Taskforce on Climate-related Financial Disclosures (TCFD)

Product Level Disclosures (FY2024)

Gresham House
Specialist investment

Executive Summary

Purpose of this document

This document is published by Gresham House Asset Management Limited (GHAM) and provides the product-level climate-related financial disclosures of our funds in scope of Chapter 2 of the Environmental, Social and Governance sourcebook (ESG Sourcebook) of the FCA Handbook. We have prepared this report in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) with the aim to provide clients, shareholders and other key stakeholders with a better understanding of the climate-related risks and the climate-related opportunities our products have exposure to.

Governance & Risk Management

Gresham House's entity level governance and risk management processes are applicable at the product level and are outlined in this document. Further information can be found in our entity level International Sustainability Standards Board (ISSB) aligned Sustainable Investment Report.

Strategy & Metrics

The sections of this document covering climate-related risks and opportunities, and metrics will be reported at the product level.

Governance

At Gresham House, robust governance structures underpin our commitment to sustainability, ensuring that environmental, social, and governance (ESG) considerations are embedded across our investment processes, risk management frameworks, and corporate strategy.

Sustainability oversight, including oversight of climate related risks and opportunities, is led by the Board of Directors, who retain ultimate accountability for sustainability-related risks, opportunities, and long-term value creation. The Board integrates sustainability into its oversight of corporate strategy, investment planning, risk and performance management.

The Group Management Committee (GMC) ensures that sustainability is operationalised, working closely with the Investment Committees, which have a direct responsibility at strategy and portfolio level, and review investment proposals to ensure sustainability is embedded into investment decision-making.

To support informed decision-making, the Board is regularly updated on sustainability matters and equipped with the knowledge needed through training and external expertise.

A newly established Net Zero & Nature Steering Committee, with senior sponsors from across the business, is responsible for shaping the Group's strategic direction on climate and nature. This is supported by a Net Zero & Nature Working Group comprising champions from across the investment divisions, helping to implement asset-class-specific plans and embed net zero and nature considerations in strategic planning.

Our dedicated Sustainable Investment (SI) team serves as a centre of excellence and strategic enabler. The team provides investment and operational teams with the tools, frameworks, and subject-matter expertise needed to integrate ESG considerations across all strategies. The SI team works in close collaboration with investment teams to embed sustainability into decision-making, stewardship and reporting. This ensures ESG is not just centrally managed but owned by each investment division.

Our governance framework ensures that sustainability- and climate-related considerations are factored into:

- Investment due diligence and asset selection
- Portfolio risk assessments and resilience planning
- Performance monitoring and active ownership
- Stewardship and engagement with investee companies

Our risk management processes are reinforced by internal controls, structured reporting, and periodic reviews, with oversight from both the Board and executive management.

Sustainable investment policies

Gresham House's sustainable investment policies outline our principles, expectations, and approach to managing ESG risks and opportunities. These policies apply at both Group and asset-class levels and provide a consistent foundation across all investment strategies.

We adopt a structured process for policy development, review, and implementation to ensure alignment with evolving market standards, regulatory requirements, and stakeholder expectations. Regular reviews ensure our policies remain relevant and effective in guiding responsible investment practices.

Risk management

Effective risk management is a core component of our business strategy and corporate culture.

At Gresham House, we maintain a comprehensive, structured risk management framework that ensures sustainability- and climate-related risks are integrated across all levels of decision-making and investment practices.

Governance of risk

The GHAM Board has ultimate responsibility for risk management, including setting the Group's risk appetite and strategic direction. Risk oversight is supported by Group Audit Committee, which reviews risk management processes, challenges risk owners, and ensure appropriate mitigation actions are completed.

Sustainability- and climate-related risks are fully embedded in this framework. The Group Risk Register catalogues key risks and serves as a critical tool to evaluate materiality, likelihood, impact, and controls. "ESG and climate change" is designated a Level 1 strategic risk, ensuring Board-level visibility and accountability.

The First Line of Defence (1LOD), our investment teams, hold day-to-day responsibility for identifying and managing risks, including sustainability risks, throughout the investment lifecycle.

