SFDR

SUSTAINABILITY-RELATED DISCLOSURES
GREENCOAT UK WIND PLC

LEI: 213800ZPBBK8H51RX165

Date: 20 December 2022

A. Summary

This disclosure relates to Greencoat UK Wind PLC (the "**Company**"), and is provided for the purposes of Article 10 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**") as amended by Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (the "**EU Taxonomy**"), as supplemented by regulatory technical standards ("**RTS**").

The Company invests predominantly in operating UK wind farms, supporting the transition to net zero. The Company's aim is to provide investors with an annual dividend per Ordinary Share that increases in line with RPI inflation while preserving the capital value of its investment portfolio on a real basis over the long term, through re-investment of excess cashflow and the prudent use of gearing. More specifically, the Company is intended to contribute to the environmental objective of climate change mitigation on the basis of the activities of the assets targeted by the Company, which are wind power generation assets that help to facilitate the transition to a low carbon economy.

The Company causes no significant harm to any sustainable investment objective. To ensure this, the Investment Manager (i) considers the principal adverse impacts of its investment decisions relating to the Company, and mitigates their impact by implementation of the Company's ESG Policy which has been developed in line with the Investment Manager's ESG Policy, and (ii) assesses alignment with the minimum safeguards. In addition, all investee companies are required to follow good governance practices, which is assessed and monitored by the Investment Manager on an ongoing basis.

There are a several binding elements of the investment strategy implemented in the investment process on a continuous basis to attain the sustainable investment

objective including: (a) investing only in UK wind farm projects; (b) applying the Investment Manager's exclusion policy; (c) do not significant harm assessment; (d) good governance assessment; (e) net zero alignment; (f) Taxonomy-alignment; and (g) engagement.

The Company will only invest in assets which meet the sustainable investment objective in accordance with the binding elements of the investment strategy, though a small proportion of the Company's net assets (approximately 2%) will comprise a cash reserve (to the extent not generated from sustainable investments) and hedging arrangements (for purposes of minimising or reducing risk or exposure in respect of investment). As such, the minimum share of sustainable investments will be 98%, 100% of which will be EU Taxonomy-aligned.

The Company uses the following sustainability indicators to monitor attainment of the sustainable investment objective:

- Renewable energy generated (Gwh)
- GHG emissions (Scope 1, Scope 2, Scope 3) avoided (kt CO2e)
- Equivalent number of homes powered

The third party operations and maintenance ("**O&M**") service providers report to Schroders Greencoat's asset managers on a monthly basis on a standard set of KPIs and qualitative factors, such as health and safety compliance of O&M providers, compliance with relevant laws and regulations, local community engagement and habitat management, where relevant. These KPIs are disclosed annually in the Company's ESG report. The Investment Manager adopts a balanced and proportionate approach to the disclosure of ESG events to investors and, if appropriate, communicates significant incidents as they occur. Any material ESG incidents are communicated to the Company's Board, where it is assessed and decided whether to communicate to investors.

KPI data is sourced directly from the Special Purpose Vehicles ("**SPVs**") and supplemented by specialist external advisers such as environmental consultants, as required.

Carbon footprint indicators are measured in line with the industry standard GHG Protocol based on an equity control approach, meaning emissions from the Company's operations are weighted according to the Company or its SPVs' ownership interest. Scope emissions calculations will be verified by third party consultants. The sustainability indicators are subject to an annual review to ensure that the Investment Manager continues to improve transparency on ESG matters.

As part of the investment due diligence process, the Investment Manager will consider a range of ESG factors to determine whether the risk/reward profile is acceptable and assess any recommended post-acquisition mitigation plans. The Investment Manager recognises that engagement is critical to long term sustainable investment and seeks to build strong, long-term relationships with high-quality, experienced counterparties to give consistency of service and standards, allow for learnings across the varies businesses it manages and drive efficiency.

B. **No significant harm to the sustainable investment objective**

The investments of the Company are expected to contribute to the sustainable investment objective and not significantly harm any sustainability objective.

How the indicators for adverse impacts (in Tables 1-3 of Annex 1 of the RTS) are taken into account

The Investment Manager considers the principal adverse impacts ("**PAIs**") of its investment decisions relating to the Company on sustainability factors and this informs its approach to long-term investment stewardship and stakeholder engagement.

