RESPONSIBLE INVESTMENT REPORT 2021

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EXECUTIVE SUMMARY

This document represents the first comprehensive report covering a broad range of responsible investment factors relevant to ATLAS Infrastructure's investment process, the ATLAS Infrastructure Australian Feeder Fund and the ATLAS Global Infrastructure Fund (both funds referred to as "the Global Strategy").

ATLAS Infrastructure ("ATLAS") believes that the provision of high-quality infrastructure is critical to sustainable and inclusive economic growth, environmental protection, societal development and to the reduction of inequality. ATLAS sees its role as investing in infrastructure to further these objectives, and in doing so, ATLAS believes it can provide its clients with long term sustainable investment outcomes. A key element of delivering these outcomes is the incorporation of environmental, social and governance ("ESG") considerations at every stage of investment analysis and decision making as well as in the operation of our own organisation.

The ATLAS approach to responsible investment has been embedded in a range of governance functions within the organisation including an independent Investment Governance Board and a Climate Advisory Board both of which provide ATLAS with significant additional expertise and oversight.

In accordance with ATLAS' strong focus on ESG and climate change since inception, key developments in the reporting period were as follows:

- The ATLAS Global Infrastructure Fund was designated as an Article 8 fund in accordance with Sustainable Finance Disclosure Regulation ("SFDR")
- Established a separate Climate Advisory Board (previously part of the Macro Advisory Board), adding Randolf Brazier and Amandine Denis-Ryan alongside founding member Ben Caldecott to provide dedicated focus on climate policy implications
- Implemented ability to forecast emissions over the long term for each company in its investment universe (scope 1, 2 and 'Network Emissions' as proxy for scope 3)
- Established emissions related portfolio construction guidelines and limits aligned to Net Zero pathways
- Participated in joint initiatives as part of our work with the IIGCC and Ceres among other organisations
- Developed an updated Diversity and Inclusion Policy complete with explicit gender equality targets.

Recognising our continued leadership in embedding climate change considerations within our investment processes, ATLAS was awarded 'Best Climate Impact Responsible Investor' from CFi.co in both 2020 and 2021.

We hope this report provides the reader with a broad range of information and data which provides insights into the actions taken by ATLAS to meet its various commitments and obligations.

Key Portfolio Metrics

-35.4%	Portfolio emissions reduction as at 2021 vs 2019 base level. Our 2030 portfolio targets are -39.2% and -65.4% by 2030 from 2019 levels on an EVIC[1] basis for the BD2S and 1.5C scenarios respectively[2]
100%	100% of the ATLAS managed assets are managed under our Net Zero framework and targets
74%	of ATLAS Global Strategy companies are classified as either "Currently Net Zero", "Net Zero Aligned"
50%	The ATLAS Global Strategy has roughly half the scope 1 & 2 emissions relative to the stocks in its investment universe

3	Active engagements with the Global Strategy's companies out of the 22 companies in the Strategy
AA	MSCI rating for ATLAS Global Strategy
Article 8	The ATLAS Global Infrastructure Fund is designated as an Article 8 fund under SFDR legislation
-8.3%	Underlying emissions reduction achieved by investment companies (annualised vs 2019 base line) vs target range of -4.4% p.a. *(or -39.2% by 2030 from 2019)* to -9.2% p.a. *(or -65.4% by 2030 from 2019)*

[1] Enterprise Value Including Cash (EVIC) is the sum of the Market Capitalization of ordinary shares at fiscal year end. the market capitalization of preferred shares at fiscal year-end, and. the book values of total debt and minorities' interests.

[2] BD2S is the Paris Agreement Well Below 2C scenario under the Science Based targets Initiative pathways

1 BELIEFS, GOVERNANCE AND PROCESS

1.1 Responsible Investment Beliefs

The ATLAS approach to responsible investment is part of the investment philosophy of the firm. Our investment objective is to deliver long term sustainable returns for our investors by investing in infrastructure assets. Since all infrastructure assets operate under an implicit environmental and social 'contract' and are likely to be subject to policy and physical changes associated with the energy transition, identifying sustainable returns requires a detailed consideration of ESG factors. Since inception, we have consistently incorporated ESG risks and opportunities directly into our forecast cashflows and hence directly into our decision making.

1.2 Integration of ESG Processes

There are a number of elements to this process:

- ATLAS reflects the implications of each ESG factor at an individual asset, cashflow level, for a company. This includes the use of external ESG data providers to complement our internal process and analysis
- ESG analysis informs:
    - The base case expected financial returns.
    - The scenario returns (including climate policy scenarios).
    - The stress case returns.
- Results of the company level ESG due diligence are used to make portfolio investment decisions and to monitor and report ongoing portfolio risk to investors
- ESG analysis is used to engage actively with portfolio companies to promote responsible and sustainable decisions by company management teams. It is also used to support the work ATLAS does as an active member of industry groups and bodies that support ESG outcomes
- ATLAS seeks to ensure that its corporate culture and incentives promote positive ESG outcomes in the portfolio.

1.3 ATLAS Governance Structures

ATLAS has a tiered governance structure which provides for the management and oversight of its business through a process of delegated authority from the Board to an Executive Committee, which is comprised of the firm's partners and functional heads. The functional heads take responsibility for the day-to-day execution of the responsibilities associated with their respective functions (Investment, Operations and Finance, Investor Relations, Compliance) and report regularly on the activities and progress of each function to the Executive Committee. These reports will include all relevant information associated with the firm's ESG philosophy, the Board, the Executive Committee and the functional heads are assisted by external advisory bodies and internal sub committees as set out below.

- **The ATLAS Board** sets the firm's strategy, approves the firm's budget, approves remuneration and senior staffing decisions, and monitors the firm's progress against agreed targets. In all of these areas the Board is mindful of ATLAS' attention to the integration of ESG issues within its business.

- **The ATLAS Investment Governance Board** is an independent board comprising four well respected external members with senior backgrounds in the investment business that monitors portfolio compliance with investment mandate aims and policies including ESG risks and PAII compliance. This Board, which includes specialist expertise on environmental matters, meets quarterly and reports directly to the ATLAS Board.
- **The ATLAS Executive Committee** is collectively responsible for implementing the strategy and decisions set by the ATLAS Board. The Executive Committee approves any significant decisions taken at a functional level to ensure that they are consistent with ATLAS' ESG philosophy.
- **ATLAS Head of Investment** is responsible for the Investment function within ATLAS including the implementation and monitoring of ESG and RI policies and objectives. Along with all other functional heads, the Head of Investment reports to the ATLAS Executive Committee and ultimately to the ATLAS Board. The Head of investment is supported by ATLAS' Investment Team Partners (sector leads), who are responsible for ensuring that all sector research includes ESG considerations in accordance with ATLAS' investment process and policy.
- **The ATLAS Investment Committee** is responsible for all investment decisions for client portfolios. It is made up of senior ATLAS investment team members and is responsible for ensuring that all portfolio decisions are consistent with the return, risk and responsible investment objectives for that portfolio. The Investment Committee reports to the Executive Committee and decisions and outcomes are scrutinised by the Investment Governance Board
- **The Macro and Climate Advisory Boards** are advisory boards which provide specialist information to the Investment Team which the investment team may choose to incorporate in its modelling and analysis. Please refer to Appendix A for full description.
- **The Risk and Compliance Committee** monitors all aspects of the firm's risk management and regulatory compliance with respect to ESG issues. The committee meets monthly and reports to the Executive Committee.

2 COMMITMENTS AND REPORTING FRAMEWORKS

ATLAS' commitment to delivering a sustainable investment strategy is reflected in its support of several external initiatives and targets it has set for itself. In recognition of the importance of reporting against our commitments and to enable our clients to report to their stakeholders, ATLAS has mapped the requirements of the following bodies and regulations in this report:

Topic	Reporting framework	Referemce
Climate	Taskforce for Climate Finance Disclosures **(TCFD)**	Sections 2, 3 & Appendix B
	Net Zero Asset Manager Initiative **(NZAM)**	Section 2, 3 & Appendix D
	Implied Temperature Rise **(ITR)**	Section 3
Sustainability	Sustainable Development Goals **(SDGs)**	Section 2
	Principal Adverse Impact indicators **(PAIs) - SFDR**	Section 3
	EU Taxonomy - classification of sustainable activity	Section 3
Stewardship	Implementation Statement - engagement and voting	Section 4
	Reconciliation to FRC Stewardship Principles	Appendix F

2.1 TCFD framework

ATLAS' climate management framework aligns with the four principles recommended by the TCFD as follows:

1. **Governance**: ATLAS' board and management functions have designated roles in overseeing, implementing and monitoring the assessment and management of climate risk and opportunities as described in section 1.
2. **Strategy:** ATLAS' financial modelling identifies climate risks and opportunities over the short, medium, and long term. Specific climate-related scenarios in addition to the base case are incorporated into this analysis. Further details are included in Appendix B.
3. **Risk management:** ATLAS has developed a proprietary risk management framework for the monitoring of climate risks. Additional details of the outputs of this process are included in Appendix B.
4. **Metrics and targets:** As part of its net zero commitments, ATLAS has set targets for its greenhouse gas emissions. Its risk management process also sets constraints around acceptable risks under different climate-related scenarios (set out in section 3).

