

Responsible Investment Service (RIS) Bi-annual Report *Spring / Summer 2026*

*Realising Ambitions.
Securing Futures.
We are Brooks Macdonald.*





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Foreword

The start of 2026 has been marked by heightened geopolitical tension and an uneven economic backdrop, bringing renewed uncertainty to global markets. Conflict continues to have significant implications for global energy availability, pricing and security, exacerbating existing cost of living pressures and placing further strain on already constrained public finances across a number of energy importing economies. For investors, it has reinforced a simple point: energy is not only a commodity price; it is a macro factor that could shape inflation, growth and policy.

In the UK, this environment has sharpened debate around energy sovereignty, reopening long running discussions on the role of domestic oil and gas production.

Advocates argue that greater domestic extraction can enhance resilience and support economic security. At the same time, the UK Secretary of State for Business and Trade has emphasised that accelerating investment in renewable energy offers the most credible route to protecting the economy from future energy shocks. This position is supported by academic research from the Oxford Smith School, which concludes that the energy trilemma of affordability, security and environmental sustainability cannot be fully resolved while economies remain dependent on fossil fuels.¹ Recent analysis from the UK's Climate Change Committee reinforces this conclusion, finding that the cost of reaching Net Zero by 2050 is likely to be lower than the cost of a single fossil fuel price shock.² Taken together, the evidence suggests that the primary economic risk facing the UK lies not in adopting clean technologies, but in continued exposure to fossil fuel volatility.

Periods of disruption have historically acted as catalysts for systemic change, and the current energy shock may prove to be such a moment. This appears to be translating into progress on the climate diplomacy front. For example, the first Conference on "Transitioning Away from Fossil Fuels" was held in April 2026 in Santa Marta, Colombia and saw 57 countries (representing one-third of the world's economy) debate not whether to move beyond fossil fuels but how to do so in practice. Discussions centred on national transition roadmaps, the reform of harmful subsidies and tackling carbon intensive trade, reinforcing a growing sense of momentum towards implementation.

1. Oxford Smith School of Enterprise and the Environment (2026). Could oil price surge accelerate the UK's shift to renewables? Oxford: University of Oxford. Available at: <https://www.oxfordmartin.ox.ac.uk/news/could-oil-price-surge-accelerate-the-uks-shift-to-renewables>
2. Climate Change Committee (2026). Supplementary analysis of the Seventh Carbon Budget. London: Climate Change Committee. Available at: <https://www.theccc.org.uk/wp-content/uploads/2026/03/Supplementary-analysis-of-the-Seventh-Carbon-Budget-7439yr0294u43ur034r02i.pdf>



At the corporate level, there are also signs for optimism. Despite continued politicisation of ESG and sustainability, survey evidence suggests sustainability remains firmly embedded at senior decision-making levels, with around three quarters of C-suite leaders continuing to rate it as a top strategic priority,³ alongside a steady rise in the number of companies setting science-based net zero targets.⁴ While 2025 outflows generated negative headlines, the underlying context behind these figures warrants closer consideration. Much of these redemptions reflected large UK institutions reallocating from pooled vehicles into bespoke sustainable mandates a shift which is not captured in standard fund databases.⁵ Most importantly, Global sustainable fund assets under management continued to rise in 2025, according to Morningstar's 2025 year-in-review April 2026 saw the biggest monthly flow into clean energy ETFs since 2021.⁶ While near-term flows can appear volatile, a longer perspective tells a different story: since Morningstar Direct first began recording data in 2018, assets have risen more than six-fold, pointing to sustained growth over time.

Since the launch of the RIS proposition, the investment backdrop has shifted materially, bringing a different set of risks and opportunities, perhaps most notably the rise of artificial intelligence (AI). AI is entering a more mature and nuanced phase of development. Following an initial period of enthusiasm that drove highly concentrated market leadership, which has been a headwind for sustainability-aligned portfolios which tend to be underweight the Magnificent 7, market leadership is broadening beyond this narrow set of technology names. As AI adoption moves from experimentation to implementation, opportunities are increasingly emerging across a wider range of companies, including infrastructure providers, software specialists and businesses embedding AI into their operations to improve productivity, efficiency and resource use, and reducing reliance on a single group of technology platforms and creates a more balanced opportunity set for long term investors, including those integrating sustainability considerations.

3. Reuters (2025). IMPACT: Global Sustainability Report 2025. Available at: <https://www.reuters.com/sustainability>

4. Science Based Targets initiative (2026). SBTi Trend Tracker 2025. Available at: <https://files.sciencebasedtargets.org/production/files/STi-TrendTracker-Apr-2026.pdf> (Accessed 7 May 2026).

5. Portfolio Adviser (Future) (2026). Clearing the ground for sustainable growth. Available at: <https://future.portfolio-adviser.com/clearing-the-ground-for-sustainable-growth/>

6. Financial Times (2026). Investors pile into clean energy as Iran war drives push for energy security. Available at: <https://www.ft.com/content/9921f2b5-c910-4cec-a50f-cad453935a1a>

In this edition of the Responsible Investment Service report, we focus on AI’s “hidden” water risks and how we can think about these as responsible investors. Alongside this, we assess the implications of a recent policy development, China’s new Five Year Plan, and examine ultra processed foods as both an emerging social risk and a source of potential investment opportunity, as companies and consumers respond to the challenge.

We continue to provide case studies of portfolio companies, and a breakdown of the portfolios’ exposure to solutions providers and responsible businesses.

We hope you enjoy this report, and if you would like any more information on RIS, then please do get in touch.



Mariella Rice-Jones
Responsible Investment Lead



The eight sustainability themes

In this section, we provide reporting on the RIS MPS portfolios' exposure to 'solutions providers' and 'responsible businesses'.

In our mapping, **solutions providers** are companies that, through their products and services, help to address sustainability challenges and accelerate sustainability transitions. We have identified eight core sustainability themes where we believe businesses can make a meaningful positive contribution to addressing sustainability challenges.

Our exposure to individual sustainability themes is an output of the bottom-up fund selection process rather than a predefined target.

Responsible businesses include companies that are minimising their material environmental, social and governance risks and/or impacts, and those that are scaling up the positive impacts of their operations, product and/or services.

Examples of the types of investments that may be included in each theme can be found in our thematic framework key on page 16. Our mapping of underlying portfolio investments to themes is based on a careful, case-by-case assessment and the process should be viewed as a primarily qualitative one, that is informed by revenue data. Where investments could be classified under more than one theme, in our view, we have made a judgement on which area it has greatest exposure to. Our methodology is under constant review.



Cleaner Energy

To slow down and eventually halt the progress of global warming and its devastating effects on the planet and society, carbon emissions must be drastically reduced across the economy. Re-orientating the world's energy sources towards cleaner alternatives to fossil fuels, such as wind, hydro and solar power, is a key part of this endeavour. We have mapped our portfolios' exposure to this theme across three areas; cleaner energy generation, cleaner energy distribution and cleaner energy storage.



Resource Efficiency

The planet has a finite supply of raw materials, and the efficient management of those resources is becoming increasingly important as the world's population continues to grow, and developing economies industrialise and urbanise. We have mapped our portfolios' exposure to this theme across four areas; efficient products and services, efficient manufacturing, efficient buildings and sustainable food production.



Water & Waste Management

Water is essential to sustain life on earth, creating a clear imperative to ensure the effective management, treatment and provision of this vital resource. A range of factors including rapid population growth, rising living standards, globalisation and industrialisation has driven exponential growth in waste volumes over time. This, in turn, has caused material negative impacts on the natural environment. In order to minimise and reverse these harmful trends, the world needs to transition to a new model whereby we 'close the loop' and create a 'circular economy' where waste products are turned into a resource that can be re-used or re-purposed. We have mapped our portfolios' exposure to this theme across three activities; efficient water use, water treatment and provision, and the circular economy.





Sustainable Transport

Moving people and products around the world is a key enabler of economic and social development, however, our current methods for doing this have been to the detriment of the environment. To protect our planet, we need to change both what powers our transport networks, and how we move from place to place. We have mapped our portfolios' exposure to this theme across two areas; alternatives to road transport and less polluting road transport.



Health & Wellbeing

Looking after our physical and mental health is of paramount importance both at an individual and a societal level. This theme covers how we maintain our health and wellbeing from having access to nutritious food, shelter, digital connectivity, and fitness, to how we recover when our health deteriorates. We have mapped our portfolios' exposure to this theme across five areas covering: healthcare provision, diagnostics and research, healthier lifestyles, nutrition, and social infrastructure.



Safety

People are exposed to safety risks in several ways and as technology and Generative Artificial Intelligence (AI) advances the range of risks continues to grow, for example the increasing likelihood of identity theft and cybersecurity breaches. Finding solutions to keep individuals physically and digitally safe is central to a functioning society. We have mapped our portfolios' exposure to this theme across two areas; making people safer and making products safer.



Education

Enabling access to primary, secondary and tertiary education across all sections of society is a central building block of sustainable economic and social development. Within the workplace it continues to be important to offer education and training opportunities to allow individuals to develop their knowledge, skills and meet their full potential. We have mapped our portfolios' exposure to this theme across two areas; education services and education content.



Financial Inclusion

To fuel economic and societal development there needs to be an inclusive financial system that provides support across society. Whether that is empowering individuals to purchase their homes, providing corporate facilities to entrepreneurial businesses around the world, or removing barriers to pensions and savings products allowing people to plan for their futures. We have mapped our portfolios' exposure to this theme across two areas; access to finance and pensions and savings.



