RESPONSIBLE INVESTMENT REPORT 2022

ATLAS INFRASTRUCTURE

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EXECUTIVE SUMMARY

This document represents the second 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 in Responsible Investment, incorporating the principles of sustainable and inclusive economic growth, mitigation of and adaptation to climate change, reducing pollution, human development, and the reduction of inequality. ATLAS seeks to further these objectives in its role as an infrastructure investor, 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 consideration of Environmental, Social and Governance ("ESG") factors 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 since inception, particularly on climate change, we continue to make enhancements to our due diligence and reporting processes. In this most recent period, the enhancements have been geared towards the introduction of the EU Sustainable Finance Disclosure Regime ("SFDR"). ATLAS has incorporated the relevant SFDR requirements within the existing ATLAS investment process as follows:

- **Measurement and reporting of UN Sustainable Development and EU Taxonomy-aligned investments** – the investment process requires detailed modelling of each infrastructure company at the individual asset level. We assess company activities against the Technical Screening Criteria for the EU Taxonomy as well as against the UN Sustainable Development Goals ("SDG") criteria to derive estimates of eligibility and alignment for each company.
- **Monitoring and reporting of Principal Adverse Indicators ("PAI") and Do No Significant Harm ("DNSH") criteria** – The investment process includes a weekly monitoring and assessment of portfolio and non-portfolio ESG risks. These are then mapped against the Principal Adverse Indicators and potential breaches are identified for follow up and review for potential breaches of DNSH criteria.

ATLAS has been awarded several industry awards over recent years, recognising our continued leadership in incorporating climate change considerations in our investment processes.

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.

ATLAS INFRASTRUCTURE

Key Portfolio Metrics

-38.3%	Cumulative portfolio greenhouse gas emissions reduction as of year-end 2022 compared to 2019. Our 2030 portfolio targets are -39.2% and -65.4% by 2030 on an EVIC[1] basis, corresponding to the B2DS and 1.5C scenarios respectively [2]
100%	100% of the ATLAS managed assets are managed under our Net Zero framework and targets
68%	Share of ATLAS Global Strategy companies that are classified as either "Fully Net Zero aligned" or "Aligned to a Paris pathway"
45%	The ATLAS Global Strategy's Scope 1 & 2 emissions intensity is below half of the emissions intensity of the broader investment universe [3]
4	Active engagements with the Global Strategy's companies out of the 22 companies in the Strategy

AAA	ATLAS has achieved an MSCI ESG rating of AAA. MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry specific ESG risks and the ability to manage those risks relative to peers. Learn more about MSCI ESG ratings here.
Article 8	The ATLAS Global Infrastructure (UCITS) Fund has made the necessary Article 8 Fund disclosures (under EU SFDR)
-2.1%	Underlying annualised emissions reduction achieved by investee companies since 2019 vs a target range of -4.4% (or -39.2% by 2030 from 2019) to -9.2% (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] The Below 2 Degrees Scenario ("BD2S") is equivalent to the Paris Agreement Well-Below 2 Degree ("WB2D") scenario under the Science Based targets Initiative pathways.

[3] Measured as tonnes of Scope 1 & 2 CO2e per USD revenue.

1 BELIEFS, GOVERNANCE AND PROCESS

1.1 Responsible Investment Beliefs.

ATLAS believes that long term sustainable returns can only be generated through investing in sustainable assets and business models. Infrastructure plays a direct role in sustainability outcomes through the supply chains for natural resources, energy, information, and transport. All infrastructure assets operate under an implicit environmental and social contract and are subject to both physical and policy changes in their environment. Identifying sustainable returns requires consideration of ESG factors that measure assets' contributions to sustainability in their own operations as well as their broader contribution to society.

The ATLAS approach to responsible investment is part of the investment philosophy of the firm. Since inception, we have consistently incorporated ESG risks and opportunities directly into our forecast cashflows and hence directly into our portfolio decision making.

1.2 Integration of ESG Processes.

There are several elements to our ESG process:

- ATLAS assesses the implications of each ESG factor at both the individual asset and company cashflow level. 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;
  - scenario returns (including climate policy scenarios);
  - 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 for 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 within 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 industry. It monitors portfolio compliance with investment mandate aims and policies including ESG risks and NZAM/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.
- The ATLAS Head of Investment is responsible for the Investment function within ATLAS including the implementation and monitoring of ESG and Responsible Investment 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-economic and Climate Advisory Boards are independent 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 comprises of the Executive Chairman, Chief Compliance Officer and Chief Operating Officer. 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	Reference
Climate	Taskforce for Climate Finance Disclosures ("TCFD")	Sections 2, 3, and Appendix B
	Net Zero Asset Manager Initiative ("NZAM")	Section 2, 3, and Appendix D
	Implied Temperature Rise ("ITR")	Section 3
Sustainability	UN Sustainable Development Goals ("SDGs")	Section 2
	EU Taxonomy for Sustainable Activities	Section 4
Article 8 / SFDR	Periodic reporting	Section 4
	Principal Adverse Impact ("PAI") indicators	Section 4
Stewardship	Implementation Statement - engagement and voting	Section 5

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 GHG emissions. Its risk management process also sets constraints around acceptable risks under different climate-related scenarios (set out in section 4).

2.2 Net Zero commitment – NZAM Initiative

ATLAS was a founding signatory of the Net Zero Asset Manager's Paris Aligned Investment Initiative ("PAII") in December 2020. This initiative is sponsored by the Institutional Investors Group on Climate Change ("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 compared to 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 2 Degrees target and the equivalent 'Below 2 Degrees Scenario' established by the Science Based Targets initiative, "SBTi".
- The 65.4% target reduction is based on the SBTi'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 4 for progress against these targets.

2.3 UN Principles for Responsible Investment ("PRI") signatory

ATLAS is a signatory to the PRI and achieved the following PRI ratings in 2021:

- Investment and Stewardship Policy 4 stars (86%)
- Direct – Listed equity – Active fundamental – incorporation 5 stars (91%)
- Direct-Listed equity – Active fundamental – voting 4 stars (77%)

3 CLIMATE AND SUSTAINABILITY METRICS

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

Measure	Description	Framework	Global Strategy	Investment Universe
Fast Transition scenario	Global Strategy should minimise any downside risk in Fast Transition scenario (see Appendix B) and have an expected return no worse than the investment universe in this scenario	TCFD: risk management and metrics and targets	+0.06%	-0.03%
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	20.7% annual reduction (2.1% from company reductions and 18.6% from portfolio composition)	N/A
Cumulative forecast emissions vs B2DS pathway to 2030 (incl. companies under engagement)	Global Strategy aligned to at least a Below 2 Degrees pathway (unless under engagement). Measured as a percentage above or below B2DS cumulative emissions budget to 2030	PAII	-4.42%	+9.62%
Paris alignment tier (share of companies in Tier 1 or 2 or under engagement)	Target of 70% of portfolio companies in Tier 1 or 2, or under engagement, rising to 100% by 2030	NZAM, PAII	68%	N/A