2.2 Net zero commitment – NZAM initiative

ATLAS was a founding signatory of the Net Zero Asset Manager Initiative in December 2020. This initiative is sponsored by the IIGCC and five other global investor alliances. ATLAS has committed to achieving net zero emissions across all its investments by 2050 and has set an interim 2030 target to align with this goal. as follows:

- Greenhouse gas emissions (NZAM Commitment 1):
  - Total ATLAS portfolio scope 1&2 emissions reduction target of 65.4% by 2030 from 2019 levels with a minimum reduction of 39.2% measured on an EVIC per unit investment basis
  - The 39.2% minimum reduction is derived from the Paris Agreement Well Below 2C scenario ("B2DS") established by the Science Based Targets initiative ("SBTi")
  - The 65.4% target reduction is based on the STBi's 1.5C scenario pathway
- Proportion of assets (NZAM Commitment 2):
  - the Global Strategy is to have at least 70% of portfolio companies in Paris alignment Tier 1 or 2 (or under engagement), increasing to 100% in Tier 1 or 2 (or under engagement) by 2030.

Please refer to section 3 for progress against these targets.

2.3 SFDR designation – Article 8

The ATLAS Global Infrastructure Fund has been designated as an Article 8 Fund under SFDR. This designation is based on the fact that as part of its analysis and portfolio management, the Fund integrates ESG considerations (described in section 1.2)

Reporting against SFDR's 18 mandatory principal adverse impact indicators is contained in section 3.

2.5 Sustainable Development Goals mapping

The ATLAS ESG assessment includes a number of factors that form part of the Sustainable Development Goals ('SDGs'):

- GOAL 6: Clean Water and Sanitation – We cover several companies which provide water and wastewater services. Through due diligence we identify the opportunities those companies have to improve access to water and wastewater services, including providing solutions to water scarcity as well as improvements to recycling and treatment.
- GOAL 7: Affordable and Clean Energy – We include renewable energy in our universe, and our climate transition assumptions assume a growing preference for zero carbon technologies. This results in higher growth and lower risks for those companies that are making material contributions to the clean energy build-out.
- GOAL 9: Industry, Innovation, and Infrastructure – We actively support the case for long term infrastructure investment to support the economic growth and reduction in inequalities. We preference companies that have a strong 'social contract' where they are investing to provide essential infrastructure that improves the lives and outcomes for the members of society.
- GOAL 13: Climate Action – We explicitly include climate transition assumptions which result in lower return forecasts for companies that are not taking climate action and higher return forecasts (and hence more eligible for investment) for companies that are taking proactive climate action and are aligned with Paris targets. Our analysis extends beyond renewable energy to all companies in the infrastructure sector and we use company and sector specific benchmarks to ensure that our companies are taking sufficient proactive action.

2.6 PRI, FRC Stewardship Code signatory

ATLAS is a signatory to the PRI and achieved the following PRI ratings in 2020

- Strategy & Governance: A+
- Listed Equity – Incorporation: A
- Listed Equity – Active Ownership: B

In March 2022, the 2020 ATLAS Stewardship Code Report was accepted by the FRC as meeting the Principles of that Code.

3 CLIMATE AND SUSTAINABILITY METRICS

3.1 Summary of Global Strategy climate related targets and metrics – TCFD, NZAM, PAII

Measure	Description	Framework	UCITS Global Strategy	Investment Universe
Fast Transition scenario	Global Strategy should minimise any downside risk in Fast Transition scenario and have an expected return no worse than the investment universe	TCFD: risk mgt and metrics & targets	+0.2%	-0.1%
ATLAS Portfolio Scope 1 & 2 emissions (annualised since base year 2019)	Minimum reduction 39.2% by 2030 (4.4% annual reduction), target reduction of 65.4% by 2030 (9.2% annual reduction)	NZAM	19.7% annual reduction (8.3% from company reductions and 11.4% from portfolio composition)	N/A
Cumulative emissions vs B2DS to 2030 (incl. companies under engagement)	Global Strategy <=0% of SBTi B2DS target unless under engagement (measured as % +/- B2DS cumulative emissions to 2030)	PAII	-0.4%	12.6%
Paris alignment tier (% of companies in Tier 1 or 2 or under engagement)	70% of portfolio companies in Tier 1, 2, or under engagement, rising to 100% by 2030	NZAM, PAII	74%	N/A

Source: ATLAS Infrastructure

Paris Alignment Investor Initiative and cumulative emissions pathways

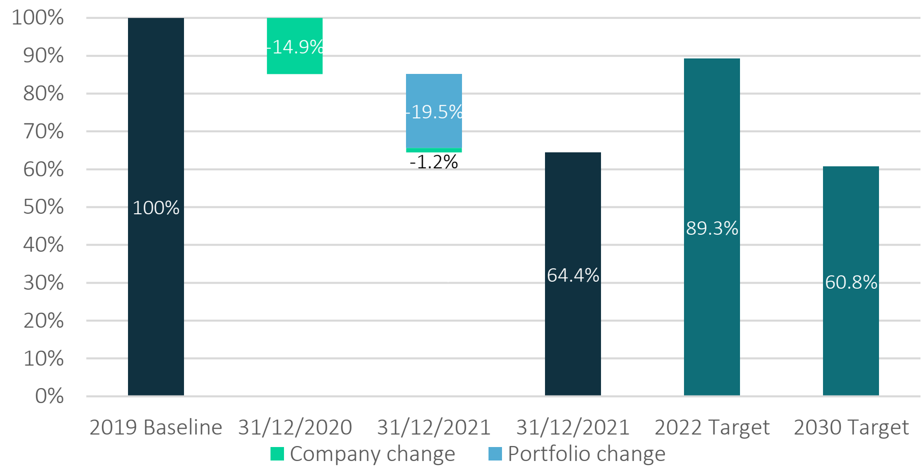
ATLAS is actively involved in the working groups of the Institutional Investors Group on Climate Change (IIGCC) Paris Alignment Investor Initiative (PAII). Launched in May 2019, the PAII aims to develop a framework for aligning investors' portfolios with the Paris climate targets. The ATLAS investment team has worked to implement and embed the PAII Framework (based on the September 2020 PAII document) within the ATLAS investment process.

This implementation has involved an extensive process of measuring, forecasting, and benchmarking the Scope 1, 2 and material Scope 3 emissions ("Network Emissions") for each company in our portfolio and broader investment universe. The process has also involved significant engagement with companies to understand their long-term business plans. ATLAS is one of the first institutions to implement the PAII framework in detail in our asset level analysis

Portfolio Target Progress and Disaggregation

The ATLAS portfolio baseline emissions are set using the 2019 EVIC accounted scope 1 & 2 emissions for the portfolio as comprised at the end of the 2020 calendar year (when ATLAS first set a target). The target is set based on the B2DS as modelled by SBTi, which would equate to a target reduction of **-39.2% by 2030** (60.8% of the baseline)[3]. If this were pro-rated annually, the calendar 2022 trajectory target would be **-10.7%** (89.3% of baseline). The changes over time are shown disaggregated by portfolio composition change (portfolio change) and how emissions projections of companies held have changed (company change). Until a company releases their emissions data, and a model is updated, emissions projections reflect ATLAS assumptions. As this is generally annual, we update this reflecting when most of the Investment Universe should have released fiscal year results.

ATLAS Global Strategy emissions pathway trajectory and targets, since base year



Source: ATLAS Infrastructure, SBTi

- **Company change:** This represents emissions changes within portfolio companies held during each period
- **Portfolio change:** This represents emissions change from composition of portfolio companies

[3] The emissions reduction target is based on the portfolio composition as of 31st December 2020 when ATLAS set its NZAM goals. Portfolio composition changes will automatically re-base the emissions budget available, targeted, and achieved to date, which we attempt to disaggregate in the chart provided.

Scope 3 / 'Network emissions'

ATLAS estimate scope 3 emissions for all portfolio and investment universe companies. For infrastructure companies we have used the broadest possible definition of scope 3 emissions based on the usage of the asset (i.e. all carbon emissions inherent in the revenues, volumes or usage of an infrastructure asset, whether controlled by the company or not). The ATLAS definition of Scope 3 emissions goes significantly beyond the definitions typically applied by investors and therefore may lead to outcomes which are materially above those which would be reported if applying a more stringent definition. Nonetheless, we believe that applying this broader definition is essential to understanding the full scope of emissions that are facilitated by the infrastructure asset.

The table below shows our estimate of current portfolio broad scope 3 emissions compared with the investment universe as well as a comparison to 3rd party data estimates.

Measure	Description	Framework	UCITS Global Strategy	Investment Universe
Scope 3 emissions	ATLAS 'broad definition'	NZAM PAII	2377	3869
Scope 3 emissions	3rd party data providers	NZAM PAII	201	327

1. Scope 3 emissions measured as per '000 tonnes by enterprise value
2. 3rd party data providers is the average reported by Sustainalytics and Trucost
Source: ATLAS, Sustainalytics, TruCost

Paris Alignment tiers

As part of our implementation of the IIGCC PAII methodology, we classify all portfolio (and universe) companies into an alignment 'category' based on a combination of:

- Scope 1&2 emissions trajectory vs SBTi pathways
- Scope 3 emissions performance (including broad supply chain performance)
- Company strategy (including investment alignment, management alignment and governance)

We collect data for our portfolio companies and for our investment universe and review the classifications at least bi-annually. The result of the classifications is shown as follows:

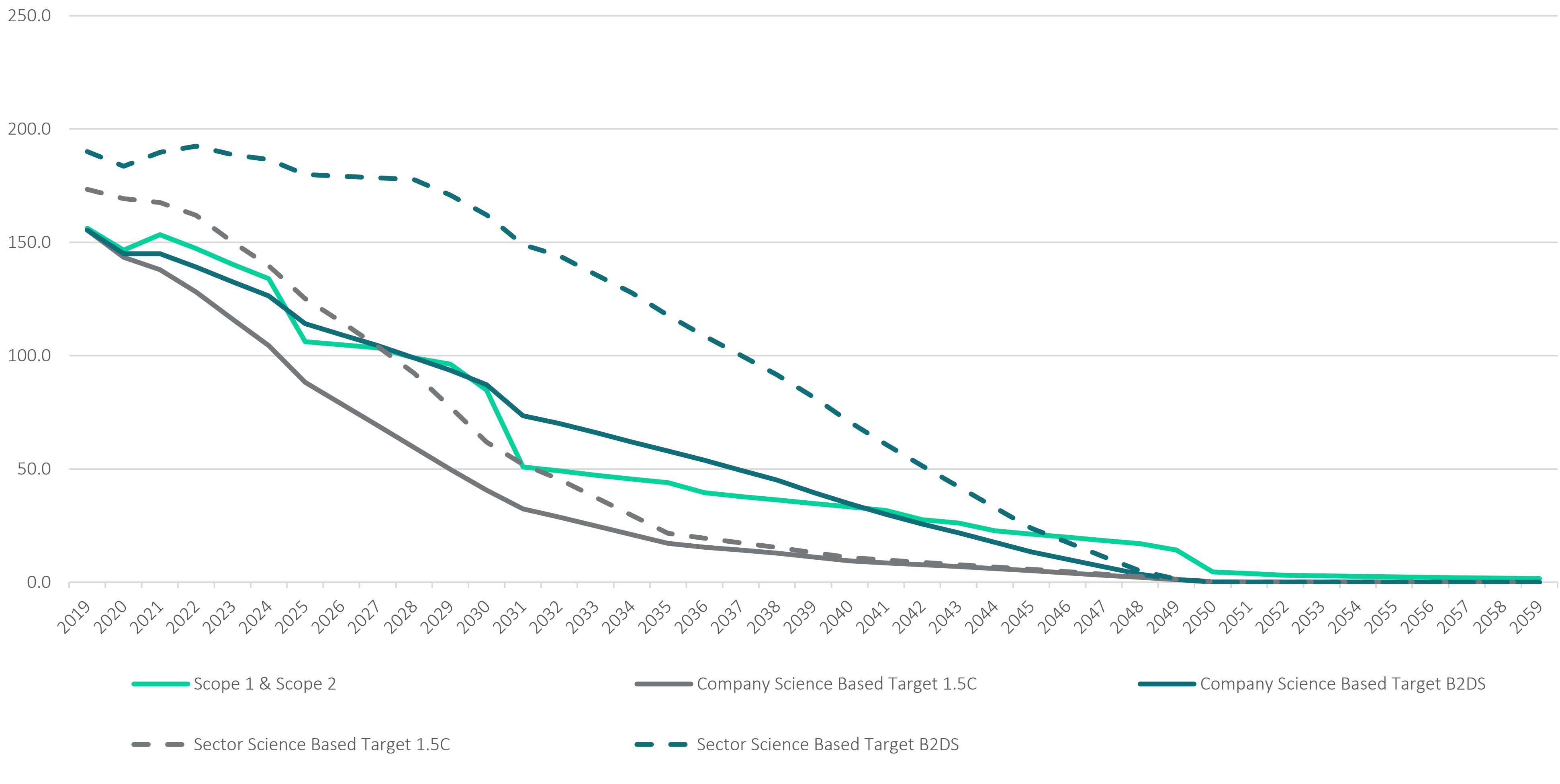
Measure	Description	UCITS Global Strategy	Investment Universe
Tier 1	Fully Net Zero aligned	32%	18%
Tier 2	Aligned to a pathway	36%	26%
Tier 3	Potential to transition	32%	39%
Tier 4	Misaligned	0%	18%

Source ATLAS calculations, May 2022

Portfolio Emissions vs. SBTi pathways to 2050

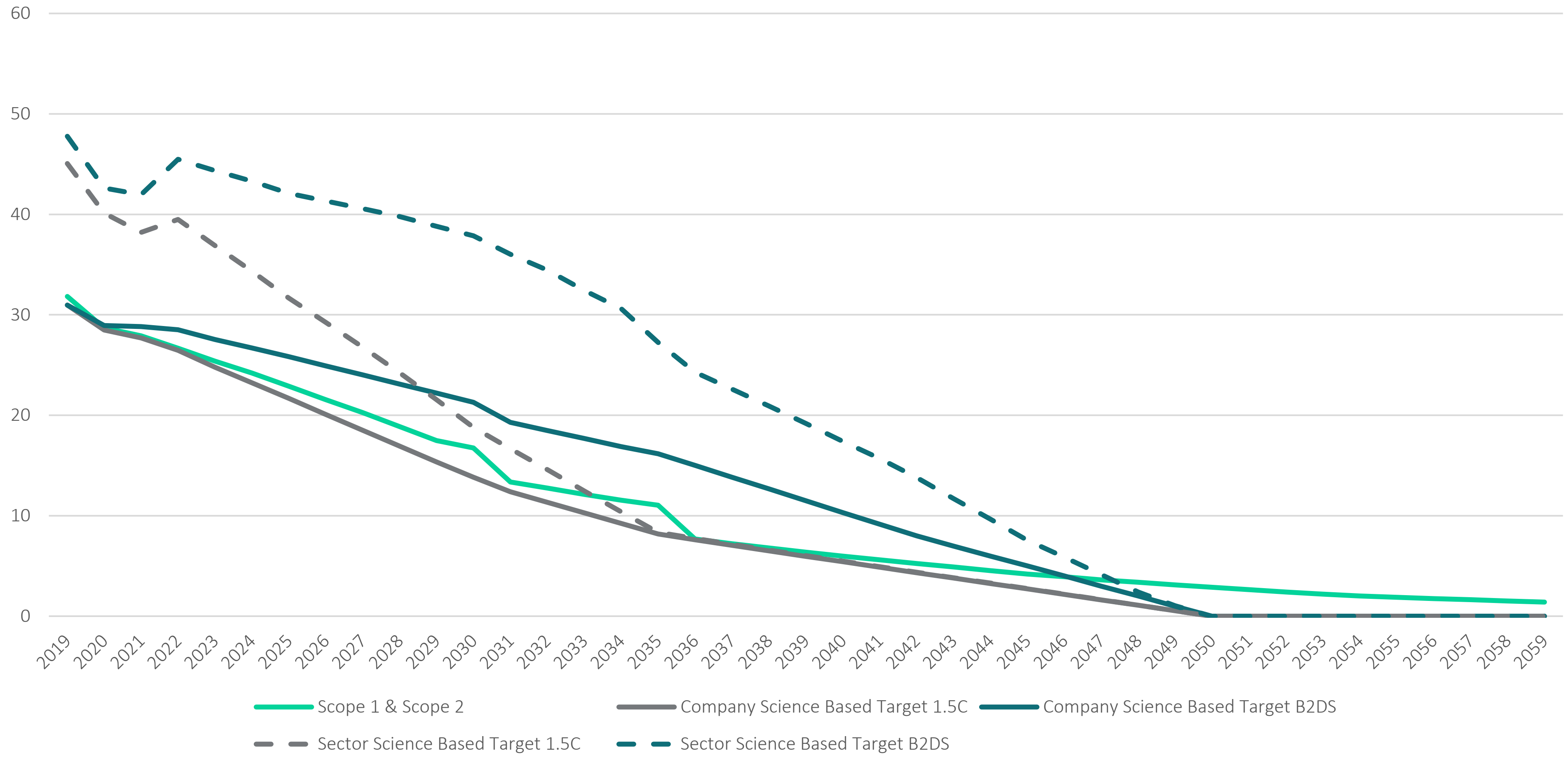
The below charts show the ATLAS-modelled portfolio scope 1 & 2 emissions compared to the SBTi's modelled pathways for B2DS and 1.5C scenarios with all current holdings. The first shows the portfolio including companies under engagement, the latter excluding those.

ATLAS Global Strategy (incl. engagements) emissions vs. SBTi pathways



Source: ATLAS Infrastructure, SBTi

ATLAS Global Strategy (excl. engagements) emissions vs. SBTi pathways



Source: ATLAS Infrastructure, SBTi

3.2 Implied temperature rise (ITR)

The ITR indicates the global temperature rise associated with an investment in a company or portfolio. It estimates global warming by 2100, relative to pre-industrial levels (pre-1870), that would occur if all companies globally outperformed or underperformed their carbon budgets (in percentage terms) by as much as the evaluated company or portfolio. The ITR can be expressed as: (i) a single value; (ii) aligned with a particular scenario, e.g. "1.5C compliant"; or (iii) as a temperature range. ATLAS has chosen to use the approach aligned with a particular scenario, the pathway alignment approach. The Global Strategy ITR is aggregated using portfolio weights of individual investee companies.

Metric	Description	Data Source	UCITS Global Strategy average	Investment Universe average	Comment
Implied temperature raise	Scope 1 & 2	ATLAS	1.5C	1.7C	ATLAS notes that the averaging of ITR scores does not equate to an expected temperature outcome based on the performance of the whole universe given the high levels of emissions in a small number of companies

Source: ATLAS Infrastructure

3.3 Principal adverse impact indicators: SFDR

The ATLAS Global Infrastructure Fund is designated as an Article 8 fund under SFDR and therefore we monitor and report against the principal adverse impact indicators. Current reporting against the 18 mandatory indicators is shown below. With respect to greenhouse gas emissions, we note that there is currently material discrepancy in data availability and signals between data providers. For ATLAS reporting we use a combination of 3rd party data (combining coverage where possible) as well as company reporting, government reporting and regulatory reporting. For the table below we have shown the ATLAS numbers used as well as the 'raw' data from two of the external data providers. ATLAS numbers on the three FTSE indices comprise ATLAS estimates for companies in our investment universe and Sustainalytics data for those not in our investment universe.

