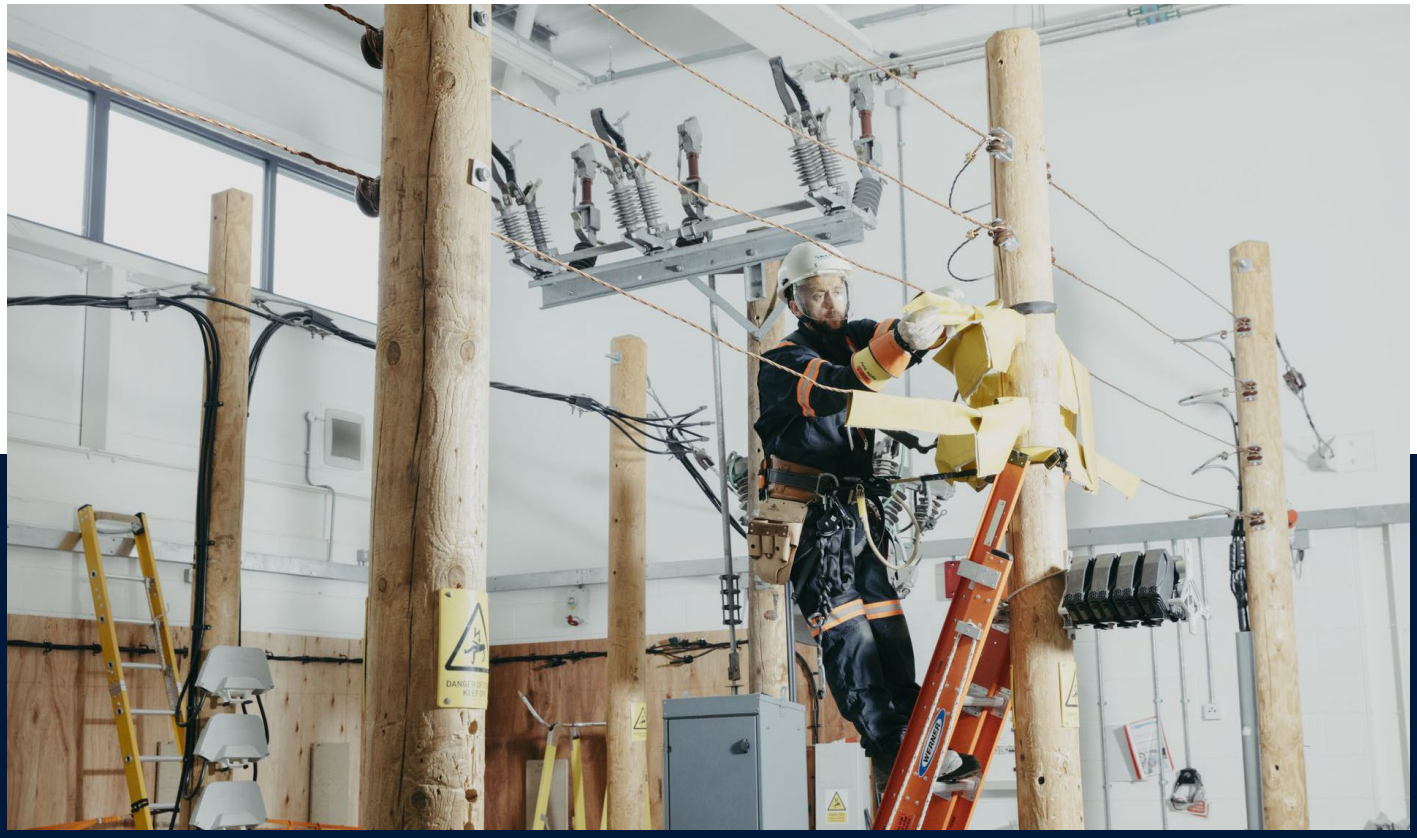
Equitix Climate Report

Year ended 31 December 2023



Consistent with the Recommendations and Recommended Disclosures of the Task Force on Climate-Related Financial Disclosures (TCFD)

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Introduction

We are pleased to present the first annual Climate Report of Equitix Investment Management Limited (the "**Firm**"), consistent with the Recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**") and with the climate disclosure requirements of the Financial Conduct Authority ("**FCA**") Rules.

The Firm acknowledges the impact of climate change and recognises that this presents both risks and opportunities in the short, medium and long term. We support the objectives of the Paris Agreement and commit to continue integrating relevant climate-related considerations throughout our investment activities in order to identify and mitigate risks, whilst also maximising the opportunities associated with increasing demand for sustainable infrastructure. We believe that transparent disclosures on our approach to these climate-related risks and opportunities will help satisfy the information needs of our clients, investors and the wider market.

This report sets out the TCFD-aligned entity-level disclosures of the Firm (the "**Report**"), in relation to climate-related matters, for the reporting period 1 January 2023 to 31 December 2023 (the "**Reporting Period**").

Product-level approach: This Report generally applies in respect of the Portfolio. Where the Firm's approach to governance, strategy or risk management for a specific Fund or type of Fund materially varies from the Firm's standard approach, we have highlighted this in a text box with this format.

We also refer in this Report to the "product documentation" for Funds. This means the formal offering documents (such as the Private Placement Memorandum) for the Funds, the investment management agreement and related regulatory disclosures for a portfolio management service or the investment advisory agreement and related regulatory disclosures for a non-discretionary mandate.

The Firm's primary business activity is acting as the investment manager of unregulated collective investment schemes focused on primary and secondary infrastructure investments in the UK and other geographies, referred to in the Report as the "**Funds**" and, in totality, the "**Portfolio**". The Firm is closely engaged with the wider Equitix Group in order to manage and administer the Funds via various management services agreements.

The Firm has prepared this Report by applying the TCFD Recommendations and Recommended Disclosures to its management activities in respect of the overall Portfolio. This Report does not generally apply the TCFD Recommendations and Recommended Disclosures in respect of the Firm, and the wider Equitix Group, as a commercial enterprise.

This Report is the Firm's first TCFD Report and has been prepared on a best-efforts basis. However, climate reporting in the asset management industry is still in its infancy, and there are significant data challenges and methodological challenges associated with climate reporting. We have included TCFD-aligned disclosures where it is fair, clear and not misleading for us to do so. We have also explained limitations on our ability to disclose, and the steps being taken to address those limitations.

Compliance Statement

The disclosures in this Report comply with the climate-related disclosure requirements in Chapter 2 of the *FCA's ESG Sourcebook*.

Part 1:

Governance

This Part of the Report discloses the Firm's governance around climate-related risks and opportunities.

A. The Management Committee's oversight of climate-related risks and opportunities

The Firm is a private limited company, which is managed day-to-day by a Board of Directors, comprised of various executive and non-executive directors (the "**Board**"). The Board is ultimately responsible for governance and oversight of the activities of the Firm, including its fund management and portfolio management activities; this includes the establishment of an effective and resilient governance and risk environment, including for climate-related issues.

The Board delegates oversight of certain management responsibilities to certain sub-committees. The Firm's sub-committees include the Audit, Risk and Compliance Committee (ARCC). The ARCC has specific responsibility for climate-related risk matters. The ARCC maintains written Terms of Reference, which specify the matters for which the ARCC is directly responsible. The Terms of Reference do not specifically include responsibility for climate-related risks and opportunities but do refer to the oversight of Environmental, Social, and Governance ("**ESG**") issues, which include climate issues.

The ARCC has implemented an annual agenda item where it receives an update on climate-related matters, including the metrics related to TCFD disclosure. On an ad-hoc basis, climate-related topics may be discussed more frequently.

B. Management's role in assessing and managing climate-related risks and opportunities

The Firm has assigned climate-related responsibilities to the following management-level positions and/or committees (together, "**Management**"), as summarised in the following table:

Table 1: Climate-Related Responsibilities

Management role / Committee	Climate-related responsibilities	Reporting lines to the Board	Monitoring climate-related issues
Paul Winters, Chief Operating Officer (COO)	▪ Director-level responsibility for ESG and sustainability, including climate risk and opportunity	▪ Member of the Equitix Group Board	▪ Review of ongoing updates provided by the ESG & Sustainability Manager
Joe Robinson, Manager, ESG & Sustainability	▪ Develops and implements the ESG and sustainability components of Equitix's responsible investment framework, including on climate considerations ▪ Maintains expertise across key regulatory frameworks and aligns Equitix accordingly ▪ Supports asset and sector level engagement on material sustainability topics, including climate risk and opportunity ▪ Communicates strategy and portfolio performance to investors	▪ Reports directly to the COO ▪ Member of pre-Fund Investment Committee ▪ Member of ESG committee ▪ Reports periodically to the ARCC	▪ Updates the COO on key business matters related to ESG & Sustainability, including climate risk and opportunity
The Fund Investment Committee (FIC)	▪ Scrutinises material climate considerations and monitors adherence to fund-specific requirements as part of investment appraisal process ▪ Investment Committee ESG sponsor leads on review of ESG and sustainability aspects of the investment paper, including climate issues	▪ A committee of the EIML Board	▪ Reviews information on climate-related issues presented within the investment paper and ESG Due Diligence (DD) toolkit
The ESG Committee	▪ Acts as ESG sponsors who support integration of ESG considerations across Equitix's investment activities ▪ Remains abreast of key market and regulatory developments, and supports the business to prepare accordingly ▪ Identifies value-add initiatives which promote consideration of climate issues internally and externally (i.e. industry initiatives, roundtables, panels) ▪ Identifies climate-related training opportunities for the Firm's staff	▪ Annual written update submitted to the Equitix Board to summarise the Committee's key activities	▪ Monitors the implementation of the Firm's climate-related strategy ▪ Reviews the Firm's climate-related disclosures and reporting

Product-level approach: Certain product-specific approaches to the integration of climate-related issues for Funds classified under Article 8 and Article 9 of the Sustainable Finance Disclosure Regulation ("**SFDR**") are summarised further under Part 2(b)(ii) of this Report.

Part 2:

Strategy

This Part of the Report discloses the actual and potential impacts of climate-related risks and opportunities on the Firm's businesses, strategy, and financial planning in respect of the Portfolio where such information is material.

A. Climate-related risks and opportunities of the Firm's investment strategies

Time horizon

This sub-section of the Report sets out the Firm's assessment of the climate-related risks and opportunities to which the Portfolio is exposed over a long-term time horizon determined by the longest anticipated investment period of 25 years from the Reporting Period.

We have chosen this time horizon to consider the useful life of underlying infrastructure projects in which the Funds are invested, and the fact that climate-related issues are expected to manifest themselves over the medium and longer terms.

Climate opportunities and their potential financial impacts:

Table 2 summarises example climate opportunities which could have a material financial impact on the investments held within the Portfolio, and the likely time horizon (long term, as described above) over which the opportunities might reasonably arise.

