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The Good Investment Review

#FindingGood

SQUARE MILE 3D investing

DO GOOD · AVOID HARM · LEAD CHANGE

GOOD WITH MONEY

MORE MONEY, FEWER PROBLEMS

THE BIG EXCHANGE

About Good With Money

Good With Money is a money website with a difference: it is all about how your money can do more good, as well as how you can be better at managing it. With blogs, webcasts, podcasts, downloadable guides and a weekly newsletter, you can stay up to date with the latest ways to line your pocket and look after the planet.

About The Big Exchange

Launched in October 2020, The Big Exchange – co-founded by The Big Issue – has created a unique fund platform that rates funds for their positive impact on people and the planet. As at August 2022, it had over 60 funds to choose from as well as three risk rated, ready-made bundles.

Every fund is rated against The Big Exchange's methodology which maps to the United Nations Sustainable Development Goals, for the type and level of positive impact they are making. Funds that don't make the cut are not allowed onto the fund list and those that do pass the test are awarded a gold, silver or bronze medal, with gold funds meeting the highest grade against the test. The Big Exchange analyses whether funds can really "walk the talk".

UK investors can use The Big Exchange to invest their ISA, JISA or GIA and choose investments that tackle the issues they care about most from £25 a month with fees amongst the lowest in the market. Through seeing comprehensive impact summaries detailing: what the funds do, how they do it, and what positive change the funds are trying to make, The Big Exchange aims to provide UK retail investors with a valued, trusted, and ethical source of information to make more informed investment decisions for people and the planet - especially in the ongoing fight against greenwashing.

Capital at risk. Tax rules apply.

About 3D Investing

The investment industry has seen a seismic shift towards Responsible Investment, with a multiplicity of funds claiming to invest positively or with impact. The growth in the market and diversity of approaches being applied has led to widespread accusations of "greenwashing".

Using extensive and in-depth evidenced based analysis, we assess Responsible Investment (RI) funds against the 3D Framework of 'do good', 'avoid doing harm' and 'lead change;' the areas which we believe are critical to affecting positive change in relation to the world's most pressing environmental and social challenges.

Do good

Investment in companies offering solutions to global social and environmental challenges and evidence of impact.

Avoid doing harm

Avoidance of investment in companies making a significant negative contribution to society and the environment and those exposed to controversies.

Lead change

Advocacy and engagement with investee companies both individually and through co-operation with other investors and change activists to encourage best practice and inform opinion.

We believe that this will allow investors to make the most informed investment decision as we are providing an accurate representation of how a fund actually fares from a Responsible Investment perspective. Thus, enabling them to avoid the 'greenwash' and choose a product which best suits their convictions, aligning their daily actions and choices in respect of society and the environment with how their savings are invested.

3D Investing is a trading name of Ethical Money, which is part of Square Mile Investment Consulting and Research, an independent investment research business that works in partnership with regulated professional financial services firms. Focusing first and foremost on in depth, qualitative fund research, Square Mile provide tailored support and investment services for financial advisers, institutions and asset managers.

Welcome

For this latest edition of The Good Investment Review, Good With Money and 3D Investing have partnered with The Big Exchange. Through this additional partnership, we hope to provide a trusted source of information and provide greater clarity and transparency into the world of Responsible Investment (RI).

The attraction of using money to do good is undeniable and the previous strong performance of RI funds has accelerated the impetus to invest in this way. More recently, however, the market environment has not favoured such strategies, with many RI classified companies performing poorly. In a market increasingly focused on short-term returns, this has led to some concern amongst investors.

Our three partners begin this edition by exploring some of the key trends and themes surrounding RI. In an interview with **3D Investing**'s Anna Mercer and CEO of **The Big Exchange**, Abi Sater, we explore the driving forces behind RI and how we can build investor trust in this area of the market. **Good With Money** continue by emphasising the importance of RI and focusing on what RI funds are designed to do over a wider horizon.

These themes are further explored by our nine sponsors. Whilst short-term performance has been challenging, **Aegon Asset Management** argue that the cost of not taking drastic action will be huge, sharing the opportunities they see over the multi-year time horizon. **Baillie Gifford** continue by outlining how impact investing works in practice, highlighting companies they are investing in that are contributing to a more sustainable and inclusive world.