Principal adverse impact indicators			Data Source	UCITS Global Strategy	Investment Universe	FTSE GC 50/50	FTSE DC 50/50	FTSE DC	Average availability
Greenhouse gas emissions	1. GHG Emissions ('000 tonnes)	Scope 1	ATLAS	344.71	686.38	761.44	752.87	704.91	100%
		Scope 1	Sustainalytics	196.52	701.90	835.17	833.73	784.80	
		Scope 1	Trucost	365.82	743.89	926.13	927.43	876.84	
		Scope 2	ATLAS	45.07	43.82	62.42	50.02	45.06	100%
		Scope 2	Sustainalytics	136.72	117.57	91.15	82.12	76.74	
		Scope 2	Trucost	144.92	70.42	61.10	50.78	47.87	
		Scope 3	ATLAS	4265.95	6592.20	7137.88	8985.58	7769.64	100%
		Scope 3	Sustainalytics	598.77	1008.33	1314.48	1402.51	1387.48	
		Scope 3	Trucost	94.81	145.69	143.60	146.09	145.23	
		Total: Scope 1&2	ATLAS	389.78	730.20	823.86	802.89	749.97	100%
		Total: Scope 1&2	Sustainalytics	333.24	819.47	926.32	915.85	861.54	
		Total: Scope 1&2	Trucost	510.74	814.31	987.23	978.21	924.71	
		Total: Scope 1,2 & 3	ATLAS	4655.73	7322.40	7961.74	9788.47	8519.61	100%
		Total: Scope 1,2 & 3	Sustainalytics	932.01	1827.80	2240.80	2318.36	2249.02	
		Total: Scope 1,2 & 3	Trucost	605.55	960.00	1130.84	1124.31	1069.95	
	2. Carbon footprint	Scope 1 & 2	ATLAS	389.78	730.20	823.86	802.89	749.97	100%
		Scope 1 & 2	Sustainalytics	333.24	819.47	926.32	915.85	861.54	
		Scope 1 & 2	Trucost	510.74	814.31	987.23	978.21	924.71	
		Scope 1,2 & 3	ATLAS	4655.73	7322.40	7961.74	9788.47	8519.61	100%
		Scope 1,2 & 3	Sustainalytics	932.01	1827.80	2240.80	2318.36	2249.02	

Principal adverse impact indicators			Data Source	UCITS Global Strategy	Investment Universe	FTSE GC 50/50	FTSE DC 50/50	FTSE DC	Average availability
		Scope 1,2 & 3	Trucost	605.55	960.00	1130.84	1124.31	1069.95	
Greenhouse gas emissions	3. GHG Intensity	Scope 1 & 2 (‘000 tonnes / revenue per EURbn)	ATLAS	0.56	1.21	1.47	1.59	1.43	100%
		Scope 1 & 2 (‘000 tonnes / revenue per EURbn)	Sustainalytics	0.46	1.37	1.66	1.81	1.65	
		Scope 1 & 2 (‘000 tonnes / revenue per EURbn)	Trucost	0.73	1.34	1.42	1.54	1.39	
		Scope 1, 2 & 3 (‘000 tonnes / revenue per EURbn)	ATLAS	9.53	13.77	15.67	20.33	17.36	100%
		Scope 1, 2 & 3 (‘000 tonnes / revenue per EURbn)	Sustainalytics	3.38	2.91	3.34	3.42	3.76	
		Scope 1, 2 & 3 (‘000 tonnes / revenue per EURbn	Trucost	0.85	1.53	1.62	1.75	1.59	
	4. Exposure to companies active in fossil fuel sector	Share of investments in companies active in the fossil fuel sector	Sustainalytics	0.37	0.61	0.49	0.64	0.64	99%
Energy performance	5. Share of nonrenewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as percentage	Sustainalytics	65.81	86.09	90.85	94.03	88.54	37%
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Sustainalytics	1.53	4.21	4.32	4.81	4.38	60%
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas		0.04	0.02	0.03	0.03	0.01	100%
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	Sustainalytics	-	188.34	18.01	0.06	0.06	6%
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	Sustainalytics	752.65	1,545.55	494.57	246.70	243.35	45%
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Sustainalytics	-	0.01	0.03	0.01	0.01	99%
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address	Sustainalytics	0.03	0.02	0.00	-	-	2%

Principal adverse impact indicators			Data Source	UCITS Global Strategy	Investment Universe	FTSE GC 50/50	FTSE DC 50/50	FTSE DC	Average availability
	principles and OECD Guidelines for Multinational Enterprises	violations of the UNGC principles or OECD Guidelines for Multinational Enterprises							
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	Sustainalytics	1.00	5.25	2.55	5.48	2.64	2%
	13. Board gender diversity	Average ratio of female to male board members in investee companies	Sustainalytics	40.06	34.96	30.24	31.14	32.60	81%
Human rights	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Sustainalytics	-	-	-	-	-	100%
Environmental	15. GHG Intensity (for sovereigns)	GHG intensity of investee countries	Sustainalytics	N/A					
Social	16. Social violations (for sovereigns)	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Sustainalytics	N/A					
Fossil fuels	17. Exposure to fossil fuel through real estate assets		Sustainalytics	N/A					
Energy efficiency	18. Exposure to energy-inefficient real estate assets		Sustainalytics	N/A					

Source: ATLAS Infrastructure, Sustainalytics, TruCost

3.4 EU Taxonomy

The Taxonomy is a classification system which aims to categorise companies' activities as sustainable or otherwise. The main criteria for classification are:

1. Contribute to at least one of six environmental objectives listed in the Taxonomy; and
2. Do no significant harm to any of the other objectives, while respecting basic human rights and labour standards.

This is a developing area with staggered implementation timelines, beginning in 2022. Investee companies in the ATLAS universe have started to report against these criteria but some of the data sets are incomplete. ATLAS has conducted its own assessment of the Taxonomy criteria and also use Sustainalytics data. Both are shown below. Given the early stage of this process we are not surprised by the lack of agreement between estimates and lack of universal coverage. We would expect that discrepancies between ATLAS and 3rd party data providers and between 3rd party data providers should decrease over time.

Metric	Data Source	Global Strategy Revenue Aligned	Global Strategy Capex Aligned	Investment Universe Revenue Aligned	Investment Universe Capex Aligned	Comments
EU Taxonomy	ATLAS	45%	50%	50%	52%	These are ATLAS estimates based on our analysis of the sub sector exposures of each company's revenue and capex. Where companies have provided breakdowns in annual reports we have used this information
	Sustainalytics	14%	39%	25%	38%	There are still many companies not included in the 3rd party databases and company data is often not available even when that company has started reporting taxonomy data

Source: ATLAS Infrastructure, Sustainalytics

3.5 Summary of key ESG risks evaluated for portfolio assets

The ATLAS investment approach evaluates all relevant ESG risks and exposures for individual companies and then expresses the outcome as an impact to either the basecase expected return or to a specific risk scenario outcome. In that way we ensure that we capture all the relevant information on ESG risks and exposures in portfolio monitoring and decision making.

The table below lists the portfolio companies where the consideration of ESG risk has produced a change (greater than 0.1% reduction to base case IRR from a climate transition perspective or risk of equity loss in stress case) to forecast or risk estimates:

Company	Risk	Incorporation	Measurement and return implication
Acciona	Governance & social risk	In addition to the renewable generation & concession business, Acciona also has a construction division which has both social risk (labour, bribery, safety) & governance (poor bidding discipline). Our major stress scenario is based on a material negative development in the construction division.	Estimated capital loss of 8.3% in major stress event
ADP	Governance – Reinvestment	Management have indicated that they will continue to bid for overseas airport concessions which carries higher risk, we therefore reduce reinvestment returns in minor and major stress scenarios	5.5% risk of loss in the major stress scenario
ALLETE, Inc.	Environment - Fast Transition & delayed action	Base case scenario shuts down remaining coal in 2030s, fast transition scenario shuts down and strands coal generation mid 2020s leading to stranded assets. In delayed action Allete renewables benefits less from new growth and impact of stranded assets is greater.	Equity IRR reduced by 1.1% in Fast Transition scenario and by 0.5% in delayed action scenario
Atlas Arteria	Environment - Fast Transition	Our base case forecasts include modal shift from truck to rail, this happens earlier under a fast transition scenario resulting in lower toll road volumes	Equity IRRs are reduced by 0.2% in Fast Transition
Avangrid	Social - Regulatory stress, Environment - Delayed action	The company does not complete its offshore wind pipeline due to social and environmental pushback from local communities	Loss of 0.3% 10yr IRR in delayed action
Chorus	Social - Regulatory stress	Regulated asset base is reduced in order to lower costs to end customers	Estimated capital loss of 16% in major stress event

Company	Risk	Incorporation	Measurement and return implication
Consolidated Edison	Environment - Fast Transition	In fast transition natural gas distribution volumes are reduced faster with no accelerated depreciation for network assets leading to reduced returns	Equity IRRs are reduced by 0.3% in Fast Transition
Edison International	Environment - physical risk	Liabilities from current wildfire litigation are increased in the stress case vs basecase. In delayed action increased wildfire frequency results in bill stress and increased liabilities	Estimated capital loss of 15% in major stress event, reduction of 2.6% in equity IRRs in delayed action (physical risk) scenario
Eiffage SA	Governance & social risk	In addition to the tollroad concession business, Eiffage also has a construction division which has both social risk (labour, bribery, safety) & governance (poor bidding discipline). Our major stress scenario is based on a material negative development in the construction division.	Estimated capital loss of 36% in major stress event
Eutelsat Communications	Governance and reinvestment risk	Stress scenarios include deployment of material capex into new technology assets with poor returns	Estimated capital loss of 53% in major stress event
National Grid	Social - Regulatory stress	Regulated asset base is reduced in order to lower costs to end customers	Estimated capital loss of 12% in major stress event
SES	Governance and reinvestment risk	Stress scenarios include deployment of material capex into new technology assets with poor returns	Estimated capital loss of 42% in major stress event

4 ENGAGEMENT AND VOTING

4.1 Engagement and escalation

Engagement relating to ESG factors forms part of the research and investment due diligence undertaken by the relevant ATLAS sector teams. We believe a deep understanding of and frequent engagement with portfolio company management teams and boards provides one of the best forms of risk management and return optimisation, and that it is also possible to create value by working collaboratively with management teams to implement strategies at the asset level which are consistent and aligned with the interests of our clients.