Theme	Sub-themes	Product and service examples
 Cleaner Energy	Cleaner energy generation	Renewable energy power generation
	Cleaner energy storage	Grid battery storage
	Cleaner energy distribution	Utilities (electricity network infrastructure)
 Resource Efficiency	Efficient products and services	Environmentally friendly materials, energy efficient products, energy smart metering, productivity enhancing software providers
	Efficient manufacturing	Precision manufacturing, robotics, providers of efficient manufacturing services, warehouse automation equipment
	Efficient buildings	Energy efficient construction materials, heating, ventilation and air conditioning (HVAC) systems, sustainable building planning software providers
	Sustainable food production	Precision agriculture, sustainable natural ingredients
 Water & Waste Management	Efficient water use	Smart metering technologies
	Water treatment and provision	Utilities (water and waste), drainage and urban planning, commercial and domestic water systems
	The circular economy	Waste management recycling operations, recyclable materials, energy from waste, sustainable timbe
 Sustainable transport	Alternatives to road transport	Rail networks/ servicing/ manufacturing, cycling supplies
	Less polluting road transport	Electric vehicle supply chains, multi-passenger services
 Health & Wellbeing	Healthcare provisions	Pharmaceuticals, medical supplies and devices, healthcare services, specialist health insurers, biotechnologies and life sciences
	Diagnostics and research	Diagnostic and research equipment and services
	Social infrastructure	Social housing, affordable housing, hospitals and medical centres, telecommunications infrastructure, charity bonds, developments bank bonds
	Healthier lifestyles	Ports and leisure, personal care products
	Nutrition	Food producers, food retailers
 Safety	Making people safer	Personal protection products, home safety, cyber security, commercial hygiene services, emission and air quality monitoring
	Making products safer	Product testing, transport safety products, equipment and product monitoring and servicing, safety component manufacturing
 Education	Education services	University bonds, professional training, e-learning platforms, learning disability support, student accommodation
	Education content	Education publishing
 Financial Inclusion	Access to finance	Building societies, retail banks, mortgage companies, emerging market banks, payment solutions and platforms, life and non- life insurances
	Pensions and savings	Accessible pension and saving specialists



GSS+ Bonds

Green, Social and Sustainability (GSS) bonds, as well as a number of emerging bonds including Sustainability-linked, Blue, and Transition bonds (collectively known as GSS+ bonds), are one such set of evolving financial instruments.

Unlike traditional bonds, GSS+ bonds, also called ‘use of proceeds’ bonds, must be linked to projects that have positive environmental outcomes, social benefits, or a mixture of both. Organisations that issue GSS+ bonds typically publish frameworks outlining the types of projects that are eligible for funding, any exclusions and, in some cases, highlight alignment to global initiatives, such as the United Nations Sustainable Development Goals (SDGs).



Green bonds

Green bonds are issued by countries, renewable energy companies, and companies transitioning their operations. Money is raised for projects to improve energy efficiency, add renewable energy, reduce pollution, instil sustainable resource practices, develop technology, or protect ecosystems.



Sustainability bonds

Some bonds finance or re-finance a combination of both green and social projects and these are known as Sustainability Bonds.

Many established issuers also publish comprehensive impact reports with details about the projects their bonds are financing globally, and the progress made, which provides greater transparency for investors.

We have separated out GSS+ in the thematic alignment exercise, based on data sourced from the third-party provider FactSet. In many cases, the projects funded span a number of our eight Advance themes.



Social bonds

Social Bond proceeds are allocated to projects with clear social objectives, such as providing clean drinking water and affordable housing, funding education and healthcare initiatives, or promoting food security and job creation. These projects typically support more vulnerable segments of the population and provide much-needed financing to developing countries.



Transition bonds

These bonds are typically issued by companies operating in industries with high greenhouse gas emissions, which cannot issue bonds under the ‘Green’ label. Transition Bonds help corporates fund their transition towards a lower carbon future.

Sovereign bond exposure

We are comfortable investing in dedicated sovereign bond funds, currently UK Gilts and US Treasuries.

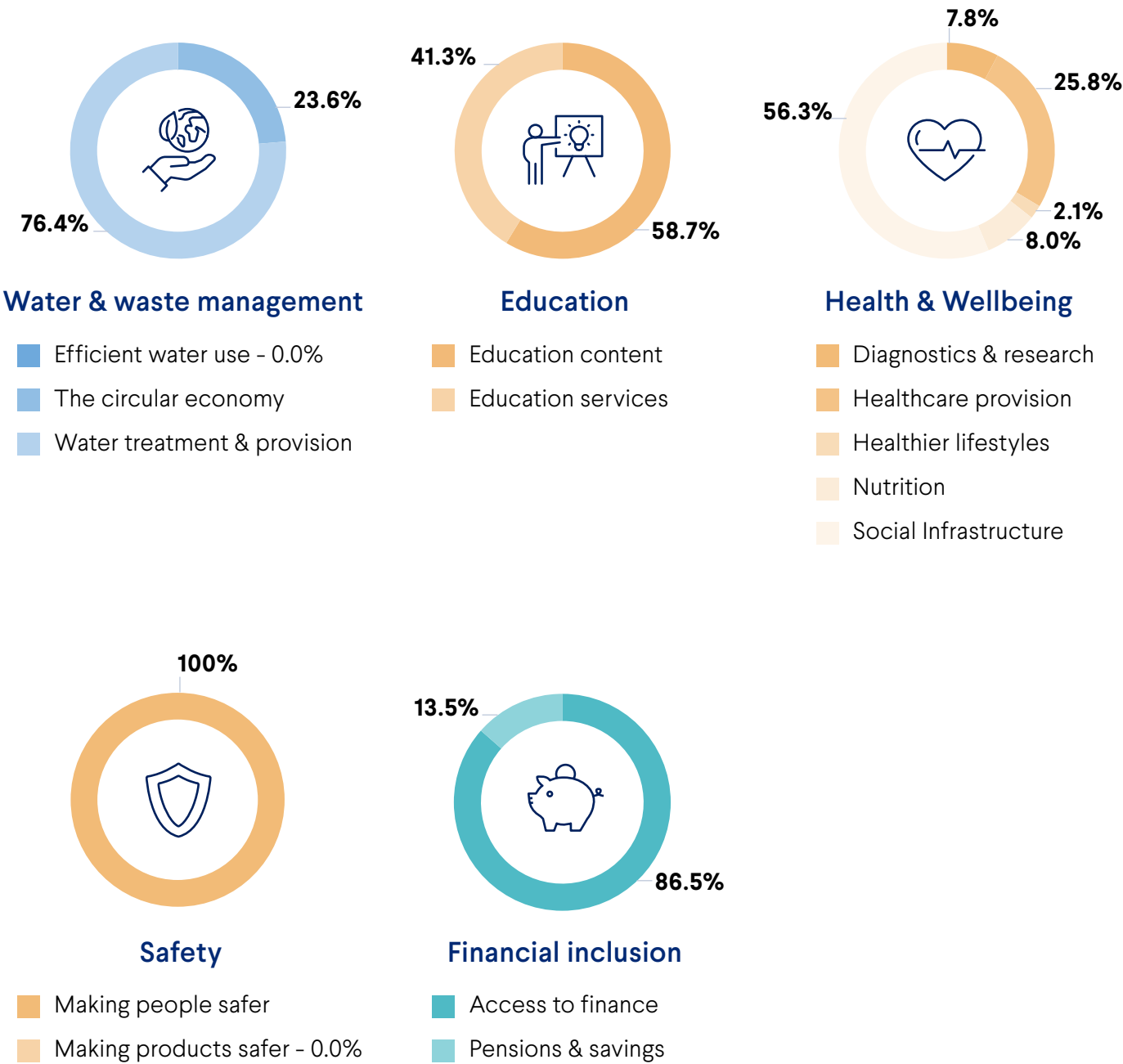
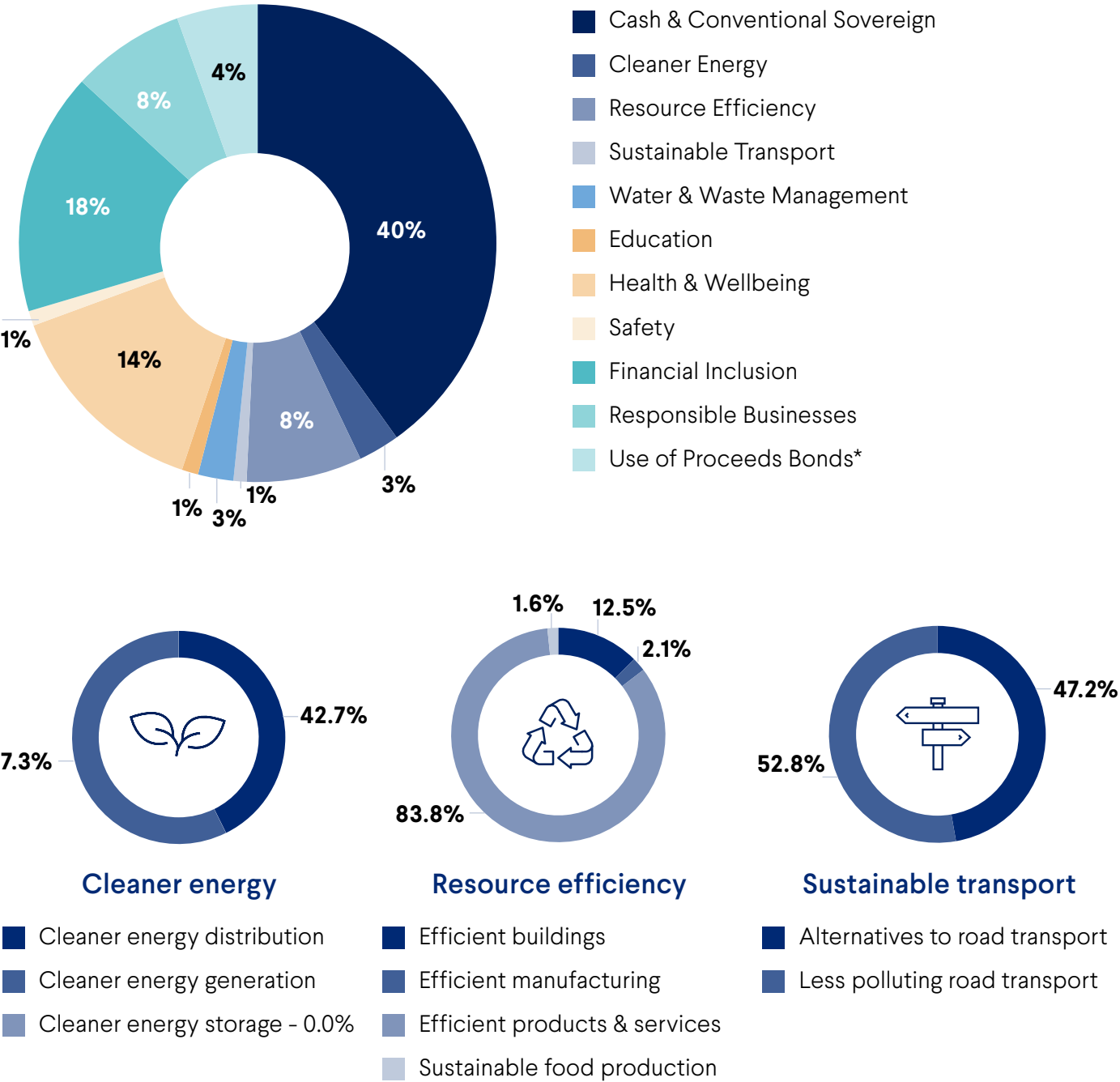


