrating our commitment to ambitious standards of corporate governance, the UK Stewardship Code principles and continuous performance improvement.

Chief Executive Officer & Managing Partner

Anthony Catachanas

Purpose and Governance

PRINCIPLE 1

Purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society

Victory Hill is a specialist investment firm targeting direct investment in global energy infrastructure and investee companies that support the United Nations ("UN") Sustainable Development Goals ("SDGs"), with the purpose of facilitating and accelerating an orderly energy transition to a net zero carbon future. Specifically, GSEO has a focus on trends that contribute to this acceleration including energy market liberalisation, energy access, addressing climate change and energy efficiency and resilience.

The energy transition is a global phenomenon that requires localised solutions. The Firm's investment strategy for GSEO seeks to take advantage of the energy transition by investing in a diverse portfolio of energy infrastructure assets. Diversification is a key part of the strategy. The ability to invest in EU, OECD countries and OECD Accession and Key Partner countries allow us to take advantage of reduced correlation in energy and power prices. Alongside the ability to invest in a range of technologies, this broad geographical scope also diversifies the influence of weather patterns and prevents reliance on any single regulatory regime. We aim to minimise concentration risk via investing across a large number of projects.

Our focus supports the Firm's objective to create long-term value for GSEO investors while creating sustainability benefits for the environment and society. Investments must meet not only the strategy's risk and return criteria but importantly, be aligned with our sustainable development culture. Investing responsibly is critical to performance and longer-term growth.

Our values, listed on our website, confirm our commitment to honesty and integrity and the importance of investing and supporting our people in delivering the best solutions and decisions.

The investment beliefs and strategy described below covers GSEO, to which Victory Hill is the investment adviser.

Investment Beliefs

Energy infrastructure as an asset class is one of the largest market segments, with the amount of global energy capital investment required rising. Energy demand is growing and is one of the key drivers for the growth in infrastructure capital spend. Global demand for reliable supplies of electricity is set to rise by 30% by 2040. This demand arises from the development and growth of modern economies, individual income growth and associated standard of living rises. Electricity and electrification are expected to play an increasingly vital role in achieving the Paris Agreement goals on decarbonisation.

With the improvement in cost-effective renewable sources of energy, led by solar and wind technologies, the world can target a 2/3rds contribution to net zero carbon energy by 2050. More specifically, the power sector can expect over 50 per cent. of its supply to stem from renewable sources, ending a dominance of fossil fuels in the power sector.

A structural shift in the orientation of capital deployment objectives in the period to 2050, combined with a retrenchment of traditional funding sources towards the energy sector, has created a significant investment opportunity for the investor community.

Investment Strategy

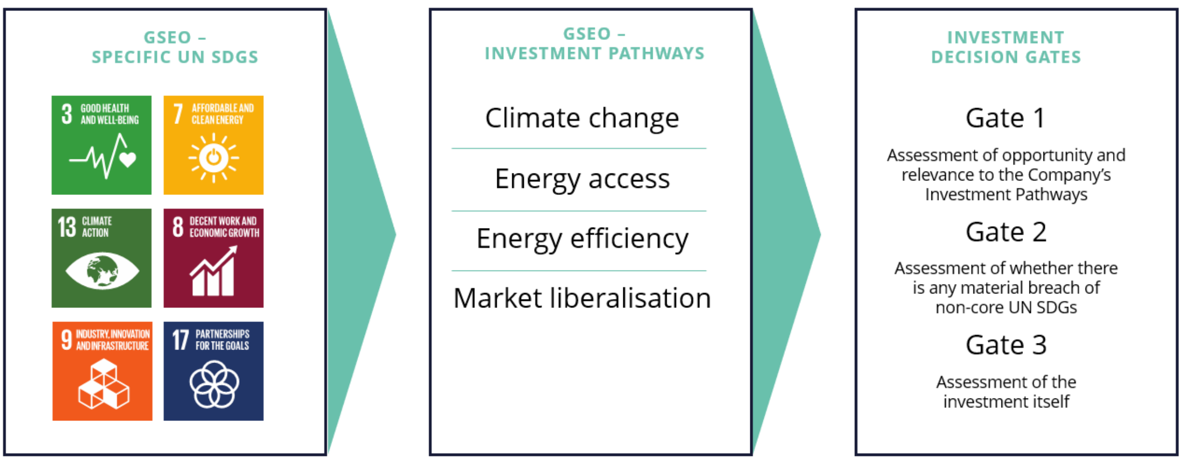
The SDGs are the blueprint for GSEO's sustainability-focused investment strategy. According to the International Energy Agency (IEA), the SDGs that are directly impacted by energy are: the achievement of universal access to energy (SDG 7), the reduction of the severe health impacts of air pollution (part of SDG 3) and tackling climate change (SDG 13).

Further SDGs have been identified by Victory Hill as having a connection with the impact of capital investment in developing sustainable energy globally. These are related to the promotion of decent working environments and economic growth, industry, innovation, and infrastructure, as well as partnerships for the goals (SDGs 8, 9 and 17).

The Firm sees opportunities post-investment to identify other SDG impacts, such as gender equality, reduced inequalities and responsible, consumption and production. The strategy post-investment looks beyond an asset's core energy transition activity to consider how the asset is operated. Managing practices should ensure that the asset contributes to a sustainable future by being inclusive, efficient, and clean. As a signatory to the UN Global Compact, the Firm takes a principles approach to managing asset impacts.

An external assurance provider is used to determine the compliance of our investments with the core SDG alignment, as well as whether the projects "do no harm" to the other SDGs.
There are four investment pathways the Firm categorises investments that relate directly to the acceleration and achievement of the energy transition.

Figure 1: Investment Decision Process
We do not aim to tie investments to sustainability, we start with sustainability and look for investments.



Addressing Climate Change

The issue of addressing climate change is clearly the challenge of our time. A key part of this challenge is the global community's ability to reduce greenhouse gas ("GHG") emissions in key facets of global economies and the daily lives of people.

The Fund's investment strategy focuses on themes that contribute to the reduction of GHGs. The most obvious objective is to reduce the impact of GHGs through investing in renewable energy technologies and fuel sources. As such, the Fund aims to invest a substantial portion of deployable capital into a pipeline of renewable energy infrastructure involved in power generation, energy storage, and alternative fuel sources. This also benefits energy access aims.

Energy Access

Energy is vital for our quality of life but unfortunately not all people in the global community can afford the costs or even have access to it. According to the UN, more than 700 million people are without electricity or power, and 2.4 billion people have no access to clean fuels for cooking.

According to the IEA, the growth of energy demand to 2040 will come predominantly from developing economies and renewable power has the potential to provide new access to energy at an affordable price. (For example, solar generation closer to load centres bringing energy to communities that are not connected to the grid.) This form of distributed energy is most likely to be developed by middle-market participants and home-grown businesses, and lead to a reduction in reliance on fossil fuels.

Energy Efficiency

Energy efficiency implies using less energy to perform the same task and, by doing so, eliminating energy waste. Energy efficiency at a household and localised level can be achieved through the utilisation of more efficient technology or processes. For example, energy efficient buildings, industrial processes and transportation could reduce the world's energy needs in 2050 by one third, and therefore help control global emissions of GHGs.

Energy efficiency may also be achieved at the grid and national levels through investment in some of the following areas, which the Firm may consider as part of its investment focus:

> *Electricity interconnectors* – Power interconnectors increase the efficiency of the electricity systems by reducing the costs of meeting electricity demand and, in parallel, improving security of supply and facilitating the cost-effective integration of the growing share of renewable energy sources - (Report of the EU Commission Expert Group, November 2017).
>
> *Grid Resilience and Frequency Response* - Power outages in power networks not only occur in emerging energy markets, but also in developed ones too, thereby disrupting energy efficiency on the grid. It is not uncommon for developed economies such as the UK to experience power outages because of this issue (such as in 2019, when a total of 1.13GW of generation came offline and triggered a disconnection on the system). One key identified approach to help solve frequency response (i.e., to ensure that there is sufficient source of power capacity which can be brought online quickly to help stabilise frequency on the grid and prevent outages) is energy storage – batteries.

Power storage also solves the issue of renewable power intermittency as it can play a vital role in grid stabilisation where renewable power sources co-exist with traditional power sources. For example, baseload power generation in Australia has been reliant on coal power generation and is increasingly seeing new developments in renewable power generation compete due to the ability to store power and sell at more opportune times into the grid.

Investment in ageing grid systems which were developed as one-way transmission systems (i.e., sourcing power from larger traditional generators), as opposed to handling the growing number of independent sources of distributed power back into the grid (multi-directional grid system). The advent of 'smart grids' improves the distribution and breadth of the power generation base, allowing consumers to become prosumers and contribute back into the grid system. This materially reduces energy loss and promotes efficiency of usage.

Market Liberalisation

Market Liberalisation speaks of ensuring universal access to affordable, reliable, and modern energy supply. The liberalisation of energy markets is the first stage in the development and modernisation process of an energy market.

Broadly speaking, energy market liberalisation aims to (i) facilitate the reduction of state-ownership of key energy infrastructure and sources of energy production and supply, (ii) allow for competition and choice across the energy value chain, and (iii) facilitate the participation of private investors and capital. The goals of market liberalisation are typically favourable to consumers, as competition helps drive down household energy costs. Another effect is the attraction of new investment into the energy sector, which improves resilience, efficiency, and access.

These markets usually experience high growth from the point of liberalisation, and this helps create new, typically domestic, energy market participants that have the potential to capture significant market share. We see that market liberalisation may occur in both developed and developing economies.

