



**JUST
CLIMATE**
by generation__

Just Climate's Approach to Climate-led Investing and Disclosure





Just Climate's mission is to enable a just transition to a 1.5°C world by working in partnership to:

- Catalyse and scale capital for solutions with highest climate impact and attractive market returns¹
- Establish climate-led investing as a capital allocation imperative

¹ Although Just Climate seeks to deliver the highest climate impact and attractive market returns, this is an aspiration and there is no guarantee this goal will be achieved.



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Introduction



Opening letter

In 2015, negotiators meeting in a suburb of Paris achieved a milestone in human history. For the first time, nearly every country in the world acknowledged a shared responsibility to combat the climate crisis, and every country committed itself to action. The delegates had set a specific and ambitious goal: to limit global warming to levels that would avoid catastrophic damage to nature and to human society. And they had cajoled promises from every country to do what it could to help achieve the goal.

Just eight years later, the goals of the Paris Agreement are at grave risk. The initial promises were not adequate to meet them, and many of the pledges have not been fulfilled. The actions countries are actually taking are critically insufficient to meet the most ambitious goal: limiting global warming to 1.5 degrees Celsius above the pre-industrial temperature by 2050. They are still far off track to meet even the less ambitious goal in the agreement: limiting warming to 2 degrees above pre-industrial temperatures. Scientists tell us that every half-degree of additional warming raises the risk of coral reefs dying off, of the Amazon forest burning up, of debilitating famines and heat waves – and of the ice sheets in Greenland and West Antarctica collapsing, with a worst-case sea rise of as much as 11 metres over an unknown period.² The magnitude of such climate-related issues, that are already affecting the planet in the form of heatwaves, floods and other extreme events, threatens the well-being of people around the world, especially those already in vulnerable circumstances. They also create a material risk for investors and the stability of global capital markets as climate-related impacts continue to scale with global warming.

At Just Climate, we remain committed to the most ambitious goal of the Paris Agreement, but it will not happen without urgent action around the world, among all countries and among investors controlling the flows of capital. The COVID-19 pandemic proved that this kind of international collaboration and deployment of significant resource at scale is possible, but the window to make a real difference on climate is closing.

We established Just Climate to help tackle the GHG emissions that we view are most off track to address: the so-called 'harder-to-abate' emissions. This requires steering capital into businesses and technologies that can avoid or remove greenhouse gas (GHG) emissions in parts of the economy that have previously proven difficult to address – such as steel and cement production, industrial heat, charging infrastructure for vehicle fleets, and land use.

Our first fund has closed at USD 1.5 billion, with a mandate to invest in climate solutions that can transform industrial sectors in the next 10 years, achieving significant GHG emissions abatement and attractive financial returns.³ The fund was oversubscribed at 50 percent above our original target, in our view demonstrating that investors increasingly recognise the sizeable opportunity to invest in the building blocks of our future green economy. We have started putting this money to work through our recent investments in Meva Energy, H2 Green Steel and ABB E-mobility.

Here is why we think these initial investments make sense:

GHG emissions from burning fossil gas for industrial heat cannot be easily abated through electrification given the high temperatures required. **Meva Energy** has developed an innovative modular technology that will use locally sourced sustainable waste wood as feedstock and convert it into a substitute for fossil gas. Sustainable sourcing ensures the GHG emissions from burning the substitute gas are in equilibrium with the forest systems that will re-absorb the carbon.

² Armstrong McKay, David I., et al. "Exceeding 1.5 C global warming could trigger multiple climate tipping points." *Science* 377.6611 (2022): eabn7950.

³ Although Just Climate seeks to deliver the highest climate impact and attractive market returns, this is an aspiration and there is no guarantee this goal will be achieved.



Everyone at Just Climate is well aware of what it will mean, for nature and for society, if we fail to meet the goals of the Paris Agreement. The situation is critical, but we are not discouraged.

Steelmaking is responsible for a significant share of global GHG emissions because the reduction of iron ore tends to rely on coal for heat and the process releases a lot of carbon dioxide. By replacing coal with green hydrogen created from renewable electricity, **H2 Green Steel** aims to address both of these problems, which will result in virgin steel product that has been largely decarbonised. We also believe that green hydrogen will be an important decarbonisation lever for many other industrial applications. H2 Green Steel's Boden project in Sweden will play an important role in cutting the cost of green hydrogen, given the scale at which it will operate.

As we move to decarbonise the transportation sector, the electrification of road transportation will not succeed at the size and scale required if we don't also rapidly build the charging infrastructure to support it. Our investment in **ABB E-mobility**, a global leader in electric vehicle charging solutions ranging from smart chargers for the home to innovative high-power chargers for highway stations of the future, delivers on this conviction. We believe ABB E-mobility is not only well placed to roll this infrastructure out at scale, but also has the ability to develop its technology to meet the charging requirements of the future.

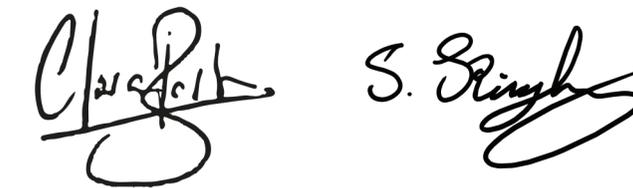
As we 'transition in' climate solutions that can radically reduce or remove GHG emissions and 'transition out' the legacy carbon-intensive business models, affected workers and communities that are hurt cannot be ignored. What will happen to the community created around a group of employees who have worked their entire lives at a coal-fired power station that was just announced for closure? What about an indigenous community that faces changes to their way of life as a result of increasing industrialisation and activity in the region? We believe that a singular focus on reducing GHG emissions will not secure the buy-in from society that is required to see us through this disruptive transition.

Just Climate is therefore committed to working with all of our portfolio companies to ensure that the views of people most affected are considered in decision-making. Such consultation is critical for companies to build strong relationships with stakeholders, who in turn affect their performance and prospects, and ultimately financial value for investors. We recognise that stakeholders will grapple with trade-offs for even the most transformational climate solutions. We see an important role for investors to engage in or support local governments and multi-lateral processes to determine what is 'just' – and to incorporate that perspective into our investment frameworks.

Everyone at Just Climate is well aware of what it will mean, for nature and for society, if we fail to meet the goals of the Paris Agreement. The situation is critical, but we are not discouraged. We remain determined and committed to investing in climate solutions that have the potential to get us back on track.

Thank you for your continuing trust and support.

Kind regards,



Clara Barby CBE and Shaun Kingsbury CBE

About Just Climate





1.5°C

The challenge of aligning with a 1.5°C world is huge, urgent, and needs tremendous mobilisation of capital.

About Just Climate

Just Climate is an investment business dedicated to climate-led investing, established by Generation Investment Management and launched in 2021 at COP26 in Glasgow. The challenge of aligning with a 1.5°C world is huge, urgent, and needs tremendous mobilisation of capital. We focus on the highest-emitting, harder-to-abate industries – including steel, cement, aviation, shipping, trucking, land use and agriculture – that create over 60% of global emissions.⁴ These industries are the building blocks of our future green economy.

Our mission is to work in partnership to limit global temperature rise to 1.5°C by:

- catalysing and scaling capital towards transformational solutions with highest climate impact and attractive risk-adjusted returns⁵
- establishing climate-led investing as a capital allocation imperative.

Our first strategy is focused on Industrial Climate Solutions.

What is climate-led investing?

Climate-led investing:

- starts by identifying the climate solutions with potential for highest positive impact, defined as avoidance and/or removal of GHG emissions that is at scale, timely and consistent with a sustainable end state, including a pathway to a maximum of 1.5°C global warming and a just transition
- judges those solutions that can generate attractive risk-adjusted financial returns for investors
- provides tailored capital to catalyse and roll these solutions out at scale.

⁴ IPCC 2022: Chapter 2 on Emissions Trends and Drivers. Figure 2.12 on p237.

⁵ Although Just Climate seeks to deliver the highest climate impact and attractive market returns, this is an aspiration and there is no guarantee this goal will be achieved.

Our values

We prioritise our mission to generate highest climate impact with attractive financial returns

We move quickly and boldly given the magnitude of the climate crisis and the opportunity for our clients. This includes taking appropriate risks, working in partnership and growing unconventionally.

We aim for excellence

We reward results. We seek to build conviction, not just to analyse. We foster individual and team resilience for enduring high performance.

We expect the highest ethical standards in our work and personal lives

We seek to be fair and transparent with our stakeholders, doing what is right, not what is easy. We build long-term client partnerships by ensuring our interests are fully aligned with those of our clients.

We act as one team

We all think and act like owners and share in each other's successes. Our partners and peers are our wider team to achieve our mission, so we aim for replicability and share our work proactively.

We know that inclusion and diversity, in the broadest sense, help drive our success

We are committed to attracting, developing and retaining a diverse group of exceptional professionals who share our mission and values. We proactively bring the voices of different stakeholders into our discussions and decisions.

We treat each other with respect and dignity

We assume benign intent and look for the best in each other, giving real-time feedback. We respect each other's time and personal responsibilities.