Thematic alignment charts

31 December 2025

Responsible Investment Platform

MPS Low Advance



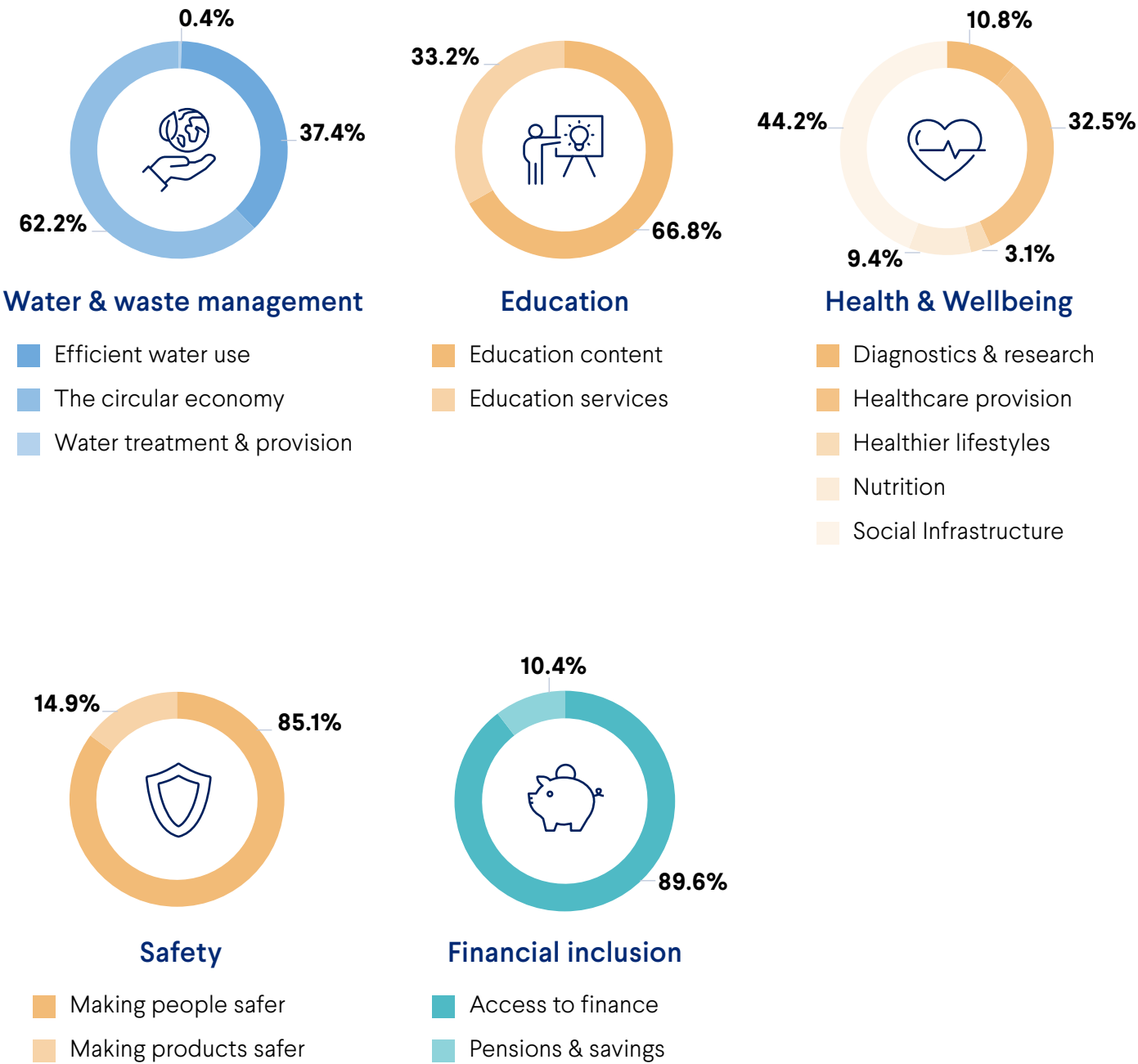
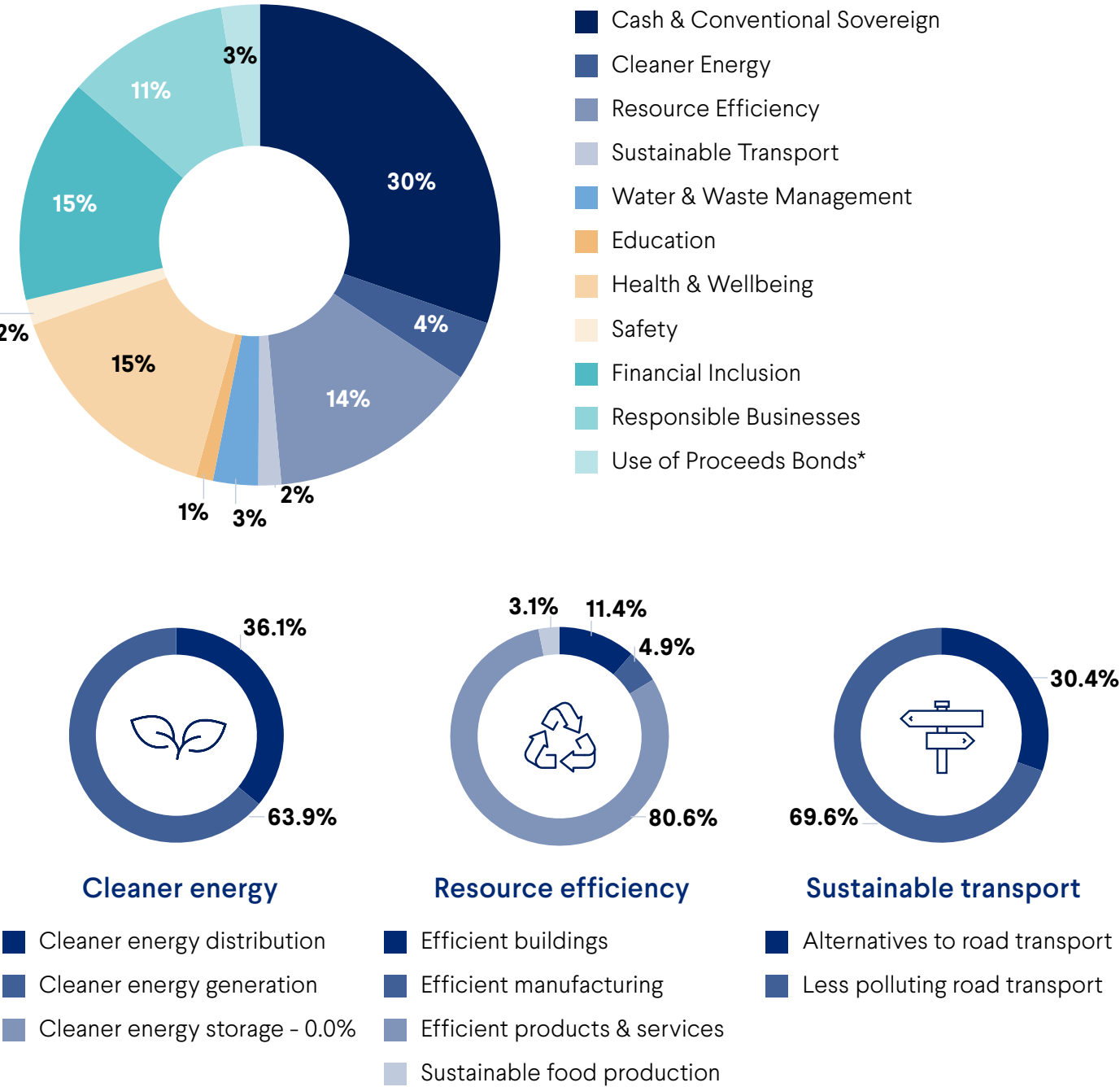
Data as at 31.12.25. Themes and sub themes may not add up to 100% due to rounding.
 * See breakdown of Proceed Bonds on page 26.

