VICTORY HILL

UK Stewardship Code 2021

Report by Victory Hill Capital Advisors LLP
For the year ending 31 December 2021

Issued April 2022

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About Victory Hill

Victory Hill Capital Advisors LLP (the "Firm" or "Victory Hill") is a specialist investment firm targeting direct investments in global energy infrastructure 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 and offering advice, which meet not only the risk and returns criteria of the Firm and its investors, but also importantly, with our sustainable development culture.

The founders have 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") which completed a successful IPO on 2 February 2021. GSEO's investment objective is to seek to generate stable returns, principally in the form of income distributions, by investing in a diversified portfolio of global sustainable energy infrastructure assets, predominantly in countries that are members of the EU, OECD, OECD Key Partner Countries or OECD Accession Countries.

GSEO's investment in proven technologies will include exposure to power generation (renewable and conventional), biomass, transmission, distribution, storage, and waste-to-energy. These investments will be operational, in construction or 'ready-to-build' but will not include assets that are under development or in pre-consent stage.

No investment will be made in extraction projects involving either fossil fuels or minerals.

WE SUPPORT & ARE SIGNATORIES OF

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SUSTAINABLE DEVELOPMENT GOALS

PRI Principles for Responsible Investment

UNITED NATIONS GLOBAL COMPACT

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, reflecting our 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 a critical aspect 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.

Victory Hill was founded in 2020 and launched its first fund in February 2021. This report covers the Firm's stewardship activities to 31 December 2021.

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

CEO
Anthony Catachanas

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 that supports the UN Sustainable Development Goals ("SDGs"), with the purpose of facilitating and accelerating an orderly energy transition to a net zero carbon future. The Firm 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. Our investment strategy seeks to take advantage of the energy transition by investing in a diverse portfolio of energy assets and investee companies. Diversification is a key part of the strategy. The ability to invest in EU, OECD countries and OECD Accession and Key Partner countries allows 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 and companies.

Our focus supports the Firm's objective to create long-term value for our investors while creating sustainability benefits for the environment and society. Investments must meet not only the strategies' 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.

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 important 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 the Firm'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, sustainable cities and communities as well as partnerships for the goals (SDGs 8, 9, 11 and 17).

The Firm sees opportunities post-investment to identify other SDG impacts, such as on gender equality, reduced inequalities and responsible, consumption and production.

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.

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 Firm'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 Firm aims to invest a large 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 United Nations ("UN"), 800 million people are without electricity or power, and 3 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 ultimately 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 as a result 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 stabilize 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 stabilization 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.

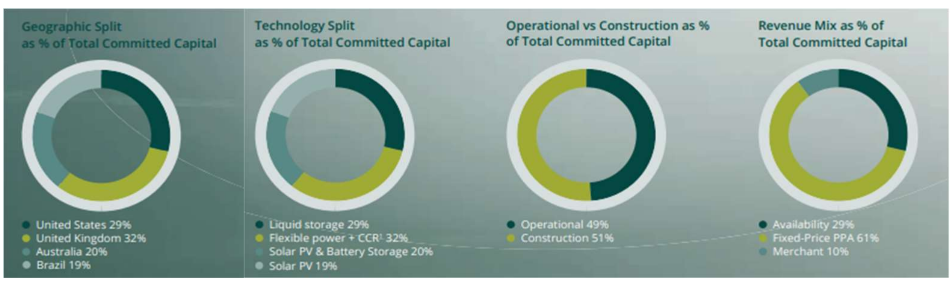
Broadly speaking, energy market liberalisation aims to (i) facilitate the reduction of state-ownership of key energy infrastructure and sources of energy production and supply, (ii) allow for competition and choice across the energy value chain, and (iii) facilitate the participation of private investors 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.