The Second Line of Defence (2LOD), including the central Risk and Compliance teams, provide oversight and challenge. This includes participation in executive level forums such as the AIFM Risk Committee, chaired by the Group CFO.

Quarterly risk reports from portfolio managers and risk owners are submitted to the Risk Management Function and reviewed by the AIFM Risk Committee.

ESG and climate-related risk oversight

The ESG and climate-related risk category encompasses both systemic transition risks, such as regulation, reputation, or market shifts, and physical risks arising from climate change, such as extreme weather events, biodiversity lost, or water stress. We formally assess ESG-related risks, including those linked to climate, at four key stages:

1. New Product Development – ESG risks are considered during the product design process via the Group's due diligence checklist, which is reviewed and approved by the Group Management Committee.
2. Investment Decision-Making – ESG risks must be considered and documented in investment proposals, supported by tools such as the Gresham House ESG Decision Tool and formally approved by the Investment Committee.
3. Ongoing Portfolio Monitoring – ESG risks are reviewed quarterly at portfolio meetings and by the AIFM Risk Committee. Where required, sustainability disclosures are integrated into quarterly portfolio and risk reports for SDR and SFDR-labelled funds.
4. Annual Stress Testing – Long-term scenario analyses are used to stress test climate and nature risks. Results inform portfolio reviews and are escalated to risk oversight bodies.

Mitigation and controls

Gresham House adopts tailored mitigation strategies based on the nature and materiality of the risks identified:

- Due diligence and monitoring: ESG risks, including those related to human rights and environmental impacts, are identified pre-investment and actively managed throughout the investment lifecycle.
- Active ESG risk dialogues: Portfolio managers engage with stakeholders to identify, monitor, and act on material ESG issues, including those affecting biodiversity, water resources, and climate change.

Governance of climate-related risks

Our governance approach to climate and nature-related risks is structured around global frameworks, including TCFD, which support our efforts to strengthen risk management and enhance transparency across our investment platform.

The Board receives regular updates on climate-related risk assessments, ensuring that material risks are integrated into financial and operational planning. Management committees oversee the implementation of targeted climate strategies, leveraging industry-leading tools and frameworks to assess potential impacts, and reinforcing our role in advancing climate resilience and nature- positive investments.

To maintain accountability, sustainability targets are embedded within key performance indicators (KPIs), with progress monitored and reported to the Board. These targets inform decision-making and ensure that our investment approach remains aligned with a just transition to a low-carbon, nature-positive economy.

Gresham House Energy Storage Fund plc

Strategy

The Gresham House Energy Storage Fund (GRID) plc invests in and develops Battery Energy Storage Systems (BESS) to contribute to, and benefit from, the decarbonisation of energy systems. Investments in BESS are well positioned to benefit from climate-related opportunities over the short, medium and long-term by participating in the opportunities arising from the decarbonisation of energy usage and the increased penetration of renewable energy and the corresponding increase in energy storage requirements. These climate-related factors, which are applicable over the life-cycle of our investment, are incorporated into third-party revenue curves which are used within the fund's financial modelling.

Gresham House also recognises that there are certain climate-related risks that could have an impact on the fund in relation to changes in the business environment and physical risks caused by extreme weather events.

Integration of climate considerations in the investment process

ESG considerations, including climate, are integrated throughout the investment lifecycle as outlined below:

1 Preliminary due diligence

During the origination phase, material ESG risks are identified for further investigation during the due diligence stage. Investments are screened for alignment with the Energy Transition strategy's sustainability objectives including contribution to decarbonisation and alignment with UK policy and net zero goals. If certain risks are unlikely to be manageable or mitigated, then we may choose not to proceed at this stage.

2 Due diligence

At the due diligence stage, sustainability risks and opportunities are assessed using our ESG Decision Tool tailored to energy infrastructure. Factors assessed include exposure to physical climate risks and supply chain risk. Where appropriate, independent technical and environmental assessments are commissioned to inform decision-making.

3 Investment appraisal

Investment recommendations to Investment Committees include an assessment of material ESG risks and opportunities identified in due diligence which are then factored into the decision-making process. Appropriate risk mitigation approaches will also be referenced and assurance that the business is open to making improvements is sought.