Table 2: Example climate opportunities

Type	Climate-related opportunities	Potential financial impacts
Carbon Transition	▪ Renewable energy generation and capacity enhancement ▪ Electricity storage in response to intermittent generation and increasing demand for electricity ▪ Waste diversion and utilisation of energy from waste (EfW) and anaerobic digestion technologies ▪ Use of new technologies (e.g., investment in carbon capture modules) ▪ Mobility demands including electrified transportation, H_2 technology, and alternative fuels (e.g., sustainable aviation fuel)	▪ Returns on investment in low emission technology ▪ Increased capital availability (e.g., as more investors favour lower-emissions producers) ▪ Higher CO_2 prices ($125-$140/tCO_2e by 2040) result in improved economics for low carbon investments ▪ Reputational benefits resulting in increased demand for goods/services
Social Infrastructure	▪ Demand for sustainable building stock (e.g. net zero buildings, Passivhaus standard) ▪ Residential heat and energy efficiency	▪ Increased value of fixed assets (e.g., highly rated energy-efficient buildings) ▪ Reduced operating costs (e.g., through efficiency gains and cost reductions)
Network Enhancements	▪ Shift toward decentralized energy generation ▪ Increasing capacity across electricity distribution grid networks ▪ Enhance project resilience to physical / transitional climate risk	▪ Increased market valuation through resilience planning (e.g., infrastructure, land, buildings) ▪ Increased reliability of supply chain and ability to operate under various conditions ▪ Increased revenue through new products and services related to ensuring resiliency
Markets	▪ Access to capital with appetite for climate-related investment opportunities ▪ Access to sustainability-linked financial instruments	▪ Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks) and instil investor confidence in baseline revenues ▪ Increased diversification of financial assets (e.g., green loans, sustainability-linked loans) ▪ Potential lower cost of finance due to lower perceived risk

Climate risks and their potential financial impacts

Table 3 and Table 4 summarise the climate risks which could have a material financial impact on the investments held within the Portfolio, and the likely time horizon (long term, as defined above) over which the risk might reasonably arise. We have sub-divided climate risks into transition risks (i.e., risks associated with the transition to a low-carbon economy) and physical risks (i.e., risks related to the physical impacts of climate change).

Table 3: Transition risks for investments in the Portfolio over a long-term investment horizon

Type	Climate-related opportunities	Potential financial impacts
Policy	▪ Increased pricing of GHG emissions – in the form of carbon pricing or penalties ▪ Changes in subsidy provisions ▪ Enhanced emissions-reporting obligations ▪ Enhanced energy efficiency measures e.g., energy codes and performance standards ▪ Mandates on and regulation of existing products and services ▪ Exposure to litigation	▪ Increased operating costs (e.g., higher compliance costs, increased insurance premiums) ▪ Material losses ▪ Market Devaluation ▪ Revenue stream implications
Technology	▪ Substitution and cost of existing products and services with lower emissions options and associated challenges with retrofit, e.g. introduction of low carbon technology to Public Finance Initiative (PFI) projects ▪ Slower technological deployment due to higher risk in early investments, e.g., available supply of sustainable aviation fuel	▪ Reduced demand for products and services ▪ Research and development (R&D) expenditures in new and alternative technologies ▪ Capital investments in technology development ▪ Costs to adopt/deploy new practices and processes
Consumer	▪ Changing consumer sentiment and societal pressure ▪ Uncertainty in market signals ▪ Decreased affordability of sector services	▪ Reduced demand for goods and services due to shift in consumer preferences ▪ Increased production costs due to changing input prices (e.g., energy, water) and output requirements (e.g., waste treatment) ▪ Abrupt and unexpected shifts in energy costs e.g., consumer induced change in energy demands ▪ Change in revenue mix and sources, resulting in decreased revenues ▪ Re-pricing of assets (e.g., fossil fuel reserves, land valuations)
Access to Finance	▪ Higher perceived risk for investors ▪ Policy uncertainty manifesting in volatility for investors and diversion of capital	▪ Higher cost of equity / debt ▪ Risk of divestment approaches in specific geographical locations ▪ Change in governmental frameworks on providing finances

Table 4: Physical risks for investments in the Portfolio

Climate-related physical risks	Potential financial impacts
▪ Extreme wind/storms ▪ Flood ▪ Extreme temperature ▪ Extreme precipitation ▪ Wildfire ▪ Water stress/drought ▪ Sea level rise	▪ Reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions) ▪ Reduced revenue and higher costs from negative impacts on workforce (e.g., health, safety, absenteeism) ▪ Write-offs and early retirement of existing projects (e.g., damage to property and projects in "high-risk" locations) ▪ Increased operating costs (e.g., inadequate water supply for hydroelectric plants) ▪ Increased capital costs (e.g., damage to facilities) ▪ Reduced revenues from lower sales/output ▪ Increased insurance premiums and potential for reduced availability of insurance on projects in "high-risk" locations

Processes used to determine materiality of impact

The Firm's process to determine the materiality of impact associated with climate risks and opportunities is kept consistent across physical and transition analysis through application of the following key considerations:

Financial materiality

Focusing analysis on project sub-sectors and individual projects which are most material within the overall Portfolio. For example, our physical risk and resilience assessment has focused on a higher resolution, more detailed assessment of the top 20 asset site locations with the highest sector-accounted climate risk rating compared with a lower resolution, less detailed assessment of projects outside of this threshold.

Inherent sector and sub-sector vulnerability and resilience

Consideration of each economic sector's inherent sensitivity to the climate issues assessed. For example, contrasting the relatively low expected impact of extreme temperature on student accommodation projects (due to indoor nature of the sub-sector, heating, ventilation, and air conditioning (HVAC) having a shorter operational lifecycle and the ease with which such equipment can be replaced), with the higher expected impact of extreme temperature on electricity distribution (due to impact on transmission lines).

Asset type

Classification of projects appropriately to account for relevant risk characteristics, including whether an asset is a single point type (i.e. geographically located at a single set of coordinates) or linear (i.e. geographically spread across a range of coordinates), and whether the asset is demand-based (i.e. exposed to market risks) or availability-based (i.e. not exposed to market risks).

B. Impact of climate-related risks and opportunities on the Firm's investment strategies

This sub-section of the Report sets out a summary of the impact of climate-related risks and opportunities on the Firm's investment strategies in respect of the Funds.

Climate risks and opportunities are factored into the Firm's investment management processes through the integration of climate risks in the sustainability risk management process for all the Funds (referred to in the Report as *'financial materiality'*).

In addition, the Firm manages certain Funds with an investment strategy which expressly refers to climate risks and opportunities as a part of the investment mandate for that Fund (referred to in the Report as *'climate strategies'*).

We take into account "**sustainability risks**", being an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment made by the Fund, in its investment decision making process in accordance with the Firm's Responsible Investment Policy.

Sustainability risk analysis is a fundamental component of our Responsible Investment Process and is the responsibility of the relevant investment team and ultimately the FIC when making investment decisions. The Firm considers a broad range of sustainability risks in assessing potential investment opportunities and throughout the ongoing investment monitoring period, as further described in Part 3 of this Report.

i) Climate risk integration (financial materiality)

The first impact of climate risk on the Firm's investment strategies is the integration of climate risk considerations into the investment risk management processes for the Funds, in relation to the specific sector risks identified in sub-section 2(a) of this Report.

Time period:

The **time period** used for climate risk integration is measured to reflect the long-term investment period of the Funds. As the Funds are closed-ended or finite investment products, the risk management process is tied to the anticipated lifespan of the longest-dated investment period (25 years).

Prioritisation:

The Firm does not generally **prioritise** the management of any particular sub-category of climate risk over another; instead, any climate risk which is identified as potentially causing a material risk of harm to the value of investments in the Portfolio will be managed in the same way under the Firm's climate-related investment risk management framework. Standard parameters for the analysis of certain climate risk types have been applied.

For physical risks, we applied a 2-step prioritisation framework to determine where the most in-depth analysis of potential vulnerability should be undertaken. Step 1 focused on identifying the site-specific risk scores for approximately 200 site locations associated with the Firm's top 50 projects by valuation (>65% AUM) which was then expanded to account for all projects. Step 2 involved the prioritisation of 20 site locations which were identified as having the highest sector-adjusted climate risk scores from within the Firm's top 50 grouping to progress for further analysis on current or planned climate risk mitigation measures.

For transition risks, we prioritised analysis across the top 15 Sub-Sectors by total AUM, considering the 4 transition risk catalysts set out in Table 3 above. This is considered an appropriate approach given that the top 15 Sub-Sectors assessed represented approximately 80% AUM during the period.

The Firm has concluded that certain areas (but not all) of the Firm's overall Portfolio are potentially materially exposed to climate risks. For the Funds with exposure to these areas of the Portfolio, climate risks could – if the relevant risk occurs - cause an actual or potential material negative impact on the value of an investment. This could in turn cause a negative impact on the value or returns of a Fund. Further details on the outcome of our scenario analysis on physical risks is provided under sub-section 2(c) below.

Impact of physical climate risks on financial performance and financial position:

The Firm considers that certain climate risks can have a material impact on investment performance. Consequently, consideration of sustainability risks is integrated into our investment decision making and ongoing asset management processes.

The likely impacts in the event a climate risk materialises will vary depending on the specific investments made (for example impact may vary due to geographic location, asset class or protective measures taken).

To the extent that a sustainability risk occurs or occurs in a manner that is not anticipated by the Firm, there may be a sudden, material negative impact on the value of an investment held within a Fund. Whilst the Firm seeks to actively reduce the likelihood of sustainability risks, including climate risk, negatively impacting the returns of an investment through an active approach to asset management and development of a climate risk framework as described throughout this Report, the Firm cannot rule out that the materialisation of such negative impacts may result in an entire loss of value of the relevant investment(s), may have an equivalent negative impact on the value or returns of a Fund and may expose the Fund to further liabilities.

Product-level approach: The Firm's conclusion that climate risks are not considered relevant to a specific Fund are separately and expressly disclosed in the climate-related documentation for that Fund.

Impact of transition to a lower-carbon economy:

As noted above in Table 3, the Firm has identified that certain projects in the Portfolio are potentially exposed to transition risks as a category of climate risks. Further details on the outcome of our scenario analysis on transition risks is provided under sub-section 2(c) below.

Product-level approach: The transition risks which are relevant to a specific Fund will be separately disclosed in the climate-related documentation for that Fund.

The following site locations are not materially exposed to physical climate risks:

The sites identified as part of the Firm's physical risk analysis which fell within the Portfolio's top 50 projects by valuation, but outside of the 20 sites with the highest sector adjusted climate risk score, are considered unlikely to have a material negative impact on the value of investments held in the Portfolio. This is because the relevant sites are not, in the ordinary course, materially exposed to climate risks. In the summary below of how climate risks have impacted on the Firm's strategy for the Funds, these are out-of-scope.

Product-level approach: The Firm's conclusion that climate risks are not considered relevant to a specific Fund are separately and expressly disclosed in the climate-related documentation for that Fund.

Climate risk management is then integrated into the Firm's investment risk management processes, in respect of relevant Funds. Please refer to sub-section 3(b) of this Report below, for further details on our climate risk management processes.

ii) Managing Products with climate strategies

The Firm manages Funds which either: (a) promote certain climate-related characteristics through the investment strategy, or (b) have one or more investment objectives which relate to climate matters (together, "**Climate Strategies**"). These Climate Strategies seek to take advantage of certain climate-related opportunities, some of which are identified above in Table 2.

For the purposes of the EU SFDR regime, such Funds fall under the Article 8 and Article 9 disclosure requirements, as applicable. The Firm separately prepares pre-contractual disclosures in accordance with SFDR, which are available on request from the Firm.

For these purposes, relevant climate-related characteristics or objectives may include climate change mitigation, climate change adaptation, reducing greenhouse gas emissions, or promoting the use of renewable energy.

Product-level approach: Not all Funds promote climate-related characteristics or have climate-related investment objectives. Documentation for the relevant Product will specify whether and to what extent the Fund has implemented Climate Strategies and confirm the SFDR Article 8 or Article 9 criteria of the Fund. If the documentation does not expressly identify any Climate Strategies, then the Firm does not pursue Climate Strategies in respect of that Fund.

