

Menhaden Resource Efficiency



Menhaden Resource Efficiency PLC
Reporting Impact 2022

Environmental Impact Statement

Foreword

Last year the conflict in Ukraine, and the rising inflation and soaring energy prices that followed, emphasised just how important resource efficiency – the central theme of our portfolio approach – is to the ongoing success of many businesses and economies across the world. In 2022 we also saw an uptick in the frequency and ferocity of extreme weather events, demonstrating the urgent need to build climate resilience within our current systems.

At Menhaden Capital Management LLP we continue to drive forward our objective to generate long-term outperformance for Menhaden Resource Efficiency PLC's shareholders by investing in businesses that are demonstrably delivering, or benefitting significantly from, the efficient and responsible use of energy and other resources.

The companies we invest in continue to lead in their respective fields. Examples from the past year include Amazon's increased investment in clean energy projects, Waste Management's preservation of the natural environment, and Alphabet's initiatives to promote more circular consumption.

We also continued our engagement programme throughout 2022 and are pleased to see that over half of the listed holdings in the portfolio now have near-term emissions reduction targets independently validated by the Science Based Targets initiative ("SBTi"), meaning they have a clearly defined pathway to reduce their GHG emissions in line with the goals of the Paris Agreement.

In addition to being an investor signatory to the Climate Disclosure Project ("CDP") and other initiatives we were also proud to become signatories to the *Finance Sector Commitment to Eliminate Commodity-Driven Deforestation*, cementing our commitment to biodiversity and the protection of the Earth's precious resources.

The portfolio continues to include three unlisted private investments, global renewable energy developer, X-ELIO, TCI Real Estate, a fund that only invests in highly energy-efficient buildings, and responsible infrastructure investor, John Laing. The positions in these holdings continue to help differentiate Menhaden Resource Efficiency PLC (the "Company") from other globally invested investment companies.

The Company's investment performance over the past year was impacted by the volatility within the markets and its net asset value total return was -16.5% as of the end of 2022. Despite this, we still firmly believe there is value in applying an environmental mindset to investment decision-making and will continue with this approach into the future.

Ben Goldsmith

CEO, Menhaden Capital Management LLP

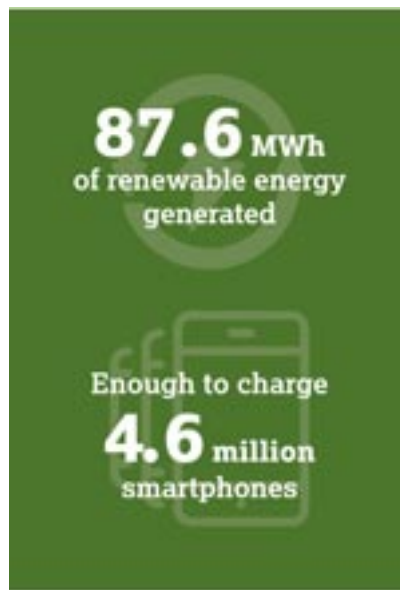
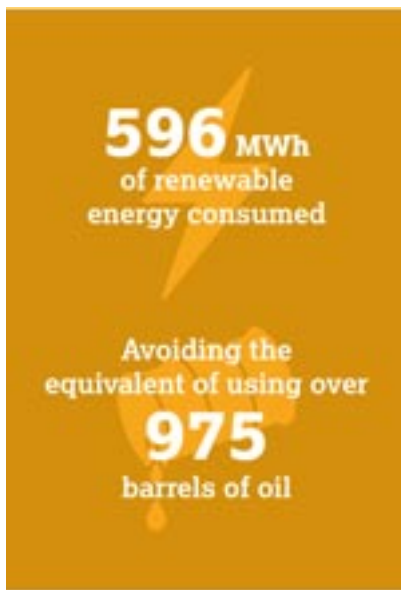
About this impact statement

In this Impact Statement we attempt to show how Menhaden Resource Efficiency PLC's holdings are acting to reduce negative environmental impacts and generate positive ones. In particular we publish data on the amount of renewable energy consumed, renewable energy generated and total scope 1 and scope 2 (location based) emissions. Data is based on those companies that reported to CDP, with the addition of X-ELIO, for the time-period 1 January to 31 December 2021. Exceptions and full details are available in the methodology in the Appendix to this Impact Statement.

