



UN Global Compact Communication on Progress

Report by Victory Hill Capital Partners LLP
Covering the Period
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Statement of continued support by Chief Executive Officer

To our stakeholders

I am pleased to confirm that Victory Hill Capital Partners LLP (“Victory Hill” or “the firm”) reaffirms its support of the ten principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption.

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

The firm is committed to incorporating best practice approaches at all stages of our investment lifecycle to enable us to make and manage our investments in a responsible manner.

In this annual communication on progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We commit to sharing this information with our stakeholders using our primary channels of communication.

We are pleased to provide this communication on progress covering our first year and a half of operations demonstrating our commitment to the Global Compact principles and our drive for continuous improvement.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Anthony Catachanas', with a long horizontal line extending from the end of the signature.

Anthony Catachanas
Chief Executive Officer

Victory Hill Capital Partners LLP

Introduction

Victory Hill Capital Partners LLP (“Victory Hill” or “the firm”) is a specialist investment firm founded in 2020, targeting direct investment in a diverse range of sustainable energy infrastructure and companies that facilitate and accelerate an orderly energy transition to a net zero carbon future aligned with the UN Sustainable Development Goals (“SDGs”). The firm believes that the energy transition is a global phenomenon that requires localised solutions.

Victory Hill’s inaugural fund, VH Global Sustainable Energy Opportunities plc (“GSEO” or “the fund”), was launched in February 2021 and is listed on the premium segment of the Official List of the London Stock Exchange. The fund has so far deployed capital in five programmes, across 25 assets and four countries.

The fund’s investment strategy seeks to take advantage of the energy transition globally in OECD and OECD accession and key partner countries by investing in a diverse portfolio of sustainable energy infrastructure assets. The fund focuses on trends that contribute to this acceleration including energy market liberalisation, energy access, addressing climate change and energy efficiency and resilience.

Diversification is a key part of the fund strategy both in terms of assets and global reach. The fund has a broad geographical scope which mitigates the influence of weather patterns and prevents reliance on any single regulatory regime. We also aim to minimise concentration risk by investing across many projects and companies.

Victory Hill recognises that the infrastructure investments we make and manage on behalf of our clients through our funds can have a material impact on the environment, societies, and stakeholders. 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.

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.

Description of Actions

Victory Hill's strategic focus on the SDGs influences our investment decisions and our approach to doing business. Victory Hill recognises that high standards of business conduct and contributing to economic, social and environmental priorities as identified in the SDGs are critical to achieving growth targets.

Victory Hill has acted on the UN Global Compact principles across our business activities. This influences the management activities of the firm, fund investment decisions, asset management, and interactions with joint venture operating partners.

The report covers actions undertaken by Victory Hill as a firm, as well as activities at the fund level.

Victory Hill Capital Partners LLP

Actions taken to support the Global Compact ten principles have been taken at the firm level in terms of the strategies, policies and practices and engagement with stakeholders.

Human Rights

Victory Hill is committed to respecting and supporting human rights in its business activities. Within the context of the firm management this includes interactions with our key stakeholders including employees, investors, and suppliers. Victory Hill is located in London, United Kingdom and employs 14 people.

Since the firm's inception in 2020, we have implemented several policies and benefits to support, recruit and retain employees and ensure that they are provided with a safe and suitable work environment.

Firm policies and benefits include:

- Occupational health and safety
- Family health insurance and critical illness
- Pension contributions
- Parental leave
- Training on policies and to support career progression
- Diversity, equal opportunity, and inclusion that encourages a diverse workforce in terms of gender, nationality, ethnicity, age and life and work experience
- Hiring processes to ensure no discriminatory practices and that include background checks to manage any potential forced or child labour issues
- Employee code of conduct
- Supplier and partner code of conduct

The firm also became a signatory to the UK Stewardship Code demonstrating that our fiduciary duty to our investors goes beyond financial returns and also encompasses the

environmental and social aspects, including human rights impacts, of our investment activities.

Labour Rights

Victory Hill has a policy of equal opportunity, non-discrimination, and non-harassment. We want employees to work in a safe and supportive environment where their views are listened to and considered. Recruitment and advancement are based on a system of meritocracy, not influenced by background or protected characteristics. Recruitment is a transparent process and includes input from multiple firm representatives to mitigate against bias. Job specifications are purposefully written to encourage a diverse range of candidates using inclusive language.

The firm is implementing a clear remuneration, bonus and progression process so all employees understand parameters of reward and recognition.