Source: ATLAS Infrastructure

Paris Alignment Investor Initiative and cumulative emissions pathways

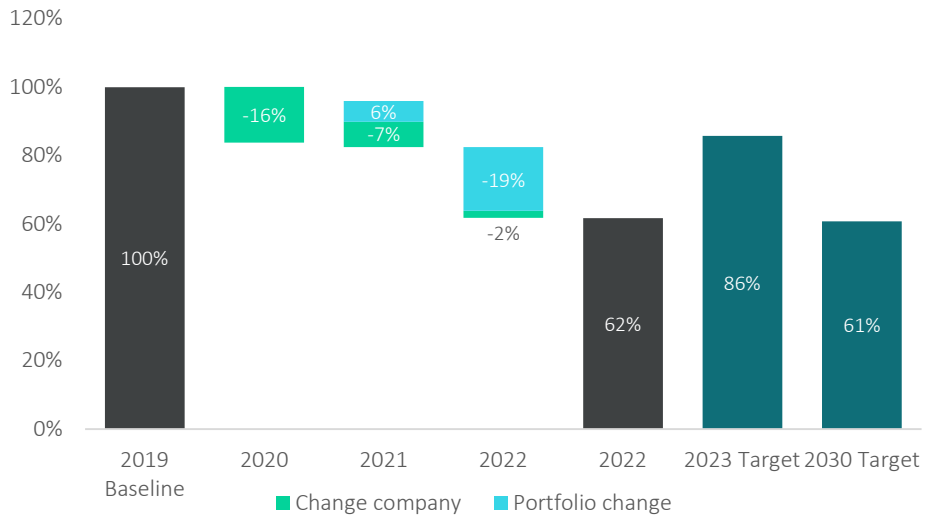
ATLAS is actively involved in the working groups of the Institutional Investors Group on Climate Change ("IIGCC") Paris Alignment Investor Initiative ("PAII"). Launched in May 2019, the PAII aims to develop a framework for aligning investors' portfolios with the Paris climate targets. The ATLAS investment 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)[4]. If this were pro-rated annually, the calendar 2023 trajectory target would be -14.3% (85.7% 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, as at December 2022

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

[4] 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 and 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 less 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 third-party data estimates.

Measure	Description	Framework	UCITS Global Strategy	Investment Universe
Scope 3 emissions	ATLAS 'broad definition'	NZAM PAII	2373	2361
Scope 3 emissions	Third-party data providers	NZAM PAII	138	180

1. Scope 3 emissions measured as per '000 tonnes by enterprise value
2. Third-party data providers is the average reported by Sustainalytics and Trucost
Source: ATLAS, Sustainalytics, TruCost as at December 2022

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 and 2 emissions trajectory vs SBTi pathways
- Broad Scope 3 / Network Emissions 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 as follows:

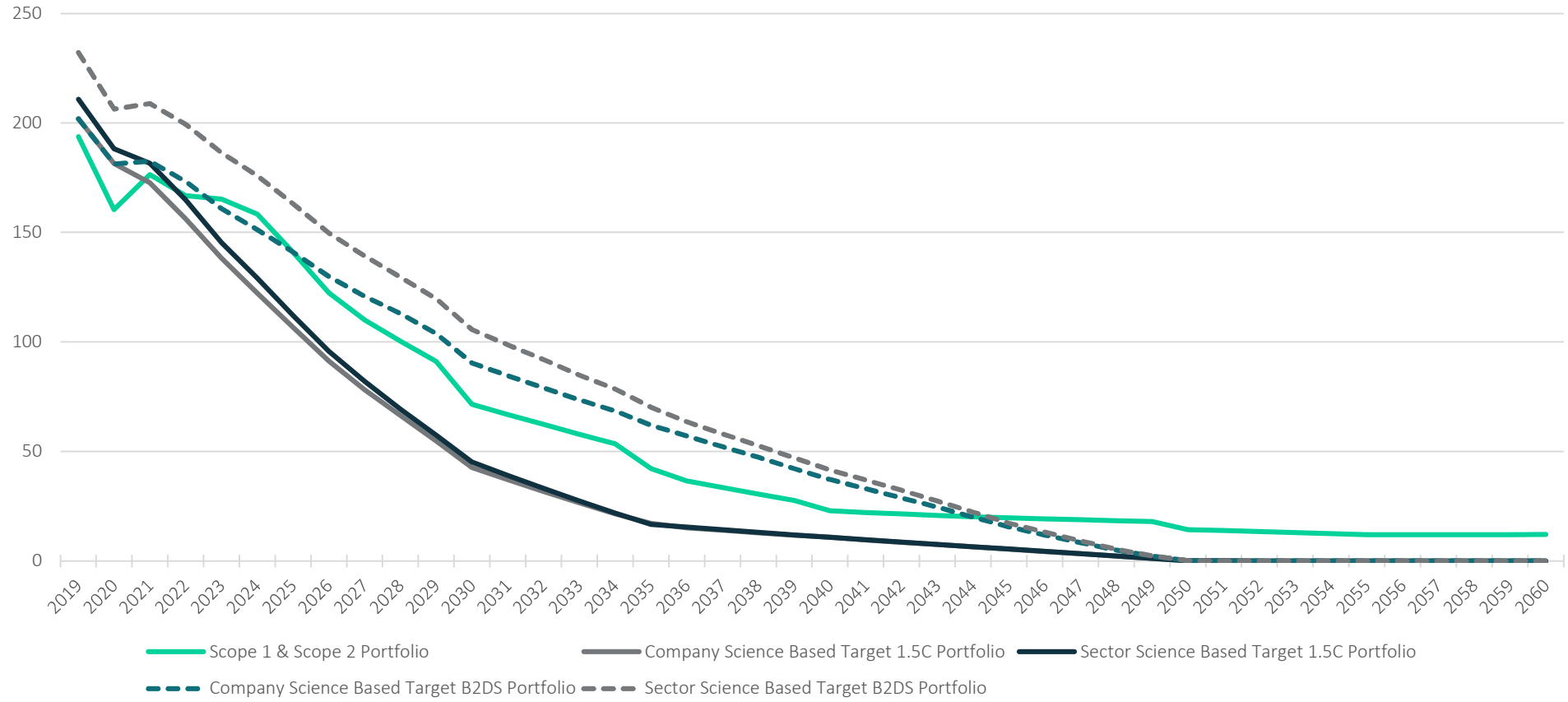
Measure	Category	Description	Global Strategy	Investment Universe
Tier 1	Fully Net Zero aligned	The company has a well-defined and credible pathway to Net Zero by 2050 with minimal expected network emissions	23%	18%
Tier 2	Aligned to a Paris pathway	Aligned to a 'Well Below 2 Degree' Paris Agreement pathway, but not with Net Zero by 2050. There is a credible pathway to substantially reducing Scope 1 & 2 and network emissions.	41%	32%
Tier 3	Potential to transition	Partially aligned companies and/or companies where network emissions are material by 2050, but within a hard to abate sector (e.g., long haul air travel)	27%	33%
Tier 4	Misaligned	Not aligned to a Paris Agreement pathway. Network emissions are expected to be material, even if they are not hard to abate. Management strategy is misaligned with emissions reduction outcome.	0%	17%