Liontrust expand on the future of RI, reiterating what they mean by a sustainable company and reaffirming their strong belief in the alignment between doing good things and business success. Drawing on specific areas of RI, **Schroders** expands on the role of climate leaders, and how these can offer investors lower risks, whilst **M&G Investments** focus on the economic sense of diversity and inclusion, and how it can offer better returns.

Looking at the role of stewardship, **Wellington Management** details the importance of putting this into practice and those companies balancing their impact on people, the planet and profits to build long-term advantage. **Pictet Asset Management** continue by emphasising the importance of engaging with the 'problem' stocks to manage the transformation to a more sustainable economy. **Fidelity International** further explore the approach to active ownership and the three themes for 2022.

Finally, **TwentyFour Asset Management** outline ESG scoring and how this works in practice, drawing on some real-world examples to put this into context.

We hope you enjoy this latest edition of The Good Investment Review. As always, if you have any questions or would like to discuss any aspect of the publication in more detail, please do not hesitate to contact us.

Who's who in the review

This review is a collection of market statistics, commentary and information on the Responsible Investment space. It is supported by our sponsors and partners, asset managers who contribute valuable insight on this ever-evolving landscape.

AEGON Asset Management

M&G Investments

BAILLIE GIFFORD

PICTET 1805 Asset Management

Fidelity™ INTERNATIONAL

Schroders

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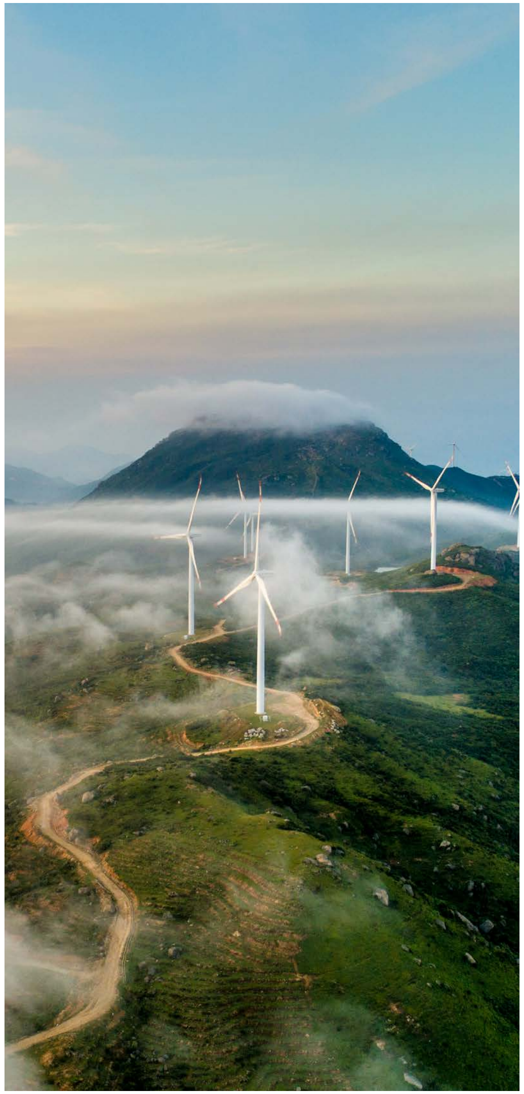
TwentyFour ASSET MANAGEMENT

LIONTRUST

WELLINGTON MANAGEMENT®



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Breaking down ESG and Responsible Investment

We firmly support the embrace of ESG and Responsible Investment, however we are aware that there has been inconsistency when it comes to both the language and the approaches applied. Consequently, there have also been differences in the interpretation of what can be very subjective topics and what they constitute in terms of investment, as well as the terminology used.

Therefore, we felt it important to clarify how we think about and define ESG and Responsible Investment.

ESG integration should be seen as an input into an investment process, rather than something which produces an output. The integration and active consideration of ESG analysis is a way for fund managers to mitigate risks and identify opportunities that could have an impact upon a company's share price or continued viability.

We believe ESG analysis to be one of many 'hygiene' factors that can be integrated into the investment process applied to any and all funds.

Environmental

- Carbon emissions
- Energy efficiency
- Water scarcity
- waste management
- Pollution mitigation

Social

- Diversity and workplace policies
- Labour standard Supply chain management
- Product safety
- Community impact

Governance

- Board diversity
- Executive compensation
- Political contributions
- Bribery and corruption
- Accounting and reporting

Responsible Investment is where managers actively and intentionally seek to do good, avoid doing harm and lead change by investing in companies which are helping to meet the world's most pressing challenges, whilst avoiding or seeking to improve those which perpetuate our problems.