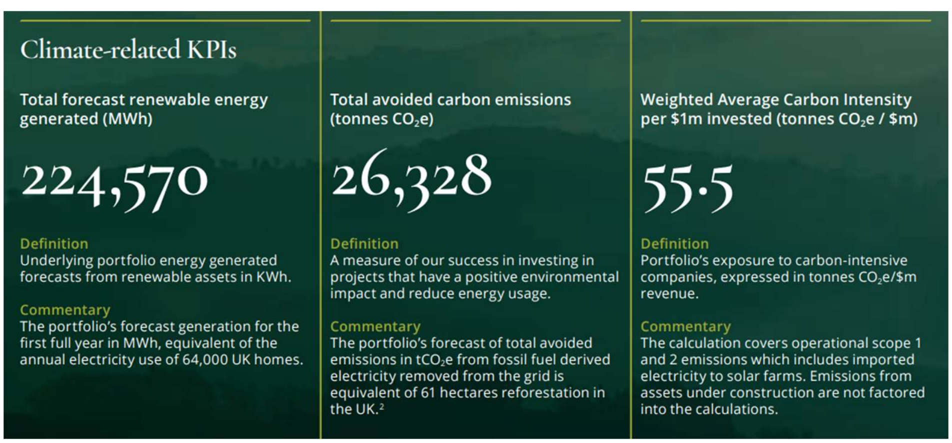
These markets usually experience high growth from the point of liberalisation, and this helps create new, typically domestic, energy market participants that have the potential to capture significant market share. We see that market liberalisation may occur in both developed and developing economies.

Outcomes: Sustainable Funds

The Firm successfully deployed capital in a range of sustainable energy infrastructure assets for GSEO in 2021 aligned with the Firm's sustainable investment strategy. As of 31 December 2021, Victory Hill had £312.6 million of sustainable energy assets under management, meeting our client's interests and contributing to climate goals. The portfolio update with climate related KPIs are included below.

Portfolio Update:





As well as successfully deploying funds aligned with the investment strategy, the Firm achieved the following:

- Became a supporter of the Task Force on Climate-Related Financial Disclosures ("TCFD") and reported to the framework for the portfolio

- Became a signatory to UN Principles for Responsible Investment (“PRI”) and will report in 2023 based on the current reporting cycle
- Became a signatory to the UN Global Compact
- GSEO was awarded the London Stock Exchange Green Economy Mark

PRINCIPLE 2

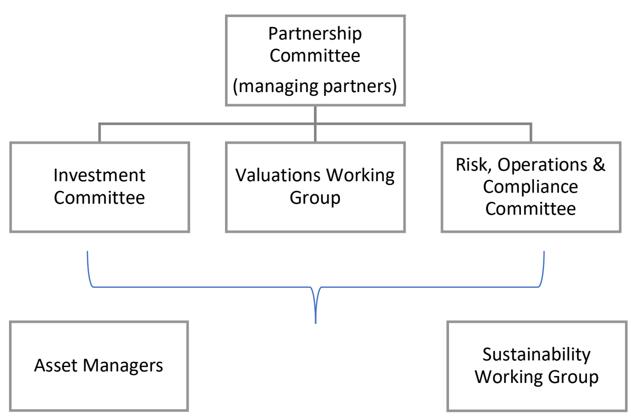
Governance, resources, and incentives support stewardship

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, with executive responsibility delegated to Anthony Catachanas (Managing Partner and CEO). This committee includes key functions such as the Head of Risk, General Counsel and Chief Compliance Officer, CFO, and Co-Chief Investment Officers.

Figure 1. 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 an important 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.

Diversity, equality and inclusion are important elements of governance and resourcing of stewardship activities. The Firm recognises that a diverse workforce brings different backgrounds and ideas and strengthens decision-making.

Outcomes

All staff are sustainability investors. The success of the Firm and its investments are intrinsically 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 nine employees at the end of 2021, with the first fund (GSEO) launched in February 2021. It is important that our staff are fully aligned with Victory Hill’s sustainable development culture. Starting from March 2021, as part of their annual performance objectives all partners and employees were 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 program 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.

As a new firm there is opportunity to create and strengthen governance. As the Firm grows, management is focussed on ensuring that appropriate structures and processes are in place to support stewardship in the investment process.

Diversity, equality, and inclusion are important stewardship aspects and in 2021 the GSEO board of directors was established with a 50:50 spit in gender representation. Victory Hill grew its staff in 2021, which is currently at a 35:65 split in gender diversity and from a diverse range of multicultural backgrounds including South America, Europe, USA, Africa and Asia. Employees are based in the UK and Brazil and multiple languages are spoken.

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.

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.

Outcomes

There were no identified conflicts of interest in 2021. 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 a number of market and systemic risks to its investments as part of its risk identification and management process. Some of the principal risks are provided below.