Time period

Given the closed-ended or finite nature of the Firm's Funds and mandates, the **time period** used for the implementation of Climate Strategies outlined in Table 5 is measured by reference to the anticipated lifespan of the relevant Fund.

Prioritisation

The Firm will prioritise the climate-related opportunities which are expressly specified in the identified Climate Strategy for a given Fund, in accordance with the mandate for the relevant Fund.

Techniques

Where a given Fund pursues Climate Strategies, the Firm may give effect to this through certain of the following investment techniques (full details of which are provided in the product documentation for the Fund).

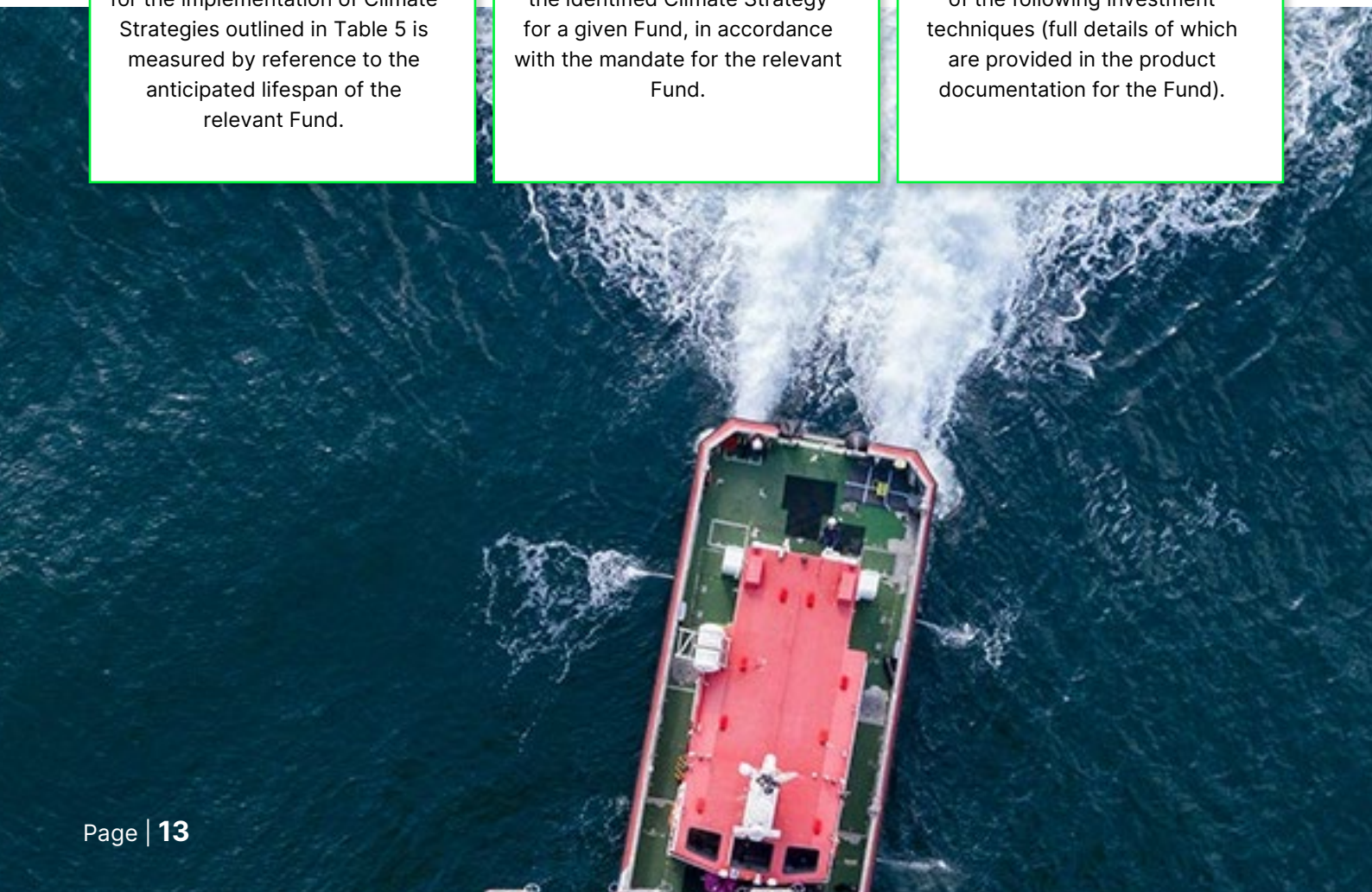


Table 5: Fund Climate-related Strategies

Technique 1: Exclusion Strategy

Description	The Firm may exclude from certain Funds individual investments or sectors which the Firm deems harmful to the relevant climate and/or sustainability-related objective.

Article 8 and Article 9 Products

The Funds will not invest in infrastructure companies, assets and/or projects, which directly undertake any of the following activities associated with known climate-related harms:

- Monocultures
- Palm oil and soy production
- Production or trade in wood or other forestry products other than from sustainably managed forests

Technique 2: Restriction Strategy

Description	The Firm may restrict the extent to which a Fund can invest in infrastructure companies, projects and/or assets with principal operations in activities which are considered harmful to the Fund's climate-related criteria. The Firm's restricted activities are: ▪ Coal (including coal-fired generation, transportation, and mining) ▪ Mining ▪ Oil (including upstream[1], midstream[2], and storage) ▪ Upstream gas[3]

Article 8 Products

The Funds may invest in infrastructure companies, projects and/or assets where either:

- The principal operations are not in a restricted sector but nonetheless have some exposure to a restricted sector; or
- The infrastructure company, project and/or asset is viewed as an enabler of the transition to net zero, and that this view is supported by independent experts who have studied the sector, company, project and/or asset.

The Funds will proceed with such an investment if it can be demonstrated that:

- There is a credible decarbonisation pathway for the infrastructure company, project and/or asset; and
- The decarbonisation pathway is monitorable throughout the investment period; and/or
- A climate transition plan is in place for the company, project and/or asset which outlines the commercially viable measures to be implemented to ensure that the likelihood of the company, project and/or asset becoming stranded due to climate-related transition risk remains low

Article 9 Products

The Funds may invest in infrastructure companies, projects and/or assets where the principal operations are not in a restricted sector but nonetheless have some exposure to a restricted sector, provided that:

- No more than 15% of any infrastructure asset's total revenues are derived from restricted sectors;
- No more than 5% of total revenues across the portfolio will be derived from restricted sectors; and

The projections for the asset (supported by independent experts who have studied the asset) forecast that this exposure will reduce over time

[1] 'Upstream oil' is defined as the exploration of oil fields, as well as drilling and operating wells to produce oil.

[2] 'Midstream oil' refers to the transportation, storage, and trading of oil.

[3] 'Upstream gas' is defined as the exploration of natural gas fields, as well as drilling and operating wells to produce natural gas.

Technique 3: Do No Significant Harm Assessment

Description	As part of the investment process for certain Funds classified by the Firm as falling under Article 9 SFDR, a Do No Significant Harm Assessment will be undertaken against identified adverse impacts on sustainability which are considered to be most relevant and material to the Fund's sustainable investment objective. In the case of an area of potential significant harm being identified, the Firm (on behalf of the Fund) will work with project partners to identify suitable mitigants so that such harm is reduced or avoided. In the unlikely scenario that the Firm (on behalf of the Fund) determines the potential harm caused by a investment is significant and does not have the potential to be mitigated, the investment opportunity will be declined.

Article 9 Products

As part of the Fund investment process, and to further help ensure its investments will be constructed and managed in a sustainable manner, the Fund will have reference to the following climate and environment related "Do No Significant Harm" criteria, including potential mitigants:

Topic	Risks	Mitigants
GHG emissions	▪ Sustainable greenfield investments may still generate adverse GHG emissions impacts during the construction phase ▪ Carbon intensity of heavy machinery and logistics, as well as the embodied carbon of materials	▪ Encourage project partners to adopt solutions to reduce GHG emissions over the asset lifecycle ▪ Monitor asset emissions levels and track low carbon initiatives to demonstrate improvement over time
Biodiversity	▪ Negative impacts on biodiversity may arise throughout the construction and operational phases of a project	▪ National or regional requirements to undertake an environmental impact assessment and implement compensation measures where necessary
Waste and pollution	▪ Greenfield projects generate waste materials which may create pollution impacts ▪ These can arise in the supply chain, through site preparation / excavation, as well as at the end of a project's life	▪ Ensure compliance with applicable legislative and regulatory requirements ▪ Encourage project partners to adopt best practice waste management processes in line with the waste hierarchy, and supplier selection where possible

Technique 4: Promotion of Positive Environmental Characteristics

Description	The Firm may structure the investment criteria of a Fund to include the promotion of positive environmental characteristics.

Article 8 Products

- The Funds invest in infrastructure projects which support improved outcomes for the environment (for example, renewable energy projects which increase the total renewable energy generation capacity for the grid, as well as environmental services which improve the management of waste resources through reduced emissions impact and/or environmental damage);

  and / or

- The Funds consider material environmental issues in the pre-investment stage and actively manage such projects through the asset management stage to support improved environmental outcomes, for example through implementation of a decarbonisation strategy.

Technique 5: Sustainable Investment Objective

Description	The Firm may define a sustainable investment objective for a Fund through use of certain sustainability indicators which help identify, measure and report on how an investment contributes positively to an environmental and/or social objective.

Article 9 Products

The Firm's Funds structured under Article 9 include the following climate-related sustainable investment objectives, which are aligned to specific UN Sustainable Development Goal (SDG) targets.

Equitix Sustainable Greenfield Fund

Low Carbon Transition

Impact	SDG Target		Example Indicators
Transition to a cleaner energy system		**7.1** Increase access to affordable, reliable, modern energy systems **7.2** Increase share of renewable energy in the energy mix	▪ Increased number of households connected to an energy distribution network which facilitates the low carbon transition ▪ Renewable energy generation lifecycle CO_2e emissions compared to the relevant jurisdiction's weighted average lifecycle CO_2e emissions based upon its power source mix
Lower emissions waste management and energy recovery		**11.6** Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	▪ Growth in lower emissions, non-landfill waste management and resource recovery capacity

Mobility

Impact	SDG Target		Example Indicators
Environmental Impact		**9.4** Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies	▪ Baseline GHG emissions (pre-investment) ▪ Absolute GHG emissions (post-investment) ▪ GHG emissions saved/avoided ▪ Construction and demolition waste avoided from landfill

Network Enhancements

Impact	SDG Target		Example Indicators
Energy Distribution		**7.1** Increase access to affordable, reliable, and modern energy systems	▪ District heating network carbon intensity compared to traditional heat options ▪ Increased number of households connected to an energy distribution network which facilitates the low carbon transition

Equitix Electricity Storage Fund

Low Carbon Transition

Impact	SDG Target		Example Indicators
Transition to a cleaner energy system		**7.1** Increase access to affordable, reliable, modern energy systems **7.2** Increase share of renewable energy	▪ Additional energy storage capacity (MW)

Network Enhancements

Impact	SDG Target		Example Indicators
Capacity		**9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies	▪ Additional energy storage capacity (MW) under construction ▪ Operational energy storage capacity (MW)

C. Resilience of the Firm's strategy

This sub-section of the Report summarises the resilience of the Portfolio to climate-related risks and opportunities, taking into account different climate-related scenarios, including a 2°C or lower scenario.

What is scenario analysis?

The TCFD Final Report explains that scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty.

