



# Global impact annual report

**JUNE 2022**

FOR PROFESSIONAL AND  
INSTITUTIONAL INVESTORS ONLY



# About this report

Learn about the impact your  
investments had in 2021.



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# Our impact platform

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# Message of commitment

**We are pleased to share our sixth annual report, with updates on our Global Impact and Global Impact Bond Funds.**

We continue to evolve our impact investing approach in response to major trends, including the ongoing COVID-19 pandemic, the intensifying impact of climate change, and the accelerating shift to digital ways of working and living.

In our digital divide theme, we anticipate significant long-term demand for technologies addressing widening digital inequality across developed and emerging markets. In our health theme, we are finding more companies and issuers looking to solve health-care-related challenges such as access to affordable care, inefficiencies in service delivery, and chronic underinvestment in health care infrastructure. As we write this



*Campe Goodman, Liliana Castillo Dearth and Tara Stilwell (L to R)*

year's report, a humanitarian crisis is unfolding in Europe following Russia's invasion of Ukraine. This tragedy is an urgent reminder for countries the world over to reduce their dependency on fossil fuels and increase their focus on energy security. We expect impact companies in the alternative energy and resource efficiency spaces to see accelerated

demand as governments redouble their efforts to diversify energy systems.

The challenges associated with climate change remain a primary focus. Our ongoing research with our climate-science partners at Woodwell Climate Research Center (Woodwell) shows the widespread need to boost climate

resilience. Solutions to protect life and property from the effects of climate events cross several impact themes in our Life essentials, Human empowerment, and, of course, Environment categories. Wellington has expanded its focus on climate transition risks through a partnership with the Massachusetts Institute of Technology Joint Program on the Science and Policy of Global Change. We also continue our leadership in the Net Zero Asset Managers initiative.

We are committed to setting a high bar for materiality, additionality, and measurability. Through engagement, we encourage companies to establish key performance indicators (KPIs) demonstrating positive

social and environmental impact. In our Global Impact Bond Fund, we can invest in issues that incentivize issuers to improve their sustainability profiles and set targets with associated metrics. As communities increasingly see the value of solutions that benefit people and the planet, companies and issuers are incentivized to innovate. The result is an expanding impact opportunity set.

We believe our approach of investing across 11 impact themes puts us in a strong position to capture promising new developments across developed and emerging markets.

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**We are committed to setting a high bar for materiality, additionality, and measurability.**

We are honored to play a role in growing the impact ecosystem with your support. Thank you for your faith in our team and in Wellington. We look forward to generating positive impact and competitive investment returns for our clients in 2022.



**Tara Stilwell, CFA**  
Portfolio Manager,  
Global Impact Fund



**Campe Goodman, CFA**  
Portfolio Manager,  
Global Impact Bond Fund



**Liliana Castillo Dearth**  
Portfolio Manager,  
Emerging Markets Impact\*

\*Wellington does not currently offer an Emerging Markets Impact UCITS Fund, but we include the perspectives of the portfolio manager as the research insights from the Emerging Markets Impact Team benefit the entire impact platform.

# 2021 impact highlights

Investments in our Global Impact and Global Impact Bond Funds:

**16 million**

Generated 298 terawatt hours (TWh) of renewable energy, enough to eliminate more than 129 million tonnes of GHG emissions and power 16 million homes\*

**414 million**

Avoided 414 million tonnes\*\* of greenhouse gas (GHG) emissions through improved resource efficiency

**1.6 billion**

Enabled digital access for over 1.6 billion people in developing countries

**55.5 million**

Provided education, training, and career support to more than 55.5 million people

**86 million**

Protected over 86 million businesses or individuals with cybersecurity tools and technologies

**141 million**

Supplied health care products and services to over 141 million patients

**14 million**

Supplied or financed more than 14 million units of affordable housing

**147 billion**

Provided or treated more than 147 billion cubic meters (m<sup>3</sup>) of water

\* Authors' note: Our 2020 report stated that the funds generated over 5,389 TWh of renewable energy for the year. Due to a calculation error, this figure was overstated. The actual amount generated was 1,006 TWh. | \*\*Throughout this report, unless otherwise indicated, we use tonnes for metric tons. | All investing involves risk. Investors should consider the risk that may impact their capital, before investing. These impact highlights relate to our impact equity and impact bond approaches. The value of your investment may become worth more or less than at the time of original investment. Please refer to the Important disclosures at the end of this document for more information.

# Alignment with the UN Sustainable Development Goals

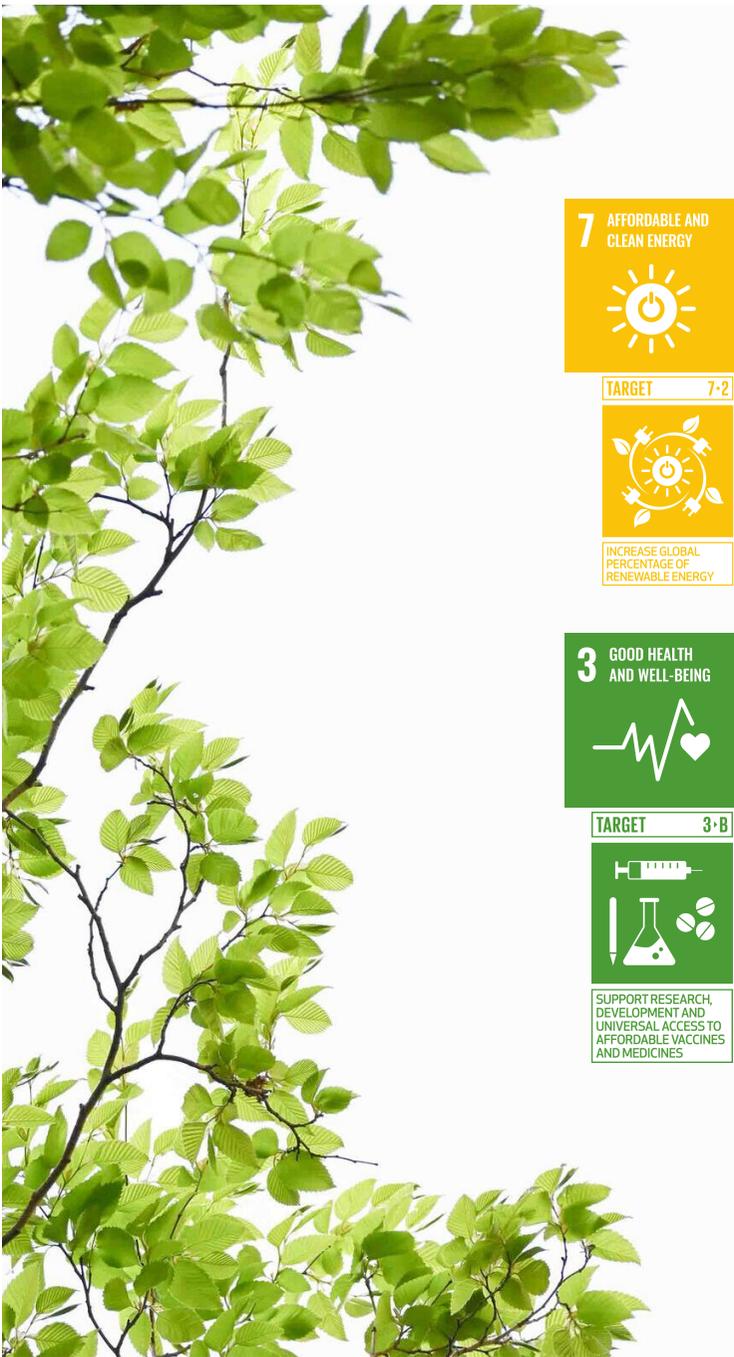
In 2015, we launched our first impact investment approach, aimed at addressing themes related to Life essentials, Human empowerment, and the Environment. The development of our themes took extensive research and consultation, as we sought to identify the key forces driving the just transition to a more socially and environmentally sustainable future. When the United Nations Sustainable Development Goals (SDGs) were adopted, we were pleased to see how closely our themes aligned.

We support the 17 SDGs and believe the financial services industry has an integral role to play in bridging the funding gap to achieve them. While we do not manage the portfolios to a targeted level of alignment, our high standards for inclusion result in a strategy that naturally supports many of the SDGs. We invest in companies and issuers that align directly with our proprietary impact themes;

we also denote the relevant SDG and specific target to which they contribute to better contextualize their activities alongside the great work being carried out by other financial, government, and nongovernment organizations (as illustrated on the next page). Increased reporting by asset managers on alignment with the SDGs facilitates the assessment of capital allocation to fund progress toward these critical outcomes.

Some of our impact themes are not directly captured by the SDGs, but, in our view, they indirectly address several goals. We believe bridging the digital divide and expanding financial inclusion, for instance, are critical pathways for reducing poverty, enhancing gender equality, and reducing inequalities (SDGs 1, 5, and 10, respectively).





TARGET 7-2



INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY



TARGET 3-B

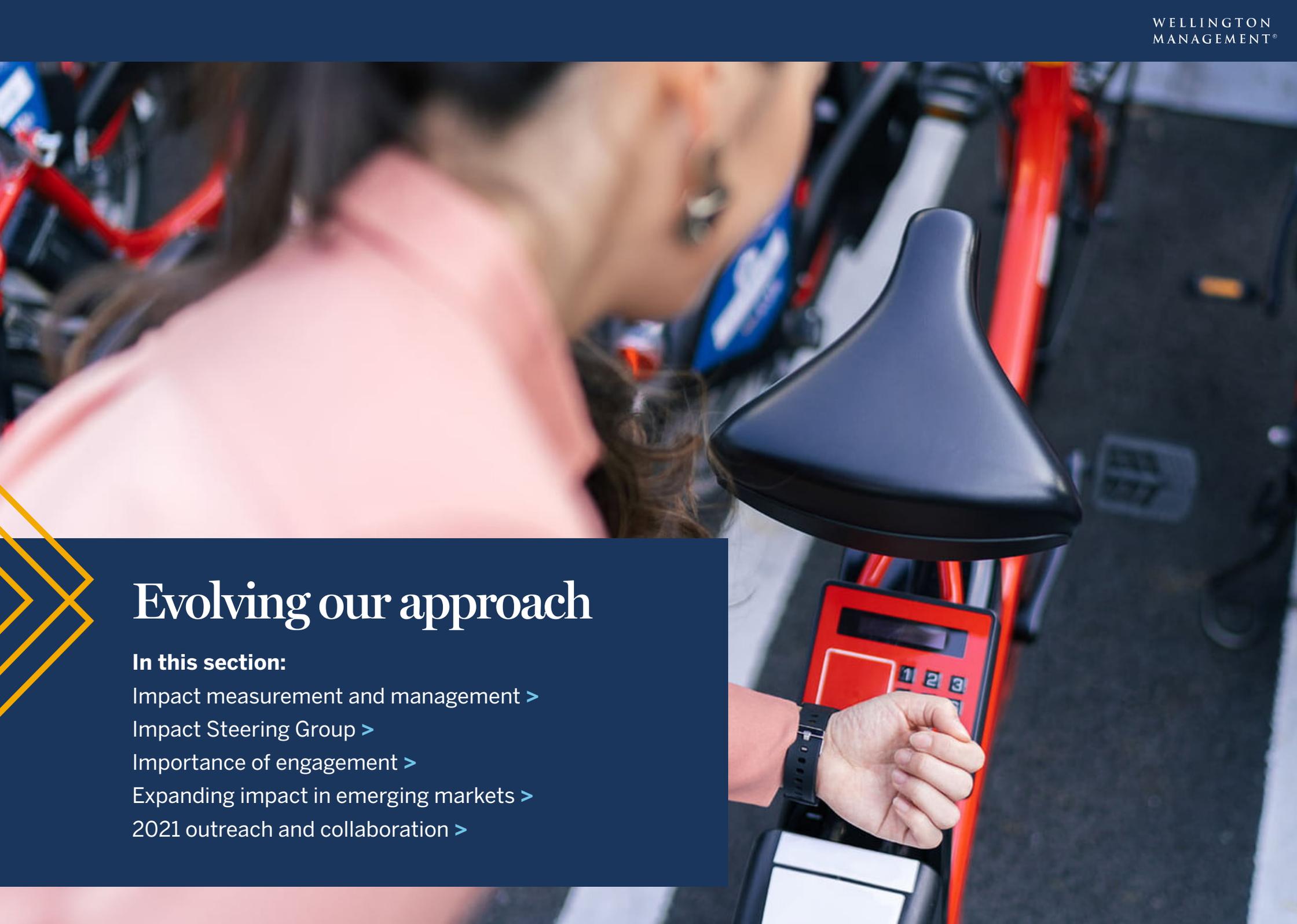


SUPPORT RESEARCH, DEVELOPMENT AND UNIVERSAL ACCESS TO AFFORDABLE VACCINES AND MEDICINES

## SAMPLE REPORTING ON UN SDG ALIGNMENT

<b>Company/Issuer overview</b>	International provider of photovoltaic solar energy solutions
<b>Impact theory of change</b>	The issuer's differentiated technology in photovoltaic solar modules diversifies the global energy mix, delivers a lower-cost alternative to utility customers, and reduces the negative environmental impact from fuel use by displacing CO2 emissions.
<b>SDG target</b>	7.2 – By 2030, increase substantially the share of renewable energy in the global energy mix
<b>Company/Issuer overview</b>	International provider of professional, medical, industrial, and commercial products and services spanning life sciences, diagnostics, and environmental and applied solutions
<b>Impact theory of change</b>	The issuer facilitates the development of innovative medical technologies that allow researchers and clinicians to create and administer lifesaving treatments, improving patient outcomes.
<b>SDG target</b>	3.B – Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, and provide access to medicines for all

Wellington determines the goals and targets that, in our view, each portfolio company or issuer is aligned with. Language for the goals and targets has been abbreviated, but not otherwise altered, from UN.org. Wellington Management supports the United Nations Sustainable Development Goals. | Sources: Wellington Management, UN.org



## Evolving our approach

### In this section:

- [Impact measurement and management >](#)
- [Impact Steering Group >](#)
- [Importance of engagement >](#)
- [Expanding impact in emerging markets >](#)
- [2021 outreach and collaboration >](#)

# Impact measurement and management

Impact measurement and management (IMM) is a core component of our investment process, critical for evaluating a company's or issuer's holistic impact — specifically, how its products and services contribute to our impact objectives. In 2021, as data availability expanded, industry standards improved, and interest in impact investing accelerated, we meaningfully built out our existing IMM processes.

Our IMM evaluation factors remain unchanged for 2022. For each portfolio holding, we:

- Describe a theory of change
- Select a core KPI
- Provide a historical comparison to show impact progress over time
- Identify a likely primary negative impact
- Share a qualitative comment and/or an overall evaluation of impact

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**IMM is critical for evaluating a company's or issuer's holistic impact.**

As in 2021, the “portfolio spotlight” examples throughout this report aim to illustrate in-depth IMM analysis.

We use the Impact Measurement Project's (IMP's) five dimensions of impact norms and highlight key themes that have emerged during our company engagements over the course of the year.