Thematic alignment charts

31 December 2025

Responsible Investment Platform

MPS Low-Medium Advance



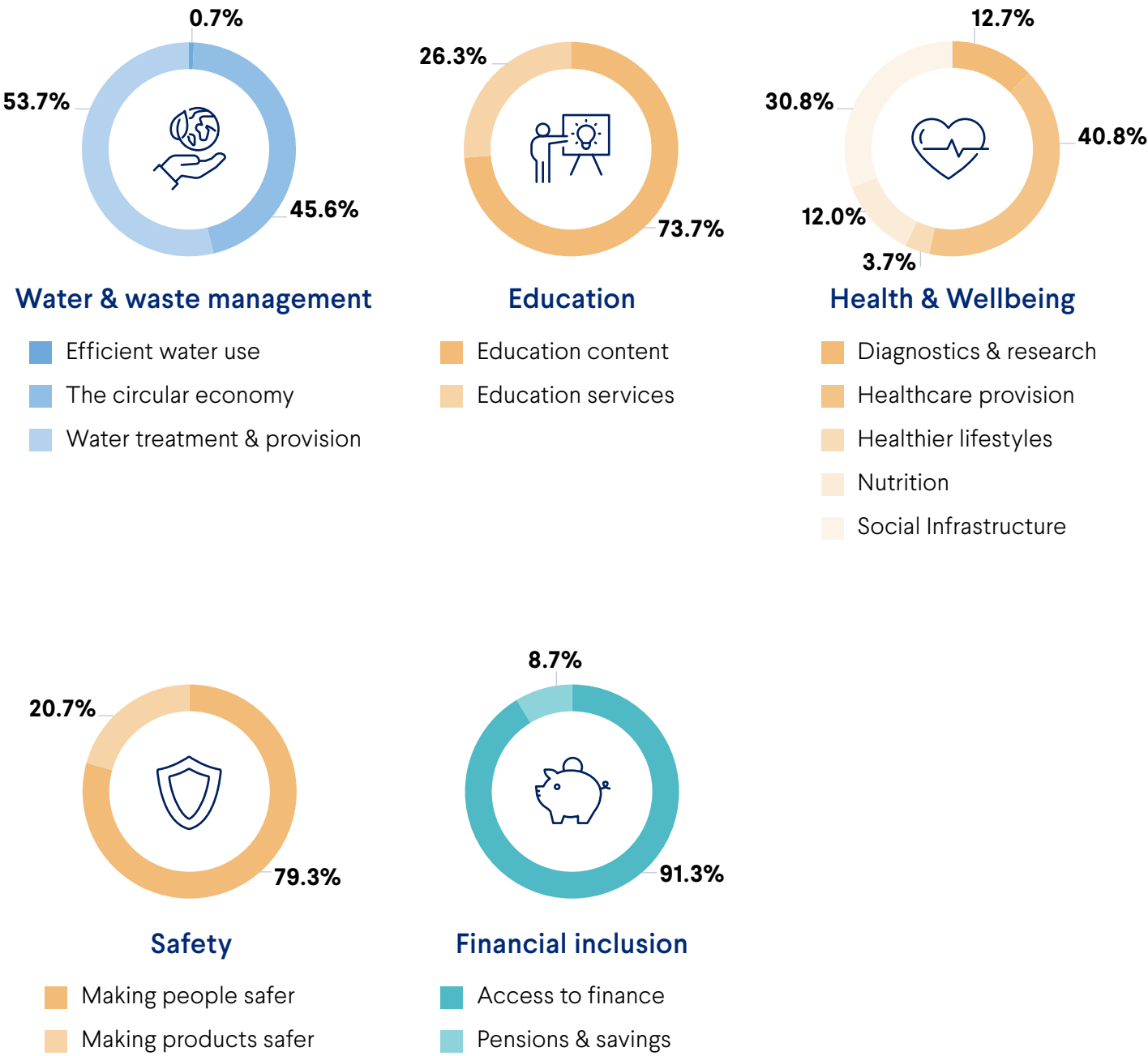
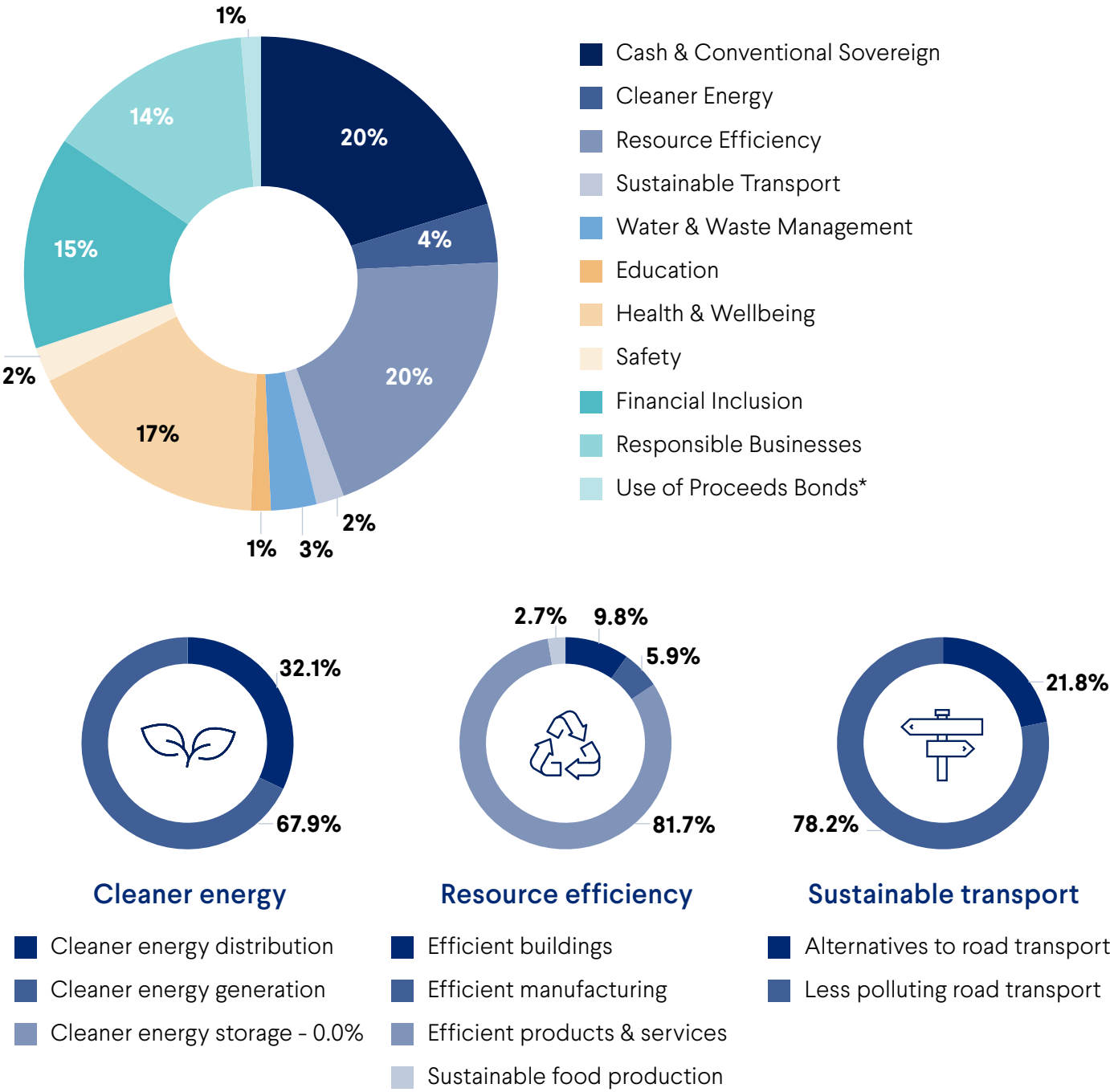
Data as at 31.12.25. Themes and sub themes may not add up to 100% due to rounding.
 * See breakdown of Proceed Bonds on page 26.

Thematic alignment charts

31 December 2025

Responsible Investment Platform

MPS Medium Advance



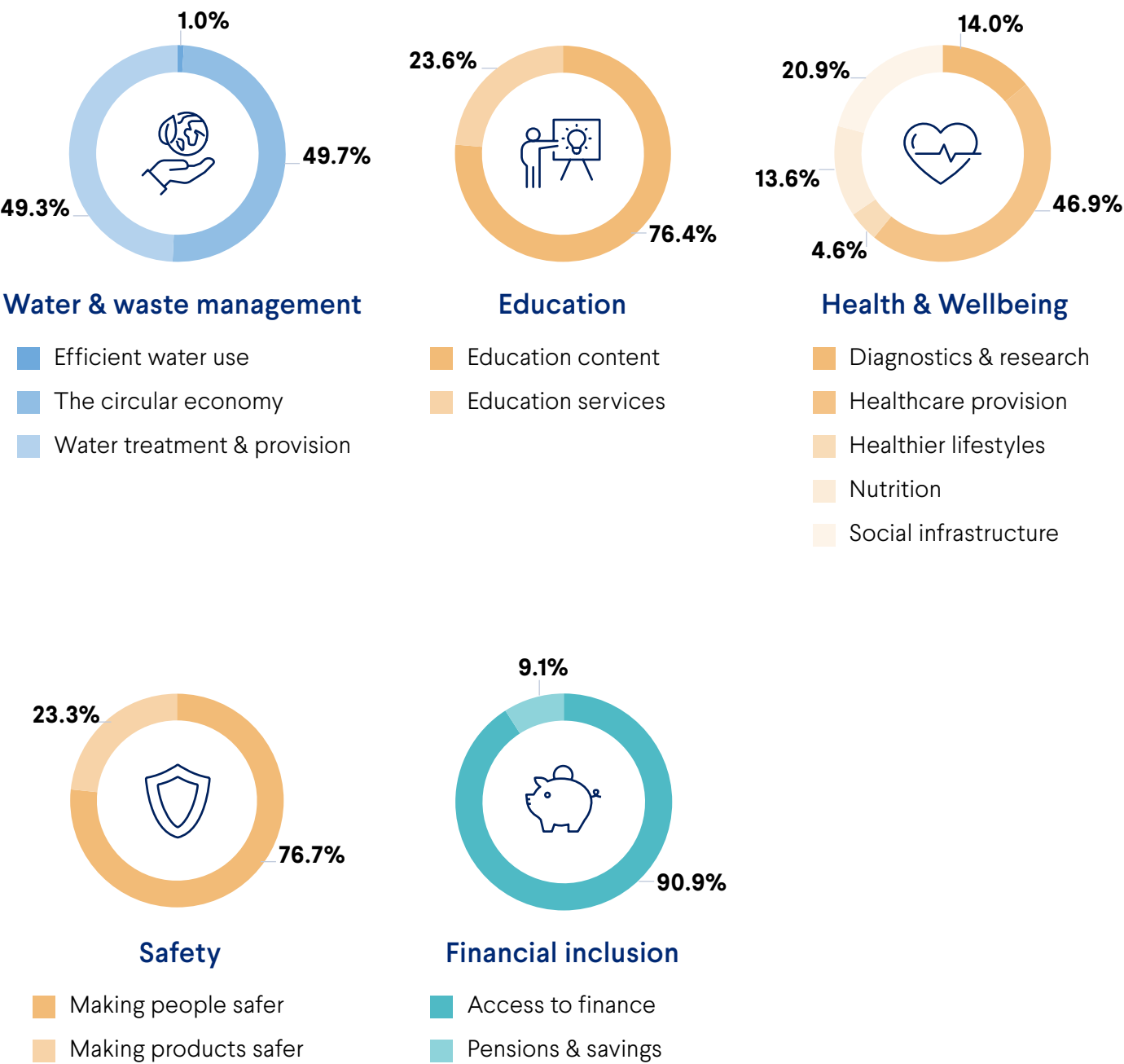
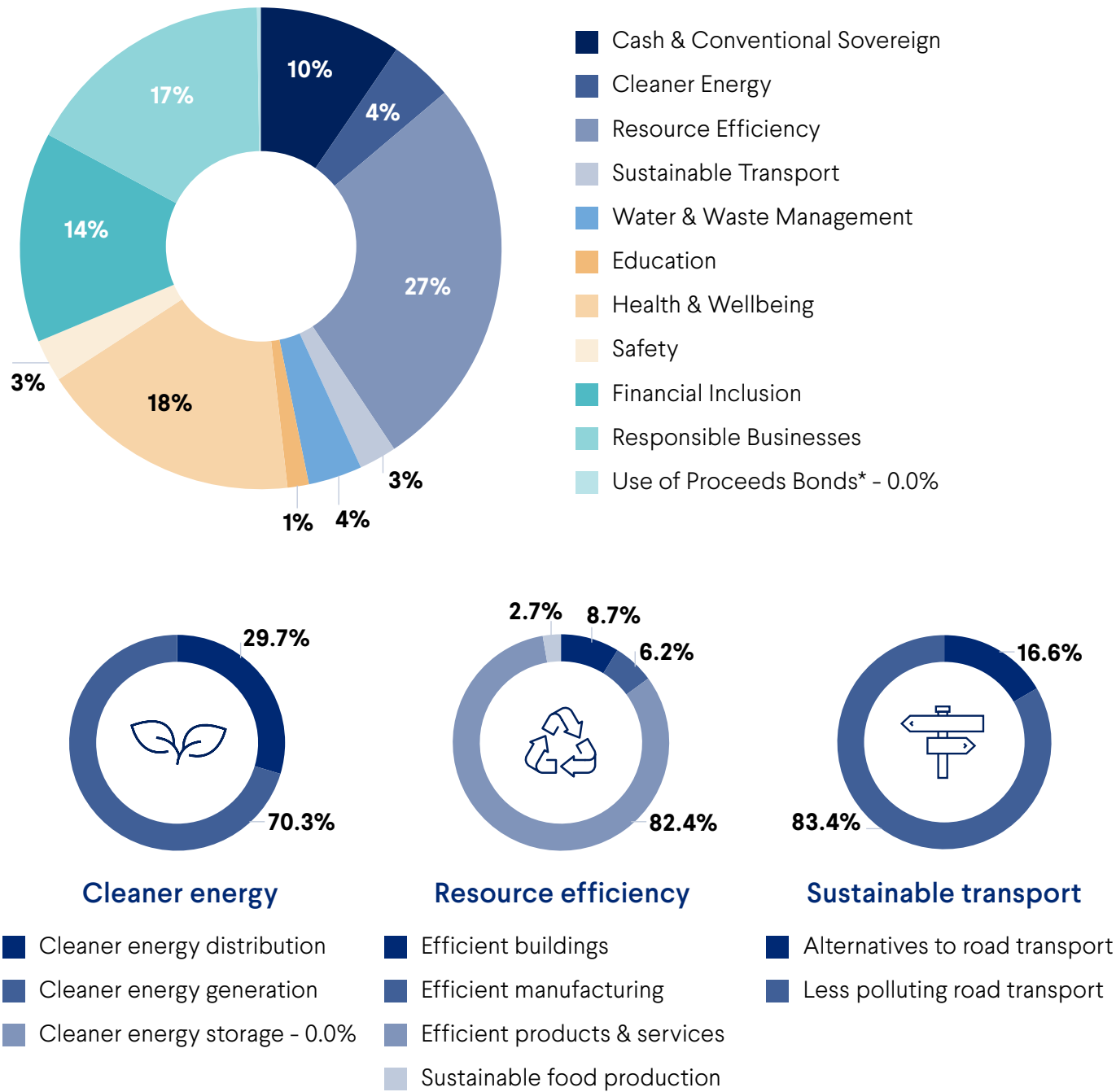
Data as at 31.12.25. Themes and sub themes may not add up to 100% due to rounding.
 * See breakdown of Proceed Bonds on page 26.