Scenarios are hypothetical constructs, and not designed to deliver precise outcomes or forecasts. Instead, scenarios provide a way for organisations to consider how the future might look if certain trends continue or certain conditions are met.

In the case of climate change, for example, scenarios allow an organization to explore and develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect its strategy and financial performance over time.

What scenario analysis is carried out by the Firm?

We have carried out climate-related scenario analysis on certain investment management activities which has been used primarily as a risk management tool, as further described below.

We have approached scenario analysis by reference to transition risks and physical risks, focusing on the exposure of key economic sectors of the investments typically held within the Funds to such risks.

i) Climate Transition Risks and Scenario Analysis Methodology

As explained under section 2(a) above, we have undertaken transition related scenario analysis on 15 Sub-Sectors using 4 transition catalysts: policy, technology, economics, and consumers. We applied the International Energy Agency (IEA) Net Zero Emissions by 2050 (NZE2050) scenario as the basis for scenario modelling across a range of future outcomes. Recognised by the TCFD as an established organisation for publicly available scenario analysis, the IEA represents a comprehensive source to carry out this exercise and includes consideration of policy impacts on energy system evolution, climate change and progress towards the UN SDGs, which is closely aligned with the Firm's responsible investment strategy.

Table 6 reflects the scenarios by catalyst, using IEA World Energy Outlook 2020 & 2023 which then informed a set of framing questions to explore the narratives in more detail, specific to material sub-sectors.

A range of considerations are applied to the Sub-Sector assessment of transition risk, including the dominant risk profile (i.e. whether projects within the Sub-Sector are majority demand or availability based), as well as pre-existing research on transition-related issues undertaken by the Firm.

Methodology Summary

The above narrative and areas of focus resulted in a sub-sector specific risk and opportunity score across the three scenarios:

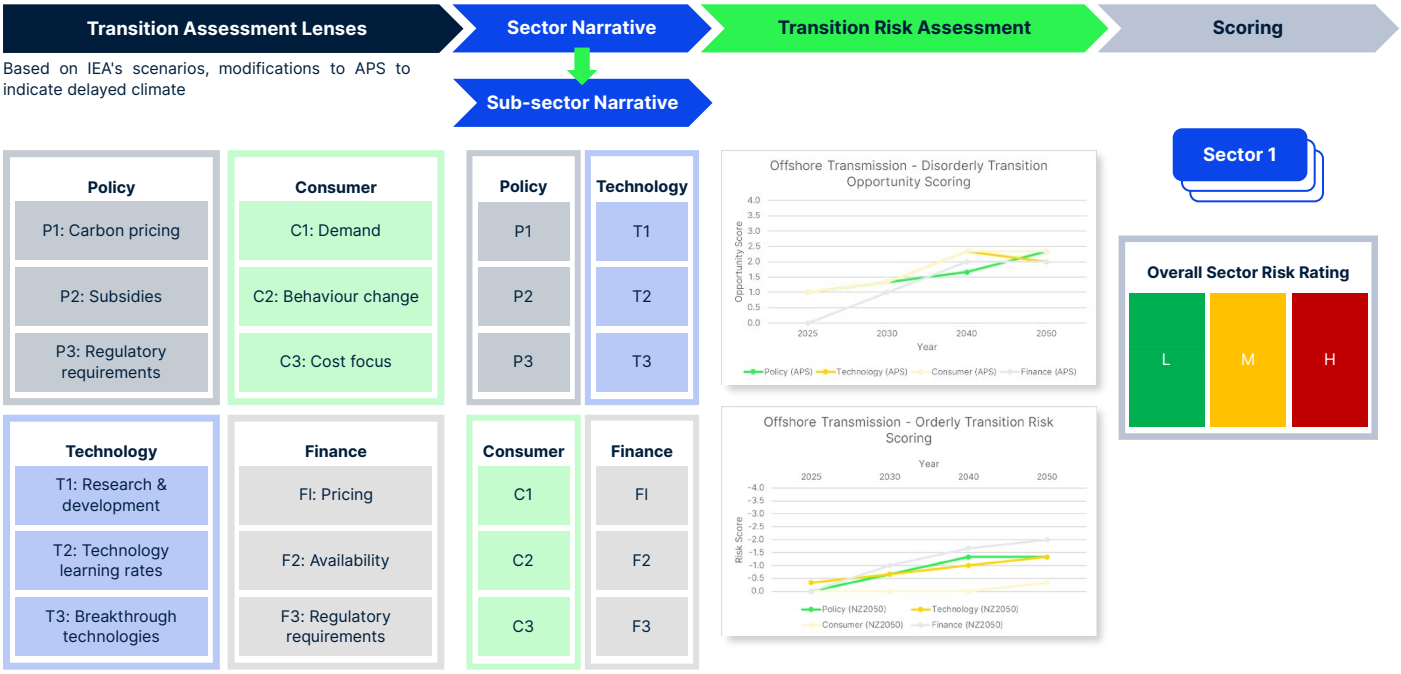
Table 6: Transition scenario analysis methodology

Catalyst	Framing Question
Catalyst 1 – Policy	**Carbon pricing:** ▪ Consider what higher carbon pricing means to the sector in line with IEAs prediction of prices at $125-$140/tCO₂e in 2040 in the Announced Policy Scenario (APS) / accelerated path in NZE2050? **Subsidies:** ▪ Consider how the decline in fossil fuel subsidies could impact the sector, particularly as governments transition away from the support offered today ▪ As the shift takes place, consider the upsides, as well as the likelihood of this leading to a detrimental impact on the sector **Regulatory Requirements:** ▪ Consider as Governments / Nations impose restrictions on fossil fuels what is the level of impact to the sector? ▪ Consider whether the sector is likely to be impacted and/or benefit from a restricted carbon regime?
Catalyst 2 – Technology	**Research and Development:** ▪ Consider existing technology outlook supporting the sector and whether the pace of evolution outlook by the IEA complements or hinders the sector? **Technology Learning Rates:** ▪ Consider the costs associated with advancing technologies and whether this is likely to lead to reduced costs or higher investments to progress technological development? **Breakthrough Technologies:** ▪ Consider what revolutions in advanced technologies across low carbon, hydrogen, carbon capture & energy efficiencies mean for the sector? ▪ Consider the degree of R&D in the new technologies
Catalyst 3 – Consumer	**Demand:** ▪ Consider the levels of energy demand reduction as consumers consciously look to remove reliance on carbon intensive industries **Behaviour Change:** ▪ Consider the degree of change likely to be expected and the options available which could impact the sector **Cost Focus:** ▪ Consider the level of choice customers have which could influence and change the sector
Catalyst 4 – Access to Finance	**Pricing:** ▪ Consider debt & equity costs as a result of policy changes and what this means for the sector? **Availability:** ▪ Consider the degree of policy uncertainty and what this could mean to the sector and the level of volatility for investors? **Regulatory Requirements:** ▪ Consider Governments / Nations outlook on providing finance to support the sector through clearly intended policy ▪ Consider if this is regionalized, or global and the degree of impact to the sector?

IEA Scenario	Details of Scenario
Orderly Transition *Based on IEA's NZE 2050 scoring*	The IEA's **2050 Net Zero Emissions scenario (NZE 2050)** aligns with the TCFD **orderly transition scenario**. It is assumed that climate policies are implemented in a timely fashion and are sufficiently ambitious to maintain net zero emission budgets throughout 2050. It assumes that a rising number of countries and companies are targeting net zero emissions, typically by mid-century, which are sufficient to guide a global transition towards limiting global warming below 2 degrees Celsius.
Disorderly transition *Based on IEA's APS scoring*	The IEA's **Announced Pledges scenario (APS)** results in a **disorderly transition** as countries implement their national climate pledges, which include all recent major national announcements as of the end of August 2023, both 2030 targets and longer-term net zero or carbon neutrality pledges. Acknowledging that announced pledges remain insufficient, the resulting decarbonization legislation remains insufficient, meaning necessary support is not available compared to the orderly transition scenario. The resulting disorderly transition risk is a result of limited support as well as delayed climate legislation. To reflect higher risk of delayed and more sudden transition, risk weights as stated by the initial APS have been shifted by a factor of 1 from earlier years towards the 2040-250 timeframe.
Hothouse World *Based on IEA's STEPS scoring*	This scenario considers countries' current policies in place, which remain insufficient to achieve relevant climate mitigation, maintaining the existing emission growth path. The respective **Stated Policies Scenario (STEPS)** includes policies stated by countries until August 2023. With current measures by countries not aligned to achieve their Nationally Determined Contributions under the Paris Agreement, there is still a large gap between the STEPS projections and the trajectories of scenarios that prevent high physical risks and severe social and economic disruption based on failure to limit temperature rise.

	Opportunities	Risks
Definitions	Transitioning to a lower-carbon economy may enable increase in demand and/or growth/performance for the sub-sector, i.e. through increased subsidies, market opportunities or demand.	Transitioning to a lower-carbon economy will negatively impact the sub-sector's performance, i.e. through increased investment requirements or decrease of available financing.
Opportunity / Risk Scale Rating & Score *Note: Where there is believed to be no risk or opportunity, a score of 0 is applied when assessing the impact of a particular catalyst to the sector.*	**L 1** = Change is limited by nature and unlikely to create demand and/or growth/investment over the time horizon for the sector until 2050. **M 2** = Change provides examples of potential demand and/or growth/investment for the sector. However, they are unlikely to be transformational over the time horizon for the sector until 2050. **H 3** = Change provides compelling demand and/or growth/investment for the sector. The example(s) demonstrate a clear transformation path for the sector over the time horizon until 2050.	**L 1** = Change is limited by nature and is unlikely to materialise over the time horizon for the sector until 2050. **L 2** = Change has the potential to impact the sector, but is not material enough over the time horizon for the sector until 2050. **H 3** = Change is significant to the sector leading to a decline, resulting in a material impact over the time horizon until 2050.
Firm-adjusted Risk / Opportunity Score for each catalyst	Sub-sector scoring is compared to Firm-specific asset class, and based on contractual or national context, deviations are applied to enhance or reduce magnitude of risk/opportunity scoring.	
Overall score for each sub-sector	Sub-sector scores were averaged across catalyst and time frame to derive the overall sub-sector specific risk and opportunity scores across the three scenarios.	

Figure 1: Transition analysis workstream



Results of Assessment

The highest predicted financial risk relates to emerging climate mitigation-related regulation associated with the Social Infrastructure Sector, especially for projects involving the construction and operation of buildings (i.e. Hospitals/Healthcare, Schools etc.) where new building codes and policy requirements may drive costs associated with modernisation.

This, in combination with early market understanding of how to recuperate potential investment costs through existing contractual structures (i.e. under Public Finance Initiative (PFI) agreements) highlights areas of potential risk.

Project risk profiles without market exposure (i.e. availability-based projects) exhibit a reduced risk scoring, but also face limited mitigation options driven by consumer and market dynamics.

Biggest opportunities are identified in renewable energy projects driven by technology developments and increased demand.

Transformations of sub-sectors related to road transportation (Street Lighting, Motorways & Roads) hold further opportunities in energy management (e.g. EV charging) subject to national financial incentive structures.

Since current policies under the hot-house scenario remain insufficient to drive significant change (and thereby do not lead to emerging risks or opportunities), we see a comparable transition risk profile across all sub-sectors.