Source ATLAS calculations, 31 December 2022

Portfolio Emissions vs. SBTi pathways to 2050

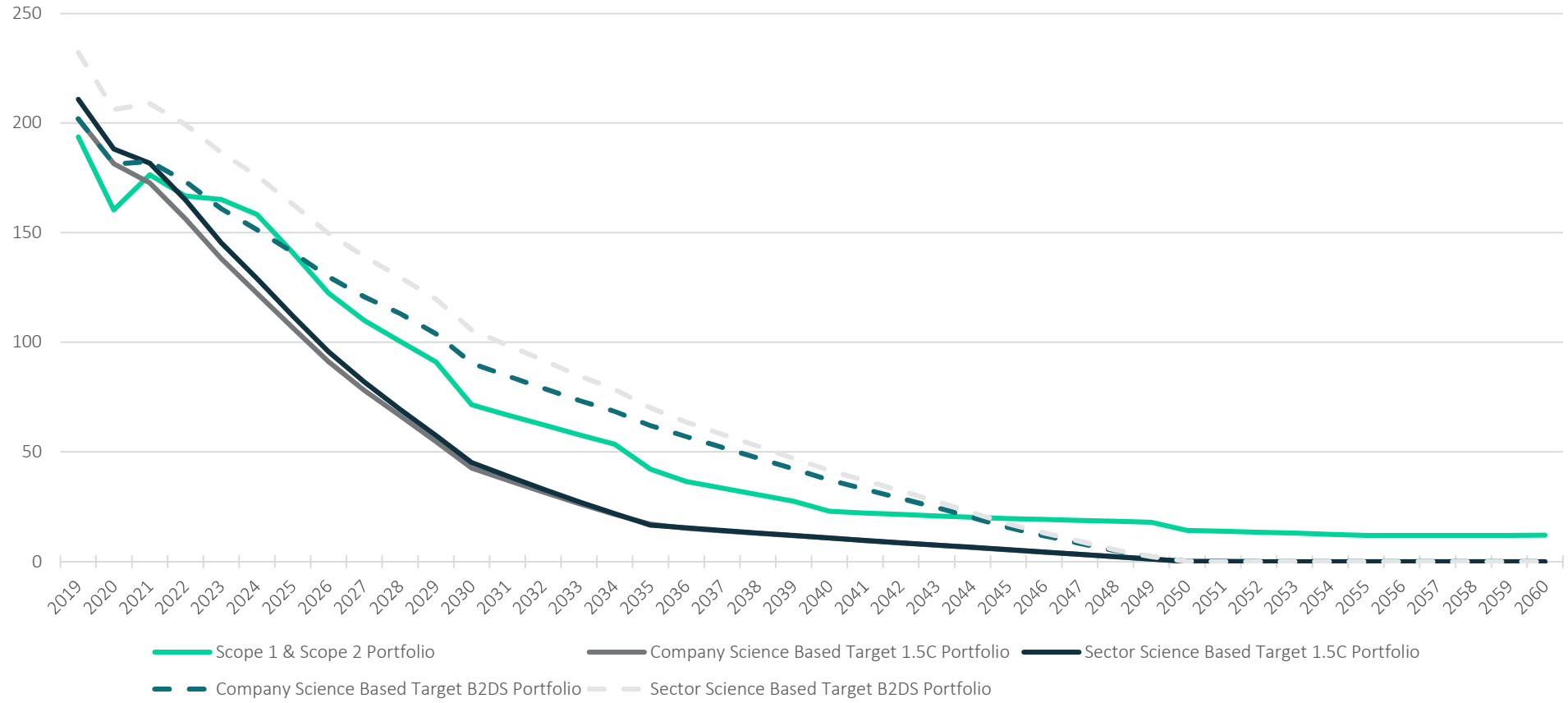
The below charts show the ATLAS-modelled portfolio Scope 1 & 2 emissions compared to the SBTi's modelled pathways for B2DS and 1.5C scenarios with all current holdings. The first shows the portfolio including companies under engagement, the latter excluding those.

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



Source: ATLAS Infrastructure, SBTi as at 31 December 2022

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



Source: ATLAS Infrastructure, SBTi as at 31 December 2022

3.2 Implied Temperature Rise

The Implied Temperature Rise ("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	Global Strategy average	Investment Universe average	Comment
ITR	Global warming by 2100 implied by expected emissions performance	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 as at 31 December 2022

3.3 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 base case 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	Description & Incorporation	Measurement and return implication
Hera	Environment - Fast Transition	Hera is an Italian multi-utility company. It is exposed to climate policy through its regulated gas distribution business. This business activity is expected to be largely substituted through electrification of domestic heating and cooking. In our Fast Transition scenario this substitution happens much earlier and results in stranded asset costs for shareholders.	Equity IRR is reduced by 2.4% in our Fast Transition scenario.
Snam	Environment - Fast Transition	Snam is an Italian gas transport company. It is exposed to climate policy through its regulated gas transmission business. In our base case we expect volumes in the gas transmission network to decline over the next 30 years, offset by some substitution from biogas and hydrogen volumes. In a fast transition scenario, volume reductions happen faster and there is much less offset from biogas and hydrogen, leading to stranded asset costs for shareholders.	Equity IRR is reduced by 2.2% in our Fast Transition scenario.
Severn Trent	Social Contract	Severn Trent has been one of the highest performing UK water utilities over the past two regulatory periods, which has resulted in higher returns through incentive payments. In our basecase we assume the company continues to be judged as a high performer. However the company has been accused of social contract breaches relating to sewage discharges and, if these prove to be substantiated, could result in loss of high performing status as well as potential penalties.	Estimated potential capital loss of 4% in a major stress risk scenario.

Company	Risk	Description & Incorporation	Measurement and return implication
Norfolk Southern Corporation	Social Contract	A key risk for Norfolk Southern is that a breach of its social contract may result in more repressive regulation of its operations. Norfolk Southern has a very important social contract with the communities it works with and its workforce. The company has light touch regulation under which it has been allowed to earn excess returns. This situation is under constant attack from shippers looking for price reductions. Norfolk Southern must continuously show that its business model is producing benefits to both workers through stable jobs and communities through direct investments and supporting local employment investment. A material social contract breach (which has been alleged as a result of the recent East Palestine derailment) could result in such a change to regulation and is represented as a major stress event risk.	Estimated potential capital loss of 35% in a major stress risk scenario
ALLETE, Inc.	Environment - Fast Transition	ALLETE, through Minnesota power, has transitioned to 50% renewables, but still has a large legacy coal generation base. Our base case scenario shuts down remaining coal in 2030s with minimal impact on returns, however our Fast Transition scenario shuts down and strands coal generation mid 2020s leading to stranded assets.	Equity IRR reduced by 1.9% in Fast Transition scenario
Edison International	Environment - physical risk	Edison has exposure to climate change physical risk due to the increased incidence of drought conditions leading to wildfires in California. Under Californian law, utilities are held liable for damage caused by wildfires if their equipment was involved in the ignition, even if there was no fault or negligence. Whereas existing wildfire costs and expected resilience spending is in the base case, in delayed action increased wildfire frequency and severity results in liabilities in excess of insurance and reserves which leads to losses for shareholders.	Equity IRR reduced by 2.5% in delayed action (physical risk) scenario
Eutelsat Communications	Governance risk	Eutelsat's core business is highly cashflow generative, however it has recently taken the decision to invest in a high growth system called OneWeb. The Governance risk is that the company will divert returns from the core business away from shareholders and into the new business despite the risk of lower returns and higher costs.	Estimated capital loss of 40% in major stress event
SES	Governance risk	SES's core business is highly cashflow generative and the company is due to receive a large cash payment from the US government in return for releasing spectrum for mobile services. The Governance risk is that the payment from the US government is used for value destroying acquisitions as opposed to organic growth or returns to shareholders.	Estimated capital loss of 12% in major stress event

4 ARTICLE 8 AND EU SFDR REPORTING

The ATLAS Global Infrastructure Fund has met the Article 8 disclosure requirements as prescribed under the EU SFDR legislation. The Article 8 disclosures articulate the investment objective of the fund to deliver the best possible sustainable infrastructure returns to investors through the use and integration of ESG considerations and factors (described in section 1.2).