## 2021 IMM enhancements

### IMM PRACTICE LEADER HIRED

In April 2021, Wellington hired Oyin Oduya as Wellington's IMM Practice leader. Partnering with our impact equity, bond, and emerging markets teams, Oyin serves as a dedicated resource focused on ensuring consistent, high-quality impact data and analysis. Her remit is to:

- Facilitate our impact monitoring and reporting process
- Provide useful insights to our investors and stakeholders
- Deepen understanding of the real-world outcomes of our investments

We look to build on the expertise of our IMM Practice and Oyin's experience in private market impact investing to evolve our approach and align with industry-leading IMM standards.

### **IMPROVED DATA MANAGEMENT AND ANALYSIS**

We believe continual improvement in the collection and management of impact data allows us to analyze our impact more rigorously across asset classes, regions, and themes. Better analysis also embeds feedback loops in our process, which we believe can further our objective of optimizing impact across the Global Impact and Global Impact Bond Funds. To that end, evolving our data management was a focus in 2021.

In addition, the IMM Practice has worked to enhance existing approaches, for example, developing a new framework with the impact bond team to analyze impact risks and opportunities in multilateral development banks, using inputs like type of capital deployed, median income level of fund recipients, and banks' ESG exclusion policies.

### **DEEPENED ENGAGEMENTS**

The IMM Practice took an active role in company engagements, deepening our insights into how products and services contribute to our impact themes and sharpening discussions with management teams about how companies measure positive and negative social and environmental outcomes. Our aim is to clarify our impact rationale, discuss impact trends, and suggest additional disclosures or new metrics where needed.

### **IMM trends and 2022 outlook**

Regulators and industry groups have continued to push for convergence in impact and ESG reporting and standards. In late 2021, the International Sustainability Standards Board (ISSB) created the first globally harmonized sustainability standard for companies. The ISSB's "building block" approach allows for the consideration of both financial materiality and stakeholder materiality. This is a practical way for impact investors to gain a more holistic view of a company or issuer.

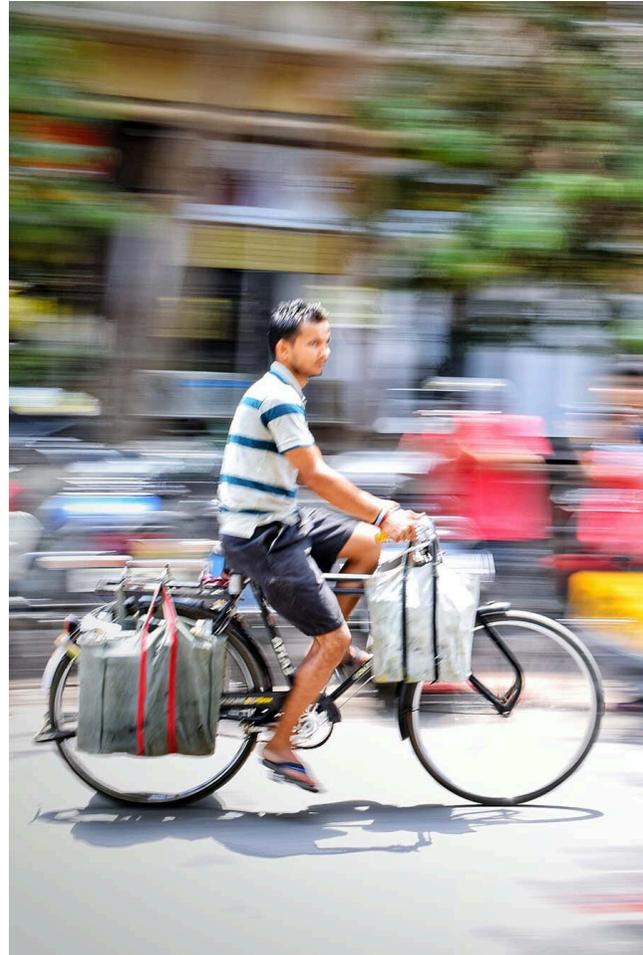
As a member of the Sustainability Accounting Standards Board (SASB) Investor Advisory Group (expected to become the Investor Advisory Group for the ISSB), we intend to advocate for better data to inform our investment decisions. More standardized outcome-oriented disclosure on companies' societal and environmental impact is critical to ensure that the impact investing industry can scale with integrity.

In 2022, we will continue to evolve our IMM process in line with industry practices, integrating regulatory developments and insights from our own impact research and data. The IMM Practice aims to strengthen its capabilities in support of the impact platform to help us more accurately measure progress toward our impact goals. We will also continue to work with Wellington's investors and analysts, engage with company boards and management teams, and participate in industry impact initiatives. Our goal, as always, is to further our understanding of how best to maximize the real-world positive impact of the investments we make on your behalf.

# Impact Steering Group

Our dedicated Impact Steering Group (ISG) brings together Wellington's impact investors and product managers, our ESG Research and Sustainable Investment Teams, and our macro strategists. Formed in 2019 and led by Portfolio Managers Tara Stilwell, Campe Goodman, and Liliana Castillo Dearth, the ISG focuses on:

- **Theme management** — Regularly evaluate the relevance of our impact themes and proactively research potential new themes
- **Universe management** — Determine qualifications for impact investments (company or issuer) by defining scope, rules, and policies for inclusion in the impact opportunity set, and therefore consideration for our impact portfolios



- **Impact measurement** — In collaboration with the IMM Practice leader, set best practices for the calculation of KPIs at the security, issuer, and portfolio level
- **Engagement** — Set policies for engagement with companies and issuers held in the portfolios
- **Research** — Stay up to date on the latest impact and sustainability research and best practices, share relevant insights with Wellington colleagues, and discuss potential future impact research topics

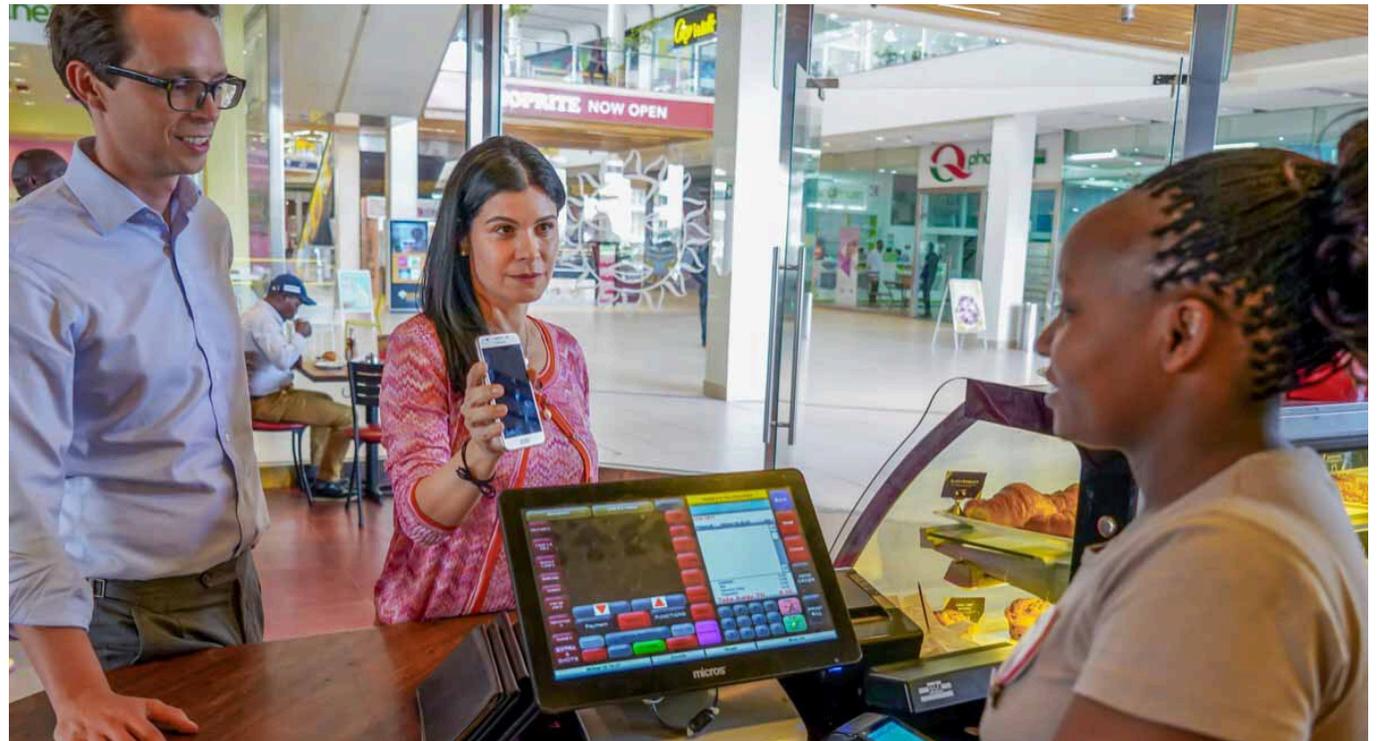
## Noteworthy 2021 discussion topics

### LABOR PRACTICES IN THE SOLAR INDUSTRY

China is home to approximately 80% of the global solar industry, including the production of polysilicon required for solar panels. The ISG weighed the subject of human rights, including forced labor in supply chains, against the positive climate impact of solar power. This discussion is ongoing. We plan to continue to engage with companies and industry organizations to determine the best path forward.

### FINANCIAL INCLUSION

The ISG recognizes the need for accessible mass-market financial solutions in emerging markets, where even the middle class is often underserved by financial institutions. We identified mobile banking solutions as critical technologies that facilitate financial inclusion, particularly in rural areas. Our Emerging Markets Impact Team contributed invaluable perspectives from its on-location grassroots research.



On these trips, the team focuses on researching country-specific differences in lower socioeconomic strata and the extent to which those nuances require discrete definitions and assessment.

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**We identified mobile banking solutions as critical technologies that facilitate financial inclusion, particularly in rural areas.**



## We believe building resiliency to climate change is essential to protect human life and property.

### **HEALTH CARE**

The ISG explored efforts by pharmaceutical companies to expand access to drugs in emerging markets, the role of health care technology in China, the evolution and development of new health care business models, and the vertical integration of health care services (particularly in emerging markets). We expect to explore this topic further in 2022.

### **CLIMATE ADAPTATION AND RESILIENCE**

Based on Wellington's research collaboration with Woodwell, we discussed the role climate adaptation solutions can have in the context of our safety and security theme.

We believe building resiliency to climate change is essential to protect human life and property amid more frequent and severe weather events. Following the ISG's review of this issue, our Global Impact Fund invested in a US manufacturer of glass doors and windows engineered to withstand severe weather conditions.

### **INFRASTRUCTURE IN EMERGING MARKETS**

Historically, we have excluded infrastructure from our impact opportunity set because these investments do not provide additionality, meaning they do not address a specific need that is unlikely to be met by other agents. The ISG has revisited this stance amid the recognition of the important role infrastructure plays in emerging markets, where access to life essentials such as clean drinking water remains limited.

Provision of essential infrastructure in emerging markets also helps promote economic development and foster innovation. We continue to assess additionality on a case-by-case basis, but in general, we find the case is easier to make in emerging markets, where so many people lack access to basic services the developed world takes for granted.

# Importance of engagement

We believe partnership and engagement with our portfolio companies and issuers can enhance their positive social and environmental impact while creating lasting value for our clients.

## Our engagement approach

We see material environmental, social, and governance (ESG) issues as strategic business issues and believe that greater understanding of material ESG issues leads to more informed investment decisions. Through active ownership — including engagement — and multidisciplinary research, we seek to support our theory of change or impact thesis for each portfolio company.

**During our engagements, we have three main objectives:**

1. Understand each company's material ESG issues
2. Appreciate matters relevant to our investment thesis and impact thesis
3. Educate management on our impact goals and develop KPIs

Our engagement creates an important feedback loop and mechanism for delivering and measuring impact.

## Recent developments

In 2021, engagement remained a vital part of our investment process. The topics covered ranged from companies' methods of support for their communities, employees, and customers to broader social and environmental themes.

With the 2021 United Nations Climate Change Conference (COP 26) highlighting the need for urgent action, we found boards and management teams more engaged on climate change and biodiversity. We discussed with many companies the effects of “the great resignation” as a fallout of the pandemic, and the need for strong talent management. Finally, supply-chain accountability was a key focus amid growing awareness of modern slavery.

Our engagements provide valuable and additive insight into companies' strengths and weaknesses. These discussions also help us confirm that companies are delivering impact and have the potential to generate strong long-term financial returns. We are committed to evolving and enhancing the engagements we have on your behalf with investee companies and look forward to sharing the results we achieve.

## Sample engagements and outcomes from 2021:

### ENVIRONMENT (E)

**Equity:** We engaged with a US-listed resource stewardship company that converts liquid and solid waste into energy on its CO2 emissions. While its business generates much lower emissions than landfills, this holding contributed the most to the weighted average carbon intensity of the equity portfolio in 2021. The engagement helped clarify the company's sustainability goals. The company subsequently reduced CO2 emissions from its operations by 4.2 million tonnes at the end of 2021 and agreed to report progress on these reduction efforts on a quarterly basis.

**Fixed income:** We engaged on transition risk with a provider of renewables and other energy-efficiency solutions. The issuer has committed to reduce its Scopes 1 and 2 carbon emissions to zero by 2030 and set

science-based targets for Scope 3 emissions. Through our engagement, we gained confidence that establishing science-based targets across Scopes 1, 2, and 3 emissions by the end of 2021 should enable the company to accurately measure its products' efficiency gains and uphold its emission-reduction commitments. We will continue to engage on CO2 reporting and communication of Scope 3 targets and monitor the company's progress toward integrating its products in the circular economy.

### SOCIAL (S):

**Equity:** An engagement with an Australian company that matches employers with job seekers centered on modern slavery issues and the protection of vulnerable job seekers. The company has developed a methodology for analyzing and managing exploitation risks integrating multiple factors, including US State Department data on human trafficking. It also closely monitors at-risk recruitment

listings and performs deeper due diligence as needed. We will remain involved in assessing the company's evolving practices and policies for combatting modern slavery.

### GOVERNANCE (G):

**Equity:** Following a voluntary product recall, we engaged with the management team of a global health technology provider throughout the year to better understand and monitor the company's processes and controls. On the back of these discussions, we eliminated the position, as we became less confident in the company's ability to execute its strategy.

**Fixed income:** We met with a renewable energy company regarding its inaugural green bond issuance to assess its targets for increasing its renewable energy capacity, as well as its plans for global expansion and its management of regulatory risk and level of independence from its ultimate parent.

As a result of our dialogue, we were able to gain the necessary assurances that the issuer had the ability — through its green issuance — to pursue new opportunities that would meaningfully increase the scale of its impact, while managing the risks related to regulations and shareholder structure.

## IMPACT (I):

**Equity:** Our discussion with a vertically integrated, low-cost health insurer operating in Brazil's rural markets allowed us to assess how the company coped with the second wave of COVID-19, which put significant strain on the health care system. Given our concern about potential health care inflation across Brazil in 2022, we also explored how the company plans to work with Brazil's regulator to smooth out costs for its patients over time.

**Fixed income:** We engaged with a leading Latin American e-commerce platform to determine if the issuer met our impact criteria.



