



2023 Sustainability & Impact Report



Listed Equities

Letter From Ecofin President

Dear Clients,

The publication of our Sustainability & Impact report is a reminder to us of the role we play in our client's portfolios and in the investment industry. As a specialist investor in sustainable strategies, we endeavor to scan beneath the surface and sift through the noise. We seek the intersection of growth and sustainability where we believe business adjacencies provide research advantages. Our focus on intentional companies where sustainability is dominant in the business model has the potential to provide exposure to companies experiencing structural growth with economic moats.

Climate change and the growing societal and economic response should continue to drive major shifts in consumption, regulation, and technology. We refer to these societal evolutions as the **Sustainability Revolution**. We believe this revolution will be a driver for the next several decades and will create robust investment opportunities across the global economy. At Ecofin, these opportunities are the basis for returns, impact, and rewarding engagements. Our objective is to provide top investment performance while continually improving the magnitude, measurement, and relevance of our strategies' impact.

We have structured the firm to support that objective. Here are 5 core features of our structure:

- 1. Sustainability is at the epicenter of the investment process and led by Ecofin's listed equities portfolio team**
- 2. Dedicated Sustainable Strategist within our listed equities portfolio team**
 - This boosts the effectiveness of engagements on sustainability issues at the company level
- 3. Our Sustainability & Responsible Investing Team works cohesively with the listed equities portfolio team and across our business units**
- 4. Governance framework responsible for oversight, accountability, and constant modernisation**
 - Ensures consistency in integrating sustainability and ESG factors, engagement, measurement and reporting, and training
- 5. Advisory Board with leaders in sustainable investing**
 - Independent layer of oversight and access to industry best practices

As we look forward, our mission, purpose, and passion remain the same. The world continues to grapple with sustainability issues, and our goal at Ecofin is to put our clients' capital toward the most positively exposed investments with the best return and impact potential. As always, we welcome your feedback.



Brent Newcomb,
Ecofin President

A Year in Review

It was an exciting year for Ecofin with the furtherment of many sustainability initiatives across the firm. During the year, the Sustainability & Responsible Investing (“SRI”) Team focused on ensuring Ecofin’s policies, procedures, and capabilities met the evolving global sustainability regulatory requirements, as well as our own high standards within the investment process. We’d like to highlight a few of those developments below.

Our team grew! The SRI Team (formerly known as the Sustainability & Impact Team) changed its name and added two additional members as Ecofin expanded its firm-wide sustainability resources. Additionally, we reimagined the Sustainability & Impact Committee (“S&I Committee”) to serve a stronger governance role and align with heightened sustainability expectations globally.

SFDR elections: By the end of 2022, all of Ecofin’s Sustainable Finance Disclosure Regulation (SFDR)-classified funds elected as Article 8 or Article 9. In February of 2023, Ecofin’s Global Renewables Infrastructure UCITS Fund was uplifted to Article 9, which is currently the most rigorous product disclosure designation under the SFDR. In aggregate, Ecofin now has three products that have been classified as Article 8, and two products that have been classified as Article 9 across distinct strategies.

Ecofin Sustainability Monitor: The SRI team, alongside the listed equity investment team, developed a proprietary data and reporting framework referred to as the Ecofin Sustainability Monitor (“ESM”). The ESM collects and summarises a combination of datapoints, scores, and controversies on public companies using data obtained from third-party ESG data providers and other internal and external sources. The ESM streamlines sustainability analysis within Ecofin’s investment process while providing easier monitoring and reporting for compliance and regulatory purposes.

Net Zero Asset Managers initiative: Ecofin supports a rapid transition to a low-carbon economy and reported its initial Net Zero disclosure in 2022, committing to 75% of its portfolio companies having SBTi-approved science-based targets (“SBTs”) by 2030, a pace that should put it on track towards 100% SBT portfolio coverage well before SBTi’s financial institution coverage deadline of 2040. Ecofin’s full Net Zero Disclosure can be found here: [Ecofin’s Net Zero Disclosure \(ecofininvest.com\)](https://ecofininvest.com/net-zero-disclosure)

Who we are

LISTED EQUITIES INVESTMENT TEAM



Jean-Hugues de Lamaze
Senior Portfolio Manager and
Managing Director



Max Slee
Portfolio Manager and
Managing Director



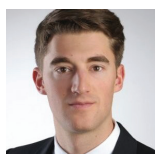
Matthew Breidert
Senior Portfolio Manager and
Managing Director



Michel Sznajer, CFA
Portfolio Manager and
Managing Director



Anny Giavelli
Sustainable Investment Strategist



Mathieu Pidoux
Investment Analyst



Elsbeth Dick, CFA
Director – Product Specialist &
Investor Relations



Moomal Irfan
Investment Analyst

SUSTAINABILITY & RESPONSIBLE INVESTING TEAM



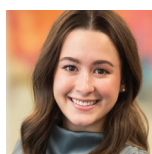
Greg Murphy
Managing Director



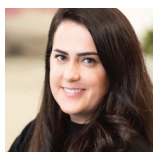
Haley Hoeven
Director



Ben Bor
Senior Analyst



Emma Kurtz
Analyst



Jessica Borawski
Senior Analyst

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Section One

Executive summary

Ecofin has a long history in sustainable investing. Sustainability-focused opportunities and risk factors have been integrated into the investment process for over a decade. Where we believe our sustainability philosophy stands apart from others is our conviction that focusing on companies facilitating decarbonisation, and not just those that have already completed their own sustainable transformation, optimizes investor returns while maximizing the measurable impact of their investments.

Our investment professionals have always been our subject matter experts and continue to evaluate how changes in sustainability policies among governments and corporates can translate into fundamental inputs for financial models and forecasts. This aspect of their evaluation criteria continues to drive returns and thematic impact for investors.

Ecofin's primary investment themes include climate action, water, and social impact, with products comprised of public equities, private credit, and private equity. This report focuses specifically on our publicly listed strategies within climate action and water.

Ecofin's publicly listed strategies are Global Renewables Infrastructure, Energy Transition, Sustainable Listed Infrastructure, and Sustainable Global Water. The following "Our Approach" section walks through how we think about the climate action and water strategies more broadly. The second half of this report dives into each strategy and its investment themes, describing how the themes further the objectives of the United Nations Sustainable Development Goals (UN SDGs). This section is also supplemented with impact highlights from the prior year and contains top five holdings profiles.

Click here to read our previous Sustainability and Impact reports.

[Impact Reports | Ecofin \(ecofininvest.com\)](#)

Section Two







Our approach

Pressing global challenges such as decarbonisation and access to clean water are creating large capital needs and driving investment opportunities. According to a recent report from BloombergNEF, global investment in the low-carbon energy transition, from renewable energy and storage to electrified transport, surpassed \$1 trillion in 2022, a new record and a significant acceleration from the previous year.¹ Ecofin seeks to invest in companies that address these challenges while generating positive environmental, social, and financial returns.

Governments and businesses continue to implement their energy transition plans, and investments in clean energy technologies are reaching historical highs. However, such investment levels must continue to grow to bring the world on the Net Zero trajectory. Our climate action strategies focus on decarbonising the entire value chain and reducing emissions through renewables and electrification, with an emphasis on sustainable infrastructure and products and services that facilitate the energy transition.

Water investment is critical to a sustainable future and it is at the heart of climate adaptation. The biggest challenges arise from the global imbalance between water demand and water scarcity. Our water strategy focuses on the solutions to address these issues, investing in companies that supply water and treat wastewater, as well as those improving water infrastructure and technology.

To measure impact, we proprietarily map each strategy's investment theme(s) to one or more of the UN SDGs.