As the Company predominantly targets investments in operating UK wind farms, the PAIs that are most relevant to the Company include (but are not limited to):

- Greenhouse gas emissions (Table 1 RTS: PAIs 1-6); and
- Number of days lost to injuries, accidents, fatalities or illness (Table 3 RTS: PAI 3)

A statement on PAIs, including the list of PAI indicators and associated metrics considered in relation to the Company, will be included in the Company's annual reports, published after 31 December 2022.

The Investment Manager seeks to mitigate the impact of the PAIs and other indicators considered in relation to the Company firstly by implementing the Company's ESG Policy (a copy of which can be found here) (the "**UKW ESG Policy**"). The UKW ESG policy, which has been developed in line with the Investment Manager's ESG Policy (a copy of which can be found on the Investment Manager's website), sets guidance and principles for integrating sustainability across the Company's business and looks to establish best practice in climate related risk management, reporting and transparency. It outlines areas of focus for wind power generation assets including environment, workplace standards, health and safety practices, governance (including compliance with applicable laws and regulations) and local community engagements. It also includes a list of key performance indicators that are monitored and reported on (as appropriate). Sustainability factors are considered prior to investment as part of early-stage screening, detailed due diligence and the Investment Committee's decision-making, and managed post-acquisition in accordance with the Investment Manager's wider asset management practices.

Alignment with the minimum safeguards

The Company predominantly targets investments in operating UK wind power generation assets which will be held through SPVs: standalone legal entities which typically do not have any employees or management teams. The SPVs will typically outsource all operations and management requirements to third parties, through long-term contracts. The Investment Manager assesses the alignment of the SPVs' sustainable investments with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (the "**Minimum Safeguards**").

The Investment Manager conducts initial due diligence and ongoing monitoring of SPVs to ensure their alignment with the Minimum Safeguards and, where possible, will impose obligations on the key service providers involved in the operations and management of the SPVs to ensure their ongoing compliance. In most instances, this is achieved by the Investment Manager's Code of Conduct Side Letter (or an equivalent standard) which requires key service providers to comply with all applicable laws, rules, regulations and overarching principles in the countries where they operate. This covers anti-bribery and corruption, financial crime, data protection and employment and health and safety laws (including those relating to human rights, human trafficking, modern slavery, and public safety). These procedures are monitored regularly by the Investment Manager's risk function.

C. <u>**Sustainable investment objective of the financial product**</u>

The Company invests predominantly in operating UK wind farms, supporting the transition to net zero. The Company's aim is to provide investors with an annual dividend per Ordinary Share that increases in line with RPI inflation while preserving the capital value of its investment portfolio on a real basis over the long term, through re-investment of excess cashflow and the prudent use of gearing. More specifically, the Company is intended to contribute to the environmental objective of climate change mitigation on the basis of the activities of the assets targeted by the Company, which are wind power generation assets that help to facilitate the transition to a low-carbon economy.

D. **Investment strategy**

Investment Strategy

The Company will invest in a portfolio of operating UK wind farm projects, predominantly each with a capacity over 10MW. The substantial majority of the portfolio will be operating wind farm projects.

The Company will invest in both onshore and offshore wind farms. The Company intends to make investments in a wide geographical spread of projects that are situated throughout the UK and its offshore renewable energy zone. The Company also intends to have a balance between fixed and variable cashflows across the Portfolio. Although it is generally recognised that, at a high level, owning multiple wind farms throughout the UK and its offshore renewable energy zone offers only limited wind diversification benefits (in comparison to a more international portfolio), it does provide diversification for a number of different technical risks such as grid access, transmission networks and transformer performance. Each site contains a significant number of individual turbines whose performance is largely independent of other turbines.

The Company intends to make prudent use of gearing to finance the acquisition of investments and to preserve capital on a real basis. As far as possible, the Company will generally avoid raising non-recourse debt by the SPVs owning individual wind farms in order to avoid the more onerous covenants required by lenders. The Company can, following a decision of the Board, raise debt from banks and/or capital markets at the level of the Company or Holdco. The Company expects that the total short-term acquisition financing and longer term debt will be between zero and 40 per cent of Gross Asset Value at any time, and that average total debt will be between 20 and 30 per cent of Gross Asset Value in the medium term.