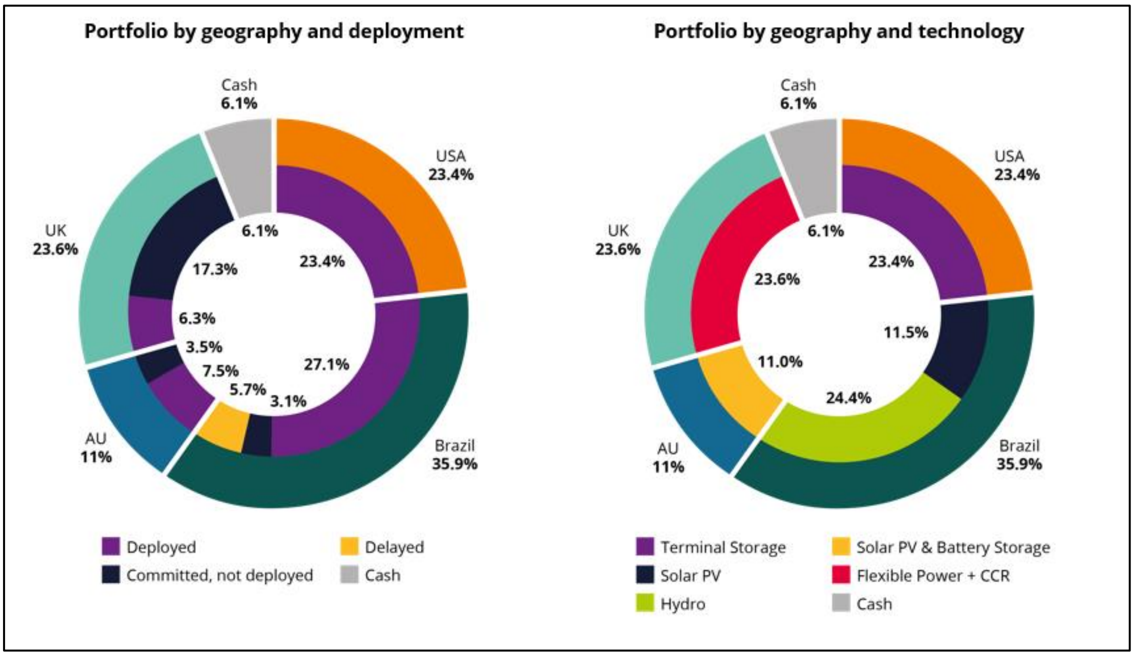
Activity & Outcomes

The Firm successfully deployed capital in a range of sustainable energy infrastructure assets for GSEO in 2022 aligned with the Fund's sustainable investment strategy. A successful capital raise in July 2022 also enabled further deployment into a pipeline of assets. As of 31 December 2022, GSEO had £457.2 million of sustainable energy assets under management, meeting clients' interests and contributing to the energy transition, sustainable development, and climate goals.

GSEO Portfolio Update

During the year under review, the Fund announced investment commitments in both new and existing projects.

Figure 2: Portfolio composition as of 31 December 2022



Investment activity for GSEO during the year included:

- Nine solar PV sites across five Brazilian states were completed following a period of construction. These sites represent a generation capacity of 24.5MWp.

- A further £28 million was committed in May to the second UK flexible power plant as part of the GSEO's programme to support the UK's energy transition plans to net zero. This increases the total commitment to the programme from £78 million to £106 million across two sites.

- The completion of the acquisition of three solar PV sites of 5MW each located in New South Wales, Australia was announced in October. This is part of the existing £50 million commitment to GSEO's Australian solar PV with battery storage assets. Construction has begun with completion and commissioning still on track for Q2 2023.

- The last investment of the year was made on 7 December, being the completion of the acquisition of a 198MW hydro facility in Brazil, the portfolio's fifth programme. The acquisition of the Mascarenhas Hydro Electric Facility (the "Brazilian hydro facility") in the state of Espírito Santo, Brazil was for a total consideration of BRL 708 million.

Figure 3: Sustainability impact data for financial year 2022

Sustainable Development Goal	Indicator	2022 Portfolio Performance
7 AFFORDABLE AND CLEAN ENERGY	MWh of clean energy generated	35,117MWh
	Tonnes of CO_2e avoided	14,349 tCO_2e[1]
13 CLIMATE ACTION	Carbon footprint (Scope 1 & 2)	4,859 tCO_2e
	Weighted Average Carbon Intensity (WACI)	68 tCO_2/$M
	Embodied emissions pay back	4 years[2]
3 GOOD HEALTH AND WELL-BEING	Tonnes of pollutive compounds avoided	Sox: 20,613 t PM10: 1,049t NOX: 2,048t
	Total case injury rate	Zero

In addition to GSEO deployment, aligned with the sustainability investment strategy, and efforts to collect and measure data to capture investment impact, the Firm worked to meet new regulatory and voluntary framework requirements, such as those under Article 9 of the European Union's Sustainable Finance Disclosure Regulation ("SFDR"), commitments as supporters to the Taskforce on Climate Related Financial Disclosures ("TCFD") as well as the net zero asset managers initiative ("NZAMI") to which the firm became a signatory in 2022.

2022 Portfolio Highlights

Number of sustainable energy assets globally
28

Number of technologies[2]
5

Clean energy generated
35,117 MWh

Tonnes of carbon avoided
14,349t

[1] Equivalent to powering 9000 UK homes with clean energy based upon average electricity consumption in the UK of 3898KWh from UK BEIS energy consumption in the UK 2022 https://www.gov.uk/government/statistics/energy-consumption-in-the-uk-2022
[2] Calculated from predicted generation from construction assets and avoided emission calculations from life cycle analysis.

PRINCIPLE 2

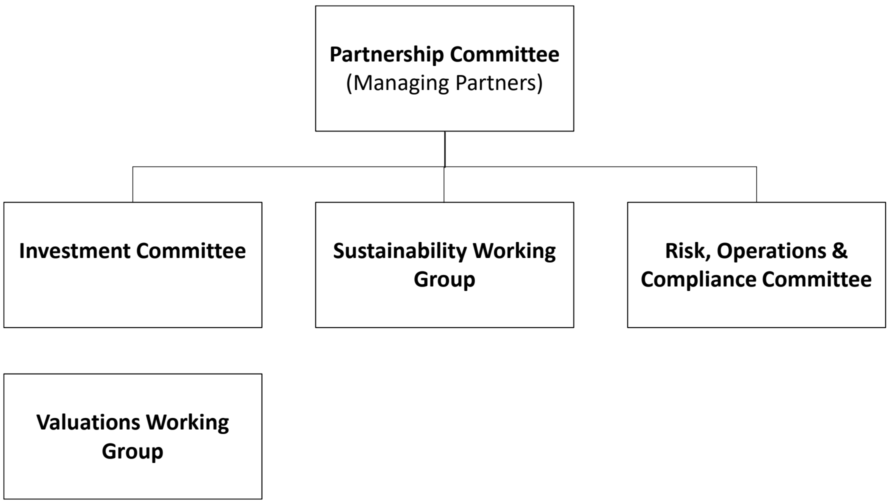
Governance, resources, and incentives support stewardship

Victory Hill Governance Structure

The Firm has five founding partners, many of whom worked together as a team for over five years while building strong and established professional networks in both OECD and developing economies, reflecting the global approach of Victory Hill.

Victory Hill's partnership committee oversees the implementation of the responsible investment policy. This committee includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), General Counsel and Chief Compliance Officer, Co-Chief Investment Officers ("CIO") and Head of Business Development.

Figure 4: Victory Hill Governance Structure



Every member of the investment and asset management team is responsible for implementation of Victory Hill's responsible investment policy and stewardship of assets during the investment evaluation, execution, and asset management phases of the investment lifecycle. Team training is undertaken to ensure that team members have the appropriate knowledge to carry out their responsibilities. Victory Hill has a dedicated Head of Sustainability to support investment and asset management teams in embedding ESG policy and strategy.

The asset managers have a responsibility for ensuring that Victory Hill's stewardship priorities are adhered to at an asset level. The investment committee therefore plays a key role in overseeing stewardship activities.

Victory Hill has a sustainability working group that advises the Firm on ESG strategy and monitors and tracks investment ESG performance. This group provides input into the Firm committees, including the partnership committee, risk, operations and compliance committee and investment committee.

An external assurance firm is used to verify that investments are aligned with the core SDGs and the energy transition and whether the project also “does no harm” to the other 11 SDGs. This process includes reviewing material issues, including potential supply chain risks. We are continually improving our due diligence processes to understand impacts and risks better. Our process takes a dual approach to understand both the operational impact on stakeholders and external ESG risk on operations such as climate risk.

Adherence to the investment policy and sustainability policy and contributions to initiatives that support sustainability are considered in individual staff member’s performance assessments, which directly impacts overall remuneration. Individuals’ participation in professional development and training is provided and encouraged to continually enhance ESG capabilities.
Additionally, all members of staff are expected to contribute to the implementation of a sustainable development culture at Victory Hill that takes a principles approach to the economic, social, and environmental considerations of their work. This culture recognises that sustainable development means promoting good governance principles, transparency, health living, innovation and lifelong learning in their work and stakeholder engagements.

Diversity, equality, and inclusion are crucial elements of governance and resourcing of stewardship activities. The Firm recognises that a diverse workforce brings diverse backgrounds and ideas and strengthens decision-making. This is a focus area for the Firm.

Activity & Outcomes

All staff are sustainability investors. The success of the Firm and its investments are naturally linked to the SDG strategy and energy transition focus. ESG and stewardship are therefore embedded in the Firm’s incentive structures to deliver the strategy. The Firm had sixteen direct employees at the end of 2022. It is important that our staff are fully aligned with Victory Hill’s sustainable development culture. As part of the annual performance objectives all partners and employees are set a sustainability objective reflective of their role.

As an example, Victory Hill’s senior management team (CEO, CFO, Co-CIOs, General Counsel and Head of Business Development) have a shared objective to develop and implement the sustainability programme as defined in the sustainability policy. This is separate from the role of the investment committee, whose members have an objective to challenge sustainability aspects as part of investment committee processes (including formal meetings) to ensure that sustainability has been adequately considered in the request presented for approval.