Thematic alignment charts

31 December 2025

Responsible Investment Platform

MPS Medium-High Advance



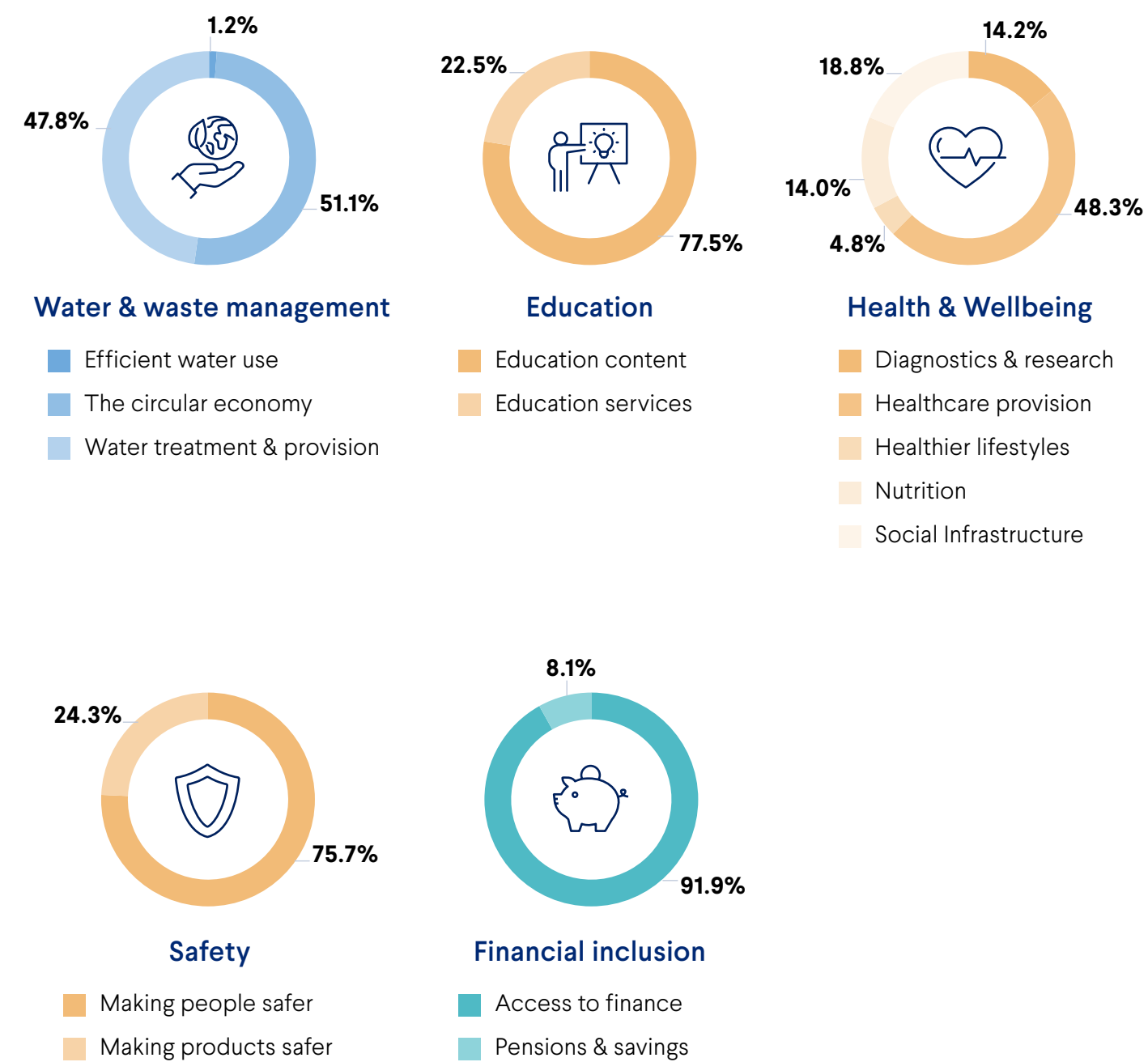
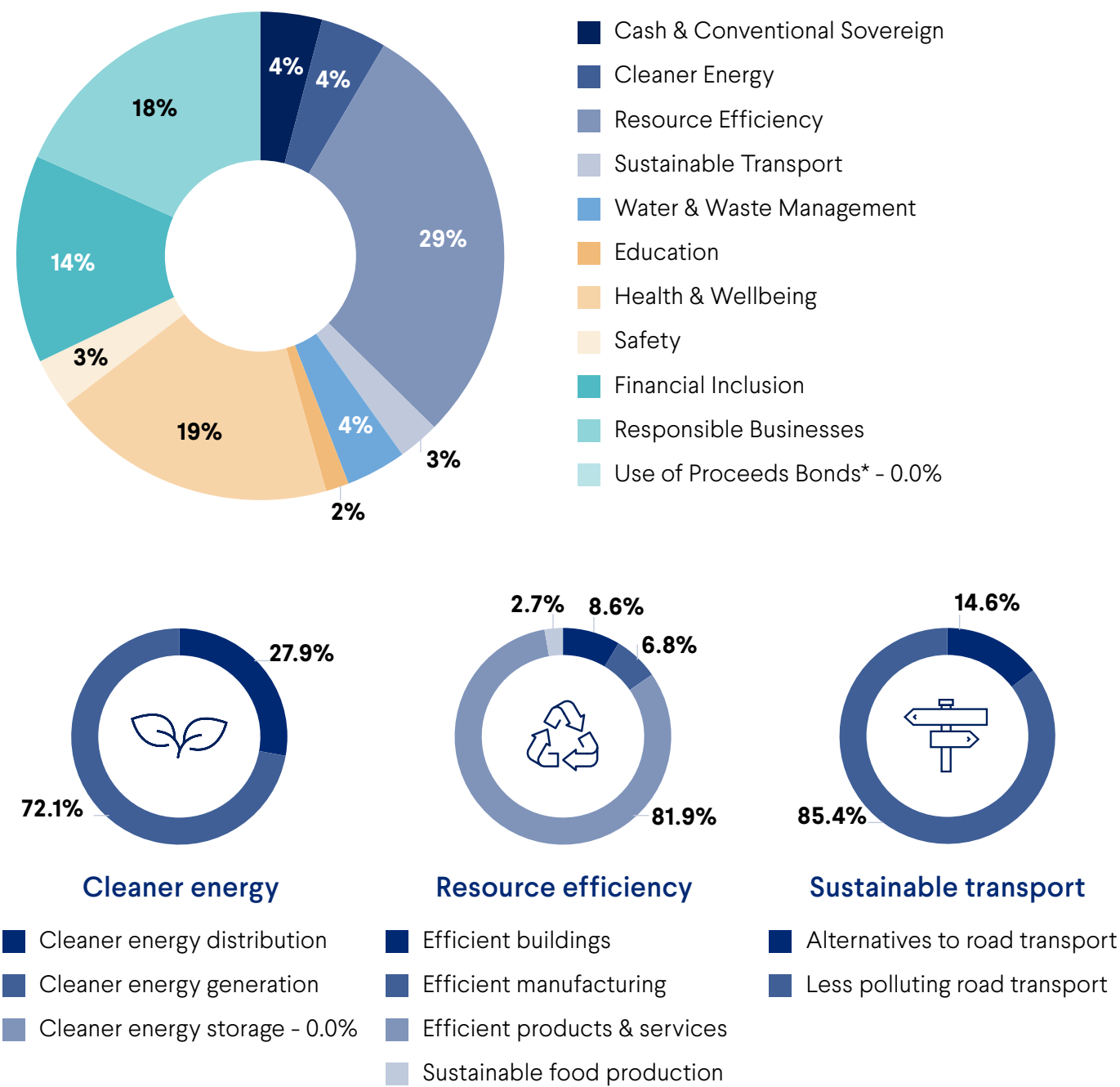
Data as at 31.12.25. Themes and sub themes may not add up to 100% due to rounding.
 * See breakdown of Proceed Bonds on page 26.

