affinity
PRIVATE WEALTH

IMPACT REPORT 2021
SEPTEMBER 2022

Jersey Finance
SUSTAINABLE FINANCE AWARDS 2022 WINNER

LEADERSHIP IN SUSTAINABLE FINANCE INVESTMENT MANAGEMENT

Industries like steel production, alongside sectors such as chemicals, refining and cement will play a pivotal role in the journey towards a decarbonised global economy. These energy-intensive businesses require particular attention, as their significant carbon footprints make their transformation towards a carbon-neutral form of production challenging. However, transitioning these hard-to-abate enterprises is critical to managing the climate crisis and companies that are not aligned to this ambition, risk being left behind to fail.

IMAGE SOURCE: https://www.businesstoday.in/latest/economy-politics/story/rinl-posco-to-form-joint-working-group-for-steel-project-in-andhra-pradesh-270828-2020-08-23

Welcome
To our 4th Impact Report

This report aims to provide investors in Affinity's Sustainable Strategies with an insight to the positive contributions their capital has made towards the UN Sustainable Development Goals (SDGs), using the themes which shape this mandate.

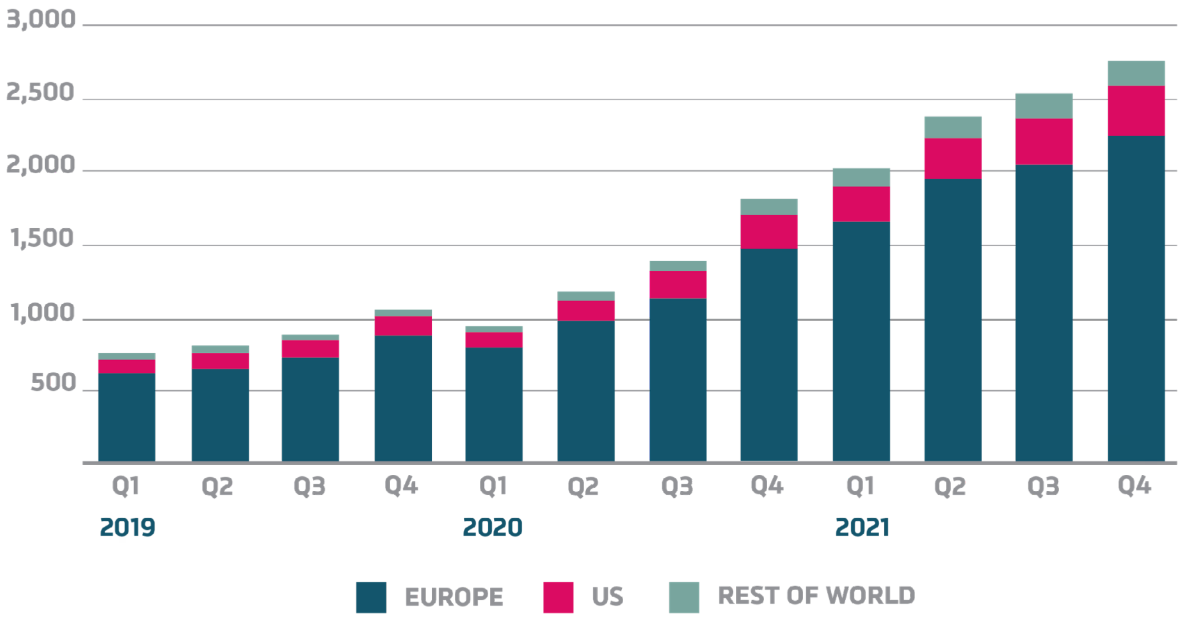
Looking back, **2021** (the period this report covers) **was a year where investing for impact was challenging; the very fabric of our global community was tested by the far-reaching and disruptive impacts of Covid-19 and the concept of ESG was questioned by journalists, politicians and investors alike.**

"The COVID-19 pandemic has dramatically set back progress on sustainable development, exposing and exacerbating inequalities among peoples and countries. Women have been particularly affected by job losses and extra burdens of care. Extreme poverty is on the rise. And we are failing to come to grips with the existential threats posed by the climate and biodiversity crises. These intergenerational impacts are not due to the COVID-19 pandemic alone, but are the result of well-known fragilities, inequalities and injustices that we have failed to address. The risks of inaction have now been laid bare by the pandemic."
António Guterres, United Nations Secretary General, Financing for Sustainable Development Report 2021

Asset growth and investor choice

According to Morningstar, global ESG assets grew to $2.74 trillion as of December 2021. Year-on-year, the global sustainable fund universe expanded by 53 per cent. 81% of sustainable fund assets were held in Europe, which remains by far the most developed and diverse ESG market, followed by the US, which accounted for 13 per cent of global sustainable fund assets.

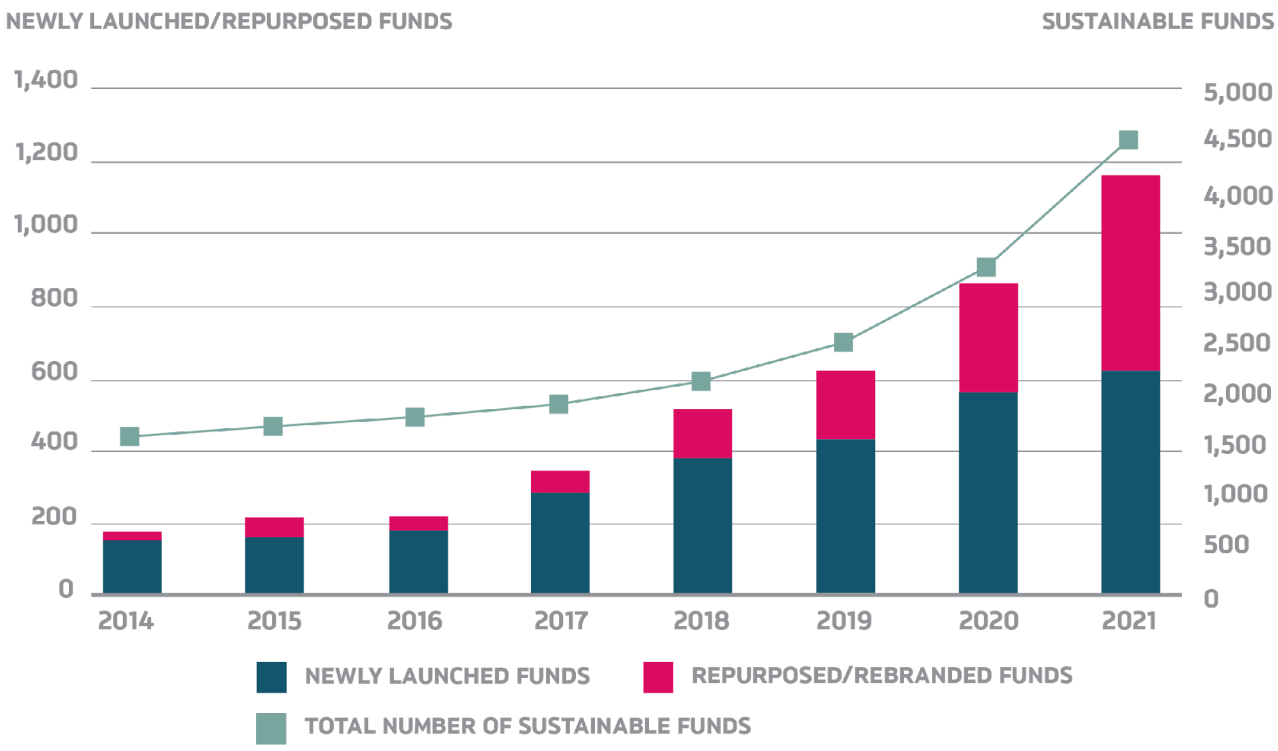
Global sustainable fund assets (US$bn)



SOURCE - https://www.avivainvestors.com/en-gb/views/aiq-investment-thinking/2022/02/esg-in-focus/

The number of funds also saw significant expansion. This coincided with asset managers reacting to the European Union Sustainable Finance Disclosure Regulation (SFDR), which requires binding ESG criteria to qualify for Article 8 and 9 status.

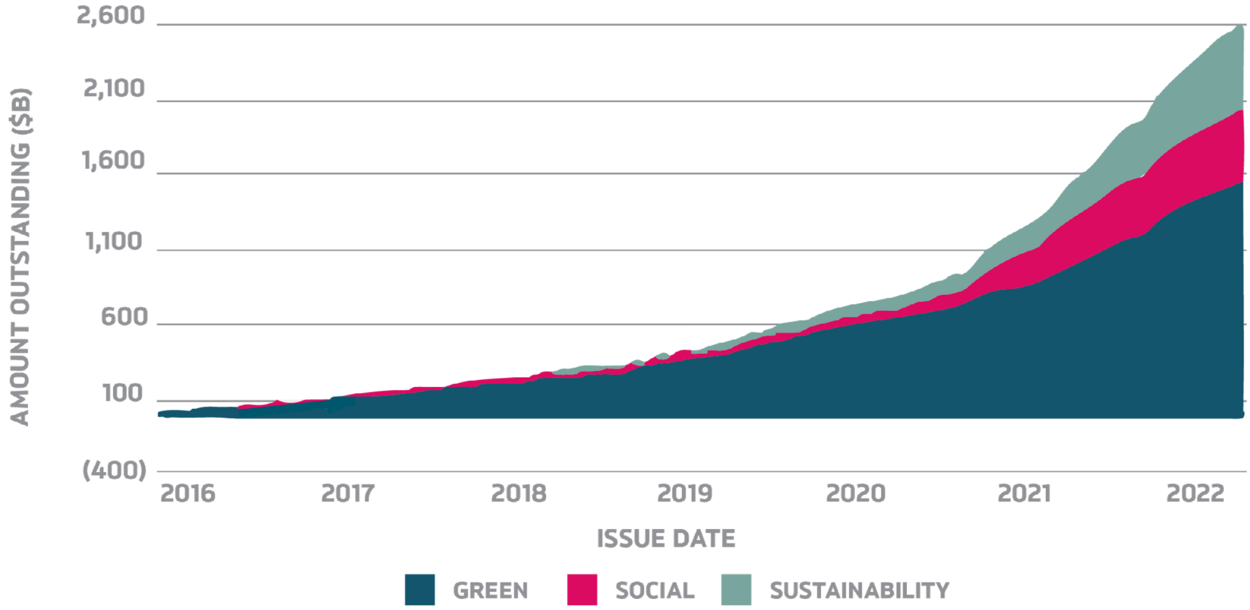
Global sustainable fund launches by quarter (number of funds)



SOURCE - https://www.avivainvestors.com/en-gb/views/aiq-investment-thinking/2022/02/esg-in-focus/

Growth of the sustainable bond market

Sustainable bond issuance totalled $1 trillion in 2021 – a 45 per cent increase on 2020 and an all-time record. Green bonds ($489 billion), social bonds ($193 billion) and sustainability bonds ($186 billion) all soared to new highs. Corporates accounted for 57% of all issuance and Europe dominates the market with over half of the deals by value.