Through our conversations and research, we were able to establish that a significant portion of the issuer's gross merchandise volume was coming from small businesses. This insight gave us conviction that the platform plays a key role in closing the digital divide and improving financial inclusion for small merchants across Latin America — furthering two of our core impact themes.

The examples shown are presented for illustrative purposes only and are not to be viewed as representative of actual holdings. It should not be assumed that any client is invested in the (or similar) examples, nor that an investment in the examples has been or will be profitable. Actual holdings will vary for each client, and there is no guarantee that a particular client's account will hold the examples presented. Please refer to the Important

disclosures section for information on investment examples. | The companies mentioned comprise a partial list of all engagement meetings in which Wellington's ESG Research and Impact Investing Teams participated in 2021. The specific securities identified are not representative of all securities purchased, sold, or recommended for clients. This is not to be construed as investment advice or a recommendation to buy or sell any specific security. The engagement case studies presented are for illustrative purposes only and should not be viewed as representative of actual holdings. They are chosen based on meetings held during the year and our priorities' focus, with the aim of giving insight into our process. There can be no assurance the approach would hold companies such as these or that they would be profitable in the future.

# Expanding impact in emerging markets

We continue to evolve our research in emerging markets, where we see significant scope for impact investing to help address unmet needs. Specifically, we find a growing range of innovative companies focused on emerging markets, whose core goods and services address large social and environment challenges across our Life essentials, Human empowerment, and Environment categories.

While we currently do not offer an emerging-markets UCITS vehicle, the “grassroots research” approach that Portfolio Manager Liliana Castillo Dearth undertakes in emerging markets benefits our wider platform, through Liliana’s participation and leadership in the Impact Steering Group (ISG).

Liliana’s views on impact investing are shaped by her personal experience. Growing up in Venezuela, she saw firsthand the importance of sustainable growth and innovative

solutions. During her youth, Venezuela was a prosperous country with significant economic potential. Today, however, the country struggles with endemic poverty and ongoing humanitarian crises. For Liliana, Venezuela’s downward economic trajectory and failed government policies personally underscored the critical need for impact solutions from capital markets; this was a key inspiration for her commitment to impact investing.

Liliana believes that, in addition to traditional company research, it is critical to understand domestic markets from within, including cultural settings and the hopes and aspirations of local business owners and consumers. Liliana travels to emerging markets across Africa, Asia, Eastern Europe, and South America, to assess local conditions and meet business owners and consumers.



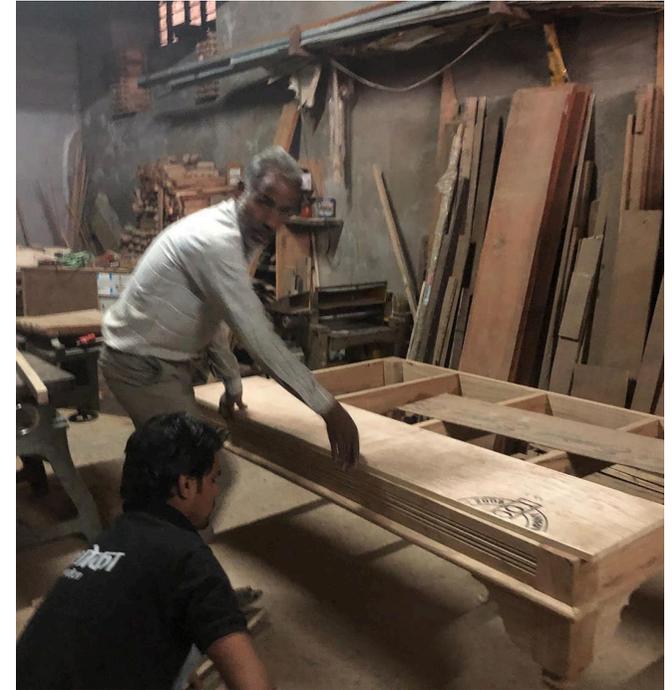
*With timber merchant in 2022*

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On her most recent research trip to India to understand the challenges in health care, digitalization, and clean power and transport, Liliana was thrilled to see the progress.

In her most recent research trip to India to understand the country's challenges and progress in health care, digitalization, and clean power and transport, Liliana was thrilled to see the progress made since her last visit in 2018. Liliana's meeting with an entrepreneur who owns a timber business close to Shahpura (Rajhastan), offers a further example of that progress.

When Liliana first met this small-business owner in 2018, he was working as an employee in another shop. He was able to start his own business with the help of a loan from a small local bank. The business has since grown and expanded to include office space, and a small fleet of commercial vehicles to transport the timber. Liliana subsequently shared and discussed her on-the-ground findings at the ISG, providing additional perspectives for our Global Impact Fund and Global Impact Bond Fund portfolio managers.



*Timber merchant, 2018*

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# 2021 Outreach and collaboration

**PRI COP26 Investor Action on Climate**  
**MARCH**

**Phenix Capital Impact Summit**  
**MARCH**

**Financial Times Investing for Good Europe**  
**MAY**

**GIIN “Next Normal Now” series**  
**JUNE**

**Responsible Investor Europe**  
**JUNE**

**PRI Association | The Sustainable  
Development Goals: identifying outcomes  
and setting targets**  
**JUNE**

**Portfolio Adviser ESG**  
**JULY**

**Insurance Risk & Capital Americas Seminar**  
**SEPTEMBER**

**Climate Action Sustainable Investment  
Forum North America**  
**SEPTEMBER**

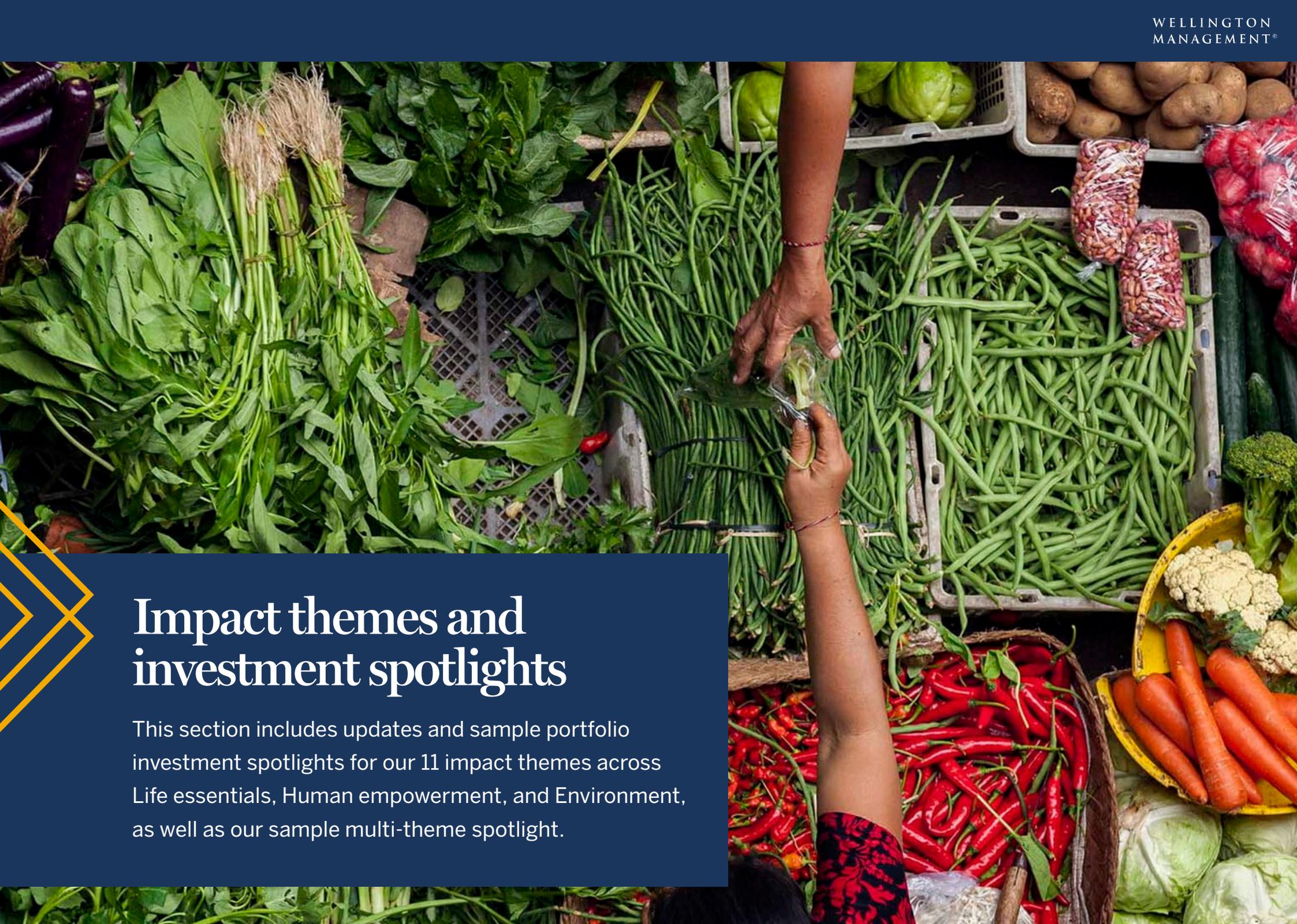
**Economist Sustainability Week Conference**  
**OCTOBER**

**PRI Digital Conference**  
**OCTOBER**

**Financial Times Investing for Good USA**  
**DECEMBER**

**Responsible Investor USA**  
**DECEMBER**





# Impact themes and investment spotlights

This section includes updates and sample portfolio investment spotlights for our 11 impact themes across Life essentials, Human empowerment, and Environment, as well as our sample multi-theme spotlight.



## Life essentials

### **Affordable housing >**

Equity: Vonovia >

Fixed income: Philadelphia, PA,  
Redevelopment Authority >

### **Clean water & sanitation >**

Equity: Evoqua >

Fixed income: Aegea >

### **Health >**

Equity: Danaher >

Fixed income: Wellcome Trust >

### **Sustainable agriculture & nutrition >**

Equity: Nomad Foods >

Fixed income: Picard >

**EXPLORE LIFE ESSENTIALS**



## Human empowerment

### **Digital divide >**

Equity: GoDaddy >

Fixed income: Millicom International >

### **Education & job training >**

Equity: Upwork >

Fixed income: Drexel University >

### **Financial inclusion >**

Equity: Globe Life >

Fixed income: StoneCo >

### **Safety & security >**

Equity: PGT >

Fixed income: APX Group >

**EXPLORE HUMAN EMPOWERMENT**



## Environment

### **Alternative energy >**

Equity: Acciona >

Fixed income: Zorlu Yenilenebilir Enerji >

### **Resource efficiency >**

Equity: Wabtec >

Fixed income: Insituto Costarricense de  
Electricidad >

### **Resource stewardship >**

Equity: Darling Ingredients >

Fixed income: Lenzing AG >

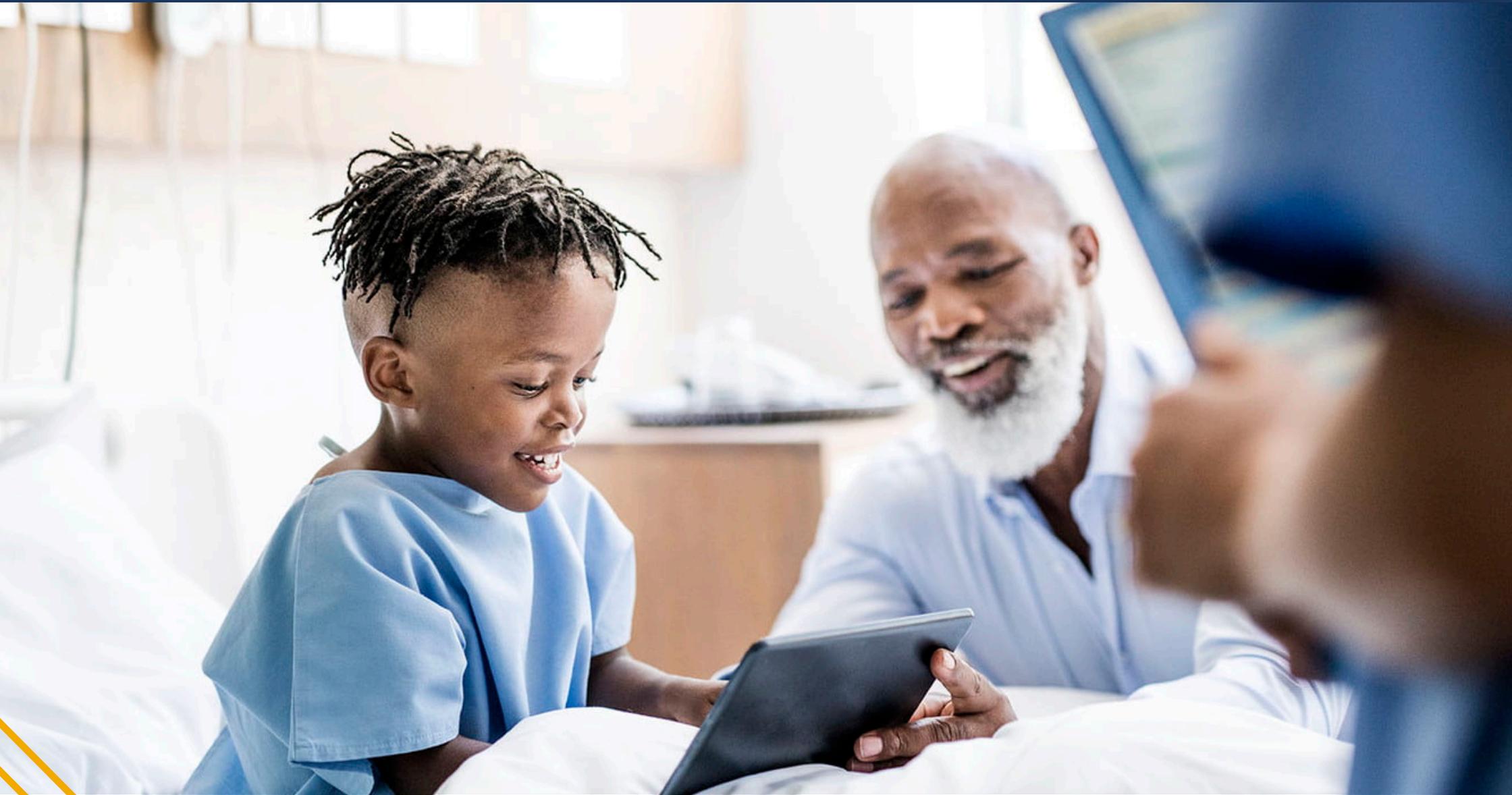
**EXPLORE ENVIRONMENT**



## Multi-theme

Fixed income: Kingdom of Spain >

**EXPLORE MULTI-THEME**



# Life essentials

Affordable housing | Clean water & sanitation | Health | Sustainable agriculture & nutrition

# Affordable housing

[< BACK TO CATEGORY OVERVIEW](#)

SCALE | ACCESSIBILITY | RESOURCES

## **LIVING CONDITIONS:**

An estimated 1.6 billion people will lack adequate housing by 2025.<sup>1</sup>

## **POVERTY REDUCTION:**

Access to affordable housing is one of the most cost-effective strategies for reducing childhood poverty.<sup>2</sup>

The demand for affordable housing remained high in 2021 as economies grappled with the continuing impacts of COVID-19 and ensuing economic slowdowns. Government support for the newly unemployed has been patchy in many countries, exacerbating the near-term challenges. As a secular theme, we see affordable housing as an ongoing essential need that can accrue health and wellness benefits to families and communities and create and sustain economic value.