Sustainable Investment Theme	Thematic Impact
Climate Action	
Electrification	      
Clean transportation	   
Industrial and building efficiency	    
Environmental	
Environmental services (Water supply, water treatment, wastewater, and waste management)	 
Transportation infrastructure (Roads, railways, airports and ports)	   
Water	
Improving water infrastructure	     
Technology and process innovations	    
Environmental	     

¹<https://about.bnef.com/blog/global-low-carbon-energy-technology-investment-surges-past-1-trillion-for-the-first-time/>

Section Three

Investment strategies





Global Renewables Infrastructure

Sustainable Investment Theme Overview



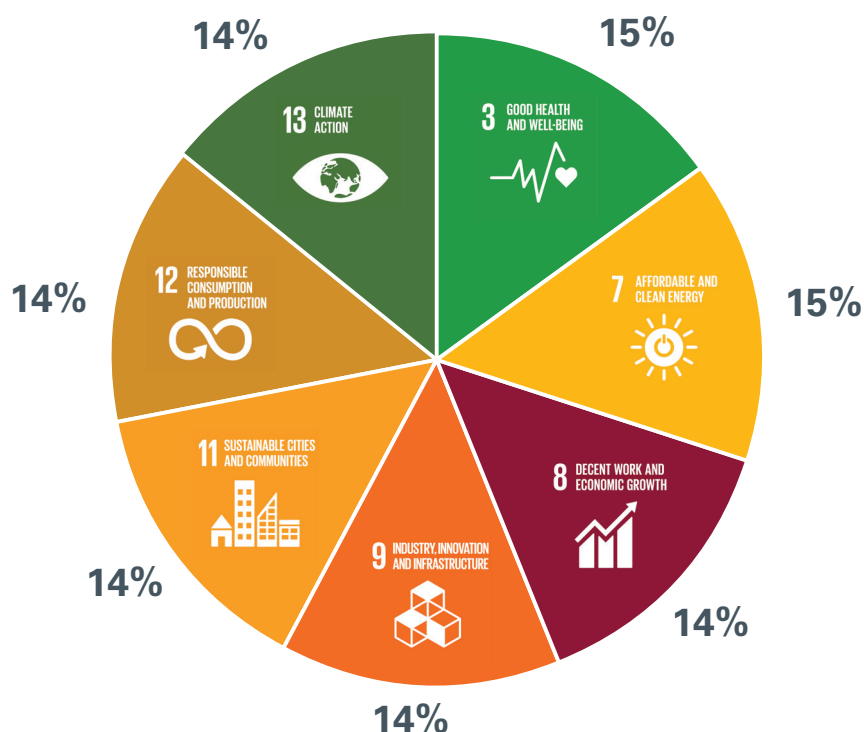
Electrification: The power sector is undergoing a profound transformation driven by the decarbonisation and electrification of energy demand. Utilities are at the forefront of this multidecade transition. By adapting and, in many cases, substantially overhauling their business models to accommodate new greener technologies and decentralised power sources, utilities are bound to be major beneficiaries of secular growth and attractive returns on significant capital investments.

Strategy Approach

Our Global Renewables Infrastructure ('GRI') strategy invests in companies that develop, own, and operate low-carbon power generation assets and ancillaries. It focuses on companies that are gaining market share as economies and companies transition away from traditional fossil fuels to renewable energy sources. The portfolio seeks companies that grow faster than the market and have attractive returns and predictable cash flows, a combination that we expect to provide outperformance over time. Before investment, companies must pass CO₂ emissions and source of energy generation filters. The strategy focuses on one main investment theme: **electrification**.

Strategy Alignment to the UN SDGs

Percentages represent the strategy's contribution to its primary SDGs to demonstrate thematic impact, calculated by proprietarily mapping strategy holdings to Sustainable Investment Theme(s), as detailed on page 7.



As of 30 June 2023

Investment Theme	Thematic Focus	Targeted Thematic Outcome
Electrification	<ul style="list-style-type: none"> Captures the growing electricity market as a piece of the broader energy market Renewables growth within electricity generation; beneficial for the environment – beneficial for the company 	<ul style="list-style-type: none"> Measurable reduction in greenhouse gas emissions (GHG) and other pollutants in comparison to local grid Continued replacement of coal and other fossil fuel generating plants with renewables Fewer coal plants in a grid equates to fewer GHG and particulate emissions and fewer tons of coal being mined Providing affordable and abundant electricity to consumers and industry Economic growth and higher employment

IMPACT STATS HIGHLIGHTS*



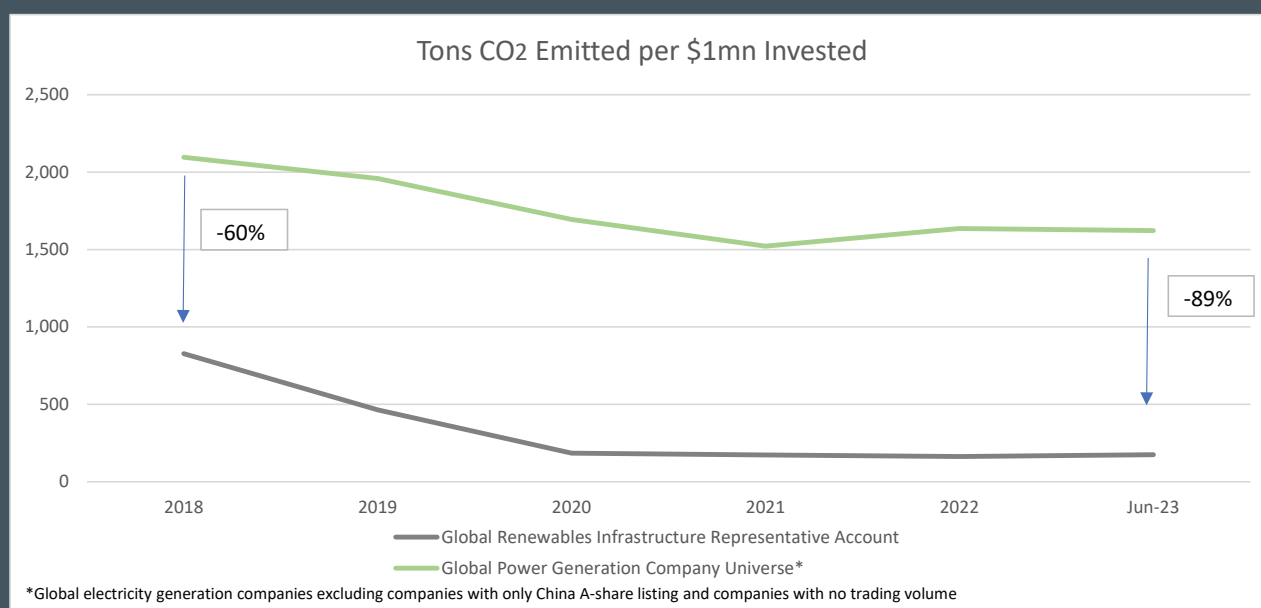
72.3%

of generation is from renewables
(wind, solar, hydro, biomass, biogas)

\$1 million investment implies the avoidance of **526 tonnes** of carbon per year. Equivalent to the emissions from:

- **474** round-trip flights from New York to Los Angeles
- **66** car trips around the world

In partnership with CarbonAnalytics, Ecofin annually updates a global proprietary database of power generation companies with detailed CO₂ emissions by source of power and by company. The following graph represents the carbon emissions of the GRI representative account vs the universe of power generation companies. Reporting carbon emissions per million dollars invested is a common way to normalise carbon reporting to allow for comparison between portfolios and benchmarks of different sizes.



Data as of 6/30/2023

*Impact statistics is for a representative account managed to the strategy as at 30 June 2023.

Top five holdings profile

NextEra Energy



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

NextEra's management continuously emphasises the company's vision of becoming the largest and cleanest energy provider in the world and its position in leading the decarbonisation of the U.S. economy. The company is a forward-thinker and due to its ownership of a regulated utility and its competitive renewable development platform, the company is uniquely positioned to solve customer needs and reliability concerns, while also advancing technologies that can ultimately be used at scale to reduce emissions around the world. NextEra's developments in decarbonising the electric grid also benefit both the industrial and transportation sectors.

The company has also announced that it will be Real Zero™ by decarbonizing its operations to eliminate carbon emissions and focusing on clean energy generation.

Company Highlights

- **Carbon Neutrality Target:** Real Zero – carbon emission free by 2045
- **58% reduction in CO₂ emissions as of 2021**, compared to a 2005 baseline
- Added approximately **2,007 MW of wind, 1,547 MW of solar, 1,017 MW of battery energy storage in 2021**
- **51% better** than the industry average CO₂ emissions rate
- **79% increase** in clean electricity generation from 2005 to 2021

Source: NextEra Energy

Top five holdings profile

Clearway Energy



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

Clearway Energy, Inc. is one of the largest renewable energy owners in the US with 2,000 MW of wind and solar generation, and battery projects across the country. At the end of 2022, 92% of the electricity Clearway Energy generated was carbon-free. This produced energy to power 1.7 million American households and helped customers avoid carbon emissions via clean energy. The company also benefits from growth opportunities driven by technological improvements in battery storage. Clearway Energy also plays a leading role in different industrial associations that aim to minimise environmental impacts of renewable energy projects including The Renewable Energy Wildlife Institute.

Company Highlights

- **Carbon Neutrality Target:** Net zero scope 1&2 emissions by 2050
- **95% of electricity generated** will be carbon-free by 2035
- Own **10 GW of net renewable capacity** by 2030
- Generated **15.2 million MWh of carbon-free electricity** in 2022
- **7 GW** of operating renewables
- **28 GW** under development across 24 states

Source: Clearway Energy

Top five holdings profile

NextEra Energy Partners



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

NextEra Energy Partners is the yield vehicle for NextEra Energy's contracted generation assets. The company continues to benefit from its close relationship with NextEra Energy, which has set an industry leading Real Zero target to be carbon-free and to provide low-cost clean energy to customers. NextEra Energy Partners is well positioned to attract and deploy capital in greenfield renewable development and storage projects. The company shares in NextEra Energy's common mission to contribute to the decarbonisation of the US economy by providing a great amount of avoided emissions to customers. NextEra Energy Partners has significantly expanded its portfolio of renewable energy and will continue to invest in quality assets.