SOURCE - PIMCO

A year of transition

Regime change

Post-pandemic, many people now have a greater appreciation of the benefits of a more intact natural environment. At the same time, though, they have also become aware of how susceptible the world is to disasters caused by our way of life and doing business.

"We see the pandemic as a catalyst for progress in achieving the Sustainable Development Goals (SDGs). It has effectively unveiled the pervasive inequities and broken governance the SDGs themselves can help rectify in our way to achieving a sustainable and inclusive recovery for people and planet."
BMO Global Asset Management

As a consequence of the huge fiscal and monetary response to Covid, we are now experiencing an economic regime change. In the second half of 2021, investors became increasingly concerned about inflation and the need for central banks to raise rates. This resulted in bond yields rising, which negatively impacted 'growth' companies' equity valuations. A significant proportion of sustainable businesses are viewed through this lens, leading to a sizeable fall in their stock prices. At the same time, bonds in the sector also began to reprice lower.

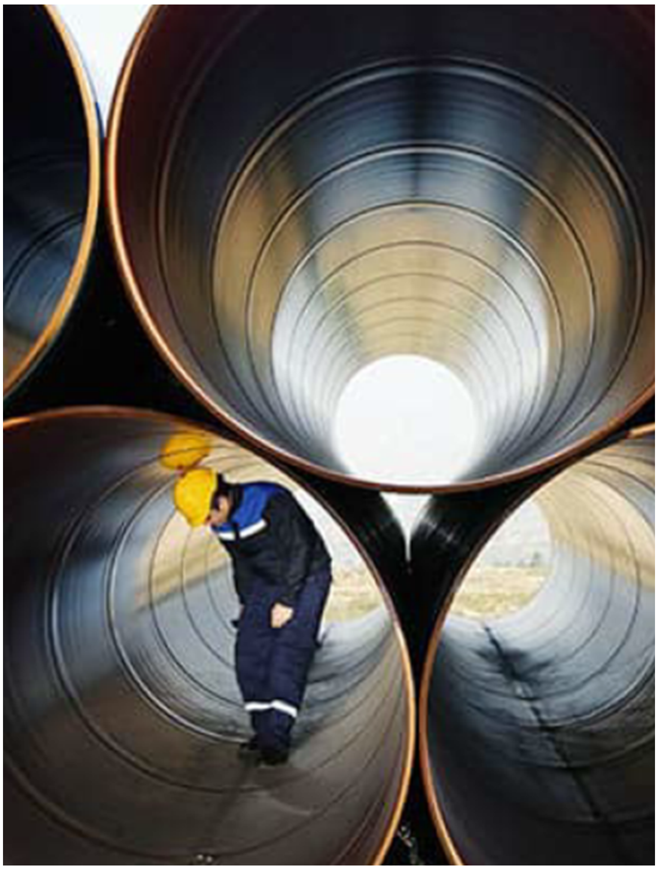
Part of the problem was the significant inflows of capital, in the preceding years, into 'sustainable darlings' – businesses which had become the poster-children for ESG investing – particularly via ETFs. This led to overcrowding, mispricing and a painful correction. For example, Vestas Wind Systems - which had seen its stock price more than double the year before – saw its shares halve in value, from their peak in January 2021. For those investors who had only recently made allocations to this space, it has proven an extremely challenging period and has led some to question whether ESG investing was simply a fad, driven by unscrupulous marketing.

From theme to mainstream

We do not hold this view.

Indeed, far from derailing the need for capital in this space, today ESG analysis is embedded in all investing – even if only as a risk management tool. And, for a growing cohort, sustainability and investing are one and the same.

A period of mission-orientated capitalism is clearly upon us, where the public and private sectors must work together to solve environmental and social crises. As a result, the vast majority of private capital will be invested sustainably. There will be years where this approach pays significant dividends for investors and others where it proves more challenging. As with all investing, there will be pockets of overvaluation and hype, which need to be actively managed and a focus on valuations remains paramount.



The amount of capital required can appear overwhelming. The UN estimates $5 to $7 trillion per year is needed globally to achieve the SDGs by 2030. Perhaps another way of looking at this is the growing costs of doing nothing about climate change and the destruction of our natural capital. The effects of climate change can be expected to shave 11% to 18% off global economic output by 2050, according to a report from Swiss Re. That amounts to as much as $23 trillion in reduced annual global economic output worldwide as a result of climate change.

Unfortunately, at present, the modern global sustainable development framework is failing to prepare institutions and businesses to respond to these threats. A new phase of sustainability, underpinned by international law, a clear regulatory approach and a standardisation of impact metrics is urgently needed, if sufficient capital is to be mobilised.

Transition + engagement ≠ greenwashing

Thirty years of 'responsible' investing in its various forms hasn't delivered much. Why do we say this? Because, in the face of challenges that were (and/are) growing exponentially, investors have been sold the story that business as usual but slightly better would be enough. It isn't.... For real positive impact, what is actually required is transformational change – change to a future that is 10 times better as opposed to a 10% improvement.

Artemis Investment Management

Allocating capital to businesses which focus on new technologies and processes will help prevent further environmental degradation and limit global warming, is extremely important – hence why our sustainable mandates have significant exposure to such 'pure plays'. However, it is imperative to look beyond these champions, to the perceived laggards, misunderstood enablers and those in overlooked parts of key value chains. This is because, unless we find a way to decarbonise the laggards in crucial industries, the timeline for net zero targets becomes unachievable.

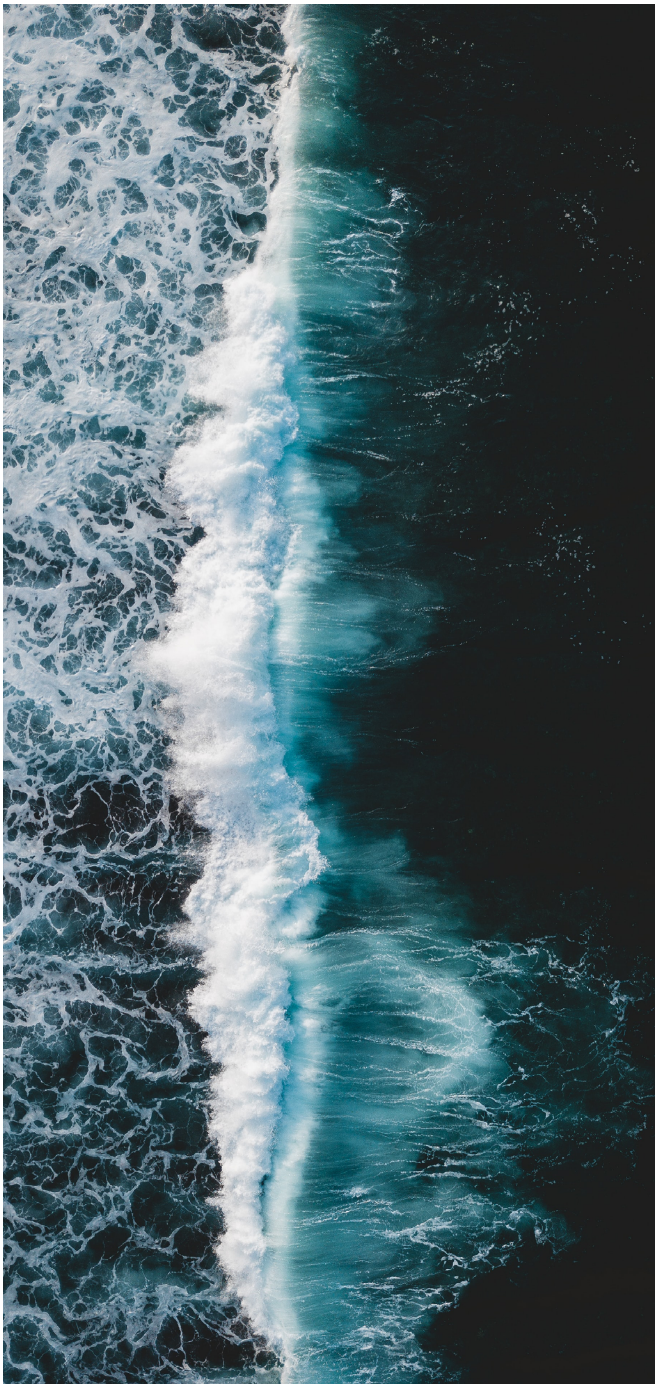
Whilst analysis focused primarily on carbon has led to an interest in low carbon industries and investments, this approach risks neglecting the **need to identify solutions within higher carbon industries, where a transition is most urgently needed and where the decarbonisation impact is utmost.** Investment is needed to support the transitioning companies in hard-to-abate sectors; such as steel, cement, transport, chemicals, power generation and real estate.