Disclosures from eight of the companies in the portfolio show that 87.6 MWh of renewable energy was generated by the portfolio's share of these companies.

Impact Data

Our share of the portfolio companies was responsible for:



Please see appendix for data sources and methodology.

Our approach and developments in 2022

Throughout 2022 we continued to apply our fundamental, research-oriented approach and there was relatively little turnover in the Company's portfolio holdings.

We sold the portfolio's holding in Charter Communications due to the company facing increased competition and pursued other opportunities in the technology and digitisation space to achieve a better balance of risk and reward.

At Menhaden Capital Management LLP, we recognise some sectors in which we invest the Company's portfolio, such as transport and infrastructure, may be considered to be significant contributors to climate change. But rather than avoid these sectors entirely, we choose to invest in the companies using innovative, best practice solutions to align their businesses with climate friendly practices. We believe this can be both a proxy for strong overall management performance and a way to drive wider improvements within their respective sectors. Rail transportation is the most energy efficient method for moving freight and in 2022 we added to the existing holdings in Canadian Pacific Railway

and Canadian National Railway, and reinvested in Union Pacific, one of America's largest rail freight providers and a leader in sustainable transportation. Union Pacific has demonstrated a strong commitment to reaching its ESG goals by assembling the world's largest carrier-owned fleet of battery electric locomotives, reducing its fuel consumption for the third year in a row and increasing its use of bio and renewable diesel fuel.

E-commerce has been a key driver of decarbonisation, with research firm Oliver Wyman concluding that e-commerce generated 40-65% fewer emissions than physical retail stores. It is in this context that in 2022 we decided to invest in Amazon, the world's leading online retailer. We believe Amazon has become an essential utility on which both consumers and businesses rely, and its e-commerce and cloud computing businesses generate significantly lower carbon emissions than their legacy predecessors.

Amazon has some way to go in improving its transparency and disclosures and we will use our stewardship programme to engage with the company on its approach to packaging to encourage greater re-use and recycling to reduce