Market Risks

Risk	Description of Risk	Risk Impact	Mitigation
Currency risks	The Firm 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 Firm'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.
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 Firm intends to mitigate these risks by entering into (i) hedging arrangements; (ii) extendable short, medium and long-term contracts; (iii) fixed price of availability-based asset-level commercial contracts
Counterparty risks	Counterparties defaulting on their contractual obligations or suffering an insolvency event.	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.	Due diligence on counterparty risk is performed before entering into projects and counterparty risk is monitored on a regular basis.
Regulation risks	The Firm 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 licenses necessary for sustainable energy infrastructure investments in the construction phased.	The actual return to shareholders may be materially lower that target total return.	The Firm aims to hold a diversified portfolio of sustainable energy investments and so it is unlikely that all assets or investments will be impacted equally by a single change in legislation. The Firm ensures that contracts are not exposed to 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 Firm monitors the position and provides regular reports to interested parties on the wider macro environment.

Systemic Risks

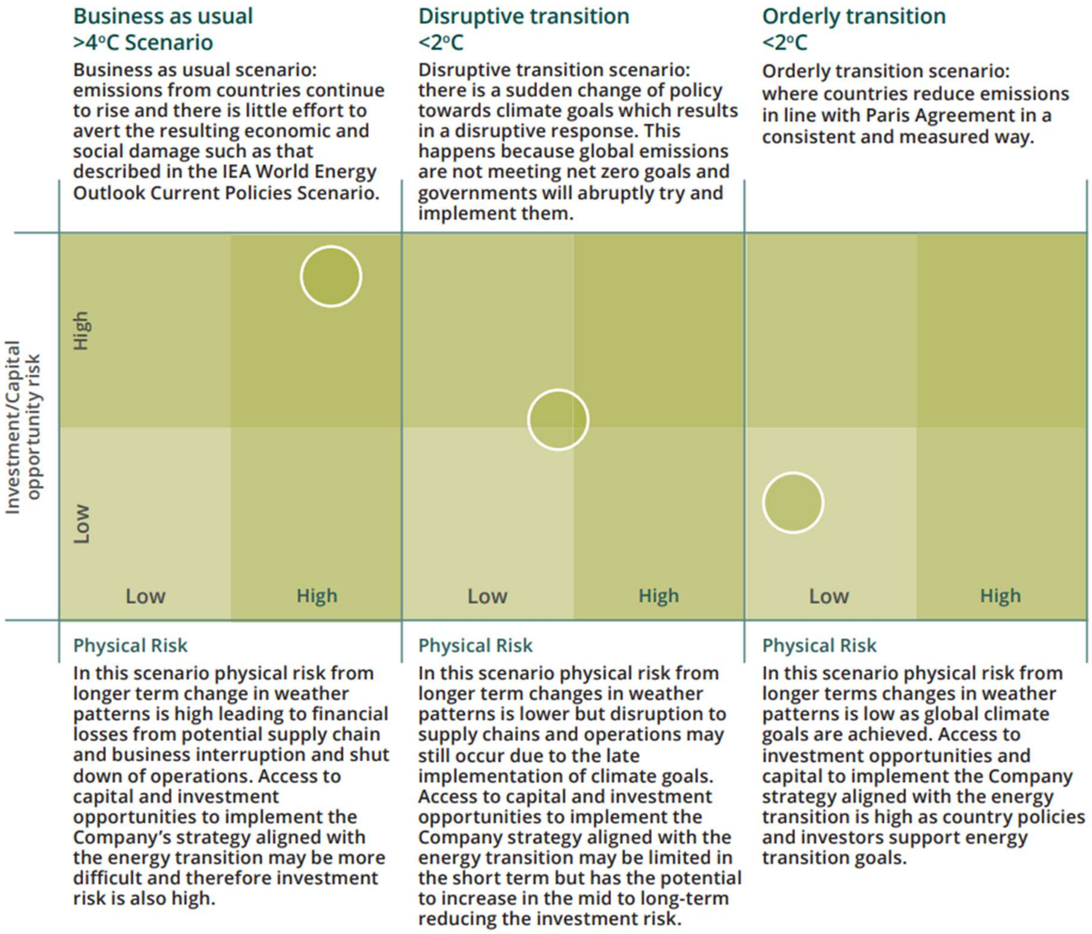
Risk	Description of Risk	Risk Impact	Mitigation
Curtailment risks	Investments may be subject to grid connection interruption or irregularity in overall power supply.	In such cases, affected investments may not receive any compensation or limited compensation	Extensive due diligence I performance on each project before investment. The Firm constantly reviews curtailment risk.
Uninsured low and damage	The risk that an investment may be destroyed or suffer material damage, and the existing insurances may be insufficient to cover all the loss and damages.	The actual return to shareholders may be materially lower than the target total return.	An independent insurance adviser is appointment for each project to review project risks in conjunction with the Firm and to ensure that appropriate insurance arrangements are in place. Insurance requirements are reviewed on an ongoing basis.
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 Firm performs extensive due diligence on the investment economics vs, alternative energy options before entering into the investment. Furthermore, investment revenues are largely contracted for medium to long term. The Firm constantly reviews assumption made regarding the demand, usage and throughput vs. actual results.
Meteorology risks	Dependency on meteorology, meteorology forecasts and other feedstocks may have a negative impact on the performance of the Firm's investments.	The actual return to shareholders may be materially lower than the target total return.	The Firm performs extensive due diligence on the meteorology and other feedstocks before entering into an investments. The Firm regularly review meteorology and other feedstock factors and will action potentially remedies.