We see Responsible Investment as an umbrella term from which stems a spectrum of differing investment approaches, ranging from those which exclude certain securities or sectors to those that are focused on delivering a positive and measurable impact to society and/or the environment.

Responsible Investment

Ethical Exclusions

An ethical exclusions fund manager seeks to avoids industries and company practices that cause harm to people or the planet.

Responsible Practices

A responsible practices fund manager considers the operational practices of investee companies and supports 'best practice' and the use of engagement to encourage companies to improve their environmental and social performance.

Sustainable Solutions

A sustainable solutions fund manager seeks to invest in companies that are providing solutions to social and environmental challenges through their core products and services in the belief that this will realise long-term financial benefits.

Impact Investing

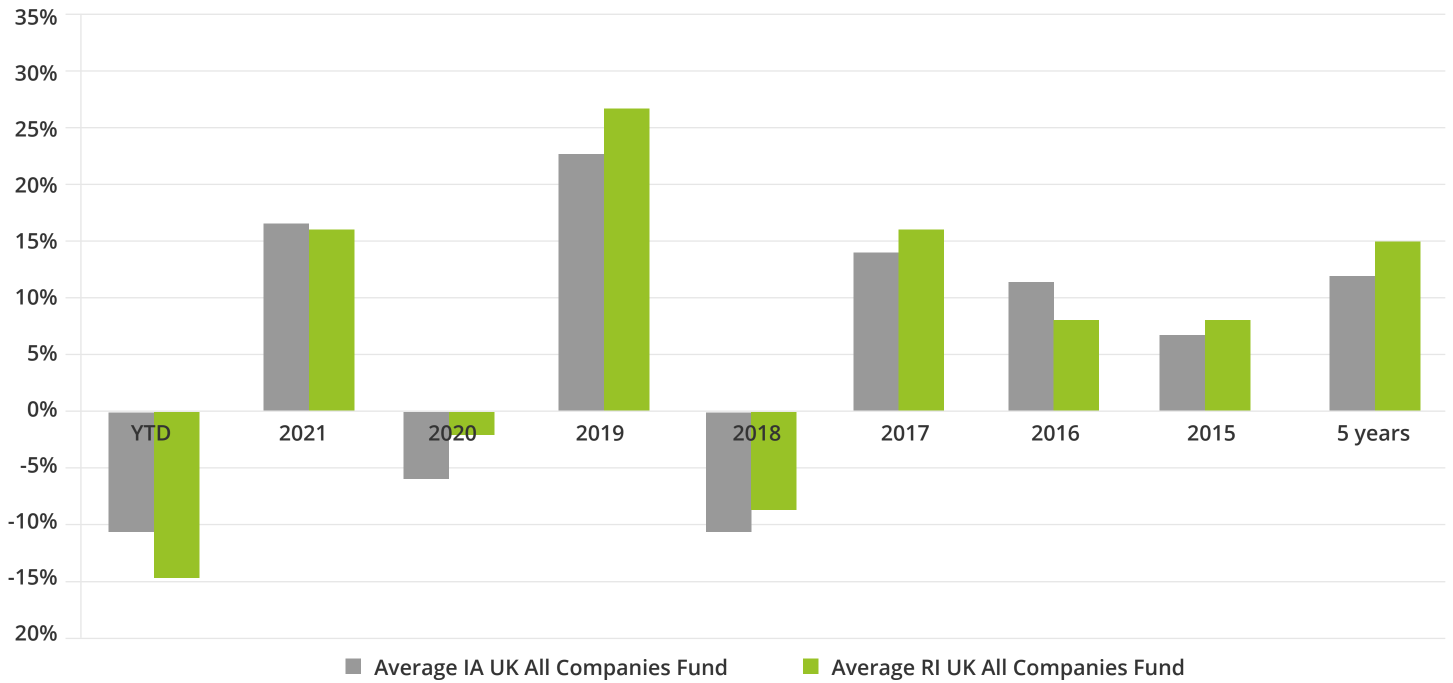
An impact fund will have clear intent to make a wider positive social or environmental impact. The fund will be substantiated by investment in companies providing solutions to social and environmental challenges through their core products and services, with evidence provided of the social and environmental impact.

Reviewing financial performance

We believe that it is important to compare like with like, so we have analysed actively managed funds, which are not just focused on one theme, looking at three of the most popular sectors – namely IA UK All Companies, IA Global and IA Sterling Corporate Bond sectors.