Thematic alignment charts

31 December 2025

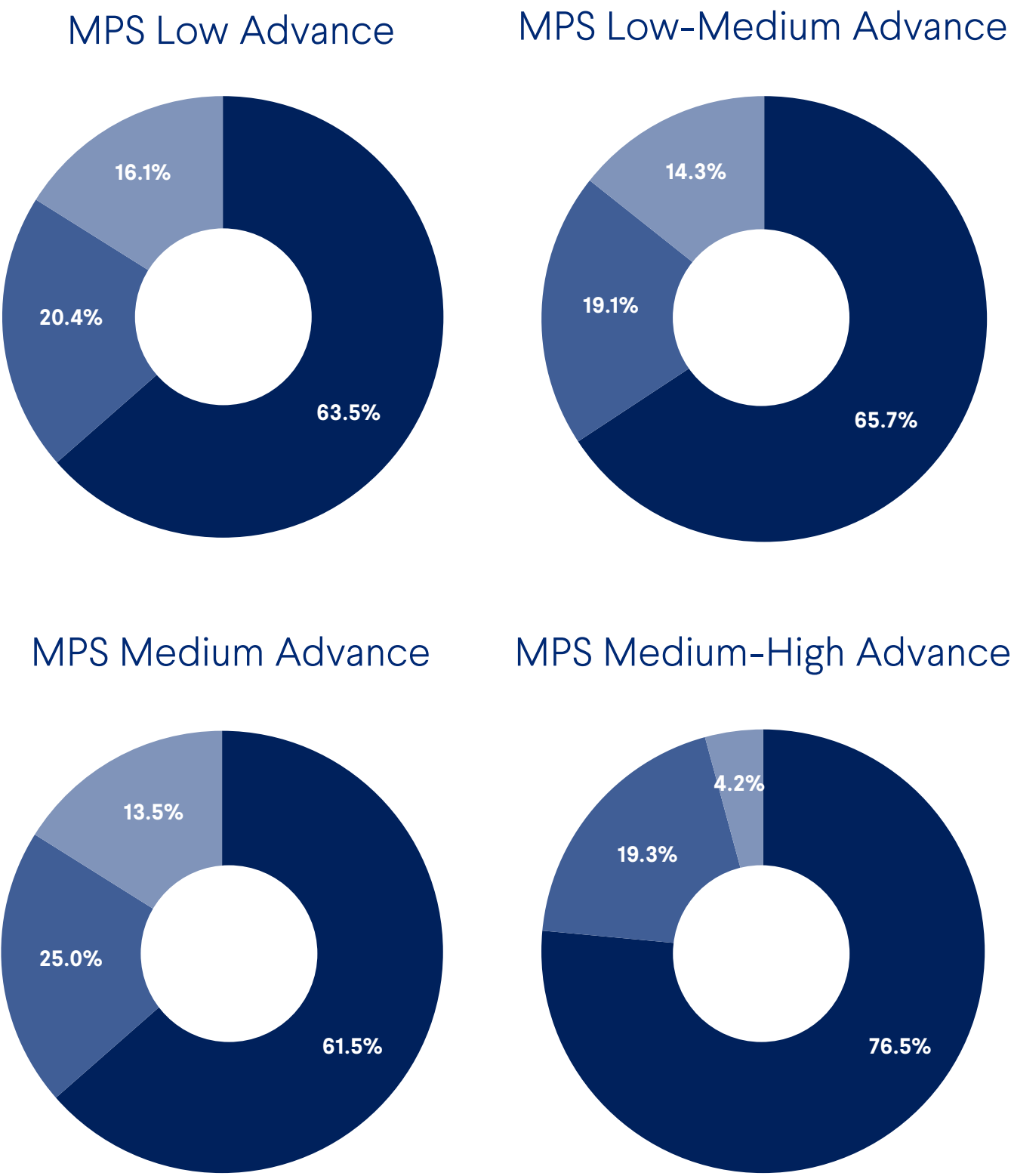
Responsible Investment Platform

MPS High Advance



Data as at 31.12.25. Themes and sub themes may not add up to 100% due to rounding.
 * See breakdown of Proceed Bonds on page 26.

Use of Proceeds Bonds



- Green
- Social
- Sustainable



Artificial intelligence's hidden water problem – and why it matters for investors

Artificial intelligence is rapidly reshaping the global economy, from productivity software and healthcare diagnostics to autonomous systems and scientific research.

Much of the debate around AI has focused on computing power, data, and energy demand. Far less attention has been paid to a second critical input: water.

The scale-up of AI is driving a sharp increase in freshwater consumption across data centres, semiconductor manufacturing and electricity generation. For investors, this creates emerging physical, regulatory and social risks across the AI value chain, particularly in regions already facing water scarcity. At the same time, it is creating long-term opportunities for companies that enable technology-led growth within tightening environmental constraints.

This tension between technological progress and water availability is not new. Previous waves of industrial development, from nineteenth-century manufacturing through electrification to the digital economy, placed increasing pressure on water and wastewater systems. In many cases, constraint became a catalyst for innovation. Wastewater treatment, hydropower and modern municipal water infrastructure all emerged when societies were forced to re-engineer how water could

support economic growth while meeting broader social needs.

AI is now prompting a similar reckoning. If water risks are poorly managed, the growth of data-intensive technologies may increasingly conflict with local water security and social resilience. Managed well, however, AI could accelerate investment in water-efficient infrastructure and technologies that strengthen long-term resource resilience.

Data centres: the most visible pressure point

Data centres represent the most visible source of AI-related water demand. As servers process vast volumes of data, they generate significant heat, and many facilities rely on water-based cooling systems to maintain safe operating temperatures. A 100MW hyperscale data centre can consume around 2.5 billion litres of water each year for cooling alone, equivalent to the annual needs of roughly 80,000 people.⁷

The challenge is not only the volume of water used, but where that water is drawn from. Around 40% of the world's data centres are located in areas of high



or extremely high-water stress.⁸ Historically, site selection has prioritised access to energy, land and network connectivity, with limited consideration of local water availability. As a result, AI driven demand is intensifying pressure in regions where water resources are already stretched, including parts of the southwestern United States and China.

For operators, this creates tangible risks. Competition with local communities for water can trigger opposition, reputational damage and challenges to licence to operate. Several governments have already acted to constrain growth. The Netherlands and Singapore, for example, have implemented temporary bans or restrictions on new data centre developments, citing concerns around water and energy use. In this context, water stress is increasingly emerging as a binding constraint on AI expansion.

Semiconductor manufacturing: a less visible but critical risk

While data centre cooling has attracted growing attention, a less visible and potentially more material source of water demand sits further upstream in the AI supply chain: semiconductor manufacturing. Producing advanced chips requires vast volumes of ultrapure water, and demand is expected to rise more than six fold over the next 25 years as chips become more powerful and complex. A single advanced fabrication facility can consume the equivalent of the annual drinking water needs of around 17 million people.⁹

More than a third of global semiconductor fabrication facilities are already located in highly water stressed regions.¹⁰ This exposes supply chains to rising physical and operational risks, particularly as climate change exacerbates water scarcity. Shortages or restrictions on water use have the potential to delay or derail new chip manufacturing and associated data centre projects, creating knock on effects across the AI ecosystem.

For investors, this shifts water from a peripheral environmental issue to a strategic factor influencing capacity expansion, geographic diversification and supply chain resilience.

Electricity generation and AI's indirect water footprint

Electricity generation represents another important and often underestimated source of AI related water demand. Data centres are highly energy intensive, and the production of electricity itself can be water intensive, particularly where power is generated using fossil fuels or nuclear energy.

Coal and nuclear power plants typically consume around 2,100 to 2,400 litres of water per megawatt hour of electricity produced.¹¹ As AI drives electricity demand higher, this indirect water footprint becomes increasingly material in regions still reliant on thermoelectric generation.

By contrast, wind and solar power require negligible operational water use. This highlights the role that cleaner power systems can play not only in reducing emissions, but also in materially lowering the water intensity of digital infrastructure.

7. According to analysis by Impax Asset Management, based on figures from the World Economic Forum

8. World Economic Forum (2026). How AI could reshape water use in data centres. Available at: <https://www.weforum.org/stories/2026/01/ai-water-data-centres-opportunity-am26-wef-xylem/>

9. UK Government. Water use in data centres and AI. GOV.UK. Available at: https://assets.publishing.service.gov.uk/media/688cb407dc6688ed50878367/Water_use_in_data_centre_and_AI_report.pdf

10. Xylem Inc. (2025). Watering the New Economy. Available at: <https://amp.xylem.com/m/aa10f8022757c5e/original/Watering-the-New-Economy-DIGITAL-final.pdf>

11. Visualizing Energy (n.d.) What methods of electricity generation use the most water? Available at: <https://visualizingenergy.org/what-methods-of-electricity-generation-use-the-most-water/>

Investment opportunities across the AI–water nexus

Rising water constraints are forcing data centre operators, semiconductor manufacturers and power generators to reassess how water is sourced, used and recycled. Water stewardship is increasingly becoming a strategic priority. Many hyperscalers have committed to becoming water positive by 2030, aiming to replenish more clean water than they consume.

For investors, this is likely to translate into sustained demand for technologies and infrastructure that reduce water intensity across the AI value chain.

