Statement on principal adverse impacts of investment decisions on sustainability factors

Reference period: 1 January 2022 to 31 December 2022

Table 1

Financial market participant Ecofin Advisors Limited (549300Z2ET89XOQWMV67)

Summary

Ecofin Advisors Limited (549300Z2ET89XOQWMV67) considers principal adverse impacts of its investment decisions on sustainability factors for its SFDR-classified funds that invest in liquid equities. The present statement is the statement on principal adverse impacts on sustainability factors of Ecofin Advisors Limited ("Ecofin").

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

Ecofin considers principal adverse impacts on an entity level by measuring and monitoring the aggregated negative impact on sustainability factors of our SFDR-classified funds. The negative impact of investments on sustainability factors is taken into consideration as an integrated part of Ecofin's SFDR-classified investment process. Ecofin uses a rigorous due diligence and monitoring process for all investments made in SFDR-classified funds when considering principal adverse impacts on sustainability factors.

Please note whenever Ecofin refers to "funds" or "fund" within this statement, we are referring to our SFDR-classified funds.

[*Summary referred to in Article 5 provided in the languages referred to in paragraph 1 thereof*]

Description of the principal adverse impacts on sustainability factors

In addition to the mandatory indicators for adverse impact on sustainability factors, Ecofin selected one environmental optional PAI indicator from Table 2 and one social optional PAI indicator from Table 3 of Annex I of the SFDR Delegated Regulation; in particular no. 4. *Investments in companies without carbon emission reduction initiatives*, and no. 9. *Lack of a human rights policy*, respectively. Ecofin considers both the mandatory and selected optional indicators, subject to data availability and quality.

The mandatory indicators defined by the SFDR are set out in Table 1 below. These indicators must be considered to ensure that adverse impact on key sustainability factors is taken into consideration. For each of these indicators, we have included information to describe the actions that we have taken and actions that we plan to take / targets set, to avoid or reduce the principal adverse impacts identified. Information on the impact of our funds' investments on these indicators will be published continuously on an annual basis, subject to data availability and quality.

This information will cover the period of 1 January until 31 December of the preceding year. Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis, subject to data availability and quality.

[*Information referred to in Article 7 in the format set out below*]

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS ***Please see linked MSCI report for indicator values***						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions				Ecofin supports a rapid transition to a low-carbon economy and is a proud signatory of the Net Zero Asset Managers initiative. Ecofin has elected to utilise the Science Based Targets initiative (SBTi) Portfolio Coverage Approach for financial institutions to quantify this initiative, whereby Ecofin will set engagement targets to have a portion of its investees set their own SBTi-approved science-based targets (SBTs) such that Ecofin is on a linear path to 100% portfolio coverage by 2040. Ecofin is committed to 75% SBT portfolio coverage 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 does not intend to invest in a company that has a significant amount of revenues from selling fossil fuel reserves or whose principal business is extracting, processing, or refining coal, tar sands, oil, or natural gas, as these businesses are not currently aligned with Ecofin's sustainability themes or its view of the long-term trends in energy demand. For companies with exposure to fossil fuels, Ecofin generally seeks to identify and invest in companies which are de-emphasising fossil fuel technologies and contributing to a low-carbon transition.
		Scope 2 GHG emissions				
		Scope 3 GHG emissions				
		Total GHG emissions				
	2. Carbon footprint	Carbon footprint				
	3. GHG intensity of investee companies	GHG intensity of investee companies				
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector				
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources				
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector				