We have compared RI funds within each sector, looking at discrete annual periods to give a better picture of the consistency of performance, as well as the cumulative five-year period performance against the sector.

UK Equity - IA UK All Companies



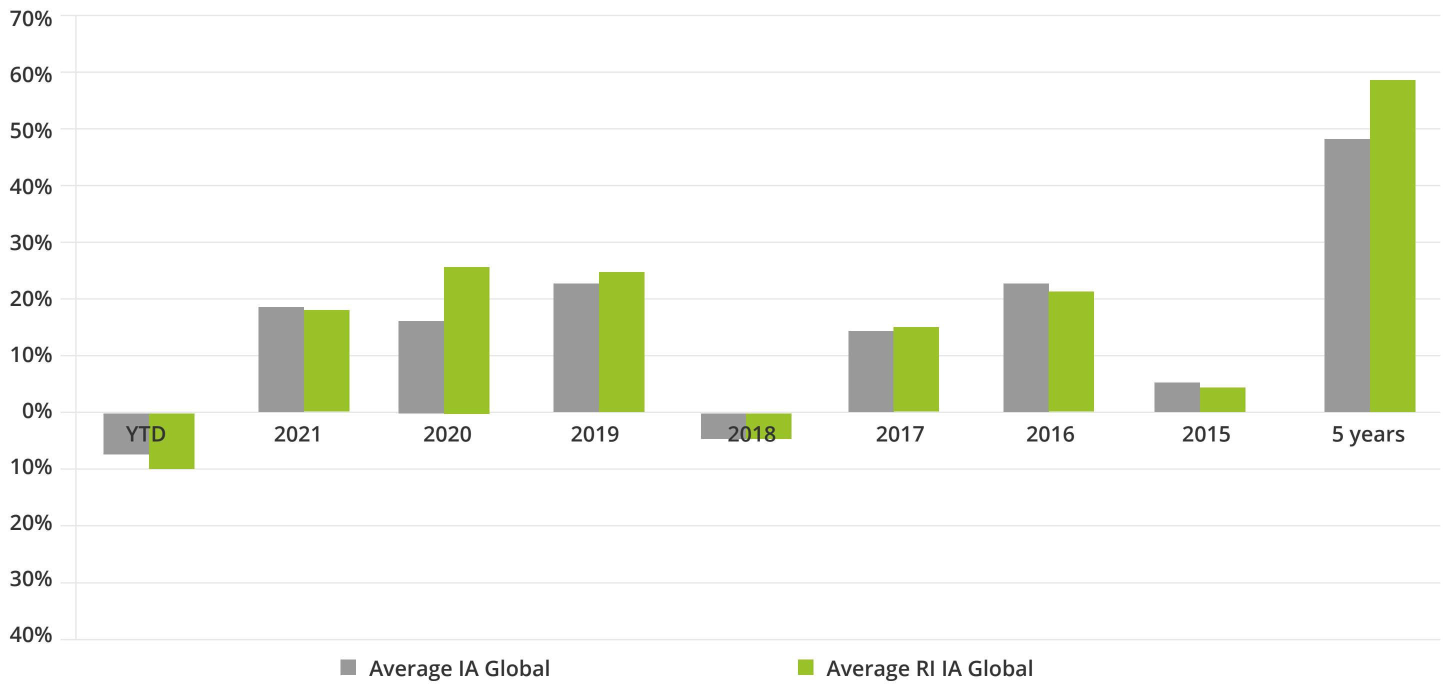
The current market environment is, unfortunately, not the most hospitable backdrop for the majority of RI funds. The rotation away from growth focused investment continues to be a challenge for these funds. Often RI focused portfolios exhibit a bias towards growth focused sectors, and apply exclusion criteria, meaning they have no exposure to areas such as fossil fuels, which, in market being primarily driven by energy and commodities, is rather an impediment. In addition, RI funds have less exposure to larger companies, and therefore, by comparison companies are often in their infancy, or are in industries that tend to be more volatile and/or less defensive.

Notwithstanding the short-term performance, RI UK equity funds have outperformed their traditional counterparts, on average, over the last five years. Whilst there have been great headwinds for RI funds over the short term, as we will explore in this edition of The Good Investment Review, we believe there are sufficient tailwinds behind RI to support this trend in the medium to longer term.