Transition companies are those operating in carbon-intensive industries whose products are, and will remain, essential to our economy, but the production must transition towards a cleaner model. The key is to identify those where with credible science-based targets and senior management's compensation is aligned with timely implementation. Monitoring progress and active engagement are critical components to ensure success and disinvestment must be the consequence of non-compliance. Companies able to continue offering their products with a lower carbon footprint will ultimately benefit from strong competitive advantages as regulations tighten and/or carbon price soars, thus rewarding investors.

As always – sustainable investing is complicated and one consequence of including transition companies is an immediate increase in the carbon footprint of portfolios – with potential for accusations around greenwashing. (The latter being a form of advertising or marketing spin in which green PR and green marketing are deceptively used to persuade the public that an organisation's products, aims and policies are environmentally friendly). However, forward-looking measures provide an enhanced insight to the significant positive impact these investments will have on the carbon reduction pathway.

Finally, for net zero to be achieved, it requires a global effort that is fair to everyone. As emphasised by the **'Just Transition Concept',** it is unreasonable to assume certain industries, particularly in heavily polluting sectors, can cease to exist as a solution to the climate emergency. Many livelihoods and communities are dependent on these activities and therefore winding down these sectors overnight would be socially irresponsible. Equally, it is wrong for developed countries, with all their schools, hospital and housing, to tell those earlier in their development they may not use steel and concrete to build out their much needed infrastructure.

Therefore, only by facilitating the transition of some of these 'unclean' and often lower ESG scorers can we **truly start to decarbonise the world in a way which is fairer to everyone.**



In the news

Sustainable Balanced

At the end of 2021, we introduced our Balanced offering, providing a solution for clients who wish to invest sustainably, but require a little less volatility, smaller drawdowns and a shorter investment time horizon than our longer running Growth offering.

No less impactful and still contributing to the work of Durrell, this **multi-asset mandate targets inflation plus 2%,** and is now possible thanks to the emergence of a broader investment universe addressing sustainability.

Coming soon - our fund

Investors will be aware our Sustainable Growth strategy has been running since 2018. It continues to see strong inflows and investors can access this mandate in sterling, US dollars and euros. Since launch, one of our objectives was to make this solution available to as wide an investor base as possible, particularly **recognising the demand from those wanting to save more modest sums, on a regular basis.** For example, the strategy is ideal for long-term investors making monthly contributions to their pension savings and wishing to build their exposure to sustainable investments.

With this in mind, we are very pleased to be launching the **Affinity Sustainable Growth Fund,** in Q4, 2022. This **daily-dealing, Irish-domiciled, UCITS fund** will replicate the asset allocation seen across our segregated portfolios, and be accessible with a minimum sum of £100.

Legislation landscape

The impact reporting environment moves apace, with the EU continuing to lead with the foundations it established via the Green Deal; the roadmap for making the EU's economy sustainable and carbon-neutral by 2050.

The first major milestone of the Action Plan – which sets out to deliver on this roadmap – was the introduction of the **Sustainable Finance Disclosure Regulation (SFDR)** on 10 March 2021. This was followed quickly by the **Taxonomy Regulation** on 1 January 2022.

SFDR seeks to establish a harmonised approach in respect of sustainability-related disclosures within the EU's financial services sector, based on the type of Financial Products being marketed. Our fund, described in the previous section, falls within this legislation, which will also influence our advice process and impact reporting from next year onwards. Moreover, based on the SFDR categorisations defined in this legislation, **the fund will be defined as Article 8.** This translates to a fund which *promotes environmental and/or social characteristics and which integrates sustainability into the investment process in a binding manner.*

Turning to the Taxonomy Regulation, this establishes an EU-wide classification system intended to provide businesses and investors with a common language to identify to what degree economic activities can be considered environmentally sustainable.

Further afield, the journey towards a universal taxonomy for impact reporting is underway with the creation of the International Sustainability Standards Board (ISSB) announced at COP26 in Glasgow. The ISSB standards will provide the foundation for consistent and global environmental, social and governance (ESG) reporting that will enable companies to report on ESG factors affecting their business.

One of the most noteworthy reporting proposals announced through 2022 was in the US, where the SEC (Securities & Exchange Commission) has outlined a new measure that will require US listed companies to report detailed disclosures on climate risk and greenhouse gas (GHG) emissions. The proposed rule for climate risk disclosure aligns with the **Task Force on Climate-Related Financial Disclosures (TCFD)** framework and **Greenhouse Gas Protocol.**

Finally, returning to the roll-out of EU legislation, is the **Corporate Sustainability Reporting Directive (CSRD)** which is set to come into effect from October 2022. This aims to ensure companies publicly disclose adequate information about the sustainability risks and opportunities they face, as well as the impacts they have on people and the environment. According to the directive, **sustainability reporting should be** ***"comparable, reliable and easy for users to find and make use of with digital technologies".***

Our impact metrics

A cursory glance through the preceding section highlights the growing requirements on listed businesses and asset managers to report on all things sustainable. Notwithstanding this evolving framework, there is still an element of the 'horse before the cart' in terms of timelines. For example, the CSRD does not require eligible companies to report sustainability metrics until 2025, based on 2024 data. Yet, the SFDR and Taxonomy Regulation imply reporting requirements ahead of this.

If we then add to the mix pending ISSB standards and the landscape being defined by the UK's Sustainability Disclosure Requirements (SDR) and the road ahead remains opaque. All this said, data is being collected – especially around carbon - and we have taken the decision to report metrics.

So, what to report?

If we start with carbon, our aim in preparing this report to create a more holistic picture of current carbon use; carbon avoided and the

direction of travel for the investments made. An important component of our analysis was to ensure the carbon-related data collected aligns with future reporting needs, under the SFDR legislation. Reference has also been made to best practice recommended by the TCFD and the metrics required by the Investment Consultants Sustainability Working Group (ICSWG – a collaboration between 19 investment consulting firms including Mercer et al). Finally, given the mul et nature of our strategy, these merics are designed to be asset class agnostic.

From this review the following 4 metrics were chosen which constitute our **'carbon dashboard':**

1. Carbon footprint by enterprise value

2. Weighted average carbon intensity (WACI)

3. % of companies with science-based carbon emission reduction targets

4. Potentially avoided emissions (scope 4)

Looking beyond carbon/emissions reporting, we are mindful our industry has been guilty of reporting a range of idiosyncratic and esoteric metrics which have sparked criticism and galvanised anti-greenwashing rhetoric. In arriving at the additional data we wanted to report, it was important the numbers be credible, reliable and commonly available. Having consulted and researched extensively, we could only satisfy these criteria on two further metrics; water usage and the average percentage of women on boards. Legislation will lead to the availability of a more diverse set of metrics across both environmental and social issues; but for the purposes of this report we simply cover those described – see page 14 (The impact of your investments)

UN Global Compact

We continue to be participants in the UN Global Compact (UNGC) and this requires us to submit an annual Communication on Progress (CoP); this details the development of our business across the Ten Principles which underpin the UNGC. Through this reporting period wewere selected alongside a number of participants - based in different regions of the world - as an **'Early Adopter' to the UNGC revised CoP programme.** This is a platform-based, digital approach to measuring progress towards the Ten Principles, as well as the SDGs. In terms of the latter, it will provide a much broader and deeper assessment, enabling the UN to more accurately measure attainment of the 17 'Goals within the 2030 timeline.

Over to you

We hope you enjoy reading this and find it useful. However, even after four editions, we appreciate this is not a finished product. There is so much more we would like to share and our process is iterative both by design and out of necessity as the industry continues to develop. **Your input is invaluable and we hope the dialogue will continue for many years to come.**

Julia and Russell

WE SUPPORT UN GLOBAL COMPACT

Recapping the purpose of the mandate

For us sustainability means making economic prosperity long lasting, more socially inclusive and less dependent on exploitation of finite resources and the natural environment. Today, companies that provide solutions to the challenges faced are well placed to grow strongly. We believe, by investing in these firms, our clients can make a positive contribution towards a more sustainable world, align wealth with their values and generate attractive capital gains.

The purpose of this mandate is to provide growth with impact. The strategy targets inflation plus 3%, over a long term investment horizon of at least ten years. This report deliberately focuses on impact rather than investment performance, but the latter has been pleasingly strong, and is detailed in our regular quarterly communications.

8 themes

We allocate capital, using funds, across 8 themes. Namely;

Resource Efficiency

Sustainable Infrastructure

Natural Capital

Future Mobility

Health and Wellbeing

Education

Reduced Inequality

Clean Energy

These sustainability themes relate to long-term trends and the funds we use to access them are focused on the competitive advantages of firms and economies in the future, rather than value-diminishing short-term reactions. Each theme maps to one or more of the 17 UN SDGs.

Durrell Wildlife Conservation Trust

By investing in Affinity's sustainable mandates you also helping Durrell Wildlife Conservation Trust (DWCT).

A fixed percentage of the discretionary fees you pay are donated to this Jersey-registered charity. They go to support the charity's work around the globe to save species from extinction.

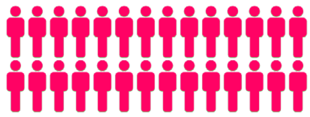
Learn more about the important work they do by visiting www.durrell.org.

MADAGASCAR IN NUMBERS

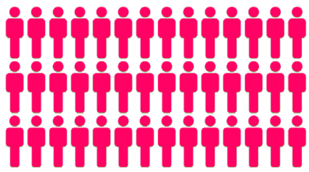
Madagascar is believed to be the oldest island on the planet and home to fascinating species found nowhere else on Earth. For 35 years, Durrell has been working to protect the country's most threatened wildlife.

WE WORK ACROSS 7 SITES

i ALAOTRA
ii AMBONDROBE
iii ANKARAFANTSIKA
iv BALY BAY
v SOFIA
vi MENABE
vii ANTSOHIHY

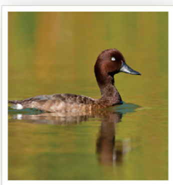


70 MEMBERS OF STAFF



HELPING 73 COMMUNITIES PROTECT THEIR NATURAL SURROUNDINGS

WE'VE RELEASED INTO THE WILD...