The firm has publicly released a [modern slavery statement](#) on our website with our commitment not to use or be complicit in or benefit from forced labour. The financial services sector is highly regulated with requirement for well-qualified individuals and therefore low direct forced labour risks.

Our firm code of ethics, diversity and inclusion and other employment policies create a positive working environment for our employees while protecting their fundamental rights. No child under the age of 18 will be employed by the firm.

Most of our suppliers are professional and business services firms that provide transaction advisory and due diligence services, with their own short, low-risk supply chains relating to these services. Contractual terms are included in supplier contracts with the aim of preventing slavery, human trafficking, and child labour in our supply chain.

Environment

Supporting environmental goals is at the core of the firm's mission to facilitate the energy transition. Investment activities are aligned with the International Energy Agency (IEA) identified SDGs, climate action (SDG 13); energy affordability and access (SDG 7) and health and wellbeing (SDG 3).

The firm's sustainability policy states that we will incorporate sustainability into investment decision-making, and track and monitor progress across our investment portfolio on environmental impacts such as biodiversity, climate change, energy, water, and waste. We also embed sustainability into employee performance assessments and minimise the firm's carbon footprint. The firm collects data monthly to check adherence and progress.

The firm joined the Net Zero Asset Managers Initiative in 2022 and has developed, with a third party, a road map to 2030 and 2050 to reach net zero with recommended

actions. This includes analysis of scope 3 emissions and the firm also completed life cycle assessments of embodied carbon on its investments.

More information on implementing energy transition technologies is described in the fund actions below.

Anticorruption

Honesty and integrity are core to the firm's values. As an FCA regulated firm, Victory Hill is committed to conducting business with the highest standards of integrity and fair dealing and has a zero-tolerance to acts of bribery and the use of corrupt practices to obtain an unfair advantage. We expect our people to maintain high ethical standards in everything that they do. Our policies reflect that expectation, including our ethical code of conduct and policies on conflicts of interest, whistle-blowing and antibribery and anticorruption. These policies apply to all employees, consultants, contractors, and other relevant third parties.

VH Global Sustainable Energy Opportunities plc

Actions to support the Global Compact's ten principles were taken at the fund level in terms of the strategy and investment decisions, due diligence strengthening active ownership and asset management, and engagement with stakeholders including those in the value chain. These create an overarching approach to supporting the principles.

Strategy

The fund strategy is sustainability focussed and looks to create positive impact and outcomes on the principles. 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 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, 11 and 17).

Other opportunities, post-fund investment, are taken to promote positive impacts on SDGs covering 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.

Due diligence

Further due diligence includes understanding geographic context, sector and project level risk. This identifies material issues to the project and local stakeholders that require mitigation and management.

The fund uses several inputs to support this due diligence process to identify the ESG issues most relevant for the investment. For material sector-based risks and impacts, guidance from the International Finance Corporation performance standards, the Global ESG Benchmark for Real Assets and the Sustainability Accounting Standards Board is used.

For geographic and regional risk, published indices including the Transparency International Corruption Perception Index, Freedom House Freedom in World Index, Global Slavery Index, US State Departments Human Trafficking Report, Fund for Peace's Fragile States Index, International Labour Organisation's ("ILO") SDG indicators on labour rights and the Global Climate Risk Index are referenced.

Project-specific risks and impacts are identified from local environmental and social impact assessments, as well as fund analysis on themes such as the operational proximity to local communities, indigenous peoples, cultural heritage and ecological and biodiversity habitats; operational activities such as noise, light, water use, discharge and waste; and stakeholder interaction with the operation including employees, contractors and customers. The resourcing, controls and procedures operating partners have in place to manage these aspects are assessed.

Assets are constructed in accordance with local regulatory requirements, which include environmental and social impact statements and assessments. This also informs decisions around investment and management activities.

The analysis supports fund action-planning to manage material environmental and social impacts and ensure that investments do not infringe on environmental, human rights and labour standards.

Value Chain

The fund recognises that impacts are not limited to operational aspects and that activities in the value chain by suppliers and partners can have an environmental and social impact. The fund invests globally and recognises that risks can vary by material, components and product provenance and through the chain of custody.

To better understand and manage these impacts the fund has undertaken the following actions:

1. A carbon life cycle analysis for renewable and low carbon energy generation assets to understand embodied carbon from cradle to grave and payback timelines over operation lifetimes.
2. Analysis of strategic suppliers, for example, battery and solar panel manufacturers, to ensure that they are not included on 'blacklists' such as those

by the US Commerce Department that ban imports of goods suspected of being made with forced labour, and the companies have policies and procedures in place to ensure worker and human rights in their operations and supply chain and are managing their environmental impact.