Company Highlights

- **Carbon Neutrality Target: Real Zero** – carbon emission free by 2045
- **~8,260 MW** renewable energy generating capacity
- **12th largest** generator of wind and solar energy in the world
- Generation portfolio avoided **over 10.9 million tons of CO2 emissions** in 2021

Source: NextEra Energy Partners

Top five holdings profile

ERG S.p.A.



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

Over the past two decades, ERG has undergone a major transformation from an oil and gas company focused on refining, to a major player in European renewables. With the sale of its last remaining gas plant in 2022, the company is fully focused on renewables development at a time when governments across Europe are putting substantial policy efforts into accelerating renewables capacity growth. This presents a major opportunity for ERG to capitalise its position as a leading owner of renewable assets in Italy and central Europe, and substantially increase the pace of its portfolio growth.

Company Highlights

- **Science-Based Target:** **Approved** - Near term 1.5°C. **Approved** - Long term 1.5°C. **Committed** - Net zero
 - **Net zero GHG emissions** across the value chain by 2040 from a 2020 base year
 - **Reduce** scope 1&2 GHG emissions **72% per MWh** by 2027 and **94.8% per MWh** by 2040 from a 2020 base year
 - **Increase** active sourcing of renewable electricity **from 94% in 2020 to 100% in 2030.**
 - **Reduce** scope 1&3 GHG emissions from fuel and energy related activities covering all sold electricity **70.4% per MWh** by 2027 and **95.3% per MWh** by 2040 from a 2020 base year
- **100%** circular economy wind
- **5 GW** installed renewable capacity by 2027

Source: ERG S.p.A

Top five holdings profile

Drax Group Plc



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

Drax is arguably Europe's fastest evolving utility and has experienced a substantial sustainability transformation. With the sale of its gas plants in 2021 and the end of coal firing in 2023, Drax will have eliminated all direct carbon emissions from its portfolio. The company is leveraging its position as Europe's largest biomass power generator to consolidate and expand the global pelleting market, bringing the benefits of increased availability and cost reduction to UK energy consumers, as well as global biomass power plant operators.

Additionally, the company is moving a step further by progressing its plans to capture carbon at its biomass units. If successful, this project, known as BECCS (Bioenergy with Carbon Capture and Storage), would make a significant contribution to the UK's net zero emissions targets, as well as materially improve the company's financial outlook beyond the next decade.

Company Highlights

- **Carbon Neutrality Target:** Carbon negative by 2030
- Science Based Target: **Committed** - Near term
- **3.9Mt wood pellets** produced in 2022
- **Generated 11%** of the UK's renewable electricity in 2022
- **99% reduction** in scope 1&2 carbon emissions since 2012
- Remove **8Mt of CO₂** each year, via BECCS by 2030

Source: Drax Group Plc



Energy Transition

Sustainable Investment Theme Overview



Electrification: The power sector is undergoing a profound transformation driven by the decarbonisation and electrification of energy demand. Utilities are at the forefront of this multidecade transition. By adapting and, in many cases, substantially overhauling their business models to accommodate new greener technologies and decentralised power sources, utilities are bound to be major beneficiaries of secular growth and attractive returns on significant capital investments.



Clean transportation: Companies in zero emissions vehicle value chains as well as technologies improving the emissions and fuel efficiency of combustion engine vehicles. This industry is working to offer the convenience of modern transportation whilst minimising environmental impact. Efficiency of the transportation sector is crucial to reach the goal of net zero emissions. In order to reduce emissions intensity, we must improve or replace typical internal combustion engines with electric powertrains.



Industrial and Building Efficiency: Companies that enable lower emissions and improve energy efficiency across operations. Technologies that improve energy consumption and production yield whilst reducing emissions and waste in industrial processes, are key to enabling the energy transition. Lowering global energy intensity remains a priority to meet net zero goals.



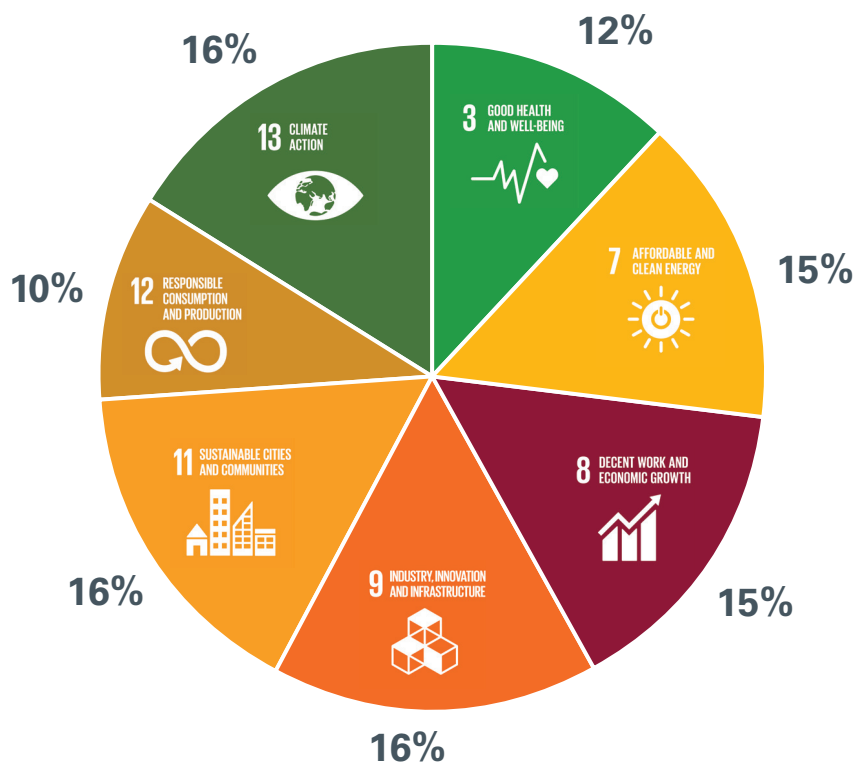
Circular Economy: Companies involved in recycling, waste-to-energy, and the circular economy. A circular or zero waste approach conserves natural resources and reduces pollution from extraction, manufacturing, and disposal. Reducing and reusing means fewer products are made, as people buy less and as products are made to last. Recycling keeps waste out of landfills and incinerators and provides manufacturers with recycled instead of raw materials to make new goods.

Strategy Approach

Our Energy Transition strategy invests in companies exposed to secular growth opportunities related to the energy transition associated with decarbonisation, focusing on four major investment themes: electrification, clean transportation, industrial and building efficiency, and circular economy. The strategy invests in companies which are providing products and services that are enabling systematic decarbonisation of the economy. The focus is on decarbonising energy supply and infrastructure as well as technologies and services providing energy efficiency. There are long-term structural changes underway in how energy is produced and consumed. The future of energy is shifting, creating secular winners and losers, resulting in major investment opportunities.

Strategy Alignment to the UN SDGs

Percentages represent the strategy's contribution to its primary SDGs to demonstrate thematic impact, calculated by proprietarily mapping strategy holdings to Sustainable Investment Theme(s), as detailed on page 7.



As of 30 June 2023

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Electrification	<ul style="list-style-type: none"> • Captures the growing electricity market as a piece of the broader energy market • Renewable growth within electricity generation; beneficial for the environment – beneficial for the company 	<ul style="list-style-type: none"> • Measurable reduction in GHG and other pollutants in comparison to local grid • Continued replacement of coal and other fossil fuel generating plants with renewables • Fewer coal plants in a grid equates to fewer GHG and particulate emissions and fewer tons of coal being mined • Providing affordable and abundant electricity to consumers and industry • Economic growth and higher employment
Clean Transportation	<ul style="list-style-type: none"> • Transition from internal combustion engines to electric powertrains • Improvement of combustion engine efficiency and reduce emissions intensity 	<ul style="list-style-type: none"> • Improving air quality by displacing emitting transportation with clean transportation • Reducing global demand for fossil fuels
Industrial and Building Efficiency	<ul style="list-style-type: none"> • Developing products that are more efficient • Construction of buildings to be more energy efficient • Industrial efficiency in manufacturing • Materials and technical efficiencies that go into buildings (heat pumps) • Making existing structures more energy efficient 	<ul style="list-style-type: none"> • Improving building's energy performance standards • Reduction of waste in construction and industrial processes • Reduction of energy use intensity and resulting carbon emissions mitigation
Circular Economy	<ul style="list-style-type: none"> • Turn waste to energy • Improve water usage efficiency 	<ul style="list-style-type: none"> • Keeps biomass out of landfills • Helps protect groundwater • Encourages reuse and recycling

Top five holdings profile

NextEra Energy



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

NextEra's management continuously emphasises the company's vision of becoming the largest and cleanest energy provider in the world and its position in leading the decarbonisation of the U.S. economy. The company is a forward-thinker and due to its ownership of a regulated utility and its competitive renewable development platform, the company is uniquely positioned to solve customer needs and reliability concerns, while also advancing technologies that can ultimately be used at scale to reduce emissions around the world. NextEra's developments in decarbonising the electric grid also benefit both the industrial and transportation sectors.

