

NTR Renewable Energy Income Fund II (the “Fund”), a sub-fund of the NTR Sustainable Infrastructure Funds ICAV

Summary

For the purposes of Article 8 Sustainable Finance Disclosure Regulation, the investments underlying the Fund promote environmental characteristics with an objective of climate change mitigation. This is achieved through investment in renewable energy assets, including the development, construction and operation of wind and solar photovoltaic power generation assets, and battery energy storage systems.

IQ EQ Fund Management (Ireland) Limited’s (the “Investment Manager”) investment proposition is to generate sustainable returns from a diversified portfolio of renewables infrastructure that contribute towards a net-zero carbon future.

The Investment Manager, in conjunction with NTR Asset Management Europe DAC (the “Portfolio Manager”), performs a detailed sustainability investment due diligence on each potential portfolio company to ensure that the investments promote environmental characteristics.

Environmental, Social and Governance (“ESG”) impacts and risks, along with the responses to these, are reviewed at each step of the development, construction and operational phase. This assessment uses a scoring mechanism to assess each asset against 30 key qualitative and quantitative metrics, which is captured in a framework called ntRadar. These are assessed on an individual asset level then brought together and reviewed at Fund level.

The performance and governance of all investments are reviewed monthly by the Portfolio Manager on behalf of the Investment Manager. In addition, each investment is independently valued and financially audited annually.

Both the Investment Manager and the Portfolio Manager are supporters of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and are signatories to UN Principles for Responsible Investment and actively support multiple United Nations (UN) Sustainable Development Goals (SDGs).

No sustainable investment objective

The investment objective of the Fund is to achieve attractive risk-adjusted returns for the shareholders, primarily by investing in and operating an onshore wind, solar and battery storage portfolio. This financial product promotes environmental characteristics (in accordance with Article 8 of the SFDR).

Environmental or social characteristics of the financial product

The investment objective of the Fund is to achieve attractive risk-adjusted returns for the shareholders. The investments of the Fund promote climate change mitigation (as defined in the EU Taxonomy) by supporting the transition to a low carbon and a more sustainable future environment.

The Investment Manager, in conjunction with the Portfolio Manager, also conducts a social and corporate governance assessment as part of its analysis. Environmental criteria are used to assess how effectively portfolio companies steward the natural environment, assist with the transition to a low carbon economy and comply with relevant laws and regulations. Similarly an asset-specific approach is taken to evaluate health & safety, labour standards and working conditions as well as the relationships held with stakeholders and surrounding communities.

The Investment Manager has not considered the principal adverse impacts of investment decisions on sustainability factors within the meaning of SFDR. This is as a result of various factors, including a lack of data available which would be required in order to conduct the assessments required by SFDR and a lack of clarity regarding the SFDR Regulatory Technical Standards which will apply to firms conducting these assessments.

Investment strategy

The Fund's strategy is to exploit the continued drive across Western Europe to replace fossil fuel energy production with renewable technologies. Onshore wind and solar are both proven and the most widely deployed renewable technologies. The Fund acquires, develops, constructs, and operates onshore and offshore wind, solar and energy storage projects.

An ESG investment exclusions checklist is applied during due diligence and as a reference point as investment decisions are made. The checklist comprises environmental, social, and general governance and compliance matters which must be satisfied before an investment is made. Technical and commercial due diligence is undertaken and assessed for ESG requirements, bringing the projects through a comprehensive investment governance process.

Due diligence is undertaken across a variety of criteria including planning, grid, contracts, wind data or solar irradiation, environmental, habitat or community considerations, turbine or solar equipment selection, land permits, access rights for the specific project, plant arrangements, operational performance to date (where relevant), regulatory matters, power price, financial, and tax.

On completion of due diligence the investment opportunity together with a full risk analysis and ESG criteria is put formally to a Management Committee in a detailed investment paper, accompanied by the pro forma model. The Management Committee questions and challenges the investment case in detail and may, at its discretion, seek to review source documentation, before recommending that the investment proceeds to the Advisory Committee. This Advisory Committee also formally takes into consideration the investment criteria and ESG exclusions criteria and, ensures that the specific investment under consideration fits within the overall portfolio mix and meets the requirements of the Fund before advancing any investment proposal.

Proportion of investments

The Fund invests at least 90% of its portfolio in investments for the purpose of attaining the environmental characteristics. All investment provides direct exposure to renewable energy infrastructure assets. From time-to-time the Fund may hold cash to make acquisitions or meet working capital fees and expenses. This will not harm the investment objective of the Fund.

The minimum proportion of investments in environmentally sustainable economic activities that are aligned with the EU Taxonomy is 90%. The minimum share of socially sustainable investments in the Fund currently is 0%.

Monitoring of environmental or social characteristics

The sustainable investment objective of the Fund as well as the suitability of the sustainability indicators used to measure the attainment of the sustainable investment objective are considered and monitored throughout the Fund's lifecycle.