Climate Related Risks & Opportunities

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 investments.

The Firm has reported under the TCFD framework considering the risks and opportunities to its portfolio and strategy. These were considered qualitatively under different energy transition scenarios over a longer-term time horizon of 25-30 years to understand the resilience of its investments' position. Figure 2 below shows the risk to investment opportunities in different energy transition scenarios and the link to physical climate risk of those investments under different future states.

Figure 2: Impact of physical and transition climate risk on investment strategy under different climate scenarios



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. Commitments[1] made at COP26 demonstrate policy and market momentum towards the energy transition.

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 national 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.

For physical climate risk, the Firm considers the geographical footprint and whether a project is in an area with high risk of climate-related hazards such as hurricanes, flooding and heat stress. The

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[1] Amount of finance committed to achieving 1.5°C now at scale needed to deliver the transition, Glasgow Financial Alliance for Net Zero

type of asset and whether it will be impacted by changes in weather (meteorology risks), supply chain disruption (e.g., energy supply), and market demands is also considered.

For transition risks, projects are selected that align to the energy transition to net zero. The country context in terms of policy support for energy transition projects is considered, as well as the potential for (i) policy shift and increased regulation, and (ii) market shifts away from the current trend to a low carbon future.

The scenarios were qualitative and drew upon the situations described in the IEA's World Energy Outlook 2021 report. The International Panel on Climate Change (IPCC) trajectory for 3.5 - 4 degree Celsius under business as usual practices, an orderly transition of achieving net zero aligned with the Paris Agreement and a disruptive scenario when policy or technology comes later to achieve Paris goals.

The Firm recognises this is descriptive currently and going forward the aim is to develop an understanding of the potential financial impacts under different transition scenarios from these physical and transition risks on global assets and report value at risk. This will draw upon IEA and IPCC predictions and the Firm's valuation and risk-hurdle models.

The unpredictability of climate-related weather events means that the Firm takes a more cautious approach to asset management and insurance to mitigate this in the longer-term.

These risks are outlined below.

Risk	Potential Impact	Mitigation
Physical risks		
Longer term changes in climate patterns, e.g., reduction or increase in wind levels, 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[1].	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.

[1] IPCC Fifth Assessment Report

Risk	Potential Impact	Mitigation
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.	The Company is supportive of the policy aims of the Disclosure Regulation and will comply with it and monitor changes.
	Reduction in the availability of capital to invest in energy transition projects.	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. IFC performance standards are used to guide these interactions. The Company investment strategy targeting the energy transition is aligned with global policy movements on climate change which would limit impact.

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 publicly supports the recommendations of the Task Force on Climate Related Financial Disclosures ("TCFD") and reports under the framework. In 2022, the Firm will actively participate in and report under GRESB – the global ESG benchmark for real assets.

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 the Firm's inception in 2020, a comprehensive suite of policies and associated processes have been developed and published to enable effective stewardship in all the Firm's activities. These policies have been approved at the highest level of the Firm and are reviewed regularly as part of the Firm's internal controls (Figure 3).

Specifically, to ensure the effectiveness and consistency of our stewardship activities, we have made operational a firm-level investment policy (Principle 1) which includes alignment with the SDGs and Victory Hill's sustainability policy.