48 MADAGASCAR POCHARDS

462 MADAGASCAR SIDE-NECKED TURTLES

105 PLOUGHSHARE TORTOISES

FOCUSING ON THE CONSERVATION OF 11 SPECIES

121,768 HECTARES OF FOREST, MARSH AND LAKE HABITATS PROTECTED

SOURCE - Durrell

Affinity's social responsibility

Our commitment to sustainability extends beyond this mandate. As a firm, our Ethical Charter (available on our website) sets the tone for our business. We aim to be good corporate citizens, active in our community and supporting global efforts towards a more sustainable world. We have also published a Sustainability Policy Statement (www.affintypw.com/about) which is a Board approved set of pledges to the key stakeholders in our business.

Some of the other recent activities we are proud of include: Carbon Offsetting - Climate Positive Status

For a second consecutive year we have offset our carbon footprint via the ReWild Carbon programme run by Durrell. Our emissions through this last reporting period were lower than the previous year, due to less business travel and occupancy of a more energy-efficient new building. Notwithstanding this, we took the decision to purchase excess carbon credits equivalent to our emissions from the previous year (23.5 tonnes of CO_2e), leading us to being awarded 'Climate Positive' status by the ReWild Carbon team
.

The Diversity Network, Jersey

Our support of The Diversity Network continues to grow and has been particularly noteworthy in the context of the '51 Employers initiative. This commits employers to establishing a workplace where employees experiencing the symptoms of menopause receive the understanding and support they need.

Renewing our partnership with ecoJersey

We have renewed this for a 4th year and our partnership aims to raise awarness of environmental issues and encourage islanders to take action.

Being part of Eco Active

A government environmental management scheme taking action to lower the environmental impact of our business.

Signatory of:

The impact of your investments

As promised we are including credible and reliable metrics in this report – aggregated at the strategy level. For carbon, we have included two measures of the current state-of-play and two which are forward looking.

Carbon footprint: The strategy has a significantly lower carbon footprint than the benchmark*, at 50.4 tons CO2e, per $mn invested, vs 87. It is noteworthy this figure falls to 30.6 tons (a full 65% below the benchmark) if we exclude the JPMorgan Multi-Manager L/S fund from our calculations. The fund, sold through 2022, carries a disproportionately high carbon footprint (given the use of leverage) and amplifies our 2021 carbon metrics.

Potentially avoided emissions (PAE): Is a metric where data collection is far from universal, resulting in a sparse (c.40%) coverage across our strategy. However, we feel this is an important number, particularly given our allocations to renewables or hard-to-abate industries, where the current carbon footprint may be considerable, but with huge amounts of potential future emissions being avoided, given their decarbonisation pathway. Where PAE figures were available, in each case, these were very sizable relative to current carbon footprints. We expect to be able to broaden and deepen this reporting over time.

Water usage: Is very sensitive to the sectors allocated to. This dispersion is further exaggerated by the inconsistencies in measurement and reporting at the underlying company level. At 18,621 litres per $mn invested, our strategy is considerably lower than the benchmark figure of 119,664. Again, we should see an improvement in the accuracy of this data, over the coming years, as regulators implement mandatory reporting standards.

% of women on boards: Continues to be a reflection of a long-standing societal issue. It is disappointing to see only 29% of the companies, making up the benchmark, having female board representation. This is the one metric where our strategy sadly reports a marginally lower percentage (27%) than the benchmark. On first review this this does not reflect well. However, this figure is impacted by our larger allocation to emerging markets (relative to the benchmark) where female board representation remains particularly low at 14.5%. Ex-EM, our figure improves to 30% which is still not good enough and we are aware a number of our managers are actively engaging with their investee companies on this diversity issue. Across our funds, it is worth mentioning Regnan Global Equity Impact Solutions, which was the top scoring in this category having 42% of the underlying company boards featuring women.

Carbon footprint (tons CO2e per $mn invested)

STRATEGY	BENCHMARK
50.4	87.6

Weighted average carbon intensity (tons CO2e per $mn revenue)

STRATEGY	BENCHMARK
124.7	163.1

% of companies with science-based carbon emission reduction targets

STRATEGY	BENCHMARK
37%	Not Available

Potentially avoided emissions (tons CO2e per $mn invested)

STRATEGY	BENCHMARK
664.2	Not Available

Water usage footprint (litres per $mn invested)

STRATEGY	BENCHMARK
18620.7	119664.2

Average % of women on boards

STRATEGY	BENCHMARK
27%	29%

Benchmark: The benchmark for this analysis is based on a composite, weighted 80% MSCI AC World index and 20% Bloomberg Global Aggregate index, this being representative of the asset allocation over the reporting period. Metrics have been calculated by APW Investors Limited where underlying data for the indices are available.

Artemis Positive Future Fund

This fund invests globally with a dual mandate of positive performance and impact, allocating to c. 40 fast-growing, innovative mid-sized companies which are disrupting incumbents. The Artemis team aim to be unorthodox, differentiated investors in a world where they see a proliferation of strategies doing very similar things. Artemis believe that many established companies tend to favour the status quo over change, and instead, the team prefer to seek positive impact where there is disruptive innovation.

TetraTech (US)

Artemis have been investors in Tetra Tech, a premier consulting and engineering firm with decades of operational experience addressing sustainability challenges. In particular, their teams are considered global leaders in fields such as water-related services (including dams and reservoirs), environmental science and management, hydro plants, solid waste, water treatment and desalination, and wind power. Tetra Tech already has a large backlog of contracted work in place, which is expected to expand significantly in the years ahead.

Insulet (US)

Insulet, a medical device manufacturer, produces the Omnipod, a unique insulin pump patch, to which there are currently no direct market competitors. It offers improved patient outcomes, improving the lives of those with type 1 & 2 diabetes, resulting in reduced daily dose requirements and a reduction of deadly hypoglycaemic episodes. Insulet offers innovative trial and pricing models, enabling wider access to their products and have a proven management team, making for a compelling investment thesis.

Engagement

The Artemis team have engaged with Insulet regularly and have found the company to be making good progress in mitigating the environmental impact of their manufacturing operations. Artemis expect the company to release more specific climate targets in the near future, and this is likely to be a subject of discussion in future engagements. In the team's meetings with Insulet, they have found the corporate governance to be of a very good standard, enjoying historically high levels of shareholder support as a result. Artemis see gender and ethnic diversity as being among the next key focus areas for engagement with Insulet.

Artemis have also demonstrated strong, active stewardship with their proxy voting, including registering votes against several of Tesla's shareholder resolutions at the October 2021 AGM. The team had concerns over Tesla's compensation structures, specifically, Elon Musk's large equity pledge, in relation to higher-risk ventures and the associated tax benefits and credit terms involved.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	3.4
Weighted average carbon intensity (tons CO2e per $mn revenue)	16.3
% of companies with science-based carbon emission reduction targets	13.0%
Potentially avoided emissions (tons CO2e per $mn invested)	255
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	42.2
D&I	
Average % of women on the board	32%

BlueBay Impact-Aligned Bond

The BlueBay Impact-Aligned Bond fund invests in both labelled and unlabelled sustainable debt instruments, with the investment team selecting issuers whose core economic activities contribute to addressing environmental and social challenges. The strategy aims to generate strong financial returns while also making a positive impact 'to people and to the planet'. The portfolio features key sustainability themes such as 'Achieving inclusive society', 'Building knowledge & skills', 'Enabling circular economy', 'Promoting clean & safe energy' and 'Ensuring good health, safety & wellbeing'.

Johnson Controls (Ireland) sustainability-linked bond – USD 2.00% 09/2031

US technology and industrials company Johnson Controls produces heating, ventilation, air conditioning, fire safety, and security equipment, helping to make buildings more energy efficient, environmentally friendly and safe. The BlueBay team see the modern-day Johnson Controls as a far more resilient business than it previously had been - when it was primarily exposed to the automotive industry – and view their investment in its debt as a defensive, high-quality holding.

International Finance Facility for Immunisation (UK) social bond – USD 1.00% 04/2026

IFFIm is a global health financing organisation which aims to improve medical outcomes, particularly for children, in lower-income countries. IFFIm funding has been a critical support for Gavi, a public-private global health vaccination alliance which runs immunisation programs in developing countries. IFFIm has distributed $4.6bn to Gavi, which has vaccinated more than 888m children since 2000, potentially saving over 15m lives.

Engagement

When engaging with issuers, BlueBay may have general themes (e.g. ESG disclosure), or specific topics relevant to the issuer's business activities and performance, depending on whether the engagement was reactive or proactive in nature. For example, in their sectoral engagement with UK water utility companies in 2021, they had a specific theme of water pollution, but as part of the dialogue, BlueBay also incorporated other topics like climate change and sustainable finance strategies.

Specific engagements with issuers through 2021 were around numerous ESG risk topics, including Access & Affordability; Biodiversity, Pollution and Waste; Board Structure & Control; Carbon Footprint, Climate Change, Energy Consumption, Competitive Behaviour; Customers & Supplier Relations; ESG Strategy & Disclosure; Ethics & Corruption; Financial Accounting; Freedom of Speech; Data Privacy; Cyber Security; Health & Safety; and Labour Relations & Human Resource Management.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	71.2
Weighted average carbon intensity (tons CO2e per $mn revenue)	145.1
% of companies with science-based carbon emission reduction targets	29.0%
Potentially avoided emissions (tons CO2e per $mn invested)	not available
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	not available
D&I	
Average % of women on the board	29%

BlueOrchard EM SDG Impact Bond

BlueOrchard is a leading global impact investment manager. The firm is dedicated to fostering inclusive and climate-smart growth while providing investors around the world with premium investment solutions, including credit, private equity and sustainable infrastructure.

This fund supports corporations in the frontier and emerging markets that finance or are engaged directly in impact areas and thus contribute to achieving the UN SDGs.