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Source: NextEra Energy

Top five holdings profile

Rohm



Sustainable Investment Theme:



CLEAN
TRANSPORTATION



Sustainability Profile

Rohm is a leading manufacturer in power semiconductor devices for electric vehicles, autonomous driving systems, and industrial automation equipment. With the electrification of power trains, more sophisticated and high-quality power semiconductor devices are needed to ensure the efficiency and safety of power management in vehicles. Rohm, a leader in this field, has helped enable faster adoption and development of electric vehicles. The company also aims to continue undertaking the conservation of the global environment through eco-friendly products, the reduction of the environmental load of its production activities, the effective utilisation of resources, and other green initiatives.

We believe the use of compound semiconductors and in particular silicon carbide is a key efficiency driver for both electric cars and wind turbines, as the compound reduces power conversion losses. Rohm is among a limited number of companies in the world that can produce silicon carbide wafers at scale, and we believe is best positioned to take advantage of the sector's future growth.

Company Highlights

- **Science-Based Target: Approved**- Near term 1.5°C
 - **Reduce** absolute scope 1&2 GHG emissions **50.5% by 2030** from a 2018 base year
 - **Reduce** absolute scope 3 GHG emissions from use of sold products **15% by 2030** from a 2018 base year
- **97.9% recycling rate** on a domestic and overseas consolidated in 2021
- **Achieve 37.7% or higher water recovery** and reuse rate by FY2023 compared to FY2019 results
- **Reduce** waste emissions per unit production at front-end plants by **9% or more** in FY2023 compared to FY2022 results

Source: Rohm

Top five holdings profile

Constellation Energy



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

Constellation is the largest supplier of carbon-free electricity in the U.S. and the largest nuclear operator, and therefore a major contributor to energy security and transition. With a generation capacity of 32,355 MW and an annual output that is 90% carbon-free, the company produces around 10% of the carbon-free energy in the US. Furthermore, the company's generation fleet's carbon intensity per MWh is almost four times less than the peers.

On the nuclear generation side, Constellation has an excellent track record of improving the operational performance of previously acquired plants, and last year it was able to provide stable energy supply to millions of Americans during winter storms.

The company also demonstrates attractive growth opportunities stemming from its green hydrogen production, which produces clean and affordable hydrogen.

Company Highlights

- **Carbon Neutrality Target:** 100% carbon-free electricity generation by 2040
- Expect to invest **\$900 million over the next 3 years** to expand clean hydrogen production
- **Reduce** operational emissions **65% by 2030**
- **Reduce** methane emissions 30% by 2030 from 2020 baseline
- Enough energy generation to **power 15 million homes in 2022**

Source: Constellation Energy

Top five holdings profile

Infineon Technologies



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

Infineon is one of the largest global semiconductor suppliers and power semiconductor manufacturers. It is a key enabler of the energy transition and a major contributor to energy efficiency improvement in power consumption. The company is well-positioned to benefit from secular growth opportunities in automotive electrification, intelligent mobility, and the Internet of Things.

Other substantial drivers for the company are trends related to digitalisation and the increasing strategic importance of semiconductors in differentiating the technical qualities of end products. Infineon's innovative compound semiconductors enable a higher level of efficiency within energy conversion.

The company is strongly committed to reducing its own carbon footprint and aims to become carbon-neutral by 2030. Infineon's products make a substantial contribution to global emissions reductions through their significant amount of avoided emissions and conservation of resources.

Company Highlights

- **Carbon Neutrality Target:** Carbon-neutral by 2030 in terms of scope 1&2 emissions
- **-23.4% decline** in scope 1&2 emissions in 2022 compared to 2019 mainly due to expansion of smart abatement and implementation of energy efficiency programs
- **Committed to 100% renewable energy** with a current **57% share of green electricity** over total energy consumption
- **Reduce** its own emissions **70% by the end of 2025** compared to 2019
- **Used 53% less electricity** to manufacture one square centimeter wafer in 2021 compared to the global average value of the WSC
- **Consumed 30% less water** to manufacture a square centimeter wafer in 2021 than the global average of the World Semiconductor Council (WSC)

Source: Infineon Technologies

Top five holdings profile

TE Connectivity



Sustainable Investment Theme:



CLEAN
TRANSPORTATION



Sustainability Profile

TE Connectivity produces connectors for transportation, and provides industrial and communication solutions; the company will benefit from the transition to electric vehicles while also increasing wider adoption of industrial automation solutions. The company helps accelerate electric vehicle penetration by providing key components used in electric vehicles and industrial automation, which we believe will improve energy efficiency in industrial end markets.

The company regularly reviews the impacts of its operations, with a focus on water, waste, materials use, and GHG emissions. TE Connectivity believes GHG emissions have the most significant impact on the environment, hence the company's continuous efforts in reducing its carbon footprint.

Company Highlights

- **Science-Based Target: Committed-** Near term
- **18% reduction** of GHG emissions scope 1+2 by 2025
- **35% reduction** of GHG emissions scope 1+2 by 2030
- **Achieve 15% reduction** in hazardous waste by 2025
- **37% of electricity use** from zero-emission sources
- Targeted 30 sites for water reduction in 2021

Source: TE Connectivity



Sustainable Listed Infrastructure

Sustainable Investment Theme Overview



Electrification: The power sector is undergoing a profound transformation driven by the decarbonisation and electrification of energy demand. Utilities are at the forefront of this multidecade transition. By adapting and, in many cases, substantially overhauling their business models to accommodate new greener technologies and decentralised power sources, utilities are bound to be major beneficiaries of secular growth and attractive returns on significant capital investments.



Environmental Services: Companies involved in the abstraction, treatment and supply of water and the treatment of waste-water, and the provision of environmental services such as recycling and waste management. These businesses are critical to the conservation of energy and water resources and an overall reduction in waste and emissions. These services are crucial to human health and well-being.



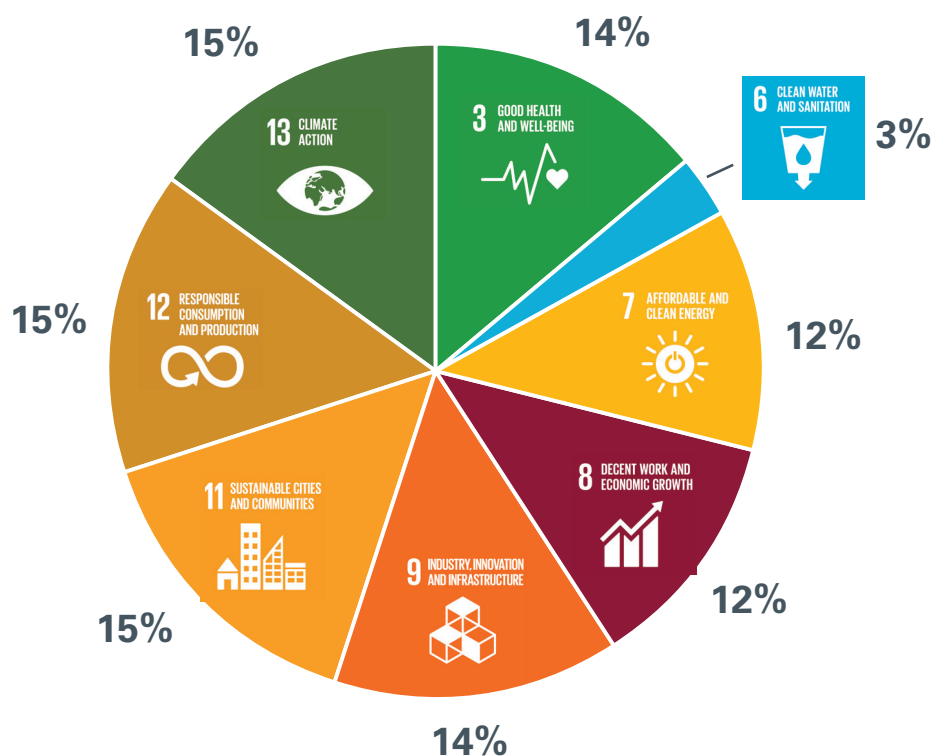
Transportation Infrastructure: Transportation infrastructure and services are essential to developed societies and economic growth. These business models have growth potential due to the urgent need to build out and replace outdated infrastructure to accommodate economic growth and to modernise infrastructure to cope with the energy transition. This includes the buildout of electric vehicle charging infrastructure along toll roads, the upgrading of refueling infrastructure to accommodate sustainable aviation fuels and potentially hydrogen at airports, and the repurposing of land area adjacent to the infrastructure for sustainable uses such as the production of renewable energy or afforestation.