The Firm rolled out a new employee handbook to all staff in 2022 covering expectations for all employees to contribute to the sustainable development culture. Training broadly on sustainable development as well as specific strategy aspects such as energy transition, sustainable development goals and active asset management was delivered for new hires and interns during 2022.

Diversity, equality, and inclusion are important stewardship aspects and in 2022 the GSEO board of directors continued with a 50:50 split in gender representation. This changed early in 2023 with the appointment of a fifth board member who is female. Victory Hill grew its staff in 2022, with 44% female staff at the end of the year. The Firm also became more ethnically diverse with 50% coming from a non-white background at year-end. Employees come from a diverse range of multicultural backgrounds including South America, Africa, Europe, USA, and Asia with 16 different languages spoken.

Figure 5: Gender Diversity at Victory Hill and the Fund Board

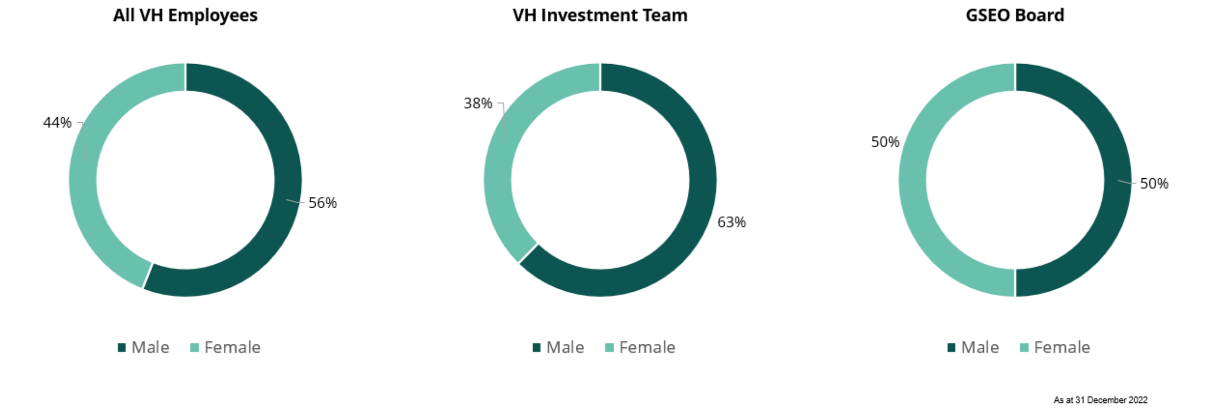
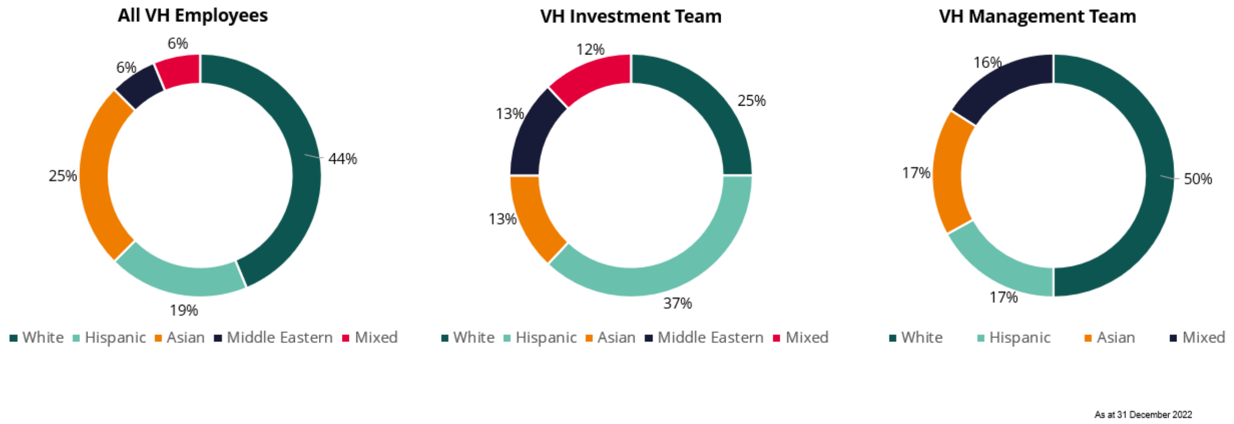


Figure 6: Ethnicity at Victory Hill[3]



---

[3] Institutional Limited Partners Association (ILPA) Diversity Definitions accessed Institutional Limited Partners Association - ILPA.

PRINCIPLE 3

Manage conflicts of interest to put the best interests of clients and beneficiaries first

Victory Hill recognises the importance of managing potential conflicts of interest. Victory Hill created a group-wide conflicts of interest" policy in the first year of operation stipulating that Victory Hill has a duty to act in the best interests of its clients and investors. Should a conflict arise, Victory Hill's senior management will take appropriate steps to ensure fair treatment of all clients, including disclosure of the conflict to affected clients.

All staff are responsible for identifying actual, potential, or perceived conflicts of interest through Victory Hill's conflicts management processes and reporting the same to the Chief Compliance Officer (and the G10 Compliance Officer as appropriate). Victory Hill maintains a register of all conflicts which constitute, or may give rise to, a conflict of interest that may adversely affect the interests of its clients. Victory Hill documents the controls it deploys to manage such conflicts of interest. The policy is reviewed at least annually and is accessible to all staff. A dedicated governance portal – PortALL- is used to capture staff compliance with policies and submission of gift, outside business interests and other personal disclosures.

Victory Hill is owned fully by its partners, and therefore the Firm's senior management are aligned with the Firm's interests and its commitments to its clients.

Activity & Outcomes

There were no identified conflicts of interest in 2022. The Firm strengthened its governance processes in 2022 by successfully deploying a dedicated governance app "PortALL" which included roll out of automated staff training. The Firm also updated its compliance manual. Post the reporting period in early 2023 the Firm hired additional compliance staff to strengthen the Firm's approach commensurate with business growth. Victory Hill requires complete transparency on interests held by Firm partners and staff in other companies. Currently any outside interests are minor in nature and do not conflict with the interests of the Firm and/or its clients (including investment targets or activities). If a conflict were to arise, the Firm's conflicts identification and management processes would require that it be assessed and reviewed by the Chief Compliance Officer and the Risk, Operation and Compliance Committee. If there were any adverse impact on the interests of the Firm and/or any of its clients, the conflict would need to be removed or disclosed and any adverse impact remedied. As well as Victory Hill staff, the conflicts of interest policy is imposed on client funds and their service providers, as well as applying to existing business relationships of asset operating partners of a client fund.

Other potential conflicts such as bribery are clearly prohibited by the Firm's anti-bribery and anti-corruption policy, which includes refusing gifts which could influence employees to make decisions against the interests of our clients.

Victory Hill also considers potential conflicts in the appointments to GSEO's board of directors, for example working for competing firms or potential investee companies. Listed and unlisted fund board members are required to declare any conflict of interests that arise during their term.

PRINCIPLE 4

Identify and respond to market-wide and systemic risks to promote a well-functioning financial system

The Firm has internal controls in place to manage risks to its business objectives. The Firm has an operational risk policy to ensure appropriate governance and risk management processes are in place and emerging risks are identified. A key component is the maintenance of a risk register.

The Firm has identified several market and systemic risks to its investments as part of its risk identification and management process. Some of the principal risks are provided below. These are reviewed several times a year and updated, as necessary.

Market Risks

Risk	Description of risk	Risk impact	Mitigation
Currency risks	The Company will make investments which are based in countries whose local currency may not be Sterling and the Company may make and/ or receive payments that are denominated in currencies other than Sterling.	When foreign currencies are translated into Sterling there could be a material adverse effect on the Company's profitability, the NAV and the price of shares.	Investments are held for the long term. The Company intends to enter into hedging arrangements for periods of up to 12 months to hedge against short-term currency movements. Currency risk is taken into consideration at the time of investment and is included in the Investment Adviser's assessment of minimum hurdle rate from investments.
Counterparty risks	Counterparties defaulting on their contractual obligations, suffering an insolvency event or causing reputational damage.	The failure by a counterparty to make contractual payments or perform other contractual obligations or the early termination of the relevant contract due to the insolvency of a counterparty may have an adverse effect on the Company's NAV, revenues, returns to shareholders and reputation.	Due diligence on counterparty risk is performed before entering into projects and counterparty risk is monitored on a regular basis.

Risk	Description of risk	Risk impact	Mitigation
Commodity price risks	The operation and cash flows of certain investments may depend upon prevailing market prices for electricity and fuel, and particularly natural gas.	The actual return to shareholders may be materially lower than the target total return.	The Company intends to mitigate these risks by entering into (i) hedging arrangements; (ii) extendable short, medium and long-term contracts; (ii) fixed price or availability based asset-level commercial contracts.
Regulation	The Company is exposed to the risk that the competent authorities may pass legislation that might hinder or invalidate rights under existing contracts as well as hinder or impair the obtaining of the necessary permits or licences necessary for Sustainable Energy Infrastructure Investments in the construction phase.	The actual return to shareholders may be lower than the target total return.	The Company aims to hold a diversified portfolio of Sustainable Energy Infrastructure Investments and so it is unlikely that all assets will be impacted equally by a single change in legislation. The Investment Adviser endeavours to ensure that the vast majority of contracts are not in receipt of government subsidies, thus mitigating exposure to policy risks linked to contract pricing. There is also strong public demand for support of the renewables market to hit 'net zero' carbon emission targets. The Investment Adviser monitors the position and provides regular reports to the Board on the wider macro environment.