4 Asset operation

We aim to construct and operate our projects with minimal disruption to local communities and the environment. Construction and operational contractors are subject to ongoing review and the requirement to manage material ESG risks is included in contract terms. Compliance with planning conditions is stringently adhered to and monitored. We continue to assess how we can enhance positive environmental and social impacts of our projects.

Climate Risks & Opportunities

The fund's investments are designed to operate over time horizons of 25 years or more. The table below sets out the key climate-related risks and opportunities identified over the short-term (<12 months), medium-term (1-5 years) and long-term (5-25 years) and include their potential impact on the financial performance of the fund.

Timeframe	Opportunity	Risks
Short-term	▪ The continuing rollout of renewable generation increases demand for BESS to balance the energy system and may increase the volatility in the prevailing and forecast power price providing wholesale trading opportunities	▪ Lower power prices due to over-deployment of renewables may affect ability to earn revenues from wholesale trading activities ▪ Saturated markets for ancillary services depresses pricing for those services ▪ Lack of progress in the development of ESO IT systems continue to restrict the ability of BESS to operate effectively in the BM or other services
Medium-term	▪ Increased government and public support for decarbonisation increases the volume of sustainable and impact investing ▪ Implementation of carbon pricing in new sectors may lead to increased investment in companies that enable renewable deployment ▪ Reductions in battery prices and advances in battery technology provide opportunities to augment existing sites and increase the MWh of the portfolio at a lower cost of ownership and in a relatively short timescale	▪ Increased competition for investment opportunities will increase project costs and lead to a reduction in financial returns ▪ Increased focus on BESS as a key enabler of renewable deployment may lead to greater regulation and associated costs ▪ Co-located batteries on renewable generation sites may reduce the need for standalone BESS
Long-term	▪ As economies continue to move away from fossil fuels, demand for electricity will increase and could increase power prices and power price volatility ▪ Advances in battery technology may lower cost of ownership and provide new opportunities to increase participation in energy markets	▪ Physical risks arising from extreme weather events including flooding and storm damage ▪ Extreme temperatures can affect the performance of battery technologies ▪ Development of alternative energy storage systems to support the roll-out of renewable power generation may lead to early obsolescence of BESS causing asset write-downs ▪ Advances in battery technology may lead to lower cost of production leading to a reduction in financial returns for existing projects

Metrics & Targets

The calculation date for the metrics reported in the table below is 31 December 2024.

Scenario Analysis

Physical risks

In 2024, preliminary climate scenario analysis was conducted across the fund's assets to build an understanding of exposure to changing climate conditions. The scenarios used for this analysis were:

- SSP1-2.6 which represents a low GHG emission scenario, resulting in a below 2°C end-of-century temperature rise
- SSP2-4.5 which represents a likely, middle-of-the-road climate scenario with an end-of-century temperature rise of around 2.7°C
- SSP3-7.0 which represents a high GHG scenario with an end-of-century temperature rise of 3.6°C
- SSP5-8.5 which represents a worst-case, fossil fuelled development scenario with a 4.4°C temperature rise

The percentage of the portfolio's assets expected to face increasing water stress, increased average daily precipitation and increased average daily temperature by 2050 is displayed in the table below.

	Below 2°C	Business-as-usual	Worst Case
Water stress	16%	8%	10%
Precipitation	0%	6%	0%
Daily maximum near-surface air temperature	59%	94%	100%

This scenario analysis has been used to identify which assets are likely to experience a change in climate conditions as a first step in identifying and quantifying the fund's exposure to physical climate risks. Changing climate conditions do not mean the risk is material and given the geographic spread of the fund's assets within the UK and the nature of BESS technologies, we do not consider that there are likely to be significant physical risks to the current investment portfolio.

To build on this assessment, next steps will involve assessing the materiality of the risks identified, increasing the number of hazards analysed and reviewing the design and management plans of at-risk assets to ensure material risks can be sufficiently mitigated. Currently, physical risks are considered as part of design specifications and increased infrastructure costs to cope with potential physical risks are not anticipated to be material.