We are committed to rigorous research and continuous learning

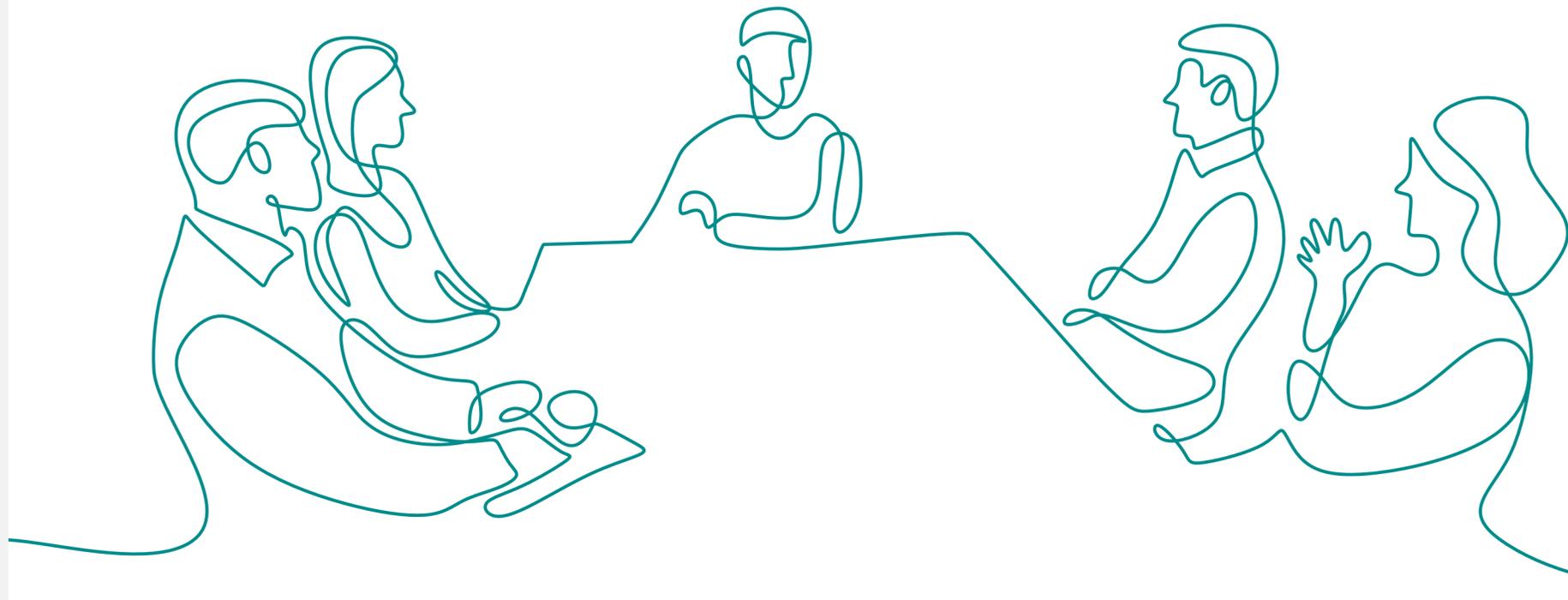
We view passion and humility as key to our success. We expect rigorous debate in a thoughtful, non-hierarchical and fact-based manner.



Integrated team

Just Climate prides itself on being comprised of an extremely diverse team. This is important from an equity, diversity and inclusion (EDI) perspective, but we believe that it also makes us better investors. Our strategy means we are working across geographies and at the intersection of asset classes, requiring a diversity of perspective to evaluate our opportunity set fully. We have therefore built a specialist team **with cross-functional capabilities and a track record** in:

- **climate and impact management:** to identify the optimal low (or no) carbon solutions with the highest abatement potential, support companies on GHG accounting for their product claims, reporting, operational decarbonisation strategy, and maintain insight into policy and regulatory progress, which can create additional upside for investors
- **engineering:** to assess technologies, construction and operations to identify which solutions are at a critical 'tipping point' for us to invest
- **growth capital:** to identify companies with potential for outsized value creation and impact, and support them in their growth
- **asset financing:** to understand and support companies in their asset financing needs, which is critical for the scale-up of asset-heavy, infrastructure-like companies
- **partnerships:** to address unconventional demand-side risks by engaging in partnerships across diverse industry participants.



We are proud of the diversity we represent

Geography

Born outside of the UK? **72% Yes & 28% No**

Lived in multiple countries **96% Yes & 4% No**

Race/Ethnicity

Identify as an underrepresented racial and ethnic group* **28% Yes, 68% No
4% Prefer not to say**

First or second generation immigrants **64% Yes & 36% No**

* belonging to an ethnic minority within a given country's context.

Language

% English as second language **52% Yes & 48% No**

% Speak more than one language **64% Yes & 36% No**

Gender

Executive committee **72% Men & 28% Women**

Investment team **59% Men, 35% Women
6% Prefer not to say**

Entire team **50% Men, 43% Women
7% Prefer not to say**

Social mobility

Highest educational attainment of primary carer **GCSEs or equivalent 21%
Apprenticeship or other professional qualification 7%
Undergrad 29%
Postgrad 43%**

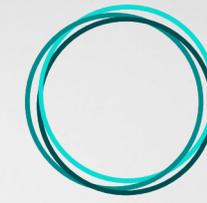
Other diversity dimensions

Age **20-30 yrs old 15%
30-40 yrs old 36%
40-50 yrs old 26%
50-60 yrs old 16%
60+ yrs old 7%**

Sexual orientation **Heterosexual 72%
Gay 14%
Bisexual 7%
Prefer not to say 7%**

Kids + other dependents **40% Yes & 60% No**

Just Climate Performance (as at 31 December 2022)



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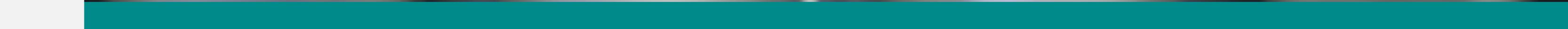


The team





How we invest

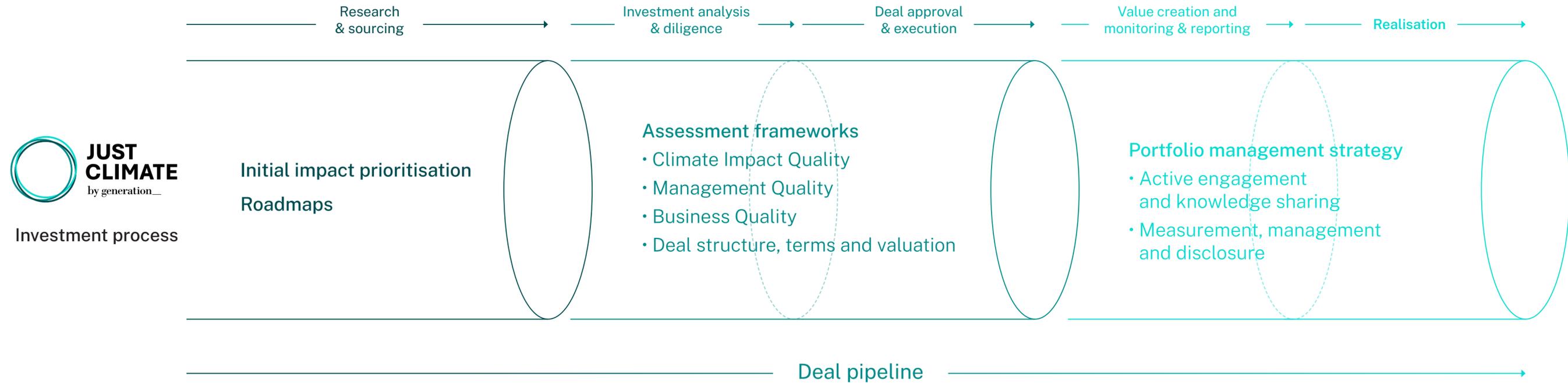


Introduction

We use a consistent set of assessment frameworks during research and due diligence to support our investment process and seek to ensure that we invest in opportunities aligned with our mandate. If we proceed with an investment, we then work closely with our portfolio companies as active investors to grow their businesses by capitalising on opportunities and mitigating risks.

Our integrated investment process

Below we explain the following phases of our integrated investment process:



Initial impact prioritisation

Just Climate is a research-driven investment firm. To prioritise highest impact solutions, we start by 'slicing and dicing' the direct and indirect sources of global GHG emissions. We use several sources together to triangulate where the harder-to-abate emissions lie, including (without limitation):

- The Intergovernmental Panel on Climate Change (IPCC), which currently has the most recently published data on global emissions breakdown by sector – this is what we use as our 'main source of truth'⁶
- The International Energy Agency's (IEA) research reports, which break down energy and industrial emissions by sub-sector⁷
- The World Resource Institute's (WRI) 2019 sankey chart, which shows emissions by sector, end use/activity and constituent gases (e.g., carbon dioxide, methane, etc.).⁸

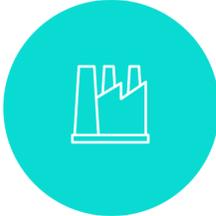
We then identify a long-list of the highest potential solutions that we believe address these harder-to-abate emissions – defining highest potential as a combination of (1) scale and timeliness of impact, (2) transformational, (3) catalytic and (4) sustainable (see graphic below). To do this, we have compiled significant research and data on relevant climate solutions, which includes 10-year and 30-year carbon abatement ranges, abatement costs, technology readiness and barriers to scale. Pairing this bottom-up understanding with a top-down view on global emissions yields our initial cut of priority solutions.

⁶ IPCC (2022) https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Chapter02.pdf

⁷ International Energy Agency: <https://www.iea.org/analysis?type=report>

⁸ World Resources Institute: <https://www.wri.org/data/world-greenhouse-gas-emissions-2019>



	<p>Hundreds of climate solutions that have the potential to address these harder-to-abate GHG emissions</p> <div style="display: flex; justify-content: space-around; align-items: center;">     </div>	
 <p>Scale and timeliness</p>	<p>Investing in a solution to address emissions that is not on track for decarbonisation, whose abatement potential is consistent with our Industrial Climate Solutions target level of very high GHG emissions avoidance/removal cumulatively over next 10 years.</p>	
 <p>Transformational</p>	<p>Investing in a solution that is scalable/replicable, such that it could transform a highest emitting industry to be on a pathway to 1.5°C global warming.</p>	
 <p>Catalytic</p>	<p>Investing in a solution whose commercialisation can be accelerated through provision of tailored capital, coordination of major institutional co-investment/follow-on investment, creation of industrial partnerships and/or specialist management support.</p>	
 <p>Sustainable</p>	<p>Investing in a solution that we believe can deliver highest climate impact within environmental and social thresholds. These thresholds are set with reference to social norms or planetary limits that have been identified through scientific research.</p>	
	<p>Prioritised opportunity set for further research through a roadmap</p>	

Climate impact
prioritisation framework



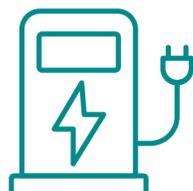
Roadmaps

This 'top down' impact prioritisation directs us to the climate solutions that are candidates for our research and analysis (our roadmaps). Our roadmaps are critical to our investment process because they foster debate and enable us to build conviction in solutions that we believe can abate significant GHG emissions in the next ten years, as well as become core building blocks of a long-term sustainable economy.

For Industrial Climate Solutions, we organise our roadmaps into two categories: individual sectors (verticals) such as cement, steel, aviation and shipping and cross-cutting solutions (horizontal) such as hydrogen, low-carbon fuels and carbon capture and storage (CCS). For cross-cutting solutions, we are looking to build conviction on the best use of a solution across verticals and geographies, including considerations such as energy efficiency, cost, availability of alternatives and where initial development can be accelerated. For example, is hydrogen a better decarbonisation vector for road transport or for manufacturing of steel, or for both?