When determining priorities and issues for initiating a company engagement, the investment teams and IC will give consideration to:

- The materiality of the ESG issue to the ATLAS investment process and the potential impact on investment outcome for the company or the risk perception (i.e., ESG reporting) for the company.
- Whether the ESG issues are measurable or actionable within a reasonable timeframe.
- Either relate to portfolio companies or companies where we have a strong relationship with management (and therefore our engagement will have the greatest chance of positive outcome)
- Are most likely to result in some form of positive real-world change (e.g. prioritising climate transition for companies with large potential scope to reduce emissions)
- Where the company is either in breach or potentially in breach of a portfolio guideline that requires an active engagement prior to divestment

We may engage in formal written communication with the Board of a portfolio company in the event that:

- An issue has been raised with management and has not been resolved to our satisfaction; or
- We have voted against a company sponsored shareholder resolution and the resolution has been passed with no subsequent review or amendment; or
- The ESG issue identified relates specifically to a board level governance or strategy decision.

4.2 Climate engagement within the NZAM framework

Engagement has a very specific role to play within our commitment to the NZAM climate framework, in particular:

- Portfolio emissions and alignment budgets for each portfolio company are set by the framework, in line with science-based sector pathways;
- Companies must be either aligned with their relevant science-based pathway, or they must be the subject of a specific engagement on emissions reduction trajectory;
- If that engagement is unsuccessful, and the company remains on a trajectory to exceed its emissions pathway budget, then that company may be partially or fully divested from the portfolio.

4.3 Summary of Engagement for Year Ending 31/12/2021

Company	Topic	Status	Engagement Objective & Outcomes
ALLETE	Environmental – Climate	Ongoing	Objective: Encourage commitments towards emissions reduction through well planned closure of carbon intensive generation fleet; emissions reduction targets to be included in management KPIs Progress: Engagement escalated (refer next section)
Avangrid	Environmental – Climate	Ongoing	Objective: Encourage commitments towards emissions reduction through well planned closure of carbon intensive generation fleet; emissions reduction targets to be included in management KPIs Progress: no change (refer next section)
Pinnacle West	Environmental – Climate	Ongoing	Objective: Encourage commitments towards emissions reduction through well planned closure of carbon intensive generation fleet; emissions reduction targets to be included in management KPIs Progress: reduction in identified risk (refer next section) The Pinnacle West engagement was closed in 2Q 2022.
SSE	Environmental – Climate	Closed (06/2021)	Objective: Encourage greater clarity / commitment toward retirement of gas plants to reduce emissions by 2030 Objective was partially achieved: obtained closure dates for gas fired generators
Spark Infrastructure	Governance – remuneration & incentives, capital structure & capital allocation, advocacy of shareholder interests	Closed (07/2021)	Objective was partially achieved: Over a period 18 months (including prior to formal engagement) management evidenced its restraint in investment in unregulated renewable generation opportunities. Management also altered its stated objectives regarding regulated investment and went ahead with the planned Project Energy Connect despite not receiving the regulatory treatment it has asked for. On the 20th May 2021, ATLAS voted FOR the SKI remuneration policy, given the above evidenced changes, and closed the engagement in July 2021
Eutelsat	Corporate governance	Closed (06/2021)	Objective: discourage incentivisation of unprofitable growth and instead, return cash to shareholders Objective not achieved: Eutelsat made an acquisition during the engagement period and management's strategy appears to prioritise growth over shareholder cash return

4.4 Engagements in Progress

ALLETE Inc.

Engagement status	Engagement objectives	Engagement outcomes	Investment Impact / next steps
Open Engagement	Environment (transition) & Governance	Ongoing	Escalated / no change
• Engagement opened 21 March 2021 • ALLETE was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement	• Gain commitments from management towards reducing emissions in line with a science-based pathway to 2050, particularly with regard to increased rate base investment in clean energy and accelerated fossil-fuel retirements to 2030 • Gain additional commitments from the Board regarding the monitoring of climate transition risk and inclusion of climate transition outcomes in management remuneration and KPIs	• During follow up meeting on May 18th, company responded that the more ambitious clean energy transition plans do not yet have regulatory support due to high costs for customers • As a result, ATLAS financial model projections have not been updated • ALLETE has indicated that the climate change objective remuneration component will be presented more explicitly in company's future reports	• There has not been a change to company's emissions pathway performance and as a result the company is still in Tier 3 • ATLAS has initiated a collaboration with Seventh Generation Interfaith, the Sierra Club, Minnesota Clean Energy, and Fresh Energy – stakeholder groups who have expressed an interest in ALLETE's decarbonisation. • Our next step is to review a submission by Sierra Club, MCE and Fresh Energy to the Minnesota Public Utilities Commission arguing for accelerated coal generation exit and cancellation of a new gas plant • Following this we intend to submit a comment to the PUC supporting the proposal and expressing our shareholder perspective – unless we are convinced by management during a meeting scheduled for April 2022 that the company has a good internal plan for Paris Alignment

Avangrid Inc

.Engagement status	Engagement objectives	Engagement outcomes	Investment Impact / next steps
Open Engagement	Environment (transition) & Governance	Ongoing	No change
• Engagement opened 29 April 2021 • Avangrid was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement	• Gain additional information and / or commitments from management towards reducing emissions in line with a science based pathway to 2050, particularly with regard to anticipated closure date of the Klamath cogeneration plants and the fossil-fuel plants of to-be-acquired PNM Resources ("PNMR") • Gain additional commitments from the Board regarding the monitoring of climate transition risk and inclusion of climate transition outcomes in management remuneration and KPIs	• During follow up meeting on September 23rd, the company did not give any commitments with regard to retirement dates of their own plants and would only comment on the PNMR plants once the merger has been completed • As a result, ATLAS financial model projections have not been updated • Management compensation around climate transition objectives is linked to distant years which is not a structure that would be recommended by ATLAS • Long-term compensation will be reviewed again in year 2024	• There has not been a change to company's emissions pathway performance and as a result the company is still in Tier 3 • Currently awaiting company's commitments with regard to retirement of PNMR plants (if the merger is completed) and the detailed Net Zero Scope 1 emissions by 2035 achievement plans

Pinnacle West Capital Corporation

Engagement status	Engagement objectives	Engagement outcomes	Investment Impact / next steps
Open Engagement*	Environment (transition) & Governance	Partially Achieved	Reduced pathway risk, Company classification upgraded
• Engagement opened 19 March 2021 • Pinnacle West was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement	• Gain additional information and / or commitments from management towards reducing emissions in line with a science-based pathway to 2050, particularly with regards the retirement plans for the gas fired generation fleet • Gain additional commitments from the Board regarding the monitoring of climate transition risk and inclusion of climate transition outcomes in management remuneration and KPIs	• During follow up meeting on May 12th, the company provided guidance on seasonal operation of coal plants, as well as provided more details on intended management of gas fleet • These gave the ATLAS team the details required to re-forecast emissions	• The reduction in near term emissions and the longer-term gas plant plans resulted in lower fast transition risk & brought the company emissions forecast to below the B2DS pathway to 2030 • As a result, the company was upgraded from Tier 3 to Tier 2 • The company followed up with climate specific KPIs for management in Q1 2022

*Closed in Q2 2022

4.5 Joint Initiatives

IIGCC

ATLAS is a member of the IIGCC's Policy Working Group and has participated as a signatory in a number of the IIGCC's initiatives which are designed to encourage governments and policy makers to improve standards around climate change standards and reporting:

- Joint signatory to a letter to senior officials in the European Commission highlighting their support for a robust methane policy as part of implementing the Green Deal.
- Joint signatory to a letter to the UK Prime Minister, which calls for an ambitious UK 2030 Nationally Determined Contribution (NDC) in line with a net zero 2050 target.
- Joint signatory on the Global Investor Statement to Governments on the Climate Crisis.

Sierra Club [CERES Network]

- ATLAS commenced an individual engagement with ALLETE in March 2021 and determined to expand the collaboration around this engagement with the Sierra Club given aligned objectives.
- The Sierra Club is an environmental organisation in the US and has been running a longer-term campaign against Minnesota Power's plans to build a new gas-fired power plant in Wisconsin.
- ATLAS has submitted a comment letter on the regulatory submission made by ALLETE to the state regulator, in conjunction with the Sierra Club, the first time an investor has done so in the Sierra Club's submissions.

4.6 Proxy Voting Report for Year Ending 31/12/2021

ATLAS believes that it should and can influence good corporate governance through the exercise of its legal rights for the benefit of its clients. Voting is an extension of, and an expression of, our investment process and our focus on delivering sustainable long-term returns. Responsibility for voting recommendations lies with the sector teams which undertake research on the companies. The Investment Committee has ultimate responsibility for final decisions on proxy votes submitted for a portfolio holding. This oversight provides consistency and ensures compliance with voting guidelines. ATLAS does not engage external parties to conduct or recommend voting preferences.