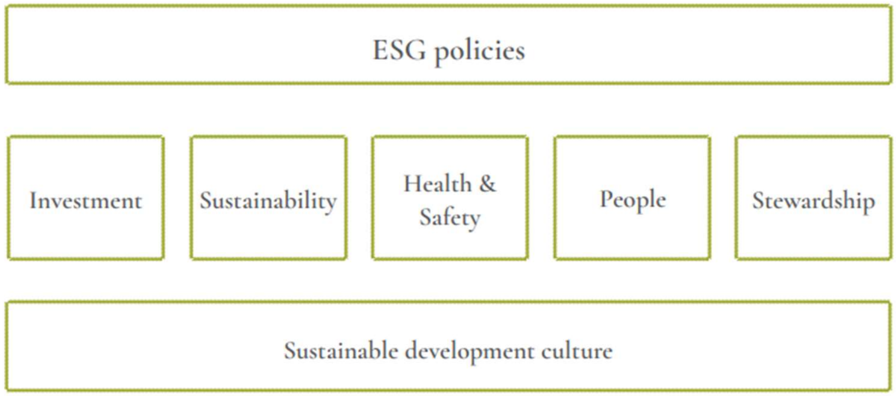
The sustainability policy and investment strategy (principle 1) underpin the Firm's commitment to sustainable investments and incorporate ESG issues into our clients' assets and partners' business practices through a continuous improvement management cycle. Taking ownership and responsibility is critical to the success of our investments. The policy sets out commitments to track environmental and social performance of investments. It also sets out requirements for partner and investee company policies. Operating partners and investee companies are required to implement their own policies tailored to their business activities. The Firm assists partners in developing these and identifying material issues for management.

Additional Victory Hill polices include 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, including 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.

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.

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.

Figure 3: Policies to support the Firm sustainable development culture



Outcomes

During 2021, the policies described above were developed and approved by the CEO and partnership committee with plans to review regularly (at least every 2 years). The investments made in 2021 demonstrate how policies were implemented to ensure that investments are aligned with SDGs and focus on accelerating the energy transition. In 2022, Victory Hill will strengthen or policy roll-out through engagement with asset operating partners to ensure that asset management policies and processes align with Victory Hill's strategy and address material ESG issues.

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.

Location of our investments

Victory Hill's sustainability policy articulates how we discharge our responsibilities to create a positive impact 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.

Activities and Outcomes

Victory Hill will complete the UN PRI assessment annually, with the first report due in 2023. Furthermore, Victory Hill will also complete the GRESB Assessment in 2022 for its operational assets held during 2021.

In addition, we regularly respond 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").

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 investment strategy focus on SDG alignment and the energy transition means that ESG issues are integrally identified, and all investments are sustainability-orientated

To support implementation of these commitments Victory Hill maintains a comprehensive management system. The ESG risk identification and management system (figure 4) integrates sustainability into each stage of the investment process through identifying material opportunities, risks and impacts.

There are a wide range of potential ESG issues which can impact infrastructure investments. The issues which are relevant 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 for that geography and country 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.