The West African Development Bank (BOAD) sustainability bond – USD 4.7% 10/2031

BOAD is the development finance institution of the West African Economic and Monetary Union, with the goal of promoting the development of its eight member states: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. BOAD's investments in education, health facilities, and water/sanitation infrastructure deliver long-lasting impact at scale. In addition, the sustainability bond also invests in renewable energy projects and SME financing.

TBC Bank (Georgia) corporate bond – USD 5.75% 06/2024

TBC is the largest bank in Georgia, serving over 3.5 million customers via its 40% market share of loans and deposits, with a strong emphasis on innovative digital solutions. Digitalisation and technological transformation are key to reaching the wider public in the region, providing financial services to populations that have little or no access to physical banking branches. Facilitating these essential services remains a key challenge in Georgia, with TBC playing a critical enabling role.

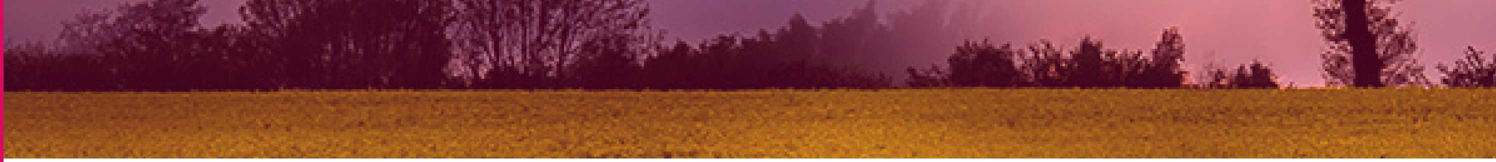
Engagement

BlueOrchard's Sustainability Team is made up of four employees, which include a founder and a member of senior management. The team engaged with 45 companies in 2021, including ReNew Power of India, where a dedicated one-to-one call was held with their ESG team. BlueOrchard were keen to see ReNew begin using various sustainability frameworks and methodologies in their disclosures and reporting, including that of TCFD, the Science Based Targets initiative, SASB and GRI.

Following this engagement, ReNew are now reporting key performance indicators based on SASB and GRI standards, with others in the pipeline.

The Sustainability Team, along with senior management, follow engagement progress on a quarterly basis. In general, they will assess whether an engagement is successful based on objectives which must be clearly defined prior to engagement. Often, the objective is to receive missing or additional data, and for this to then also be regularly made available and publicly disclosed.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	3.0
Weighted average carbon intensity (tons CO2e per $mn revenue)	13.4
% of companies with science-based carbon emission reduction targets	25.0%
Potentially avoided emissions (tons CO2e per $mn invested)	not available
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	3.0
D&I	
Average % of women on the board	6%



CT Responsible Global Emerging Markets

This fund invests in high-quality, large-cap companies with strong or improving sustainability characteristics, which we believe is the right approach for long-term investing in emerging markets. Integrated into the investment process is the firm's Responsible Investment Advisory Council – in place to maintain the integrity of the standards the fund adheres to, including providing advice on ethical and sustainability criteria. The strategy's approach emphasises asset-light businesses with modest capital needs, robust balance sheets and proven management teams.

TSMC (Taiwan)

Taiwan Semiconductor (TSMC) is the world's leading chip manufacturer. The firm pioneered the foundry business model, which focuses solely on producing customers' semiconductor designs. TSMC stands out amongst peers for its sustainability practices, with its leading edge technology enabling clients to create innovative products, using more powerful processors that consume less energy. The company also provides in-depth and relevant disclosure on ESG factors, and integrates these into its P&L analysis.


AIA (Hong Kong)

AIA Group (AIA) is a pan-Asian life insurer which has built a strong reputation with clients - and a presence in 18 countries - since 1919. CT believe AIA stand to benefit from the growing middle class in Asia, who are increasingly looking to establish financial safety nets. AIA is focused on improving user health and wellness through their 'Vitality' product, has reduced emissions per employee by 53% since 2018, and in 2021 made net-zero commitments through the Science Based Targets initiative.


Engagement

Through engagement and voting, CT seek to drive targeted improvement on how companies address ESG risks, opportunities and impacts. Their aim is to enhance long-term performance, reduce risk and encourage a positive contribution to broader environmental and social issues.

CT measure and report the success of engagements through "milestones", which recognise improvements in company ESG policy, management systems or practices. They seek to capture the narrative around materiality and impact of the progress made by the company. Milestones are measured using a three-star rating system, with three stars indicating the most significant impact of the milestone on investor value and one star reflecting smaller changes that, nevertheless, will contribute to investor value over the long term. CT achieved 388 milestones for their investors in 2021. Of those, 28% were Environmental, while 44% were Governance related, and 29% were Social.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	14.4
Weighted average carbon intensity (tons CO2e per $mn revenue)	62.8
% of companies with science-based carbon emission reduction targets	10.0%
Potentially avoided emissions (tons CO2e per $mn invested)	not available
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	0.8
D&I	
Average % of women on the board	22%

Federated Hermes Sustainable Global Equity

Federated Hermes' philosophy is premised on the belief we are in the midst of a societal shift, with the sustainable transition driving major change across industries in how companies operate and the products they sell. The team believe markets are often inefficient in pricing such change and tend to under-appreciate businesses that act in the best interests of all stakeholders. This fund takes an unconstrained, high conviction, patient approach; seeking to look beyond near-term noise and instead focus on innovation and long-term growth.

Bank Rakyat Indonesia (Indonesia)

Bank Rakyat Indonesia (BRI) is one of the largest banks in Southeast Asia, with a major emphasis on providing micro, consumer and small commercial loans. It was estimated that in 2019 BRI effectively brought 19 million people into the economy, and in 2020 the company loaned RP 484.4 trillion to small businesses. BRI is playing a vital role in increasing the percentage of Indonesians with a bank account, which is currently fewer than 50%. This is particularly vital for lower-income consumers and for women, who had limited access to finance historically.

Unilever (UK)

Unilever offers investors a stable revenue profile through a portfolio of famous household brands. In terms of sustainability, the business has been a trailblazer, not just in the consumer staples sector but across the broader market as a whole. Its focus on stakeholder capitalism has resulted in reduced energy consumption, higher sales growth (brands with purpose growing at 2x other brands) and better staff retention and recruitment. The management team have long believed effectively managing Unilever's environmental & social footprint builds the value of the business.

Engagement

Federated Hermes is a pioneer of effective stewardship. With more than $1.64tn in assets under advice (12/21), it is one of the largest, most skilled and diverse teams in the industry and has helped forge stewardship codes in developed and emerging markets. The team engages with corporates (80% of activities/time) as well as governments, regulators and industry bodies (20%).

An engagement objective can take up to three years to complete, depending on factors including the nature of the issue and how receptive the company is to engagement. Clinics are held with directors to review and challenge engagement strategy, tactics and ensure objectives are appropriate and milestone progress correctly reflects reality. In addition to their corporate engagements, they engage on public policy and market best practice which, when effective, can positively benefit all companies or investors in the affected region or sector. This is achieved through engagements with third-party organisations, such as civil society organisations, regulators, government bodies and trade associations.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	11.3
Weighted average carbon intensity (tons CO2e per $mn revenue)	41.1
% of companies with science-based carbon emission reduction targets	52.0%
Potentially avoided emissions (tons CO2e per $mn invested)	not available
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	154.9
D&I	
Average % of women on the board	30%

Goldman Sachs Emerging Markets Equity ESG

Goldman Sachs Asset Management (GSAM) designed this fund to offer dynamic emerging markets exposure, investing in companies that show a commitment to ESG leadership. GSAM believe that sustainable investing factors can help drive strong investment performance and continue to integrate ESG more deeply across their range of funds. In 2015, the firm acquired Imprint Capital, one of the industry's largest dedicated ESG and impact investing advisors. This expertise contributed towards the development of the philosophy and processes build into the fund.

Sao Martinho (Brazil)

Sao Martinho is a low-cost sugar and ethanol (S&E) producer which also generates electricity from sugarcane pulp. Brazilian cars are mostly flexi-fuel (petrol and ethanol), so there is a steady local market for the company, who are both a cost and technology leader in their sector. Sao Martinho has reduced its water consumption by 10% over the last 2 years – 58% of their water is now recycled – as well as achieving a 6% reduction in energy intensity.

Fertiglobe (UAE)

This nitrogen fertiliser company, based in Abu Dhabi, is the largest producer in the MENA region. While fertiliser produces GHG emissions, it is also increasingly critical in terms of food security, and the company is committed to reducing emissions and water consumption over time. Fertiglobe also makes 'blue ammonia' through carbon capture and will soon start producing cleaner 'green ammonia', using solar and wind energy. Ammonia is used for transporting hydrogen, viewed as a key long-term component of the energy transition.

Engagement

To track progress on individual engagements with companies, GSAM have developed a proprietary engagement tracker tool on their technology platform 'Fluent', used by portfolio managers and research analysts. It allows users to track ESG views, company engagements and proxy voting outcomes and to incorporate this information into their investment decisions, where relevant. GSAM also monitor for improvements on their broader engagement campaigns. For example, the Global Stewardship Team has worked to identify companies not publicly disclosing material emissions data under the SASB standards and urged them to start doing so.

An example of the team's active approach to stewardship over the period involved voting against a Chinese online shopping platform's proposal to elect a new director. The GSAM team have expressed to the company that its board composition lacks diversity and were of the opinion that the proposed addition failed to address this. The team will continue to monitor the company for improvements in this regard.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	22.3
Weighted average carbon intensity (tons CO2e per $mn revenue)	73.6
% of companies with science-based carbon emission reduction targets	3.3%
Potentially avoided emissions (tons CO2e per $mn invested)	not available
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	88,508.0
D&I	
Average % of women on the board	15%

JPMorgan Multi-Manager Sustainable Long/Short

The JPMorgan (JPM) Multi-Manager Sustainable Long Short fund aimed to generate returns through allocations to multiple sub-investment managers, each of which employed their own distinct strategies and styles, focusing on different areas of global markets. Unfortunately, JPMorgan made the decision to discontinue this strategy in the first half of 2022, offering investors the option of redeeming their holdings or rolling them into a fund of a similar structure (which did not meet our requirements for investments in Sustainable strategies). We reluctantly chose to exit.