More efficient cooling systems

Innovation in cooling technology is central to reducing water demand:

- Seawater cooling, such as that used at Google's data centre in Finland, significantly reduces reliance on freshwater while improving energy efficiency. Desalination technologies are also increasingly relevant for semiconductor fabrication, where evaporation and membrane filtration are used to produce ultrapure water.
- Direct to chip liquid cooling places cooling plates in direct contact with processors, allowing small volumes of water to dissipate heat efficiently.
- Closed cycle liquid cooling systems circulate coolant in contained loops, significantly improving water efficiency.
- Water recycling solutions using media filtration, ion exchange and membrane filtration can reduce water consumption by up to 60%.¹²

Making semiconductor manufacturing more water efficient

Opportunities also extend into improving water efficiency within chip manufacturing itself. This includes water recycling, the use of reclaimed water and desalination technologies, alongside treatment processes such as reverse osmosis, ultrafiltration, ion exchange and chemical dosing. This creates investment exposure not only to semiconductor manufacturers, but also to specialist providers of industrial water treatment solutions.

Improving water efficiency in the power sector

Electricity generation presents a further opportunity set. Companies supplying treated wastewater systems, water reuse infrastructure and efficiency upgrades enable power plants to operate with lower freshwater intake. Xylem, for example, provides water intake and cooling infrastructure for thermal and nuclear power plants, alongside zero liquid discharge technologies that allow plants to recycle water internally and materially reduce withdrawals.

AI's rapid expansion is revealing water as a critical constraint within the digital economy. What is often framed as a challenge of energy or computing capacity is equally a challenge of water availability. For investors, this creates a clear duality of risk and opportunity. Investors who recognise water not as a peripheral sustainability issue, but as a core enabler of the AI transition, will be better placed to assess both resilience and opportunity.

12. AXEON Water Technologies (n.d.). Water treatment innovations for sustainable manufacturing operations. Available at: <https://www.axeonwater.com/blog/water-treatment-innovations-for-sustainable-manufacturing-operations/>



Tackling ultra processed foods: an emerging investment opportunity

Global obesity rates, which have more than doubled since 1990, are placing sustained pressure on healthcare systems, labour productivity and public finances.

Over half of the world's adult population is projected to be overweight or obese by 2050.¹³ As the associated costs mount, political and regulatory attention is increasingly focused on the role of the food industry.

Central to this debate is the role of ultra processed foods, where concern has cut across political divides despite broader polarisation. Criticism of the food system is not new. Over time, concerns have centred on sugar, salt, fat, portion sizes and the marketing of food to children. What distinguishes the current moment is the scale, persistence and coordination of the scrutiny, and greater emphasis on the role of ultra-processed foods. In both the UK and the US, ultra-processed foods account for more than half of average daily calorie intake¹⁴ and the evidence linking these to obesity and chronic disease continues to build.

What are ultra processed foods?

Ultra processed foods are not defined by a single ingredient such as sugar or fat. Instead, they are characterised by how they are made. They typically involve multiple industrial processing steps and combine refined ingredients with additives, flavourings and preservatives designed to enhance taste, texture and shelf life. This category spans a wide range of everyday products, from snacks and confectionery to ready meals and packaged foods.

Policymakers are moving from awareness to action

In the last couple of years, ultra processed foods have moved firmly onto the policy agenda across major developed markets. Policymakers are increasingly shifting away from reliance on consumer education and nutrient based guidelines alone, and towards clearer definitions, tighter standards and more direct intervention in how food is formulated, marketed and publicly procured.

In the United States, federal health and agriculture authorities are working towards a more consistent definition of ultra processed foods, reflecting concerns that policy action has been constrained by a lack of clarity. Updated federal nutrition guidance has also explicitly linked ultra processed food consumption to rising rates of chronic disease. This matters in practice because dietary guidelines directly influence how billions of dollars of public food spending are allocated across schools, healthcare systems and food assistance programmes.

In Europe, the European Commission has signalled potential EU wide measures aimed at reducing consumption of highly processed foods, including the possible introduction of taxes or other pricing measures designed to discourage consumption, as part of a broader cardiovascular health strategy. Alongside the continued tightening of rules on food additives, this points to a move towards earlier and more upstream public policy intervention.

Consumer demand is beginning to shift

Policy pressure is being reinforced by gradually changing consumer preferences. In many markets, consumers are placing greater value on freshness, transparency and food perceived to support long term health. While price and convenience remain important, there is growing scrutiny of ingredient lists, additives and levels of processing.

Surveys across the UK, Europe and the US show rising concern around artificial ingredients and long, opaque formulations. Increasingly, these preferences are being reflected in purchasing behaviour. In the UK, fresh fruit was the fastest growing grocery category in 2025, while categories viewed as both highly processed and nutritionally weak experienced declining demand.¹⁵ Digital tools and social media are accelerating these shifts by making food and health information more accessible.

Investment implications

The combination of rising policy attention and shifting consumer behaviour mean that companies which are heavily reliant on products perceived as unhealthy or opaque may face structural headwinds, including tighter regulation, reputational risk and pressure on long term demand. Companies able to improve transparency, upgrade product quality or reposition portfolios towards healthier propositions may be better placed to sustain growth. Delivering healthier diets at scale is increasingly becoming a source of competitive advantage.

Companies that can successfully reformulate products, reduce reliance on artificial additives and align with evolving consumer expectations stand to capture market share over time.

This is already evident in corporate strategy. Large food companies are acquiring or scaling healthier brands, such as Coca Cola's acquisition of Fairlife and Danone's expansion into plant based medical nutrition through Kate Farms. Others such as Ferrero, Hershey, Nestlé and Unilever, are expanding their health, wellness and nutrition portfolios.

Retailers are also playing a significant role. Supermarkets such as M&S, Sainsbury's, Tesco and Waitrose are reformulating products behind the scenes, removing preservatives from bread and nitrates from meat, while launching health led ranges focused on gut health, plant diversity and clearer front of pack labelling.

Within RIS Advance portfolios, the emphasis is on understanding how fund managers assess companies' progress along this improvement trajectory, rather than applying blanket exclusions to sectors with some exposure to ultra processed foods.

13. World Health Organization. Obesity and overweight. Available from: <https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight>.

14. Gull O, Lei P, Kuczynski G. Rethinking food: The shift from ultra-processed to health-conscious choices. Available from: <https://www.janushenderson.com/en-us/institutional/article/rethinking-food-the-shift-from-ultra-processed-to-health-conscious-choices/>.

15. NielsenIQ (2025). UK shoppers shift to healthier habits in 2025 as fresh fruit surges. Available at: <https://nielseniq.com/global/en/news-center/2025/uk-shoppers-shift-to-healthier-habits-in-2025-as-fresh-fruit-surges-and-vices-like-vaping-and-tobacco-collapse-reveals-niq-the-grocer-top-products-survey-2025-report/>

The opportunity set extends beyond well-known food manufacturers and retailers.

Impax Asset Management highlights a number of 'structural winners' from the 'real food' shift:¹⁶

- High quality protein such as farmed salmon, where producers like Lerøy and Bakkafrøst are supported by dietary guidance endorsing omega 3 rich seafood.
- Fresh produce producers, set to benefit as dietary frameworks increasingly prioritise fruit and vegetables.
- Companies supplying herbs and spices, such as McCormick, play an important role as consumers reduce salt and sugar without sacrificing flavour.
- Fermented foods and gut health represent another emerging area of focus. For the first time, US federal dietary guidance explicitly endorses fermented foods such as kefir, sauerkraut and miso, supporting companies such as Danone and Novonesis.
- Specialist ingredient suppliers like Kerry, which supports food manufacturers in improving nutritional profiles at scale.

Liontrust Asset Management emphasise investment opportunities in companies that enable home cooking with minimal reliance on processed foods and catering businesses that prepare meals from fresh ingredients in everyday settings.¹⁷



Case study: Compass Group

Compass Group operates catering services in permanent on site kitchens, providing meals in workplaces, hospitals and schools. Unlike manufacturers of packaged foods, Compass prepares meals from raw ingredients at the point of consumption, allowing greater control over ingredients and nutritional quality. In settings such as schools and healthcare facilities, this approach plays an important social role and supports healthier dietary outcomes at scale.

The opportunity set created by changing food systems is wide and will continue to evolve. What matters from an investment perspective is a forward looking assessment of how companies are positioned as policy frameworks tighten and consumer preferences continue to shift.

16. Impax Environmental Markets plc. The 'inverted pyramid': winners from new US food guidelines. Available from: <https://www.iemplc.co.uk/news/the-inverted-pyramid-winners-from-new-us-food-guidelines/>.

17. Liontrust Asset Management (2025). Ultra processed foods: implications for health and sustainable investing. Available at: <https://www.liontrust.com/insights/blogs/2025/08/ultra-processed-foods-implications-for-health-and-sustainable-investing>



Implications of China's Five-Year Plan for responsible investors

China's 15th Five-Year Plan (2026–2030), formally adopted in March 2026, could have positive implications for global sustainable investment themes, even where investors do not have direct exposure to Chinese equities. More specifically, the plan strengthens the structural investment case for sustainability-aligned themes such as clean energy, healthcare innovation and advanced technology, with impacts extending beyond China through global supply chains and multinational beneficiaries.

Five-Year Plan Priorities:¹⁸



Clean energy

Clean energy is a central pillar of the plan, which aims to address the energy trilemma of security, affordability and decarbonisation. Targets include further reductions in carbon intensity, increasing non-fossil fuels to around 25% of total energy consumption, expanding solar and wind capacity, and upgrading the electricity grid to support an estimated 50% increase in power storage.

For investors, this supports structural growth in renewables, electrification, grid infrastructure and energy efficiency. While Chinese firms remain dominant in areas such as solar manufacturing and battery supply chains, the investment implications are global. Equipment suppliers, grid technology providers, materials producers and specialist engineering firms outside China are likely beneficiaries as China's build out drives volume.



Healthcare

Healthcare and life sciences investment is prioritised, underpinned by a headline social objective to raise life expectancy to 80 years by 2030. This reflects the economic reality of an ageing population and rising chronic disease burden, shifting healthcare investment from access toward innovation and prevention.

Focus areas include biotechnology, genetic research and broader healthcare innovation, with continued encouragement of foreign participation, benefiting global healthcare companies aligned to these trends. For responsible investors, this supports the case for healthcare exposure framed around social outcomes across global companies positioned to serve ageing populations and efficiency driven healthcare systems.