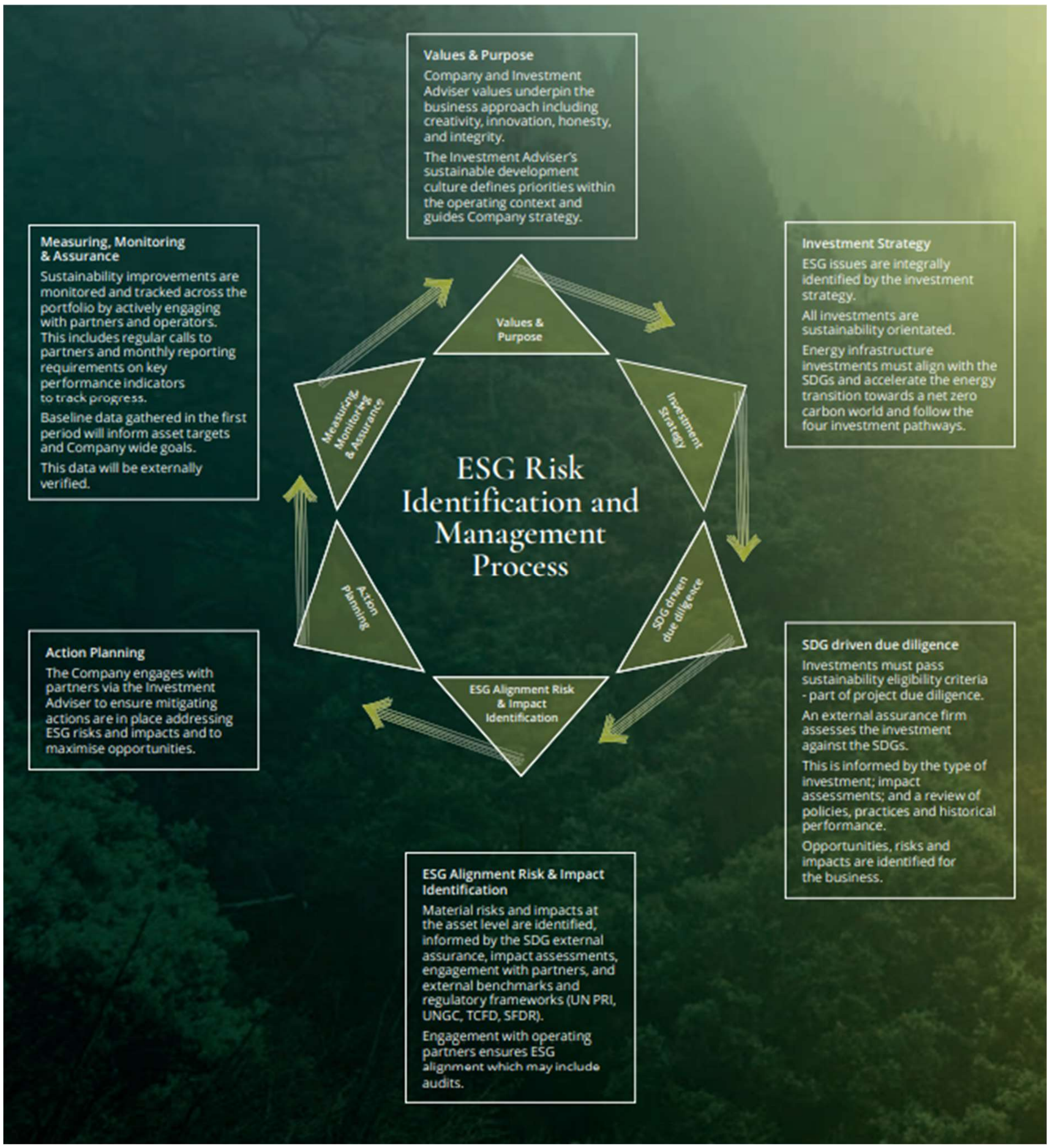
Risks and impacts identified at the investment stage and through independent assurance are fed into an asset level materiality assessment which is informed by engagement with operating partners, local regulations, external frameworks and benchmarks, as well as local impact assessments and stakeholder 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 4: ESG Risk Identification and Management Process



Outcomes

Aligned with Victory Hill's investment policy, in 2021 the Firm committed and deployed funds for GSEO to achieve sustainability objectives as follows:

- Texas terminal storage site: The Firm acquired two operating terminal storage sites on the Texas Gulf Coast to support Mexico's climate action plans by displacing highly polluting fuels from the Mexican market. Mexico has an economic dependence on high sulfur fuel oil for energy and fuels, which are linked to poor air quality and associated respiratory illness and premature deaths. Displacing this with cleaner fuel has health, environmental and climate change benefits. It reduces death and illness from hazardous chemicals, and reduces air, water and soil pollution and contamination by removing sulfur oxides, particulate matter, and carbon monoxide. The facility plays a critical role in supporting clean fuel flows into Mexico and supporting government commitments to cleaner fuels.

- Brazilian Solar: The Firm committed to a Brazilian solar programme consisting of 18 remote distribution solar generation projects across 10 Brazilian states with a total capacity of 75MW. These assets will provide clean, renewable energy but also support and accelerate the growth of a sustainable energy system in Brazil. Significantly, the sites will improve and help secure localised access for remote communities to clean energy at more affordable prices.

- Australia Solar and Battery Storage: The Firm deployed into a portfolio of distributed solar generation assets with plans to build embedded battery energy storage systems ("BESS"). These investments in renewable power generation in Australia aim to reduce the climate impact by displacing fossil fuel-derived electricity and optimising its use in the grid through deployment of BESS, supporting Australian energy transition objectives. In addition, the investment looks at the broader sustainability impact. For example, solar panel manufacturers have been vetted for environmental actions such as recyclability, and partner ESG policies and processes were reviewed to ensure sustainability-focused management practices.