	YTD	2021	2020	2019	2018	2017	2016	2015	5 years
Average IA UK All Companies Fund	-10.8%	17.1%	-6.5%	22.7%	-11.0%	14.3%	11.2%	5.9%	12.6%
Average RI UK All Companies Fund	-15.5%	15.7%	-1.9%	26.9%	-8.9%	15.7%	7.7%	7.7%	14.6%

Data as at 31st August 2022. Total return with net income re-invested. Source: Financial Express.

Global Equity – IA Global



For many of the same reasons as their UK counterparts, the recent market backdrop has not been favourable for RI global equity funds. In a market primarily driven by energy and commodities, RI funds have been challenged, given their exposure to growth focused sectors (such as technology and healthcare solutions), as well as smaller companies.

RI funds within the IA Global sector have therefore experienced similar headwinds to those in the UK. Whilst the short term performance picture may be a cause for concern for investors, we remain focused on the long-term, whereby RI global equity funds have, on average, outperformed the sector over the last five years. In fact, RI global equity funds have outperformed the IA Global average in four out of the last five years. Throughout this edition of The Good Investment Review, we will explore where the opportunities lie over the long-term.

	YTD	2021	2020	2019	2018	2017	2016	2015	5 years
Average IA Global Fund	-8.4%	17.7%	15.7%	22.6%	-5.3%	15.1%	23.4%	4.5%	48.4%
Average RI Global Fund	-10.2%	17.4%	24.8%	26.0%	-5.1%	15.6%	22.7%	3.9%	59.2%

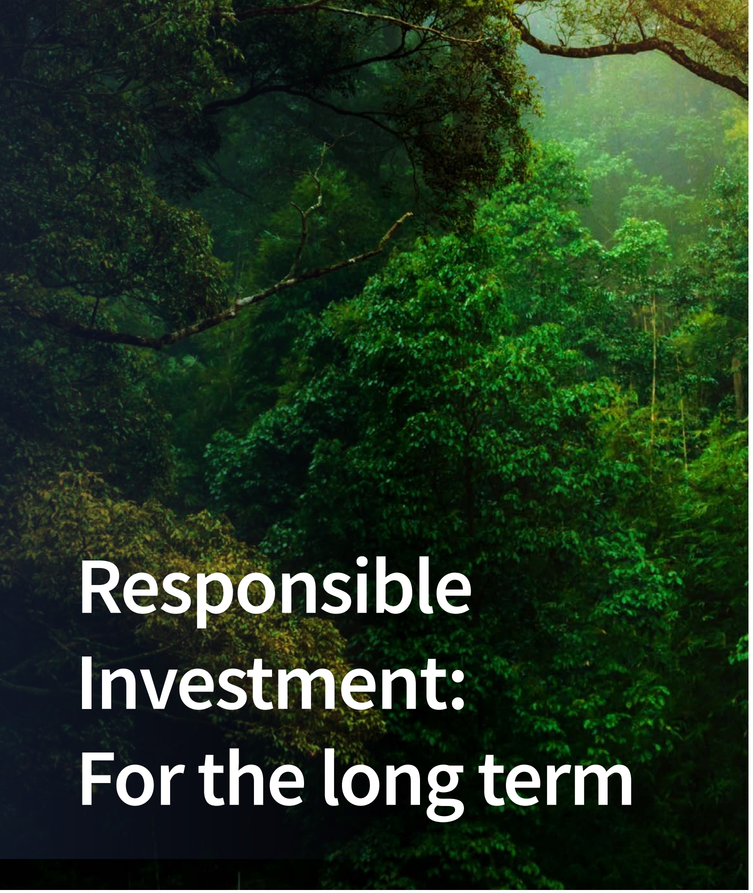
Data as at 31st August 2022. Total return with net income re-invested. Source: Financial Express.

Fixed Income - IA Sterling Corporate Bond

The RI market within fixed income is much smaller than equities. As such, the performance of RI Sterling Corporate Bonds remain more mixed over the long-term. The market remains focused on inflation and rising interest rates, the year-to-date performance of both RI Sterling Corporate Bond funds and their traditional counterparts should not be surprising. When compared to the UK and global equity markets, however, there is far less disparity between the two over the long-term.

	YTD	2021	2020	2019	2018	2017	2016	2015	5 years
Average IA Sterling Corporate Bond Fund	-14.1%	-1.9%	7.7%	9.5%	-2.1%	5.0%	9.4%	-0.1%	-2.7%
Average RI Sterling Corporate Bond Fund	-13.9%	-1.6%	7.0%	8.8%	-2.1%	6.0%	9.0%	0.6%	-3.1%

Data as at 31st August 2022. Total return with net income re-invested. Source: Financial Express.