Technology

Technology and innovation remain core growth drivers, with R&D spending mandated to grow by around 7% per annum. Strategic priorities include artificial intelligence, robotics, semiconductors and quantum computing, reinforcing China's push for technological upgrading and self-reliance.

From an investment perspective, this has a dual implication. Domestically, it supports long term capital formation in high value manufacturing and automation. Globally, it sustains demand for enabling technologies, specialised components, industrial software and smart infrastructure solutions supplied by non Chinese firms.

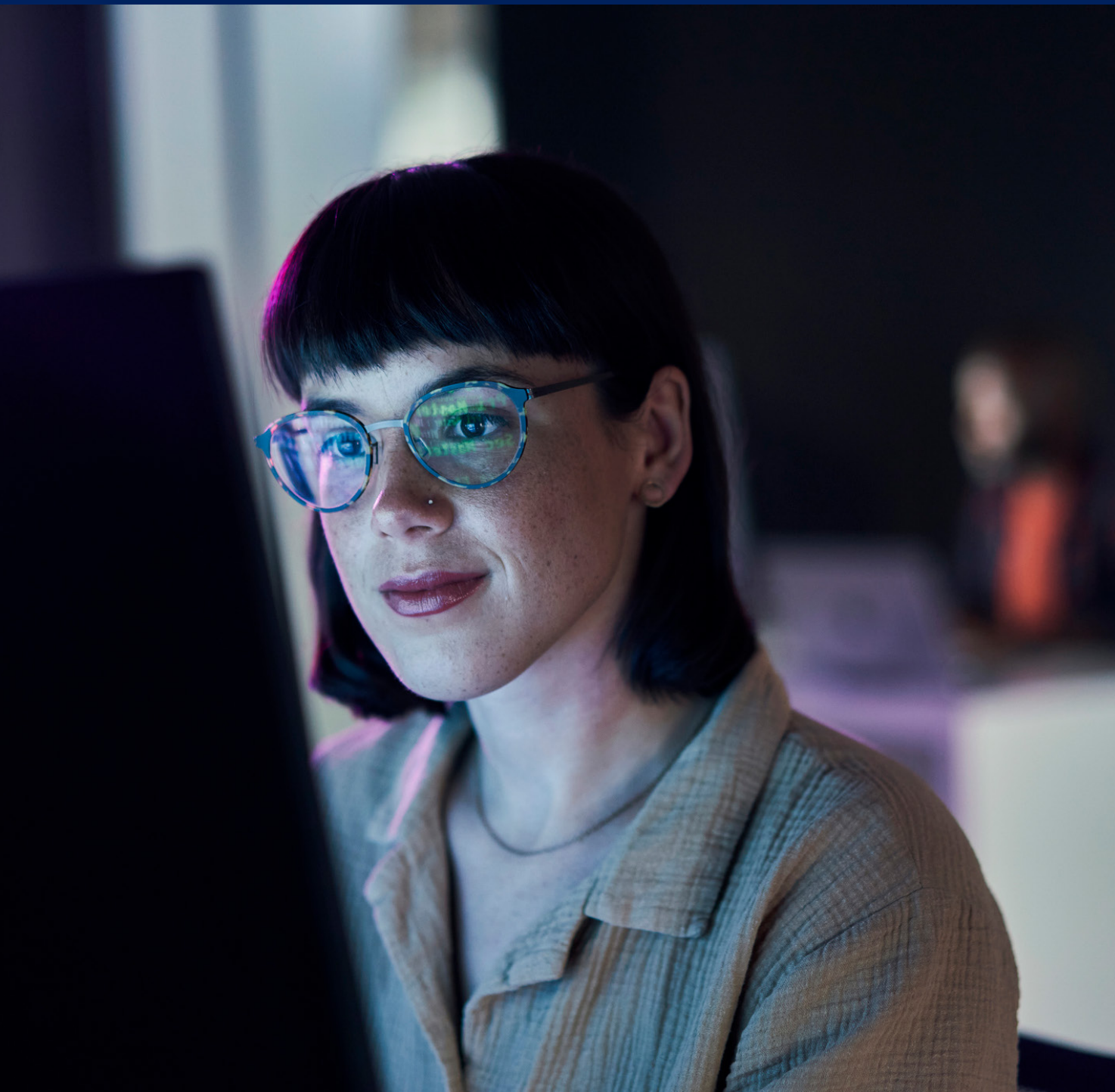
A measured investment lens

Taken together, China's latest Five Year Plan reinforces the durability of sustainability aligned investment themes. However, responsible investors should distinguish between policy direction and investment return, recognising execution risk, regulatory intervention and geopolitical tension as persistent features of the Chinese policy landscape. The clearest opportunities may therefore lie not in direct exposure, but in globally diversified companies positioned to benefit from China's demand and spill over effects, while maintaining strong governance and risk management.

18. Liontrust Asset Management (2026). China's 15th Five Year Plan – why it is good for sustainable investment. Available at: <https://www.liontrust.com/insights/blogs/2026/03/chinas-15th-five-year-plan-why-it-is-good-for-sustainable-investment>

Case studies

In this section, we provide case studies of portfolio exposures, highlighting the contribution companies are making as 'solutions providers' or 'responsible businesses'.* Understanding that no company is perfect, and that sustainability is not black and white, we also outline where companies could be doing better or where nuanced judgements have to be made as investors.



** Please note that the companies selected as case studies may not feature across all risk profiles.*

Aptar Group: *Water & Waste Management*

Circular Economy

AptarGroup is a US-based manufacturer of consumer dispensing packaging and drug-delivery devices, and a leading global producer of plastic closures, pumps and flow-control valves serving the pharmaceutical, beauty, beverage and personal-goods end markets. Within this, the company is a leading global supplier of inhaler components, giving it an important role within the healthcare value chain.

Like much of the consumer packaging sector, AptarGroup faces sustainability challenges linked to its materials and product end-of-life. Its products are typically manufactured from polypropylene or polyethylene, both of which are derived from fossil fuels, and consumer packaging is associated with waste generation and littering risks. However, the company is on a credible journey of improvement and is increasingly positioned to support clients in developing solutions that are more easily recyclable, reusable or produced from recycled materials.

AptarGroup has committed to making 100% of products across its Beauty and Closures segment recyclable, reusable or compostable by the end of 2025. In parallel, it is addressing emissions associated with metered-dose inhalers. The company has been awarded a contract by the US Food and Drug Administration to study the development of low-global-warming-potential (GWP) propellants and has designed its 'ZEN30 Futurity' metering valve to support their introduction into pressurised MDIs.

This has the potential to deliver a material reduction in emissions, as inhalers are a prominent contributor to the healthcare sector's carbon footprint, with around 40 kg of CO₂ emissions associated with each inhaler. The adoption of low-GWP propellants is expected to reduce inhaler-related greenhouse-gas emissions by at least 90%.

More broadly, this case study reflects our ability to invest in companies that can be viewed as "improvers" or "future leaders", companies on a positive trajectory where delivery against clear commitments is a key part of the investment case.



Spirax Group: *Resource Efficiency*

Efficient Manufacturing

Spirax Group is a UK based engineered solutions provider specialising in steam, electric thermal and fluid path technologies that support efficient, safe and sustainable industrial manufacturing. Its products are integral to a wide range of industrial processes, across steam and thermal energy, where they play a critical role.

Industrial manufacturing is closely tied to sustainability challenges, as processes and machinery are often significant sources of energy consumption, inefficiency and emissions. Poorly managed systems can lead to heat loss, excess fuel use and operational downtime. Spirax is well positioned to address these challenges by enabling customers to optimise and actively manage their steam and thermal systems, improving energy efficiency and reducing wasted resources.

Through its structured "Optimise, Manage, Decarbonise" approach, the company supports manufacturers in capturing efficiency and

decarbonisation gains through system audits, digital monitoring and ongoing maintenance, while also developing solutions that enable longer term reductions in energy intensity. These interventions can deliver tangible improvements in fuel use, water consumption and process reliability within manufacturing environments.

Looking ahead, Spirax is expanding its TargetZero solutions, aimed at decarbonising industrial thermal energy through electrification of steam generation and enhanced system control. This supports manufacturers in reducing the carbon intensity of essential processes while maintaining critical operating processes.



NextEra Energy: *Cleaner Energy*



Cleaner Energy Generation

NextEra Energy is a US based energy company and one of the world's largest producers of wind and solar power, with operations spanning regulated electric utilities and competitive clean energy generation. Through its principal subsidiaries, Florida Power & Light (FPL) and NextEra Energy Resources, the company plays a central role in the US electricity system and in the decarbonisation of power generation.

The conventional power sector faces significant sustainability challenges, given its historic reliance on fossil fuels, high greenhouse gas emissions and exposure to climate transition risks. While NextEra Energy continues to operate gas fired generation assets, it has positioned itself ahead of peers through sustained investment in renewable energy, battery storage and grid modernisation. The company has built a diversified portfolio of wind, solar and storage projects, supporting both emissions reduction and energy system resilience.

NextEra Energy has set clear decarbonisation and energy transition commitments. It has set what it calls a Real Zero goal, which calls for significant investment to eliminate all scope 1 and scope 2 carbon emissions across its operations by 2045, with interim emissions reduction goals and continued expansion of zero carbon generation capacity. Through large scale deployment of renewables and investments in battery storage, the company is helping to displace higher emissions generation and enable greater penetration of intermittent clean energy on the grid.

This strategy has the potential to deliver material emissions reductions at scale. Electricity generation remains one of the largest contributors to global greenhouse gas emissions, and replacing fossil fuel generation with renewables represents one of the most effective near term levers for decarbonisation. NextEra Energy's scale, project pipeline and balance sheet capacity position it to continue driving this transition while supporting reliable and affordable power supply.



For more information on any of the topics or case studies covered in this report, please do get in touch.

We look forward to updating you with further developments in future editions.

Contact us

For more information on our Responsible Investment Service, please get in touch with us at info@brooksmacdonald.com.

Important information

Investors should be aware that the price of investments and the income from them can go down as well as up and that neither is guaranteed. Investors may not get back the amount invested. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment.

Investors should be aware of the additional risks associated with funds investing in emerging or developing markets.

Investors should be aware that Brooks Macdonald does not guarantee that all Responsible Investment Service models would contain exposure to the portfolio companies referenced in this document.

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