- UK net zero flexible power generation projects: The Firm committed to the construction of two combined heat and power plants which bring together high-efficiency, gas-fired engine technology with a carbon capture and reuse system to provide a clean, net zero, flexible and dependable electricity solution to the UK. The combined capacity will be 45MW. This UK-based investment helps provide energy access through grid stabilisation while addressing greenhouse gas emissions by not only using efficient technology, but also capturing carbon dioxide as a product for the food and beverage sector. This creates an economic carbon cycle. Active engagement through the value chain ensures that ESG impacts are managed, whether to identify opportunities to recycle waste products or to improve efficiency.

As at 31 December 2021, the portfolio spans 24 assets across four countries – US, UK, Australia and Brazil – and includes technologies such as liquid storage, solar PV, Solar PV + Battery and Flexible Power + 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.

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

Indicator	Explanation
Capital investment into energy transition focused assets (£)	This will be 100% of investment for the Firm.
Return on embodied carbon through renewable and net zero energy generation (tCO2e)	Based on life cycle analysis and predicted energy exported. This is currently estimated at 10 years.
MWh of renewable energy produced	224,570 MWH is the predicted generation in the first year following all portfolio assets coming online
Carbon dioxide equivalent avoided (TCO2e)	A net figure accounting for renewable and net zero generation and any scope 1,2 and available 3 operational emissions. 26,328TCO2 is the predicted portfolio annual avoidance.
Tonnes of carbon monoxide avoided	The Texas terminal storage assets' environmental objective is to facilitate the removal of pollutive fuels from Mexico and replacing these with cleaner low sulfur versions. To demonstrate this impact, the tonnes of pollutive compounds removed will be calculated from the flows of fuel types through the Terminal. 2021 data is included in the case study below.
Tonnes of particulate matter (PM10) avoided	
Tonnes of sulphur oxides (SOX) avoided	
Tonnes of carbon dioxide sequestered	The UK gas peaking plants will have highly efficient carbon capture and reuse. The carbon captured will be measured and reported in the context of the energy generated by the assets.

Case Study: Displacing Polluting Fuels

Reducing the impact of air pollution (SDG3.9) is a priority of the energy industry and an important element of the energy transition. A material opportunity for the US Terminals is the annual savings from reduction of harmful pollutive fuels. Air pollution poses a major risk to health and economies globally. Reducing pollution from vehicles is a priority for Mexican metropolitan areas. In Mexico vehicles burn fuel oil with a very high sulfur content which exacerbates air quality issues caused by increasing urbanisation and motorisation trends. The displacement of high sulfur fuel oil reduces PM2.5, PM10, SOX, NOX and CO_2 emissions. The US Terminal assets provide an aggregation point and facilitate the transfer of high sulfur oil currently produced at a surplus in the Mexican fuel market. The fuel is, as a result of the terminals' proximity, north bound and destined for greater and more efficient refining capacity in the United States. Once refined, the PM2.5 contribution of the fuels is cut materially to levels experienced in Europe and the United States. The terminals also serve a southbound export of cleaner fuels back into the Mexican fuel market in order to displace usage of highly emitting fuels. The asset also provides infrastructure opportunities for future fuels such as hydrogen and biofuels storage and transport as technology advances.

The annual avoided air emissions are estimated below from the terminal storage throughput of heavy sulfur fuel oil calculated by third party sustainability experts.

Avoided Air Emissions	
PM10	941t
Carbon Monoxide	192t
Sulfur Oxides	18,492t

PRINCIPLE 8

Monitor and hold to account managers and/or service providers

We believe 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 also 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 in the event that they fail to meet ESG expectations.

Outcomes

Travel constraints in 2021 reduced active site visits and face-to-face engagement with partners, which was limited to Texan and Brazilian assets. In 2022 in-person board meetings and site visits have already taken place for Australian and UK investments and are planned to be repeated for all assets. Weekly meetings and quarterly board meetings were otherwise maintained remotely. In addition, we collect monthly ESG data covering material issues from operating partners such as energy use, emissions, employee diversity, health and safety, supply chain engagement to keep track of performance and potential anomalies. This performance data is reported annually to investors.