Although every roadmap will be different – especially across verticals and horizontal – each roadmap includes: an overview of the sector or solution, a deep dive on the technologies available or in development in the space, a look at the regulatory landscape, an analysis of existing and potential business models, a scan of companies and/or projects currently in the market, and finally a proposal for Just Climate's views on the sector or solution. This conclusion includes a shortlist of the opportunities/deal flow that we think are interesting and wish to pursue.

We do not consider a roadmap complete until we have met with and spoken to the most important companies for a given sector or solution. For roadmaps we have completed, we continually refresh the content, as many of the solutions we look at operate in fast-changing dynamic landscapes.



Example roadmaps

- Fuels (inclusive of biofuels, synfuels, waste-to-energy)
- Hydrogen
- Carbon capture, utilisation and storage
- Direct air capture
- Steel
- Cement
- Shipping
- Road transport
- Long-duration energy storage

Assessment frameworks

Our diligence process seeks to ensure we invest in high-impact businesses backed by strong management teams at a compelling valuation. In addition to the fundamental work of assessing whether a deal has an appropriate structure, terms and valuation, three frameworks are core to how we invest: Climate Impact Quality, Business Quality and Management Quality. We use these frameworks to build conviction around an investment case for a potential opportunity. They also help us to identify and assess factors that could lead us to walk away from a potential opportunity. For example, if a company does not have the potential to protect its competitive advantage based on our Business Quality framework, or if its impact risk is too high based on our assessment of Climate Impact Quality.

Our assessment frameworks

- 1 Climate Impact Quality
- 2 Business Quality
- 3 Management Quality

1 Climate Impact Quality

We use our three assessment frameworks to evaluate the opportunities identified through our roadmaps. Our Climate Impact Quality framework assesses whether: the company is able to achieve significant climate impact in the next 10 years, the technology is scalable, we can play a catalytic role in accelerating growth and whether an opportunity is sustainable – for example, if it makes the best use of limited resources such as biomass. We also look to understand the risk behind its impact – whether expected GHG mitigation could be reversed or extremely difficult to measure and defend. These are expanded on to the right.

Key questions for assessment

GHG abatement potential



Scale and timeliness

- **Additionality:** Is decarbonisation of the baseline scenario for these GHG emissions not already happening fast enough to be consistent with a 1.5°C global warming pathway? Is the company going to accelerate decarbonisation vs. the baseline scenario, for example through reducing costs, historic barriers for adoption or perceived risk?
- **Serviceably addressable emissions:** Are the GHG emissions that can be abated by this company in the next 10 years consistent with our GHG emissions abatement ambition for Industrial Climate Solutions?



Transformational

- **Total addressable emissions:** Are the 'total addressable emissions' targeted by this solution today a significant % of global emissions?
- **Scalability/replicability:** Does the company commercialise a solution that is scalable/replicable, such that it could transform an industry to be on a pathway to 1.5°C global warming? Or, does the company provide incremental GHG emissions abatement that can play a critical role in transforming an industry to be on a pathway to 1.5°C global warming?



Sustainable

- Are we sufficiently confident that the company is not entrenching a fossil fuel or other unsustainable practice?
- Does the company make the best use of limited resources (e.g., renewables, biomass, water, land)?
- Does the company avoid causing significant harm to people and nature?
- Are there co-benefits for people and nature?



Catalytic

- **Value added:** Could Just Climate accelerate the growth of the company by providing tailored capital, coordinating major institutional co-investment/follow-on investment, creating industrial partnerships and/or providing specialist expertise?



Impact risk

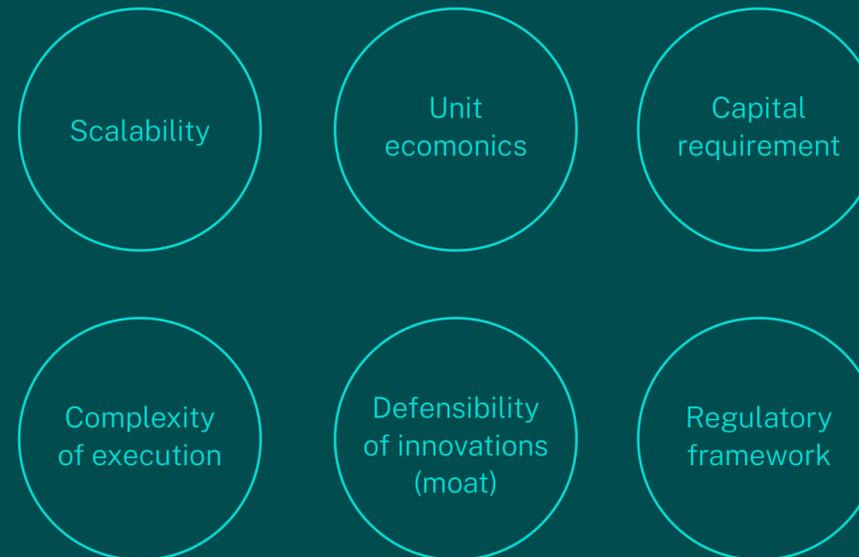
- Is there a risk that GHG impacts are decoupled from business success? Are there significant risks of GHG rebound effects, leakage, or other system-level economic or behavioural interactions that may negate some or all of the climate benefits?
- Are there any other impact risks? For example, the permanence of GHG mitigation, insufficient high-quality data for future measurement or other unexpected impacts?

Our Business Quality and Management Quality frameworks are rooted in the same frameworks that Generation has successfully used across its strategies for nearly 20 years. Just Climate has adapted certain components of these frameworks to account for considerations such as our target sectors and the earlier stage of many of the companies in our pipeline. For Industrial Climate Solutions, we are focusing on companies that have de-risked their technology but are still at the cusp of commercialisation. For example, they may need to construct a first-of-a-kind commercial-scale plant. Our assessment frameworks therefore look closely at unit economics and the predicted cost-down curve, 'customer readiness' for the solution and certainty on future offtake. Assessment of subsidies and government regulation, such as the Inflation Reduction Act in the US and Article 6 of the Paris Agreement, also play a large part in our assessment of climate solutions. A summary of these frameworks is below:

Business Quality

When looking at Business Quality, we focus on whether we believe the solution will deliver strong financial performance at scale, including:

- large total addressable market (TAM), replicable business model and clear customer value – alongside customer 'readiness' for the solution
- strong unit economics with pricing power, with strong mitigation tactics to address pricing or costs outside of company control
- strong moat, minimal risk of commoditisation and substitution and evidence of recurring revenues or long-term contracts
- minimal risks associated with regulatory framework or strong alternatives in case of lack of regulatory support.



3 Management Quality

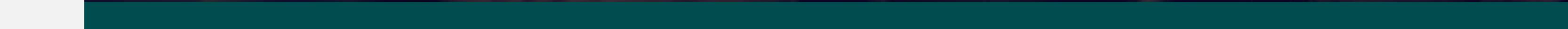
When looking at Management Quality, we focus on whether we believe the management team will deliver on the business plan as outlined. Our assessment of Management Quality also includes:

- mission-aligned management team with strong transformational vision, incentivised for long-term success
- strong organisation culture with diversity of management and employees, employee engagement and retention
- experienced and fit-for-purpose management team, with understanding of and plan for talent gaps – human capital risk is also low
- capital structure fit for purpose, valuable and supportive Board, alignment on exit strategy.





Our approach to integrated reporting





Our approach to integrated reporting

Since our investment approach fully integrates sustainability impact and financial considerations, our reporting is no different. We describe how our **strategy, governance and risk management** integrate financial and sustainability impact considerations, and then provide an integrated view of our performance on **metrics and related targets**. Our reporting on performance-related metrics and targets covers the current reporting period and anticipated performance for material environmental and social outcomes. This disclosure of anticipated performance is critical for demonstrating how we are managing sustainability impacts and their related risks and opportunities that can affect financial position and performance over the short, medium and long term.

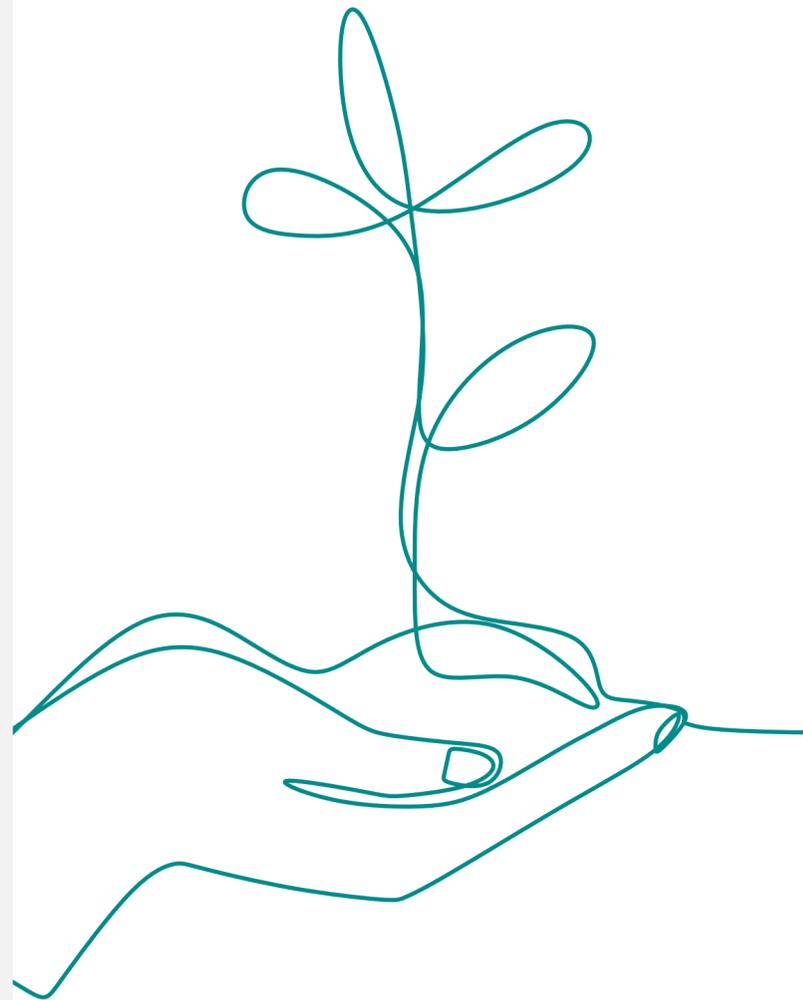
Since our investment approach fully integrates sustainability impact and financial considerations, our reporting is no different.