The Company will not seek to employ staff and will engage experienced third parties to operate the wind farms in which it owns interests.

There will not be any cross-financing between portfolio investments and the Company will not operate a common treasury function as between the Company and its investments.

For more information on the investment strategy of the Company please refer to the Company's Pre-Investment Disclosures.

Binding elements

The following are binding elements of the investment strategy implemented in the investment process on a continuous basis to attain the sustainable investment objective:

a. <u>Permitted investments</u>
The Company will only invest in UK wind farm projects.

b. <u>Exclusions</u>
New investments are screened against the Company's investment restrictions, which identify the geographies, businesses, and activities in which the Company will not invest. The Investment Manager will apply exclusion criteria with the effect of avoiding investment in activities that the Investment Manager believes to be incompatible with the sustainable investment objective. The full list of exclusions can be found in the Investment Manager's ESG policy.

c. <u>Do not significant harm ("**DNSH**") assessment</u>
The Investment Manager will conduct a DNSH assessment of each investment to ensure that it does not significantly harm any environmental or social objective (as described above in "*No significant harm to the sustainable investment objective*").

d. <u>Good governance assessment</u>
The Investment Manager will assess SPVs (and, to the extent possible, the key service providers involved in the operations and management of the SPVs) to ensure they follow good governance practices (as described below in "*Policy to assess good governance practices of the investee companies*").

e. <u>Net-Zero alignment</u>
The Investment Manager is committed to achieving Net Zero by 2050 and has signed up to the Net Zero Asset Managers initiative, committing to ensure its Company portfolios

align with the Paris Agreement goal to limit global warming to 1.5°C compared to pre-industrial levels. In 2022, Schroders Greencoat set targets at portfolio level such that a) 95% of AUM will be managed in line with net zero and b) Scope 1 and Scope 2 emissions are reduced by 50% by 2030 (using 2022 as a baseline).

The Investment Manager will assess each investment's alignment to its own Net Zero commitment, and will engage with SPVs and industry bodies to achieve its targets for reducing portfolio emissions.

f. Taxonomy-alignment

The Investment Manager will target investments in economic activities that are considered aligned with the EU Taxonomy (meeting the TSC for the relevant economic activity), such that EU Taxonomy-aligned activities comprise at least 98% of the market value of all investments of the Company (being 100% of the Company's sustainable investments), based on turnover.

In doing so, the Investment Manager will assesss new investments against the TSC as part of normal course pre-investment ESG screening. To the extent an investment falls within the same economic activity, and is in all material respects similar to an investment that has already been assessed against the TSC, the Investment Manager will undertake a simplified assessment of the investment which focuses on any differences to the investment (to that which has already been assessed in accordance with the TSC).

The Taxonomy-alignment of the Company's investments will be included in the Company's annual reports.

g. Engagement

The Investment Manager is committed to engaging with all stakeholders relevant to its portfolio to ensure its renewable investments positively impact the communities in which they operate. Sustainability-related risks and challenges are regularly discussed within the Investment Manager's asset management teams which are also reported to and discussed with the Board through regular meetings and specific risk register review discussions. Key sustainability factors such as those relating to health and safety, compliance with environmental standards and stakeholder relations are regularly discussed and documented.

Policy to assess good governance practices of investee companies

The Investment Manager expects its SPVs and, where it has sufficient control or influence, the key service providers involved in the operations and management of the SPVs, to practice a minimum standard of good governance in relation to sound management structures, relevant tax compliance, employee relations, remuneration and avoidance of bribery and corruption, as further described in the table below.

In particular, the Investment Manager evaluates the governance practices of prospective SPVs and seeks to understand those of the key service providers it appoints through due diligence prior to investment.

During the holding period, representatives of the Investment Manager will take one or more seats on the board of each SPV and will oversee all major strategic and operational decisions. Given this structure, outside health and safety risks, the organizational (including governance) risks of the SPVs are limited. None of the SPVs have employees or management teams and therefore any employee related social factors are focussed on the third-party service providers.