It is important to note that sub-sector risks and opportunities are not mutually exclusive, and are conditional to the nature of the investment, technology maturity and/or individual project characteristics. **The results provided in this section provide a portfolio-wide perspective but do not reflect the individual circumstances of specific projects.**

Table 7: Transition scenario analysis results

Sub-Sector	AUM	Dominant Risk Profile	Hothouse		Disorderly transition		Orderly transition	
			Risk Score	Opportunity	Risk Score	Opportunity	Risk Score	Opportunity
Electricity Distribution Network	£1.081bn	Availability	-0.3	0.6	-1.1	1.6	-1.2	2.3
Hospitals/ Healthcare	£1.000bn	Availability	-0.9	0.9	-1.6	1.5	-1.9	1.9
Offshore Wind	£0.638bn	Demand	-0.5	0.9	-0.9	2.1	-1.0	2.6
Energy From Waste	£0.606bn	Demand	-0.7	0.9	-1.3	0.8	-1.2	0.8
Smart Meters	£0.594bn	Availability	-0.3	0.9	-0.8	1.6	-0.8	2.3
Motorways & Roads	£0.496bn	Availability	-0.5	0.7	-1.1	1.3	-1.5	1.9
Rolling Stock	£0.427bn	Availability	-0.2	0.6	-0.8	1.3	-0.6	1.7
Onshore Wind	£0.362bn	Demand	-0.5	1.1	-0.9	2.1	-1.0	2.6
Rail Infrastructure	£0.340bn	Demand	-0.2	0.6	-0.9	1.4	-0.7	1.7
Schools	£0.315bn	Availability	-0.9	0.9	-1.4	1.7	-1.7	1.9
Solar PV	£0.261bn	Demand	-0.5	1.1	-0.9	2.1	-1.0	2.6
Student Accommodation	£0.212bn	Availability	-0.9	0.9	-1.1	1.5	-1.3	1.7
Street Lighting	£0.202bn	Availability	-0.1	0.3	-1.1	1.5	-0.9	1.7
Government Building	£0.202bn	Availability	-0.9	0.9	-1.4	1.7	-1.7	1.9
Offshore Transmission	£0.196bn	Availability	-0.3	0.6	-0.8	1.6	-0.7	2.3
Defence Services	£0.181bn	Availability	-0.8	0.5	-1.3	1.3	-1.7	1.5

Risk Score	**Low**	> -1.5	**Medium**	-1.5 to -2.4	**High**	-2.5 to -3.0
Opportunity Score	**Low**	< 1.5	**Medium**	1.5 to 2.4	**High**	2.5 to 3.0

ii) Physical Climate Risks and Scenario Analysis Methodology

The Firm believes that a wide range of organisations are exposed to climate-related physical risks. Physical climate-related scenarios are particularly relevant for organisations exposed to acute or chronic climate change, such as those with: (i) long-lived, fixed projects; (ii) locations or operations in climate-sensitive regions (e.g., coastal and flood zones); (iii) reliance on availability of water; and (iv) value chains exposed to these factors.

Consequently, we have undertaken an assessment of physical climate risk affecting underlying portfolio projects, and for those at greatest risk, a more in-depth assessment of physical risk and resilience measures was undertaken. The assessment was completed using a phased approach, as summarised below:

Methodology Overview

Figure 2: Physical climate risk methodology

Phase 1	Phase 2		Phase 3
Scoping and screening	**Stage 1:** portfolio level climate risk and vulnerability screening for selected Projects	**Stage 2:** Physical climate risk assessment across wider portfolio	Combined climate vulnerability, scenario and mitigation measure analysis for priority Sites
Agree climate hazards, scenarios, time horizons and data sources	Outline an overall climate exposure score for each of the 247 Sites selected	Outline an overall climate exposure score for each Site not analysed in Stage 1 of Phase 2	Detailed level climate risk analysis of assets with greatest risk
Confirm approach and screen Projects based on financial materiality	Evaluate climate vulnerability for the relevant Sites/Projects included within each Stage of Phase 2		Determine resilience and mitigation measures
Explore methodological approaches for linear assets and special cases	Identify high priority assets with the greatest combination of climate exposure and vulnerability	Provide an overview highlighting the climate risk for all Projects in the portfolio	Conduct analysis of existing climate resilience and risk mitigation measures already in place
Technical note & refined workplan	High-level view of key physical climate risks and vulnerabilities of the 50 projects screened in Phase I. Identification of 20 highest risk assets for more detailed analysis in Phase 3	High-level portfolio view of key physical climate risks and vulnerabilities for all infrastructure Project investments as of February 1st 2024	Climate Risk Analysis report for highest risk assets and high-level evaluation of mitigation in place. Detailed Physical Climate Risk Assessment Report

Phase 1 Scoping and Screening

Phase 1 concluded with the initial scoping of the assessment (including methodological approaches, treatment of different project types, and use of scenarios and hazards described in figure 2 above) and financial materiality screening to select the top 50 projects in the Portfolio by AUM for more in-depth analysis through phases 2 and 3 described below.

Phase 2 Portfolio Risk and Vulnerability Screening

Phase 2 comprised of two analytical stages:

1. Determination of physical climate risk to the location of a specific site
2. Analysis of the climate vulnerability of the economic sector associated with a specific project at that site

This combined analysis provided the Firm with a portfolio level climate risk and vulnerability screening which initially covered the top 50 selected projects, but was later expanded to include all projects in the Portfolio.

Phase 3 Climate Vulnerability, scenario and mitigation measure analysis for priority sites

Stage 3 used this combined analysis to identify up to 20 sites with the greatest climate risk and/or financially materiality for progression to Phase 3 further analysis. Phase 3 subsequently provided further detail on the nature and extent, including over time, of the risk(s) to start the development of project-level considerations on monitoring and managing the identified risks.

Detailed Methodology and Analysis

Phase 2 Stage 1 – Physical risk to the location of a specific site

A geospatial analysis was conducted to determine the exposure of each project site in relation to 7 selected climate hazards listed in Table 4 above under the Shared Socioeconomic Pathway (SSP) 5-8.5 scenario (which represents a reasonable worst-case scenario) to a 2050-time horizon.

To ensure that our analysis took into consideration the size of the area that each site covers, the analysis was tailored to the type of site, including a unique approach to single point sites, linear sites, regional sites and offshore transmission lines, as summarised in Table 8 below.

Table 8 – Analytical approach to different site types:

Type of Site	Description	Example	Methodology
Single Point Site	A site identified by a single set of coordinates, inclusive of offshore windfarms	School, Offshore Wind Farm	Analysis of one set of coordinates
Regional Site	Several single point sites located in a distinct geographical region	Telecommunication Towers	Use of aggregate regional data from a third-party source, or where such data was not available, use of a proportionate set or coordinates or, where applicable, use of Intergovernmental Panel on Climate Change (IPCC) regional climate data
Linear Site	Several single point sites located across a project defined as being linear in nature	Motorways and Roads	Analysis of specific locations where appropriate (i.e. the location of specific depot properties along a motorway asset) Where this specificity was not provided / available, a proportionate spread of points across a project was used. For flood risk, the full length of the asset was analysed.
Offshore Transmission	Sites which are offshore transmission lines	Offshore Electricity Transmission (OFTO)	Analysis at the point the asset connects to shore-based network

For each Site location a RAG rating was ascribed to show the geospatial climate risk output from a third-party data provider and denoted as high (red), medium (amber), or low (green) risk for each climate hazard. The score for each climate hazard indicator was based on the thresholds set out below:

Table 9 – Thresholds informing RAG ratings for the Portfolio's climate hazards

Wind	Flood	Extreme Temperature	Extreme Precipitation	Wildfire	Water stress / Drought	Sea-level rise with extreme waves
Daily maximum 3-second wind speed gust with a return period of 5 years	Flood depth with a return period of 100 years	Annual maximum daily maximum dry-bulb temperature with a return period of 10 years	Annual maximum 1-day precipitation with a return	90th percentile of FWI; with a return period of 5 years	Standardised Precipitation-Evapotranspiration Index 12; with a return period of 5 years	Coastal Flooding - Flood depth with a return period of 25 years
Meters per second (m/s)	Meters above ground (m)	Days above threshold (d)	Millimeters (mm)	Fire Weather Index (fwi90p)	Standardised Precipitation-Evapotranspiration Index (spei12)	Meters(m)
<20	**<0.2**	**<30**	**Less 50**	**<11**	**<-1.5**	**<0.2**
20<x<35	**0.2<x<0.5**	**up to 35**	**up to 90**	**11<x<30**	**-2**	**0.2<x<0.5**
>35	**>0.5**	**>35**	**Above 90**	**>30**	**-2.5**	**>0.5**

Note:
Green = low
Amber = medium
Red = high

For example, when analysing a site in relation to the climate hazard extreme precipitation, if the model showed an annual maximum 1 day precipitation rate of above 90mm then it would score a '3' and would be allocated a Red RAG rating to demonstrate the site has a high risk of extreme precipitation.

Phase 2 Stage 2 – Analysis of climate vulnerability by economic sector

The second part of our analysis focused on the climate vulnerability associated with the sector of a project at a particular site.

Vulnerability is a semi-quantitative evaluation of the predisposition of a project within a given economic sector being adversely affected by one or more climate hazards. As described in part 2 above, to evaluate the vulnerability of a project site we have considered its economic sector and used a metric which accounts for the economic sector's sensitivity to each hazard type and the likely severity of any impact due to exposure to each climate hazard, such as interruption of services.

A sector sensitivity matrix was developed specifically for the Firm's Portfolio which reflects the climate vulnerability of each sector. The matrix was developed using the information provided in the European Bank for Reconstruction and Development (EBRD) report 'Advancing TCFD Guidance on Physical Climate Risks and Opportunities'[4]. The scores provided in the EBRD report were adjusted to align with our portfolio characteristics, providing a high-level evaluation of sector sensitivity reflecting the potential ways in which financial impacts could arise, considering the prevalent activities of the sector and how these could be affected by the materialisation of climate risks.

For the avoidance of doubt, the development of a sector sensitivity matrix did not analyse the unique characteristics of each asset's business model and operating location but instead considered the likely financial impacts to projects within the sector, such as reduced revenues, increased operating and capital expenditure, higher insurance premiums and reduced asset valuation.

[4] Available to read here: EBRD Report

Table 10: The Firm's sector sensitivity matrix

Key	
High	High vulnerability to climate hazards for the firm's sub-sector's
Medium	Medium vulnerability to climate hazards for the firm's sub-sector's
Low	Low vulnerability to climate hazards for the firm's sub-sector's

Sub-sector	Storms and cyclones	Flood	Extreme heat	Extreme precipitation	Wildfire	Water stress / drought	Sea-level rise with extreme storm
Hydro Run of River	High	High	Medium	High	Low	High	High
Offshore Wind	High	Low	Low	Low	Low	Low	High
Onshore Wind	High	High	Low	Low	Low	Low	High
Solar PV	High	High	Low	Low	Low	Low	High
Hydro Dam	High	High	Low	High	Low	High	High
Energy from Waste	High	High	Low	Low	Medium	Medium	High
Anaerobic Digestion	High	High	Medium	Low	Medium	Low	High
Waste to Power Generation (Biomass Waste Wood)	High	High	Medium	Low	Low	Low	High
Gas distribution	High	High	Low	Low	Low	Low	High
Electricity distribution	High	High	High	Medium	High	Low	High
Hospitals / Healthcare	High	High	High	Low	Low	Medium	High
Ports	High	High	Medium	Low	Low	Low	High
Defence Services	High	High	Low	Low	Low	Low	High
Bus Transportation	High	High	Medium	Low	Low	Low	High
Rail Infrastructure	High	High	High	Low	Low	Low	High
Motorways & Roads	High	High	High	Medium	High	Low	High
Smart Meters	High	High	Medium	Low	Low	Low	High
Assisted Living/ Mental Health Facilities	High	High	High	Low	Low	Low	High
Student Accommodation	High	High	High	Low	Low	Low	High
Schools	High	High	High	Low	Low	Low	High
Rolling Stock	High	High	Medium	Medium	Medium	Low	High
Data Distribution Networks	High	High	Low	Low	Low	Low	High
Government Buildings	High	High	High	Low	Low	Low	High
Telecom Towers	High	High	High	Medium	High	Low	High
Street Lighting	High	High	High	Medium	High	Low	High

Combined sector accounted climate risk rating (aggregating (1) and (2)):

Applying the IPCC definition of climate risk (**risk = hazard * vulnerability**), the individual climate hazard risk analysis for each site was multiplied by the economic sector vulnerability rating to provide an overall sector-accounted climate risk rating. The sector-accounted climate risk rating provides a weighted average of both the climate hazard and sector vulnerability.