For the year ending 31/12/2021, a summary of ATLAS' proxy voting record is below

Total eligible votes	% of resolutions voted	# voted for	# voted against	# abstained
255	100	251	4	0

Voting Categories	Total for	Total against	Total abstained
Board of Directors	117	0	0
Committees & Reporting	41	0	0
Corporate Structure	12	0	0
Remuneration	47	3	0
General Governance	0	0	0
Climate Risk	0	0	0
Environmental	0	0	0
Social	34	0	0
Other	0	1	0

ATLAS' full voting history is available on our website:
https://www.atlasinfrastructure.com/esg/

Process for determining significant votes

When determining significant votes, ATLAS gives consideration to

- Whether an engagement with a company has been initiated or is likely to be escalated to a formal engagement (please see below for the guidelines concerning setting of engagement priorities).
- The level of client interest in the vote communicated to ATLAS, or the nature of the vote and its perceived relevance to clients' and/or the public interest.

5 ATLAS CORPORATE ESG REPORT

5.1 Overview

ATLAS believes in the importance of conducting responsible business practices in order to deliver a positive impact on the society and environment in which we operate. A responsible business facilitates the development of trust and strengthens our relationships with our stakeholders including employees, clients, service providers and investee companies. We also recognise that applying sustainable business practices can help to drive innovation and reduce costs, both important contributors to our ongoing success.

ATLAS also believes that diversity of experience and thought is a crucial aspect of ensuring that our analysis brings to bear a range of important perspectives which in turn avoids group think and the risk of other cognitive biases. To that end, a diverse workforce is essential to our analysis and investment decision making. Furthermore, this is not simply having a "diverse" work force, it is also essential to implement processes that actively solicit a range of perspectives and to facilitate a strong and collegial team environment. This is achieved through flat organisational structures, clearly structured career development and transparent remuneration structures which promote teamwork over the short-term performance of any one individual.

Covid related development

The Covid pandemic presented all workplaces with unique challenges and the need to actively support staff and to implement structures to ensure the continued coherence of the organisation. To that end, ATLAS:

- Offered financial support to staff working from home (WFH) by reimbursing the cost of equipment (e.g., monitors) to improve their productivity
- Achieved a seamless transition to WFH for all staff in Sydney and London with no interruptions to the timely completion of all critical tasks (investment, trading and operational) and Boards/Committees meeting in accordance with their usual schedule
- Encouraged anonymous feedback from staff to enable senior management to assess how staff were coping with lock-down
- Provided financial support to staff wishing to seek external counselling

5.2 Environmental

Travel

ATLAS has well-resourced bases in both the northern and southern hemispheres to promote easier access to management teams in every part of the world which reduces the need for travel. Further, ATLAS leverages technology to hold virtual meetings as much as possible to reduce travel. The outcome of these initiatives are illustrated below.

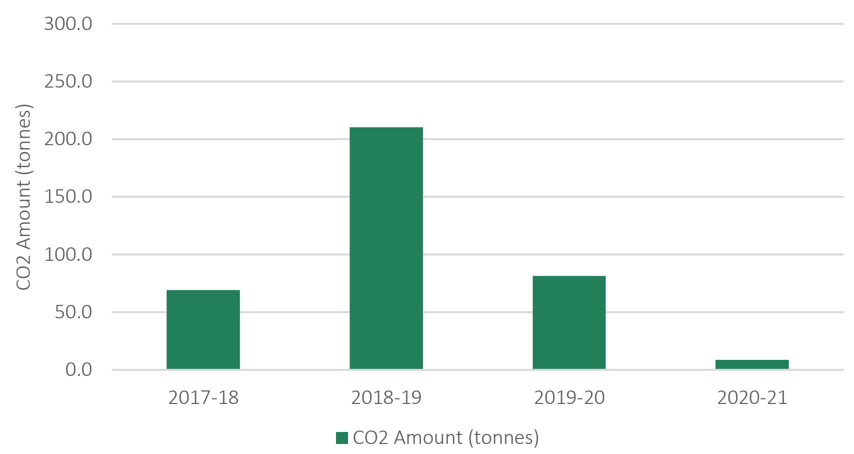
ATLAS has calculated our CO2 footprint from flights for each of the last 3 financial years, is summarised in the tables to the right.

Finally, ATLAS provides staff with office spaces which provide work shower facilities to encourage staff to walk, run or cycle to work.

Data Centre Energy Usage

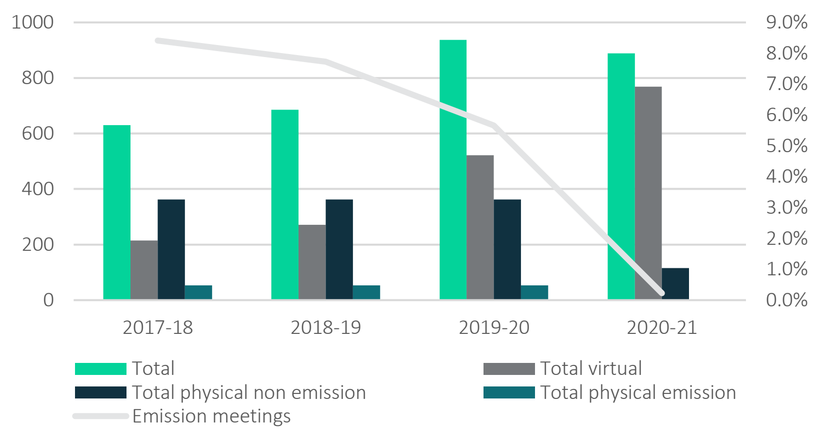
- Edge Technology Group engage leading data centre providers such as Equinix, who rely on renewable energy to power their sites.
- Equinix has set a goal to be climate neutral by 2030 and will be moving from 91% to 100% renewable energy.

Air Travel Emissions



Source: ATLAS estimates

Summary of ATLAS meetings



Source: ATLAS estimates

5.3 Social

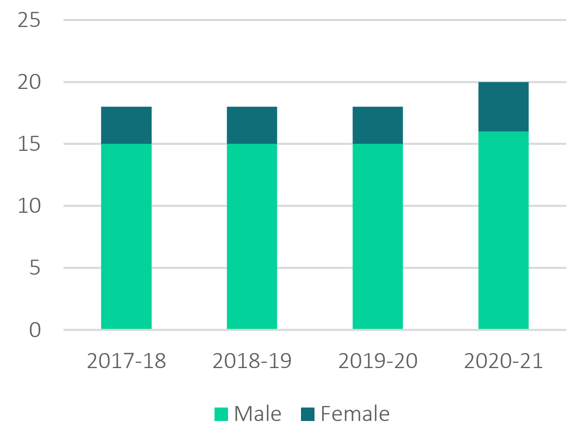
Donation to construct water supply tank in Zanzibar

ATLAS donated to Water Kiosk to construct a water supply tank in Zanzibar. This project consisted of a solar water pumping station that was built in February of 2022 to help the inhabitants of Mwera (in the Western part of Unguja island, Zanzibar) cope with their water needs by supplying safe and hygienic drinking water at 100 Tsh (Tanzanian Shillings) per 20 litres. Prior to its installation, there was no hygienic drinking water available. Women and children were travelling more than 5 km every day to get water from an unsafe source, where water was being sold at relatively high prices.

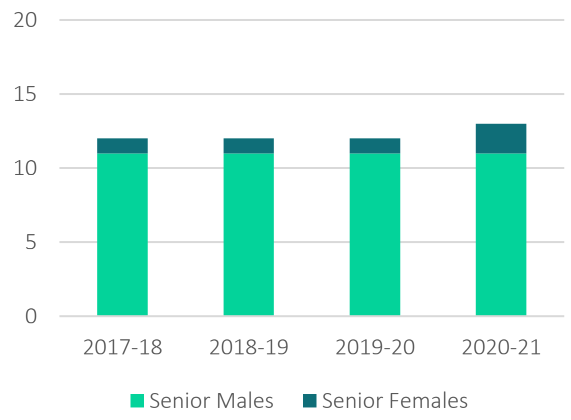
Diversity, Equity, Inclusion and Remuneration

- ATLAS today comprises a group of individuals with diverse perspectives and backgrounds, consciously selected for their different experience and each bringing a separate skillset to the organisation
- We recognise the current imbalance with respect to gender diversity and are committed to addressing it over time. Our framework aims to improve all aspects of our diversity over the first decade of our existence so as to achieve better balance, at all levels within our organisation
- We will hire, reward and promote staff based solely on merit and will take steps to ensure that at a candidate level, we have a shortlist of applicants for all open positions that respects our commitment to increasing diversity as far as is possible
- These steps will include: - Ensuring that all third parties engaged to assist in recruitment are informed that ATLAS is committed to increasing diversity in all its forms and that this commitment is reflected in their search activities - Ensuring that at a minimum our interview list for every position includes at least two female candidates - Aiming for a result over time that reflects an equal number of male and female hires
- ATLAS has a remuneration structure designed such that people at the same level are compensated at the same level. This is part of our overall corporate ESG policy to ensure consistency of treatment for all staff who are delivering the same outcomes for the firm.