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
						For further detail please see Ecofin's Fossil Fuel Policy and Net Zero Disclosure. In our funds, we consider these indicators using an internally developed monitoring system, subject to data availability and quality. Issuers identified as outliers by Ecofin or which exhibit high adverse impact across several indicators may be subject to further analysis and the process described below.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas				In our funds, we commit to take potential negative effects on biodiversity into consideration in our investment decisions. The SFDR-classified investment due diligence process considers potential impacts on biodiversity-sensitive areas and where appropriate, engages with investments and potential investments to understand policies related to protecting biodiversity. In our funds, we consider this indicator using an internally developed monitoring system, subject to data availability and quality. Issuers identified as outliers by Ecofin or which exhibit high adverse impact across several indicators may be subject to further analysis and the process described below.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR				The investment due diligence process considers emissions to water.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
		invested, expressed as a weighted average				In our funds, we consider this indicator using an internally developed monitoring system, subject to data availability and quality. Issuers identified as outliers by Ecofin or which exhibit high adverse impact across several indicators may be subject to further analysis and the process described below.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average				The investment due diligence process considers hazardous and radioactive waste production. In our funds, we consider this indicator using an internally developed monitoring system, subject to data availability and quality. Issuers identified as outliers by Ecofin or which exhibit high adverse impact across several indicators may be subject to further analysis and the process described below.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				We seek to adhere to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our aim is that the investee companies that our funds invest into comply with these norms. Our funds are subject to norms-based screening, which identifies investee companies that have been allegedly involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
						If a company is identified by Ecofin in this norms-based screening process via our internally developed monitoring system, subject to data availability and quality, an internal assessment of the company may be initiated and potential actions considered, see further details below.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				We seek to adhere to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our aim is that the investee companies that our funds invest into comply with these norms. If a company is identified by Ecofin in the norms-based screening process via our internally developed monitoring system, subject to data availability and quality, an internal assessment of the company may be initiated and potential actions considered, see further details below.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies				In our funds, we will consider the average unadjusted gender pay gap of investee companies, subject to data quality and availability. In our funds, we consider this indicator using an internally developed monitoring system, subject to data availability and quality. Issuers identified as outliers by Ecofin or which exhibit high adverse impact across several indicators

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
						may be subject to further analysis and the process described below.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members				In our funds, we will consider the average ratio of female to male board members, expressed as a percentage of all board members in investee companies, subject to data quality and availability. In our funds, we consider this indicator using an internally developed monitoring system, subject to data availability and quality. Issuers identified as outliers by Ecofin or which exhibit high adverse impact across several indicators may be subject to further analysis and the process described below.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons				In our funds, we apply a proprietary exclusion filter in the portfolio construction process to restrict investments in companies that may have significant exposure to controversial weapons.

Other indicators for principal adverse impacts on sustainability factors

In addition to the mandatory indicators for adverse impact on sustainability factors listed above, we have selected two additional voluntary indicators to consider, subject to data availability and quality.

We consider an additional environmental PAI indicator: Investments in companies without carbon emission reduction initiatives. This indicator is part of the set of additional indicators that relate to climate and the environment, as defined in the SFDR (Annex 1, Table 3, indicator 4). In regard to this indicator, we consider and monitor the absence of carbon reduction initiatives using our proprietary internally developed monitoring system, subject to data availability and quality, described below.

Indicators applicable to investments in investee companies					
Adverse sustainability indicator	**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
We also consider one additional social PAI indicator: Lack of a human rights policy. This indicator is part of the set of additional indicators that relate to social and employee, respect for human rights, anti-corruption and anti-bribery matters, as defined in the SFDR (Annex 1, Table 3, indicator 9). In regard to this indicator, we consider and monitor the absence of a human rights policy using our proprietary internally developed monitoring system, subject to data availability and quality, described below. In our funds, we consider these indicators using an internally developed monitoring system, subject to data availability and quality. Issuers identified by Ecofin as outliers on any of the indicators or which exhibit high adverse impact across several indicators may be subject to further analysis and the process described below. We do not use other indicators to identify and assess additional principal adverse impacts on a sustainability factor than those mandatory indicators that are set out in Table 1 above and the additional indicators that we have opted to consider as per the above. [*Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (a) in the format in Table 2*]					
[*Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (b), in the format in Table 3*]					
[*Information on any other adverse impacts on sustainability factors used to identify and assess additional principal adverse impacts on a sustainability factor referred to in Article 6(1), point (c), in the format in Table 2 or Table 3*]					