We believe access to safe, affordable housing allows people to focus more on overall well-being and upward mobility and less on basic survival. With less day-to-day stress, families can concentrate on education and career building, potentially leading to better educational outcomes, higher earning potential, and lower health care costs.

In 2021, our Global Impact and Global Impact Bond Funds invested in companies and organizations combating homelessness and addressing the need for safe, affordable shelter.

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**We see affordable housing as an ongoing essential need that can accrue wellness benefits to families and communities, creating and sustaining economic value.**

In the Global Impact Fund, we owned shares of a manufactured-home community operator with sites across the US and Canada. The company provides single-family homes for sale or rent at approximately one-half to one-third the cost of local two-bedroom apartment rents, while looking to increase the energy efficiency of its units. In Japan, we invested in a company that rehabilitates dilapidated or abandoned homes (which would otherwise be torn down) and resells them to first-time and low-income home buyers at affordable prices. The portfolio continued to own a French company that provides high-quality affordable housing

to low- to middle-income renters and home buyers. The company operates primarily in the Paris region, where it builds multifamily properties.

Within the Global Impact Bond Fund, we invested in debt issued by US government agencies that provide financing for low-income multifamily housing. We invested in loans underwritten by a California organization that serves as an intermediary between builders and financial institutions, providing access to capital for Low Income Housing Tax Credit developments throughout California that target low-income families, seniors, and

residents with special needs. We believe these issuers are positively impacting society by supplying financing or directly providing underserved populations with a basic necessity: secure, affordable housing.

1 King, R. et al., "Confronting the Urban Housing Crisis in the Global South: Adequate, Secure, and Affordable Housing," World Resources Institute, 2017.

2 Multiple studies cited in "A Place to Call Home: The Case for Increased Federal Investments in Affordable Housing," Campaign for Housing and Community Development Funding (CHCDF).





**UN SDG ALIGNMENT**

Sustainable Cities and Communities

**TARGET 11.1**

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

**NEGATIVE IMPACTS**

Environmental impact of operations and supply chain

**SCALE**

Narrow

**MITIGATION EFFORTS**

Sufficient

**WILLINGNESS TO ENGAGE**

High

PORTFOLIO INVESTMENT SPOTLIGHT **EQUITY**

# Vonovia

**IMPACT THEORY OF CHANGE**

**(How will investment in company's issuer/products and services help solve this specific impact challenge? Why does our investment lead to progress?)**

Investments in Vonovia provide affordable housing at a lower price point relative to standard local comparative rents in Germany, Austria, and Sweden. Vonovia reduces costs per residential unit through economies of scale. Affordable housing facilitates greater social and financial stability for its tenant base.

**FIVE DIMENSIONS OF IMPACT**

**(Based on the framework formulated by the Impact Management Project)**

<b>WHAT</b>	Lives and communities improved by access to affordable housing	Aspirational
<b>WHO</b>	Number of tenants housed	> 1 million
<b>HOW MUCH</b>	Affordable housing units under management	636,507
<b>CONTRIBUTION</b>	Reduction in monthly rent per square meter compared to market average (Germany)	12%
<b>RISK</b>	Execution: Potential deterioration in housing quality over time	Moderate significance/ low probability

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## **QUALITATIVE ASSESSMENT**

**(How has company delivered relative to our expectations?)**

Vonovia continues to provide high-quality affordable housing units, evidenced by high levels of customer satisfaction that increased over the pandemic. We are encouraged by its tenant outreach and consultation process as well as the discounted rates offered to social organizations.

### **Meets expectations**

## **ENGAGEMENT PRIORITIES**

**(Issues on which we are looking to engage/have engaged in the prior 12 months)**

As Vonovia's balance-sheet leverage has increased, we have engaged on the company's strategic direction and potential modifications under new company leadership.

**11 SUSTAINABLE CITIES AND COMMUNITIES**



**UN SDG ALIGNMENT**

Sustainable Cities and Communities

**TARGET 11.1**

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

**NEGATIVE IMPACTS**

Potential difficulties in getting access to loans, grants, and information about eligibility

**SCALE**

Moderate

**MITIGATION EFFORTS**

Sufficient

PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# Philadelphia, PA

## Redevelopment Authority

**IMPACT THEORY OF CHANGE**

The Philadelphia Redevelopment Authority is a public body. These social bonds form part of the financing of the Neighborhood Preservation Initiative, intended to preserve access to critical affordable housing as well as promote economic activity and the welfare of the residents of Philadelphia. It includes rental assistance, loans, and grants to facilitate housing repairs and grants/loans for first-time home buyers.

**FIVE DIMENSIONS OF IMPACT**

<b>WHAT</b>	Enable the provision and maintenance of quality affordable housing to residents of Philadelphia in need	Aspirational
<b>WHO</b>	Share of renters paying at least 35% of their income toward housing	49%
	Share of homeowners paying at least 35% of their income toward housing	28%
<b>HOW MUCH</b>	Size of grants or forgivable loans to first-time and eligible home buyers	Up to US\$10,000
<b>CONTRIBUTION</b>	2021 funding allocated to preserve and develop affordable housing	US\$44.4 million
<b>RISK</b>	Execution: Program may fall short in providing sufficient affordable housing	Moderate significance/ moderate probability

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## **QUALITATIVE ASSESSMENT**

Over the life of the program, the Neighborhood Preservation Initiative will provide up to US\$400 million for citywide investments in affordable housing and other social initiatives. We are encouraged by the planned levels of disclosure and reporting, which include details on the socioeconomic characteristics of the beneficiaries.

### **Meets expectations**

## **ENGAGEMENT PRIORITIES**

As the bond has only recently been issued, we have not yet seen a social bond impact report. We look forward to discussing with the issuer future disclosure on the ultimate social benefit of the bonds and the Neighborhood Preservation Initiative.

**NEXT THEME: CLEAN WATER & SANITATION >**

# Clean water & sanitation

[< BACK TO CATEGORY OVERVIEW](#)

QUANTITY | QUALITY | DISTRIBUTION

**FRESH WATER:** Demand for fresh water is expected to increase 70% by 2050.<sup>1</sup>

**WATER STRESS:** Up to 3.5 billion people could face water scarcity as soon as 2025.<sup>2</sup>

For hundreds of millions of people, in developed and emerging economies alike, securing clean water is a constant struggle that can hamper economic development and perpetuate community-level inequities, with up to two billion people lacking access to safe water.<sup>3</sup> Water infrastructure is also key to building climate-change resiliency and ensuring safe, uninterrupted service for industries ranging from energy to agriculture to health care. Products and technologies that help alleviate water stress and secure better health outcomes help us meet our impact goals for this theme.

Our research with Woodwell has reaffirmed the opportunity in this theme. Projections for capital spending for improving water infrastructure, including delivery, safety, and treatment, are rising. Many water-scarce

regions are experiencing rapid urban population growth, putting even greater stress on water supplies.

In 2021, you helped invest in companies and organizations developing infrastructure across the water cycle, using technology to help increase usage efficiency and reduce waste. The Global Impact Fund included shares of a company that helps to prevent water contamination, reduces energy consumption, and ensures water quality by disabling up to 99.9999% of harmful organisms.

We also held a US consulting company providing science-driven engineering solutions. It is a leader in water and environment management, solid waste, wastewater treatment, watershed management, flood control, and desalination.

“  
**Products and technologies that help alleviate water stress and secure better health outcomes help us meet our impact goals for this theme.**

We maintained our position in another US company facilitating water recycling and biogas collection.

Within the Global Impact Bond Fund, we invested in a selection of US municipal water departments, which expand access to drinking water as well as to wastewater and stormwater services for millions of residents. We also invested in an issuer providing water, hygiene, and infection-prevention solutions and services to communities across the globe, reducing the risk of waterborne disease and mitigating other water-related hazards.

We believe investments in these companies and issuers help ensure safe and consistent access to clean water and sanitation services, thereby improving the health and quality of life for individuals and communities.

1 “Nature-Based Solutions for Water: World Water Development Report,” United Nations, 2018.

2 World Resources Institute.

3 United Nations Department of Economic and Social Affairs, March 2022.





#### UN SDG ALIGNMENT

Clean Water and Sanitation

#### TARGET 6.4

By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

#### NEGATIVE IMPACTS

Environmental impact of operations and supply chain

#### SCALE

Moderate

#### MITIGATION EFFORTS

Sufficient

#### WILLINGNESS TO ENGAGE

High

## PORTFOLIO INVESTMENT SPOTLIGHT **EQUITY**

# Evoqua

### IMPACT THEORY OF CHANGE

Evoqua offers a range of water and wastewater treatment solutions that help address water scarcity challenges. By providing technology that improves water quality at high volumes, water scarcity challenges can be addressed, and industry and individuals can be empowered to contribute more effectively to the economy.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Lives and communities improved by effective water and waste management	Aspirational
<b>WHO</b>	Total customers	38,000
<b>HOW MUCH</b>	Installations	200,000
<b>CONTRIBUTION</b>	Total water processed	141.6 billion m <sup>3</sup>
<b>RISK</b>	Execution risk: The company fails to keep pace with innovation	Moderate
	Endurance risk: Installations do not last as long as intended/are not maintained adequately	significance/low probability

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## **QUALITATIVE ASSESSMENT**

Evoqua is executing effectively and continues to grow its scale and service breadth across its wide range of end markets. The company is well positioned to benefit from increased funding for clean water initiatives under the US Infrastructure and Jobs Act.

### **Meets expectations**

## **ENGAGEMENT PRIORITIES**

In a recent engagement, we discussed governance and compensation, with a focus on a special award to the CEO. We feel comfortable that this was a one-time award and situationally justified. In 2022, we look forward to visiting the company's newly opened Innovation Center to continue to deepen our knowledge of the company's technical capabilities across its water platform.



### UN SDG ALIGNMENT

Clean Water and Sanitation

### TARGET 6.1

By 2030, achieve universal and equitable access to safe and affordable drinking water for all

### NEGATIVE IMPACTS

Energy intensity of operations and potential pollution as a byproduct of sewage treatment

### SCALE

Moderate

### MITIGATION EFFORTS

Sufficient

## PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# Aegea

### IMPACT THEORY OF CHANGE

Investments in Aegea, the largest private sanitation company in Brazil, provide clean water and sewage services throughout the country, with the goal of providing universal access to this essential service.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Providing universal access to water and sewage services	Aspirational
<b>WHO</b>	Individuals reached by water and sewage services	21 million
<b>HOW MUCH</b>	Number of cities in Brazil with Aegea operations	153
	Volume of water treated	54,416 m <sup>3</sup>
<b>CONTRIBUTION</b>	Number of active sewage connections	1.2 million
	Number of homes served by social tariff	95,000
<b>RISK</b>	Execution: Potential failure to ensure water quality and minimize water losses	Moderate risk/ low probability

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## QUALITATIVE ASSESSMENT

Aegea continues to expand access to clean water and sanitation services across Brazil.

### Meets expectations

## ENGAGEMENT PRIORITIES

We have engaged recently with management on its planned issue of sustainability-linked bonds, targeting outcomes such as reduction of the company's energy consumption as well as diversity-related indicators.

[NEXT THEME: HEALTH >](#)

# Health

[< BACK TO CATEGORY OVERVIEW](#)

COST REDUCTION | IMPROVED ACCESS | PUBLIC HEALTH CONCERNS

**ACCESS FOR ALL:** Around 50% of the world's population lacks access to health care.<sup>1</sup>

**POVERTY PREVENTION:** Each year, 100 million people are pushed to poverty because of health-related expenses.<sup>2</sup>

Reaching vulnerable populations or delivering multifaceted, long-term treatments for complex diseases is especially difficult. Pervasive inefficiencies and chronic underinvestment in many systems, particularly across emerging markets, have become increasingly apparent.

In parallel, we see increasing value in disease research, genomics, life-sciences innovation, and tech-enabled care such as remote monitoring and diagnostics. Impact companies are stepping up with solutions that take advantage of new scientific and technological development to help narrow these gaps.

Your investment helps improve care through exposure to innovative companies with direct positive impacts on health outcomes.

“

**We aim to identify companies and issuers with new business models and groundbreaking scientific or clinical approaches.**

We aim to identify companies and issuers with new business models and groundbreaking scientific or clinical approaches to improving health care access, reducing costs, and solving other systemic problems.

Over the last year, our Global Impact Fund has maintained our position in a US provider of home health and hospice care services, realizing that this type of care can lower the cost curve in health care delivery while providing effective treatment.

Recognizing the need for accessible, high-quality eye care at affordable prices, we initiated a position in a company providing low-cost eye exams and affordable prescription lenses. Importantly, the company is focused on serving a lower-income customer base and operates in more rural areas where optometrists are hard to come by. We have remained invested in a laboratory equipment business whose tools facilitate genomic research. We continue to own shares in a life sciences company whose bioanalysis and precision medical instruments aid diagnoses and help improve patients' quality of life.

Within our Global Impact Bond Fund's municipal segment, we remain invested in the bonds of US not-for-profit hospitals that provide charity care or conduct what we consider innovative research. In the corporate space, we invested in a multinational health care enterprise that provides programs and services to underinsured individuals in the US, as well as a developer and manufacturer of insulin-delivery systems for people with Type 1 diabetes.

We believe investments in this theme can help improve health outcomes around the world and ensure that more people have access to affordable quality care.

1 "Half of the world's population lack access to essential health services.

Are we doing enough?," World Economic Forum, September 2019.

2 The World Bank and World Health Organization, 2017.





**UN SDG ALIGNMENT**

Good Health and Well-Being

**TARGET 3.B**

Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines

**NEGATIVE IMPACTS**

Environmental impact of operations and supply chain

**SCALE**

Moderate

**MITIGATION EFFORTS**

Sufficient

**WILLINGNESS TO ENGAGE**

High

PORTFOLIO INVESTMENT SPOTLIGHT **EQUITY**

# Danaher

**IMPACT THEORY OF CHANGE**

Investments in Danaher support the development of innovative medical technologies that allow researchers and clinicians to create and administer lifesaving treatments, improving patient outcomes.

**FIVE DIMENSIONS OF IMPACT**

<b>WHAT</b>	Improving patient care and outcomes through better understanding of chronic disease and infection	Aspirational
<b>WHO</b>	Number of patients served	Aspirational
<b>HOW MUCH</b>	Increase in cell and gene therapies in development since 2015*	10-fold
	Proportion of treatment decisions informed by clinical diagnostics* Danaher market share in diagnostics and cell/gene therapy solutions	>70% Significant
<b>CONTRIBUTION</b>	Total value of patents and technology, gross carrying amount	US\$14.4 billion
<b>RISK</b>	Potential for manufacturing or design defects that could impact safety of products or their usage	High significance/ low probability

\* Data as of January 2022.