Selection of priority sites:

The final step of Phase 2 involved identifying up to 20 sites which are at greatest climate risk and/or financially materiality for more detailed analysis on mitigation measures in Phase 3. An iterative approach was used to identify the 20 priority sites based on:

- The top 40 sites with the highest sector-accounted climate risk rating
- Additional sites in the top 10 financial materiality but not already included in the top 40 sites
- Additional sites where the location of the site and the associated sub sector were high risk for the same climate hazard but were not already included in the top 40 sites

This yielded a sample of sites where physical climate risk was the most material to the Portfolio. The climate risks which are relevant to a specific Fund, and the likely impact of those climate risks on the returns of the Fund, are separately disclosed in the product documentation for that Fund.

Phase 3 combined climate vulnerability, scenario and mitigation analysis for priority sites

A critical climate risk analysis of the 20 sites selected in Phase 2 was undertaken, using significant physical hazard indicators (e.g., max temperature and duration of heatwaves) for two different climate scenarios. RCP 8.5 was used as a high emissions 'worst case' scenario and RCP 4.5 as a medium emissions scenario, denoting a reduced level of physical risk. This demonstrates the hazard and exposure evolution during the time of the investment (i.e., up to 2050) with two reference time windows (i.e. the average of 10 years with central years at 2030 and 2050). The decision to apply two different scenarios in Phase 3, compared to the use of a single 'reasonable worst case scenario' in Phase 2, was to provide an opportunity for comparison between the changes in risk profile for critical sites.

After developing a clearer understanding of the explicit climate hazards and exposure to the specific sites, site vulnerability was considered. A high-level review was conducted to establish the existing climate resilience and climate risk mitigation measures already in place or planned for each of the short-listed projects, to the extent data availability allowed. Details on how the outcomes of this scenario analysis forms part of the Firm's general risk management approach is provided below.

Use of these scenarios in the Firm's investment and risk processes:

The Firm uses the output of its scenario analysis in its investment management and risk management processes, as described below. The Firm approaches this primarily from the perspective of sustainability risk management, rather than seeking to make use of climate scenarios as an investment opportunity.

While the Firm's investment professionals are provided with information on scenario analysis and are encouraged to take scenario analysis into account when making an investment decision and monitoring asset performance, scenario analysis would not by itself prevent the Firm from making any investment. Instead, scenario analysis forms part of the overall sustainability risk management process, and is one of many inputs which may, depending on the specific investment opportunity, be relevant to a determination of risk. However, the Firm does not apply any absolute risk limits or risk appetite thresholds which relate exclusively to scenario analysis as a separate category of input into the risk management process.

Example applications of climate scenario analysis

We developed management surveys to gather further details from management teams at project level on the physical and non-physical mitigation measures in place, the operations and processes on site that may be sensitive to climate-related hazards, and the extent to which climate-related risk was understood.

Mitigation measures were analysed against the climate risks identified to determine whether the measures are, at a high level, appropriate for reducing the potential hazard impact. The mitigation measures identified were categorised into groups using the IPCC defined categories for adaption actions (Ecological, Structural, Behavioural, or Institutional). For the avoidance of doubt, a detailed assessment of the adequacy of climate mitigation measures has not been undertaken.

Table 11: Example mitigation analysis

Sector	Material Climate Risks Identified	Mitigants Identified	Outcome of Engagement
Onshore Wind	Extreme temperature and large increases in heatwave duration were identified as priority hazards given the nature of the sector and geographical location of the project.	Responses to the management surveys highlighted several mitigation measures have been identified, including heat health action planning. Climate resilience measures were also factored into design, operations and maintenance of the site, and weather conditions are forecasted and monitored over time.	Enquiry into the temperature resilience, including maximum temperature threshold of the installed turbines and liaison with technical team on planned response to this threshold being breached.
Electricity Distribution Network	Flooding and extreme temperature increases were identified as priority hazards given the nature of the sector and geographical location of the project.	Several mitigation measures have been identified, for example, air conditioning reducing the risk of systems overheating in the operation centre and regular inspections of bridge expansion joints. The site also has regulation-conforming transformer buildings reducing the potential hazard impact of extreme precipitation.	Engagement with management team has led to review of mitigation measures and consideration of additional measures to provide resilience against extreme temperature over the long term.

iii) Transition planning

The Firm is incorporated in the UK and operates mainly in the UK. We note that in June 2019, the UK Government committed to a 100% reduction of GHG emissions by 2050 compared with 1990 levels. This is referred to as the net zero target. The Government stated that net zero means "*any emissions would be balanced by schemes to offset an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage*" [5].

In January 2024, the Firm became a signatory to the Net Zero Asset Managers Initiative (NZAMI) and intends to apply the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework (NZIF) guidance for infrastructure as the basis for measuring and managing portfolio emissions performance in line with the achievement of net zero by 2050 or sooner. As such, the Firm will increasingly seek to apply consideration to the UK's net zero target as part of the way in which it monitors emissions performances across the Portfolio.

The IIGCC NZIF establishes the following criteria for measuring and managing emissions performance. The Firm has 12 months from the date of joining the NZAMI to apply this framework and establish portfolio coverage targets against the following criteria:

[5] For further details on the UK government's net zero target, please refer to: https://commonslibrary.parliament.uk/research-briefings/cdp-2023-0124/

Table 12: IIGCC NZIF for measuring and managing emissions performance.

Criteria	Net Zero	Aligned	Aligning
1. Long-term goal for the asset to be net zero emissions by 2050 or sooner	Asset with emissions intensity required by the sector and regional pathway for 2050 and whose operational model will maintain this performance	X	X
2. Short-and medium-term targets for scope 1, 2 and material scope 3 emissions inline with science based 'net zero' pathway. These may be absolute, or intensity based: a) Where available, a sectoral decarbonisation / carbon budget approach should be used b) Minimum for other assets is a global or regional average pathway		X	X
3. Current and forecast emissions performance (scope 1,2 and material scope 3) relative to target or net zero benchmark/pathway, or an asset's science-based target		X	**Either:** Compile and disclose **OR** Criteria 1,2,4 and 6
4. Disclosure of Scope 1 and 2 emissions, and disclosure of material scope 3, in line with regulatory requirements were appliable or the PCAF standard		X	X
5. Development and implementation of a quantified plan setting out a decarbonisation strategy for scope 1, 2 and material scope 3		X	
6. Governance/management responsibility for targets / decarbonisation plan		X	X

Looking ahead, the Firm will consider the relevant guidance issued by the Transition Plan Taskforce (TPT) as part of its evolving climate-related strategy, objectives, and priorities. However, at the date of publication of this Report, the Firm has not expressly accounted for the TPT's guidance to formulate a transition plan.

Part 3:

Risk Management

This Part of the Report discloses how the Firm identifies, assesses, and manages climate-related risks.

A. The Firm's processes for identifying and assessing climate-related risks

This sub-section of the Report summarises the Firm's processes for **identifying** and **assessing** climate-related risks. (For reference, the material climate-related risks that have been identified in practice by the Firm are summarised in sub-section 2(a) of this Report).

We have implemented processes to identify and assess sustainability risks, which effectively includes climate-related risks as a key category of sustainability risks in practice. However, we have not implemented any bespoke processes specifically related to climate risks alone.

In the summary set out below, we generally refer to "sustainability risks", and this should be understood as implicitly including climate-risks, where relevant.

Identification of sustainability risks

Our process to **identify** sustainability risks is integrated throughout the investment lifecycle, with a strong focus on materiality and relevance to investment performance, as well as outcomes for communities served by underlying infrastructure projects. Although we do not specifically seek to identify climate-related risks, in practice, climate risks are a key sub-category of sustainability risks.

Accordingly, the Firm takes into account "sustainability risks", being an ESG or climate-related event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment made by a Fund, in its investment decision making process in accordance with our Responsible Investment Policy.

Sustainability risk analysis is a fundamental component of the Firm's Responsible Investment Process and is the responsibility of the relevant investment team and ultimately the FIC when making investment decisions.

We consider a broad range of sustainability risks in assessing potential investment opportunities and throughout the ongoing investment monitoring period, including through the following processes:

1. Investment Universe	2. Negative Screening	3. Positive Screening	4. Due Diligence	5. Monitoring
A restricted investment universe of core infrastructure sectors which inherently contribute towards positive sustainability outcomes	Confirmation that the project does not violate an exclusions and restrictions list	Targeting project sustainability criteria which supports the ongoing promotion of positive sustainability outcomes aligned with the commercial objectives of the project	Assessment of material sustainability risks and opportunities associated with the project	Ongoing monitoring of sustainability performance through the integration of ESG and climate-related data as part of the Firm's approach to ongoing asset management

We consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) applicable to the investments held in the Portfolio as a source of sustainability risk. When designing and implementing the sustainability-related criteria for a Fund, we apply several strategies to integrate climate considerations, including regulatory requirements as explained under part 2(b)(ii) above.

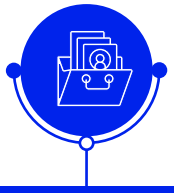
The Firm may engage with certain investee companies in respect of disclosure by those companies of data relating to sustainability risks or climate risks. There are several approaches that the Firm takes to achieve this, including:

Due Diligence

The ESG DD toolkit includes a management questionnaire which requests information from the vendor on a range of topics, including GHG emissions, climate risk, and reporting to the extent this information is available

Monitoring

The Firm's annual ESG assessment requests investee project to report against climate related topics, including GHG emissions, physical risk, and transition risk



Portfolio Initiatives

Specific projects undertaken at portfolio level in order to assess climate-related risk, and applying scenario analysis, as summarised under part 2(c) above

Assessment of sustainability risks

The Firm considers that certain sustainability risks can have a material impact on investment performance. Consequently, consideration of sustainability risks is integrated into our investment decision making and ongoing asset management processes.

The likely impacts in the event a sustainability risk materialises will vary depending on the specific investments made (for example impact may vary due to geographic location, asset class or protective measures taken).