Flood defences are already considered in the investment portfolio with a number of projects having key equipment elevated above the ground to reduce risk of damage in the event of a flood. Increased infrastructure and insurance costs to cope with potential physical risks are not anticipated to be material.

Transition risks

It is likely that wholesale energy markets, which provide the majority of the investment portfolio's revenues, will be significantly impacted by a number of climate-related factors. Some of the most important factors include:

- Government policy (including carbon cost regimes and mandated plant closure)
- Penetration of renewables and the ability of NESO to develop appropriate systems to manage variable energy supply
- Development in future technologies designed to deal with and adapt to climate-related matters
- Changing patterns of demand (including the impact of electric vehicles, heat pumps and increased use of air conditioning).

We use the services of third-party experts to estimate the impact of those factors in energy prices over the short, medium and long term to create low, high and central case scenarios. These scenarios, which factor in Government commitments, a view on the likelihood of their implementation, and expected carbon prices, are then embedded within financial modelling. Although the scenarios are used within the fund's financial modelling, the precise effect on power price of any of the identified factors, and their timing, is highly uncertain. The ability of BESS to participate flexibly within the wholesale market, or to provide ancillary services, provides revenue opportunities even in low case scenarios.

Financed Emissions

The emissions (measured in tCO_2e) reported in the table below represent the financed emissions of the fund. This is calculated in line with the Greenhouse Gas (GHG) Protocol, which is the most widely used framework for reporting on carbon emissions and this framework separates emissions into the following categories:

- Scope 1 emissions: for the fund, this reflects diesel and gas fuel consumed by certain assets. Only one of the fund's portfolio companies uses significant amounts of gas or diesel, with the bulk of generation coming from gas at that site. Further, one other asset used a small amount of diesel for testing under its Capacity Market contract obligations and did not represent a material trading return.
- Scope 2 emissions: this reflects greenhouse gas emissions released from indirect consumption of energy. For battery assets, the presumed energy consumption of an asset is calculated by deducting energy exported from energy imported (kWh) by the asset. Half-hourly UK electricity grid carbon emissions factors are then applied to estimate the carbon footprint associated with this energy consumption.
- Scope 3 emissions: for the fund, this includes Transmission & Distribution (T&D) losses. T&D losses reflect emissions associated with loss during transmission and distribution of energy consumed by the BESS assets. The Scope 3 emissions also include the estimated well to tank emissions associated with natural gas consumption. In future, we will look for ways to include Scope 3 emission calculations for construction activity, as well as identifying opportunities to engage with suppliers to take action to reduce such emissions.

The attribution of emissions to the fund is calculated in line with the Partnership for Carbon Accounting Financials' (PCAF) "The Global GHG Accounting & Reporting Standard for the Financial Industry".

The larger the financed emissions reported, the greater the fund's contribution to climate change. Since this metric is an absolute rather than intensity-based measure, the greater the AUM of the fund the larger the financed emissions (all else being equal).

The carbon footprint (measured in tCO_2e/£million invested) reported in the table below represents the financed emissions divided by the fund's AUM and measures how much emissions are associated with a £1 million investment in the fund. The larger the carbon footprint, the greater the fund's contribution to climate change. As an intensity-based measure, this metric helps investors to compare the emissions profile of different funds. Many factors including country exposure, sector exposure and idiosyncratic company factors can influence carbon footprint.

The weighted average carbon intensity (WACI) (measured in tCO_2e/£million revenue) reported in the table below represents how carbon intensive, on average, the companies in the portfolio are based on their revenues. The larger the WACI, the more carbon intensive the underlying companies, although it does not necessarily follow the greater the fund's contribution to climate change. As an intensity-based measure, this metric helps investors to compare the carbon intensity of different funds. Many factors including country exposure, sector exposure and idiosyncratic company factors can influence WACI.

Scope 1 and 2 emissions decreased significantly year, driven by two key factors: a fall in the average carbon intensity of the UK national grid from (from 162kgCO2/MWh in 2023 to 124kgCO2/MWh in 2024), and a strategic shift towards trading, with increased optimisation of charging during periods of lower grid carbon intensity.