Over the investments' lifetime, key performance indicators can include those related to carbon emissions displacement, safety, environmental compliance, habitat and archaeology, planning conditions compliance, grid code compliance, cyber-resilience, resource sustainability such as water, supply chain work-practices, community impact and the circular economy.

Methodologies

The sustainability indicators used to measure how the sustainable investment objective of the Fund is met are:

1. Renewable Energy Produced (MWhr)
2. CO₂ Emissions Displaced (Tonnes CO₂)

Prior to acquisition of an investment, the Investment Manager considers performance against the sustainability indicators, to the extent that relevant data is available from each potential portfolio company. Post-acquisition, the Investment Manager monitors and assesses performance of a range of indicators covering Environment, Social and Governance. The results of such assessments are published in an annual ESG report which is publicly available.

The data from the nRADAR annual asset level assessment helps to manage and monitor the ongoing ESG impact at each of the portfolio companies. The output also acts as an annual assessment of sustainability performance which informs the development of improvement actions for each portfolio company to improve its ESG performance. The Investment Manager, in conjunction with the Portfolio Manager, seeks to engage with the portfolio companies to improve data quality and progress relevant action plans. This feedback loop provides confidence in reported sustainability factors.

Data sources and processing

The Investment Manager ensures monitoring of its portfolio companies using the ESG data gathered monthly, quarterly and annually, collating asset level data to assess each sustainability indicator. Whilst the Investment Manager, in conjunction with the Portfolio Manager, undertakes checks on data received from the portfolio companies, it ultimately relies on these portfolio companies to provide relevant and accurate performance data, which is generally not subject to third-party verification.

While majority of the data can be directly collected and based on real values, several other data points, such as GHG emissions, may need to be estimated. The share of estimated data depends on the data availability for an individual asset. Where practical, estimates will be subject to plausibility checks, relying on general market standards and typical values for similar investments.

Limitations to methodologies and data

ESG Data may be based on certain assumptions, forecasts, calculations, views, and opinions of the Investment Manager, in conjunction with the Portfolio Manager, or third-party providers which may be based on current market trends or anticipated future events. Given the developing and innovative nature of these models, methodologies and assumptions and the inherent uncertainty in predicting forward-looking events, it cannot be guaranteed that the ESG data is always accurate or correct or that the ESG data will satisfy the aims or requirements of any specific client or investor. Any opinions, calculations or forecasts are not a guarantee of future events and the Investment Manager, in conjunction with the Portfolio Manager, may update their models, methodologies and/or assumptions at any time. External factors and limitations on the data may result in differences between actual and calculated figures. Such external factors and limitations may include unaudited third-party data.

Furthermore, there may be data that the Investment Manager, in conjunction with the Portfolio Manager, or its service providers are unable to source due to the lack of availability of data sources. Any such data limitations should not affect how the environmental characteristics promoted by the financial product are met.

Due diligence

The Investment Manager, in conjunction with the Portfolio Manager, takes a responsible investment approach throughout each of the investment, construction and operations phases. An ESG investment exclusions checklist is applied during due diligence and as a reference point as investment decisions are made. The checklist comprises environmental, social, and general governance and compliance matters with which the Investment Manager, in conjunction with the Portfolio Manager, must satisfy itself on behalf of the Fund before an investment is made.

Over each project's lifetime, the Investment Manager, in conjunction with the Portfolio Manager, will monitor and seek to ensure compliance with regulatory requirements in the areas of safety, environmental compliance, habitat and archaeology, planning conditions, grid code compliance as well as other commercial aspects of governance and compliance, including tax. The Investment Manager, in conjunction with the Portfolio Manager, has put in place policies and sets out clear requirements from its contractors regarding the different areas of compliance that are required.

The Investment Manager, in conjunction with the Portfolio Manager, also believes that it has a responsibility to be a "good long-term neighbour" when it comes to community relations. Community relations commences at the planning and construction phases and continues throughout the lifetime of each project. The Investment Manager, in conjunction with the Portfolio Manager, typically puts in place a community fund to give back to the community in which the project is based by supporting community proposed projects and in many cases, depending on the nature of the project, the Investment Manager, in conjunction with the Portfolio Manager, may put in place a community liaison officer to engage constructively with local communities on any concerns or issues they may raise.

Engagement policies

All assets within the Fund's portfolio are managed by the Investment Manager, in conjunction with the Portfolio Manager. The Fund invests in project companies that develop, build, or operate wind, solar or energy storage projects, however these project companies do not have any employees or asset management capabilities. They have a board of directors comprised of the Portfolio Manager's senior management personnel and are owned and managed according to the governance structure of the Fund. The performance and governance of all portfolio investments are reviewed Quarterly by the Investment Manager, in conjunction with the Portfolio Manager. The performance of a suite of ESG indicators is reviewed quarterly, annually and reported in the publicly available annual ESG report.

Designated reference benchmark

A reference benchmark has not been designated for the purpose of attaining the environmental and social characteristics.