

# Ecofin's Net Zero Initial Disclosure: FAQs

## What is SBTi (Science Based Targets initiative)?

The SBTi is a partnership between CDP (formerly known as Carbon Disclosure Project), the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

## What does SBTi do?

- Defines and promotes best practices in emissions reductions and net-zero targets in line with climate science.
- Provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science.
- Brings together a team of experts to provide companies with independent assessment and validation of targets.
- The SBTi is the lead partner of the Business Ambition for 1.5°C campaign - an urgent call to action from a global coalition of UN agencies, business and industry leaders, mobilizing companies to set net-zero science-based targets in line with a 1.5°C future.

## Why the SBTs Portfolio Coverage Methodology?

Of the methodologies available to Net Zero Asset Managers, we believe the Portfolio Coverage option from the SBTi Guidance for Financial Institutions (2021) is the best fit for Ecofin, because it is:

A natural fit for public equities portfolios. If all of our portfolio companies have Paris-aligned emissions reduction targets, then so does our portfolio. This is the simple logic underpinning the SBTi Portfolio Coverage methodology, which requires asset managers to engage with their portfolio companies to set verified SBTs, for 100% coverage by 2040 at the latest.

Built upon the best available standard for corporate climate targets. The validity of a commitments-based methodology depends on the validity of the underlying companies' climate commitments. We believe formal SBTi verification is the best available confirmation that a company's emissions reduction target is sufficiently ambitious, Scope 3-inclusive (when appropriate), timely, and 1.5°C-aligned.

A natural fit for our existing investment process. We have been generally tracking our portfolio companies' emissions commitments.

Approaching critical mass of participating companies. Over 2,500 companies have already set or are committed to setting SBTs via the SBTi.

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## **Will this policy dictate portfolio decisions?**

Ecofin has a long history of sustainable investments and where we believe our philosophy stands apart from other managers is our conviction that impact and responsible investing should not focus solely on those companies that have already completed a transformation. We believe real change happens when companies undertake a path of improvement and we stand ready to support and encourage those paths. Our investment professionals have always been our subject matter experts and will continue to integrate financial and non-financial factors into their evaluation criteria to drive returns and thematic impact for investors.

We believe that this commitment is a reflection of the direction our investments are moving. We are committed to engaging and voting proxies in support of SBTs and the SBTi.

Our overriding goal is see change in the real world, not just changes in the portfolio.

## **Do you have more information on the Fossil Fuel Policy?**

We have not yet adopted the full Fossil Fuel Policy but will update this question as we do and post the full Policy on our webpage.

## **Where can I find more information on SBTs and the SBTi?**

<https://sciencebasedtargets.org/>

## **Where can I find more information on the Net Zero Asset Managers initiative?**

<https://www.netzeroassetmanagers.org/>

<https://www.gfanzero.com/>