In this section we provide specific reporting against the SFDR requirements as follows:

- Proportion of assets in the fund classified by ATLAS as sustainable.
- Proportion of assets in the fund classified by ATLAS as Taxonomy-aligned.
- Our periodic report on the principal adverse impacts of investment decisions on sustainability factors.

4.1 Investments classified as sustainable

ATLAS' sustainable investment classification process involves assessing a companies' alignment to the UN Sustainable Development Goals (SDGs).

The SDGs evolved from the former Millennium Development Goals as a UN initiative to guide sustainable and equitable human development around the world.

The 17 areas of development identified within the SDGs provide a comprehensive, interrelated, and universal framework addressing pressing social, economic and environmental challenges faced by countries worldwide. By providing a common framework, the UN SDGs enable countries and stakeholders to align their efforts, policies, and resources towards sustainable development.

We have determined that the following six SDGs are relevant to our infrastructure investment universe:

- 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 11: Sustainable Cities and Communities – Our investment universe includes toll roads and waste businesses, which may support SDG 11. Toll roads assets have the potential to "provide access to safe, affordable, accessible and sustainable transport systems" while waste collection and disposal businesses may "reduce the adverse per capita environmental impact of cities, including municipal and other waste management".
- GOAL 12: Responsible Consumption and Production – Waste collection, treatment and disposal companies can play an important role in promoting a circular economy and a reducing waste sent to landfill, thereby supporting the objective of "substantially reducing waste generation through prevention, reduction, recycling and reuse".
- 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.

We have reviewed the alignment of the operating assets of our portfolio companies relative to thew above UN SDGs. This analysis suggests that approximately 75% of the portfolio is aligned with one or more UN SDG on a revenue basis and 90% of the portfolio is aligned on a capital expenditure basis. We will add to this analysis company-reported and third-party data as both data become more widely available.

Metric		Aligned with one or more UN SDG	Comments
UN SDG alignment	Revenue	75%	These values are ATLAS estimates based on our analysis of the asset-level UN SDG alignment of each company.
	Opex	69%	
	Capex	87%	
	EV	86%	

Source: ATLAS Infrastructure as at 31 December 2022

Our assessment of UN SDG alignment is based on the sector activity of the underlying operating assets of a company and the alignment assumptions show below:

UN Sustainable Development Goals - ATLAS Sector Assessment	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Logistics			✓		
Airport			✓		
Toll road			✓	✓	
Other transport					
Seaport			✓		
Railway			✓		
Water	✓				
Waste				✓	✓
Comms - Satellites			✓		
Comms - Towers			✓		
Comms - Cable			✓		
Comms - Network			✓		
Electric - Dist - Comp		✓	✓		
Electric - Dist - Contract		✓	✓		
Electric - Dist - Reg		✓	✓		
Electric - Gen - Comp					
Electric - Gen - Contract					
Electric - Gen - Reg					
Electric - Trans - Comp		✓	✓		
Electric - Trans - Contract		✓	✓		
Electric - Trans - Reg		✓	✓		
Electric - Retail					
Renewable energy		✓			
Gas Transmission					
Gas Distribution					
Pipelines and Storage					

Source: ATLAS Infrastructure

4.2 Investments classified as EU Taxonomy aligned

The EU 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 compared with data from Sustainalytics. 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 third-party data providers and between third-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	43%	55%	46%	52%	These are ATLAS estimates based on our analysis of the asset-level sector exposures of each company's revenue and capex. Where companies have provided breakdowns in annual reports, we have also considered this information.
	Sustainalytics	27%	63%	26%	35%	There are still many companies not included in the third-party databases and company data is often not available even when that company has started reporting taxonomy data.

Source: ATLAS Infrastructure, Sustainalytics as at 31 December 2022

4.3 Principal adverse impact indicators: EU SFDR

As part of the Funds Article 8 Fund disclosure requirements, we are required to monitor and report against the principal adverse impact indicators. We currently report against the 14 mandatory and 2 optional indicators as 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 third-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 data used as well as the 'raw' data from one other external data provider.

After considering the most likely sources of adverse impacts on sustainability factors within our portfolio, we have chosen the following optional indicators:

- Operations and Suppliers Exposed to Forced or Compulsory Labour – Many of our companies make extensive use of suppliers and contractors to deliver asset investment and maintenance programs. In addition, governments and regulators often offer financial incentives to deliver these programs below budget. There is a risk of companies indirectly supporting forced or compulsory labour as part of a desire to secure lowest cost supplies.
- Rate of Accidents – a key leading indicator for a company's adherence to best practice asset management and safe operations is the accident rate. Monitoring this will help ATLAS identify where companies may be starting to operate in an unsafe manner.

Principal adverse impact indicators			Data Source	2021	2022	Explanation	Actions planned and targets set for the next reference period	Actions taken
Greenhouse gas emissions	**1. GHG Emissions** ('000 tonnes)	Scope 1 GHG emissions	ATLAS	102.24	101.65	In 2022, there was a decrease in Scope 1 emissions. The sale of Pinnacle West, a US utility with relatively high GHG emissions, was the biggest contributor to the EVIC emissions reduction.	ATLAS has committed to achieving net zero emissions across all its investments by 2050 and has set an interim 2030 target to reduce portfolio Scope 1 & 2 emissions by at least 39.2% measured on an EVIC per unit investment basis. Performance against this target is assessed annually as part of our Responsible Investment Report. In addition to the absolute reduction target, ATLAS portfolio construction guidelines include two specific emissions related metrics. Firstly, that the portfolio's aggregate forecast emissions over the next 10 years should be at or below a "Below 2 Degrees Scenario" Science-Based pathway, and secondly that 70% or more of portfolio companies should be in Net Zero alignment tiers 1 & 2. These are set out in more detail in section 3.1 of our responsible investment report. Portfolio companies that are underperforming vs science-based pathways or assessed as not in Tiers	ATLAS had four active engagements with portfolio companies concerning their emissions reduction plans and Net Zero alignment (Snam, Allete, Avangrid and Pinnacle West). Of those, the engagement with Snam was ongoing as of the end of the year. The engagements with Allete, Avangrid and Pinnacle West were closed in the period with engagement outcomes at least partially achieved in every case. As a consequence of the engagements, the net zero alignment tiers for Pinnacle West and Avangrid were upgraded from Tier 3 to Tier 2. Although the alignment tier for Allete was not upgraded, the emissions performance vs B2DS improved from +22% to +5.6% (for more details see section 5.4 of the ATLAS
		Scope 2 GHG emissions	ATLAS	23.49	13.02	In 2022, there was a decrease in Scope 2 emissions. This was mainly due to the removal of Spark Infrastructure from the portfolio.		
		Scope 3 GHG emissions	Sustainalytics	241.51	344.60	The increase in Scope 3 emissions primarily due to portfolio changes involving the addition of new companies. These newly added companies had higher Scope 3 emissions than the average in 2021. Notably, Avangrid was the largest contributor to the overall increase in Scope 3 emissions.		
		Total GHG emissions	ATLAS/ Sustainalytics	384.54	469.52	The increase in Scope 3 emissions led to an increase in total greenhouse gas emissions in 2022.		

