

Engagement Policy

Ecofin believes that being a good steward of our clients’ capital carries the responsibility of actively engaging portfolio companies in a range of discussions.

Portfolio companies are strongly encouraged to take positive and effective actions that are consistent with shareholder interests and promote corporate longevity. Ecofin leverages long-standing relationships as a stakeholder by encouraging management teams to improve transparency, implement operational best practices, enhance environmental disclosures, and improve upon shareholder and management alignment through strengthened corporate governance.

Ecofin may also undertake engagement activities with investee companies in order to encourage advancements within their sustainability practices where Ecofin has determined it may have a positive effect on the long-term asset value of the investment.

Ecofin’s active ownership tools primarily include engagement with portfolio company management or relevant stakeholders and proxy voting. Resolutions are considered on a case-by-case basis. If engagement fails or is deemed ineffective, it may trigger further discussion with the investment team and the Sustainability & Impact Committee (SIC), and potentially trigger escalation mechanisms.

Active Ownership at Ecofin

Engagement activities

Ecofin undertakes a range of engagement activities with investee companies, which may include the following as appropriate:

- Monitoring
- Initiating and conducting dialogue
- Collaborative engagement campaigns
- Reporting
- Proxy voting

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

- **General:** These types of engagements are related to general sustainability or non-sustainability related matters, such as corporate events, business strategies, disclosure of sustainability related data, or presence of adequate corporate practices and policies. Some examples of these engagement areas might include business ethics policies, governance structures, and corporate transactions.
- **Thematic-related:** These types of engagements are typically related to Ecofin-specific strategy initiatives related to sustainability objectives with an overarching priority on climate change mitigation and decarbonisation. Our thematic engagement activities stem from our bottom-up investment analysis, where we assess a company’s contribution to achieving the sustainability objectives within each respective investment theme; we therefore

can identify material and relevant issues which may be addressed to enhance sustainability and/or investment ambitions across our strategies.

- **Controversy-related:** These types of engagements are typically catalysed by a specific controversy which we have identified as having a potential negative impact on a company's business or financial performance. Failure by a company in addressing and mitigating such risks could lead to further reputational damage, increased legal risks, and potential loss of business opportunities.

These types of engagements may be norms-based and include instances where companies structurally breach internationally accepted corporate standards (such as UN Global Compact Principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises). These may relate to long-term systemic threats that compromise the integrity of a company's business and broad economic stability.

- **Proxy voting-related:** We express our views on governance-related and other issues through proxy voting. Whenever feasible, we may engage with companies before voting against management's recommendations on Annual General Meetings (AGMs) or other meeting resolutions if we believe the item may have a potential negative impact on a company's business, financial performance, and/or sustainability profile. We aim to engage continuously, when appropriate, via frequent dialogues surrounding governance structures.

General principles

Ecofin applies several general principles to its stewardship framework, which serve as guidelines to the engagement activities across our investment strategies:

- Initiate **purposeful conversations** and build **long-term relationships** through constructive and effective communication with investee companies.
- **Transparency drives accountability:** improving disclosure is essential to help investors gain further insight on investee companies and empowers the markets to channel investment to sustainable and resilient solutions and opportunities.
- **Evidence-based** mindset with a focus on **clear outcomes** that may inform investment decisions and help achieve the overall engagement objective(s).
- **Integrated approach** whereby the stewardship principles are consistent and aligned with the investment process and philosophy.

Engagement within the investment process

Sustainability analysis is fully integrated within our investment process. Ecofin believes sustainability is a key element within fundamental analysis, and companies exhibiting strong sustainability credentials are more likely to perform well over the longer-term. Engagement is integral to our active management approach and is used to gather information, mitigate risks, and enhance value within investment opportunities.

Engagement may allow us to:

- Enhance investment analysis: gather additive insight to better inform the investment process;
- Aim for forward-looking value creation: improve transparency, use of best practices, and resilience of investee companies, with the intention of realising long-term value creation;
- Maximise positive influence on investee companies: we focus on the opportunity to build trust through regular one-on-one dialogue; we may also partner with other relevant stakeholders to play a more active role in encouraging long-term positive changes.

Engagements are typically conducted by the investment team as part of routine meetings with company management teams, or by initiating supplementary direct dialogue with company leadership via conference calls, meetings, email exchanges, or as part of joint communications within the industry.

We believe our investment professionals are best placed to lead engagement campaigns as the team possesses a comprehensive understanding of how sustainability matters are incorporated within company valuations, and therefore can identify impacts on long-term value creation.