Environmental Impact Statement

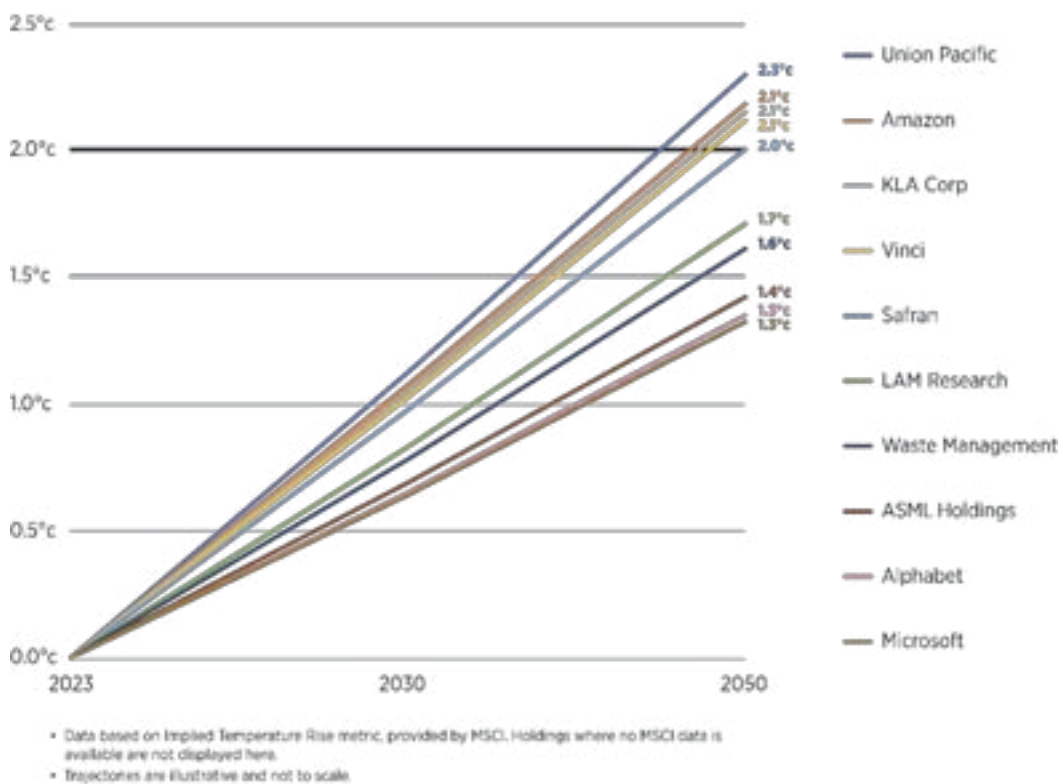
continued

environmental impacts. Nonetheless we admire its ambition to use 100% renewable energy across its business by 2025 and the progress made so far. By the end of 2021, Amazon had reached 85% renewable energy usage across its business by using a total of 379 renewable energy projects across 21 countries.

To manage risks associated with climate change we also keep track of whether the portfolio companies' emissions

reduction plans are aligned with what climate science purports is required to fulfil the Paris Agreement. As shown in Figure 1 we are encouraged that the majority of the listed equity holdings are on a pathway for contributing to a 2°C or lower limit by 2050, and we will continue to stress through our engagement programme the importance of managing this risk to those companies who are currently misaligned.

Figure 1: Portfolio company alignment with Paris Agreement goals



According to MSCI's implied temperature rise data Union Pacific, Amazon, KLA and VINCI are not aligned with a 2°C pathway and we will continue to engage with them on this in 2023.

Engaging on nature loss

Nature loss and the preservation of the natural environment is a clear systemic financial risk and the new Global Biodiversity Framework agreed at the UN-convened COP15 conference late last year was very welcome. Like many others, Menhaden Capital Management LLP believes that biodiversity loss is becoming an increasingly important material risk and in 2022 we became a signatory to the *Finance Sector Commitment to Eliminate Commodity-Driven Deforestation*, a commitment by financial institutions to eliminate agricultural commodity-driven deforestation risks in their investment and lending portfolios by 2025.

We recently wrote to the companies in the portfolio to raise this important issue and are pleased to see on-the-ground action from some investee companies to protect and improve nature and wildlife, and the services they provide such as clean air, clean water and fertile soil.

Safran is working with its operations and supply chain to reduce impacts on natural ecosystems. This includes limiting the use of pollutants, reducing water consumption and protecting natural spaces within its facilities. Several of Safran's facilities have developed more targeted practices, for example Safran Aero Boosters has deployed a biodiversity plan across its Belgian facilities that focuses on the creation of ecological corridors. The company also launched a qualitative study at the end of 2022 to assess the impact of its operations on the local environment and will use this to inform its biodiversity strategy and plan in 2023.

Google's real estate and ecology teams are working to re-establish critical habitats in Silicon Valley, such as oak woodlands and willow groves. The restoration of these native environments is helping build resilience against the region's extreme climate events. For example, oak trees are drought-tolerant, fire-resistant and efficient at removing air pollution and absorbing carbon dioxide from the atmosphere, as well as supporting thousands of plant, insect, bird and mammal species.

Waste Management Ltd has protected thousands of acres of land for wildlife through its partnership with the Wildlife Habitat Council ("WHC") and has transformed landfills and smaller buffer zones at transfer stations and recycling facilities into certified wildlife habitats, currently managing over 13,700 acres for wildlife preservation. The company promotes biodiversity and environmental education at over 70 WHC-certified sites across North America and has over 170 on-the-ground projects promoting habitat and species education.

Following the agreement of the Global Biodiversity Framework in December, we wrote to all portfolio companies requesting information on how they assess biodiversity risks and negative impacts on nature, what practical actions they are currently taking to minimise negative impacts, their timelines to start this process and target dates to complete these actions. We hope this will encourage them to get ahead of the curve in biodiversity reporting as we believe failing to do so will leave them exposed to a myriad of regulatory risks in light of the new global agreement.

Active ownership: Using our influence to manage climate and biodiversity risk

As a responsible steward of shareholders' capital, Menhaden Capital Management LLP is committed to using its voice to foster best practice, both by engaging directly with companies in the portfolio and working in collaboration with other investors and initiatives.

Stewardship is fully integrated into our investment process and we consider it an important aspect of risk management. We take an active approach to voting the shares of investee companies on behalf of the Company and endeavour to exercise voting rights in line with our investment objectives.

In 2022 we repeated our engagement programme to move the portfolio's holdings forward on environmental reporting and target setting. Using platforms such as the CDP, SBTi and MSCI, we identified the leaders and have focused our attention on the laggards.