Principal adverse impact indicators			Data Source	2021	2022	Explanation	Actions planned and targets set for the next reference period	Actions taken
							1 & 2 are prioritised for formal engagement.	Responsible Investment Report)
	2. Carbon footprint ('000 per EUR mn invested)	Scope 1,2 & 3	ATLAS	0.29	0.29	No material changes		
	3. GHG intensity of investee companies ('000 tonnes / revenue per EURbn)	Scope 1,2 & 3	ATLAS	5.29	3.31	Atlas Arteria, a significant portfolio contributor, experienced a decrease in intensity and a reduction in portfolio weight. This had a substantial effect on the overall decrease in GHG intensity.		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	ATLAS/ Sustainalytics	26.75%	19.86%	A reduction in the involved in Fossil fuels could be achieve with the divestment from SSE and NiSource		
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a	Sustainalytics	26.64%	32.28%	Investments in Enel, Fraport, Hera, and PG&E were significant contributors to the overall increase in the share of non-renewable energy metric	As part of our assessment of portfolio company emissions against Science-Based Targets, we review both internal generation (Scope 1) and electricity used (Scope 2) to assess whether companies are reducing emissions at the required rate	None

Principal adverse impact indicators			Data Source	2021	2022	Explanation	Actions planned and targets set for the next reference period	Actions taken
		percentage of total energy sources						
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Sustainalytics	1.15	1.02	Pinnacle West, as US utility holding, saw a decrease in energy consumption intensity which had a positive effect on the portfolio	ATLAS makes use of the SBTi target-setting methodology which adjusts company emissions budgets for changes in volumes, including the impact of energy efficiency	None
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	Sustainalytics	2.30%	4.71%	The addition of Norfolk Southern to the portfolio in 2022, which has a negative indicator for biodiversity, results in an overall increase on the indicator.	ATLAS reviews portfolio company performance and risk exposure against PAI 7-14 through internal due diligence as well as specialist external data providers. Portfolio company performance and risk exposure is monitored on a weekly basis by the ATLAS Investment Committee and any issues identified are then reviewed by the ATLAS investment team and, if deemed potentially material, will result in a formal PAI investigation (see section 5.1 in the responsible investment report).	No investigations were launched in 2022. However, since the end of 2022, ATLAS has launched four separate company PAI investigations. Norfolk Southern, as US rail company, is being investigated under PAI 7 & 8 following a train derailment in Ohio. UK Water companies, Severn Trent, United Utilities, and Pennon are being investigated under PAI 8 following extensive accusations of unauthorised sewage discharges.
Water	**8. Emissions to water** ('000 tonnes per EUR mn invested)	Tonnes of emissions to water generated by investee companies per million EUR invested multiplied by the EVIC accounted portfolio share divided through the current value of investments	Sustainalytics	0	0	No exposure		
Waste	**9. Hazardous waste and radioactive waste ratio** ('000 tonnes per EUR mn invested)	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, multiplied by the EVIC	Sustainalytics	0.13	0.43	The inclusion of E.ON in the portfolio in 2022 led to an increase in the hazardous waste production metric.		

Principal adverse impact indicators			Data Source	2021	2022	Explanation	Actions planned and targets set for the next reference period	Actions taken
		accounted portfolio share divided through the current value of investments				However, the accuracy of the data provided by Sustainalytics for this PAI is being investigated and may not be entirely reliable.		
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%	1.78%	In 2021, there was no exposure in the portfolio. However, by adding Pinnacle West to the portfolio, a slight positive exposure to the breach of UNGC principles.		
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Sustainalytics	43.27%	29.22%	The portfolio experienced a decrease in monitoring compliance with the UNGC due to an overall decrease in portfolio companies with monitoring deficiencies. The highest contributor on the decrease is Norfolk Southern.		

Principal adverse impact indicators			Data Source	2021	2022	Explanation	Actions planned and targets set for the next reference period	Actions taken
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	Sustainalytics	1.41%	5.25%	The limited availability of data makes even small portfolio adjustments have significant effects. Specifically, the inclusion of United Utilities Group in 2022, which had a higher unadjusted gender pay gap compared to the other companies, greatly influences the metric.		
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	Sustainalytics	40.22%	39.46%	No material changes		
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Sustainalytics	0%	0%	No exposure		
Optional	**Operations and Suppliers Exposed to Forced or Compulsory Labour**	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms in terms of	Sustainalytics	0%	0%	No exposure		

Principal adverse impact indicators			Data Source	2021	2022	Explanation	Actions planned and targets set for the next reference period	Actions taken
		geographic areas and/or the type of operation						
							ATLAS reviews portfolio company performance and risk exposure against Optional PAIs 1-3 through internal due diligence as well as specialist external data providers. Portfolio company performance and risk exposure is monitored on a weekly basis by the ATLAS Investment Committee and any issues identified are then reviewed by the ATLAS investment team and, if deemed potentially material, will result in a formal PAI investigation process (see section 5.1 in the responsible investment report).	None
	Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	Sustainalytics	1.84%	3.51%	The increase in the recordable work-related injuries rate can be attributed to the addition of Enel, which had a significant number of work-related injuries. Limited data availability further magnified the impact of adding a company with substantial data on the overall PAI number.		

Source: ATLAS Infrastructure, Sustainalytics, TruCost as at 31 December 2022

5 ENGAGEMENT AND VOTING

5.1 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 issues and priorities for initiating a company engagement, the investment teams and IC will consider:

- 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): and
- 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:
- 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.

5.2 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.

5.3 Summary of Engagement for Year Ending 31/12/2022

Company	Topic	Status	Engagement Objective & Outcomes
ALLETE	Environmental – Climate	Closed (11/2022)	Objective: Encourage commitments towards emissions reduction through well planned closure of carbon intensive generation fleet; emissions reduction targets to be included in management KPIs. Objectives partially achieved: Emissions contracted closer to a scientific pathway, but NTEC remains corporate strategy.
Avangrid	Environmental – Climate	Closed (11/2022)	Objective: Encourage commitments towards emissions reduction through well planned closure of carbon intensive generation fleet; emissions reduction targets to be included in management KPIs. Objectives partially achieved: with the confirmed sale of Klamath plant pre-2030 there remain no emissions underperforming assets to address in Avangrid base case. At end of Q4 2022, Avangrid B2DS emissions to 2030 are 3.6% over target but with substantial reduction in network emissions and a credible corporate strategy its overall ranking is 2: Pathway to transition.
Pinnacle West	Environmental – Climate	Closed (05/2022)	Objective: Encourage commitments towards emissions reduction through well planned closure of carbon intensive generation fleet; emissions reduction targets to be included in management KPIs. Objectives achieved: company emissions forecast to below the B2DS pathway to 2030.
Snam	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: Ongoing. Management intends to adopt a framework for reporting emissions currently excluded – from transported volumes and value-chain (incl. non-consolidated associates) – to be confirmed. Data won't be available until late 2023.