Monitoring of investee companies

As part of our portfolio management process, the investment team conducts thorough fundamental research, which includes sustainability due diligence that aims to identify companies to engage with and to set engagement priorities.

The team routinely assesses and monitors financial and non-financial performance and risks, social and environmental pillars, and corporate governance, among others. During this assessment, the team considers company-reported data, research from sell-side providers, and other relevant resources.

Furthermore, Ecofin uses a range of external sustainability data providers such as Bloomberg, MSCI, and Sustainalytics, as well as a proprietary carbon emissions database developed in partnership with Carbon Analytics. The data is collected and summarized in our proprietary data and reporting framework referred to as the Ecofin Sustainability Monitor (the “ESM”), which is used to supplement the team’s internal research.

As part of the monitoring process, the Sustainability & Responsible Investing (SRI) team conducts a sustainability review on a quarterly basis to assess the sustainability credentials of portfolio companies. If it is determined that a company requires additional research or action, it is documented in an action plan, which may include engagement, that gets reviewed, approved, and monitored on an ongoing basis by the SIC. Certain issues may trigger further escalation measures, as described below.

Escalation

Ecofin believes that constructive dialogue with portfolio companies is generally more effective than divestment and/or portfolio exclusions. Nonetheless, in instances where engagements are not progressing as anticipated, Ecofin may utilise escalation. Items of concern may be escalated beyond management teams to include letters and other contact with independent board members, collaborative engagement with other large stakeholders, and potentially, decisions to divest certain investments.

Escalation is thoughtfully considered on a case-by-case basis. Certain instances of escalation may include the following:

- A company has failed to report Ecofin’s engagement concerns to the appropriate party such as the board or governance function(s);
- A company has failed to partake in certain actions discussed during Ecofin’s engagement period, such as releasing a public statement, without proper and reasonable follow up or notice to Ecofin.

As an active asset manager, we prefer to engage with companies whenever possible to achieve concrete outcomes, as we do not view divestment as the most effective and impactful tool for positive change. However, if we believe the engagement matters represent material risks that may compromise our investment thesis, then Ecofin may choose to reduce the position or divest completely.

Escalation pyramid

Information collection

Outcome driven engagement with Investor Relationship and sustainability-related functions

Outcome driven engagement with management and/or board, collaborative/collective engagement, further considerations, potential changes to portfolio weight or divestment

Proxy Voting

General guidelines

Ecofin is committed to evaluating and voting proxy issues in-line with the best interests of its clients as an integral part of our stewardship and portfolio management processes. We believe sound corporate governance is paramount to enhancing long-term value creation for companies.

Ecofin generally votes proxy proposals, amendments, consents, or resolutions in accordance with the following guidelines:

- Ecofin will generally support a current management initiative if our view of the issuer's management is favourable;
- Ecofin will generally vote to change the management structure of an issuer if we believe it would increase shareholder value;
- Ecofin will generally vote against management if we believe there is a clear conflict between the issuer's management and shareholder interest;
- Ecofin may decide to potentially abstain from voting proxies when we believe that the cost of voting the proxy exceeds the expected benefit to our clients.

Generally, all proxies are evaluated and voted on a case-by-case basis, considering each of the relevant factors set forth above.

We are subscribed to third-party proxy advisors such as Glass Lewis for providing supplementary voting research and recommendations, which we may consider.

General voting issues may include topics such as board composition, responsibilities and independence; remuneration policies; robust corporate reporting; and shareholder rights.

Collaborative engagement

In certain circumstances, Ecofin collaborates with other investors and partners on engagement. Within these instances, engagement may be more productive via collaborative engagement campaigns when the larger group of stakeholders share our same engagement concerns, and when the desired outcome has not yet been reached. Similarly, collaborative engagement may also be utilised as part of our escalation measures.

We support third-party organisations that facilitate collective forms of engagement including Climate Action 100+ and CDP.

Engagement with other institutions

As we strive to stay at the forefront of regulatory and policy changes in the sustainability landscape, we also may engage with our clients, signatory organizations, regulators, government officials, and other affiliations or institutions.

This is also an opportunity for us to share best practices and continually improve our engagement efforts.

Governance

Ecofin's SIC oversees our engagement activities to help monitor progress and measure impact. The SIC has a standing agenda item at its quarterly meetings to discuss new or ongoing engagement issues and any progress made. The engagement process is generally carried out day-to-day by the investment team.

Engagements are tracked in a proprietary tracking tool which summarizes issues, actions, timing, outcomes, and status, among other things. The data tool is reviewed regularly to ensure engagements are progressing accordingly and to document any follow-ups on unresolved issues.