Integrated reporting explains how an organisation's value creation or erosion for its stakeholders in turn creates or erodes value for itself, including for its current performance as reflected in the financial statements. Integrated reporting provides the connecting framework for the new IFRS sustainability-related disclosure standards and existing IFRS accounting standards. The IFRS Foundation's expansion to provide IFRS sustainability-related disclosure standards is paving the way to regulation across jurisdictions that can result in consistent and comparable corporate disclosure of information that is material to investors. We use the **International Sustainability Standards Board (ISSB)**: IFRS S1 *General requirements for disclosure of sustainability-related financial information* and IFRS S2 *Climate-related disclosures* as the basis for our disclosure. IFRS S2 will replace the Task Force on Climate-related Financial Disclosures' (TCFD) disclosure recommendations as the IFRS Foundation will take over the TCFD's responsibilities starting in 2024.

While progress is evident for this global baseline of fundamental disclosures to investors, there is also continued innovation on complementary frameworks and standards that are key enablers of this sustainability-related disclosure, for example on standardisation of social/environmental thresholds, where appropriate. We aim for Just Climate's reporting to illustrate current requirements but also to pilot these new and innovative approaches.

Our approach draws on the concepts and requirements of current and emerging regulation, standards and established market consensus from the following organisations:

- **International Accounting Standards Board (IASB)**
- **International Sustainability Standards Board (ISSB)**: IFRS S1 *General requirements for disclosure of sustainability-related financial information* and IFRS S2 *Climate-related disclosures*
- **European Commission**: Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy
- **GHG Protocol**: Accounting standards for Scope 1, Scope 2 and Scope 3 GHG emissions and projects
- **Global Reporting Initiative**: Foundational standards (e.g., foundation and materiality) and selected topic-specific disclosure standards
- **FutureFit**: Break-even goals (basis of our social and environmental thresholds)
- **Impact Management Platform**: Actions of impact management
- **Impact Frontiers**: Norms for impact management



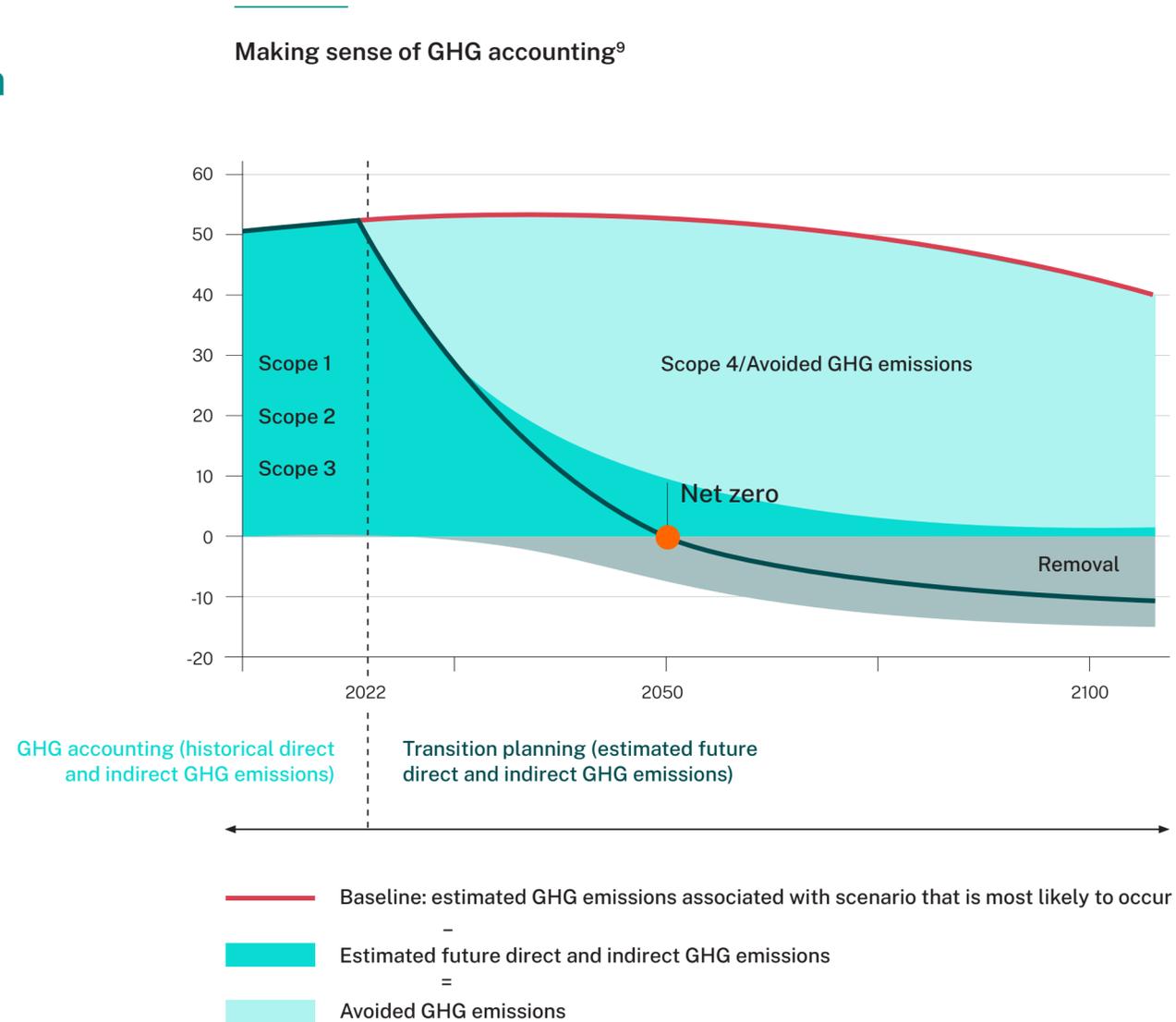


Key concepts

Introduction

This section is a deep dive into some of the most important concepts that underpin our approach to climate-led investing. Finance and accounting have had hundreds of years to develop consensus on concepts and a language to communicate performance: IRR, gross margin, net income, the list goes on. Consistent identification, measurement and communication of the impacts of companies on people and natural resources, and the related effects on their performance and prospects (including its balance sheet and income statement), is much less mature. We believe that integrated thinking using financial, operational and sustainability-related information leads to better decision-making for investors, but it requires sustainability-related information to be prepared using the same trusted processes that enable us to rely on information that we see in financial statements.

GHG accounting and expected GHG mitigation



GHG accounting and transition planning

GHG accounting is the process required for the historical measurement of the seven gases mandated under the Kyoto Protocol: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). It is the foundation of the system that will enable a transition to a net-zero world by 2050. For ease of accounting these gases, which have different impacts on global warming over different time horizons, are usually converted to and expressed as carbon dioxide equivalents (CO₂e). GHG emissions are further categorised as direct Scope 1 emissions (GHG emissions from sources that are owned or controlled) and indirect Scope 2 and Scope 3 emissions (GHG emissions that are a consequence of the activities of the company but occur at sources owned or controlled by another entity).

While further work is still required for consistency and comparability of measurement and disclosure, the GHG Protocol provides the most widely used standards for the measurement and disclosure of Scope 1, 2 and 3 GHG emissions. These standards are also the basis for mandatory corporate disclosure across jurisdictions via the ISSB's Climate Standard, IFRS S2 Climate-related Disclosures. The United States and European Union are also following suit in adopting the GHG Protocol's standards for their own climate and sustainability disclosure regimes.

⁹ World Resources Institute (wri.org) – graphic adapted by Just Climate

Only with the maturity of GHG accounting and transition planning, and the resulting trust to use the information for decision-making can we really understand how driving climate impact interacts with the financial position and performance of a company.

GHG accounting evolves into 'transition planning' when it is combined with science-based target setting and the tangible actions that a company has taken, and intends to take, to reduce its GHG emissions and deliver on a climate target. We see a lot of parallels between GHG accounting and transition planning, and what companies already do as part of their financial and operational planning and reporting processes: disclosure of past performance, explanation of how performance compared to previously set targets, goals and targets for the future and a detailed plan to get there. These processes function because we are able to rely on financial and operational information for decision-making. We need to be able to rely on GHG accounting with the same degree of certainty that we have with financial reporting, using the same discipline of correct and carefully defined terminology, completeness and accuracy of measurement and internal controls that ensure quality. Another parallel that we see is a spectrum where some figures are based on more assumptions and estimates than others. For example, the fair value of an operating site accounted for in property plant and equipment (based on its discounted future cash flows) compared to restricted cash in cash and cash equivalents. Both of these accounts are on the same balance sheet and yet the underlying uncertainty and estimation required are different. A similar spectrum exists in GHG accounting. Scope 1 GHG emissions are often based on activity-based primary data in the control of the company whereas measures of Scope 3 GHG emissions may rely on a mix of primary data, secondary data (e.g., support from a third-party data provider) and estimates depending on the availability of data across the value chain.

Only with the maturity of GHG accounting and transition planning, and the resulting trust to use the information for decision-making, can we really understand how driving climate impact interacts with the financial

position and performance of a company. It is therefore a priority for the Just Climate team to work with our portfolio companies and the top technology solutions to get the best possible GHG accounting in place, while meeting our portfolio companies where they are on their journey. Just Climate is a member of the UK Government's Transition Plan Taskforce Delivery Group where we have worked in partnership to craft the proposals described in the TPT's sector neutral disclosure framework¹⁰ released for public consultation in 2022. Our portfolio management approach therefore focuses on supporting our companies to set up robust systems for GHG accounting, and then creating credible transition plans.

Expected GHG mitigation/avoided emissions

We define expected GHG mitigation as the forecasted GHG emissions a specific investment is expected to avert over 10 years, compared to a baseline scenario, based on a realistic business model, including any GHG emissions removed from the atmosphere, measured in tonnes of CO₂e. Just Climate defines the baseline as the hypothetical representation of the scenario that would be most likely to occur in the absence of the project. The term baseline is not synonymous with business-as-usual and should not be evaluated in this context. Rather, the baseline should be defined based on analysis of current and projected performance benchmarks and expected trends. Expected GHG mitigation might also be referred to as 'avoided emissions', 'carbon savings estimates' or even 'Scope 4 emissions' to name a few. We are not the first asset manager to use this or a similar metric. Others that have paved the way for us have written excellent papers and impact reports that explain their approach to forward-looking measures of avoided emissions as well as many of the challenges and limitations of the metric.¹¹

¹⁰ Transition Plan Taskforce: <https://transitiontaskforce.net/wp-content/uploads/2022/11/TPT-Disclosure-Framework.pdf>

¹¹ Energy Impact Partners: [Know-Your-Impact-Our-Approach-to-Emissions-Reductions-Measurement-Energy-Impact-Partners-2022.pdf](#) (energyimpactpartners.com), OGC I 2021 Impact Report: [Impact Report 2021 – OGC I](#)

Unlike with GHG accounting, we do not yet have a globally accepted standard for the measurement of expected GHG mitigation. We have therefore written our Climate Impact Methodology with the support of specialist practitioners and consultants. Our methodology builds upon commonly accepted approaches such as the GHG Protocol's Project Accounting Standard and product impact lifecycle assessments (LCA). To prove alignment with our mission, our fund-level performance incentives are driven by the achievement of our fund-level expected GHG mitigation target (alongside financial objectives).