	Unit	2023	2024
Scope 1 + 2			
Financed Emissions	tCO_2e	12,769	4,205
Carbon Footprint	tCO_2e/£million invested	16	5.7
Weighted Average Carbon Intensity	tCO_2e/£million revenue	297	114
Scope 3			
Emissions	tCO_2e	1,876	1,752
Carbon Footprint	tCO_2e/£million invested	2.3	2.4
Weighted Average Carbon Intensity	tCO_2e/£million revenue	48	36
Total (Scope 1, 2 + 3)			
Emissions	tCO_2e	14,645	5,957
Carbon Footprint	tCO_2e/£million invested	18	8.1
Weighted Average Carbon Intensity	tCO_2e/£million revenue	349	135
Scope 1, 2 + 3 emissions reported	% of AUM	100	100
Scope 1, 2 + 3 emissions estimated	% of AUM	0	0

Portfolio Analysis

To assess the portfolio's contribution to the transition to net zero, the capacity of BESS is tracked and reported on an annual basis. BESS capacity underpins multiples of renewable generation capacity and therefore incremental BESS deployment is a key measure. The fund has continued to grow its portfolio of operational BESS capacity despite industry-wide challenges. The operational capacity reported by the fund, measured in MW and MWh capacity, has grown as shown below.

	Operational capacity (MW)	Operational capacity (MWh)
31 December 2020	315	380
31 December 2021	425	473
31 December 2022	550	598
31 December 2023	690	788
31 December 2024	845	1,207

Exposure to Carbon Intensive Sectors

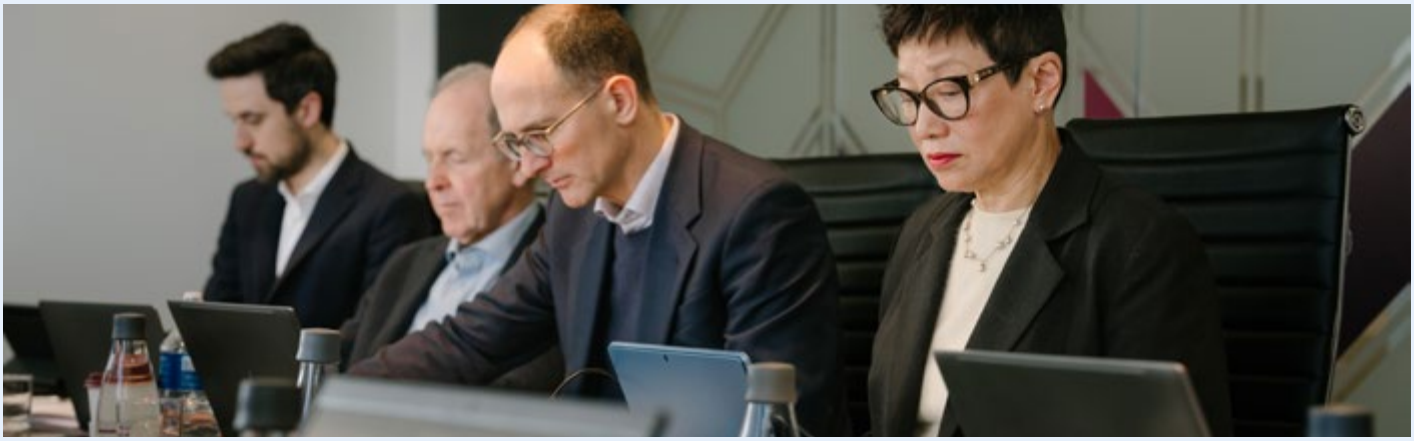
GRID plc does not have concentrated or high exposure to carbon intensive sectors.

GRID plc invests in a portfolio of utility-scale Energy Storage Systems with the aim of facilitating the transition towards a more resilient and lower carbon energy system by storing excess energy that would otherwise be lost.

The fund's portfolio is focused exclusively on BESS within the UK, and as such is exposed to the physical, technological and market risks identified above. However, the investment portfolio is geographically spread in GB, and given the nature of BESS technology, is not generally adversely affected by weather patterns.

Data Limitations

GHAM does not currently have data in relation to climate value-at-risk or implied temperature rise.



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