3. Contractual terms are included in supplier contracts with the aim of preventing slavery, human trafficking, and child labour in our supply chain.
4. Implementing a supplier code of conduct and requesting that the fund's asset joint venture operating partners do the same.

Human rights

SDG 7 aims to ensure access to affordable, reliable, sustainable and modern energy.

This is a key objective for the GSEO and the investments demonstrate this.

Investment in distributed solar farms in Brazil provides clean affordable energy to remote communities. This supports the right to an adequate standard of living. A reliable power supply can support economic growth, increasing local business productivity, and provides energy to institutions such as health and education thereby supporting positive social outcomes.

SDG 3.9 aims to substantially reduce the deaths and illnesses from hazardous air, water and soil contamination and pollution. The fund contributes to this reduction as investments displace conventional more pollutive power generation and fuels. This is demonstrated in the renewable solar with battery storage investments in Australia which displace fossil fuel generation and the terminal storage investment in Texas. The Terminal storage asset's sustainability objective is to displace highly-polluting fuels from the Mexican market. This has both air quality and climate change benefits. Specifically, it displaces high sulfur fuel oil with ultra-low sulfur fuel and therefore supports SDG 3 by greatly reducing sulfur oxides, particulate matter and carbon monoxide emissions from the fuel flowing from the terminal back into the Mexican market.

An important management aspect for the fund is ensuring that stakeholders who interact with the fund's assets can do so safely. Therefore, ensuring the implementation of appropriate health and safety management systems has been a focus for the fund.

Labour

The fund does not employ workers directly. Construction, operations and maintenance of fund assets is undertaken by joint venture partners.

The fund expects all partners to align with ILO working standards and provide evidence of employee policies and benefits, including those that ensure equal opportunity, non-discrimination, and non-harassment. A supplier code of conduct, with expectations for similar policies of their suppliers, is also required. This includes the commitment not to use or be complicit in or benefit from forced labour, child labour or other worker exploitation. The fund requests data on supplier engagement.

Further, we expect our operating partners to put in place a diversity, equality and inclusion plan to support improvement of representation in the energy sector.

Labour metrics collected from operating partners to track performance includes job creation numbers, employee diversity where legally allowed, turnover and health and safety metrics.

Environment

Since launch, GSEO has deployed and committed over £450 million, investing in energy transition assets that have a positive environmental impact, including on climate action.

Investments include a run-of-river hydropower plant, and solar farms producing clean renewable energy that can displace traditional energy generation in the local grids. Battery implementation is planned on intermittent renewable investments to support balancing local grids and to support more renewable integration.

The terminal storage investment's air quality improvement strategy has environmental benefits by facilitating the removal of sulfur, mitigating the risks of acid rain in Mexico which has negative ecological impacts.

Post-investment environmental management systems are required of operator partners. The fund takes a precautionary approach to project development. No protected or ecologically sensitive areas are developed. The fund invests in developments on existing infrastructure, brownfield, and derelict unused agricultural land.

Environmental impact studies are completed to understand and mitigate potential impact.

During construction and then into operation, environmental metrics are collected by the fund to understand progress on impact mitigation and drive continuous improvement. Metrics include material consumption, emissions, energy use and generation, waste and water.

2022 is the baseline year for data with targets on key performance indicators planned for 2023.

Anticorruption

GSEO does not invest in countries and regions which are subject to economic sanctions. All operating partners are required to have appropriate governance and controls in place including policies on antibribery and anticorruption, fraud, conflicts of interest and a whistle-blower process and protection. Due diligence is completed on the management teams of operating partners to ensure that there are no conflicts of interest or findings of corruption. Any findings that are contrary to fund policies would prevent investment.

Measurement of Outcomes

The data shared below demonstrates outcomes from the GSEO fund. The firm collects environmental, social and governance data from fund operating partners covering construction, operation, management and maintenance. This covers a range of data points as noted in the actions section above.

Outcome and impact indicators are reported to demonstrate progress on the fund's overall sustainability objective. These are given below. The fund will put in place targets for relevant indicators.

As 2022 is the baseline year for the operating assets, both actual data collected to June 2022 as well as predicted data once the portfolio is fully operational is given and indicated. These indicators and an explanation is given in figure 1, with data in figure 2 and figure 3.