Systemic Risks

Risk	Description of risk	Risk impact	Mitigation
Meteorology risks	Dependency on meteorology, meteorology forecasts and other feedstocks may have a negative impact on the performance of the Company's investments.	The actual return to shareholders may be materially lower than the total target return.	The Investment Adviser performs extensive due diligence on meteorology and other feedstocks before entering into a project. This includes long-term climate changes to weather patterns. The Investment Adviser regularly reviews meteorology and feedstock factors and will action any potential remedies.
Demand, usage and throughput risks	Residual demand, usage and throughput risk can affect the performance of infrastructure investments.	The actual return to shareholders may be materially lower than the target total return.	The Investment Adviser performs extensive due diligence on the project economics vs. alternative energy options before entering into a project. Furthermore, project revenues are largely contracted for the medium to long term. The Investment Adviser constantly reviews assumptions made regarding the demand, usage and throughput vs. actual results.

Risk	Description of risk	Risk impact	Mitigation
Uninsured loss and damage	The risk that an investment may be destroyed or suffer material damage, and the existing insurances may not be sufficient to cover all the losses and damages.	The actual return to shareholders may be materially lower than the target total return.	An independent insurance adviser is appointed for each project to review project risks in conjunction with the Investment Adviser and to ensure that appropriate insurance arrangements are in place. Insurance requirements are reviewed on an ongoing basis.
Curtailment risks	Investments may be subject to the risk of interruption in grid connection or irregularities in overall power supply.	In such cases, affected investments may not receive any compensation or only limited compensation.	Extensive due diligence is performed on each project before investment. The Investment Adviser regularly reviews curtailment risks.

Climate Related Risks & Opportunities

GSEO's principal risk management process, as well as the risk and opportunity-based approach to ESG management, is how the relevant climate risks and opportunities are identified. These risks are outlined in the table below. This is considered within the selection and screening of energy infrastructure investments. The risk management process considers type of infrastructure and geographic risks. Local partners are engaged to assess environmental management practices and processes, and to broaden understanding of stakeholder perspectives.

There is uncertainty in terms of how climate change will impact individual investments as well as the ability of global efforts to achieve an orderly energy transition. Initially, the Firm has taken a qualitative approach to identifying climate-related physical and transition risks and opportunities to its Fund investments. The Firm is currently quantifying potential financial impacts under different climate scenarios from physical and transition risks on the global asset investments in its funds. This will be published in the next reporting cycle.

For transition risks, the investment process selects projects that align to the energy transition to net zero. Various parameters are considered including policy and regulatory changes and stringency, technology and energy mix, energy demand and capacity changes and associated costs or profits to the business.

Investments are considered under several scenarios relevant to the Fund's diverse energy infrastructure investments including:

- IEA World Energy Model Net Zero Energy 2050
- IEA World Energy Model Stated Policies Scenario
- United Nations Principles for Responsible Investing ("UNPRI") Inevitable Policy Response
- Network for Greening the Financial System (NGFS) climate scenarios
- Intergovernmental Panel on Climate Change ("IPCC") Shared Socioeconomic Pathways ("SSP") 1, 2 and 5
- IPCC Representative Concentration Pathways ("RCP")

Risk	Potential impact	Mitigation
Physical risks		
Longer term changes in climate patterns, e.g., reduction or increase in wind levels, drought, decrease in solar optimal days impacting renewable output and associated earnings. Increased occurrence of extreme weather events such as cyclones, storms, flooding and heatwaves causing damage to assets, disruption to feedstocks, value chain, outputs and associated earnings.	Reduction in output from assets leading to reduced income stream. This risk may increase over the long term in the absence of climate mitigation.	The Company invests in a portfolio of energy transition infrastructure assets, diversified by geography, technology and capability. These investments are targeted at the energy transition to net zero. This will provide a buffer against variable weather patterns across the portfolio. The Company also mitigates risk through project revenues being contracted for the medium- and long-term. At the asset level weather conditions are monitored and many of the renewable projects have battery storage capabilities to optimise energy input to the grid. Meteorology and feedback due diligence is undertaken before investment and reviewed regularly. All assets have crisis management and business continuity plans to respond to disruptions. The assets are required to have continuous improvement management systems to build capability and capacity in the local teams and operations.
Increased insurance premium for assets in high-risk locations.	Increased cost of doing business.	When making investments the due diligence process accounts for climate change risk and impacts. The Investment Adviser employs an insurance specialist when making investments and seeks to have appropriate contractual warranties, indemnities and insurance provisions in place to mitigate any costs relating to delays or operation disruption. Insurance requirements are reviewed on an ongoing basis.
Transition risks		
Market shifts may dampen ability to engage investors on a broader portfolio of energy transition projects than a traditional European renewable focus including different geographies and new technologies e.g., carbon capture and reuse.	Reduction in the availability of capital to invest in energy transition projects.	There is strong public demand for support of the renewable energy market towards net zero carbon emission targets. The Company is expected to hold most of its investments on a long-term basis and the Board and the Investment Adviser monitor the position on a regular basis. The senior management team of the Investment Adviser has extensive experience in executing strategies similar to that of the Company.
Policy shift may introduce regulation around climate change e.g., increased disclosure, taxes etc.	Increased cost of doing business. Reduction in the availability of capital to invest in energy transition projects.	The Company is supportive of the policy aims of disclosure regulation and will comply with it and monitor changes. The Company, via the Investment Adviser, engages with partners and stakeholders to gather data and drive action to improve ESG management and support disclosure and policy requirements. This includes monthly metric reporting on climate-related KPIs including energy used and generated, mitigation actions for risks and impacts, as well as any energy reduction projects. The Company investment strategy targeting the energy transition is aligned with global policy movements on climate change which would limit impact.

Transition opportunities		
Decarbonisation policy and market shifts will drive new renewable energy, new fuels and energy storage opportunities. This is aligned with the Company's strategy to invest in energy transition infrastructure. Increased need for global energy access from a mix of sources as developing countries expand grid access to populations.	Increased availability and deal origination as well as capital directed towards energy transition opportunities in support of the Company's investment strategy.	A pipeline of investments is constantly being identified and refreshed, with the Investment Adviser regularly reporting to the Board on this pipeline.
Increased investment in energy efficiency grid infrastructure leading to increase in opportunities for investment.	Reinforcement of intangible benefits such as reputation, brand and goodwill, together with employee, partner and stakeholder engagement.	The Investment Adviser uses the extensive experience of its senior management team in executing strategies similar to that of the Company to raise funds and successfully invest.
Market liberalisation in developed and developing economies is creating opportunity for market share in renewable and alternative energy opportunities in new geographies.	Access to new markets leading to an enhanced competitive position and improved resource efficiency reducing operating costs.	The Investment Adviser has engaged globally with various companies and investors to support expansion of the Company and sustainable energy infrastructure investments.
Decentralisation of energy generation creating new opportunities for investment in renewable and other sustainable energy infrastructure.	Enhanced competitive position reflecting shifting preferences and increased revenues through new solutions, access to new markets, diversification, resilience planning, relationships.	A pipeline of investments is constantly being identified, with the Investment Adviser regularly reporting to the Board on this pipeline.

The Firm has reported climate related data based on the TCFD framework recommendations considering the risks and opportunities to its portfolio and strategy. The risks and opportunities to a project's underlying strategy have been considered qualitatively under different physical and transition climate scenarios as described above. Risks were considered over a longer-term time horizon of 25-30 years to understand the resilience of the Fund's assets and position.

Activity & Outcomes

In 2022 the Firm contracted an expert third party sustainability consultant to conduct physical climate risk and vulnerability assessments (CRVA) for each of the Fund's investments. The CRVA was conducted in accordance with the criteria of the EU Commission Delegated Regulation (EU) 2021/2139 which form the Technical Screening Criteria of the EU Taxonomy. Specifically, to accord with the requirements of Appendix A of the above regulation, the Generic Criteria for Do No Significant Harm to Climate Change Adaptation.

The CRVA was carried out using climate projections across different Representative Concentrations Pathways used by the Intergovernmental Panel on Climate Change (IPCC) fifth assessment report (AR5).

Climate modelling of regional impacts on the locations where each of the assets are situated was used. The impacts of these changes were interpreted to understand the physical hazards the assets might experience over their lifetime. The sustainable energy infrastructure investments considered under the CRVA have expected lifespans greater than 10 years.

Vulnerability of the assets to projected climate-related hazards was considered based on asset design standards, site locations and risk to climate-related impacts as well as historic climate-related issues which may have been experienced in the region. The process also considers the type of asset and whether it will be impacted by changes in weather (e.g., wind, drought, flood, and irradiance), supply chain disruption (e.g., energy supply), and market demands.

Adaptation solutions were identified based on the outputs of the CRVA. These adaptations show how the resilience of the asset is improved to withstand such vulnerabilities. The most common hazards identified was the potential for wildfire or flood. All assets have appropriate drainage designed and, in some cases, such as in the Brazil solar PV assets they were enhanced to move excess water away from sites. All sites also have appropriate firefighting equipment installed.

The table below shows the assessed risk to investment opportunities by asset class in different energy transition scenarios described above and the physical climate risk under different RCPs. Climate related physical risks are predicted to increase under current policy scenario projections and therefore would highly likely impact energy infrastructure. The medium and high-risk ratings below assume no adaptation measures. The asset CRVAs identified good mitigation measures so under business-as-usual and disorderly scenarios the assets have appropriate adaptation in place for worst case physical climate risks which reduces the risk profile shown below.

Figure 7: Impact of Physical and Transition Climate Risk on Fund Investment Strategy Under Different Climate Scenarios

Climate Risk
Low = 1, Medium = 2, High = 3

Scenario	Asset class	Physical risk (RCP)	Transition risk (IEA)
Paris ambitious 1.5 degrees	Solar PV	1	1
	Hydro	1	1
	Terminal Storage	1	2
	Flexible power with CCR	1	2
Disorderly/inevitable policy response below 2 degrees	Solar PV	2	1
	Hydro	2	1
	Terminal Storage	2	2
	Flexible power with CCR	2	2
Business as usual/current policies	Solar PV	3	1
	Hydro	3	1
	Terminal Storage	3	1
	Flexible power + CCR	3	1

The analysis under different scenarios took into consideration the current geographic locations of assets and critical Tier 1 supply chain companies such as solar panel manufacturers. The Firm's strategy supports an orderly transition scenario.