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## **QUALITATIVE ASSESSMENT**

in our view, Danaher has an impressive management team and a strong track record of execution and growth. We believe the innovation effort is illustrated by the number of patents (7,700) the company holds and the quantum of its R&D investments.

### **Meets expectations**

## **ENGAGEMENT PRIORITIES**

We have engaged on how to effectively measure impact in the form of patient outcomes from Danaher's range of products and services. We believe the company is thoughtfully building out its capabilities. We have also discussed board structure and governance issues.



#### UN SDG ALIGNMENT

Good Health and Well-Being

#### TARGET 3.8

Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality, and affordable essential medicines and vaccines for all

#### NEGATIVE IMPACTS

Carbon footprint of investment portfolio

#### SCALE

Narrow

#### MITIGATION EFFORTS

Sufficient

## PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# Wellcome Trust

### IMPACT THEORY OF CHANGE

Wellcome Trust is a charitable foundation that seeks to solve urgent global health challenges. Investments help fund research in health care, clinical trials, advocacy, and development of new treatments.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Improvements in global health care outcomes	Aspirational
<b>WHO</b>	Number of participants in R&D trials	8 million
<b>HOW MUCH</b>	Number of products in clinical evaluation	72
	Number of countries where Wellcome Trust supports scientists and researchers	>70
<b>CONTRIBUTION</b>	Charitable expenditures	£1,233 million
<b>RISK</b>	Execution: Safeguarding the health and safety of employees	Low risk/low probability

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## **QUALITATIVE ASSESSMENT**

Wellcome Trust operates at the intersection of public policy and health. We are pleased with its activities this year, particularly its contributions to pandemic-related research and support of mental health.

### **Meets expectations**

## **ENGAGEMENT PRIORITIES**

These include, but are not limited to, Wellcome Trust's ongoing activities to address various global health challenges and its new approach to diversity and inclusion, launched in 2021.

**NEXT THEME: SUSTAINABLE AGRICULTURE & NUTRITION >**

# Sustainable agriculture & nutrition

[< BACK TO CATEGORY OVERVIEW](#)

QUANTITY | QUALITY | DISTRIBUTION

**REDUCING WASTE:** Wasted food costs US\$2.6 trillion annually. This amount could feed the world's 815 million hungry people four times over.<sup>1</sup>

**ENDING HUNGER:** 1 in 9 people suffer from hunger, and 1 in 3 are malnourished.<sup>2</sup>

With the global population expected to reach 9.8 billion by 2050,<sup>3</sup> the ability to produce more food with less resource-intensive methods may be critical.

In addition to looking at ways to enhance future food production, there is also a pressing need to bolster the resilience of existing food production and distribution mechanisms. The Intergovernmental Panel on Climate Change's Sixth Assessment Report warns that climate change has started to hamper food production in some of the world's more vulnerable regions, many of which are in emerging markets. And more recently, the tragic events in Ukraine (an important global breadbasket for corn and wheat) have highlighted the precariousness of agricultural supply chains.

In our view, investments in companies developing solutions for sustainable food production can play a meaningful role in addressing these growing challenges. Resilient livestock, seeds, and crops can reduce food insecurity and enhance nutrition. Technologies geared toward smallholder farms may help mitigate the negative effects of large-scale industrial agriculture, which has historically been a source of air, soil, and water pollution and a severe draw on natural resources.

In 2021, your investments in our Global Impact Fund helped finance businesses that support livestock productivity, address malnutrition and obesity, and widen access to healthy meats and vegetables.

We have maintained our position in a company advancing technology in porcine, bovine, and other animal breeding, which can increase the overall protein supply as well as animal productivity. Better animal welfare from lower disease incidence and higher efficiency of feed, water, and more productive resources can boost economic results for farmers and increase availability of high-quality protein sources.

We continued to invest in a multinational active in health, nutrition, and materials.

The company addresses malnutrition and obesity through the development of fortified food and micronutrients reducing salt and sugar content in processed food and improving agricultural sustainability. We also maintained a position in a producer of frozen meats and vegetables serving European markets. Frozen foods can deliver nutrition that is comparable and sometimes superior to fresh foods due to nutrient loss during transport. The company's vegetable and protein products increase access to quality nutrition, particularly in areas where fresh produce is less available, and its eco-friendly packaging reduces solid waste.

In our Global Impact Bond Fund, we continue to monitor the expanding universe of issuers for this theme. With the diversification of labeled bond-issuer types and formats, and the growing food shortage experienced most acutely in certain emerging markets, we anticipate that emerging market sovereign issuers and development banks may issue bonds earmarked to provide quality nutrition to the most vulnerable communities.

1 Food and Agriculture Organization of the United Nations.

2 "Zero Hunger," World Food Programme, 2020.

3 United Nations World Population Prospects.





#### UN SDG ALIGNMENT

Zero Hunger

#### TARGET 2.1

By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious, and sufficient food all year round

#### NEGATIVE IMPACTS

Environmental impact of operations and supply chain

#### SCALE

Moderate

#### MITIGATION EFFORTS

Sufficient

#### WILLINGNESS TO ENGAGE

High

## PORTFOLIO INVESTMENT SPOTLIGHT **EQUITY**

# Nomad Foods

### IMPACT THEORY OF CHANGE

Nomad's vegetable and protein products increase access to quality nutrition at affordable prices. The company's emphasis on recyclable packaging and frozen foods increases shelf life, reduces food and packaging waste, and supports environmental sustainability.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Improved health and well-being as a result of access to healthy food	Aspirational
<b>WHO</b>	Customers	Operations across 13 European countries
<b>HOW MUCH</b>	Market share in European frozen food	14%
<b>CONTRIBUTION</b>	Proportion of revenue from seafood, poultry, and vegetables	75%
	Proportion of products without additives (2020)	97%
<b>RISK</b>	Alignment: Health risks from unhealthy food produced	High significance/ low probability

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## **QUALITATIVE ASSESSMENT**

Nomad Foods is committed to offering high-quality food products at affordable prices and maintaining high standards in labeling that help consumers make sound nutrition choices. We believe it is an industry leader in sustainable sourcing. We continue to monitor merger and acquisition activity and alignment with the impact objectives underpinning our original purchase.

### **Meets expectations**

## **ENGAGEMENT PRIORITIES**

Nomad has emphasized better “portionability” in frozen versus fresh foods in the context of high food-price inflation. We have also engaged on supply-chain constraints. We believe the company should be resilient in the face of potential shortages given its global, scaled procurement footprint.



**UN SDG ALIGNMENT**

Industry, Innovation, and Infrastructure

**TARGET 9.4**

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

**NEGATIVE IMPACTS**

Environmental impact of operations and supply chain

**SCALE**

Narrow

**MITIGATION EFFORTS**

Sufficient

PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# Picard

**IMPACT THEORY OF CHANGE**

Picard is the leading retailer of frozen foods in France, enabling access to affordable and nutritious food. Its sustainability-linked bond is aimed at improving sustainability in its operations, including energy consumption and efficiency in stores and CO2 emissions from transportation.

**FIVE DIMENSIONS OF IMPACT**

<b>WHAT</b>	Increased sustainability of logistics and retail practices in the food supply chain	Aspirational
<b>WHO</b>	Number of stores in operation	1,068
<b>HOW MUCH</b>	Proportion of Picard's energy consumption related to cold storage	>60%
<b>CONTRIBUTION</b>	Reduction in energy consumption per m <sup>3</sup> of cold equipment vs 2012*	10.2%
	Reduction in emissions from transportation	Aspirational
<b>RISK</b>	Alignment: Health risks from unhealthy food produced	Low significance/ low probability

\*Data as of 31 December 2020.

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## **QUALITATIVE ASSESSMENT**

We are encouraged by Picard's sustainability targets to reduce CO2 emissions in its supply chain and operations by 10% and 15%, respectively, by 2025.

### **Meets expectations**

## **ENGAGEMENT PRIORITIES**

Long-term engagement priorities encompass progress on key focus areas to enhance sustainability in the supply chain, including increasing average loading rates, use of rail transport, and installation of biogas transport loops.



# Human empowerment

Digital divide | Education & job training | Financial inclusion | Safety & security

# Digital divide

[< BACK TO CATEGORY OVERVIEW](#)

INFORMATION ACCESS | COMMUNICATIONS INFRASTRUCTURE

## INTERNET ACCESS:

Developed countries – 86.6%; developing countries – 47%.<sup>1</sup>

A 10% increase in mobile broadband adoption may correlate with up to a 2.8% increase in GDP.<sup>2</sup>

Over the last two years, we have seen a step change in the global transition toward a digital economy, underscoring the urgent need to bridge the digital divide. Lack of internet access can hinder social inclusion and economic empowerment, making everything from education to career building to attaining financial services more difficult and compounding structural inequality.

We are concerned that people and businesses without access to reliable digital services, particularly those in less-developed countries, could fall further behind as the global digital economy becomes more embedded.

“  
By investing in our impact funds, you can help narrow the digital divide.”

With impact investing, you can help narrow the digital divide and ensure fair and equitable connectivity for those who may need it most.

In 2021, we put investments in the Global Impact Fund to work in companies increasing access to digital communications and building the necessary infrastructure to establish connectivity for underserved markets.

These companies included a Taiwanese firm designing, developing, manufacturing, and distributing chips for wireless communications and handheld mobile devices. This company increases the availability of low-cost handsets for individuals who would otherwise lack digital connectivity. Recognizing the need to support small businesses in a digital world, we have also invested in a company enabling entrepreneurs to establish an online presence. Additionally, we see a gender gap, which we help address with our continued investment in a Bangladeshi company providing women with opportunities to sell data and digital-voice

services in rural areas. We have also maintained exposure to a South African company providing communication services and infrastructure to support digital access across Africa.

In the Global Impact Bond Fund, we purchased the inaugural sustainable-hybrid bond in the global telecommunications sector, issued by a European provider focused on improving digital connectivity in an environmentally and socially sustainable manner. Bond proceeds will be used to further the energy efficiency and reliability of the issuer's network infrastructure and expand

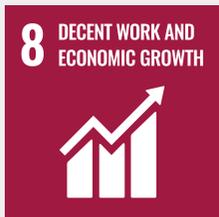
internet access to underserved rural areas, helping to bridge the digital connectivity gap.

We believe the companies and issuers we invest in are helping to democratize internet access through durable, scalable business models, improving the lives of underserved populations around the world.

1 International Telecommunications Union, 2020.

2 Harald Edquist, et al., "How Important are Mobile Broadband Networks for Global Economic Development?," Imperial College Business School, May 2017.





### UN SDG ALIGNMENT

Decent Work and Economic Growth

### TARGET 8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

### NEGATIVE IMPACTS

Data privacy and security risks

### SCALE

Moderate

### MITIGATION EFFORTS

Sufficient

### WILLINGNESS TO ENGAGE

Moderate

## PORTFOLIO INVESTMENT SPOTLIGHT EQUITY

# GoDaddy

## IMPACT THEORY OF CHANGE

Investments in GoDaddy help provide small businesses and individuals with products and services to name their venture; build a website; establish and manage online marketing; and use branded email. By helping companies establish an online presence, GoDaddy economically benefits small businesses, entrepreneurs, and society.

## FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Economic value added from small business owners gaining an online presence	US\$10.1 billion
<b>WHO</b>	Total number of customers	21.2 million
<b>HOW MUCH</b>	Domain names under management	>84 million
	Proportion of global registered domain names held by GoDaddy	23%
<b>CONTRIBUTION</b>	Median increase in company revenue from having a website (GoDaddy 2019 Entrepreneur Survey)	47%
<b>RISK</b>	Execution: Data security and customer privacy	Moderate significance/ low probability

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## QUALITATIVE ASSESSMENT

GoDaddy gained fewer net new customers in 2021 (587,000) vs 2017 (2.6 million). Nevertheless, we still see GoDaddy as an important enabler for small businesses, and we are impressed with the company's effort to increase innovation and develop a relevant product offering that empowers small companies and entrepreneurs.

### **Does not meet expectations**

## ENGAGEMENT PRIORITIES

We have spoken with management about the inclusive entrepreneurship aspect of GoDaddy's ESG program. In addition to its base suite of products, GoDaddy provides direct grants, tools, and resources to underserved communities. We look forward to engaging further on progress and outcomes linked to this initiative.



#### UN SDG ALIGNMENT

Industry, Innovation, and Infrastructure

#### TARGET 9c

Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020

#### NEGATIVE IMPACTS

Increased exposure of vulnerable populations to cybercrime

#### SCALE

Broad

#### MITIGATION EFFORTS

Sufficient

## PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# Millicom International

### IMPACT THEORY OF CHANGE

Investments in Millicom International provide digital and connectivity services in communities in Latin America and Africa. These services can create a platform for customers to access the digital economy and to enhance their earnings potential and quality of life.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Productivity gains and lives improved from better access to digital technology	Aspirational
<b>WHO</b>	People connected to digital and communication services	>12.4 million homes
<b>HOW MUCH</b>	Number of countries with Millicom operations	13
<b>CONTRIBUTION</b>	Number of rural Panamanians receiving mobile and digital coverage for the first time	400,000
<b>RISK</b>	Execution: Company fails to maintain network quality over time	Moderate risk/ low probability

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## QUALITATIVE ASSESSMENT

Millicom International has continued to expand its network capacity and boost its customer base, increasing customer relationships by over 10% in 2021. We believe it has made a meaningful contribution to increasing digital access.

### Meets expectations

## ENGAGEMENT PRIORITIES

We have engaged on the effect of pandemic-related lockdowns (which disproportionately affected low-income customers) on its business and the subsequent stabilization in activity.

[NEXT THEME: EDUCATION & JOB TRAINING >](#)

# Education & job training

[< BACK TO CATEGORY OVERVIEW](#)

REMOTE ACCESS | IMPROVING FINANCIAL FUTURES

Each grade a child completes may raise earning potential as an adult by 9%. For girls and women, the long-term boost may be as much as 20%.<sup>1</sup>

Even before the pandemic, 258 million children did not attend school.<sup>2</sup>

“

**Our Global Impact Fund continued to invest in a Brazilian higher education group providing access to quality, postsecondary education to underserved students.**

The need to shift to online learning where possible continues to impact children's' ability to learn in 2021. According to UNICEF, over the last two years, 147 million schoolchildren missed more than half of their in-class instruction.<sup>3</sup>

We believe innovations in remote-access education, especially for low-income countries and communities, will remain in high demand as many countries continue to emerge from the pandemic. Done affordably and in conjunction with other connectivity solutions, online learning and job-training services have the potential to close the education gap and help lift children and adults out of poverty.

With impact investing, you help supply capital to innovative educational companies and issuers whose work may help reinforce these financial outcomes along with societal benefits.

In 2021, our Global Impact Fund continued to invest in a Brazilian higher education group providing access to quality, postsecondary education to underserved students. Sensitive to the difficulties its customer base faces, this company's price increases have not kept pace with inflation, distinguishing it from many peers.