5.4 Engagements

5.4.1 Engagements opened during 2022

Snam S.p.A

Engagement status	Engagement objectives	Engagement outcomes	Investment Impact / next steps
New Engagement	Environment (transition) & Governance	Ongoing	No change
• Engagement opened 23rd December 2022 • Snam was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement upon portfolio entry in March 2022 • Snam has incorporated scenario planning for lower gas demand and hydrogen substitution, but long-term methane demand remains above B2DS emissions trajectories. • Snam has continued to invest in methane-infrastructure assets outside core-market, indicating inconsistency of policy and demand assumptions.	• Snam to include scenario modelling consistent with a 1.5C science-based pathway and/or the RePowerEU framework in corporate policy/scenario documents. • New investments to be presented with evaluation of impact on scenario(s) modelled above. • Snam to provide scenarios or modelling for the Italian domestic transmission assets showing how the asset base will evolve between now and 2050 under 1.5C science-based pathway and/or RePowerEU framework. • Snam to include all downstream emissions (incl. end-use) from its activities within its Scope 3 definition and as part of Scope 3 reduction targets and management KPIs	• Snam is working with the Italian government and Terna S.p.A (electric transmission operator) to model a scenario consistent with the RePowerEU framework. • The new CEO, Stefano Venier, has indicated (July 2022) that Snam expects around -12% gas supply volumes in 2030 and -21% by 2040 albeit with increase blend of biomethane and hydrogen (>-50% reduction in methane) • Discussions are ongoing as engagement has only recently been initiated	• Letter was sent to management 23rd December 2022 • Confirmation of scenario planning to meet Net Zero and RePowerEU targets from Snam internal scenarios published in late 2023. • Management intends to adopt a framework for reporting emissions currently excluded – from transported volumes and value-chain (incl. non-consolidated associates) – to be confirmed

5.4.2 Engagements closed during 2022

ALLETE Inc.

Date Initiated: 21st March 2021. Extended 14th September 2022

Origin: ALLETE was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement.

Existing Assertions at Time of Engagement: n/a – engagement not strategy based.

Objectives:

1. 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.
2. Gain additional commitments from the Board regarding the monitoring of climate transition risk and inclusion of climate transition outcomes in management remuneration and KPIs.

Outcomes & Consequences: During follow-up meeting on May 18th, 2021, company responded that the more ambitious clean energy transition plans do not yet have regulatory support due to high costs for customers and risks to systemic reliability. ATLAS modelled the company's own base case capital investments including the new gas generation facility, Nemadji Trail Energy Center (NTEC), per their submission to the state regulator with their Integrated Resource Plan.

ATLAS 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. A coordinated comment was submitted to the PUC expressing our shareholder perspective – that NTEC should not be approved, existing coal units closed sooner, and the commission should consider steps to assist with ALLETE's more rapid decarbonisation.

The ALLETE IRP was subsequently approved by the state regulatory with amendments to materially increase system renewables buildout, transmission network augmentation, and deferring the decision on final approval of NTEC to 2025 IRP. With increased rate base share of system renewables assumed thanks to the US Inflation Reduction Act, modelling indicates that ALLETE emissions trajectory has contracted from +22% over a 2030 Below 2C Scenario prior to formal engagement, to +5.6%.

Status: Emissions contracted closer to a scientific pathway, but NTEC remains corporate strategy. Objectives partially achieved; engagement closed 23rd November 2022.

Avangrid Inc

Date Initiated: 29th April 2021

Origin: Avangrid was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement.

Existing Assertions at Time of Engagement: n/a – engagement not strategy based.

Objectives:

1. Gain 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")
2. Gain additional commitments from the Board regarding the monitoring of climate transition risk and inclusion of climate transition outcomes in management remuneration and KPIs.

Outcomes & Consequences: During a follow up meeting on 23rd September 2021, the company did not give any commitments regarding retirement dates of their own plants and would only comment on the PNMR plants once the merger has been completed.

On the 8th of December 2021, the New Mexico Public Utilities Commission blocked Avangrid's acquisition of PNM Resources. Both companies announced an appeal to the New Mexico Supreme Court and continue to pursue approval of the transaction. ATLAS removed the acquisition from the base case for Avangrid and as such the emissions profile from PNMR assets was also removed. As emissions budgets follow assets, this still left Avangrid with excess emissions to its own budget due to the Klamath cogeneration plant, and as such the engagement continued.

At a meeting with the CEO and CFO of Avangrid on 29th September 2022, it was confirmed that the company intended to divest the Klamath plant before 2030. It was also confirmed that PNM Resources has a 2040 100% clean power target now, but further asset guidance is not possible until acquisition is completed.

Status: with the confirmed sale of Klamath plant pre-2030 there remain no emissions underperforming assets to address in Avangrid base case. At end of quarter, Avangrid B2DS emissions to 2030 are 3.6% over target but with substantial reduction in network emissions and a credible corporate strategy its overall ranking is 2: Pathway. Objectives partially achieved, and engagement closed 3rd November 2022.

Pinnacle West Capital Corporation

Date Initiated: 19th March 2021
Origin: Pinnacle West was identified through the ATLAS PAII implementation as a Tier 3 'Potential to Transition' and therefore prioritised for engagement
Existing Assertions at Time of Engagement: n/a – engagement not strategy based.
Objectives:

1. 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
2. Gain additional commitments from the Board regarding the monitoring of climate transition risk and inclusion of climate transition outcomes in management remuneration and KPIs.

Outcomes & Consequences: During follow up meeting on May 12th, 2021, 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. Following consultation with shareholders including ATLAS, the company has proposed at the 2022 AGM a revised executive remuneration structure with a 20% long-term incentive component weight for installed MW of renewable generation.

The reduction in near term emissions and the longer-term gas plant plans resulted in lower fast transition risk and 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 Paris Alignment Tier. Pinnacle West developed measures for tracking climate transition goals at a board level and proposed associated incentives for management tied to progress for approval at the 2022 AGM.

Status: Objectives achieved, closed May 2022

5.5 Joint Initiatives

Institutional Investors Group on Climate Change ("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.

CERES Network

ATLAS became a signatory to the CERES investor network on climate risk and sustainability early in 2022. CERES is the leading organisation in North America for coordinating investor, corporate, and policy action on climate change. CERES is linked with the IIGCC in Europe, with whom ATLAS originally started engaging as founding signatories of the Paris Aligned Investment Initiative and Net Zero Asset Managers initiative. ATLAS has joined CERES in order to leverage off the scale of CERES investor network for furthering existing and future engagements with portfolio companies located in North America.

5.6 Proxy Voting Report for Year Ending 31/12/2022

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 31/12/2022, a summary of ATLAS' proxy voting record is below:

Total eligible votes	% of resolutions voted	# voted for	# voted against	# abstained
313	100	299	10	3

For the year ending 31/12/2022, a summary of ATLAS' proxy voting record by topic below:

Voting Categories	Total for	Total against	Total abstained
Board of Directors	138	0	0
Committees & Reporting	46	1	0
Corporate Structure	27	0	0
Remuneration	56	6	0
General Governance	28	1	1
Climate Risk	4	0	0
Environmental	0	0	0
Social	0	2	0
Other	0	0	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 considers the following:

- Whether an engagement with a company has been initiated or is likely to be escalated to a formal engagement (please see s5.1 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.

6 ATLAS CORPORATE ESG REPORT

6.1 Overview

ATLAS believes in the importance of conducting responsible business practices 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.