Figure 1: Impact Metrics and Explanation

Indicators	Explanation
Capital investment into Energy Transition focused Portfolio Companies (USD)	Victory Hill intends that all the fund's investments will be aligned with the Energy Transition.
Return on embodied carbon through renewable and net zero energy generation (tCO ₂ e) and renewable fuels	This figure forms part of Victory Hill's life cycle analysis of portfolio assets, to allow the fund to understand the embodied carbon in extraction, manufacture, transport, construction, operation and decommissioning activities, and to better understand the portfolio asset's contribution to net zero over the life of the investment.
MWh of renewable energy produced	This figure represents the renewable and net zero electricity generation which displaces carbon intensive generation, demonstrating contribution to SDG 13.
Carbon dioxide equivalent avoided (TCO ₂ e)	This figure accounts for renewable energy generation and renewable fuels use displacing fossil fuel generation net of any Scope 1,2 and available 3 operational emissions.
Tonnes of carbon monoxide avoided	These figures demonstrate the impact of renewable and cleaner fuels produced by a portfolio asset with a pollution reduction environmental objective, by reporting the tonnes of pollutive compounds removed through use of cleaner fuels. This demonstrates a contribution to SDG 3.
Tonnes of particulate matter (PM ₁₀) avoided	
Tonnes of sulfur oxides (SOX) avoided	
Equivalent number of homes, businesses and/or vehicles served by renewable energy or fuel	This figure demonstrates the equivalent number of homes, businesses and/or vehicles served by renewable energy or fuel. This demonstrates a contribution to SDG 7.

Figure 2: 2021 & 2022 Midyear Highlights

	Metric	2021 Data	Interim Data to 30 June 2022	Explanation
GHG emissions (GHG protocol methodology)	Scope 1 GHG emissions	2,771 tCO ₂ e (actual)	1,268 tCO ₂ e (actual)	The GHG emissions reported are actual and include the portfolio's operational assets only.
	Scope 2 GHG emissions	835 tCO ₂ e (actual)	271 tCO ₂ e (actual)	Scope 1 and 3 are the operational emissions from the Texas terminal storage site and include natural gas usage and associated indirect emissions. Scope 2 includes the imported electricity to the Australian renewable energy sites.
	Scope 3 GHG emissions (from 1.1.23)	766 tCO ₂ e (actual)	311tCO ₂ e (actual)	
	Total GHG emissions	4,372 tCO ₂ e (actual)	1850 tCO ₂ e (actual)	Targets will be set following baseline data collection in 2022 to reduce emissions from operations. It is also the firm's intent to join the Net Zero Asset Managers Initiative (NZAMI) and set a portfolio-level goal.
Renewable energy generation	MWh of renewable and net zero energy generation	30,050 MWH (actual)	11,666 MWH (actual) Equivalent to 3000 UK homes annual consumption 1million MWH (forecast)	The actual electricity generated in 2021 from the Australian solar assets and in 2022 to include completed Brazilian solar assets. The forecast renewable and net zero energy generation from energy generation assets. (Hydropower, solar farms and gas peaking with carbon capture post-construction when the portfolio is fully operational in Q2 2023)
Avoided emissions	Avoided emissions from renewable and carbon sequestration electricity generation	26,328 tCO ₂ e (forecast)	129,000 tCO ₂ e (forecast) 8,839tCO ₂ e (actual)	This is the forecast avoided emissions from energy generation assets and accounts for operational emissions from the assets. The jump in 2022 is the inclusion of the hydropower acquisition if closed by year end. Actual is based on renewable energy generated.
Avoided pollutive emissions	Tonnes (t) of pollutive compounds avoided	CO: 192t SOX: 18,492t PM 10: 941T	CO: 117t SOX: 11,285t PM10: 575t PM2.5: 428t NOX: 111t	Calculated from volumes of high sulfur fuel oil displaced from the Mexican fuel value chain per volumes transiting through the Texas terminal and ultra-low sulfur fuel flows south into Mexico. Additional pollutants reported in 2022.

Figure 3: Life Cycle Assessment of embodied carbon and payback periods

	Units	Australia Solar	Brazil Solar	UK Gas Peaking with Carbon Capture
Embodied Emissions	kgCO ₂ e	79,655,870	114,276,353	1,321,045
Operational Emissions	kgCO ₂ e	1,133,373	12,867,804	93,210,017
Total Life cycle emissions	kgCO ₂ e	80,789,243	127,144,157	94,531,062
Emissions avoided from lifetime generation	kgCO ₂ e	321,997,694	197,048,974	246,557,717
Net emissions avoided lifetime	kgCO ₂ e	241,208,451	69,904,817	152,026,655
Per Annum avoidance	kgCO₂e	12,879,908	7,881,959	9,862,309
Saving per KWp	kgCO ₂ e	71,555	3,885	24,656
CO2 payback	years	6	16.1	9.6