The financial impact and resilience of the investment strategy to different climate scenarios is inherent in the Firm's financial modelling processes. The energy transition focus of the investment strategy means that the financial impact of an orderly transition is considered. It is the Firm's objective to accelerate an orderly transition via its investments. It is also expected that such investments would be resilient in case of a failure to achieve the energy transition. The Firm's financial and valuation models include the impact of different variables such as energy demand and future mix, key commodity prices, and demographic shifts such as population growth. The models are also geographically tailored, as the nationally mandated targets for renewable and other energy source penetration in the energy mix, as well as carbon reduction policies of the investment country and region are critical in understanding investment impact and suitability.

Collaboration with Other Stakeholders

Collaboration with like-minded investors within formal or informal forums is part of the engagement considered by the Firm. We believe that this will allow us to achieve common goals, particularly regarding mitigating systemic risks. Victory Hill is a signatory to the UN PRI and works with other industry participants to promote the continued improvement of the infrastructure market.

As an asset manager of sustainable energy infrastructure, we recognise that some macro changes are shaping the present and future of our industry. This is particularly the case with climate change, on which we have implemented processes to ensure that climate-related risks and opportunities are considered as per of the investment due diligence process. We actively engage with the management teams of our assets on the topic of climate change to improve the climate resilience of our fund portfolios. At an industry level, we believe that climate-related disclosures can help drive more informed investment decision-making for long-term assets. For that reason, Victory Hill officially supports the recommendations of the Task Force on Climate Related Financial Disclosures ("TCFD") and reports under the framework.

SDG 17 is included in the Firm's investment process. 'Partnership for the Goals' recognises that the SDGs can only be met if all stakeholders work together to mobilise financial resources globally. This is the Firm's approach to its investments. The values of honesty, integrity, transparency, and partnership are integral to the Firm's stakeholder engagement.

PRINCIPLE 5

Review policies, assure processes and assess the effectiveness of activities

Since inception in 2020, the Firm has maintained a robust governance framework which oversees the Firms comprehensive suite of policies, procedures, systems, and controls. Policies have been approved at the highest level of the Firm and are reviewed at least annually to ensure compliance with regulatory requirements and voluntary commitments.

Policies related to stewardship are listed in figure 8 below. These include, but are not limited to, commitments on health and safety, anti-bribery and anti-corruption, anti-bullying and harassment, equality, diversity and inclusion, whistleblowing, and anti-modern slavery and trafficking, responsible procurement, and codes of conduct.

The health and safety policies cover expectations for risk-based management systems for asset partners as well as company occupational health. The Firm's stewardship policy commits the Firm to the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Firm's objectives and overall governance enable the Firm to comply with this approach.

Figure 8: ESG policies to support the Firm's Sustainable Development Culture

Environmental		
Energy	Emissions	Water
Biodiversity and habitat	Waste	Natural resource use

Social		
Health & Safety	Human Rights	Responsible sourcing
Worker rights	Community relations	Diversity and inclusion

Governance			
Anti bribery & anti corruption	Whistleblowing and grievance mechanisms	Code of ethical conduct	Conflict of interest

Victory Hill also has oversight of the development and implementation of ESG policies, processes, and resourcing to support the Fund investment process and asset management. Operating partners are expected to have corresponding commitments tailored to their business activities. The Firm assists partners in developing these and identifying material issues for management.
The Firm's sustainability policy and investment policy underpin delivery of commitments to sustainable investments. The policies set out commitments to track environmental and social performance of investments.

Processes defined within policies, such as the investment policy SDG assessment, make use of external verification to give the Firm a third-party opinion on investments to ensure a consistent approach and alignment with stewardship commitments. The external assurance firm verifies that investments are aligned with the core SDGs and the energy transition and whether the project also “does no significant harm” to the other 11 SDGs. This process includes reviewing material issues and potential supply chain risks. Other supporting processes such as the ESG materiality, risk management and due diligence processes identify ESG issues and incorporate actions into the assets and operating partners' business practices through a continuous improvement management cycle.

Operating partners are required to have SPE-level ESG processes to manage and mitigate asset associated environmental and social issues. This is identified in an asset-specific sustainable action plan (SAP) which includes expectations for dedicated resourcing for ESG issues, management systems such as ISO 14001 and 4500, key performance indicator reporting and target setting.

Adherence to the investment policy and sustainability policy, and contributions to initiatives that support sustainability are considered in individual staff members' performance assessments, which directly impact overall remuneration. Individuals' participation in professional development and training is provided and encouraged to enhance our ESG capabilities continually.

Oversight of policies and processes and their effectiveness is accomplished through several Firm administered committees. The Investment Committee ensures inclusion of ESG due diligence in the investment process and plays a key role in overseeing stewardship activities and ensuring stewardship priorities are adhered to at an asset level.

The Risk, Operations and Compliance Committee ensures principal ESG risks, including climate related physical and transition risks, are identified and controls implemented.

The ESG working group advises on ESG strategy and monitors and tracks the ESG performance of investments. The ESG working group provides input as required into other Firm committees including the Partnership Committee, Risk, Operations and Compliance Committee and Investment Committee.

Activity & Outcomes

A Sustainability Action Plan (“SAP”) was developed for the Brazilian, USA and Australian assets in 2022. These SAPs were based upon a materiality and risk assessment process outlined in the investment approach (Principle 7) below. Actions identified include ensuring a complete set of policies and processes to address systemic and material ESG risks to the business. The Firm worked with the operating partners to identify and close gaps.

Limited assurance was obtained on core ESG data submitted by operating partners in 2022. This process delved into operating partner data management and source documentation with recommendations from the assurers on how to strengthen processes.

The Firm updated its operating policy handbook during 2022 to reflect the expanding business. On an annual basis, our responsible investment and stewardship policies are reviewed and updated (if required) and objectives are set for the year ahead by the CEO and Victory Hill’s partnership committee.

Investment Approach

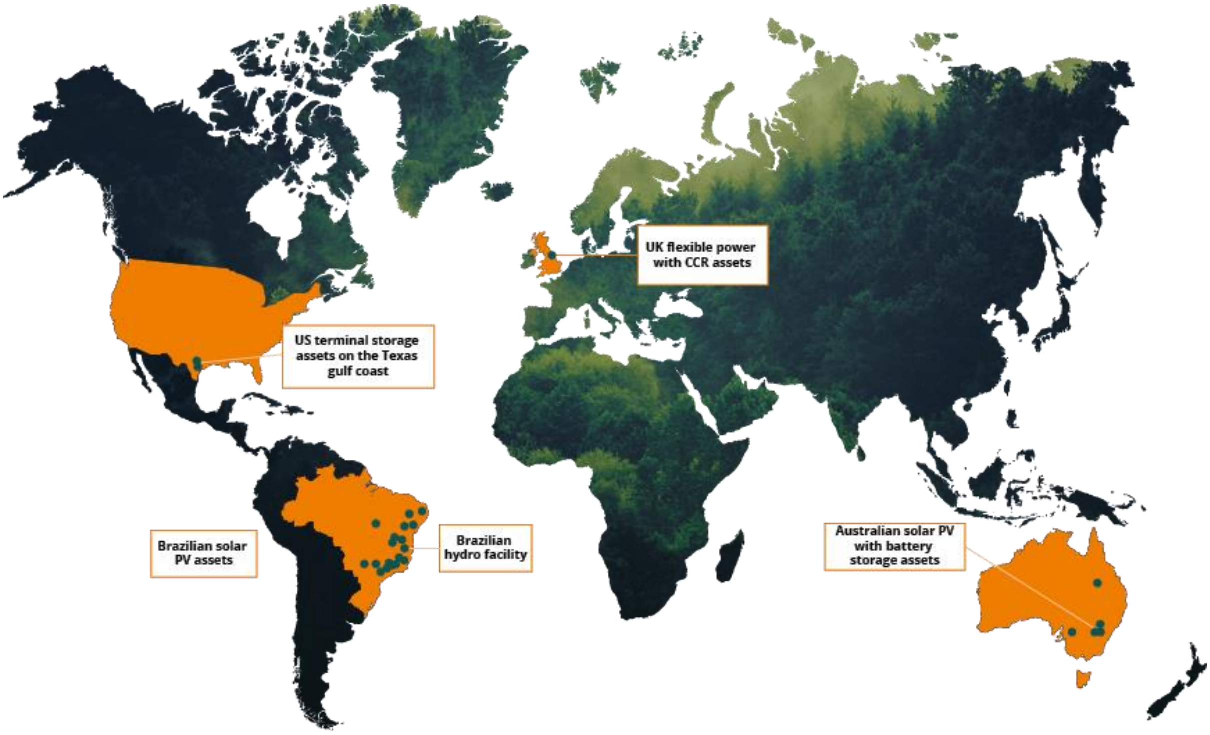
PRINCIPLE 6

Take account of client and beneficiary needs and communicate the activities and outcomes of stewardship and investment to them

As stated above, Victory Hill is a specialist investment firm targeting direct investment in global energy infrastructure that supports SDGs, with the purpose of facilitating and accelerating an orderly energy transition to a net zero carbon future. Victory Hill makes such investments available to professional investors through its funds. The Firm invests in energy infrastructure assets globally. Due to the long-term nature of these infrastructure assets, the Firm's investment time horizon for GSEO is medium to long-term, with some assets having a life span of over 25 years.

Victory Hill recognises that its funds' investors invest, in part, due to the sustainability objective of the Firm and its funds, and therefore transparency on our investments and their impact is imperative. We disclose to fund investors our due diligence on ESG factors and the impact data from the investments. Our investment policy and approach aim to ensure that projects are aligned with our strategy and deliver on the statements made to investors.

Figure 9: Location of our Investments



Victory Hill's sustainability policy outlines how we discharge our responsibilities to create a positive impact creating sustainability value beyond commercial objectives and recognises that our investment and management decisions impact our funds and investors clients, the end-users of our assets and the communities in which those assets are located.