6.2 Environmental

6.2.1 Travel

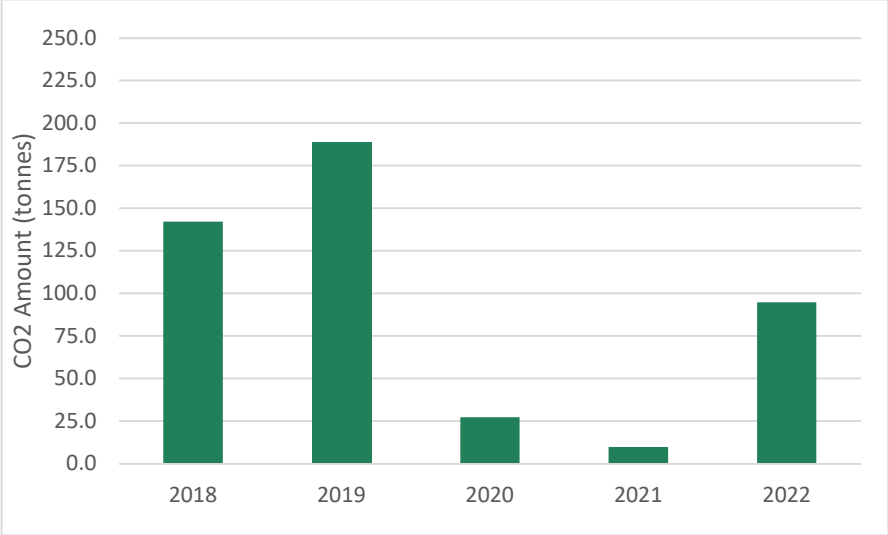
ATLAS has well-resourced bases in both the northern and southern hemispheres to promote easier access to management teams in every part of the world which reduces the need for travel. Further, ATLAS leverages technology to hold virtual meetings as much as possible to reduce travel. The outcome of these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

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

ATLAS also offset its carbon emissions each year since 2019 through the UN climate change secretariat.

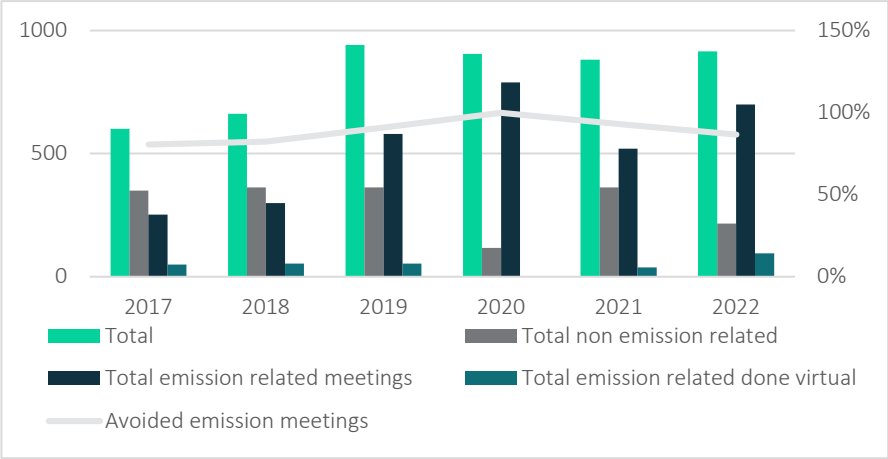
Finally, ATLAS provides staff with office spaces which provide work shower facilities to encourage staff to walk, run or cycle to work.

Air Travel Emissions



Source: ATLAS estimates, as at 31 December 2022

Summary of ATLAS meetings



Source: ATLAS estimates, as at 31 December 2022

6.2.2 Data Centre Energy Usage

- Thrive Next Generation Technology Services (formerly known as Edge Technology Group) engage leading data centre providers such as Equinix, who procure 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.
- Equinix have set their science-based targets (SBT) that they established in 2021 with a 23% reduction in operational emissions across Scope 1 & 2 emissions from our 2019 baseline.

6.3 Social

6.3.1 Donation to construct solar water ultra-filtration system in Kenya

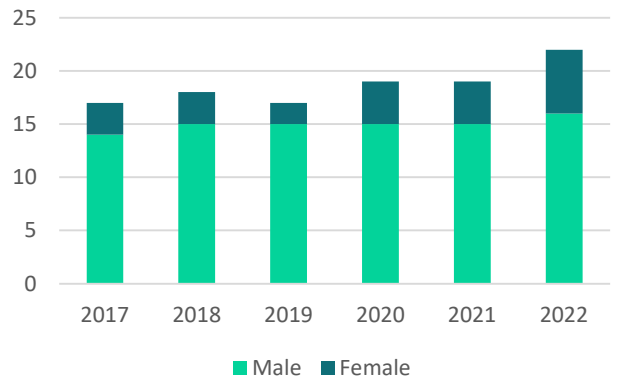
ATLAS donated to Water Kiosk to construct a solar water ultra-filtration system in Kenya. The Mackinnon Road project serves the residents of Mackinnon Road the coastal part of Kenya between Mombasa & Voi with hygienic drinking water. The project was completed in May 2023 to help school going children, the religious community and the entire community with their water needs by supplying safe and hygienic drinking water at 5 Kenyan Shilling per 20 l jerrycan (equivalent to 0.05 EUR). Six local people were trained in operating and maintaining the machine, creating six new jobs. The Water Kiosk is producing **48,000 litre** of clean water every month serving approx. 4500 people in the area with clean drinking water.

Source: Water Kiosk as at 31 December 2022

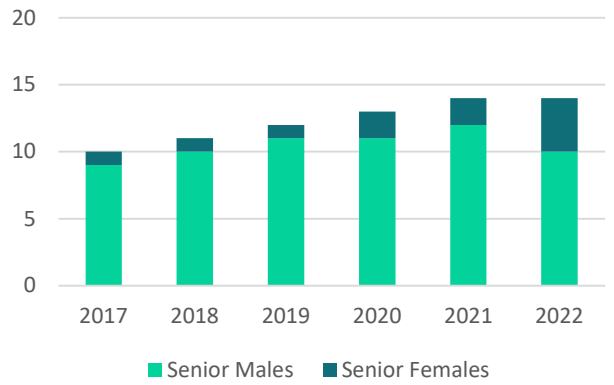
6.4 Diversity, Equity, Inclusion and Remuneration

- ATLAS today comprises a group of individuals with diverse perspectives and backgrounds, bringing different experience and skillsets to the organisation.
- We recognise the current imbalance with respect to 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 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 by having a minimum of two female candidates on our interview list for every position. ATLAS is aiming for a workforce 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.
- Parental leave - all staff since inception have had full access to and returned following any use of both maternity and paternity leave.

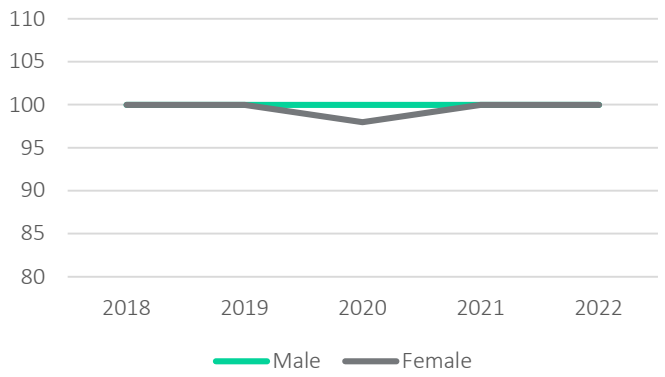
Total Staff by Gender



Senior Staff (Above Associate) by Gender



Remuneration by Gender (Adjusted for seniority)