Strategy Approach

Our Sustainable Listed Infrastructure (SLI) strategy invests in companies whose core assets respond to essential needs, operate within solid regulatory frameworks, and have predictable and sustainable cash flows. These include electric and gas utilities and renewable energies, environmental services, and transportation infrastructure. The companies that are selected for this strategy are growing as they invest to accomplish vital infrastructure upgrades and sustainability objectives. The team leverages their expertise as sector-specialists to identify companies transitioning from legacy structures to cleaner business models in the early stages of their transformation, in order to capture full value creation. Electricity generators in the strategy's portfolios generally have CO₂ emissions which are significantly below the average emissions of their relevant electricity grid and the companies sitting in the global utilities index.

Strategy Alignment to the UN SDGs

Percentages represent the strategy's contribution to its primary SDGs to demonstrate thematic impact, calculated by proprietarily mapping strategy holdings to Sustainable Investment Theme(s), as detailed on page 7.



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Electrification	<ul style="list-style-type: none"> • Captures the growing electricity market as a piece of the broader energy market • Renewable growth within electricity generation; beneficial for the environment – beneficial for the company 	<ul style="list-style-type: none"> • Measurable reduction in GHG and other pollutants in comparison to local grid • Continued replacement of coal and other fossil fuel generating plants with renewables • Fewer coal plants in a grid equates to fewer GHG and particulate emissions and fewer tons of coal being mined • Providing affordable and abundant electricity to consumers and industry • Economic growth and higher employment
Environmental Services	<ul style="list-style-type: none"> • Improving waste, water, and energy management • Turn waste to energy • Improve water usage efficiency 	<ul style="list-style-type: none"> • Keep biomass out of landfills • Help protect groundwater • Encourage reuse and recycling
Transportation Infrastructure	<ul style="list-style-type: none"> • Upgrading outdated infrastructure for current needs to support growth and minimise risks • Companies building franchises with dedication to minimising the environmental impact of their services 	<ul style="list-style-type: none"> • Significant carbon emissions reduction • More reliable and resilient transport infrastructure • Reduction of physical asset risks

IMPACT STATS HIGHLIGHTS

(by Ecofin Advisors Limited with CarbonAnalytics)

- Electricity generators in the strategy's portfolios generally have CO₂ emissions which are **significantly below** the average emissions of their relevant electricity grid and the companies sitting in the global utilities index
- We do not set firm ex-ante limits on fossil fuel exposure and **invest in companies in transition to better growth and sustainability profiles** (rather than permitting only 'clean' stocks)
- At the end of June, **portfolio electricity generators' emissions were 22%* less than the MSCI World Utilities Index per \$mm invested**

	Share of electricity generation from coal	Share of electricity generation from renewables ¹	CO ₂ emissions compared to relevant grid ²	tCO ₂ per \$mn invested
Strategy*	12.3%	27.5%	-7.9%	547
MSCI World Utilities Index	16.3%	21.2%	-3.6%	702

¹ Renewables = Wind, Solar, Hydro, Biomass.

² Computation of CO₂ emissions of the grid in which the companies operate

* Data is for a representative account managed to the strategy as at 30 June 2023.

Top five holdings profile

NextEra Energy



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

NextEra's management continuously emphasises the company's vision of becoming the largest and cleanest energy provider in the world and its position in leading the decarbonisation of the U.S. economy. The company is a forward-thinker and due to its ownership of a regulated utility and its competitive renewable development platform, the company is uniquely positioned to solve customer needs and reliability concerns, while also advancing technologies that can ultimately be used at scale to reduce emissions around the world. NextEra's developments in decarbonising the electric grid also benefit both the industrial and transportation sectors.

The company has also announced that it will be Real Zero™ by decarbonizing its operations to eliminate carbon emissions and focusing on clean energy generation.

Company Highlights

- **Carbon Neutrality Target:** Real Zero – carbon emission free by 2045
- **58% reduction in CO₂ emissions as of 2021**, compared to a 2005 baseline
- Added approximately **2,007 MW of wind, 1,547 MW of solar, 1,017 MW of battery energy storage**
- **51% better** than the industry average CO₂ emissions rate
- **79% increase** in clean electricity generation from 2005 to 2021

Source: NextEra Energy

Top five holdings profile

SSE



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

SSE has refocused its capital allocation exclusively on growth in renewables and electricity networks. Particularly by increasing focus on offshore wind, SSE has targeted one of the most ambitious growth rates in the European renewables sector. On its May 24, 2023 Capital Markets update, the company detailed an £18bn capex plan over FY23-27 (run-rate up c.45% versus the previous plan) driven by higher investments in networks and renewables. SSE expects to more than double their renewables capacity by delivering more than a net c.5GW of renewables capacity additions and a regulated networks annual growth rate of 14% over the plan.

To further monetise its expertise in renewables, SSE is stepping up its international competitive efforts with the aim of securing incremental opportunities in offshore wind outside of its home market, with partnerships established in the U.S., Japan, Spain, Poland, and several other markets. This will allow the company to leverage its expertise towards accelerating the energy transition in countries outside of the UK.

Company Highlights

- **Science-Based Target: Approved-** Near term 1.5°C. **Committed-** Net zero
 - Reduce scope 1 GHG emissions **80.2% per kWh by 2030** from a 2018 base year
 - Reduce absolute scope 1 and 2 GHG emissions **72.5% by 2030**
 - Commits that **50%** of its suppliers by spend will have science based targets by 2024.
 - Reduce **absolute GHG emissions** from use of products sold 50% by 2034 from a 2018 base year
- **10.2TWh** renewable generation output in 2022/23
- Build a renewable energy portfolio that generates at least **50TWh of renewable electricity** a year by 2030
- **Enable at least 20GW** of renewable generation and facilitate around 2 million electric vehicles and 1 million heat pumps on SSEN's electricity networks by 2030
- **65% waste recycled** in 2022/23

Top five holdings profile

National Grid

nationalgrid

Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

National Grid is one of the world's largest publicly listed utilities focused on transmission and distribution of electricity and gas, which are fully regulated. The company owns and operates both UK and U.S. energy network businesses, with a significant footprint in the U.S. East Coast and across the UK. National Grid plays a fundamental role in enabling the energy transition, especially in the UK, as the company works closely with governments to reach respective Net Zero goals and to secure energy supplies. The company is building efficient networks to implement national climate strategies for a net zero economy by accelerating the pace of connecting low carbon energy to networks while also guaranteeing a clean and reliable supply via a broad portfolio of major projects across the UK and the U.S. National Grid is also contributing to increasing transportation electrification and charging infrastructure.

Company Highlights

- **Carbon Neutrality Target:** Reduce scope 1&2 GHG emissions 80% by 2030, 90% by 2040 and be net zero by 2050 from a 1990/91 baseline.
- **Science-Based Target:** Approved- Near term 1.5°C. Committed- Net zero
 - Reduce absolute scope 1&2 GHG emissions 60% by 2030 from a 2018 base year.
 - Reduce scope 1 GHG emissions from power generation 90% per MWh by 2030, and 92% per MWh by 2033 from a 2018 base year.
 - Reduce all absolute scope 3 GHG emissions 37.5% by 2033 from a 2018 base year.
- 686 MW of renewable energy connections in the U.S. and UK in 2022/23
- £7.7 billion total investment in energy infrastructure in 2022/23
- 100% electric fleet by 2030 (light-duty vehicles)

Source: National Grid

Top five holdings profile

American Electric Power



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

American Electric Power is an electric utility company that engages in the generation, transmission, and distribution of electricity. The company is strongly committed to the decarbonisation of its operations by focusing on clean energy and diversifying its generation portfolio. In 2022, the company strengthened its climate ambitions and revised the date associated with its net zero emissions reduction goals from 2050 to 2045. It is modernising the electric power grid to ensure a more reliable and resilient supply. Over the past decade American Electric Power has sold 13,500 MW of coal-fueled generation in an effort to make progress towards its emission reduction targets. The company is also focusing more on regulated investments and de-risking the business, and plans to add more than 15 GW of regulated renewables resources over the next decade. American Electric Power will continue to find new ways to produce and deliver reliable and affordable energy to customers and communities.

Company Highlights

- **Carbon Neutrality Target:** Net zero GHG emissions by 2045
- **Reduce** scope 1 GHG emissions **80% by 2030** compared to 2005 levels
- Electrify **40%** of on-road fleet by 2030
- **7,108 MW** renewable capacity in 2022
- **30,202 MW** generating capacity in 2022
- **66% reduction** in scope 1 GHG emissions since 2005
- **32%** of total generating capacity **was carbon free** in 2022
- **Targets 60% carbon-free** generation capacity by 2032

Source: American Electric Power

Top five holdings profile

Enel



Sustainable Investment Theme:



ELECTRIFICATION



Sustainability Profile

Enel is the world's largest renewable energy operator and its largest electricity network operator, present in 30 countries. Since the early 2000s, Enel has pioneered the development of renewable energy technology, focusing on wind and solar. Remaining coal exposure will be phased out by 2027 and gas-fired by 2040.