We recognise that delivering success over the long-term requires not only identification of clear market opportunities but also investment in stakeholder relationships and alignment of objectives. As part of our stewardship approach, we implement a clear line of sight from the corporate to the project level.

Activity & Outcomes

A comprehensive ESG section is included in the GSEO annual report covering activities and outcomes of the investments. An ESG section is also included in the Fund interim report. Investor meetings are held biannually to present these results and fund performance including stewardship activities and impact data after report release. Ad hoc investor meetings are also held during the year, both in person and virtually, to promote and discuss the Fund which includes its sustainability objective and performance.

During the year in review **198 meetings** were held by the investor relations team with investors.

The Firm also held a 'Capital Markets Day' where investors were invited to hear directly from operating partners on the assets, operating practices, and impact. The Firm head of sustainability also presented on the Fund stewardship activities.

39 investors attended the Capital Markets Day (in person and virtually).

In addition, the Firm regularly responds to due diligence questions from investors on our ESG policies and processes and material risks. These questionnaires have been focussed on specific ESG themes such as reporting under the TCFD or the EU Sustainable Finance Disclosure Regulation ("SFDR").

The Firm has also reported under SFDR article 9 annexes and will report under UNPRI in 2023. Key ESG metrics shared with investors are provided below. Metrics annotated with a ± symbol have been independently assured through a limited assurance engagement conducted in accordance with the International Standard on Assurance 3000 (ISAE 3000) and International Standard on Assurance 3410 "Assurance engagements on greenhouse gas statements" (ISAE 3410).

Figure 10: TCFD carbon footprint and exposure metrics[4]

Portfolio's exposure to carbon-intensive companies, expressed in tonnes CO_2e/$M revenue	68 tCO_2e/$M
The absolute greenhouse gas emissions associated with a portfolio, expressed in tonnes CO_2e	1,710 tCO_2e
Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes CO_2e/$M	3 tCO_2e/$m

[4] Carbon footprinting and exposure metrics for the portfolio operating assets were calculated using formula recommended by the TCFD for asset owners and asset managers published in 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures,' June 2017, section D supplemental guidance for the financial sector.

Figure 11: GSEO Environmental Performance Metrics for 2022

Metric	Unit	Australia	Brazil	USA	Portfolio
Water used	megalitres	n/a	n/a	45	45
Waste produced	tonnes	n/a	n/a	31	31
Renewable energy generated	MWh	22,853	12,265	n/a	35,118
GHG emissions avoided	tonnes CO_2e	13,204	1,145	n/a	14,349
Nitrous oxides (NOx) avoided	tonnes	n/a	n/a	2,048	2,048
Sulfur oxides (SOx) avoided	tonnes	n/a	n/a	20,643	20,643
Particulate Matter (PM) 10 avoided	tonnes	n/a	n/a	1,049	1,049
Particulate Matter (PM) 2.5 avoided	tonnes	n/a	n/a	770	770

Pollutant emission factors published by 'European Monitoring and Evaluation Programme/European Environment Agency Air Pollutant Emission Inventory Guidebook 2019' for both HSFO and ULSD are used to calculated avoided NOx, SOx and PM emissions, using 'Heavy Fuel Oil' as the base fuel for HSFO and emissions through 'Diesel Large SUV Euro 6' as the based fuel for ULSD.

Figure 12: GSEO Social Performance Metrics for 2022

Employee metrics for 2022

Metric	Unit	Portfolio	Brazil	Australia	USA	Australia
		EPC & operating partners	EPC Contractors		Operating partners workers	
Gender Diversity						
Male	% (Average number of FTE or FY2022)	89	88	100	93[±]	100[±]
Female		11	12	0	7[±]	0[±]
Other		0	0	0	0[±]	0[±]
Employee turnover	%	3	0	0	29[±]	0[±]
Total number of employees	FTE	209	185	1	22	1

[±] Social data included in limited assurance engagement.

Health and safety metrics for 2022

Metric	Unit	Portfolio	Brazil	Australia	USA
		EPC & operating partners	EPC	Operating Partner	Operating Partner
Total number of incidents[5]	Number of incidents	2	1	1	0
Total Case injury rate (TCIR)[6]	Total number of recordable injuries x 200,000 / annual hours worked	1	1	0	0

The assets do not employ site workers, however the operating partner does. The social data reported and assured includes operating partner contracted workers who interact with site operations and work directly on site. This is reported as full time equivalent ("FTE") for the financial year 2022. This excludes temporary workers and managerial employees working elsewhere not involved in day-to-day operations.

[5] Incidents include all operational incidents including near misses, accidents and injuries

[6] TCIR is work related illness or injury as defined by the UK RIDDOR – Reporting of Injuries, Disease and Dangerous Occurrences Regulation

PRINCIPLE 7

Systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil responsibilities

Victory Hill's sustainability policy sets the Firm's values and goals in terms of ESG. It details the Firm's commitments including to *"continue to incorporate sustainability into our investment decision making and on-going management of our assets."* In addition, the Fund investment strategy focus on SDG alignment and the energy transition means that identification of ESG issues is inherently included in investment processes, and all investments are sustainability impact orientated.

To support implementation of these commitments Victory Hill maintains a comprehensive management system. The ESG risk identification and management system (figure 9) integrates sustainability into each stage of the investment process through identifying material opportunities, risks, and impacts.

There is a wide range of potential ESG issues which can impact infrastructure investments. Relevant issues will vary from asset to asset depending on variables including the size and type of asset and its geographic location. As a result, we believe that it is not effective to take a 'one-size-fits-all' checklist approach to identifying, assessing, managing, and monitoring material ESG risks and that each process must be tailored to each asset. This is also true more broadly for the investment process in determining energy transition projects that best meet the needs of that geography and country's climate action plans.

Methodology

An independent third-party assessment of whether we cause no harm to non-core SDGs is implemented. This assessment forms part of our due diligence and helps us determine the eligibility of an investment candidate. Key performance indicators under the SDGs are assessed and scored to inform investment decisions.

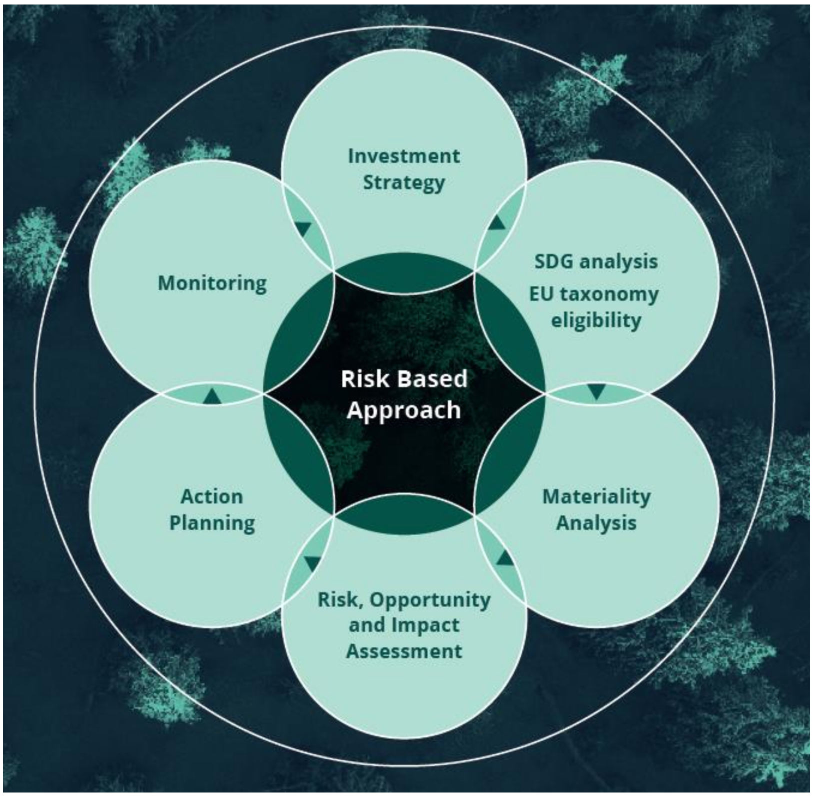
Risks and impacts identified at the investment stage and through independent assurance are fed into an asset level materiality assessment which is informed by engagement with operating partners, local regulations, external frameworks, and benchmarks, as well as local impact assessments and stakeholder engagement where applicable.

Where ESG risks are identified, the relevant mitigation measures to be implemented post-investment are documented as part of the sustainability action plan. This may include policy, processes, or project plans to address ESG risks and impacts, as well as maximise opportunities.

ESG aspects will be monitored on all projects throughout the ownership period. This includes, but is not limited to, active management through project company board representation and an annual ESG questionnaire as well as monthly data package shared by operating partners and investee companies with Victory Hill, to support ongoing portfolio management. These processes allow us to assess the outcomes of our stewardship objectives.

Baseline data will be collected through the first year of operation (2022) and targets and goals will be set at the portfolio and asset-level to drive continuous ESG performance improvements.

Figure 13: ESG Risk Identification and Management Process



Investment strategy: All investments are sustainability focused. Energy infrastructure investments must align with the SDGs and accelerate the energy transition towards a net zero carbon world and follow the four investment pathways.

SDG analysis: Investments must pass sustainability eligibility criteria – part of project due diligence. An external assurance firm assesses the investment against the SDGs.

Materiality analysis: The International Finance Corporation performance standards, the Global ESG Benchmark for Real Assets and the Sustainability Accounting Standards Board, have identified material energy sector and infrastructure risks and impacts. The Firm assesses each investment against these specific risks and impacts, as well as regional and geographic risks to identify the environmental, social and governance (ESG) issues most relevant for the investment.