We remain invested in a US-based freelancing company that helps workers who have difficulty working on-site, accessing regular-hour jobs, or sustaining employment. We maintained our exposure to an Australian company that matches employers with job

seekers and offers online training. We also invested in a company that promotes language learning, particularly English. We recognize there can be an income gap between English and non-English speakers in many countries. The company makes language learning affordable and accessible, particularly for students across emerging markets.

Within the Global Impact Bond Fund, we invested in bonds issued by a leading provider of student transport services in North America. Many low-income families do not own a vehicle, leaving children to rely on buses to get to school safely, rendering this issuer's services crucial to lower-income communities. The issuer is transitioning from diesel to electric bus fleets, with support from municipalities. We also added bonds issued by a provider of education, fitness, and skills-based community programs in New York State and at several US universities.

Our aim with this theme is to target companies and issuers that are facilitating access to quality education and job training, and, in doing so, improve the quality of lives of their students.

1 "Returns to Investment in Education: A Decennial Review of the Global Literature," The World Bank, 2018.

2 Global Partnership for Education and UNESCO Factsheet, September 2019.

3 "Are children really learning? Exploring foundational skills in the midst of a learning crisis," UNICEF, March, 2022.





**UN SDG ALIGNMENT**

Decent Work and Economic Growth

**TARGET 8.5**

Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

**NEGATIVE IMPACTS**

Increased complexity in taxes for freelancers

**SCALE**

Narrow

**MITIGATION EFFORTS**

Sufficient

**WILLINGNESS TO ENGAGE**

High

PORTFOLIO INVESTMENT SPOTLIGHT **EQUITY**

# Upwork

**IMPACT THEORY OF CHANGE**

Investments in Upwork provide a marketplace for businesses to hire freelancers for specific projects, granting those freelancers economic opportunities to pursue meaningful and flexible work.

**FIVE DIMENSIONS OF IMPACT**

<b>WHAT</b>	Increased economic opportunity for freelancers	Aspirational
<b>WHO</b>	Estimated number of remote knowledge workers worldwide	225 million
	Number of active clients using freelancers via Upwork	>771,000
<b>HOW MUCH</b>	Income generated by platform users	US\$3.55 billion
<b>CONTRIBUTION</b>	Number of freelancers who received one-on-one coaching	2,400
	Number of freelancers who obtained skills certifications via Upwork	2,500
<b>RISK</b>	Execution: Cybersecurity and data privacy	Moderate risk/ low probability

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## QUALITATIVE ASSESSMENT

We believe Upwork's platform can continue to grow as remote work and the role of temporary staff evolve. We are comfortable with the company's performance and are monitoring the rapidly changing landscape as pandemic pressures abate.

### **Meets expectations**

## ENGAGEMENT PRIORITIES

We have engaged to discuss how Upwork can increase disclosure on the social impact of its business. We offered detailed feedback on its latest ESG and impact reporting, which provided useful data on how the company is creating economic opportunity. We were encouraged by the development of innovative products designed to empower freelancers to build new income streams.



#### UN SDG ALIGNMENT

Quality Education

#### TARGET 4.3

By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university

#### NEGATIVE IMPACTS

Environmental impact of operations and supply chain

#### SCALE

Moderate

#### MITIGATION EFFORTS

Sufficient

## PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# Drexel University

### IMPACT THEORY OF CHANGE

Investments in Drexel University provide quality higher education to students and can increase socioeconomic mobility for graduates.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Improved long-term earnings potential and well-being through access to higher education	Aspirational
<b>WHO</b>	Number of students	23,217
<b>HOW MUCH</b>	Proportion of Drexel graduates working or in continued higher education Wage premium for Drexel graduates	94.7% 12%
<b>CONTRIBUTION</b>	Value of full-tuition scholarships awarded to low-income Philadelphia students annually	US\$13 million
<b>RISK</b>	Alignment: Potentially high cost of attendance for students	Moderate risk/ medium probability

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## QUALITATIVE ASSESSMENT

Drexel ranked in the top 3% of US universities for lifetime earnings in 2020. We believe students can use skills gained during their studies to yield tangible benefits.

### Meets expectations

## ENGAGEMENT PRIORITIES

Long-term engagement priorities include, but are not limited to, trends in student outcomes as operations normalize post pandemic, as well as the use of technology to optimize student enrollment, retention, and success.

[NEXT THEME: FINANCIAL INCLUSION >](#)

# Financial inclusion

[< BACK TO CATEGORY OVERVIEW](#)

FINANCIAL TECHNOLOGY | ACCESS TO CAPITAL

Small businesses employ 50% of workers worldwide.<sup>1</sup>

Creating financial identities for the unbanked could increase GDP per capita by 6% in poorer countries.<sup>2</sup>

Improving financial inclusion and bridging the digital divide are closely linked, particularly in emerging markets. The ability to access financial services, credit, and other forms of capital is critical for individuals and small businesses, the world's economic engines. Yet, as the World Bank notes, 31% of the world remains unbanked. Technology can help close the financial-inclusion gap. Today, 69% of people worldwide own a mobile device,<sup>3</sup> a key tool for accessing financial products and services. We believe investments in companies that expand access to financial (and digital) services can enable financial stability and help sustain economic development.

Your impact investments can improve lives and strengthen communities by enabling access to cash and credit for populations that have traditionally been excluded.

In 2021, investments in our Global Impact and Global Impact Bond Funds included payment services, financing and insurance providers, and platforms that enable entrepreneurship. In the equity portfolio, one of our holdings included a company in Puerto Rico providing essential financial services, including lending to small- and medium-sized local businesses and subprime consumers. Puerto Rico has a large low-income population that endured years of economic recession and a string of natural disasters. Access to financial services helps facilitate community recovery and growth.

An Indian company we owned shares in finances pre-owned commercial vehicles, enabling entrepreneurs to start businesses. We invested in an Indonesian company specializing in microfinance and an African

financial services group offering low-cost insurance products to help cover end-of-life and funeral expenses, which can be financially devastating. The need for financial inclusion is not limited to emerging economies. In the US, we have identified a company that works primarily with lower-income borrowers. Extending credit that can be used for unexpected household expenses, medical bills, and debt consolidation can have a range of positive impacts. Notably, the company offers customers an educational program as part of the loan application, aimed at improving financial literacy and developing a monthly budget.

In the Global Impact Bond Fund, we added bonds issued by a leading Latin American e-commerce platform for which small merchants contribute a significant portion of merchandise volume. As more retail activity is conducted online, this issuer's contribution to financial inclusion should increase. We also invested in a provider of auto loans serving underserved populations, including immigrants. This issuer helps expand mobility and access to personal transportation.

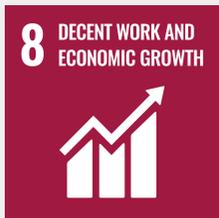
We continue to see a multiplier effect from investments in financial inclusion, as these products and services can have positive, lasting effects at the societal level. Innovative, often transformational, business models in this theme are helping women gain financial independence, low-income families escape poverty, and small businesses boost the economies of which they are an essential part.

1 "Small and Medium Enterprises (SMEs) Finance," The World Bank, 2020.

2 "Identifying the unbanked population could add \$250 billion to global GDP," Finextra, December 2019.

3 Findex database figures, The World Bank, April 2018.





**UN SDG ALIGNMENT**

Decent Work and Economic Growth

**TARGET 8.10**

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all

**NEGATIVE IMPACTS**

Potential for predatory sales practices; stress/loss caused by disputed claims

**SCALE**

Narrow

**MITIGATION EFFORTS**

Sufficient

**WILLINGNESS TO ENGAGE**

Moderate

PORTFOLIO INVESTMENT SPOTLIGHT **EQUITY**

# Globe Life

**IMPACT THEORY OF CHANGE**

Investments in Globe Life reduce financial barriers to life and health insurance for low-income individuals in the US through providing insurance with a low face amount.

**FIVE DIMENSIONS OF IMPACT**

<b>WHAT</b>	Increased access to social safety nets for low-income individuals	Aspirational
<b>WHO</b>	Number of life insurance policyholders	4.4 million
<b>HOW MUCH</b>	Total number of policies in force	14.3 million
<b>CONTRIBUTION</b>	Average face amount of life insurance (as percentage of industry average), increasing affordability for customers	9%
<b>RISK</b>	Execution: Failure to maintain quality of product and coverage	High risk/ low probability

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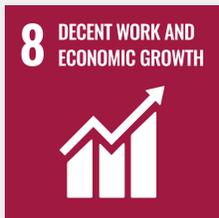
## QUALITATIVE ASSESSMENT

Globe Life continues to cater to a market that is underserved by most providers. We are happy with the steady increase in policies in force.

### **Meets expectations**

## ENGAGEMENT PRIORITIES

We would like to engage further on Globe Life's impact narrative, particularly around the socioeconomic characteristics of its customers and how differentiated it is from other life insurance providers in the market. While its impact disclosure has improved, we think there is potential for future evolution of the approach.



### UN SDG ALIGNMENT

Decent Work and Economic Growth

### TARGET 8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

### NEGATIVE IMPACTS

Environmental impact of operations and supply chain

### SCALE

Narrow

### MITIGATION EFFORTS

Sufficient

## PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# StoneCo

### IMPACT THEORY OF CHANGE

StoneCo offers a wide array of end-to-end cloud-based solutions for small- and medium-sized businesses in Brazil. It facilitates growth through enabling digital payments, providing an integrated e-commerce gateway, and allowing smarter financial management.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Economic and social empowerment from access to financial services	Aspirational
<b>WHO</b>	Total active payment clients	1.76 million
	Total subscribed software clients	199,700
<b>HOW MUCH</b>	Amount of money processed for small businesses	US\$275.4 billion
<b>CONTRIBUTION</b>	Increased efficiencies for small businesses	Aspirational
<b>RISK</b>	Execution: Potential for cybersecurity breaches	Moderate risk/ low probability

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## QUALITATIVE ASSESSMENT

StoneCo reached 1.8 million payment clients in 2021 and continues to expand banking services for small businesses in Brazil. We are encouraged by progress in its core business and look forward to the relaunch of its credit product and advances in execution in 2022.

### **Meets expectations**

## ENGAGEMENT PRIORITIES

We have engaged with StoneCo on its efforts to actively improve the management capabilities of the small and medium businesses it serves. We also discussed board diversity, cybersecurity, and environmental initiatives such as the monitoring of energy consumption and waste in its operations.

**NEXT THEME: SAFETY & SECURITY >**

# Safety & security

[< BACK TO CATEGORY OVERVIEW](#)

CYBER PROTECTION | PRODUCT TESTING | FOOD AND DRUG SAFETY

Monetary losses from cybercrime top US\$945 billion per year.<sup>1</sup>

In emerging markets, unsafe food costs US\$100 billion annually.<sup>2</sup>

In a world driven by connectivity, cybersecurity is critical. Governments increasingly use digital platforms to convey and collect information related to taxes, benefits, and pension payments, while companies increasingly rely on web-based apps to run their businesses. While more efficient and accessible, these digital forms of communication and interaction are vulnerable to online fraud and data theft.

We focus on solutions for the workplace, personal safety, and physical infrastructure that help protect human life and property from natural disasters. In 2021, climate-related events affected many regions, from extreme heat and massive wildfires in North America and around the Mediterranean basin, to severe flooding in China, Canada, and swaths of Western Europe.

In 2021, the Global Impact Fund invested in a company whose technology helps customers prevent cyberattacks by providing greater visibility into organizations' vulnerabilities. We maintained a position in a vendor of cloud-based solutions. The company's secure-email gateway (SEG) product protects against inbound threats like phishing, viruses, and spam, and secures outgoing email communications as well. This company has been particularly skillful in serving small- and medium-sized business markets.

We identified a manufacturer of impact-resistant glass designed to withstand high winds and rain. We initiated a position in an engineering firm specializing in climate-resiliency, including energy infrastructure, to help communities respond to natural disasters and adapt to growing climate risks.

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**We initiated a position  
in an engineering  
company specializing  
in climate-resiliency  
projects.**

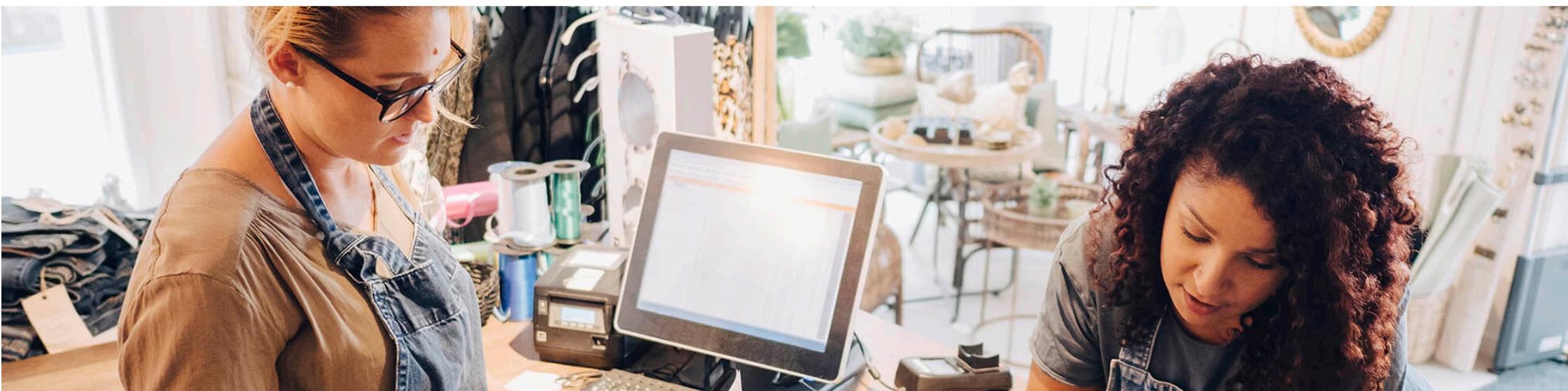
In the Global Impact Bond Fund, we invested in a provider of vulnerability management and security solutions, including incident detection and response, vulnerability risk management, and a security orchestration and automation response solution. The company serves customers in many industries and distributes products globally, empowering all businesses, including small businesses, to innovate more securely, which can translate into efficiency gains and faster growth.

We also invested in a global cloud-security company serving a range of industries, which we believe will be an impactful player in the transition to cloud-based digital operations.

While this remains our most recently added theme, we are excited about the ways in which we have been able to expand the scope of our research since its launch in 2019.

<sup>1</sup> Malekos-Smith et al., “The Hidden Costs of Cybercrime,” McAfee and the Center for Strategic and International Studies. 2020.

<sup>2</sup> “The Safe Food Imperative,” the World Bank and US Food and Drug Administration, 2018.





**UN SDG ALIGNMENT**

Climate Action

**TARGET 13.1**

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

**NEGATIVE IMPACTS**

Potential to exacerbate inequality in access to climate resilience due to higher price point of some of its products

**SCALE**

Moderate

**MITIGATION EFFORTS**

Sufficient

**WILLINGNESS TO ENGAGE**

High

PORTFOLIO INVESTMENT SPOTLIGHT **EQUITY**

# PGT

**IMPACT THEORY OF CHANGE**

PGT's impact-resistant windows and doors provide buildings with structural integrity during severe adverse weather events, protecting life and property. Investments in PGT help offer protection from wind-driven projectiles and other debris during storms and hurricanes.