Responsible Investment: For the long term

For this edition's feature article, we sat down with Square Mile's Head of 3D Research, Anna Mercer, and CEO of The Big Exchange, Abi Sater, to discuss their opinions on the recent Responsible Investment (RI) trends and their predictions on how these will move forward in the coming years.

There has been a significant increase in interest in Responsible Investment recently. What do you believe is driving this?

Abi Sater In our experience, investors choose to invest in RI funds for a variety of reasons. There are those who have chosen to lead a sustainable lifestyle and want that decision reflected across all aspects of their life, from recycling more and consuming less to favouring electric vehicles or withdrawing their support from businesses that treat their workforce unethically. By extension, they expect their savings and pensions to be invested in a way that aligns with their beliefs.

Other investors are motivated by the potential for financial gain but do not want their returns to come at the expense of degrading the environment or harming society.

Finally, there are those who believe passionately about specific causes, be that combatting climate change or building a more equitable society. They are equally passionate about supporting businesses that further these causes or avoiding companies which run against their beliefs.

Anna Mercer People are far more attuned now to their personal responsibility for tackling the very grave issues facing the planet. For instance, it's impossible to ignore the impact of climate change, particularly in light of the extreme weather events we are increasingly witnessing and the devastating effect that they have on people's lives and the environment. Therefore, it seems almost natural that, given the choice, investors would prefer to invest in businesses that are part of the solution to these very concerning challenges.

It is also fair to say that people are more engaged with their finances nowadays. Investors have greater access to information on their investments and feel more empowered to question how and where their capital is being allocated. Importantly, initiatives such as The Big Exchange help to provide transparency on how RI are being invested and enable consumers to scrutinise their investments and take any necessary action to effect the change they want to see.

Investing should be for the long-term, and this is perhaps more pertinent to RI funds – why is this?

Anna Mercer The asset management industry is very good at using terms such as growth and value when describing styles of investing which come in and out of favour, and it is true that the current market environment is not supportive of many RI funds which usually fall into the 'growth' camp. Put simply, the types of business that have done well since the beginning of the year, the likes of those in the energy sector, will not typically be found in RI portfolios, as they tend to exacerbate many of the environmental problems we face. Meanwhile, many companies that form part of the solution are typically in more nascent, less established sectors which can be more volatile and less defensive.

It is important to remember that all investment approaches face head and tailwinds at differing times but issues such as climate change play out over the longer term: investors should have a similarly long-term horizon when investing in companies which help address them.

Abi Sater In our experience, those who invest responsibly are convinced of the long-term opportunity presented by companies that are on the right side of the transition to a cleaner environment and a fairer society. They are also comfortable to ride out some under-performance as part of their investment journey. However, in the face of the cost-of-living crisis and inflation eating into consumers' disposal income it is easy for short-term financial concerns to overshadow long-term financial planning.

The fund industry is often guilty of relying on jargon to describe the styles of investing which fall in and out of favour depending on the market backdrop. This is lost on most investors creating a pressing need for fund groups to educate investors on how funds should perform in different economic conditions. After all, responsible funds aim to provide long-term solutions to long-term problems and their performance should not be judged on a quarterly basis.

Accusations of 'greenwashing' have undermined investor trust in RI. What can investors do to ensure a fund is delivering on its promises?

Anna Mercer Unfortunately, there are no standard reporting metrics to help investors interrogate the funds they are considering. However, one starting point is to compare a fund's marketing literature with some of its more factual documents available such as the Key Investor Information Document to ensure there is consistency in the way a fund's objectives are presented.

Investors should interrogate what objective a fund is trying to achieve, its approach to achieving it, and how it measures and reports success. Where possible, investors should look under the bonnet to check a fund's investments fit with its stated objective. For instance, if a fund that claims to combat climate change has substantial holdings in pharmaceuticals, alarm bells should ring.

Abi Sater I believe there needs to be a level of shared responsibility. Asset managers have a duty to provide all necessary information on a fund's objective, process, and investments to enable investors to make an informed decision on whether it matches expectations. This information needs presented in a format that is understandable to all investors.