With respect to the key service providers, the Investment Manager will monitor the governance practices relating to each SPV on an ongoing basis through regular reviews against the criteria listed below. The extent to which the Investment Manager can enforce good governance through engagement or contractual documents will vary depending on the nature of the relationship and structure of the investment (for example, asset companies vs. corporate structures, majority vs. minority stake). As such, what “good” looks like will also vary and some of the requirements listed below may not be relevant to every SPV or key service provider.

Good Governance	
Sound management	**The Investment Manager expects the boards of all SPV companies to promote the long-term success of each SPV and to act with integrity.** The SPV board should demonstrate the following characteristics: · apply objective judgment and promote a culture of openness and integrity; · have the appropriate combination of skills, experience and knowledge;

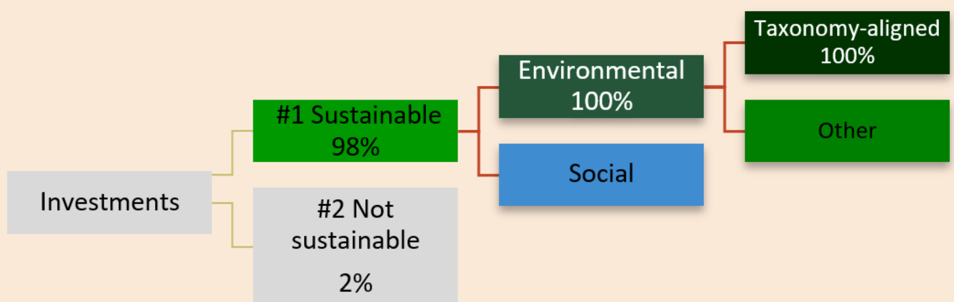
	· understand the importance of the relationship between the company and stakeholders including the impact on the community and environment within which it operates; and · establish appropriate controls, audit functions and risk controls appropriate for the size of the company.
Tax compliance	**SPVs, and the key service providers involved in the operations and management of the SPVs, are expected to adhere to local and international tax laws**.
Employee relations including remuneration	**Employees should be treated fairly with particular consideration given to the maintenance of proper working conditions**. As SPVs typically do not have any employees, this applies mainly to the key service providers involved in the operation and management of the Company's investments and includes having in place: · appropriate health and safety processes · proper remuneration practices in place whereby all employees are paid the minimum wage according to the region within which they are employed · policies ensuring adherence to all applicable labour laws (including the avoidance of child labour); and · a commitment to workforce diversity and inclusion
Anti-bribery and corruption	**SPVs, and the key service providers involved in the operations and management of the SPVs, should work against bribery and corruption in undertaking their corporate activities and have appropriate policies in place** (e.g.: Anti-Money Laundering, Bribery & Corruption, and Conflicts of Interest policies)

E. **Proportion of investments**

Other than a cash reserve (to the extent not generated from sustainable investments) and the use of derivatives as described below (which collectively will account for up to

2% of the Company's assets at any one time), the Company will only invest in assets which meet the sustainable investment objective in accordance with the binding elements of the investment strategy. As such the minimum share of sustainable investments will be 98%. Please see above - "*Investment Strategy*" - for details of the specific assets in which the Company will invest.

The diagram below illustrates the intended asset association for the Company as at the date of this document.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

How does the use of derivatives attain the sustainable investment objective?

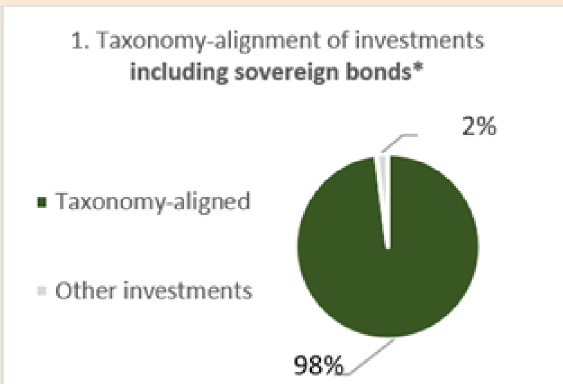
The Company may enter into hedging arrangements (including in relation to interest rates, currencies, power and other commodities) for the purposes of efficient portfolio management but will not use derivatives or hedging transactions for speculative investment purposes (i.e. to attain the sustainable investment objective).