Risk assessment: Material and systemic issues are assessed to prioritize ESG risks and impacts related to:

- The sector of operation.
- The region and country of operation such as those identified by Transparency International, Freedom House, country climate pledges, Global Slavery Index, and International Labour Organization ("ILO") Labour Rights.
- The operational proximity to local communities, indigenous peoples, cultural heritage, and ecological and biodiversity habitats.
- The operational activities such as noise, light, water use, discharge, and waste.

- The stakeholders interacting with the operation including employees, contractors, and customers.
- The operating partner company resourcing and policies for ESG management.

The asset is risk assessed on this basis, accounting for the probability of impacts and the quality of controls that operator has in place.

Action planning: Taking a Global Compact principles-based approach gaps in management practices and opportunities for improvement are identified. Actions to manage and mitigate impacts, implement changes, and close gaps are included in an asset specific Sustainable Action Plan (SAP). Operating partners will be self-assessed and audited by priority to assess strength of management practices.

Monitoring: Key performance indicators are reported by the asset monthly to track progress against impact management and the action plan, and to identify requirements for intervention. Performance targets are set on key metrics to support this effort and drive continuous environmental and social improvement at the asset level.

The external SDG analysis, materiality and risk assessments ensures action plans and monitoring are tailored to each geography and asset type.

Activity & Outcomes

Aligned with Victory Hill's investment policy and analysis, in 2022 the Firm committed and deployed funds for GSEO to achieve sustainability objectives as follows:

- Nine solar PV sites across five Brazilian states were completed following a period of construction. These sites represent a generation capacity of 24.5MWp. On completion the assets operations and maintenance are being transferred to the operating partner.
- A further £28 million was committed in May to the second UK flexible power plant as part of the Company's programme to support the UK's energy transitions plans to net zero. This increases the total commitment to the programme from £78 million to £106 million across two sites.
- The completion of the acquisition of three solar PV sites of 5MW each located in New South Wales, Australia was announced in October. This is part of the existing £50 million commitment to its Australian solar PV with battery storage assets. Construction has begun with completion and commissioning still on track for Q2 2023.
- The last investment of the year was made on 7 December, being the completion of the acquisition of a 198MW hydro facility in Brazil, the portfolio's fifth programme. The acquisition of the Mascarenhas Hydro Electric Facility (the "Brazilian hydro facility") in the state of Espírito Santo, Brazil was for a total consideration of BRL 708 million.

As of 31 December 2022, the portfolio spans 28 assets in 5 programmes across four countries – USA, UK, Australia, and Brazil – and includes technologies such as liquid storage, solar PV, Solar PV with battery storage, hydro and Flexible Power with carbon capture and reuse.

If a project does not align with the Firm's investment strategy or is found to do significant harm to the other SDGs, then the Firm does not invest. Several opportunities were not pursued in 2022 that did not meet the Firm sustainability criteria including gas peaking plants, solar and wind opportunities.

The table below highlights the indicators and data calculated to demonstrate sustainability outcomes of investments determined by the different ESG risks, impacts, and opportunities.

Figure 14: Core Sustainability Indicators

Indicator	Explanation
Capital investment into energy transition focused assets (£)	The Firm intends that all Company's investments are aligned with the energy transition.
Return on embodied carbon through renewable and net zero energy generation (tCO2e)	This is calculated using the embodied carbon identified through a life cycle analysis of the asset as a baseline. Actual or predicted carbon avoided through energy generation is subtracted annually.
MWh of renewable and low carbon energy produced	The figure represents the renewable and low carbon electricity generation which displaces carbon intensive generation demonstrating contribution to SDG 13.
Carbon dioxide equivalent avoided (tCO2e)	This figure accounts for renewable energy generation and renewable fuels use displacing fossil fuel generation.
Tonnes of nitrous oxide (NOx) avoided	These figures demonstrate the impact of renewable and cleaner fuels produced by an asset with a pollution reduction environmental objective, by reporting the tonnes of pollutive compounds removed through use of cleaner fuels. Demonstrating contribution to SDG 3.
Tonnes of particulate matter (PM10) avoided	
Tonnes of sulfur oxides (SOx) avoided	

The table below demonstrated impact investments had during the year in review meeting expectations. As the first year of full operations data is the baseline year and comparative reporting will be available subsequently.

Figure 15: Financial year 2022 Indicator Performance

Indicator	2022 Portfolio Performance
Capital investment into energy transition assets	£457.2 million[7]
MWh of clean energy generated	35,117MWh
Tonnes of CO_2e avoided	14,349 tCO_2e[8]
Embodied emissions pay back	4 years[9]
Tonnes of pollutive compounds avoided	SOx: 20,613 t PM10: 1,049t NOx: 2,048t

[7] Since IPO (February 2021)
[8] Equivalent to powering 9000 UK homes with clean energy based upon average electricity consumption in the UK of 3898KWh from UK BEIS energy consumption in the UK 2022 https://www.gov.uk/government/statistics/energy-consumption-in-the-uk-2022
[9] Calculated from predicted generation from construction assets and avoided emission calculations from life cycle analysis.

Similarly, performance against net zero targets will be reported following the 2022 baseline year.

Figure 16: Portfolio Energy Use and GHG Emissions Footprint 2022[10]

Scope	Energy use (KWh)	GHG emissions (tonnes CO2e)
Scope 1	21,729,405	3,950±
Scope 2	2,492,317	909±
Operational (Scope 1 & 2)	**24,221,722**	**4,859±**
Scope 3		7,103±
Avoided emissions		14,349±

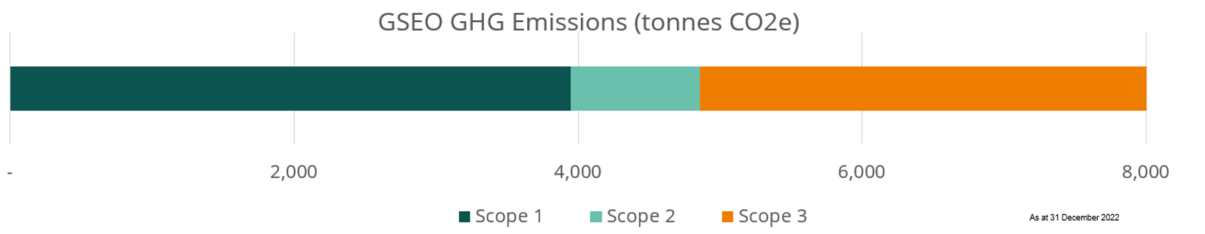
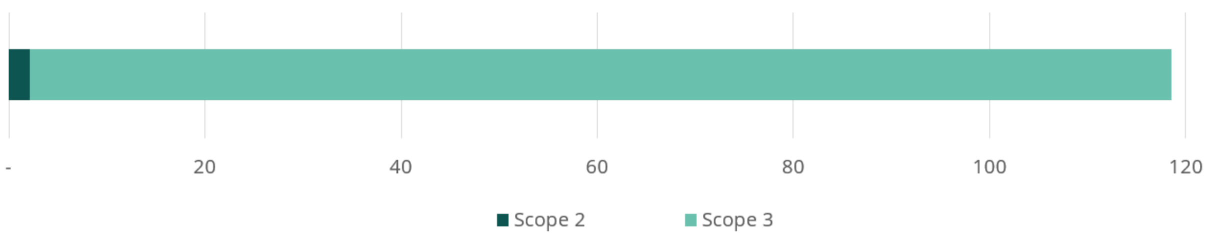


Figure 17: Victory Hill GHG emissions (tonnes CO_2e)

The Firm also tracked its own carbon footprint from energy use in the London office and employee business travel. 2022 again is the baseline year with the office opening in January 2022.



[10] ± Data independently assured through a limited assurance engagement conducted in accordance with the International Standard on Assurance 3000 (ISAE 3000) and International Standard on Assurance 3410 "Assurance engagements on greenhouse gas statements" (ISAE 3410).

PRINCIPLE 8

Monitor and hold to account managers and/or service providers

The Firm considers that effective governance is key to long-term value creation. The governance structure for the Firm described in principle 2 is an example of this.

Victory Hill appoints directors to the boards of project operating partner companies who have an active role in monitoring the performance of each asset and any contracted service provider. We promote an open and collaborative environment to ensure the soundness of the decision-making process and conduct a systemic annual assessment of each operating partner's sustainability performance.

To ensure alignment with Victory Hill's values and strategies, all fund assets adopt Victory Hill's key policies as outlined in Principle 5. Operating partners are also given objectives and targets that are aligned with Victory Hill's overall corporate policies.

We take a hands-on approach to monitoring the performance of our funds' operating partners as part of our ongoing asset management practices, with weekly interaction being the norm for assets in the portfolio. We will revisit relationships with service providers if they fail to meet ESG expectations.

Activity & Outcomes

In 2022 the Victory Hill partners, and asset management team conducted several active visits and face-to-face engagement with partners this included several site visits to the flexible power and carbon capture construction site in the UK, terminal storage assets in the USA, solar PV and battery storage sites in Australia and the hydro facility in Brazil. This included in person board meetings with the asset partners. Weekly meetings and quarterly board meetings were maintained throughout the year. In addition, the Firm collects monthly ESG data covering material issues from operating partners such as energy use, emissions, employee diversity, job creation, health and safety, supply chain engagement to keep track of performance and identify potential anomalies and problems. This performance data is reported on a six-monthly basis to investors (or as requested) and was independently assured at the end of 2022 through a limited assurance engagement.

Risks in the supply chain are mitigated by selecting reputable suppliers, requesting prequalification due diligence questionnaires, and using appropriate contract language in service and supplier contracts. For potentially high-risk suppliers, for example PV panel manufacturers operating in China, Victory Hill engaged with operators and suppliers to understand any exposure to human rights issues, such as child labour.

Engagement

PRINCIPLE 9

Engage with issuers to maintain or enhance the value of assets

Through the appointment of senior firm asset management professionals and their representation on the boards of project companies, Victory Hill can ensure that issues, including ESG issues, which protect and enhance shareholder value are actively considered on an ongoing basis.