As such, rigorous and credible measurement of expected GHG mitigation is of paramount importance to our process and why we involve a third-party environmental consultant to support us in the assessment of expected GHG mitigation at the time of a deal. Understanding the baseline scenario, how the project boundary has been drawn for the assessment and any key assumptions underpinning the analysis are often equally important to the quantification of expected GHG mitigation and are therefore also discussed at length and documented with significant care. This aims to ensure that the application of our methodology is consistent, prudent and well-documented across all of our investments, resulting in credible and decision useful information.

For financial institutions, category 15 of Scope 3 GHG emissions (investments), also known as financed emissions, will be the largest component of their GHG footprint. Just Climate's expected GHG mitigation is a metric that takes into account expected Scope 1, 2 and 3 GHG emissions but also considers the expected emissions *mitigation* generated by our portfolio companies.

There are many actors that ultimately enable the GHG mitigation of a given portfolio company. For example, H2 Green Steel will rely on iron ore for some of the input in its production of green steel and yet there is no consensus on how one would allocate a portion of this GHG emissions mitigation to the mining company that supplied the ore. What about the utility that provides the renewable electricity to run the electrolyser to create the green hydrogen that displaces coal in the steel manufacturing? What about the manufacturer of the electrolyser equipment? This kind of conceptual challenge is a tangible example of why we are so driven to work in partnership with our peers to build consensus and norms around this kind of practice. As a result, Just Climate is a member of Prime Coalition's Project Frame Working Group, which is a coalition dedicated to addressing forward-looking GHG emissions impact. We are also a member of the Glasgow Financial Alliance for Net Zero (GFANZ) Energy and Real Economy Transition Workstream, which is focused on defining best practice for measuring avoided GHG emissions. Ultimately, we want the market to have sufficient consensus on an approach to expected GHG mitigation so that we can move to a world where we can compete on performance, enabling better capital allocation to the most impactful climate solutions, rather than competing on who has a better methodology.

A note on terminology

Claims such as 'we are a carbon negative company' or 'sustainable product x' have the potential to be misleading without proper definition and supporting analysis. For example, 'carbon neutral' could be accurate to describe an economic activity that converts sustainably sourced biomass into fuel, but what happens when we account for the GHG emissions associated with transporting the raw materials to the processing factory, or the GHG emissions associated with the purchased electricity used to process raw materials? What about also adding in the GHG emissions associated with a management team that flies around the world to sell the fuel? These nuances are easily lost with many of the new terms that have surfaced in climate finance. This is also the reason why precision of language is so important to our investment process and why we seek to use these terms accurately.

Pressure-testing our approach

Despite its importance to our mission, we will never use expected GHG mitigation to net off or compensate for the Scope 1, Scope 2 and Scope 3 GHG emissions of Just Climate nor our portfolio companies. Even a portfolio company with the highest GHG mitigation over the next 10 years needs robust GHG accounting in place to measure its historical carbon footprint and have a transition plan in place to reduce their emissions on a pathway consistent with net zero by 2050.

Just Climate's expected GHG mitigation targets are allocated based on company and project investment per USD billion, and represent an ambitious level of GHG emissions abatement that is consistent with our focus on the highest-emitting, harder-to-abate industries. That being said, we are in the midst of pressure-testing our company and project impact targets and assessing whether a more nuanced sector-or solution-specific impact target approach may be more fit-for-purpose. Our level of high-ambition for GHG abatement in the next decade will remain the same. The investment team aims to ensure that all investment papers submitted for the first investment committee meeting on a given opportunity include a preliminary analysis of the 10-year expected GHG mitigation amount. The result is the creation of a robust dataset of GHG mitigation across industries and geographies, based on Just Climate's methodology, that we can use to compare and pressure test the existing fund-level targets. As part of this work, we are also exploring the pros and cons of an equity accounting approach that would adjust expected GHG mitigation up or down based on our ownership at investment.

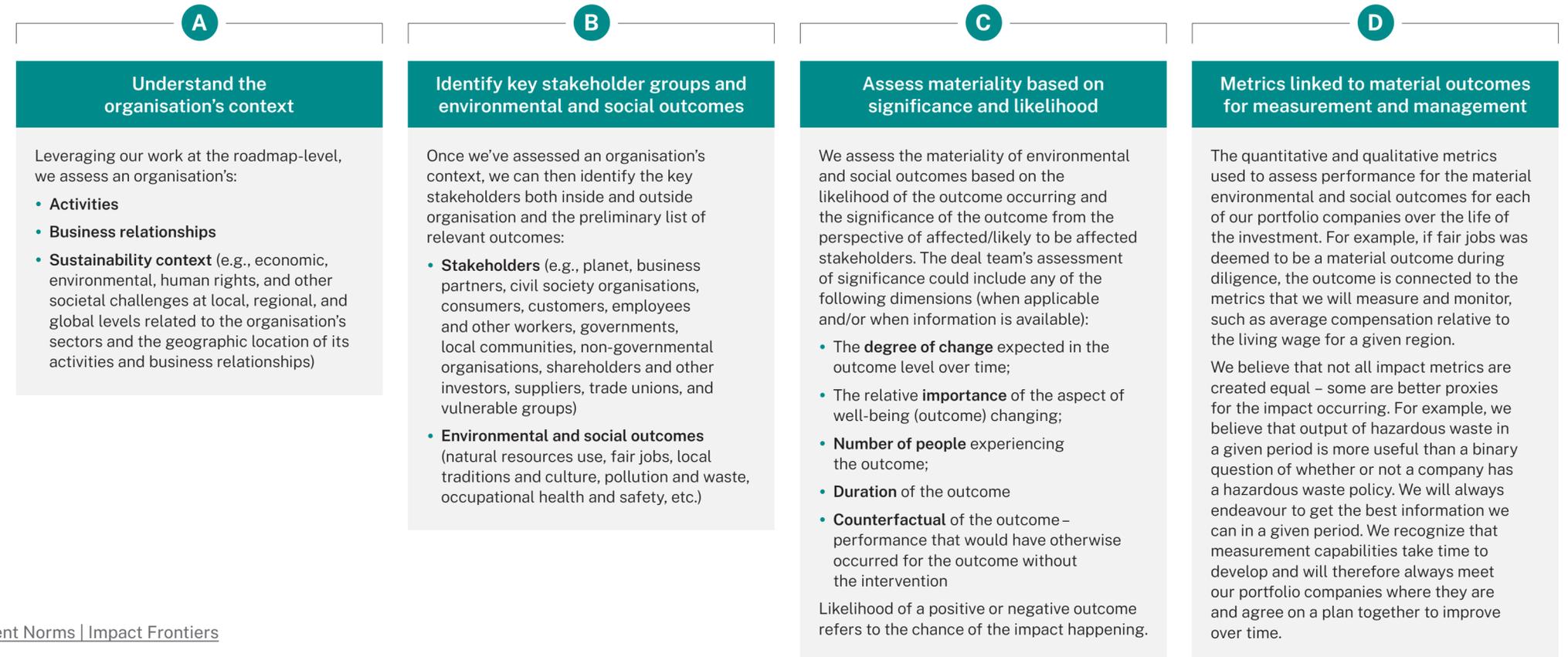
Sustainability impact measurement, management and disclosure

Just Climate's approach to impact measurement across research, due diligence and value creation is grounded in: understanding the organisation's context; identifying key stakeholder groups and environmental and social outcomes; assessing materiality based on significance and likelihood; and then linking metrics to material outcomes for measurement and management.

For the avoidance of doubt, given the confusion in this space noted earlier in this report, we have adopted the following definitions¹² that are fundamental to our approach to impact management:

- An **outcome** is the level of well-being experienced by a group of people, or the condition of the natural environment, as a result of an event or action.
- **Impact** is a change in an outcome caused by an organisation. An impact can be positive or negative, intended or unintended.
- **Impact management** is the process of identifying the positive and negative impacts that an enterprise has on people and the planet, and then reducing the negative and increasing the positive.

Just Climate's impact measurement approach



¹² Impact Frontiers: [Impact Management Norms](#) | [Impact Frontiers](#)

This process is inherently iterative and will evolve over the life of holding an investment. We intend to continue to update our assessment of what is material and strive to obtain better data to inform our decision-making to reduce negative impacts and increase positive ones.

To support the identification of relevant environmental and social outcomes during due diligence, Just Climate uses a list of outcomes that are likely to be material for the asset-heavy industrial businesses that are in scope for our strategy. This is an important tool as we pursue our goal of a fully integrated skill set for climate-led investing, as it provides a consistent framework for all investment team members to identify material outcomes. This list is by no means complete, and an important task during diligence is to ensure that we 'right-size' the list of relevant outcomes for the sustainability context and key stakeholder groups identified for a particular investment.

As an Article 9 Fund under SFDR, we also ensure that all of our investments are assessed for significant harm. This is done pre-investment, but also over the life of the investment given that certain minimum

safeguards such as human rights due diligence require ongoing monitoring and assessment. These minimum safeguards include, but are not limited to:

- SFDR Principal Adverse Impact (PAI) Indicators listed in Just Climate's SFDR website disclosures;
- OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights; and
- If an investment qualifies for EU Taxonomy-alignment, the technical screening criteria for assessing significant harm for that particular economic activity for which alignment is being claimed. This could include requirements for assessing physical climate-related risks and an ongoing assessment of resilience for a given company.

