

Summary

Resonance Industrial Water Infrastructure Limited (The Fund) is invested in industrial wastewater treatment plants (“Water Assets”) across multiple jurisdictions in Europe, Asia, and Australasia.

The Fund has used several financing mechanisms for making their investments. The fund's sustainability is monitored through various indicators such as the volume of wastewater recycled and greenhouse gas emissions. The data is collected and processed by an external service provider.

The fund has a robust investment and due diligence process.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

Across the globe, there is an increasing demand for fresh water. Growing and industrialising populations require more significant amounts of water to meet their municipal (household), agricultural and industrial needs.

Environmentally, the Fund’s investments deliver improved sustainability in local water resources by increasing water supply, reducing potentially polluting water discharges and recycling process water used in production.

In addition, some of the Fund’s investments capture biogas from anaerobic digestion, either used directly or sold for renewable energy generation.

Investment strategy

Resonance Asset Management (“The Manager”) has executed, on behalf of the Fund, an investment strategy to co-invest with Operators in Water Assets by providing equity and shareholder loan finance to either construct new Greenfield Water Assets or to acquire and upgrade Brownfield Water Assets at existing facilities. The Manager has used several financing mechanisms to organise Water Assets using industry-standard build-operate-transfer (“BOT”) Contracts, directly acquiring equity and providing debt financing.

Proportion of investments

The Fund is fully invested in Brownfield and Greenfield Water Assets for industrial wastewater treatment for discharge, recycling wastewater and resource extraction and recycling from wastewater.



Monitoring of environmental or social characteristics

The Fund's investments have a variety of key sustainability indicators depending on their particular operations. They include the following:

- The volume of wastewater treated in m³
- The volume of reuse water supplied in m³
- The volume of sterilised water produced in m³
- The volume of desalinated water supplied in m³
- The volume of clean energy produced annually in MWh

The Fund will refine existing and develop additional sustainability indicators, as appropriate, to measure the attainment of the Environmental Characteristics of the Fund in the future.

An external service provider has been engaged to collect underlying data from the asset manager, the operator and maintenance ("O&M") contractors every quarter and process/report on this to the advisor.

Methodologies

Greenhouse gas emissions are calculated in line with the greenhouse gas protocol. The Scope 1, 2 and 3 emissions of the special purpose vehicles holding the assets.

The volumes of water treated, supplied and produced are measured by taking the weighted average percentage of water produced, recycled and reused in line with Annex I of the Commission Delegated Regulation (EU) 2022/1288.

Data sources and processing

Raw data from the SPVs is collected to calculate the metrics. This can take many forms for greenhouse gas emissions but is often core financial data (e.g. invoices from utility providers). Water flows are measured using industry-standard methods.

Data quality is ensured by going direct to the source, and underlying evidence is obtained for the calculation inputs (e.g. invoices and other supporting information).

Data is processed through automated routines, and validation checks are performed.

Estimates are primarily used in the calculation of avoided greenhouse gas emissions. Data in the calculation of Scope 1, 2 and 3 emissions are actual to the extent possible, but Scope 3 emissions require some degree of estimation.

Limitations to methodologies and data

Estimations have inherent limitations to accuracy. However, these do not inhibit the attainment of the sustainable investment objective because the portfolio is measured consistently using generally accepted methodologies, so it is both internally and externally comparable.

Due diligence

The Fund applies a robust investment and due diligence process incorporating key risk management activities pre- and post-investment.

Water Assets underwent an initial screening process to ensure they are consistent with the investment objective. Following this, the Manager assessed the capability of the potential Operators in designing and operating the proposed water assets. The Manager, working with the Operator, sought to select appropriately qualified EPC contractors for each investment. Finally, The Manager with the Operator agreed to key terms of the BOT Contract (where appropriate), the EPC contract and the O&M Agreement.

Engagement policies

The Fund is a controlling investor in the SPVs holding water assets. There are no employees, and all operations are outsourced. Engagement is, therefore, not required with the SPVs. Instead, engagement is focused on the operator to monitor principal adverse indicators.