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The negative impact of investments on sustainability factors is taken into consideration as an integrated part of Ecofin's SFDR-classified investment due diligence process. In our funds, we have implemented certain safeguards to seek to ensure that our investments meet a minimum sustainability standard and we use specific processes to identify and evaluate principal adverse impact where possible. When applicable, this review typically includes principal adverse impact (PAI) consideration, norms-based screening, and firm-level exclusions, including our Fossil Fuel policy, active ownership & engagement, and alignment with UN Sustainable Development Goals (SDGs). These complementary reviews help us aim to limit investing into companies with negative impact on sustainability factors. Ecofin's identification of high negative impact on environmental and social factors may result in further analysis and may be a driver for active ownership activities, including voting and engagement, as a means to mitigate that impact. Monitoring of principal adverse impact is subject to data availability and quality.

We consider principal adverse impacts on an entity level by measuring and monitoring the aggregated negative impact on sustainability indicators of our funds' investments.

Selection of Indicators:

Ecofin's selection of PAI indicators seeks to directly align with our core investment propositions and sustainability initiatives. As such, Ecofin prioritises the areas of interest below:

- Climate
- Circular Economy
- Water
- Human Rights
- Good Governance

Identification and assessment of principal adverse impact:

As a starting point, our funds apply a norms-based screening to identify companies that are allegedly involved in breaches of international law and norms on environmental protection, human rights, labour standards, and anti-corruption. These filters help identify impact relating to some of the principal adverse impact indicators.

To identify and consider principal adverse impacts on sustainability factors, Ecofin uses qualitative analysis paired with the use of a proprietary data and reporting framework (referred to as the Ecofin Sustainability Monitor, or the "ESM"), which 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. Among other datapoints, the ESM incorporates all mandatory PAI indicators and Ecofin's selected optional PAI indicators. The ESM is the foundation of Ecofin's aforementioned internally developed monitoring system.

Generally, on a quarterly basis, Ecofin reviews the data, including the aforementioned PAI indicators, obtained through its ESM or other sources to assess ESG and sustainability credentials (including PAI indicators) of the funds. . If it is determined that a fund holding requires additional research or action, it is documented in an action plan that gets reviewed, approved, and monitored on an ongoing basis by the Sustainability & Impact Committee (the "Committee"). The range of possible actions includes but is not limited to the following:

- Engagement: The issuer is identified by Ecofin as a candidate for an engagement case. This can be due to various reasons such as the issuer's PAI performance, either overall or on certain indicators, or low data coverage for the issuer compared to the benchmark. Please see the below Engagement section for further detail.
- Exclusion: The issuer is deemed not eligible for investment in our funds. and is added to our exclusion list.
- No action: The PAI indicator level of the issuer is deemed acceptable or judged not to reflect the actual ongoing performance of the company, and no further action is needed at this point. The issuer will continue to be assessed on an ongoing basis.

In deciding the appropriate action, the Committee considers, among other things, the severity and scope of individual adverse impacts, and the probability of occurrence and severity of adverse impacts, including their potentially irremediable characteristics.

Margin of error with our methodologies:

PAI identification, prioritisation, and consideration is subject to data availability and quality. To supplement proprietary ESG research, Ecofin utilises data obtained from recognised third-party ESG research and data providers. Therefore, we are reliant on the quality of data received from our third-party data providers.

Ecofin has selected third-party ESG data providers that are well known, have a global presence, and who are generally responsive to feedback when Ecofin questions data outliers or coverage issues. Ecofin may use its qualitative analysis and other external data sources to assist in validating the third-party ESG data and may engage with the third-party data provider when necessary to improve data integrity. Ecofin may also engage with the companies in which it invests to gain a clearer understanding of a company's ESG position as needed. Ecofin does not rely solely on information available through its third-party ESG data providers but uses such data as an input into the investment analysis process.

Governance in relation to policies:

Due diligence on the fund's holdings is carried out primarily by Ecofin's investment team, as ESG research is thoroughly incorporated into the SFDR-classified investment process for the fund.