**FIVE DIMENSIONS OF IMPACT**

<b>WHAT</b>	Increased resilience to extreme weather	Aspirational
<b>WHO</b>	Homes and buildings with PGT impact-resistant glass installed	Aspirational
<b>HOW MUCH</b>	Number of dealers/distributors	Approximately 2,300
	Number of WinGuard products installed	> 4 million
<b>CONTRIBUTION</b>	Revenue from impact-resistant products	US\$787 million
	Number of impact failures reported	0
<b>RISK</b>	Alignment: Potential to exacerbate inequality in access to climate resilience due to high price point of some products	Moderate significance/ moderate probability

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## QUALITATIVE ASSESSMENT

PGT's revenue from impact-resistant products has continued to grow, and the company has actively worked to increase its reach by broadening its geographic distribution and sales footprint.

### **Meets expectations**

## ENGAGEMENT PRIORITIES

We have engaged with management on efforts to influence climate-adaptation policy and on expanding PGT's operational footprint. Efforts to broaden distribution to more coastal states facing higher risk of hurricanes should help PGT's products reach more customers who need to build resiliency. We also engaged on labor and staffing shortages, which have limited growth and depressed margins. We now expect PGT to be better able to meet consumer demand.



#### UN SDG ALIGNMENT

Peace, Justice, and Strong Institutions

#### TARGET 16.4

By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime

#### NEGATIVE IMPACTS

Environmental impact of operations and supply chain

#### SCALE

Moderate

#### MITIGATION EFFORTS

Sufficient

## PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# APX Group

### IMPACT THEORY OF CHANGE

Investments in APX Group can help the issuer expand and strengthen its security offerings such as cameras, smart locks, burglary detectors, and smoke alarms, therefore improving customer safety.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Increased protection for customers against security breaches	Aspirational
<b>WHO</b>	Total subscribers	1.9 million
<b>HOW MUCH</b>	Daily interactions per user	11
	Average devices per home	15
<b>CONTRIBUTION</b>	Number of proprietary devices launched since 2010	15
<b>RISK</b>	Execution: Failure to protect customer information	Moderate significance/ moderate probability

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## QUALITATIVE ASSESSMENT

The company has increased the number of subscribers by 9% year over year, while keeping attrition rates at a 14-quarter low, indicating customer satisfaction. We are happy with how the business is tracking as it relates to customer reach.

### **Meets expectations**

## ENGAGEMENT PRIORITIES

Long-term engagement priorities include, but are not limited to, growth opportunities in smart/connected home solutions including energy and home insurance.



# Environment

Alternative energy | Resource efficiency | Resource stewardship

# Alternative energy

[< BACK TO CATEGORY OVERVIEW](#)

## RENEWABLE ENERGY GENERATION | STORAGE AND DISTRIBUTION

### **GHG EMISSIONS:**

Energy generation accounts for 27% of the annual 51 billion tonnes of GHG emissions.<sup>1</sup>

### **LOW-CARBON ELECTRICITY:**

Renewables are projected to generate 45% of the world's electricity by 2040.<sup>2</sup>

During 2021, the pace of climate-related policy responses accelerated, culminating in the remarkable number of government commitments announced at the November 2021 UN Climate Change Conference in Glasgow (COP 26). Decarbonizing the energy sector is a critical step in reaching net-zero carbon emissions, which many governments and companies — including Wellington — have pledged to do by 2050. Alternative-energy companies play a pivotal role in working toward a low-carbon future.

Generating more energy from renewable sources like solar, wind, and hydropower helps reduce GHG emissions, slow the global temperature rise, and gradually clear polluted air.

Billions of people still breathe air heavily polluted by fossil-fuel emissions or rely on dirty, often dangerous, home heating and cooking fuels. The social and health benefits and related cost savings of shifting to clean energy include declines in premature deaths.<sup>3</sup>

In 2021, you helped to provide capital to companies and issuers generating renewable energy, mostly through wind power and solar energy. You also invested in innovative solutions for power storage and distribution.

“  
**Billions of people still breathe air heavily polluted by fossil-fuel emissions.**

In our Global Impact Fund, we had exposure to a Danish developer of wind turbines and power plants. A Spanish company in which we held shares invests in utility-scale renewable energy projects. And we continued to hold a renewable power producer with hydroelectric, wind, and solar assets across North America, Latin America, Europe, and Asia.

In the fixed income markets, an increasingly diverse set of issuers is turning to green bonds and sustainability bonds to fund alternative-energy projects. As a result, the opportunity set is expanding beyond developed market companies and into to sovereigns and emerging market issuers.

This year, the Global Impact Bond Fund purchased a European government's inaugural green bonds, with the bonds' proceeds allocated to eligible green expenditures including renewable and efficient-energy initiatives, pollution prevention, and environmental protection. Following COP26, many governments and companies have committed to curbing their carbon footprints, which we believe will drive additional labeled green issuance as well as generic issuance by emerging alternative-energy providers.

Europe's energy crisis and the high fuel costs experienced worldwide in 2021 are likely to provide a further impetus for the transition to alternative-energy solutions. Governments around the world increasingly recognize the need to enhance energy security and independence.

1 Breakthrough Energy, 2020.

2 World Energy Outlook 2002, International Energy Agency.

3 Emil Dimanchev, et al., "Health co-benefits of sub-national renewable energy policy in the US," Environmental Research Letters, vol. 14, August 2019.





#### UN SDG ALIGNMENT

Affordable and Clean Energy

#### TARGET 7.2

By 2030, increase substantially the share of renewable energy in the global energy mix

#### NEGATIVE IMPACTS

Environmental impact of operations and supply chain

#### SCALE

Moderate

#### MITIGATION EFFORTS

Sufficient

#### WILLINGNESS TO ENGAGE

Moderate

## PORTFOLIO INVESTMENT SPOTLIGHT **EQUITY**

# Acciona

### IMPACT THEORY OF CHANGE

Investments in utility-scale renewable energy projects are core components to solving the decarbonization challenge with speed and efficiency.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Climate-change mitigation through the provision of renewable power	Aspirational
<b>WHO</b>	Consumers	40 countries
<b>HOW MUCH</b>	Renewable energy capacity	11,245 MW
<b>HOW MUCH</b>	Renewable energy generated through wind, solar, thermal, hydraulic, and biomass	24, 541 GWh
<b>CONTRIBUTION</b>	CO2 emissions avoided through renewable energy generation	14.77 million tonnes
<b>RISK</b>	Exogenous factors: Renewable energy production is determined or undermined by weather conditions	Moderate significance/ low probability

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## QUALITATIVE ASSESSMENT

Acciona has impressed our team with its ability to anticipate and adapt to evolving trends and to leverage its unique asset base for innovation. Acciona was among the first companies to report on the alignment of its own activities with the EU Taxonomy criteria. We continue to believe the company's potential to innovate and drive value and sustainability outcomes may be underappreciated.

### **Meets expectations**

## ENGAGEMENT PRIORITIES

We have been pleased to hear of the strong operating environment in renewable infrastructure construction. Going forward, management has highlighted the positive long-term growth prospects associated with offshore wind, green hydrogen, and electric mobility, underpinning the opportunities in the clean energy space, which we will continue to monitor.

**7 AFFORDABLE AND  
CLEAN ENERGY**



**UN SDG ALIGNMENT**

Affordable and Clean Energy

**TARGET 7.2**

By 2030, increase substantially the share of renewable energy in the global energy mix

**NEGATIVE IMPACTS**

Environmental impact of operations and supply chain

**SCALE**

Broad

**MITIGATION EFFORTS**

Sufficient

PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# Zorlu Yenilenebilir Enerji

**IMPACT THEORY OF CHANGE**

Zorlu Yenilenebilir, a subsidiary of Zorlu Enerji Elektrik Üretim AS, operates 12 renewable power plants in Turkey, with a combined installed capacity of 643 MW derived from geothermal, wind, and hydroelectric power.

**FIVE DIMENSIONS OF IMPACT**

<b>WHAT</b>	Reducing global CO2 emissions	Aspirational
<b>WHO</b>	Number of electricity customers	1.89 million
<b>HOW MUCH</b>	Installed renewable capacity	559 MW
<b>CONTRIBUTION</b>	CO2 emissions avoided through renewable energy generation	2.1 million tonnes
<b>RISK</b>	Exogenous factors: Renewable energy production is determined or undermined by outside factors (weather conditions)	Moderate risk/ low probability

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## QUALITATIVE ASSESSMENT

We believe Zorlu continues to play an important role in Turkey's energy transition by providing power from renewable resources.

### Meets expectations

## ENGAGEMENT PRIORITIES

Long-term engagement priorities include, but are not limited to, the regulatory outlook for renewable energy in Turkey.

[NEXT THEME: RESOURCE EFFICIENCY >](#)

# Resource efficiency

[< BACK TO CATEGORY OVERVIEW](#)

PRESERVATION | ADVANCEMENT | SUSTAINABILITY

**ENERGY CONSUMPTION:** The world is expected to consume nearly 50% more energy by 2050.<sup>1</sup>

**GHG EMISSIONS:** The production of just three materials — cement, steel, and plastic — accounts for 31% of GHG emissions.<sup>2</sup>

To ensure a sustainable, equitable future, we must use natural resources more efficiently. The UN estimates that more efficient production and consumption of materials could help cut CO2 emissions by approximately 25 gigatonnes.<sup>3</sup> The twin trends of rising consumption and dwindling supply of nonrenewable, finite resources like fossil fuels, metals, minerals, arable land, water, timber, and clean air are putting enormous pressure on the planet.

The resource challenge is not just environmental. For many people, the more difficult resources are to obtain, the harder it is to maintain living standards and economic stability. Innovating and modernizing existing resource extraction, production, and distribution methods can help reduce waste, mitigate pollution, save money, and safeguard human health. More companies are

aiming to decarbonize manufacturing by sourcing renewable energy, investing in carbon capture and storage, and developing more efficient systems for water and energy use. Your investments can help advance these vital efforts.

In 2021, we focused on companies and issuers encouraging energy conservation, mitigating air, water, and soil pollution; alleviating water scarcity; and enabling greater efficiency in utility infrastructure and building systems.

In our Global Impact Fund, we invested in a leading North American multinational heating, ventilation, and air conditioning (HVAC) company with a portfolio of high-efficiency products based on next-generation refrigerants to reduce energy use and GHG emissions.

We took a position in a US manufacturer of electrical products and utility solutions that enhance grid safety and efficiency. We continued to own shares in a Dutch company offering innovative smart-lighting technologies that enhance energy efficiency.

We maintained a position in a Chinese manufacturer of lithium-ion battery-powered two-wheelers, addressing the need for low-carbon transport alternatives. And we have exposure to a real estate investment trust (REIT) that owns, operates, and develops life sciences and agricultural technology campuses in the US and is committed to reducing its environmental footprint.

Aligned with the continued electrification of transportation, in the Global Impact Bond Fund, we invested in a Chinese developer and manufacturer of smart electric vehicles. Selling into one of the highest-emitting markets globally, in which emissions from transportation are a significant contributor, we believe the issuer can have a major impact in reducing transportation-based emissions.

We also invested in a developer of renewables and technology solutions aimed at improving energy efficiency and reducing CO2 emissions. In addition, we purchased the inaugural green bond of a European property investment and development company. The bond's proceeds that are earmarked to finance or refinance

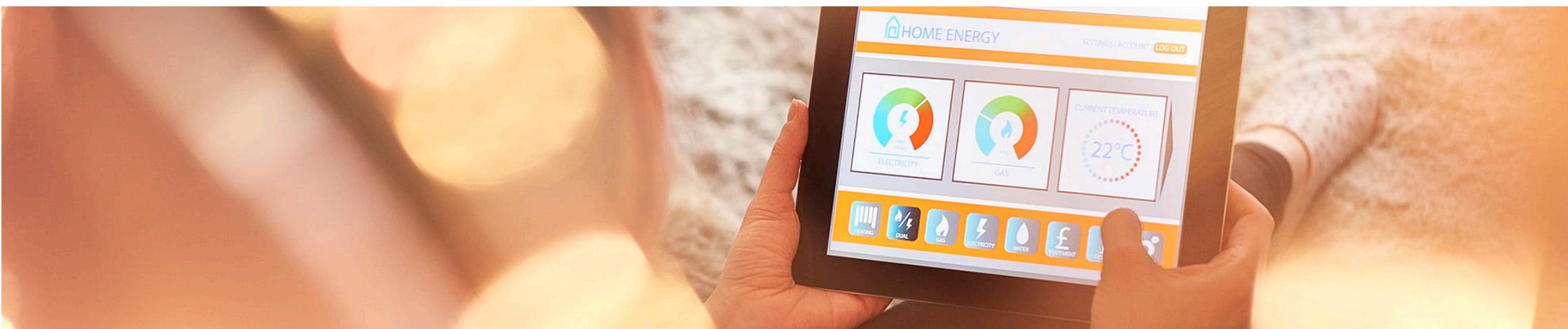
eligible projects align with the issuer's commitment to reduce the carbon intensity of its operated property and new developments.

We believe companies and issuers across our resource efficiency theme are supporting electrification initiatives and promoting efficient use of resources.

1 International Energy Outlook 2019, US Energy Information Administration, 2019.

2 Breakthrough Energy, 2020.

3 "Materials used to build cars and homes key to tackling global warming," UN Environment Programme, December 2019.





**UN SDG ALIGNMENT**

Industry, Innovation, and Infrastructure

**TARGET 9.4**

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

**NEGATIVE IMPACTS**

Environmental impact of operations and supply chain

**SCALE**

Moderate

**MITIGATION EFFORTS**

Sufficient

**WILLINGNESS TO ENGAGE**

High

PORTFOLIO INVESTMENT SPOTLIGHT **EQUITY**

# Wabtec

**IMPACT THEORY OF CHANGE**

Transportation specialist Wabtec's existing and future and investments will help drive more autonomous trains and incremental technological improvements, leading to more fuel efficiency and reduced emissions, greater rail capacity, and improved safety in the train fleet for both freight and passenger transit.

**FIVE DIMENSIONS OF IMPACT**

<b>WHAT</b>	Facilitating a lower-carbon, fuel-efficient rail network	Aspirational
<b>WHO</b>	Customers across multiple countries	50 countries
<b>HOW MUCH</b>	Number of locomotives modernized	1,000
<b>CONTRIBUTION</b>	Fuel-efficiency benefits of locomotives modernized to date since 2015	1.40 million tonnes of CO2e avoided
<b>RISK</b>	Execution: Safety risks on new locomotives	Moderate significance/ low probability

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## QUALITATIVE ASSESSMENT

Wabtec continues to play an important role in reducing emissions and fuel usage associated with the rail industry, driven by its focus on alternative energy and efficiency-related innovation.

### **Meets expectations**

## ENGAGEMENT PRIORITIES

We have spoken to management about the changing nature of Wabtec's conversations with its customers as corporate carbon-reduction goals become more ambitious. Wabtec is well positioned to help its customers save costs on fuel while simultaneously meeting its environmental targets.