Victory Hill seeks to actively engage with our clients, service provider's and our funds' investors to coordinate approaches and align views to maximise the performance of our assets under management. This includes, as previously explained, the adoption of ESG policies and development of sustainability action plan (SAP) to ensure any risks, impact, opportunities are acted upon, and process gaps closed.

The Fund's investment strategy includes alignment with SDG 17 'Partnership for the Goals' recognising that the SDGs can only be met if all stakeholders work together to mobilise financial resources globally. This is the Fund's approach to investment. The values of honesty and integrity, transparency and partnership are integral to stakeholder engagements.

Applying a value chain view to investment impacts on the Fund's stakeholders is an essential element of Victory Hill's ESG risk identification and management process. ESG opportunities, risks, and impacts on both the assets and from asset activities on stakeholders are in scope.
The Firm's client relationship management tool is also used by the business to ensure stakeholder engagement activities are recorded so that the business can measure the level of engagement.

We have also met with individual investors to discuss performance and strategy of different assets when applicable and requested.

Activity & Outcomes

As of 31 December 2022, the Firm had successfully deployed funds into a sustainable energy infrastructure portfolio in the GSEO fund as described in Principle 1 above. The Firm deployed capital aligned with the Fund's sustainable investment strategy and a successful capital raise in July 2022 also enabled further deployment into a pipeline of assets. As of 31 December 2022, GSEO had £457.2 millions of sustainable energy assets under management, meeting client's interests and contributing to energy transition, sustainable development, and climate goals.

This followed external due diligence by a third party on alignment with the SDGs. This analysis and subsequent engagement with operating partners and service providers determine sustainable action plans (SAP) for each asset aligned with risks, impacts, and opportunities.
Key performance indicators and the requisite focus on sustainable value creation are communicated to operating partners through contractual requirements and instructed in the asset agreed SAP. The SAP is based on the external SDG assessment, due diligence, and materiality analysis.

Strengthening operating partners' governance frameworks, implementing management systems including local stakeholder engagement, and enhancing data reporting processes were identified in the asset SAPs for 2022.

Through our engagement with potential partners and our associated due diligence as described, the investment team has rejected opportunities that did not meet our requirements for assets and our commitment to investors. For example, during 2022, several potential investments were rejected. Rejection was due to a range of issues, including not meeting financial criteria, governance issues such as ongoing litigation and not meeting sustainability criteria where a renewable project was linked to, and promoted, fossil fuel extraction or fossil fuel combustion with no emissions abatement.

We have also had some successful engagement on specific issues with operating partners. For example, in Brazil the hydro facility has initiated a certification process with the hydropower sustainability standard and the terminal storage assets have initiated an ISO certification process for 45001 and 14001. The latter was initiated after gaps were found in the assets management systems.

The Firm also strengthened data collection and analysis to drive continuous improvement by deploying dedicated ESG software. The ESG assurance process also produced some recommendations to strengthen processes such as caretaker arrangements and engagements in the remote Australian solar PV assets.

PRINCIPLE 10

Participate in collaborative engagement to influence issuers

Integrity and honesty are core values of our business, and this is reflected in how we collaborate with our clients, the end-users of our assets, our investors, our operating partners, and our staff.

In circumstances where Victory Hill has majority control of a project company on behalf of a client fund, we will use this influence to promote good sustainability and stewardship practices. In circumstances where Victory Hill has a minority interest or where outside minority consent is required, we will engage with fellow investors and other financiers to promote good practice.

GSEO holds majority ownership interests in its assets and the Firm uses this influence to engage with operating partners on asset management. For example, as described in Principle 5 operating partners are expected to have ESG commitments, policies and procedures tailored to their business activities. The Firm assists partners in developing these and identifying material issues for management. This engagement is also described in Principles 8 and 9.

Figure 18: Hydro Facility Case Study

Developing a Sustainability Action Plan

The Company strategy post-investment looks beyond the asset's core energy transition activity to take account of how the asset is operated. Managing practices should ensure that the asset contributes to a sustainable future by being inclusive, efficient and clean. The purpose of an asset Sustainability Action Plan (SAP or plan) is to articulate mutually agreed actions to achieve sustainable management practices. A plan for Mascarenhas, the Brazilian hydro facility, was developed with Paraty Energia the operating partner.

Mascarenhas is a 198MW run of river Hydro Electric Plants (HPP) on the Doce River in Espirito Santo, in the Southeast region of Brazil. The acquisition's energy transition and sustainability aims are to maintain and develop the project's renewable energy generation of the asset. The facility activity results in GHG emission reductions by avoiding the dispatch of energy produced by fossil-fuelled thermal plants to the grid and supporting new renewable generation by providing baseload power. The facility also helps avoid energy import from other states into the project state improving energy efficiency of local electricity provision.

The facility promotes environmental sustainability by reducing local air pollution that may otherwise be emitted and contributes to sustainable development by hiring local labour, paying municipal taxes and environmental and stakeholder engagement through programmes.

The hydro facility became operational in 1974 and so the aim of the SAP is to create improvement on the existing social and environmental baseline. Potential environmental and social issues identified during a materiality analysis comprised sedimentation management, watershed management such as afforestation, community development and livelihood opportunities, water quality and pollution management including cumulative impacts of other activities upstream.

The operating partner agreed to an action plan which commits the asset to obtaining certification against the International Hydropower Association (IHA) sustainability standard within 3 years. This includes completing an environmental and social baseline study in the first year to identify opportunities for adding value.

The aim is to preserve the facility's existing environmental and social value while creating additional value through active ownership and stewardship of the investment.

Activity & Outcomes

Victory Hill participates in collaborative engagement as signatories to UNPRI and supporters of TCFD. We are also signatories to the UN Global Compact and through this and our investment strategy, supporters of the SDGs. Our focus within this is on energy transition themes.

We became signatories to the UNPRI in 2021 and will report in 2023. We are actively engaging in their conferences and seminars, and we are exploring ways to work more closely with other signatories in this forum. The Firm engages investors and operating partners on asset performance individually. The Firm joined the global impact investors network (GIIN) in 2022 with the objective to connect and collaborate on key energy transition themes.

The Firm committed to the Net Zero Asset Manager Initiative in 2022 and will publish its roadmap to net zero for the GSEO fund in 2023.

Engagement in these initiatives has informed the scope of investment due diligence and asset management, for example the SDG analysis, principles-based approach to asset management and targets for net zero.

PRINCIPLE 11

Escalate stewardship activities to influence issuers

Through its representation on the boards of fund project companies, Victory Hill can promote stewardship by ensuring that sustainability priorities are actively considered in both our investment decision-making and on a continuing basis.

With the use of our ESG management system (figure 10) and independent third-party sustainability consultant, operating partners may be tasked with sustainability objectives, or these goals may feature in the project's business plan – also promoting ongoing accountability and independent challenge of progress made. In parallel to this, Victory Hill's asset management and risk & compliance policies require the prompt escalation of material events which impact Victory Hill's stewardship of investments.

Victory Hill oversees the implementation of responsible investment policies and practices at the portfolio company level which are appropriate to each portfolio company's specific circumstances, and which specifically address any material ESG issues identified in the pre-investment phase. Topics to be covered by appropriate policies include, but are not limited to, ESG, human resources, adherence to SDGs and responsible contractor and supplier requirements.

Activity & Outcomes

In 2022 the Firm worked with our operating partners to support policy and process implementation, data collection and target setting aligned with our materiality assessments. These actions were outlines in an agreed sustainability action plan (SAP) as described above. For example, all asset operators have been engaged on their health and safety practices and policies. We have engaged with the Texas asset operator on health, environment and safety practices, and our Australian asset operator on supply chain management practices. The terminal storage asset as a result is implementing ISO health and safety and environmental management systems and seeking certification.

We engaged our new hydro facility operator on systemic environmental and social issues related to the hydro asset such as water quality, wildlife and biodiversity, sedimentation, and community engagement. These issues were identified through the ESG materiality process, and an SAP developed as described in the hydro facility case study above.

The firm also completed a life cycle assessment of the newly acquired asset embodied carbon. This is a focus for all energy-generating assets to understand the overall carbon avoidance impact. This is a crucial element of ensuring that we do no significant harm through investments. It is important to Victory Hill that we understand the full impact of our investments in energy generation assets more broadly than direct operation and will be further strengthening our reporting of Scope 3 emissions moving forward.

Figure 19: Embodied Carbon Life Cycle Analysis of Energy Generation Assets

	Units	UK	Australia	Brazil (solar)	Brazil (Hydro)	Portfolio
Embodied emissions	Kg CO_2e	1,321,045	79,655,870	114,276,353	175,381,510	370,634,778
Operational emissions	Kg CO_2e	93,210,017	1,133,373	12,867,804	1,865,990	109,077,184
Total life cycle emissions	Kg CO_2e	94,531,062	80,789,243	127,144,157	177,247,500	479,711,962
Emission avoided	Kg CO_2e	246,557,717	321,997,694	197,048,974	9,157,834,560	9,923,438,946
Net emissions avoided over lifetime	Kg CO_2e	152,026,655	241,208,451	69,904,817	8,982,453,050	9,443,726,984
Average saving per annum	Kg CO_2e	9,862,309	12,879,908	7,881,959	91,578,346	122,202,521
CO_2 Payback	Year	9.6	6.4	16.1	1.9	4

Exercising Rights and Responsibilities

PRINCIPLE 12

Actively exercise their rights and responsibilities

Victory Hill's representatives, in their capacity as directors of project companies, will actively consider the interests of fund stakeholders when voting on any resolution that is proposed. Any decision will be made after consideration of the facts. Victory Hill representatives will not actively seek to disclose the voting activity of its representatives except when required by law, due to commercial sensitivities that exist at the project company level.

To date, Victory Hill has not invested in listed companies and therefore has no voting history to disclose. However, as discussed in Principle 11, though our board seat influence of project companies we promote stewardship of our client's assets.