Examples of where potential impacts may arise include:

Environmental

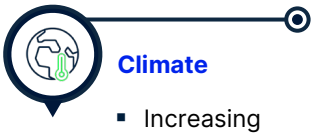
- Energy consumption
- Energy efficiency
- Water consumption,
- Waste management
- Biodiversity
- Pollution

Social

- Health and safety
- Community relations

Governance

- Legal and regulatory compliance
- Management competency
- Board oversight
- Effective policies and processes



Climate

- Increasing probability and severity of physical climate change impacts
- Transition-related risks
- Greenhouse gas emissions

The Firm's process to identify and **assess** sustainability risks takes a variety of forms, including:

- Completion of a pre-investment ESG DD toolkit, which encourages a materiality-based approach to identifying relevant sustainability considerations for the sector of an investment opportunity, as well as highlighting potential sustainability risks
- Third-party ESG and sustainability due diligence, where required, taking into consideration the size and nature of an investment opportunity and stage in the deal lifecycle
- Agreement and implementation of a post-investment ESG and sustainability action plan, where required to mitigate identified risks and / or uplift performance in line with Fund criteria

Sustainability risks continue to be monitored during the investment period through ongoing ESG and climate-related data collection and reporting, as well as targeted engagement with investee projects to share key insights on ESG performance, increase sustainability-related competency in areas such as ESG reporting, and improve understanding of key sustainability-related risks and opportunities.

Whilst the Firm seeks to actively reduce the likelihood of sustainability risks negatively impacting the returns of an investment through the measures summarised in this section, it cannot be ruled out that the materialisation of a sustainability risk may negatively impact the value of a Fund and investment returns.

B. The Firm's processes for managing climate-related risks

This sub-section of the Report summarises the Firm's processes for **managing** climate-related risks. For reference, the material climate-related risks that have been identified in practice by the Firm are summarised in sub-section 2(a) of this Report.

We now summarise how sustainability risks (including climate, as a sub-set of broader sustainability risks) impact on the Firm's management of relevant Portfolios. We focus in particular on the steps taken by the Firm to mitigate sustainability risk exposure through the investment process.

The Firm measures sustainability risk according to two metrics. The first is **likelihood of occurrence** of each risk, the second is **severity of impact** should the risk occur. Each identified category of risk is assigned a "**Risk Rating**" score, which is recorded in the Firm's ESG Risk Register.

The Firm's Exclusionary Screening strategy, as described in sub-section 2(b)(i) above is also applied to reduce exposure to sectors and activities which are high risk over the Firm's long-term investment horizon.

While the Firm's investment professionals are provided with information on sustainability and climate investment risks and are encouraged to take these risks into account when making an investment decision, climate and sustainability risk would not by itself prevent the Firm from making any investment, unless it does not comply with the Firm's exclusion list or restricted activities.

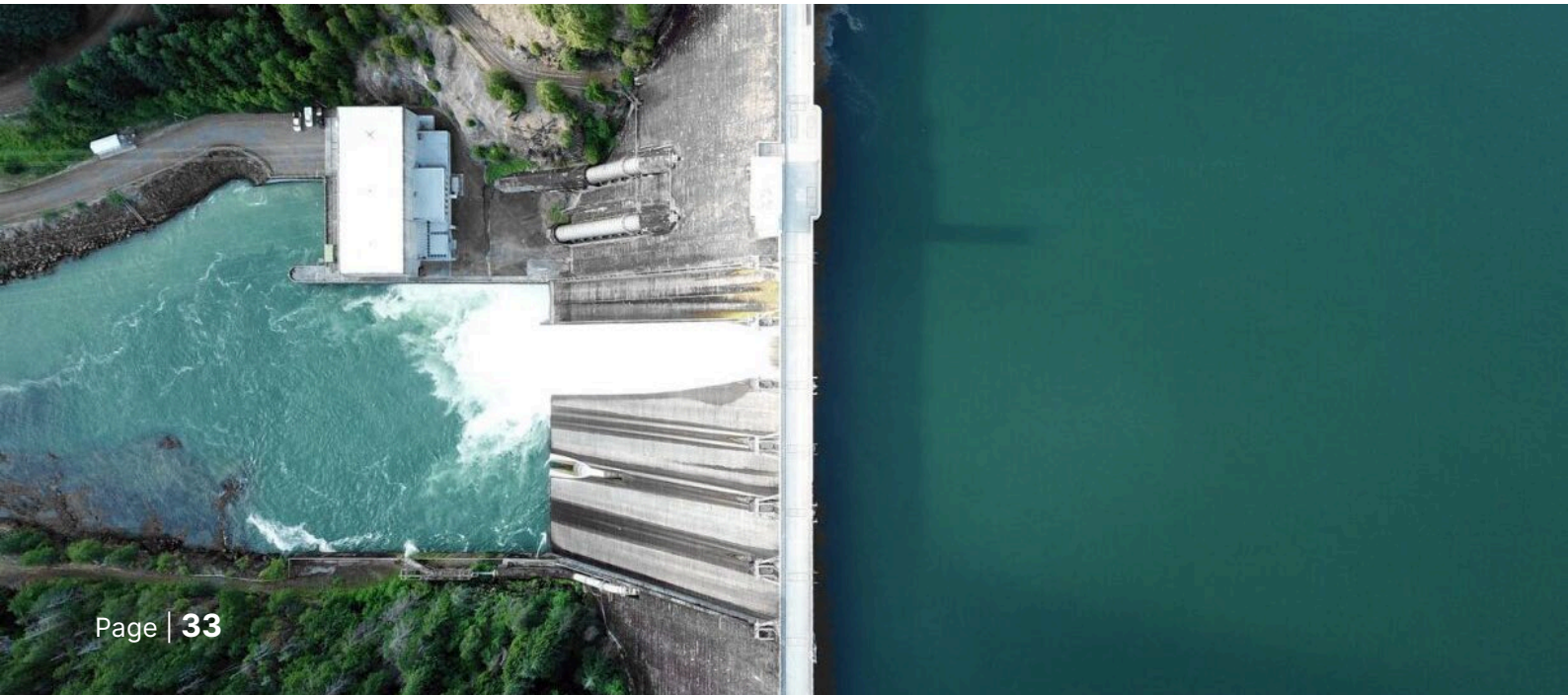
Instead, climate and sustainability risk forms part of the overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to a determination of risk. However, the Firm does not apply any absolute risk limits or risk appetite thresholds which relate exclusively to climate or sustainability risk as a separate category of risk.

C. Integration into the Firm's overall risk management framework

The Firm's processes for identifying, assessing and managing climate-related risks (as summarised in sub-sections 3(a) and 3(b) of this Report, above) are integrated into the Firm's overall risk management processes as follows:

- Established and implemented a risk management framework. The framework identifies the risks which relate to the Firm's activities, processes and systems, and set the level of risk tolerated;
- Adopted arrangements, processes and mechanisms to manage the risks to which the Firm is exposed, in light of that risk tolerance;
- Implemented periodic update and review processes, in respect of the accuracy and completeness of risk exposure and risk tolerance; and
- In lieu of a permanent risk management function, Internal Audit has implemented and operates the risk management framework and facilitates the business area operation of the framework reporting to senior management on risk matters.

The Firm's sustainability risk management processes (which include climate risks), as summarised in sub-sections 3(a) and 3(b) above, are integrated into the general investment risk management processes summarised above.



Part 4:

Metrics and Targets

This Part of the Report discloses the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

A. Metrics to assess climate-related risks and opportunities

The Firm, together with group affiliates, uses a variety of metrics to assess climate-related risks and opportunities across specific Funds, investment strategies and/or investments. Some of these Fund, strategy or investment specific metrics are not included in this entity-level report but may be included in individual product-level reports that are made available to the Firm's clients on request.

At an entity-level, across the portfolio, the Firm tracks the following key ESG metrics to the extent they are available and reported on at project level:

Table 13: ESG metrics tracked by the Firm.

Climate Metrics	Environmental Metrics	Social Metrics	Governance Metrics
▪ Financed Scope 1 GHG emissions ▪ Financed Scope 2 GHG emissions ▪ Financed Scope 3 GHG emissions ▪ Carbon footprint ▪ Weighted average carbon intensity ▪ GHG intensity of investee companies ▪ Renewable Energy generated ▪ Scope 4 Avoided Emissions ▪ Exposure to companies active in the fossil fuel sector	▪ Non-renewable energy consumption ▪ Non-renewable energy production ▪ Energy consumption intensity per high impact climate sector ▪ Activities negatively affecting biodiversity-sensitive areas ▪ Emissions to water ▪ Hazardous waste ratio	▪ Unadjusted gender pay gap ▪ Average board gender diversity ▪ Community initiatives spend ▪ Projects with health and safety policies in place ▪ Projects with modern slavery policies in place ▪ Projects with anti-discrimination policies in place	▪ Projects with anti-corruption / anti-bribery policies in place ▪ Corruption and bribery incidents ▪ Projects with entity-specific ESG policies in place ▪ Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights ▪ Lack of processes and compliance mechanisms to monitor compliance with OECD Guidelines for Multinational Enterprises or the UN Guiding Principles including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights ▪ Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Climate Metrics

This sub-section of the Report sets out the metrics used by the Firm to assess climate-related risks and opportunities. We refer here to the material climate risks and opportunities as already identified in sub-section 2(a) of this Report, above.

Climate risks and applicable metrics

Table 14 and Table 15 below summarise the climate risks which could have a material financial impact on the Portfolio, and the metrics used to assess those risks. These are sub-divided into transition risks and physical risks.

Table 14: Climate transition risk metrics tracked by the Firm

The Firm has not formulated any specific quantitative metrics to formally understand and assess transition risks at this stage. Instead, the Firm makes use of qualitative assessments of risk exposure as described under sub-section 2 (C) above. The Firm also tracks exposure to companies active in the fossil fuel sector, as described below.

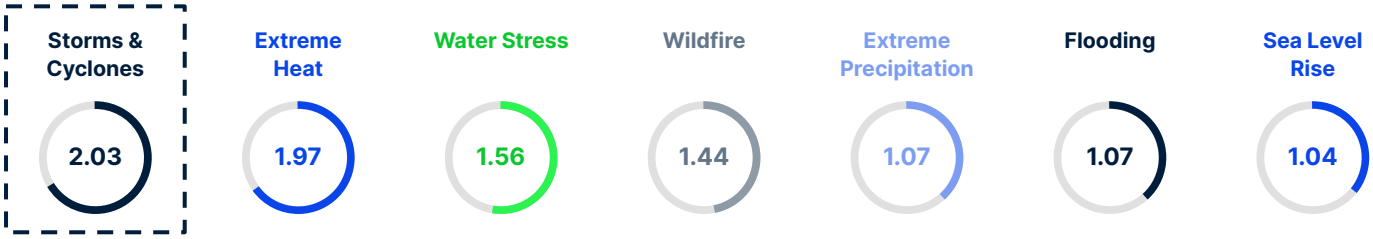
Metric (As at 31 Dec 2023)		Historical trends
Companies active in the fossil fuel sector	**2% AUM exposure to companies active in the fossil fuel sector during the period** *Defined as (i) companies that derive any revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite; (ii) companies that derive any revenues from the exploration, extraction, distribution (including transportation, storage and trade) or refining of liquid fossil fuels; and (iii) companies that derive any revenues from exploring and extracting fossil gaseous fuels or from their dedicated distribution (including transportation, storage and trade)*	This Report is the Firm's first TCFD Report. Historical trends will be reported in future reports

Table 15: Climate physical risk metrics tracked by the Firm

Certain quantitative physical climate risk metrics are used by the Firm to understand and assess how the Portfolio is vulnerable to physical climate hazards, as summarised below.

Most prominent climate hazard across the portfolio:

Equitix averaged the sector-adjusted climate risk scores for each site across each climate hazard. The results highlighted that, portfolio wide, the climate hazard 'storms and cyclones' was the highest scoring reflecting the most prominent climate hazard across the portfolio. This data summarises the physical risk score for the portfolio by 2050 under a SSP 5-8.5 worst-case climate scenario.