We are pleased that over half of the equity holdings have now set near term targets independently validated by the SBTi, meaning they have a clearly defined pathway to reduce their GHG emissions in line with the goals of the Paris Agreement. We were also pleased to see that two of the

investee companies, Canadian National Railway and Microsoft, have committed to the SBTi's net-zero standard, the world's first science-based certification of net-zero targets in line with the Paris Agreement's goal of keeping planetary warming to 1.5°C.

In 2022 we engaged with semi-conductor producers ASML and LAM Research as MSCI's implied temperature rise showed they were strongly misaligned with global temperature goals. However, both companies' ratings improved and are now aligned with the goals of the Paris Agreement. It was also encouraging to see ASML improve its CDP score from a 'C' to a 'B' in 2022, and to see LAM set an emissions reduction target validated by the SBTi.

Following engagement over the last few years, we were encouraged to see that Ocean Wilsons' main operating subsidiary, Wilson Sons, joined CDP in 2021 and improved its score from a 'C' to a 'B' in 2022. The company has also invested in six new energy efficient vessels that will be joining its fleet over the next two years. The innovative design will reduce GHG emissions by an estimated 14%, supporting the company's commitment to reduce its carbon footprint.

Environmental Impact Statement

continued

Alignment with SDGs

Menhaden Capital Management LLP is a supporter of the UN Sustainable Development Goals (“SDGs”) and contributes to the challenge of achieving them through investment in the portfolio companies. Below is a snapshot of how some investees are contributing to six of the goals:



Microsoft is working to provide access to clean water around the world through its partnership with Water.org. Microsoft’s contributions have provided 95,000 people with safe water or sanitation. Its Azure AI system is used by UK utility company Anglian Water for smart meters in their network. These have allowed customers to spot leaks in their homes, directly saving a massive 3 million litres of water every day.



87% of **Amazon’s** operations are powered by renewable energy, and the company predicts that its operations will become entirely powered by renewable sources by 2025 at its current pace.

Global renewable energy developer **X-ELIO** increased its pipeline from 3.6 GW to 7.6 GW, which if delivered in full will reduce 3,796,950 tonnes of CO2 emissions.



We are investors in **Canadian National Railway** and **Canadian Pacific Railway**, both of whom are committed to delivering accessible infrastructure profitably and sustainably. Canadian National Railway has committed to reduce their emission intensity by 43% by maximising the efficiency of their technology, fuel processes and operations¹. Canadian Pacific Railway has invested \$637 million² to modernise its locomotive fleet.



Alphabet has diverted 78% of waste from its global data centre operations away from landfills and resold 4.9 million used or obsolete components. All Nest and Pixel devices contain recycled materials - with the Pixel 6’s housing consisting entirely of recycled aluminium.

In 2021, **John Laing** acquired a 21.5% stake in Pacifico 2, a 96km road that links Medellin to the pacific port of Buenaventura. As part of the project, the team launched a “bottles for life” initiative which recycled the plastic from bottles into materials to help build animal crossings. Around 14 tons of plastic were collected and converted into 700 posts and 8,500 metres of mesh to create 12 animal crossings.



Microsoft has made a public commitment to become a carbon negative company. It aims to cut greenhouse gas emissions to nearly zero by 2030 and utilise carbon removal projects like reforestation and direct air capture to remove all historical emissions.

Along with GE Aviation, **Safran** unveiled the Revolutionary Innovation for Sustainable Engines (“RISE”) program that is seeking to create an engine that is 100% compatible with sustainable fuel or hydrogen.



VINCI has a stated aim to achieve no net loss of biodiversity - which is true of life on land as well as life on water. In 2020 VINCI joined the act4nature international initiative, which sets in place firm goals on protecting biodiversity. They also have implemented water treatment processes at the local level in their operations.

¹ CN CDP climate Change Response 2022 ² Climate Change – Canadian Pacific Corporate Sustainability Report (cpr.ca)

APPENDIX

Introduction

Menhaden Resource Efficiency PLC (the “Company”) is a UK-listed investment company that seeks to generate long-term shareholder returns, predominantly in the form of capital growth, by investing in businesses and opportunities that are demonstrably delivering or benefiting significantly from the efficient use of energy and resources.