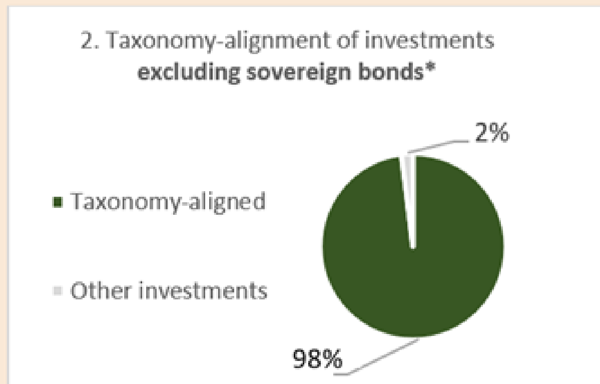
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Company aims to ensure that 100% of its sustainable investments with an environmental objective are aligned with the EU Taxonomy (representing 98% of the market value of all investments of the Company), based on turnover. These investments will align with the requirements laid down in Article 3 of the EU Taxonomy, including the relevant TSC relating to the environmental objectives to which the underlying assets of the Company will contribute.

The Taxonomy-alignment of the Company's investments will be included in the Company's annual reports. The Investment Manager does not presently intend to seek assurance of its Taxonomy-alignment assessments by a third-party provider, but may do so in the future.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

What is the minimum share of investments in transitional and enabling activities?

There is no minimum share of investments in transitional and enabling activities.

What is the minimum share of investments with an environmental objective that are not aligned with the EU Taxonomy?

There is no minimum share of sustainable investments with an environment objective that are not aligned with the EU Taxonomy, as 100% of the Company's sustainable investments will comprise sustainable investments with an environmental objective that are aligned with the EU Taxonomy.

What is the minimum share of sustainable investments with a social objective?

There is no minimum share of sustainable investments with a social objective. Further, a taxonomy of socially sustainable economic activities has not yet been developed. Once those rules are developed, it may be determined that the Company's investments are considered socially sustainable economic activities.

What investments are included under '#2 Not Sustainable', what is their purpose and are there any minimum environmental or social safeguards?

The investments included under "#2 Not sustainable' comprise a cash reserve (to the extent not generated from sustainable investments) and hedging arrangements for the purposes of efficient portfolio management. Given the purpose of these investments, there are no minimum environmental and social safeguards applied to such investments.

F. Monitoring of the sustainable investment objective

The sustainability indicators used to measure the attainment of the sustainable investment objective of the Company are as follows:

- Renewable energy generated (GWh)
- GHG emissions (Scope 1, Scope 2, Scope 3) avoided (kt CO2e)
- Equivalent number of homes powered

The sustainability indicators are subject to an annual review to ensure that the Company continues to improve transparency on ESG matters.

G. Methodologies

The following table summarises the methodologies used to measure the attainment of the sustainable investment objective.

Sustainability indicator	Unit	Methodology
Renewable energy generated	GWh	Reported monthly from O&M providers
GHG emissions	kt CO2e	Scope 1, 2 and 3 emissions are measured in line with the GHG protocol, using an equity control approach

Equivalent number of homes powered	Number	Figures based on electrical capacity generation. The equivalent number of homes powered is calculated based on estimated Typical Domestic Consumption data provided by OFGEM in the UK and EIA in the US.

H. **<u>Data sources and processing</u>**

The Investment Manager uses information provided directly from investee companies to attain the sustainable investment objective of the Company.

In order to ensure data quality, the Investment Manager works with specialist external advisers, such as environmental consultants. These advisors review the above methodologies and advise on industry best practices.

The data collected as described above is processed as follows:

- KPI data is sourced directly from SPVs and supplemented by specialist external advisers such as environmental consultants, as required.
- O&M service providers used by the Company or its SPVs report to the Investment Manager, on a monthly basis, on a standard set of KPIs and qualitative factors, such as health and safety, compliance with relevant laws and regulations, local community engagement and habitat management, where relevant.
- Carbon footprint indicators are measured in line with the industry standard GHG Protocol based on an equity control approach, meaning emissions from the Company's operations are weighted according to the Company or its SPV's ownership interest. Scope emissions calculations will be verified by third party consultants.