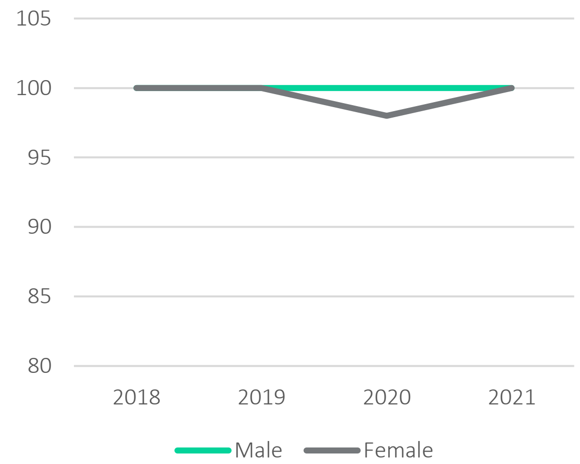
Total Staff by Gender



Senior Staff (Above Associate) by Gender



Remuneration by Gender (Adjusted for seniority)

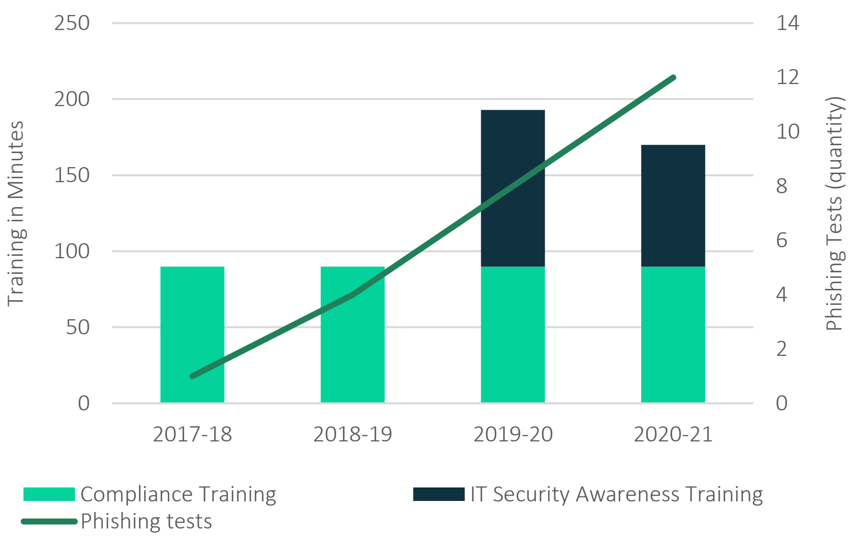


Source: ATLAS Infrastructure as at 31 December 2021

5.4 Training

ATLAS continued with its policy of encouraging staff training and development, both through mandatory compliance and cyber training and through assisting staff in their completion of external programmes such as the CFA

ATLAS Training Statistics



Source: ATLAS Infrastructure

APPENDIX A. ADVISORY BOARDS

Investment Governance Board (IGB)

ATLAS is aware that asset management firms face a number of challenges that can adversely impact risk and performance over time. These may include style drift, misalignment with investors leading to excessive risk taking, management distractions and simply poor investment decision making.

With this in mind, ATLAS has established an IGB to provide independent oversight of its investment process and outcomes focussing on consistency of investments against the stated investment strategy for each portfolio, including risk budgets, illiquidity tolerance, risk/return objectives and ESG considerations including climate risks, the consideration of the long-term interests of the investors/clients in the ATLAS funds; and the policies of ATLAS relating to equal treatment of clients and best execution and allocation.

The IGB has no direct investment or management duties and is not involved in considering or recommending individual investment decisions. Its purpose is to provide independent scrutiny of the investment decision making within ATLAS, and to provide advice for ensuring consistency of ATLAS' investment decision making with the mandates given by its investors/clients.

The IGB meets quarterly and has the option to request information or presentations from one or more members of ATLAS' Investment Committees to assess the execution of portfolio decision making against expectations. Typically, the IGB reviews at least one individual investment decision per quarter as part of its regular monitoring.

The Chairman of the IGB provides a report to the ATLAS Board on its activities, and may make recommendations for action to the Board, if its reviews so warrant.

Climate Advisory Board (CAB)

The ATLAS Climate Advisory Board meets on a six-monthly basis and assist in the establishment of scenarios around climate change policies and expectations around changes to potential

The CAB includes three members who bring complementary experience in the climate change and energy policy fields. The experience of these members provides a very valuable addition and input into the ATLAS investment process as it relates to considering climate change risks. Members of the ATLAS CAB are:

- **Ben Caldecott:** Ben is the founding Director of the Oxford Sustainable Finance Programme at the University of Oxford and one of the leading authorities on the economics of climate change. His focus at MAB is on climate change policy and its economic implications.
- **Amandine Denis-Ryan:** Amandine is the Head of System Change and Capability at ClimateWorks Australia; the leading climate change think tank in Australia.
- **Randolph Brazier:** Randolph is the Director of Innovation and Electricity Systems at the Energy Networks Association. He is also a Future Energy Leader on the World Energy Council.

APPENDIX B. CLIMATE CHANGE APPROACH - TCFD

Importance of identifying climate change risks and opportunities and scenario risk analysis

TCFD principles: strategy (1,2,3); risk management (1,2,3)

In purchasing companies with long dated infrastructure assets investors inevitably acquire an exposure to climate driven changes in economic activity and government policies. Accordingly, the integration of climate driven changes in economics and policy is critical to understanding the long-term value of all infrastructure assets. Despite this, very few market participants are able to include these factors quantitatively within their models with the result that these important long-term considerations are often mispriced by the market.

ATLAS has developed an integrated approach to including climate change scenario modelling into each of its company models. This enables ATLAS both to identify potential risks and to capture opportunities that other market participants are unlikely to be able to see and/or quantify. We expect that the identification and quantification of the risks and opportunities presented by climate change policies will assist ATLAS in generating excess returns over the long term and informs our engagement activities.

Whilst ATLAS regards all ESG factors as important to our analysis, we believe that climate change and energy transition are the risks that will have the most fundamental impact on the companies in our investment universe, as well as being of great significance to many of our clients as well as society more broadly. Climate transition is hence the risk to which we pay most attention, and on which we spend the most time modelling.

We believe that it is inevitable that governments will implement material climate policy actions through time and that the combination of these climate policies, together with technological evolution, will lead to material changes in global energy systems. This is likely to have profound implications for infrastructure assets, some of which will be beneficiaries of this change, whilst others may see their businesses significantly disrupted.

ATLAS has integrated an approach to measuring the impact of future climate policies within all its financial models. The ATLAS approach evaluates the expected investment return of each company universe under three different climate policy scenarios:

- **Base Case:** The world implements climate policy at a firm but moderate pace. Energy transition occurs in a meaningful but relatively orderly manner. Certain assets become stranded.
- **Fast Transition:** Climate policies implemented at an accelerated pace, disrupting several industries and leading to stranded assets in a number of fossil fuel related sectors.
- **Delayed Action:** Minimal climate policy in the near term. However, physical climate change prompts more severe policies over the longer term which leads to market disruption and stranded assets.

As noted above, all ATLAS models include cash flow and IRR forecasts under three climate scenarios. ATLAS then utilises these IRRs in constructing portfolios. While the primary focus in stock selection is the events and valuation reflected in our Base Case, we also take account of expected IRRs under both Fast Transition and Delayed Action scenarios in managing portfolio risk. ATLAS aims to ensure that at the total portfolio level, the portfolio has the same or a better IRR under a Fast Transition scenario than under its Base Case such that the portfolio is not negatively exposed to such a scenario

Energy transition example

					Transition One			Transition Two		
	1	2	3	4	5	6	7	8	9	10
Primary changes										
Coal-Fired	No change	No change	No new plants	No new plants	Shut down & stranded	Shut down & stranded	Shut down & stranded	Shut down & stranded	Shut down & stranded	Shut down & stranded
Gas-Fired	No change	No change	Growth to replace coal	Growth to replace coal	Growth to replace coal	No new plants	No new plants	No new plants	Shut down & stranded	Shut down & stranded
Renewables	No change	No change	Growth to replace coal	Growth to replace coal	Growth to replace coal	Growth to replace gas	Growth to replace gas	Growth to replace gas	Growth to replace gas	Growth to replace gas
Secondary impacts										
Transmission Grid	No Change	No Change	Growth with renewables	Growth with renewables	Growth with renewables	Growth with renewables	Growth with renewables	Growth with renewables	Growth with renewables	Growth with renewables
Pipelines & Storage (Gas)	No change	No change	Growth to replace coal	Growth to replace coal	Growth to replace coal	Demand growth ceases	Demand growth ceases	Demand growth ceases	Loss of excess return; moves to retirement	Loss of excess return; moves to retirement
Rail (Coal Haulage)	No change	No change	Coal volumes Falling	Coal volumes Falling	Dom. Thermal coal removed	Dom. Thermal coal removed	Dom. Thermal coal removed	Dom. Thermal coal removed	Dom. Thermal coal removed	Dom. Thermal coal removed
Seaports	No change	No change	Coal volumes falling	Coal volumes falling	Thermal coal exports removed	No gas growth; Thermal coal removed	No gas growth; Thermal coal removed	No gas growth; Thermal coal removed	Gas volumes removed;	Gas volumes removed;