This Report is the Firm's first TCFD Report. Historical trends will be reported in future reports

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Climate opportunities and applicable metrics:

Table 16 summarises the climate opportunities which could have a material financial impact on the Portfolio, and the metrics used to assess those opportunities.

Table 16: Climate transition opportunity metrics tracked by the Firm

Certain quantitative climate opportunity metrics are used by the Firm to the measure proportion of projects aligned with opportunities associated with the transition to a low-carbon economy.

The Firm uses the following metrics:

Metric (as at 31 Dec 2023)		Historical trends
% AUM invested in **renewable energy projects**	**23%**	This Report is the Firm's first TCFD Report. Historical trends will be reported in future reports.
£ invested in **renewable energy projects**	**£2.6bn**	
Renewable **energy generation capacity** of Portfolio[6]	**8 GWe**	
Scope 4 **Avoided Emissions**[7]	**6,894,935 tCO_2e**	
% of AUM contributing to Sustainable Development Goal **(SDG) 7: Affordable and Clean Energy**	**35%**	

Remuneration policies:

As stated under the Firm's Article 5 SFDR disclosure on remuneration policies in relation to the integration of sustainability risks, employees are required to read and comply with our Responsible Investment Policy as is appropriate for the exercise of their role within the business. Exercising this role to the standards expected in the Responsible Investment Policy is one factor managers conducting annual performance reviews may consider when making remuneration decisions.

Alignment with a *"well below 2 degrees"* scenario

At present, the Firm is not systematically measuring the extent to which the Portfolio is aligned with a "well below 2 degrees" scenario. However, the Firm's status as a signatory to the NZAMI and its intention to apply the IIGCC NZIF demonstrates a commitment to improve quantification on the extent to which the Portfolio is aligned to such a scenario.

[6] Metric is nominal - relative equity share is not considered i.e. values are totals, not pro rata for Equitix ownership %. Capacity numbers used by the Firm reflect operational assets, as well as the forecast capacities for assets under construction.

[7] Equitix uses DESNZ's "all non-renewable fuels" emissions statistic of 424 tonnes of carbon dioxide per GWh of electricity supplied in the Digest of UK Energy Statistics (July 2023) Table 5.14 ("Estimated carbon dioxide emissions from electricity supplied"). Metric is nominal – relative equity share is not considered i.e. value are totals, not pro rata for Equitix ownership %. Generation numbers used by the Firm reflect operational assets' renewable electricity generation from January to December 2023.

B. Scope 1, Scope 2, and Scope 3 GHG emissions, and the related risks

In this sub-section of the Report, we disclose certain climate-related data.

This data is provided on an aggregated basis, across the entire Portfolio managed by the Firm. The data points below relate to the emissions of the investments held across all Funds (and not, for the avoidance of doubt, to the Firm itself). The Firm calculates in accordance with the GHG Protocol and Partnership for Carbon Accounting Financials (PCAF).

Table 17: Portfolio GHG emissions data (Year end 31 December 2023)

Data point	Definition / methodology	Data point (31 Dec 2023)	Data coverage & PCAF Score (%AUM)	Historical data	Further notes
Scope 1 GHG emissions (tCO_2e)	**Direct GHG emissions** Direct GHG emissions occur from sources that are owned or controlled by the investee company, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc, emissions from chemical production in owned or controlled process equipment.	**1,023,690**	1a: 11% 1b: 25% 2a: 5% 3b: 24% Total: 66%	This Report is the Firm's first TCFD Report. Historical trends will be reported in future reports.	The following notes apply to all of the disclosures. ***Attribution factors:*** In the equity ownership approach, GHG emissions are attributed by dividing the carrying value of the investment by its enterprise value (debt and equity). ***Data quality:*** Ratings are defined in accordance with the PCAF methodology for Project Finance, and percentages are measured by AUM as at 31st December 2023. The distinct ratings are defined and applied as follows: **1a:** Verified emissions reported by the project. **1b:** Unverified emissions reported by the project. **2a:** Project emissions calculated using primary physical activity data for the project's energy consumption and emission factors. **3b:** Emission factors for the sector per unit of asset or economic activity-based emission factors from similar projects are known. Where current year data are unavailable, previous year data are used, which include estimations based on carbon intensities of assets in the same sector (e.g., tCO_2e per number of beds in the Hospital/Healthcare sector). ***Scope 2 GHG emissions:*** The difference in location- and market-based emissions is explained by certain assets reporting electricity consumption purchased through a 'green' or 'renewable' contractual instrument. ***Related risks:*** Emissions are a prime driver of rising global temperatures and, as such, are a key focal point of policy, regulatory, market, and technology responses to limit climate change. As a result, organizations with significant emissions are likely to be impacted more significantly by transition risk than other organizations. In addition, current or future constraints on emissions, either directly by emission restrictions or indirectly through carbon budgets, may impact organizations financially.
Scope 2 GHG emissions (tCO_2e)	**Electricity indirect GHG emissions** Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the investee company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated.	Location-based: **41,630** Market-based: **40,681**	1a: 11% 1b: 22% 2a: 17% 3b: 27% Total: 76%		
Scope 3 GHG emissions (tCO_2e)	**Other indirect GHG emissions** Scope 3 is a reporting category that allows for the treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the investee company but occur from sources not owned or controlled by the company. Some examples of scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of sold products and services.	**68,311**	1a: 11% 1b: 16% 2a: 0% 3b: 8% Total: 35%		
Total Carbon Emissions (tCO_2e)	The absolute greenhouse gas emissions associated with the Product, expressed in tonnes CO_2e. Scope 1, Scope 2 and Scope 3 GHG emissions of an investee company are allocated based on an equity ownership approach.	**1,132,682**	71%		
Total Carbon Footprint (tCO_2e / £m invested)	Total carbon emissions for the Portfolio normalised by the market value of the Portfolio, expressed in tonnes CO2e/m invested. The value of the Portfolio as at the Calculation Date is used to normalise the data.	**120**	71%		
Weighted Average Carbon Intensity (tCO_2e / £m revenue)	Portfolio's exposure to carbon-intensive companies, expressed in tons CO_2e / £m revenue. The formula can be expressed as: $\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{current portfolio value}} * \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's \$M revenue}_i}\right)$	**134**	71%		

C. Targets used to manage climate-related risks and opportunities

The Firm has not yet established any climate-related targets in its management of the Portfolio. However, as a recent signatory of the Net Zero Asset Managers Initiative, we are required to set emissions-related targets, including establishment of baseline alignment and portfolio coverage targets to be aligned or aligning to net-zero, defined by Table 12.

Glossary

Task Force on Climate-Related Financial Disclosures (TCFD):

The Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 to improve and increase reporting of climate-related financial information covering 4 key topics: Governance, Strategy, Risk Management and Metrics and Targets in relation to climate related transition and physical risk.

Sustainable Development Goals (SDGs):

Developed by UN Member States in 2015, SDGs are the universal blueprint for translating a vision of sustainable development into 17 tangible targets to achieve by 2030, covering the economy, social development and the environment.

Sustainable Finance Disclosure Regulation (SFDR):

EU regulation setting out a framework for how financial market participants and financial advisers must communicate sustainability information to investors.

IIGCC Net Zero Investment Framework for infrastructure:

Released in June 2022 and endorsed by the Net Zero Asset Managers Initiative, the document provides guidance for investors on aligning and managing infrastructure portfolios with the goal of achieving global net zero emissions by 2050 or sooner.

Net Zero Asset Managers Initiative (NZAMI):

An international group of asset managers committed, consistent with their fiduciary duty to their clients and beneficiaries, to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

Partnership for Carbon Accounting Financials (PCAF):

The global greenhouse gas accounting standard aiming to align the financial industry with the Paris Climate Agreement by assessing and disclosing GHG emissions financed by financial institutions enabling transparency in the financial industry.

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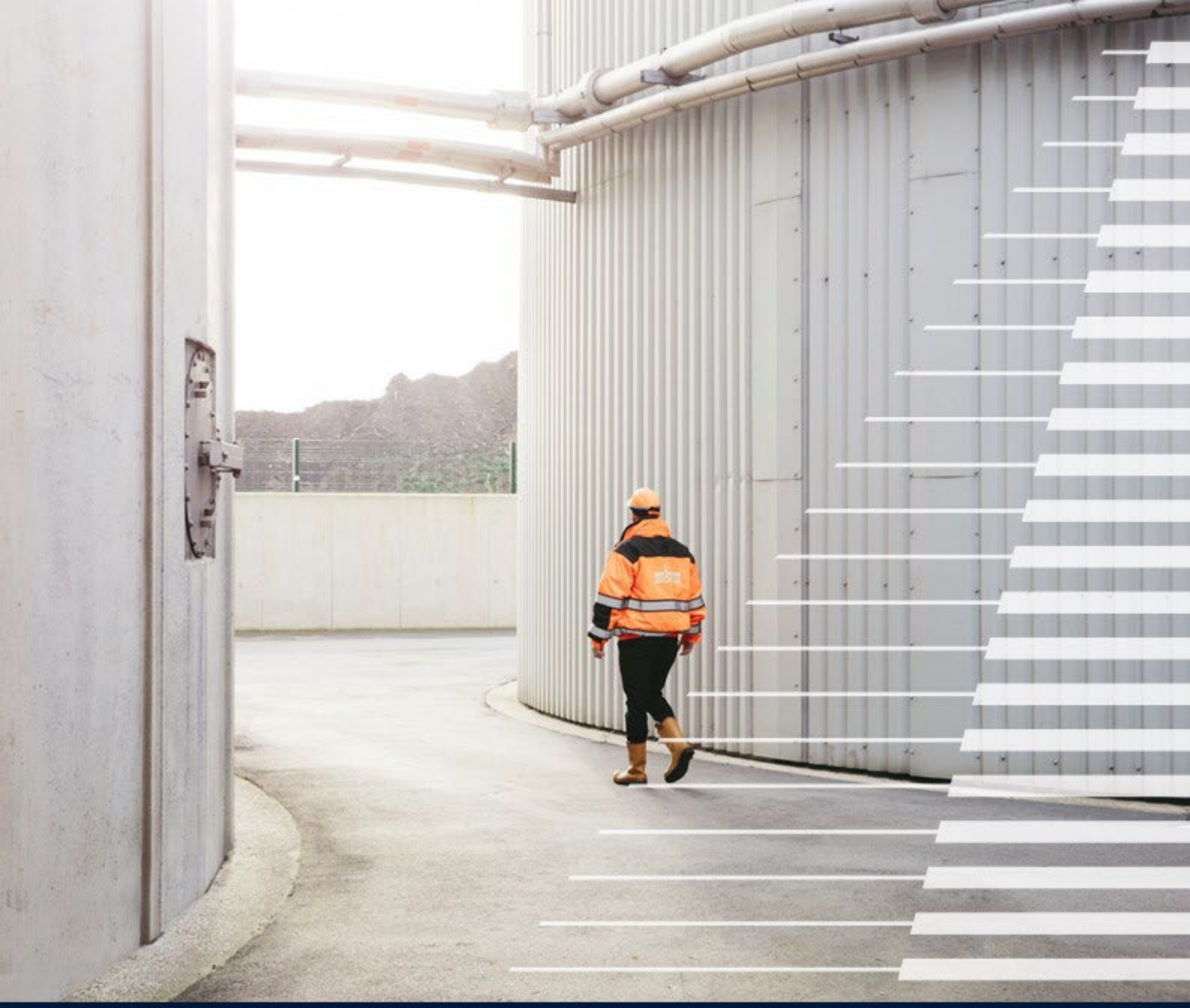

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