Further, Ecofin's Committee is responsible for oversight of the firm's sustainability and ESG framework. The Committee reviews, approves, and monitors action plans for fund holdings that are falling short of expectations.

The Committee provides governance to comply with evolving global regulatory frameworks and works with the SRI team to align policies with the firm's strategic and/or moral values. The Committee includes representatives from Ecofin's executive leadership team, compliance team, and investment team, among others, to ensure consistent implementation of policies and initiatives across the firm. The Committee meets at least quarterly.

Additionally, a review of fund holdings is performed quarterly by the Sub-Investment Manager's sustainability team (with support from the investment team) to monitor compliance with firm-level and product-level sustainability and ESG obligations.

These governance policies were reviewed and approved by Ecofin's Committee in 2023.

Data sources:

Please see "Margin of error with our methodologies."

[*Information referred to in Article 7*]

Engagement policies

Ecofin may undertake engagement activities with investee companies in order to encourage them to improve their ESG practices where Ecofin has determined it may have a positive effect on the sustainability credentials of portfolio companies and / or 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 Committee and potentially trigger escalation mechanisms. Ecofin's approach is typically to engage a company rather than immediately divest from it when an issue is identified.

The scope of our engagement activities generally includes four main categories: norms-based, thematic-related, controversy-related, and general engagements. These engagement types may overlap and be applied to a company simultaneously.

- **Norms-based:** These types of engagements may include instances where companies structurally breach internationally accepted corporate standards (such as UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises). These may relate to long-term systemic threats that compromise the integrity of a company's business and / or financial performance and broad economic stability.
- **Thematic-related:** These types of engagements are typically related to Ecofin-specific strategy initiatives related to sustainability objectives with an overarching priority on climate change mitigation and decarbonisation which are core to Ecofin's strategies. Our thematic engagement activities stem from our bottom-up investment analysis where we review companies on a case-by-case basis. We assess a company's contribution to achieving the sustainability objectives within each respective investment theme; we therefore can identify material and relevant issues which may be addressed to enhance further sustainability ambitions across our strategies. We leverage our internal expertise to engage in an impactful manner and drive positive change.
- **Controversy-related:** These types of engagements are typically catalysed by a specific controversy which we have identified as having a potential negative impact on a company's business and / or financial performance. Failure of a company in addressing and mitigating such risks could lead to further reputational damage, increased legal risks, and potential loss of business opportunities.
- **General:** These types of engagements may include lack of disclosures surrounding reported PAI indicators and other general sustainability or non-sustainability-related matters, such as disclosure of sustainability-related data

[*Information referred to in Article 8*]

References to international standards

Our ambition is that the companies that the funds invest in comply with the international conventions and norms that we adhere to.

These include, but are not limited to, those listed below with the respective PAI indicator(s) used to measure adherence to the respective standards:

- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights

We have dedicated resources within the SRI team and systems (the ESM) to monitor adherence to these international conventions and norms. External data providers and other data sources are assessed on an ongoing basis for data quality, coverage, and other attributes.

Net Zero

Ecofin supports a rapid transition to a low-carbon economy and is a proud signatory of the Net Zero Asset Managers initiative. Ecofin has elected to utilise the Science Based Targets initiative (SBTi) Portfolio Coverage Approach for financial institutions to quantify this initiative, whereby Ecofin will set engagement targets to have a portion of its investees set their own SBTi-approved science-based targets (SBTs) such that Ecofin is on a linear path to 100% portfolio coverage by 2040. Ecofin is committed to 75% SBT portfolio coverage 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.

Further, all of Ecofin's SFDR eligible products have been classified; we have three products that have been classified as Article 8, and two products that have been classified as Article 9, all across distinct strategies.

For further detail please see Ecofin's Fossil Fuel Policy and Ecofin's Net Zero Disclosure.

[*Information referred to in Article 9*]

Historical comparison

A historical comparison of the period reported on with the previous reported period will be made as of 2024.