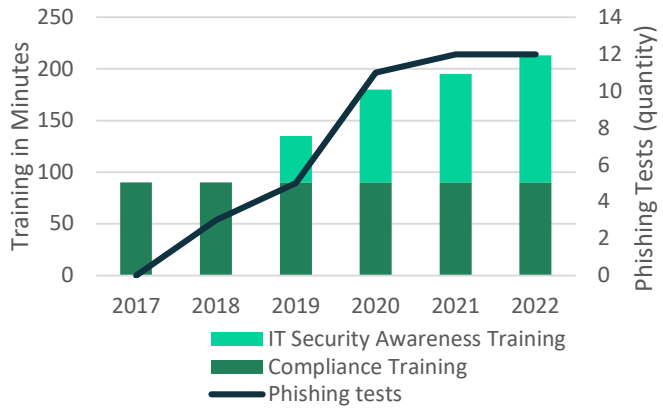


Source: ATLAS Infrastructure as at 31 December 2022

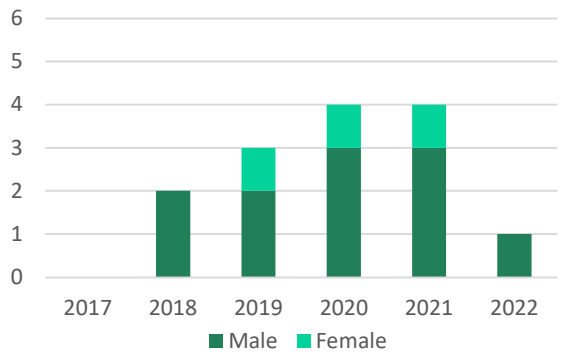
6.5 Training, Study Support, and Internships

- 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 and CFA Certificate in ESG Investing.
- ATLAS has been running internship programmes in Sydney since inception of the firm, which has now been broadened to the London office. All internship recruitment follows our recruitment policy as stated above.

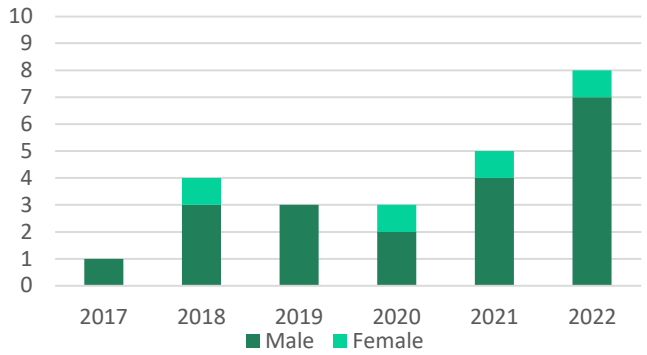
Training



CFA Support by Gender



Internships in Sydney & London



Source: ATLAS Infrastructure as at 31 December 2022

APPENDIX A. ADVISORY BOARDS

Investment Governance Board (IGB)

ATLAS is aware that asset management firms face several 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 two 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. Current 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.

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 can 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 disrupted significantly.

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	No change	No change	No change	Demand growth ceases	Demand growth ceases	Demand growth ceases	All generation demand lost	All generation demand lost
Rail (Thermal Coal Haulage)	No change	No change	No imports or domestic growth	No imports & domestic growth	Imports & Domestic cease	All coal volumes removed	All coal volumes removed	All coal volumes removed	All coal volumes removed	All coal volumes removed

Gas-I

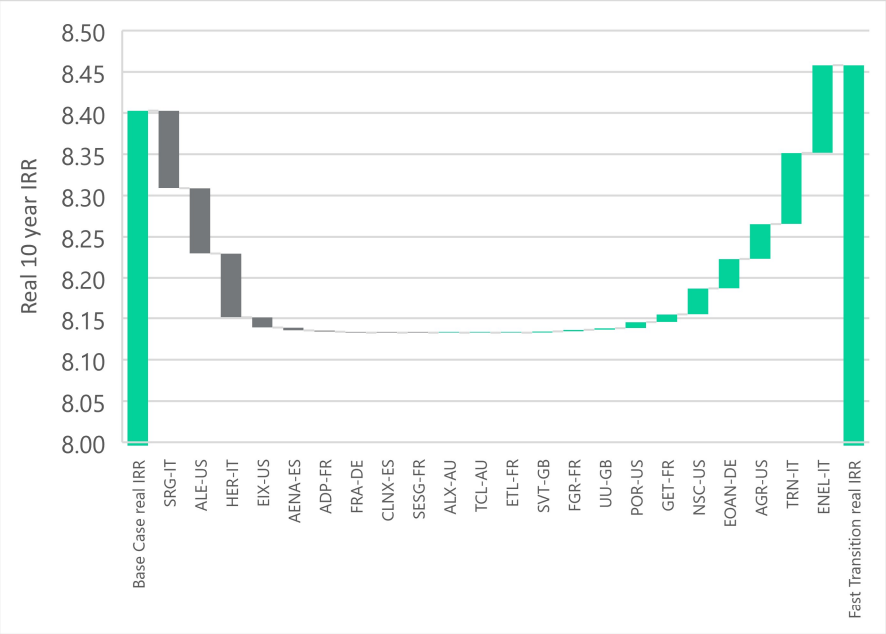
Transportation example

					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 structural limit	Truck to Rail incentivised to structural limit	Truck to Rail incentivised to structural limit	Truck to Rail incentivised to structural limit	Truck to Rail incentivised to structural limit
Electric cars	No change	No change	EV 10% of sales, rising to 50%	EV 10% of sales, rising to 50%	EV 50% of sales, rising to 100%	EV 50% of sales, rising to 100%	EV 100% of sales	EV 100% of sales	EV 100% of sales	EV 100% of sales
Electric Trucks	No change	No change	No change	No change	EV 10% of sales, rising to 50%	EV 10% of sales, rising to 50%	EV 50% of sales, rising to 100%	EV 100% of sales	EV 100% of sales	EV 100% of sales
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 (car supply chains)	No change	No change	No growth in automotive	No growth in automotive	Decline in automotive	Decline in automotive	Growth stabilises to match EV growth	Growth stablises to match EV growth	Growth stabilises to match EV growth	Growth stabilises to match EV growth
Pipelines & Storage	No change	No change	No Growth	No Growth	No growth; reduced returns; assets not replaced	No growth; reduced returns; assets not replaced	No growth; reduced returns; assets not replaced	Oil volumes bottom	Oil volumes bottom	All oil demand lost
Toll Roads	No change	No change	No change	Lower growth in HGV	Lower growth in HGV	Lower growth in HGV	Lower growth in HGV	Lower growth in HGV	Lower growth in HGV	Lower growth in HGV

Fast Transition Scenario Modelling Example

As at 31 December 2022, the Global Strategy portfolio had a Fast Transition delta to the Base Case 10-year IRR of +5.5bps. 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 as at 31 December 2022

Commentary on Fast Transition exposure:

- The main contributor to Fast Transition risk in the portfolio is Snam. Electrification is assumed to replace gas energy demand to a greater extent and at a faster rate. Gas demand from gas-fired power plants is assumed to be lower, as more renewable generation capacity is built. This reduces investment in Snam's gas transport, storage, and regasification network, lowering the company's regulated asset base and reducing future regulatory cash flows. Lower demand reduces system affordability and increases the risk of adverse regulatory intervention.
- Enel has the largest positive Fast Transition delta due to its significant renewable's development pipeline.
- Terna had the second largest positive Fast Transition delta. In the Fast Transition scenario electricity is assumed to meet a greater share of total energy demand at a faster rate. More new renewable electricity generation capacity is assumed to be built. Both factors contribute to faster regulated asset base growth and greater future regulated cash flows.

APPENDIX C. PORTFOLIO EMISSIONS AND CLASSIFICATIONS

ATLAS has incorporated the Science Based Targets initiative ('SBTi') methodology for emissions reduction pathways for assets in the investment universe. Where a Sector Decarbonisation Approach ('SDA') 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.

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)	172 tCO2e / $m (EVIC basis)
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

Topic	Details / Targets
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
Brief description of how the asset manager considers the target to be consistent with delivering a fair share of the 50% global reduction in CO2 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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