Environmental and social outcomes likely to be relevant in our focus industries

1	
Climate change mitigation (Scope 4)	
2	
Outcomes likely to be discriminants in investing	
Environmental	Carbon footprint (Scope 1, Scope 2, Scope 3)
	Natural resources use (water, minerals, energy, etc.)
	Biodiversity
	Land use change (incl. topsoil depletion)
	Pollution and waste (air, water, soil, etc.)
Social	Local pollution and health impacts (e.g., from process and/or products sold)
	Equitable distribution of costs and benefits (e.g., local taxes, employee ownership, etc.)
	Fair jobs
	Livelihood and basic needs
	Quality of life, opportunities and skills
	Community self-determination
	Local traditions and culture
	Local land ownership and resources
Capacity for climate adaptation	
3	
Other outcomes and minimum safeguards	
Other outcomes	Diversity and equal opportunity
	Occupational health and safety
	Training and education
	Customer health and safety
	Customer privacy
Minimum safeguards and policies	Respect for human rights
	No discrimination
	Child labour
	Forced or compulsory labour
	Anti-corruption
	Anti-competitive behaviour
	Security practices
	Whistleblower policy
	Compliance with local laws and regulation
	Involvement in industries of concern (weapons, fossil fuels, chemicals, etc.)
Other: this list is non-exhaustive	

Materiality

A common area for misunderstanding and even disagreement (sometimes passionately) is materiality. We frequently encounter the terms 'financial materiality', 'impact materiality', 'dynamic materiality' and what the EU has called 'double materiality'. In this report, we refer only to 'information that is material to investors', recognising that this information includes data about a company's impacts on its stakeholders and therefore naturally overlaps with 'information that is also material to other stakeholders'.

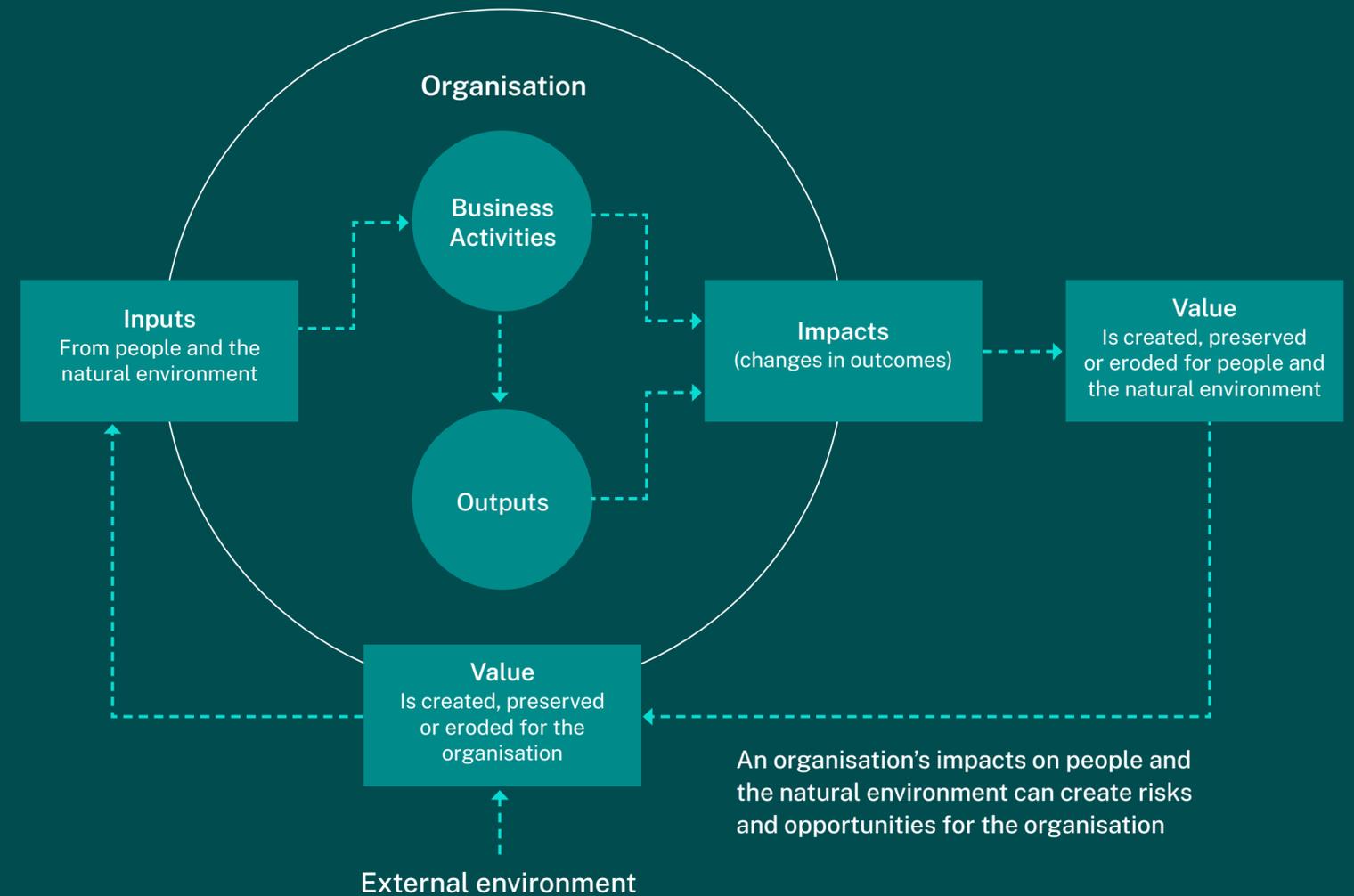
A company's business model can have positive and negative impacts on stakeholders, such as customers and employees, and on natural resources. These stakeholders, along with the external environment in which the company operates, can also positively or negatively affect the company's business model and therefore create or erode its financial returns for investors.

Just Climate's approach starts with understanding the impacts and dependencies that our portfolio companies have, or are likely to have, on people and the planet. In a perfect world, we would be

able to speak to all affected stakeholders to understand what is important to them and how they think they will be affected by a potential investment before we commit our capital. In the case of the planet, importance is assessed through credible scientific research that analyses the impact of a given intervention on affected ecosystems. This of course is not possible to do for all stakeholders given typical constraints for the transactions we look at, so the deal team endeavours to assess significance and likelihood of the outcome on behalf of affected stakeholders by leveraging scientific research, secondary data and primary data wherever possible. Where risks of particularly significant and likely negative social impacts exist, we have committed to supplementing this analysis with primary data over the life of the investment.

It is only by understanding the significant impacts and dependencies of a company on people and planet that we are then able to assess whether they will come back to the company in the form of risks and opportunities, which in turn can affect its financial position or performance over the short, medium, and/or long-term. This is the circularity illustrated by the core concepts of impact management diagram.

Core concepts of impact management¹³



¹³ Adapted from the Impact Management Platform: [Impact Management Platform – Manage sustainability impacts](#)

It is only by understanding the significant impacts and dependencies of a company on people and planet that we are then able to assess whether they will come back to the company in the form of risks and opportunities, which in turn can affect its financial position or performance over the short, medium, and/or long-term.

For example, a company's proposed technology solution that has the potential to mitigate outsized GHG emissions for the planet could rebound to the company in the form of significant commercial opportunities, such as access to government grant funding to help fund a first-of-a-kind project. Our view is that all companies and investors should practice this 'integrated thinking'. It provides the foundation for reporting to investors, as well as to other stakeholders. This concept is engrained in the ISSB's IFRS S1 standard: Information about sustainability-related risks and opportunities is useful to primary users because an entity's ability to generate cash flows over the short, medium and long term is inextricably linked to the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain. Together, the entity and the resources and relationships throughout its value chain form an interdependent system in which the entity operates. The entity's dependencies on those resources and relationships and its impacts on those resources and relationships give rise to sustainability-related risks and opportunities for the entity.

Materiality in the context of reporting information defines i) who the user of the information is, and ii) what their objectives are for decision-making. Our investment thesis for Industrial Climate Solutions is that pursuit of climate solutions with highest positive impact is a driver of attractive financial returns for investors. We have not yet come across any significant actual or potential impacts of our portfolio companies that are not also material to our investors. Our reporting to our investors therefore covers both the significant impacts on people and planet, as well as those that we also believe to be material for investor decision-making. In our future reporting, we are working towards a more granular representation of the anticipated effects of environmental and social impacts on financial performance and financial position over the short, medium or long-term. For example, how risks related to reputation, litigation and physical climate-related risks could affect future operating expenses or the fair value of long-lived assets on the balance sheet.

Social and environmental thresholds and our approach to showing these in sustainability reporting

A common practice in corporate and investor sustainability reporting is the provision of a long list of environmental and social sustainability disclosures that have little context as to why performance is positive or negative and within a sustainable range, and therefore why the outcome is material for decision-making. The result is an inability to see the complete picture of performance in the context of social norms and planetary boundaries, where trade-offs exist between positive and negative outcomes, and how significant sustainability-related risks or opportunities therefore are. Our reporting to investors pilots a holistic approach to portfolio company reporting that we believe addresses these issues.

In our reporting to investors, we use a graph to show where material environmental and social outcomes lie relative to an environmental or social threshold. We define these thresholds as the level or range of performance that divides sustainable from unsustainable performance. These ranges are set with reference to social norms or planetary limits that have been identified through scientific research. An outcome is determined to be positive or negative by comparing the actual or potential outcome level to the level deemed sustainable by a social or environmental threshold. We have sourced many of the thresholds that we use from FutureFit's 23 break-even goals.¹⁴

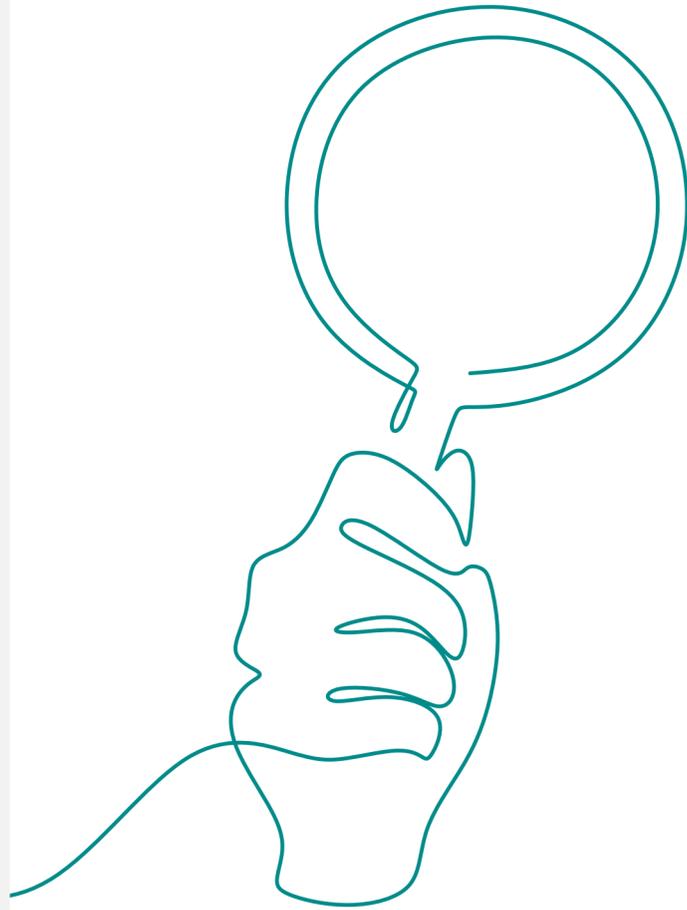
¹⁴ FutureFit: [About Us – Future-Fit Business \(futurefitbusiness.org\)](#)