Enel is among the most efficient electric utilities, enabling clients to progressively reduce their carbon footprint through electrification of mobility, and heating, and industrial processes. The company is also accelerating its infrastructure digitalisation to increase resource efficiency and affordability.

Company Highlights

- **Science-Based Target:** **Approved-** Near term 1.5°C. **Approved-** Long term 1.5°C. **Committed-** Net zero
 - **Net zero GHG emissions** across the value chain **by 2040**
 - **Reduce** scope 1 from power generation GHG emissions **80% per kWh by 2030** and **100% per kWh by 2040** from a 2017 base year
 - **Reduce** absolute scope 3 GHG emissions from use of sold products **100% by 2040**
- **70% energy production** from renewable sources **by 2025**
- **65% reduction** of specific freshwater withdrawal **by 2030**
- **53.6 GW** renewable energy capacity in 2022
- **24% reduction** of additional Scope 1,2 and 3 GHG emissions in 2022

Source: Enel



Sustainable Global Water

Sustainable Investment Theme Overview



Improving Water Infrastructure: Our strategy invests primarily in water companies that design, build, own and operate water infrastructure, as well as companies that provide the necessary equipment and services to transport, treat and test water. These companies are essential in connecting water supply with areas of demand. In the developed world, countries utilise significantly over-aged infrastructure.



Technology and Process Innovations: The strategy emphasizes the use of technology in the water sector, which may present higher growth opportunities than traditional water infrastructure as the industry is transforming via innovative solutions. With increasing water scarcity, intensifying regulations, and growing sustainability mandates, industrial users of water are adopting technologies to both lower water footprints and reuse wastewater. Many of these industrial users are favoring outsourced solutions to water companies and Water-as-a-Service business models. Advancements in irrigation technologies, including pivot systems, drip irrigation, and smart/remote systems, are increasing water efficiency. Smart water technologies (smart meters, real-time remote monitoring and control, and predictive analytics) are helping combat non-revenue water (i.e. lost water) and utilities achieve their goal of delivering clean water at an affordable cost.



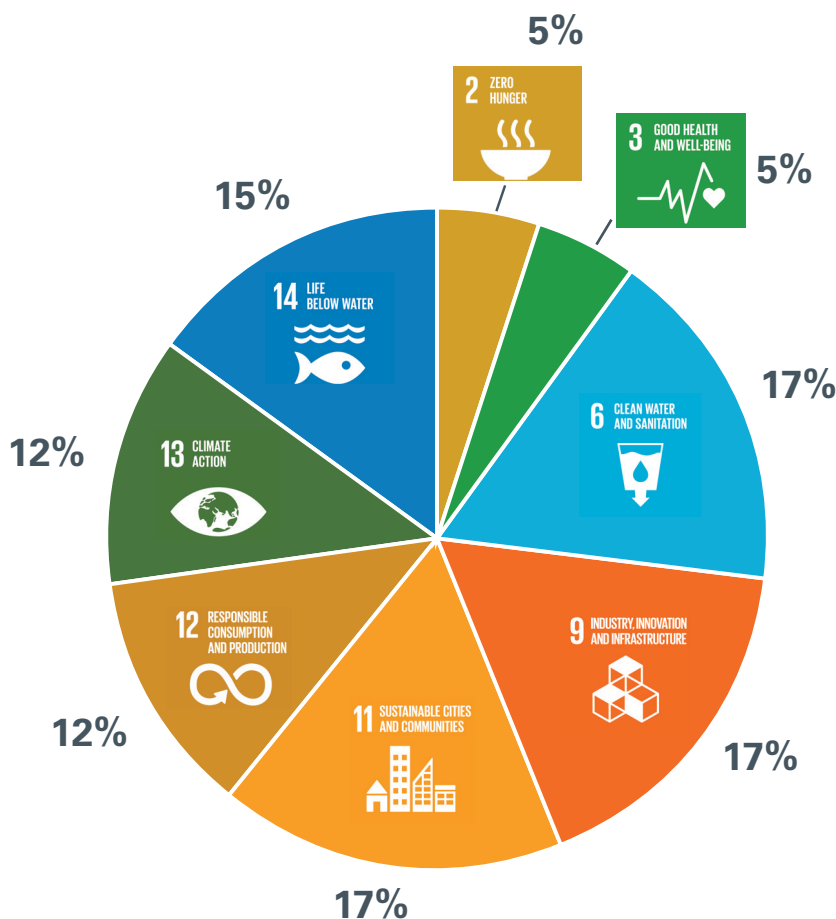
Environmental: Complementing the focus on infrastructure and technology, the strategy has flexibility to invest in attractive and impactful services that reinforce environmental and biodiversity health, conservation, and remediation. Specifically, the strategy seeks companies offering products and services that preserve or enhance environmental resources, ensure resiliency against climate events, and advance the concept of the circular economy which conserves natural resources and reduces pollution.

Strategy Approach

Our Sustainable Water strategy seeks to invest in companies across the globe and throughout the water value chain that we believe are in a position to benefit from the pursuit of solving the water supply / demand imbalance. Our strategy focuses on companies in three areas; maximising water supply through water loss prevention technologies, water reuse, and desalination; improving water efficiency through the adoption of advanced irrigation methods, growing process control systems, and advancing household water technologies; and finally, upgrading legacy water infrastructure in developed countries, as well as building out water infrastructure in emerging markets. These tactics will help address global challenges such as water shortages, water quality concerns, deteriorating water infrastructure in developed countries, and the need for water infrastructure in emerging markets.

Strategy Alignment to the UN SDGs

Percentages represent the strategy's contribution to its primary SDGs to demonstrate thematic impact, calculated by proprietarily mapping strategy holdings to Sustainable Investment Theme(s), as detailed on page 7.



Investment Theme	Thematic Focus	Targeted Thematic Outcome
Improving Water Infrastructure	<ul style="list-style-type: none"> • Upgrading developed market infrastructure • Building out emerging market infrastructure • Water and wastewater infrastructure resiliency 	<ul style="list-style-type: none"> • More people served by water and wastewater infrastructure • Water and wastewater treatment and distribution • Increased investment in infrastructure
Technology & Process Innovations	<ul style="list-style-type: none"> • Enhancing efficiency • Improving water quality • Enabling water reuse and desalination 	<ul style="list-style-type: none"> • Water saved or reused • Increased investment in technology
Environmental	<ul style="list-style-type: none"> • Environmental engineering & consulting • Environmental protection and remediation • Biodiversity 	<ul style="list-style-type: none"> • Water or waste saved or reused • Improved water quality

Top five holdings profile

Xylem



Sustainable Investment Theme:



TECHNOLOGY AND
PROCESS INNOVATION



Sustainability Profile

Xylem is the largest U.S. water equipment pure-play manufacturer, with over 90% of revenues derived from water end markets. The company manufactures highly engineered water and wastewater treatment systems and related technologies, analytical instruments, and other water applications across utility, industrial, residential, and commercial end markets. Xylem's products and services address the full cycle of water from collection, distribution, and treatment. The company is a leader in deploying new smart water solutions, including smart metering, real-time leak detection, and related data analytics. Xylem's technology portfolio helps end users of water operate more efficiently and aims to maximise water quality and solve water scarcity issues.

Through Xylem's leading global water technology and innovation, the company can help solve critical water and infrastructure challenges. Improving the water cycle will increase efficiency and resilience to water challenges while also solving one of the world's biggest problems.

Company Highlights

- **Carbon Neutrality Target:** Net zero emissions by 2050
- **Science-Based Target:** Committed- Near term. Committed- Net zero
- 100% process-water recycling in major facilities by 2025
- Treat over 13 billion cubic meters of water for reuse by 2025
- Reduced net scope 1&2 GHG emissions by 21% compared to 2021
- 88% of electricity came from renewable sources in 2022
- 26% reduction of water use in operations since 2019

Source: Xylem

Top five holdings profile

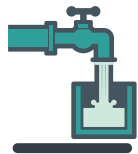
Veolia Environmental SA



Sustainable Investment Theme:



ENVIRONMENTAL



IMPROVING WATER INFRASTRUCTURE



Sustainability Profile

Veolia is a global leader in environmental services with operations in water, waste, and energy. Veolia offers water treatment and quality infrastructure products and services across the water value chain from extraction to treatment, to discharge back into the environment. In the company's waste business, Veolia manages liquid, solid, and hazardous waste covering the waste life cycle from collection to recycling, and on to final recovery as materials or energy. Lastly, the company's energy business helps municipal and industrial customers reduce their ecological footprint.

Over the last several years Veolia has transformed itself to focus on the circular economy with efforts to improve water quality and waste management. Veolia is committed to building more sustainable businesses by providing global sustainable solutions through resourcing industries, resourcing the regions in which Veolia operates, and resourcing people.