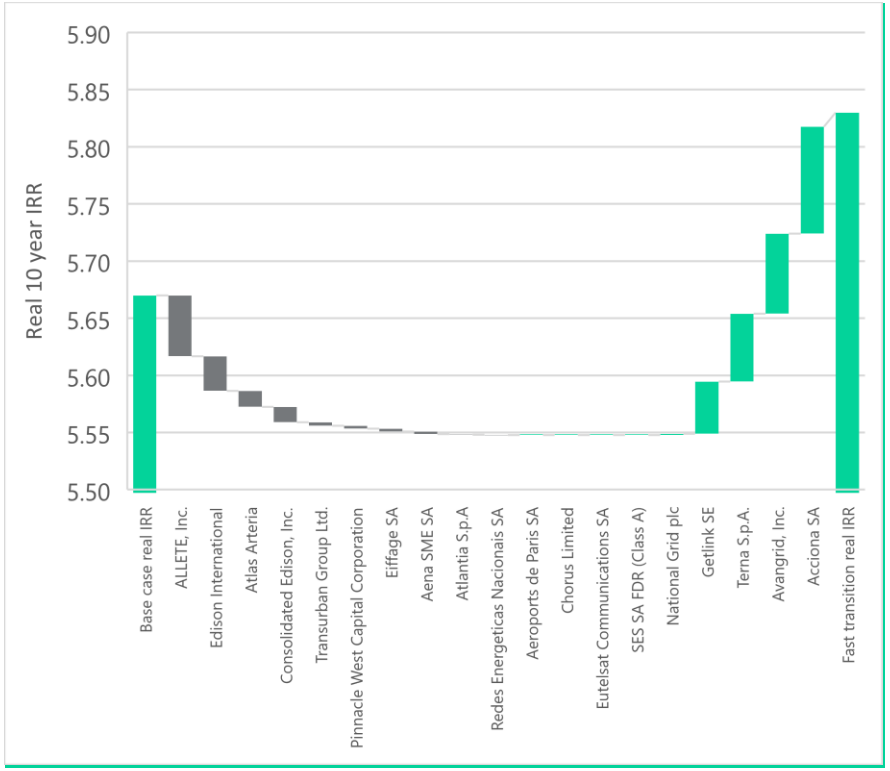
Transportation example

					Transition One			Transition Two		
	1	2	3	4	5	6	7	8	9	10
Primary changes										
Airports	No change	No change	No change	No change	No change	No change	No change	No growth in <700km travel	No growth in <700km travel	No growth in <700km travel
Rail	No change	No change	No change	Truck to Rail incentivised to structural limit	Truck to Rail incentivised to structural limit	Truck to Rail incentivised to strucutral limit	Truck to Rail incentivised to strucutral limit	Structural limit increased for Rail	Structural limit increased for Rail	Structural limit increased for Rail
Electric cars	No change	No change	EVs increasing up to 10% of sales	EVs increasing up to 10% of sales	EVs increasing up to 50% of sales	EVs increasing up to 50% of sales	EVs increasing up to 100% of sales	EVs increasing up to 100% of cars produced	EVs increasing up to 100% of cars produced	EVs increasing up to 100% of cars produced
Secondary impacts										
Rail (modal shift)	No change	No change	No change	No change	No change	No change	No change	Modal shift of PAX <700kms to rail	Modal shift of PAX <700kms to rail	Modal shift of PAX <700kms to rail
Rail (auto supply chains)	No change	No change	No growth in automotive	No growth in automotive	Decline in automotive to 50% of peak	Decline in automotive to 50% of peak	Decline in automotive to 50% of peak	Decline in automotive to 50% of peak	Decline in automotive to 50% of peak	Decline in automotive to 50% of peak
Seaports	No change	No change	Transport Oil volumes reduced	Transport Oil volumes reduced	Transport Oil volumes trend to 0	Transport Oil volumes trend to 0	Transport Oil volumes trend to 0	Transport Oil volumes trend to 0	Oil volumes bottom	Oil volumes bottom
Oil pipelines & Storage	No change	No change	Transport Oil volumes reduced	Transport Oil volumes reduced	Transport Oil volumes trend to 0	Transport Oil volumes trend to 0	Transport Oil volumes trend to 0	Transport Oil volumes trend to 0	Oil volumes bottom	Oil volumes bottom
Toll Roads	No change	No change	No change	Lower growth in HGV	Lower growth in HGV	Lower growth in HGV	Lower growth in HGV	Flat or decline HGV	Flat or decline HGV	Flat or decline HGV

Fast Transition Scenario Modelling Example

As at 31 December 2021, the Global Strategy portfolio had a Fast Transition delta to the Base Case 10-year IRR of +16bps. The chart below provides the breakdown of this variance broken down by the contribution of each stock.

Base Case vs Fast Transition Real 10-Year IRR



Source: FactSet, ATLAS calculations

Commentary on Fast Transition exposure:

- The main contributor to Fast Transition risk in the portfolio is ALLETE. This company is a US utility which has fossil fuel generation currently.
- Acciona has the largest positive Fast Transition delta due to its significant renewable's development pipeline.
- Avangrid had the second largest positive Fast Transition delta, with an expected 1.7% improvement in 10-year IRR in a Fast Transition scenario. This strong delta is the result of Avangrid's positive exposure to the build out of renewable projects across the US and through the provision of transmission networks to these assets.

APPENDIX C. PORTFOLIO EMISSIONS AND CLASSIFICATIONS

ATLAS has incorporated the Science Based Targets initiative methodology for emissions reduction pathways for assets in the investment universe. Where a Sector Decarbonisation Approach is available with specific pathways for assets these are utilised, otherwise an 'absolute contraction' approach is applied. The SDA is currently used for electricity generation and transportation (road and rail) assets, with a rollout in progress for the communications sector. The Absolute Contraction approach targets a fixed reduction in emissions by end of 2030 (-30% for Below 2C, -60% for 1.5C) and 2050 (-100% for both) compared to a common base year of 2019. Assets are assessed on their emissions reduction (or growth) against an absolute reduction to 2030 of 2.5% p/a (B2DS) or 5.55% p/a (1.5C), followed by a pro-rata reduction to -100% each remaining year to 2050. The cumulative performance columns below reflect the percent under/over-performance against each company's consolidated pathway (including assets using SDA and/or absolute contraction) of scope 1 & 2 emissions.

The SBTi currently uses global carbon budgets in setting the SDA and absolute contraction pathways. We have adjusted this to adopt a more stringent budget for the 1.5C scenario based on the IEA Net Zero report (2021) data for advanced economies in which the ATLAS investment Universe almost exclusively exists. The power sector pathway reaches net zero by 2035 and advanced economies overall reach net zero by 2046, both milestones given by the IEA modelling and approved in the ATLAS Climate Advisory Board in December 2021. These changes have **not** yet been rolled out to models as of this 4th Quarter 2021 data pack.

At the portfolio level, ATLAS has adopted the new guidance from PCAF (Partnership for Carbon Accounting Financials) on Enterprise Value Including Cash aggregation. This attributes the responsibility for emissions reduction by capital markets participants pro-rata to total capital structure. This is then 'normalised' to by USD $m of assets under management to adjust for fund growth over time. The broader market methodology and understanding of this approach is still evolving and may change again in future.

Under the PAII framework, ATLAS is required to assess investments' performance categorically. In the below table we have the classifications for Scope 1 & 2 emissions performance, network emissions (ATLAS' own estimate of emissions from material fossil fuel volumes 'touching' the asset – a wider pool of emissions than Scope 3), and the company strategy. From these, we determine an overall Final Classification for the company – Net Zero, on a Pathway to alignment, Potential to align with material changes to company activities, or Misaligned (tiers 1-4).

APPENDIX D. NET ZERO ASSET MANAGER INITIATIVE - TARGETS

Topic	Details / Targets
Proportion of AUM to be managed in line with net zero initially (expressed as a % of total AUM, and provide USD total currently implied)	100% ATLAS has adopted the IIGCC PAII framework and has applied this to the portfolio.
Target Year (e.g. 2030)	2025/2030
Baseline Year (e.g. 2019)	2019
Quantified Target(s) to be achieved by target year (this may include more than one target type if relevant to the methodology used, or if using a combination)	Portfolio targets (1.5 degree pathway under the SBTI pathways) • -35.7% Scope 1&2 CO2e / EVIC, 2025 • -65.4% Scope 1&2 CO2e / EVIC, 2030 Portfolio targets (B2DS pathway under the SBTI pathways) • -21.4% Scope 1&2 CO2e / EVIC, 2025 • -39.2% Scope 1&2 CO2e / EVIC, 2030 The 1.5c targets are defined as the portfolio ambition target, B2DS targets are defined as the portfolio minimum target Note: ATLAS also categorises investee companies on their level of alignment to a Net Zero pathway. ATLAS has a target of having 100% of its investments classified as either "Currently Net Zero aligned" or "Aligned with Paris pathway" by 2030.
Baseline Year Performance for the target metric(s) (if possible/relevant) (e.g. xxtCO2/$ invested)	172 tCO2e / $m (EVIC basis)

Topic	Details / Targets
Methodology used to set target(s)	We use SBTi pathways using specific sector pathways where possible. Details on scenarios included below
Confirm and describe coverage of Scope 1,2 and extent of Scope 3 coverage of financed emissions.	The assessment includes all Scope 1 & 2 emissions for each company as well as a broader estimate of Network / volume-based emissions associated with use or operation of the companies' assets
Underlying science-based net zero scenario(s)/pathway(s) from which target(s) is derived	Emissions forecasts are compared to a 1.5-degree scenario and the IEA's Beyond 2 Degrees Scenario (B2DS), both used by the Science-Based Targets initiative (SBTi). The 1.5C scenario was created by the SBTi from IPCC scenarios that limit warming to 1.5-degrees with a >50% probability. B2DS is considered aligned with a Well-Below 2 Degrees temperature goal and is consistent with limiting warming to 1.75C with a 50% probability. For further information please see SBTi, "Foundations of Science-based Target Setting" (April 2019), link https://sciencebasedtargets.org/resources/files/foundations-of-SBT-setting.pdf

Topic	Details / Targets	Topic	Details / Targets
Brief description of how the asset manager considers the target to be consistent with delivering a fair share of the 50% global reduction in CO_2 emissions by 2030 identified as a requirement in the IPCC special report on global warming of 1.5°C.	By using sector specific pathways we can ensure that the heaviest emitting sectors are required to produce the greatest reductions.	Information on target for operational emissions, if set	ATLAS has not established a target for its operational emissions at this time.
		Confirm whether the organisation adopted a science-based policy on coal and other fossil fuel investment (Yes/No)	No – as an infrastructure fund our universe does not include coal and oil production or refining.

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