Some thresholds, such as the existence of child labour, are binary distinctions of whether or not a given activity is sustainable or not. For example, a company either has child labour in its supply chain or it doesn't. For gender diversity, the best that can be achieved is gender parity, the threshold for sustainable performance, which would also be shown as '0' on the x-axis. Other thresholds, such as living income, enable performance to be above or below the threshold. For example, if a company pays its employees above the living income on average for a given region, then we would visualise this as being above the line for sustainable performance. Including a mix of outcomes in the visual, where some can achieve performance well above the threshold for sustainable performance and others can only aspire to meet the threshold, means that adding up positive and negative outcomes is not a fair representation of the 'net impact' of a given portfolio company and we would therefore advise against trying to do so. **It is critical to emphasise that an outcome showing performance as '0' on the x-axis is often times a sufficient achievement for that outcome, and should therefore be viewed favourably.**

The goal is to supplement existing estimates of future outcomes with more granular information once performance has actually occurred in future periods. We expect to evolve this approach over time as expected outcomes become actual outcomes, as we collect more and better data, and refine our thinking further on how best to show performance.

In the illustrative examples, the x-axis is based on a binary assessment of whether the current and anticipated outcomes are sustainable relative to a threshold. We then adjusted these binary assessments using our judgment to show where outcomes are closer to, or further away from, the threshold as a relative comparison to the other material outcomes. In other words, a binary assessment of whether or not a given outcome is sustainable and the distance from the threshold judgmentally assessed relative to the other material outcomes. The y-axis force ranks the material environmental and social outcomes from lowest to highest significance increasing along the y-axis (see definition of significance in Just Climate's impact measurement approach).

Our assessment of significance is re-assessed for anticipated outcomes at exit to account for the possibility that an outcome can increase or decrease in significance in future periods. For example, electricity use in a current period could be less significant when it is just electricity used by an office compared to when the company has built and starts operating at commercial scale, which would require a lot more power. We aspire to continuously improve upon our understanding of the degree to which a given outcome is above or below the threshold for sustainable performance, supported by quality data.



**Illustrative example explained:
Current outcomes in the reporting period**

Over the period, Company X had significant Scope 3 GHG emissions associated with the concrete and steel purchased and used to build its first commercial scale facility. Company X does not yet have a science-based target that puts its annual GHG emissions on a reduction pathway to net zero, which is the generally accepted scientific threshold for sustainable performance. As a result, its carbon footprint for the period is shown as unsustainable.

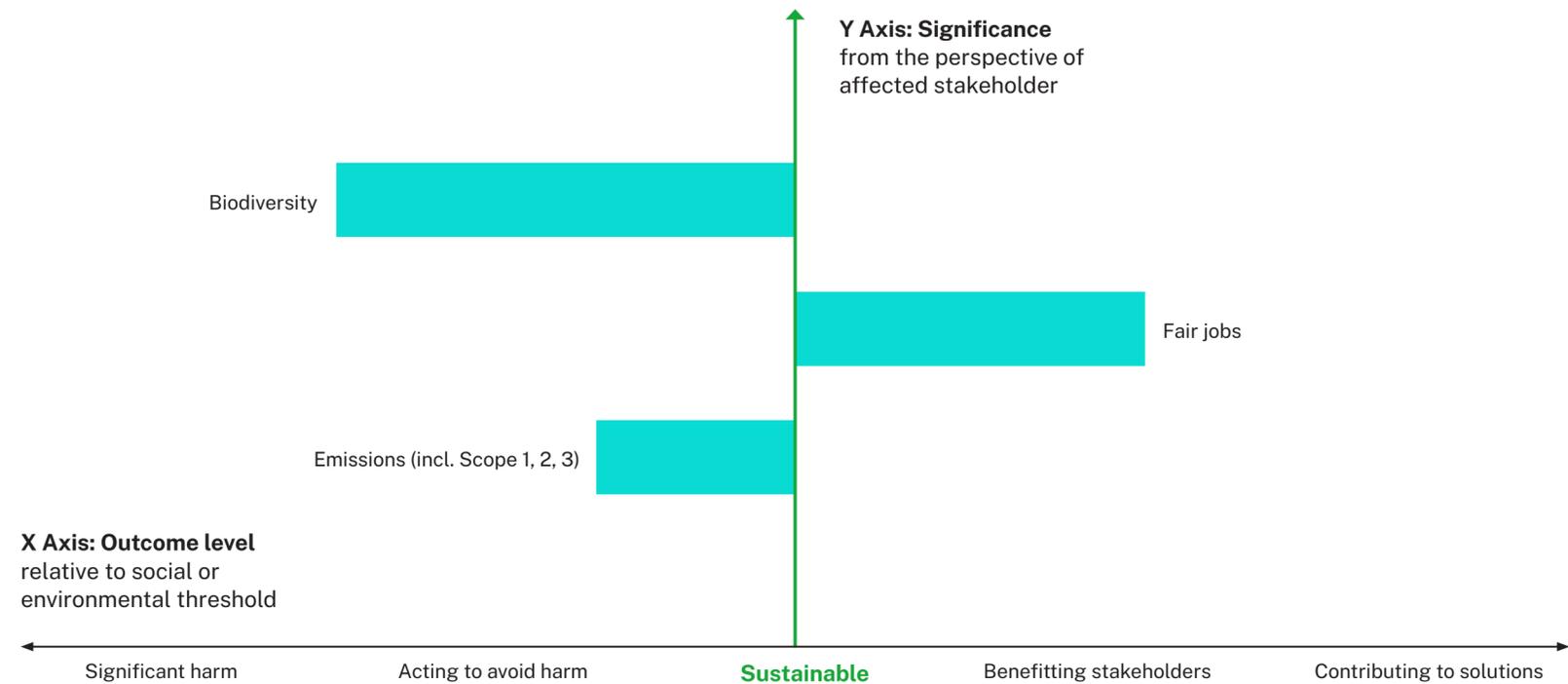
Just Climate assessed Company X's GHG emissions as less significant than the fair jobs that Company X provides to its 200 employees. Company X pays an average salary above the local living income in the region, the social threshold for sustainable performance.

During the period, Company X cleared a section of forest to construct its new facility. The threshold for sustainable performance is protecting areas of high biodiversity value. While the company took some measures to protect local fauna, the activities have resulted in a loss of habitat for a protected species. The outcome has been assessed as below the threshold for sustainable performance but not as something that constitutes significant harm due to the large area of habitat that remains protected around the facility. We expect this outcome not to continue into the future, given that it is associated with clearing the land to build a greenfield facility.

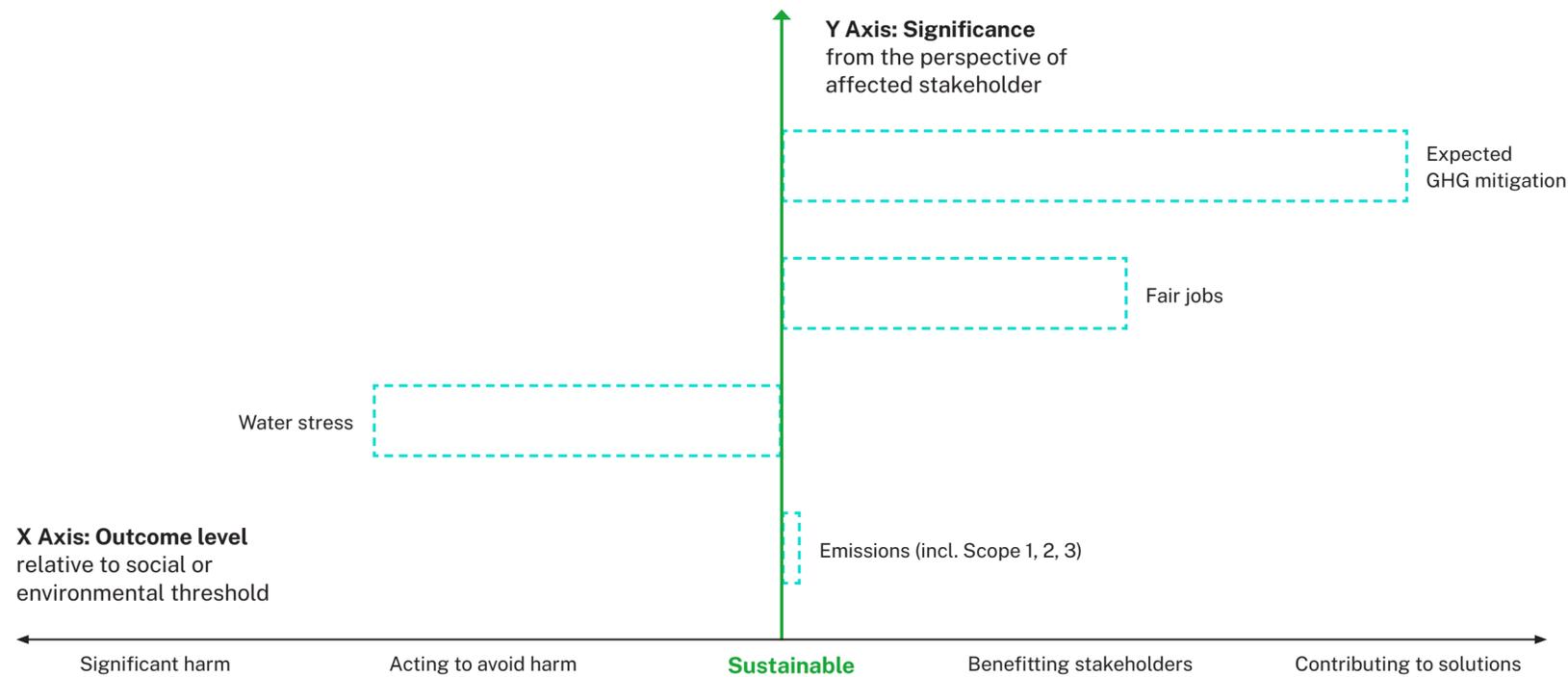
Illustrative example

This illustrative example is broken into two components: the first represents current period performance on material environmental and social outcomes and the second shows anticipated performance for the material environmental and social outcomes that we expect in a future period when we would exit the investment. The chart illustrating anticipated future performance does not represent the cumulative set of environmental and social outcomes.