Company Highlights

- **Carbon Neutrality Target:** Net zero carbon by 2050
- **Science-Based Target:** Approved- Well below 2°C. Committed- Net zero
 - Reduce absolute scope 1&2 GHG emissions 40% by 2034 from a 2018 base year
- 15 million metric tons of CO₂ eq. avoided by 2023
- 320 million m³ of water saved in 2022 compared to 2019
- Reused 1 billion m³ of wastewater in 2022
- 490,000 tons of plastic recycled in 2022

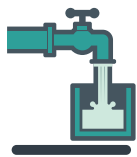
Source: Veolia

Top five holdings profile

Essential Utilities



Sustainable Investment Theme:



IMPROVING WATER INFRASTRUCTURE



Sustainability Profile

Essential Utilities embodies a unique footprint of sustainable best practices through its water and natural gas distribution utilities. The company is focused on upgrading existing water and wastewater infrastructure that improves efficiency of its water distribution, as well as improves its wastewater treatment operations for better overall water quality through the removal of water contaminants. Additionally, Essential Utilities' natural gas distribution aids in the reduction of overall GHG emissions through the replacement of aging gas distribution pipelines that are more prone to methane leaks. The company's efforts increase efficiencies of current infrastructure and result in a reduced environmental impact of vital services provided by its underlying utilities.

Company Highlights

- **Carbon Neutrality Target:** Reduce scope 1&2 GHG emissions 60% by 2035
- 14% scope 1&2 emissions reduction as of June 2022 vs. 2019 baseline
- 11.5B gallons of wastewater treated as of 2020
- 84.6B gallons of drinking water produced as of 2020
- 1,518 water systems
- 227 wastewater systems

Source: Essential Utilities

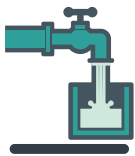
Top five holdings profile

American Water Works Co. Inc.



AMERICAN WATER

Sustainable Investment Theme:



IMPROVING WATER INFRASTRUCTURE



Sustainability Profile

American Water Works is the largest water and wastewater investor-owned utility in the U.S., serving over 14 million people in 24 states. The company is expected to spend \$27 - \$30 billion over the next 10 years on operated water and wastewater infrastructure in its jurisdictions to improve service reliability and water quality. Additionally, American Water Works is expected to continue to be acquisitive in the municipal water space supporting underlying regulated capital growth.

The company prioritises its stakeholders by making an impact through ESG principles; by providing clean, safe, reliable, and affordable water and wastewater services to their customers. American Water Works continues to focus on long-term sustainability by investing in infrastructure. Through leak detection and efficient water use, the company can pump less water and reduce energy costs, and therefore lower its GHG emissions.

Company Highlights

- **Carbon Neutrality Target:** Reduce scope 1&2 GHG emissions 40% by 2025. Achieve net zero absolute scope 1&2 emissions by 2050
- **Save 15%** in water delivered per customer **by 2035** compared to 2014/2015 average baseline
- **By 2030**, increase Utility Resilience Index (URI) **by 10%** from a 2020 baseline
- **First U.S. water and wastewater company** to **earn** the U.S. Department of Homeland Security SAFETY Act Designation

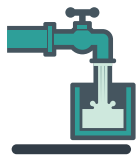
Source: American Water Works Co. Inc.

Top five holdings profile

Severn Trent

SEVERN
TRENT

Sustainable Investment Theme:



IMPROVING WATER
INFRASTRUCTURE



Sustainability Profile

Severn Trent is one of the best-in-class performers in regards to environmental standards. The company has been awarded the highest 4-star status in Environmental Performance Assessment (EPA) for four consecutive years and is considered a leader in the sector for its progress towards its Net Zero goals. Severn Trent is strongly committed to net zero across operational emissions by 2030, which has been driving the company's monitoring programme and critical functions, such as reservoir management and demand for water. The company has also implemented The Water Resources Management Plan, which addresses risks related to water availability and security of supply.

Company Highlights

- **Science-Based Target: Approved-** Near term 1.5°C
 - Reduce absolute scope 1&2 GHG emissions **46.2% by 2031** from 2020 baseline
 - Reduce absolute scope 3 GHG emissions from use of products sold **13.5% by 2031**
 - **70%** of their suppliers will have science based targets **by 2026**
- Designing the world's **first net zero wastewater treatment hub**, which will be **completed by 2024**
- **72 Tiny Forests planted** across the region in 2022
- **490,000 single use plastic bottles avoided** through the use of water refill stations in 2022

Source: Severn Trent



Section Four

Active ownership

Ecofin believes that being a good steward of our clients' capital carries the responsibility of actively engaging portfolio companies in a range of discussions, including those issues related to sustainability practices.

Portfolio companies are strongly encouraged to take positive and effective actions that are consistent with shareholder interests and promote corporate longevity. Ecofin leverages established relationships as a stakeholder by encouraging management teams to improve transparency, implement operational best practices, enhance environmental disclosures, and improve upon shareholder and management alignment through strengthened corporate governance.

Ecofin may also undertake engagement activities with investee companies in order to encourage advancements within their sustainability practices where Ecofin has determined it may have a positive effect on the sustainability credentials of portfolio companies and / or the long-term asset value of the investment.

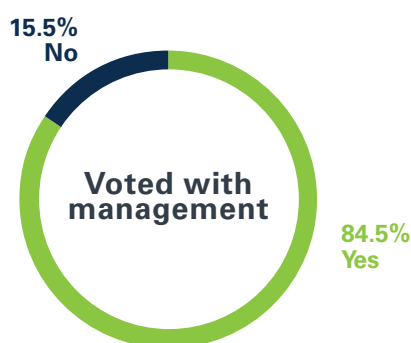
Ecofin's active ownership tools primarily include engagement with portfolio company management or relevant stakeholders and proxy voting. Resolutions are considered on a case-by-case basis. If engagement fails or is deemed ineffective, it may trigger further discussion with the investment team and the Sustainability & Impact Committee (SIC), and potentially trigger escalation mechanisms.

For additional information, please see our published [Ecofin Engagement Policy](#).

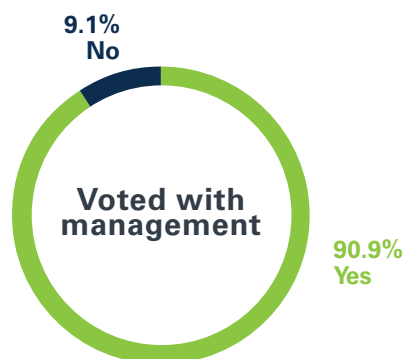
Proxy Voting

Ecofin is committed to evaluating and voting proxy issues in-line with the best interests of its clients as an integral part of our stewardship and portfolio management processes. We believe sound corporate governance is paramount to enhancing long-term value creation for companies.

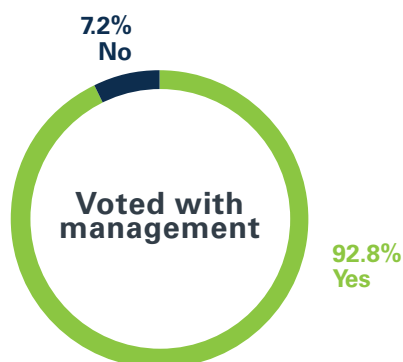
Global Renewables Infrastructure:



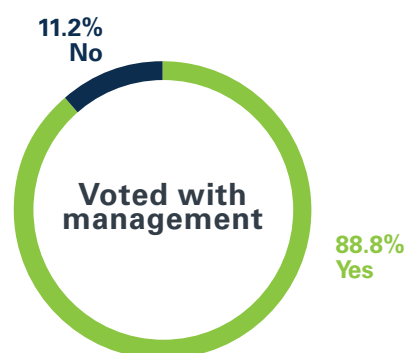
Sustainable Listed Infrastructure:



Energy Transition:



Sustainable Global Water:



Not all proposals voted due to shareblocking or administrative issues.

*Data above is based on a representative account from each strategy. The same vehicle type has been chosen as the representative account for each strategy.

Engagement Tracking

How we engaged

Total communications with company management:

301

Engagements with company management:

24

*Covering all Ecofin listed equities strategies over a 12-month period from 30 June 2022 to 30 June 2023

Case Studies

We'd like to highlight two case studies which demonstrate our commitment to active engagement and stewardship.

Engagement at Neoen (NEOEN)



Company Description

Neoen is an independent producer of energy headquartered in France. The company is vertically integrated across the entire life cycle of Neoen's power plants. Neoen develops, finances, builds, and manages solar power plants, wind farms, and energy storage solutions. The company owns 92% of such power plants and operates them in the company's name to better maintain quality and performance over time.

Engagement Issue

Ecofin has held Neoen since 2021, as the company is a leading independent renewables developer in Europe with a best-in-class battery footprint. The company has a background within traditional energy, and therefore maintains a deep understanding of the power market landscape and a heightened awareness of the varying energy transition opportunities related to price differentials.