Green Plains (US)

Green Plains are a leading agri-tech company producing, marketing and distributing ethanol, high protein animal feed, corn oil and other products. They are in the process of transitioning away from traditional commodity processing into a modern, sustainable bio-refinery platform. With newly acquired technology, their same input (corn) - primarily used just to create ethanol historically - can generate sustainable ultra-high protein, corn oil for renewable diesel, and clean sugar for green bioplastics and chemicals.

AES Corporation (US)

AES is a utility and power generation company providing affordable, sustainable energy across 14 countries through their diverse portfolio of distribution businesses, as well as thermal and renewable generation facilities. In JPM's view, AES is often misunderstood by investors, partly due to the company's history of complex business structures. AES trades at a large discount versus peers, with little recognition of the company's dramatic pivot to clean energy, including a pipeline of projects focused largely on renewables.

Engagement

With this fund having featured a multi-portfolio setup, JPM's stewardship and engagement occurred through the underlying managers rather than at the security level. Engagement and proxy voting at the security level were the responsibility of the underlying portfolio managers. In the case of **Green Plains,** notable success was achieved by the underlying manager, who was focused on shareholder engagement. They convinced the company to enhance its governance, with the firm declassifying its Board of Directors at the Annual Meeting of Shareholders.

The broader **JPMorgan Asset Management** business is "a major advocate of proxy voting and engagement within the industry", producing detailed quarterly voting and engagement activity reports for clients and publishing summary information online. JPM aim for these reports to provide qualitative as well as quantitative information, including commentary on their activities in relation to proxy voting, engagement, market developments and social and environmental issues.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	258.3
Weighted average carbon intensity (tons CO2e per $mn revenue)	255.2
% of companies with science-based carbon emission reduction targets	37.0%
Potentially avoided emissions (tons CO2e per $mn invested)	not available
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	63,717.0
D&I	
Average % of women on the board	30%

Ninety One Global Environment

The experienced team at Ninety One manage this global strategy to provide long-term returns, investing primarily in companies contributing to, or benefiting from, positive environmental change. This includes companies operating in services, infrastructure, technologies and resources related to environmental sustainability. Each company in the portfolio is exposed to at least one of three themes; Renewable energy, electrification and resource efficiency. In particular, the fund strives to contribute to decarbonisation; measuring and reporting its 'carbon avoided' impact.

Autodesk (US)

Autodesk provides computer-aided design software for the construction and manufacturing industries. Through digitisation, the firm helps to decarbonise the construction sector, which accounts for almost 40% of global energy-related emissions. This initiative includes driving the adoption of building information modelling, which - among other tools - helps Autodesk facilitate low-carbon design and greater resource efficiency. The company recently launched 'the Construction Cloud', which is designed to help digitise construction sites.

Iberdrola (Spain)

Iberdrola is a global leader in renewable energy generation, operating more than 38GW of renewable energy in Europe, the US and Latin America. The company supplies electricity to almost 100 million people and employs c. 40,000. They are the largest owner of renewable energy generating capacity in Europe and also have leading positions in Mexico and Brazil. Iberdrola will play a key role in achieving net zero roadmap goals and plan to double their renewable capacity to 60GW by 2025, rising to 95GW by 2030.

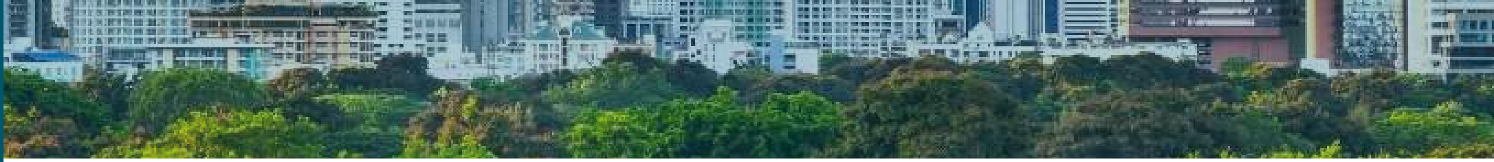
Engagement

Ninety One continue to regard engagement as vital to their investment process. Over the reporting period, their engagements have included the ongoing improvement in carbon reporting data and specifically on understanding and engaging with companies in relation to their net zero ambitions and targets.

The team recognises engagements may take several years before they can be considered successful. Ninety One also acknowledges their contributions alone may not lead to change. Therefore, they take a long-term perspective when engaging and are keen to cooperate and collaborate with other investors or industry bodies to enact change. Ultimately, if not satisfied that a company is making sufficient progress on a key, material sustainability topic, Ninety One will sell. For instance, they require all their companies have credible carbon reduction plans by 2030. Otherwise Ninety One will exit their position.

Voting record through 2021; votes with management 93.73%; votes against 6.27%

CARBON	
Carbon footprint (tons CO2e per $mn invested)	55.0
Weighted average carbon intensity (tons CO2e per $mn revenue)	362.0
% of companies with science-based carbon emission reduction targets	42.0%
Potentially avoided emissions (tons CO2e per $mn invested)	943
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	not available
D&I	
Average % of women on the board	30%



Pictet Global Environmental Opportunities

The fund's long-only equity investment approach adheres to a unique scientific framework; Planetary Boundaries. This focuses on nine key environmental dimensions and specifies the respective thresholds that humanity should not cross to avoid irreversible environmental damage. The Pictet GEO team aim to understand how a company's products and services impact on these boundaries, building a portfolio of circa 50 businesses which are operating safely inside these, while also making a contribution to solving environmental challenges.

Thermo Fisher Scientific (US)

Thermo Fisher is a leader in life sciences solutions, analytical instruments and diagnostics, with applications in the health and environmental testing segments. The company has been delivering strong organic growth in countries all around the world, as well as making targeted strategic acquisitions. Thermo Fisher falls within the fund's 'pollution control' segment, with the company's product innovations having been responsible for very significant levels of waste reduction.

Synopsys (US)

Synopsys is a provider of electronic design automation solutions, e.g. critical software necessary to design semiconductors. They improve the efficiency of semiconductor design and manufacturing in relation to energy consumption. The benefits to sustainability continues, as many of its customers use these semiconductors for power management, smart mobility, smart grids and industrial efficiency applications. For the planetary boundaries framework, its activities are the most beneficial for atmospheric aerosol loading, ozone depletion and chemical pollution dimensions.

Engagement

In 2021, Pictet migrated to a new reporting management system platform, BipSync, which provides portfolio managers with complete visibility into the entire research undertaken across the firm. BipSync allows the team to record, categorise (e.g. shareholder's rights, climate change mitigation, human rights, etc), track and report all interactions with companies, and to store resolved engagements. The team will log updates regarding companies' progress, as well as record notes on the team's expectations and outlook for the process. This shared environment enables the portfolio managers to track engagements, irrespective of which team initiated the discussions, and collaborate on engagements where appropriate.

Pictet may prioritise a company for engagement either bilaterally, in collaboration with others or through their engagement service provider. Companies are identified jointly by investment teams and Pictet's ESG team, selected on the basis of significant ESG risks having been identified, coupled with a large enough investment to suggest the engagement will likely be effective.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	70.0
Weighted average carbon intensity (tons CO2e per $mn revenue)	178.2
% of companies with science-based carbon emission reduction targets	64.7%
Potentially avoided emissions (tons CO2e per $mn invested)	not available
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	30,849.0
D&I	
Average % of women on the board	32%

PIMCO GIS Climate Bond

This global, multi-sector fixed income strategy helps foster the transition to a net zero carbon economy while seeking robust returns akin to an investment-grade portfolio. The fund's broad opportunity set includes both labelled and unlabelled green bonds, alongside bonds of 'climate leaders', utilising a flexible remit in order to aid a wider range of climate solution projects and initiatives. Climate leaders such as Danone, while not 'pure play' green companies are helping to lead the way in mitigating carbon emissions across their value chain, making a material transition impact in the process.

Prologis (US) - 1.77% - 15/03/2028

Prologis is a global owner, operator, and developer of logistics and industrial real estate with an advanced sustainability strategy versus peers. Their environmental leadership is exemplified by repeated green bond issuances dedicated to achieving top LEED (Leadership in Energy and Environmental Design) or BREEAM (Building Research Establishment Environmental Assessment Method) certifications in the U.S. and U.K., respectively. The fund invested in a €300m green bond issue with a March 2028 maturity.

ING Groep (Netherlands) – USD 4.875% 05/2029

ING Groep has committed to aligning its lending portfolio with the Paris Agreement and produced comprehensive disclosure on progress towards this. ING has interim goals in place, including zero coal exposure by 2025 and no financing to new oil and gas fields. The issuer continues to structurally increase the share of renewables in its 'financed electricity energy' mix. ING has some of the strongest green bond frameworks and climate commitments among banks, making it a strong investment candidate.

Engagement

In 2021, PIMCO analysts took part in 1,585 engagements with corporate bond issuers across a range of industries and regions, representing over 80% of firm-wide corporate issuer holdings.

By way of example, they have been engaging with more than 20 global banks on implementing their carbon emission strategy and alignment with the Paris Agreement. They shared PIMCO's view and recommendations on committing to net zero, setting time-bound expectations in lending policy in line with the Paris Agreement, timeline and scope of interim targets, linking targets to compensation, and so on. By partnering with investors affiliated with the Institutional Investors Group on Climate Change (IIGCC), PIMCO reinforced their expectations on climate strategy with some of these banks. In another example, under their 'access to healthy diets' theme, PIMCO have engaged with eight global food and beverages companies. During meetings with nutrition and sustainability specialists of these companies, the engagement team discussed investors' expectations on their nutrition strategy and disclosures.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	34.8
Weighted average carbon intensity (tons CO2e per $mn revenue)	117.1
% of companies with science-based carbon emission reduction targets	56.6%
Potentially avoided emissions (tons CO2e per $mn invested)	641
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	0.6
D&I	
Average % of women on the board	33%

Polar Capital Emerging Market Stars

As we have often stated, our Sustainable Growth strategy is not a portfolio of angelic companies, and this is one of a number of funds which include exposure to companies transitioning from less good to better. Despite this, EM Stars still rates 'greener' than its benchmark, with an investment process that incorporates the UN SDGs, the Sustainable Accounting Standards Board guidelines, and factors ESG issues into cost of capital analysis. Polar also use 'Impact-Cubed' to assess sustainability data and undertake broader portfolio analytics.