Since 2017, ESG Communications have been engaged by the Company to produce an Impact Report which aims to quantify the environmental benefits of investing in the companies that Menhaden Resource Efficiency PLC has in its portfolio.

Approach

- ESG Communications analysed data for the Company’s public holdings using CDP’s annual Climate Change surveys and calculated the Company’s share based on the ownership percentage.
- ESG Communications have indicated below where no data was available.

2022 (data from reporting year 2021):

Total renewable energy consumed (MWh): 596.0064924

Total renewable energy generated (MWh): 87.6

Scope 1 emissions (metric tons CO2e): 1937.748204

Scope 2 (location-based) emissions (metric tons CO2e): 296.0484622

Sustainable infrastructure and transportation

Canadian National

Menhaden ownership: 0.011%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	No data available
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

APPENDIX

continued

Canadian Pacific

Menhaden ownership: 0.017%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh)	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	CDP Climate Change Survey 2022
	Scope 1 emissions (metric tons CO2e)	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e)	CDP Climate Change Survey 2022

VINCI

Menhaden ownership: 0.014%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	No data available
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

Union Pacific

Menhaden ownership: 0.001%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	CDP Climate Change Survey 2022
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

John Laing

Menhaden ownership: 1.15%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	No data available
	Total renewable energy generated (MWh):	No data available
	Scope 1 emissions (metric tons CO2e):	No data available
	Scope 2 (location-based) emissions (metric tons CO2e):	No data available

Ocean Wilsons Holdings

Menhaden ownership: 1.018%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	No data available
	Total renewable energy generated (MWh):	No data available
	Scope 1 emissions (metric tons CO2e):	No data available
	Scope 2 (location-based) emissions (metric tons CO2e):	No data available

TCI Real Estate

Menhaden ownership: 1.18%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	No data available
	Total renewable energy generated (MWh):	No data available
	Scope 1 emissions (metric tons CO2e):	No data available
	Scope 2 (location-based) emissions (metric tons CO2e):	No data available

APPENDIX

continued

Clean energy

X-ELIO

- Menhaden ownership: 0.97% (via a 4.73% holding in Helios Co-Invest LP).

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	X-ELIO Sustainability Report 2021, page 24
	Total renewable energy generated (MWh):	X-ELIO Sustainability Report 2021, page 24
	Scope 1 emissions (metric tons CO2e):	X-ELIO Sustainability Report 2021, page 25
	Scope 2 (location-based) emissions (metric tons CO2e):	X-ELIO Sustainability Report 2021, page 25

Digitisation

Alphabet

Menhaden ownership: 0.002%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	CDP Climate Change Survey 2022
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

Amazon

Menhaden ownership: 0.001%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	No data available
	Total renewable energy generated (MWh):	CDP Climate Change Survey 2022
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

ASML Holdings

Menhaden ownership: 0.000%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	No data available
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

KLA Corporation

Menhaden ownership: 0.001%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	No data available
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

LAM Research Corp

Menhaden ownership: 0.001%

	Disclosure	2022 (data from 1 Jan-31 Dec 2021)
Data source:	Total renewable energy consumed (MWh):	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	CDP Climate Change Survey 2022
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

APPENDIX

continued

Microsoft Corp

Menhaden ownership: 0.001%

	Disclosure	2022 (1 July 2020-30 June 2021)
Data source:	Total renewable energy consumed (MWh):	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	CDP Climate Change Survey 2022
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

Industrial Emissions Reduction

Safran

Menhaden ownership: 0.020%

	Disclosure	2022 (1 July 2020-30 June 2021)
Data source:	Total renewable energy consumed (MWh):	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	CDP Climate Change Survey 2022
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

Water and waste management

Waste Management

Menhaden ownership: 0.002%

	Disclosure	2022 (1 July 2020-30 June 2021)
Data source:	Total renewable energy consumed (MWh):	CDP Climate Change Survey 2022
	Total renewable energy generated (MWh):	CDP Climate Change Survey 2022
	Scope 1 emissions (metric tons CO2e):	CDP Climate Change Survey 2022
	Scope 2 (location-based) emissions (metric tons CO2e):	CDP Climate Change Survey 2022

If you have any queries or would like further information please contact:

Ben Goldsmith - ben.goldsmith@menhaden.com

www.menhaden.com