Nonetheless, in our view, the company has not historically disclosed sufficient sustainability-related information, committed to Net Zero emissions goals, or announced its commitment to the Science Based Targets initiative. Hence, we have been engaging with the company on these issues.

Scope and Process

Key engagement points and questions:

- **Disclosure of sustainability-related information:** The company has not reported emissions data since 2020; what are the main reasons for this, and what is the timeline for updated emissions data reporting? Will the company continue to work with the third-party consultancy, Carbone 4, on emissions data collection and elaboration?
- **Net Zero ambitions:** The company has not announced a Net Zero commitment and has no concrete emissions reduction targets including both absolute amounts and intensity. While Ecofin understands these issues may not be an immediate business priority as the company's focus is currently on scaling operations, we view the reduction of the company's own carbon footprint equally important to reach a 1.5-degree future. Does Neoen have any intentions of setting emissions reduction targets in line with the Paris Agreement? Is Neoen planning to submit potential targets to SBTi?
- **Climate strategy:** Tangent to the Net Zero engagement item, Neoen has no specific climate strategy set out within its sustainability report. Is Neoen planning to incorporate an adequate transition plan within its business decisions? Will Neoen contemplate engagement with its supply chain to address decarbonisation?
- **European Union Sustainable Finance Disclosure Regulation (SFDR):** When is Neoen planning to disclose EU Taxonomy eligibility and alignment? Is the company willing to disclose information relevant to Principal Adverse Impact (PAI) indicators?

Outcome

Neoen has been improving the disclosure of sustainability-related data over the duration of the engagement period. Ecofin participated in the CDP Non-Disclosure Campaign in 2022, co-signed by a group of financial institutions representing U.S. \$8 trillion in AUM, to encourage Neoen and similar companies, to disclose through the CDP Climate Change request. Corporate disclosure plays a fundamental role in achieving the transition to a Net Zero economy, and Ecofin urges our portfolio companies to move ahead of the curve.

Ultimately, we believe the campaign was a success, and Neoen made efforts to disclose relevant climate data to CDP for the first time since 2020. We have also engaged with the company to disclose emissions data on an annual basis instead of bi-annually, and the company is going to submit the most recent data to CDP by end of this year.

Further, we also have had discussions with Neoen regarding their carbon footprint, of which 99% comes from Scope 3. The company has been developing an engagement strategy with their supply chain to reduce the carbon content of its solar panels. Neoen is also working on shifting its upstream supply chain to Europe and other regions, where the company has identified multiple low-carbon solar panel suppliers and wind turbines utilising recycled steel.

Regarding Neoen's climate targets, the company has not been able to set Science-based targets as SBTi does not yet provide guidance for pure renewables players. The current methodological framework for electric utilities is based on a sectoral decarbonisation approach with a strong focus on generation-related emissions, namely Scope 1; therefore, it is not the most appropriate approach for companies like Neoen. Nonetheless, the company will welcome SBTi guidance for renewables whenever this is available and is prepared to set targets. Neoen is also working on setting targets for carbon intensity reductions.

Finally, the company is currently preparing information related to the PAI indicators required by SFDR.

In summary, we are pleased with Neoen's recent developments over the duration of our engagement period and will monitor the company's progress accordingly.

Source: Ecofin, Neoen

The purpose of this slide is to provide an example of where Ecofin has provided advocacy in its position as a shareholder including company outcomes. The statements shown here are factual in nature, but to date, there has been no statement or otherwise directly linking this advocacy effort on the part of Ecofin. As such, there is no guarantee that this advocacy effort is directly related to the outcomes shown. Not all advocacy efforts by Ecofin result in positive or similar results. It is not intended as a solicitation, recommendation, or otherwise, to buy or sell the shares of the company provided in the case study.

Case Studies

Engagement at Pennon Group Plc



Company Description

Pennon Group Plc provides clean water and wastewater services in the United Kingdom. It provides water and wastewater services for customers in Cornwall, Devon, and parts of Dorset and Somerset; water-only services in the areas of Dorset, Hampshire, and Wiltshire; and water and wastewater retail services to non-household customers in Great Britain. The company also offers regulated water to approximately 1.2 million customers in the Bristol region. It serves approximately 50 million household and non-household customers. The company was incorporated in 1989 and is based in Exeter, the United Kingdom.

Engagement Issue

In 2022, Pennon has come under investigation over possible violations involving its wastewater treatment regarding the discharge of untreated sewage into rivers and the sea by The Water Services Regulation Authority (Ofwat). This led to an enforcement case against South West Water, owned by Pennon. The case could have resulted in a regulator fine up to 10% of their annual turnover. Ecofin also noted governance concerns relating to news on executive remuneration. Moreover, we had several concerns about the sustainability of Pennon's business in the face of climate change. We were concerned that drought could be a challenge in the upcoming years where periods of dry weather in the southwest areas could significantly impact operations. Therefore, we believed that climate change and adaptation strategies were of the utmost importance.

Engagement Objective

Ecofin desired more transparency around these sustainability issues and a deeper understanding on how Pennon was working to prepare for increasing headwinds due to climate change while working to mitigate ESG risks.

Scope and Process

On 31 August 2022 Ecofin spoke with Pennon Group to discuss our concerns. During the meeting we voiced our concerns about documentation around climate change and adaption strategies for drought, setting KPIs to track progress on sustainability projects, and potential outcomes of the environmental violations through Ofwat. Pennon Group discussed their various strategies and upcoming plans to address our concerns pointing to their biodiversity dashboard on their website and implementation of their Green Recovery Initiative.

Outcome

Ecofin's conclusion on the case was that there was limited light at the end of the tunnel for Pennon Group. In our view, they were clearly stuck in a sustainability case with OFWAT unlikely to spare them from a significant fine. Ultimately, we found their answers to our concerns unsatisfactory. These issues added to mounting political pressure and earnings downgrades, pushing Pennon Group outside of Ecofin's criteria for remaining in the portfolio. We decided to exit the position.

Source: Ecofin, Pennon

This was the view of the Ecofin Advisors Limited Investment Team at the time and has not been updated to June 2023.

The purpose of this slide is to provide an example of where Ecofin has provided advocacy in its position as a shareholder including company outcomes. The statements shown here are factual in nature, but to date, there has been no statement or otherwise directly linking this advocacy effort on the part of Ecofin. As such, there is no guarantee that this advocacy effort is directly related to the outcomes shown. Not all advocacy efforts by Ecofin result in positive or similar results. It is not intended as a solicitation, recommendation, or otherwise, to buy or sell the shares of the company provided in the case study.

Section Five

Our affiliations

Signatory of:



- Ecofin is a signatory to the United Nations Principles for Responsible Investment (UNPRI), the leading global network for financial industry participants and investors who are committed to integrating ESG considerations into their investment practices and ownership policies.



- Ceres Foundation's Investor Network (Ceres) is designed for organisations focused on sustainability and climate action to work together to share best practices and research. From our Ceres affiliation, we were able to join the Net Zero Asset Managers initiative.

**NET ZERO ASSET
MANAGERS
INITIATIVE**

- The Net Zero Asset Managers Initiative is a group of global investment managers who have pledged to support the goal of Net Zero emissions by 2050.



- Carbon Disclosure Project (CDP) Non-Disclosure Campaign actively engages companies that have received the CDP disclosure request on behalf of investors but have not provided a response. The objective of the campaign is to drive further corporate transparency around climate change, deforestation, and water security, by encouraging companies to respond to CDP's disclosure request.



- Climate Action 100+, an investor-led initiative, helps the largest corporate GHG emitters fight climate change. Signatories agree to commitments regarding governance, GHG emissions, and provide corporate disclosure in-line with TCFD and sector-specific Global Investor Coalition on Climate Change (GIC) Investor Expectations on Climate Change guidelines, where applicable.



- Global Impact Investors Network (GIIN) is a champion of impact investing, dedicated to increasing the scale and effectiveness of impacting investing around the world. The GIIN seeks to further the impact investing industry by providing measuring and reporting infrastructure, education, and research.

Important disclosures

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The UN Sustainable Development Goals are a collection of 17 goals developed by the United Nations that are designed to be a framework in which countries aim to tackle a range of issues, from combating climate change to ending poverty and hunger.

The United Nations-supported Principles for Responsible Investment (PRI) initiative is recognised as the leading global network for investors and financial industry participants who are committed to integrating environmental, social and governance (ESG) considerations into their investment practices and ownership policies.

This report contains forward-looking statements. These forward-looking statements include all statements regarding the intent, belief or current expectations regarding matters covered and all statements which are not statements of historical fact. The forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors, many of which are beyond our control. Since these factors can cause results, performance and achievements to differ materially from those discussed in the report, you are cautioned not to place undue reliance on the forward-looking statements.

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All investing involves risk. Principal loss is possible. The risks of investing vary depending on an investor’s particular situation.

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Past performance is no guarantee of future results.

Data in this report pertain only to sustainability and impact, not financial performance.



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