In some instances, the Company may need to use estimates or proxy data. Where estimated data is used it will typically represent the minority of data used and will be based upon reasonable assumptions and appropriate comparators. The Investment Manager will act reasonably in using estimated or proxy data. As the use of such data will vary on a case-by case basis, it is not possible to provide a proportion of estimated data.

I. **<u>Limitations to methodologies and data</u>**

The Investment Manager has identified the following limitations to the methodologies and data sources referred to above in sections G (*Methodologies*) and section H (D*ata sources and processing*):

- The GHG Protocol requires asset managers to account for non-amortised embodied emissions in the construction phase of assets in scope 3 of carbon emissions reporting, regardless of when the asset was built. As the Investment Manager predominantly invests in operational assets, this has created complications for the net zero trajectory.
- Lack of data available in supply chain due diligence.

The limitations outlined above do not affect the attainment of the sustainable investment objective of the Company. To ensure that the limitations do not have such an impact, the Investment Manager takes the following actions:

- The Investment Manager has engaged with industry bodies, such as the Net Zero Asset Managers initiative, on this issue with the intention to create more value in carbon emission accounting.

J. **<u>Due diligence</u>**

See sections 2 B ('No significant harm to the sustainable investment objective') and 4 D ('Investment strategy') above for details of the due diligence carried out on the underlying assets to achieve the sustainable investment objective.

Prior to investment, ESG factors (e.g., environment, workplace standards, health and safety practices, governance including compliance with applicable laws and regulations, and local community engagements) are documented, considered in due diligence, and reported, along with any mitigation plans, to the Company's Investment Committees.

More specifically, the Investment Committee Papers include a dedicated ESG section which seeks to cover the key sustainability risks and sustainability-related opportunities by reporting on, for example:

- Environmental: includes planning conditions, habitat and wildlife management plans, environmental impact assessment reports, due diligence reports that may include specific physical or transition risks related to climate change (e.g., flood risk for a specific asset).

- Social: Health and Safety, compliance with regulations, community fund agreements and engagement.
- Governance: highlight any issues there may be in the structure of the group to be acquired. Includes controls in place, ethical issues, litigation.

The Investment Committees then determine whether the risk/reward profile is acceptable and assesses any recommended post-acquisition mitigation plans.

Where potential sustainability risks are identified as part of the due diligence process, these are either i) mitigated to an acceptable extent, ii) considered within the purchase value respectively, or iii) rejected, where the sustainability factors are sufficiently material that they cannot easily be remediated once acquired or they exceed risk tolerances.

K. **Engagement policies**

The Investment Manager recognises that engagement is critical to long term sustainable investment. It seeks to build strong, long-term relationships with high-quality, experienced counterparties to give consistency of service and standards, allow for learnings across the varies businesses it manages and drive efficiency.

Where ownership rights permit, the Investment Manager aims to implement its own policies, practices, responsible business management, and regular reporting and monitoring of ESG KPIs across all assets of the Company and with the third-party providers whom the Investment Manager engages to manage the assets on its behalf. These include:

- CO2 emissions savings, megawatts of renewable electricity generated, independent health and safety audits, and funding levels for local community projects
- Establishing minimum governance standards
- The establishment of a risk register for the asset / site
- The monitoring and reporting on health and safety incidents and practices
- The monitoring and reporting of environmental matters and implemented habitat management plans

- The funding and support of local community projects and employment (where possible)
- Promoting a culture of proactive incident reporting that can then be remediated in a timely manner
- Conducting due diligence and regular ongoing reviews on our service providers

Where the Company cannot implement its own policies (e.g., in a large wind joint venture with a utility), the Investment Manager will assess the policies in existence at investment and use its governance rights to the extent possible to ensure that appropriate policies are maintained.

None of the asset SPVs has employees or management teams and therefore any employee related social factors are focussed on the third-party service providers.

L. **Attainment of the sustainable investment objective**

The Company does not have an index designated as a reference benchmark and does not have a reduction in carbon emissions as its objective.