Risks in the supply chain are mitigated by selecting reputable suppliers 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.

Victory Hill will engage with operating partners throughout 2022 to support the roll-out of a supplier code of conduct that addresses ESG expectations where one does not currently exist. The Firm also plans to collect local economic expenditure data on supply chain and local communities to understand broader impact.

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 is able to 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 to ensure any risks, impact, opportunities are acted upon, and process gaps closed.

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.

Outcomes

As at 31 December 2021, the Firm had successfully deployed funds into a sustainable energy infrastructure portfolio for GSEO spanning 24 assets across four countries, which includes technologies such as liquid storage, solar PV, Solar PV + Battery and Flexible Power + Carbon Capture and reuse (see portfolio update). 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 for each asset aligned with risks, impacts and opportunities.

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 2021, six projects 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

We have also had some successful engagement on specific issues with operating partners. For example, in Brazil, where land use is a critical issue, we engaged with our operating partners and contractors to better understand environmental impacts and regulatory compliance.

Case study: Offsetting land clearance in Solar Projects
In Brazil 32ha of land has been or will be cleared for the solar generation projects. These sites are located on greenfield unused agricultural land avoiding damage to native forests, carbon sinks or land use change from productive food crops. All sites are required an environmental impact assessment and any vegetation removed is offset by planting of higher quality trees, vegetable crops or through payments to the local authorities to plant trees elsewhere.

In Texas we engaged with operating partners on their health and safety practices, particularly in terms of spill prevention.

Case study: Actively promoting health and safety at the US Terminals Asset.
Health & Safety actions include:
- Quarterly emergency response tabletop exercises to test preparedness for incidents working closely with relevant authorities such as the maritime and coastguard agency.
- All staff received safety training including Occupational Safety and Heath Administration (OSHA), HAZMAT, transportation tank car offloading and incident response.
- Facility upgrade including dike walls to improve the containment infrastructure of the site in the event of a spill.
- Routine maintenance and inspection of facilities.

We plan to strengthen our engagement in 2022 through deployment of ESG software to collect data, manage goals and targets, and support monitoring and tracking of performance.

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. This engagement is described in Principles 8 and 9.

Activities and Outcomes

As previously stated, 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.

We also intend to commit to the Net Zero Asset Manager Initiative in 2022 to encourage further collaboration and sharing on practices on setting energy transition and climate goals.

PRINCIPLE 11

Escalate stewardship activities to influence issuers

Through its representation on the boards of fund project companies, Victory Hill is able to 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 4) 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.

Activities and outcomes

During 2021 the Firm was focused on originating investments, engaging operating partners and deploying and committing capital. In 2022 we are continuing to work with our operating partners to support policy and process implementation, data collection and target setting aligned with our materiality assessments. 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 operational greenhouse gas (GHG) emission reduction programmes, and our Australian asset operator on supply chain management practices. The outcomes of these engagements and any escalation to our partners will be disclosed in 2022.

In 2021 the Firm engaged with the Texas terminal storage asset operator to understand the impact from displacing heavy fuel oil in terms of reduction in sulfur, carbon monoxide and particulate matter content. The Firm also engaged with all energy generation asset operators to understand their carbon dioxide equivalent emissions through the asset life cycle from 'cradle to grave' and will be tracking this data subsequently. This is an important 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.

	Units	Australia	Brazil	UK
Embodied Emissions	kg CO_2e	79,655,870	114,276,353	1,321,045
Operational Emissions	kg CO_2e	1,133,373	12,867,804	93,210,017
Total Lifecycle Emissions	kg CO_2e	80,789,243	127,144,157	94,531,062
Emissions Avoided	**kg CO_2e**	**321,997,694**	**197,048,974**	**246,557,717**
Net Emissions Avoided	kg CO_2e	241,208,451	69,904,817	152,026,655
Average Saving per Annum	kg CO_2e	12,879,908	7,881,959	9,862,309
Saving per kWp	kg CO_2e	71,555	3,885	24,656
CO_2 Payback	years	6	16.1[1]	9.6

The portfolio renewable and carbon sequestration assets have an average CO_2 payback of 10 years putting the Company on a net zero trajectory. Total net CO_2e emissions avoided per year is 26,328,037 the equivalent of taking almost 6,000[2] UK passenger vehicles off the road.

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 due 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.