Apollo Hospital (India)

Apollo own and manage the largest hospital chain in India, a country with just 12 hospital beds per 10,000 people; demonstrating the urgent need for healthcare capacity to be expanded and efficient. The company receives 40% of its energy from renewable sources, with a 3-year target of 70%. On the social side, the company has secured financial solutions via the State Bank of India and Baja Financials to help provide an affordable financial support scheme for low-income patients to access healthcare in critical illness situations.

Reliance Industries (India)

Reliance Industries is India's largest private sector company, which has evolved over the last decade from its origins as a petrochemicals and refining company. Polar believes Reliance is on the path of transformation into a modern, multifaceted company, featuring a presence in end markets such as telecoms, retail, digital platforms and, most recently, renewable energy materials. They have four gigafactories producing the latter, which include PV solar modules, battery storage, green hydrogen electrolysers and fuel cells.

Engagement

The Polar team's engagement process continues to evolve gradually over time, with two notable changes having emerged over the last year, which meaningfully shift the terms of how they regard collective engagement and its importance. Firstly, there are now an increased number of like-minded investors who are motivated for real action and want more direct engagement via meetings rather than letter-writing. These investors are not asking for the kind of changes that are beyond likelihood, but are pursuing incremental improvements that help everyone move in the right direction and should also be in the company's interest. Secondly, there is a much more palpable sense of shared urgency in the investor community, as common recognition has arrived that climate action is not something that can be delayed for a further decade; it must be implemented via changed behaviours now – backed with solid investment strategies. For these reasons, Polar see tangible benefits of being active in collective engagement groups, particularly in situations where they can identify like-minded investors and have the opportunity for direct, constructive engagements.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	16.9
Weighted average carbon intensity (tons CO2e per $mn revenue)	95.3
% of companies with science-based carbon emission reduction targets	0.0%
Potentially avoided emissions (tons CO2e per $mn invested)	not available
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	299.8
D&I	
Average % of women on the board	15%

Regnan Global Equity Impact Solutions

We have invested with this team - previously via the Hermes Impact Opportunities Equity Fund - for several years. Regnan have a 20 year plus heritage in sustainable investing, and launched this strategy in collaboration with JO Hambro Capital Management. The strategy uses the UN SDGs as a framework for an intensive, detailed and reflective investment process, which is applied in a high conviction, all-cap portfolio of circa 35 holdings. The approach features a very long-term investment horizon, with heavy emphasis on driving impact through engagement.

Novo Nordisk (Denmark)

Novo Nordisk develops innovative products focused primarily on addressing obesity and diabetes and currently treat 26m of over 400m diabetics globally. Annual costs associated with the disease are forecast to reach $2.5tn by 2030. Novo Nordisk considers obesity to be 'the 21st-century epidemic', with c. 650m people obese globally, a figure projected to rise to 1bn by 2025. If untreated, the cost of complications is expected to reach c. $1.2tn globally by 2025, due to comorbidities such as diabetes and cardiovascular disease.

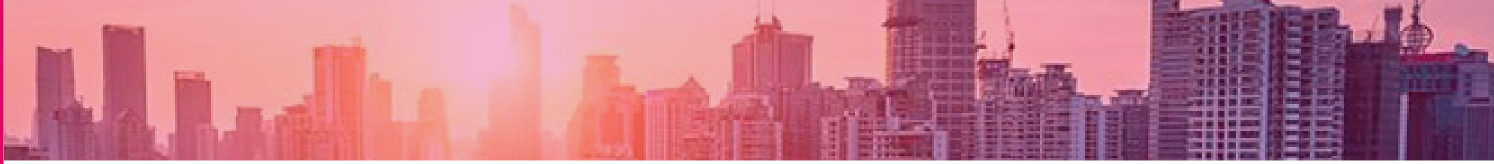
Evoqua (US)

Evoqua is a global leader in water treatment, providing service-based solutions for companies to reduce contaminants such as microplastics and pharmaceutical compounds. Water quality is a major health and environmental issue, with diseases caused by air, water and soil pollution estimated to cause c. 9m premature deaths (16% of total) in 2015. Evoqua implements high-purity water treatment solutions and increases water re-used within industrial processes to reduce water withdrawals and discharges.

Engagement

In its engagement with wind turbine manufacturer Siemens Gamesa, the Regnan team focused on the issue of end-of-life disposal of turbine blades. Whilst about 85% of wind turbine components can easily be recycled, the high-performance composite materials used in blades remain a challenge. As a leading manufacturer of wind turbines, Siemens Gamesa can play a decisive role in providing a solution. Regnan met with experts from Composites UK and researchers from the University of Leeds to discuss the challenges and possible solutions. They also met with Siemens Gamesa's head of sustainability, where they raised the issue and argued that a more active approach was needed, including the adoption of specific targets for the recycling of wind blades. Siemens Gamesa subsequently announced their participation in DecomBlades, a cross-sector consortium to establish a recycling industry for composite materials. While the fund subsequently exited the position for financial reasons, Regnan remain invested in the sector. The investment team are encouraged that this issue is increasingly acknowledged and understood and confident that solutions will evolve sooner rather than later.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	31.8
Weighted average carbon intensity (tons CO2e per $mn revenue)	140.7
% of companies with science-based carbon emission reduction targets	57.1%
Potentially avoided emissions (tons CO2e per $mn invested)	not available
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	not available
D&I	
Average % of women on the board	42%

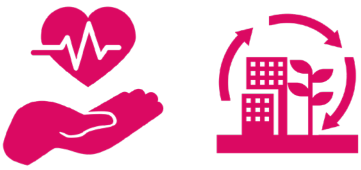


Schroder Global Cities Real Estate

This strategy focuses on investing in the Global Cities where people most want to live, work and play. The team targets companies which are most exposed to key characteristics in this respect, such as strong infrastructure, diverse economies, skilled labour and quality of life. Investing in real estate within these cities gives exposure to a diverse range of sectors and access to economies expected to outperform national averages. The fund's investment process has evolved to increasingly value the sustainability of real estate assets, which was a key catalyst for our allocation.

Alexandria Real Estate Equities (US)

This American REIT, which focuses on office buildings and laboratories in the life science and technology industries, has been a long-time holding (over 5 years) in the Global Cities portfolio. The Schroders team continue to be impressed with the company's efforts to improve ESG policies and their innovative approaches to developing sustainable research environments. Alexandria's facilities are key to the integration of next-gen R&D and manufacturing for biotech firms, particularly in the gene therapy space.



Unite Students (UK)

Unite is the UK's largest owner, manager and developer of purpose-built student housing, serving the country's world-leading higher education sector. The company plays an important role in the ongoing urbanisation trend, helping to ensure the UK's key education and research cities have modern, safe, sustainable infrastructure available. The company helped enhance student welfare during the Covid-19 lockdowns through direct financial support and the quality of their facilities.

Engagement

The Schroders team's engagements with Unite Students included meeting with the firm's CFO and Head of Sustainability with regard to their recently announced Net Zero 2030 goal. Schroders believe it is important to focus on the pathway to achieving these in practice. Their interactions with Unite helped them understand how the company intended to deliver on their ambitious plan. The added difficulty for Unite is that although they control the energy supply to their student accommodation portfolio, they cannot dictate how their customers use the facilities (whether windows are left open, and so on).

The Unite Student team responded that to deliver on this goal, they planned to engage with students on behavioural changes and to step up their investment in the building fabric from 2022 (LEDs, automated heating, heat pumps, etc). More recently, Schroders have been pleased to see Unite publish a more detailed Net Zero pathway, supported by various tools such as CRREM and backed by Science Based Targets.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	8.3
Weighted average carbon intensity (tons CO2e per $mn revenue)	138.8
% of companies with science-based carbon emission reduction targets	27.0%
Potentially avoided emissions (tons CO2e per $mn invested)	not available
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	7,498.0
D&I	
Average % of women on the board	30%

Schroder Global Energy Transition

This strategy invests in the equities of companies helping to drive the global transition toward lower-carbon energy sources. The fund allocates across the entire sustainable energy value chain, breaking this into 7 key segments: renewable energy equipment, renewable energy generation; transmission & distribution; batteries & energy storage; hydrogen; electrical equipment & energy; and clean mobility. At least 75% of the portfolio must be in businesses where the majority of revenues stem from activities contributing to this energy transition.

First Solar (US)

First Solar is a leading US manufacturer of solar modules, producing cost-competitive, highly efficient panels for utility-scale solar projects. They are one of few companies in the solar supply chain based outside of China which strongly focus on quality, reliability and sustainability. The company's modules have a differentiated technology; the carbon footprint is up to 6 times lower, and the energy payback time is up to 4 times faster than competitors in locations with more carbon-intensive electricity grids.