**UN SDG ALIGNMENT**

Industry, Innovation, and Infrastructure

**TARGET 9.4**

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

**NEGATIVE IMPACTS**

Environmental impact of operations and supply chain

**SCALE**

Moderate

**MITIGATION EFFORTS**

Sufficient

PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# Instituto Costarricense de Electricidad

**IMPACT THEORY OF CHANGE**

Instituto Costarricense de Electricidad (ICE) is an electricity and telecommunications service provider in Costa Rica. The proceeds of this bond will increase national coverage of smart meters to promote the transition of the country’s grid to a smart grid, providing benefits to customers in terms of better energy usage as well as network resilience and efficiency.

<b>WHAT</b>	Increased resiliency and efficiency of Costa Rica’s electricity network	Aspirational
<b>WHO</b>	Number of households reached*	0.96 million
	Number of smart meters in operation	513,245
<b>HOW MUCH</b>		
	ICE’s market share in smart meter installation	77%
<b>CONTRIBUTION</b>	Estimated energy savings from smart meter usage	1% – 8%
<b>RISK</b>	Execution: Effective management of land and maintaining relationships with	Moderate risk/
	local communities	low probability

\*Data as of December 2019

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## QUALITATIVE ASSESSMENT

ICE has led the deployment of smart metering infrastructure in Costa Rica since 2012. We are encouraged by its progress to date and its continued focus on serving harder-to-reach customers in rural and coastal areas.

### **Meets expectations**

## ENGAGEMENT PRIORITIES

ICE has committed to publishing sustainability-linked-bond updates as part of its annual reporting. We will seek to engage with the company on disclosure of the positive impact related to the rollout of smart meters in Costa Rica.

**NEXT THEME: RESOURCE STEWARDSHIP >**

# Resource stewardship

[< BACK TO CATEGORY OVERVIEW](#)

ENVIRONMENTAL REMEDIATION | RECYCLING AND REUSE

**GLOBAL WARMING:** Methane, a common landfill emission, has 28 times the global warming potential of CO<sub>2</sub>.<sup>1</sup>

**MATERIALS USE:** Materials use is projected to reach 167 gigatonnes by 2060, up from 79 gigatonnes in 2011.<sup>2</sup>

“

**We believe better stewardship of the earth's finite resources can help ensure long-term social and economic stability.**

We believe better stewardship of the earth's finite resources can help ensure long-term social and economic stability. As population growth and urbanization accelerate, the strain on resources intensifies as does the need for solutions to mitigate the effects of climate change. Water scarcity is projected to challenge cities and agricultural regions alike. Solid waste generation could grow to 3.4 billion tonnes per year by 2050.<sup>3</sup>

Decomposing landfills release harmful GHGs, while solid landfill waste creates myriad problems, including harmful runoff that contaminates surface and groundwater and can create breeding grounds for water- and vector-borne diseases.

In our view, solutions enhancing resource stewardship and promoting circular,

sustainable economies will be widely adopted as the harmful effects of linear, disposable economies become more apparent. Self-sustaining, regenerative systems of production and consumption, where waste is minimized or avoided altogether, could become an economic necessity.

Companies, industries, and governments will need to upgrade infrastructure and implement technologies necessary for safe, effective resource management.

In 2021, in our Global Impact Fund, we initiated a position in a leading producer and supplier of low-cost renewable diesel feedstock and other fuels that can help reduce transportation emissions, which account for 14% of global GHG emissions.

The company produces renewable energy by repurposing animal by-products that would otherwise be wasted. Other opportunities in this theme include sustainable waste-processing and recycling companies, metal-recycling companies, and producers of recyclable packaging solutions.

We are also looking into manufacturers of bioplastics and other sustainable materials with potentially long-term positive effects on marine and land ecosystems by minimizing microplastics in soil, sediment, and fresh water.

In the Global Impact Bond Fund, we purchased a large North American car manufacturer's inaugural green bond, with proceeds allocated to financing or refinancing the research and development of zero-emission vehicles and manufacturing facilities. Many of the proceeds are expected to support the design, development, and manufacture of better electric vehicles, as the issuer has set a target for electric vehicles to contribute around half of its global vehicle sales by 2030. This large issuer could significantly increase penetration of more efficient alternatives to traditional automobiles, thereby helping to reduce the impact of transport on the environment.

Protecting and conserving our natural resources through sound management and new technologies is at a critical point. Global sustainability and economic growth for future generations may depend on today's stewardship activities.

1 Fifth Assessment Report, Intergovernmental Panel on Climate Change (IPCC), 2014.

2 Global Material Resources Outlook to 2060, OECD, 2018.

3 "What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050", September 2018.





### UN SDG ALIGNMENT

Industry, Innovation, and Infrastructure

### TARGET 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

### NEGATIVE IMPACTS

Environmental impact of operations and supply chain. Rendering operations are water intensive, and production of end products and renewable diesel are energy intensive.

### SCALE

Moderate

### MITIGATION EFFORTS

Moderation

## PORTFOLIO INVESTMENT SPOTLIGHT EQUITY

# Darling Ingredients

## IMPACT THEORY OF CHANGE

Investments in Darling Ingredients can help reduce GHG emissions from transportation. The company is a leading, low-cost producer and supplier of renewable diesel feedstock at scale. Through its partnership with Valero, it offers fuels that can help reduce emissions from transportation by up to 85%. In addition, producing food and feed products from inputs that would otherwise be wasted helps to lower the resource intensity of the agriculture industry.

## FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Lower global GHG emissions and societal benefit of healthier environment	Aspirational
<b>WHO</b>	Customers	Aspirational
<b>HOW MUCH</b>	Volume of renewable diesel produced	21.3 billion liters
<b>CONTRIBUTION</b>	Rendered and recycled materials converted by its Diamond Green Diesel joint venture	1.04 million tonnes
<b>RISK</b>	GHG emissions avoided through use of renewables diesel (millions of tonnes)	2.27
<b>RISK</b>	Exogenous factors: Enabling high-GHG-intensity animal production and fossil-fuel-intensive transport	High significance/ low probability
<b>RISK</b>	Execution: Failing to keep pace with innovation and most sustainable practices	

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## QUALITATIVE ASSESSMENT

The company has accelerated the pace of new capacity additions for its renewable diesel operations and remains among the largest global producers of renewable diesel.

### **Meets expectations**

## ENGAGEMENT PRIORITIES

We have engaged with Darling on the total market opportunity in renewable diesel, with a focus on how Darling's scale, technology, and expertise in navigating the agricultural and fuel industries amounts to a durable competitive advantage. Going forward, we intend to engage further on the company's sustainability and process as well as the growth prospects for the Diamond Green Diesel partnership with Valero.



#### UN SDG ALIGNMENT

Responsible Consumption and Production

#### TARGET 12.5

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

#### NEGATIVE IMPACTS

Energy intensity of production and end-of-life waste

#### SCALE

Moderate

#### MITIGATION EFFORTS

Sufficient

## PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# Lenzing AG

### IMPACT THEORY OF CHANGE

Lenzing produces botanic cellulose fibers made with wood from sustainably managed forests. Its products can significantly reduce the environmental cost of clothing and textile production by shifting to less petroleum-based materials. Lenzing's specialty fibers have 50% less GHG emissions and water impact than standard viscose.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	Preserve and reuse the earth's natural resources	Aspirational
<b>WHO</b>	Planet	Aspirational
<b>HOW MUCH</b>	Fiber sold	909,000 tonnes
	Specialty fibers as % of revenue	62%
<b>CONTRIBUTION</b>	Proportion of wood source certified or controlled by forest certification	>99%
	Reduction in water intensity (m <sup>3</sup> per tonne of product), from 2014 baseline	10%
<b>RISK</b>	Endurance: Company fails to keep pace with innovation	Moderate risk/ low probability

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## QUALITATIVE ASSESSMENT

We believe Lenzing continues to make a positive impact through technological innovation in plant-based fibers, which helps to reduce CO2 emissions, lower water use, and shift consumption away from petroleum-based synthetic fabrics.

### **Meets expectations**

## ENGAGEMENT PRIORITIES

We spoke with management about the sustainability of wood-based specialty fibers, including lowering its water usage and increasing the biodegradability of its products. We discussed allegations of fraud regarding the production of face masks through a new joint venture and we think management will be more cautious when setting up joint ventures in the future. Lenzing expects the market for sustainable fibers to continue to expand as fashion retailers adopt more stringent attitudes toward sourcing. We look forward to discussing this further.



Multi-theme



#### UN SDG ALIGNMENT

Industry, Innovation, and Infrastructure

#### TARGET 9.4

Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

#### NEGATIVE IMPACTS

Environmental impact of operations and supply chain

#### SCALE

Moderate

#### MITIGATION EFFORTS

Moderate

#### WILLINGNESS TO ENGAGE

Sufficient

## PORTFOLIO INVESTMENT SPOTLIGHT **FIXED INCOME**

# Kingdom of Spain

### IMPACT THEORY OF CHANGE

Investments in Spain's green bond will support government spending in renewable energy, clean transportation, wastewater management, energy efficiency, pollution prevention, the circular economy, and climate adaptation.

### FIVE DIMENSIONS OF IMPACT

<b>WHAT</b>	National reduction in GHG emissions by 2030, compared to 1990	23%
	Increased resilience to climate change	Aspirational
<b>WHO</b>	Percentage of Spain's territory affected annually by wildfire	0.15%
	Number of estuaries in Spain	93
<b>HOW MUCH</b>	Amount of sediment removed to help to recover estuaries	585,000 m <sup>3</sup>
	River space recovered for natural habitat through Ebro Resilience program	21 hectares
<b>CONTRIBUTION</b>	Seeds provided annually that produce climate-resistant plants and trees	9,500 kg
	Carbon-intensity threshold for eligible energy-generation activities	100 CO <sub>2</sub> e/KWh
<b>RISK</b>	Execution: Funding projects that are not environmentally sound or that may	Moderate risk/
	increase harmful emissions	low probability

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## **QUALITATIVE ASSESSMENT**

We believe the Kingdom of Spain's green bond continues to fund projects that have positive environmental impacts across a range of outcomes.

### **Meets expectations**

## **ENGAGEMENT PRIORITIES**

Release of the bond's first impact report, which is expected to include details of the impact of the various programs as well as the underlying methodologies and assumptions used.



# Important disclosures

# About this report

## **2021 MESSAGE OF COMMITMENT, 2021 IMPACT HIGHLIGHTS, MEASURING IMPACT, AND PORTFOLIO INVESTMENT SPOTLIGHTS**

### **Data provided is as of 31 December 2021.**

The views expressed herein are those of the author(s), are based on available information, and are subject to change without notice. Individual portfolio management teams may hold different views and may make different investment decisions for different clients. The material and/or its contents are current as of 31 December 2021. Forward-looking statements or estimates may be made. Actual results and occurrences may vary significantly. Certain data provided is that of a third party. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness.

Wellington determines the goals and targets that, in our view, each portfolio company is aligned with. Language for the goals and targets has been abbreviated, but not otherwise altered, from UN.org.

Wellington Management supports the United Nations Sustainable Development Goals. These are not to be construed as a recommendation of any of the specific securities presented or indicative of their past or future performance.

Investment examples are based on holdings of the Global Impact Fund and the Global Impact Bond Fund from 1 January to 31 December 2021. Company examples are for illustrative purposes only, are not representative of all investments made by the portfolio, and should not

be interpreted as a recommendation or advice. Portfolio spotlight examples are based on non-performance criteria. For the Global Impact Fund the largest position in each impact theme is selected. If the largest position was highlighted last year, then another example is selected. If there is more than one additional company in the theme, the largest trade is highlighted (based on the number of shares). For the Global Impact Bond Fund, the name with the highest contribution to duration times spread is highlighted in each theme. If this has already been used, we have used the next highest.

The Key Performance Indicators shown for each company have been developed by Wellington. These metrics are proprietary to Wellington and used to assess a company's progress toward its particular business objectives. Company information is from multiple sources including annual and quarterly reports; industry research pieces; company web sites; press releases; case studies; and company engagements. Only holdings that had applicable and available KPI data were included. In cases when the 2021 data was not available at the time of publication, we have used 2020 or the nearest to 2021 data.

### **EQUITY EXAMPLES:**

Holding was largest by size in a theme in the portfolio as of 31 December 2021: Acciona, Evoqua, Danaher, Upwork, GoDaddy, Globe Life.

Largest holding had been previously highlighted, but for 2021, we used the largest trade in a theme: Nomad, Vonovia, Wabtec, PGT.

Largest holding had been previously highlighted, but for 2021 we used the only other holding in a theme: Darling

### **ALL FIXED INCOME EXAMPLES AND MULTI-THEME:**

Largest contribution to duration times spread. If already highlighted, we use second-largest contribution.

## **Investment risks**

All investing involves risk. If an investor is in any doubt as to the suitability of an investment, they should consult an independent financial adviser. Past results are not necessarily indicative of future results and an investment can lose value.

**Capital:** Investment markets are subject to economic, regulatory, market sentiment, and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment.

**Asset/mortgage-backed securities:** Mortgage-related and asset-backed securities are subject to prepayment risk, which is the possibility that the principal of the loans underlying the securities may prepay differently than anticipated at purchase. Because of prepayment risk, the duration of mortgage-related and asset-backed securities may be difficult to predict.

**Concentration:** Concentration of investments in a relatively small number of securities, sectors or industries, or geographical regions may significantly affect performance.

**Credit:** The value of fixed income securities may decline, or the issuer or

guarantor of that security may fail to pay interest or principal when due, as a result of adverse changes to the issuer's or guarantor's financial status and/or business. In general, lower-rated securities carry a greater degree of credit risk than higher-rated securities.

**Currency:** Investments in currencies, currency derivatives, or similar instruments, as well as in securities that are denominated in foreign currency, are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

**Equity markets:** Equity markets are subject to many factors, including economic conditions, government regulations, market sentiment, local and international political events, and environmental and technological issues.

**Fixed income securities markets:** Fixed income securities markets are subject to many factors, including economic conditions, government regulations, market sentiment, and local and international political events. In addition, the market value of fixed income securities will fluctuate in response to changes in interest rates, currency values, and the creditworthiness of the issuer.

**Foreign and emerging markets:** Investments in foreign markets may present risks not typically associated with domestic markets. These risks may include changes in currency exchange rates; less-liquid markets and less available information; less government supervision of

exchanges, brokers, and issuers; increased social, economic, and political uncertainty; and greater price volatility. These risks may be greater in emerging markets, which may also entail different risks from developed markets.

**Interest rate:** Generally, the value of fixed income securities will change inversely with changes in interest rates. The risk that changes in interest rates will adversely affect investments will be greater for longer-term fixed income securities than for shorter-term fixed income securities.

**Real estate securities:** Risks associated with investing in the securities of companies principally engaged in the real estate industry such as REIT securities include: the cyclical nature of real estate values; risk related to general and local economic conditions; overbuilding and increased competition; demographic trends; and increases in interest rates and other real estate capital market influences.

**Smaller-capitalization stocks:** The share prices of small and mid-cap companies may exhibit greater volatility than the share prices of larger-capitalization companies. In addition, shares of small- and mid-cap companies are often less liquid than larger-capitalization companies.

**Sustainability:** An environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

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