Company X current environmental and social outcomes (in reporting period)



Company X anticipated environmental and social outcomes (at exit)



Illustrative example explained:
Anticipated future outcomes when we expect to exit the investment

Given that Company X has not yet entered into commercial operation, they have not drawn on any water during the period and so the outcome has not been shown on the previous chart illustrating current period outcomes. Once full-scale operation begins, we expect fresh water to be drawn from a local aquifer for use in the industrial process. The scientific threshold for sustainable performance Just Climate has used is whether this water withdrawal occurs in a region of water stress. This is expected to be the case for Company X in the next five years for the first plant and is expected to continue in the medium-term. As a result, Just Climate has depicted the expected performance for this outcome as negative. It is categorised as 'acting to avoid harm' given the company's efforts to reduce the water that will be required in its industrial processes.

Company X's provision of fair jobs is expected to continue in future periods. It is therefore shown in both the 'current' section and the 'anticipated' section. We expect employees to continue to be paid above the threshold for living income in future periods. The outcome is shown as the second highest in terms of significance because of the degree to which wages are

paid above the threshold and due to the 1,000 jobs required by the large industrial facility once it is completed.

Company X is expected to have very significant GHG mitigation once commercial operation begins. As a result, Just Climate has shown expected performance to be double the magnitude of the other environmental and social outcomes. Since Company X is avoiding GHG emissions that would have otherwise occurred in the baseline scenario and is enabling other companies to reduce their own carbon footprint, this impact is shown as contributing to solutions rather than just benefitting stakeholders. This outcome has been shown at the top of the other outcomes such as water stress and fair jobs as it has been assessed as more significant due to the depth of GHG emission avoided.

The company is expected to set a science-based target to put its Scope 1, Scope 2 and Scope 3 GHG emissions on a pathway to net zero by 2050. As a result, despite the company being expected to have significant GHG emissions associated with its upstream and downstream activities (such as transportation of raw materials), this outcome has been shown as meeting the threshold for sustainable performance, which is the existence of a verified target to bring its emissions down over time.

Just Transition

The 2015 Paris Agreement highlighted the importance of a Just Transition, acknowledging that decarbonisation objectives need to be combined with attention to affected people in a shift to a resilient economy.

A singular focus on reducing GHG emissions is not sufficient to achieve net-zero GHG emissions by 2050. As we 'transition in' climate solutions that can radically reduce or remove GHG emissions and 'transition out' the legacy carbon-intensive business models, the affected workers and communities cannot be ignored. Core to a Just Transition is a process in which workers and communities have understanding and agency over the decisions that affect their daily lives, as part of the shift to net-zero GHG emissions.

The 2015 Paris Agreement highlighted the importance of a Just Transition, acknowledging that decarbonisation objectives need to be combined with attention to affected people in a shift to a resilient economy. At COP 27, the Sharm el-Sheikh Implementation Plan put the imperative of a Just Transition at the core of the global climate agenda, by recognising that "effective climate action should be implemented in a manner that is just and inclusive while minimising negative social or economic impacts that may arise from climate action". Most recently, the latest IPCC synthesis report also noted the importance of prioritising equity, climate justice, social justice, inclusion and just transition processes to enable adaptation and ambitious mitigation actions and climate resilient development.¹⁵

While work in this area continues to evolve, Just Climate was a founding participant of the Impact Investing Institute's Just Transition Roundtable.¹⁶ Just Climate played an active role, working in partnership to deliver a framework that provides an approach on how to align an investment product with the Just Transition. The starting point for this work was the three Just Transition elements published by the G7-backed Impact Taskforce:¹⁷ advance climate and environmental action, improve socio-economic distribution and equity, and increase community voice. The resulting framework has three criteria across these elements.

¹⁵ IPCC: [AR6 Synthesis Report: Climate Change 2023 \(ipcc.ch\)](#)

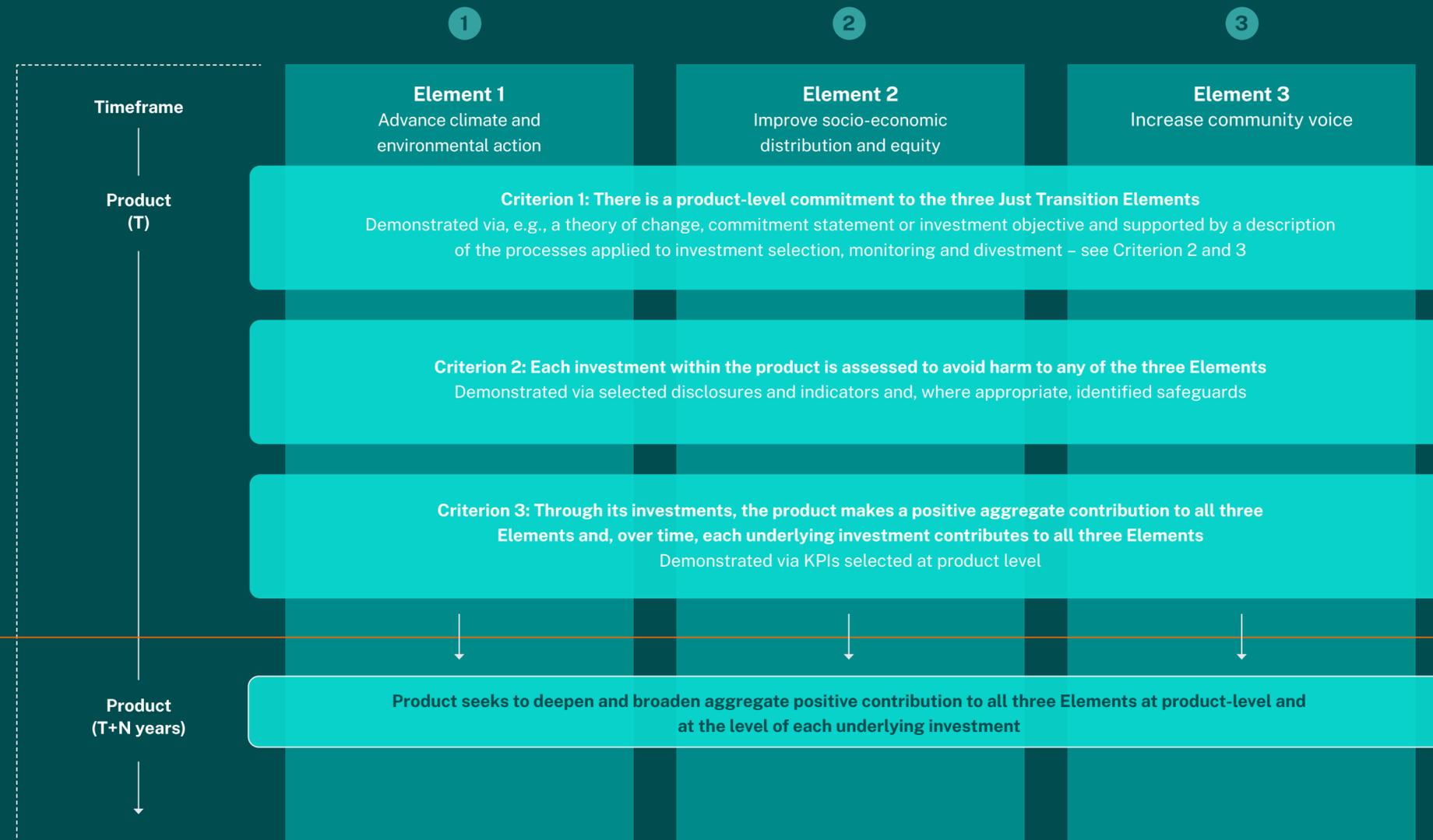
¹⁶ Impact Investing Institute: [Just transition | Impact Investing Institute](#)

¹⁷ G7 Impact Taskforce: [G7 Impact Taskforce – Impact Investing Institute](#)

Throughout the development of this framework, we have emphasised that we believe these Just Transition elements should not be disconnected from a company or an investor's existing integrated approach used to measure, manage and disclose its impacts on people and the planet. We have therefore observed that criteria 1, 2 and 3 noted in the framework are already, or will be integrated, into our investment process.

All of the criteria for Element 1 of the framework, climate and environmental action are evident for every investment in the Industrial Climate Solutions portfolio and will be evident in the investments still to be made. Our assessment of expected GHG mitigation is inherently a company's positive contribution to climate change and the north star for our fund-level impact objectives.

Architecture for the Impact Investing Institute's Just Transition Criteria



Just Climate is committed to working with all of our portfolio companies to ensure that the views of people most affected are considered in decision making.

On Element 2, socio-economic distribution and equity, an example of a significant impact that our portfolio companies have and will continue to have are the new jobs that they provide to employees ('transitioning in') and the people that are employed in their respective value chains. We therefore measure the percentage of employees that are provided with a living income, as defined by local instruments wherever possible. We recognise that stakeholders will grapple with trade-offs for even the most transformational climate solutions and we see an important role for investors to engage in or support local governments and multi-lateral processes to determine what is 'equitable', 'fair' or 'just' and to incorporate that perspective into our investment frameworks.

For Element 3, community voice, Just Climate is committed to working with all our portfolio companies to ensure that the views of people most affected are considered in decision-making. Not all our portfolio companies will impact people to the same degree of significance and likelihood. Some investments, such as greenfield projects, might by their nature have more material impacts on local people. This is why our approach to impact measurement starts with identifying affected

stakeholders and then moves to an assessment of significance and likelihood that guides us to the outcomes that are most material and that might affect financial position or financial performance over the short, medium or long-term. For one of our investments, early on in our due diligence we identified a local indigenous community that could be significantly impacted by the proposed greenfield site. To support us in assessing and managing these impacts, we hired a third-party consultant with specialist expertise on social impact and human rights due diligence with particular experience working with indigenous communities. Although this work is ongoing, our aim is the effective management of human rights through inclusive consultation and dialogue leading to improved outcomes for affected people.

We screen all our investments for significant harm during and over the life of an investment. Our portfolio management work will seek to assess how our investments have made positive contributions to these three elements over time. We are particularly focused on the integration of community voice into the sustainability data that we collect in instances where local communities are most impacted in our portfolio.

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