Signify (Netherlands)

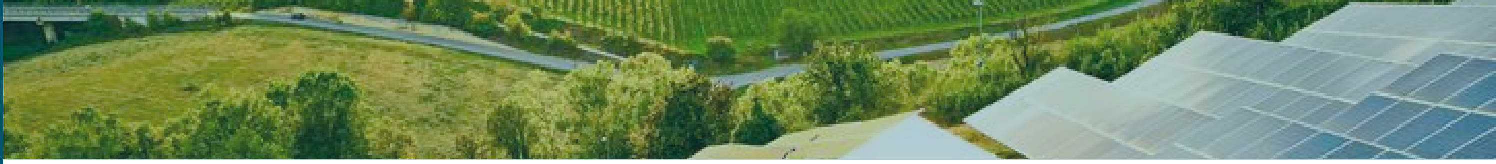
Signify design, manufacture, install and service lighting solutions. They are already carbon neutral with respect to their own operations, procuring 100% of all their electricity from renewable sources. They hope to go further beyond neutrality to align with the 1.5 degree Celsius warning scenario. Furthermore, 80% of their products are sustainable, supporting energy efficiency goals or social innovations. By 2025 they hope to double the number of women in leadership and double the revenue from reused or recycled products.

Engagement

The Schroders team engaged with several solar companies with respect to concerns around forced labour in Chinese production of polysilicon, a key input in solar modules. This engagement work further cemented their view that First Solar's supply chain – including vertically integrated manufacturing operations – was among the most traceable and transparent in the industry. The team was reassured that First Solar had steered clear of risks related to alleged human rights abuses in China's Xinjiang region (and a potential US ban on goods from that region).

More broadly speaking, Schroders are very active with their company engagement work, striving to speak twice yearly with management of all current holdings. In 2021 they voted on 748/797 votable proposals, siding against management 113 times. When determining whether to engage, Schroders look at the largest threats to sustainability, regional context, achievable goals, ability to monitor progress and timeframe. However, the ultimate goal is to track companies' progress and measure the outcomes of their engagement.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	23.7
Weighted average carbon intensity (tons CO2e per $mn revenue)	116.0
% of companies with science-based carbon emission reduction targets	30.0%
Potentially avoided emissions (tons CO2e per $mn invested)	549
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	1,382.0
D&I	
Average % of women on the board	27%



UBAM
Positive Impact Equity

This fund is managed to a simple principle; innovative companies focused on providing solutions to the world's biggest environmental and social challenges, are uniquely positioned to serve their many stakeholders. Therefore, the team, led by Head of Impact Investing Victoria Leggert, have distilled the 17 UN SDGs into 6 key themes; 3 societal (basic needs, health & wellbeing, inclusive & fair economies) and 3 environmental (healthy ecosystems, climate stability, sustainable communities). Each of the c. 40 holdings in the EU-centric portfolio must create revenues by addressing these challenges.

Biffa PLC (UK)

Biffa provides sustainable waste management services with a strong focus on plastic recycling. They are the second largest waste management company in the UK. From a sustainability perspective, Biffa are moving up the waste hierarchy toward surplus redistribution to help customers stop waste ever becoming waste. The company aims to triple its plastics recycling capacity over the next five years – and to recycle 100% of the plastic waste it collects in the UK (vs. 91% currently) - while cutting emissions by 30%.

Trane Technologies PLC (US/Ireland)

Trane Technologies (TT) is a leading manufacturer of commercial and residential HVAC (heating, ventilation & air-conditioning) and transport refrigeration equipment. They have a strong focus on environmental innovation, with targets that include an ambitious goal to reduce customers' carbon footprints by 1 gigaton by 2030. The latter was reduced by 50 million tonnes in 2021, while TT also cut their own water usage by 18%. Other key targets going forward include reducing scope 1+2 GHG emissions to 50% below 2019 levels.

Engagement

UBAM successfully engaged with both Biffa and Trane Technologies Plc over the recent period, during which the investment team implemented their Impact Engagement Framework, discussing their key sustainability focus as well as analysing and subsequently engaging on relevant data provided by the companies.

Throughout 2021, UBP (UBAM's parent company) worked with MAANCH, a B Corp organisation, to build an Engagement Tracker that enables asset managers and investors to automate data capture, analysis and reporting of all engagements with their portfolio companies. This tool went live early in 2022, and UBP believes it will enable its investment teams to better track, escalate, monitor and report on direct engagements undertaken while also increasing transparency across the business.

Collaborative engagements over the period included participation in the UN PRI Sustainable Commodities Practitioners' Group and specific issues around sustainable aquaculture (fish farming).

CARBON	
Carbon footprint (tons CO2e per $mn invested)	55.7
Weighted average carbon intensity (tons CO2e per $mn revenue)	101.7
% of companies with science-based carbon emission reduction targets	53.0%
Potentially avoided emissions (tons CO2e per $mn invested)	243
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	316.7
D&I	
Average % of women on the board	34%

Vontobel Clean Technology

Vontobel's sustainable investing credentials date back to the 1990s, and with this strategy, they focus on companies striving to minimise the negative impact of human intervention on the planet. The fund invests in businesses providing innovative technologies and services contributing toward sustainable industrialisation and urbanisation. In particular, the approach focuses on businesses operating in six key areas; lifecycle management, resource-efficient industry, building technology, clean energy, low emission transport, and clean water.

Friedrich Vorwerk Group (Germany)

Friedrich Vorwerk Group are an energy service company that builds energy transportation networks and vital infrastructure for the gas, electricity, and hydrogen markets. The future build-out of a hydrogen network, seen as a likely key component of a decarbonised energy complex, will require the highly specialist expertise of companies such as Friedrich Vorwerk, while their horizontal drilling techniques allow for the laying of underground high-voltage cables with minimal impact on the environment.

Smurfit Kappa Group (Ireland)

Smurfit Kappa manufactures paper packaging products, including container boards and corrugated containers. The company strongly focuses on intelligent packaging solutions, replacing plastic and other materials with its paper-based materials, to reduce waste products, energy use and carbon emissions. Smurfit Kappa's hygiene papers improve comfort and safety for people, particularly in lower-income regions and in other situations where clean water for washing may not be as readily available.

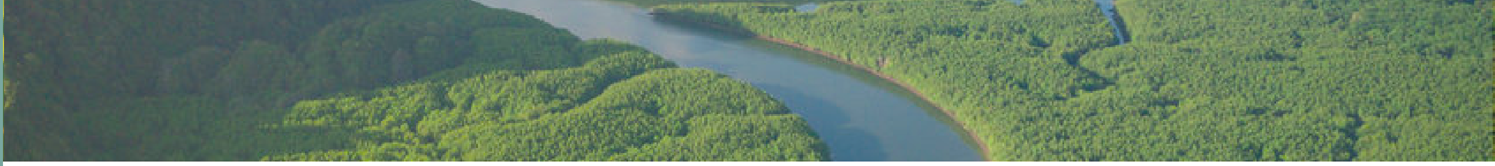
Engagement

Vontobel's approach to engagement is to hold constructive conversations with companies. They believe active ownership is a powerful way to protect shareholder value, enhance long-term returns and foster positive change. Vontobel are convinced that ensuring good ESG practices in their funds' holdings is important in safeguarding the long-term interests of shareholders and society. Engagement includes ongoing communications between the investment team and the management teams of investee companies; these can range from ongoing updates and questioning of the current and future business model, to engagement on specific issues.

In 2021 Vontobel attended 70 AGMs; they voted against management - on one or more agenda item - on 47 occasions and voted with management on all agenda items in the other 23 instances.

Vontobel also evaluated a new collaborative engagement partner during the period, signing a partnership with BMO responsible engagement overlay for joint engagement efforts, which became effective in 2022.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	78.8
Weighted average carbon intensity (tons CO2e per $mn revenue)	171.2
% of companies with science-based carbon emission reduction targets	48.4%
Potentially avoided emissions (tons CO2e per $mn invested)	1,600
ENVIRONMENT	
Water usage footprint (litres per $mn invested)	43,984.0
D&I	
Average % of women on the board	32%



Wellington Global Impact Bond

This global bond fund invests in the debt of companies, governments, and other organisations, conducting extensive research to ensure the associated bond proceeds help address the world's major social and environmental challenges. The fund's impact framework is focused on 3 major categories; life essentials (e.g. affordable housing), human empowerment (e.g. education), and environment (e.g. renewable energy). For each holding, the team track key performance indicators to ensure progress is being made toward targets.

Instituto Costarricense de Electricidad (Costa Rica) - USD 6.75% 10/2031

ICE is Costa Rica's state-owned energy and telecoms company, which in 2021 generated circa 99% of its electricity from clean sources. Wellington hold a sustainability-linked bond issued by ICE with the coupon rate linked to increasing the use of smart meters in its operations. Proceeds raised by this bond help fund the transition of the country's electricity grid to a smart grid, benefitting customers via more efficient energy usage and greater network resilience.

Bharti Airtel (India) corporate bond – USD 5.35% 05/2024

Bharti Airtel is a global telecommunications services company operating across 18 countries. In India, through providing telecoms infrastructure to sparsely populated rural areas, the company enables connectivity to individuals and businesses previously disadvantaged by limited network access. The issuer is one of the few companies working to expand networks in India, helping bridge the digital divide and enabling increased economic participation amongst historically underserved communities.

Engagement

Wellington believes engagement with issuers can derive meaningful insights related to their achievement of impact, progress against sustainability targets, and ongoing improvements to ESG practices. Engagement enables the business to identify and assess investment risks and opportunities while helping ensure that issuers generate meaningful impact yearly.

Wellington's engagements and agenda are coordinated with their ESG Team, who are a shared resource of the firm across both equity and fixed income asset classes. They serve as a partner to investment and portfolio management teams.

Engagements can take the form of an agenda on a regular investor call or a focused communication regarding a particular issue. These interactions may include meeting with company boards, speaking to non-executive directors, carrying out proxy voting (Wellington's broader impact team manages both equity and bond strategies), or participating in stakeholder dialogues.

CARBON	
Carbon footprint (tons CO2e per $mn invested)	26.0
Weighted average carbon intensity (tons CO2e per $mn revenue)	99.0
% of companies with science-based carbon emission reduction targets	38.2%
Potentially avoided emissions (tons CO2e per $mn invested)	not available

ENVIRONMENT	
Water usage footprint (litres per $mn invested)	15,573.0

D&I	
Average % of women on the board	30%

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FINALIST
PAM
AWARDS
2022

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