Responsibility also lies with investors to research funds to the best of their ability, as they would any other major financial commitment such as buying a new car. The Big Exchange, for instance, helps improve transparency by publishing free-to-access impact assessments for all funds available on the platform. The financial services industry has a tarnished reputation when it comes to clarity but this is an excellent opportunity for it to regain trust through enhanced, transparent communications.

Finally, what changes might encourage greater uptake of Responsible Investment?

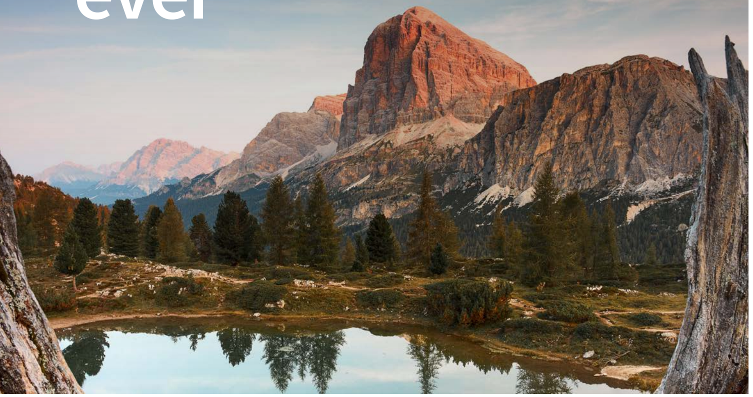
Anna Mercer I think a commitment by asset managers to transparent, consistent reporting frameworks would increase investor confidence, helping them make sense of the options available and compare them on a like-for-like basis. The funds industry can learn a lot from the charity sector. Charities are well-accomplished in telling their story in an engaging way, making a personal connection with donors and evidencing how money is put to work in supporting their cause.

Abi Sater Whilst acknowledging these can be complex subjects, I believe fund managers should be trying to keep it simple. They should be able to simply explain a fund's responsible investment objective, its process, its fee structure and any other metrics that are key to investors making a decision. In embracing simplicity and transparency, and moving away from jargon and complexity, the investment industry has the potential to be a huge force for good for the environment and society.

By Anna Mercer
Head of 3D Research
at Square Mile Research

By Abi Sater
Chief Executive Officer
at The Big Exchange

Why responsible investing is more important than ever



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Responsible investing became a bright beacon during the pandemic, as people paid more attention to the health of the planet and society and their own financial future.

However, with inflation on an upward spiral and stock markets on something of a rollercoaster ride, the notion of investing for good while also making a personal profit appears less straightforward.

The performance of many responsible investing funds has struggled recently - after having outperformed traditional funds on average over a turbulent 2020 and the previous five years, according to the Good Investment Review.

The reasons for this actually have nothing to do with their responsible badge (the 'theme' of investment) and everything to do with asset class, geography, company size and type of investment.

Most responsible funds avoid investing in destructive industries and practices such as tobacco, alcohol, gambling, fossil fuels and defence. Instead, they tend to be heavily weighted towards technology and digital stocks.

These have fared less well recently because much of their value is based on predicted future earnings, which are quickly eroded when prices now are rising.

Positive impact funds that actively seek out companies working on solutions to the world's most pressing problems, like climate change, often invest in pioneering technologies and on ideas and systems that will take time to really thrive. After all, reversing the damage done to the planet and building a more sustainable world is a work in progress.

Again, the worth of these companies on the stock market is highly sensitive to inflation and interest rate rises.

Meanwhile, Russia's war with Ukraine means that pretty much the only stocks doing well currently are in very non-sustainable areas such as oil and gas, commodities such as precious metals, and arms.

It might be tempting at times like this to push your ethical principles aside and take a more hard-nosed, profit-first approach to your money. Or to panic and revert to cash savings accounts, which really will crystallise any losses you've made.

Remember that investing should always be for the longer term - five to 10 years at least. This means that your money stays locked away whether markets are high or low. Responsible investing, like all sectors, will suffer some storms along the way.

While returns are never guaranteed, the old adage, "it's not about timing the market, but about time in the market," has been proven true over the years - history shows that the stock market is one of the only sectors to have consistently grown more than inflation.

Focusing on the wider horizon, and what responsible funds are designed to do (create lasting and important change for the better) should provide comfort if your portfolio is experiencing some financial losses right now.

If, for example, you believe strongly that renewable energy has to inevitably take over from fossil fuels in the future, then you'll feel that any declines in value now will be nothing compared to what fossil fuel companies face in the coming years.

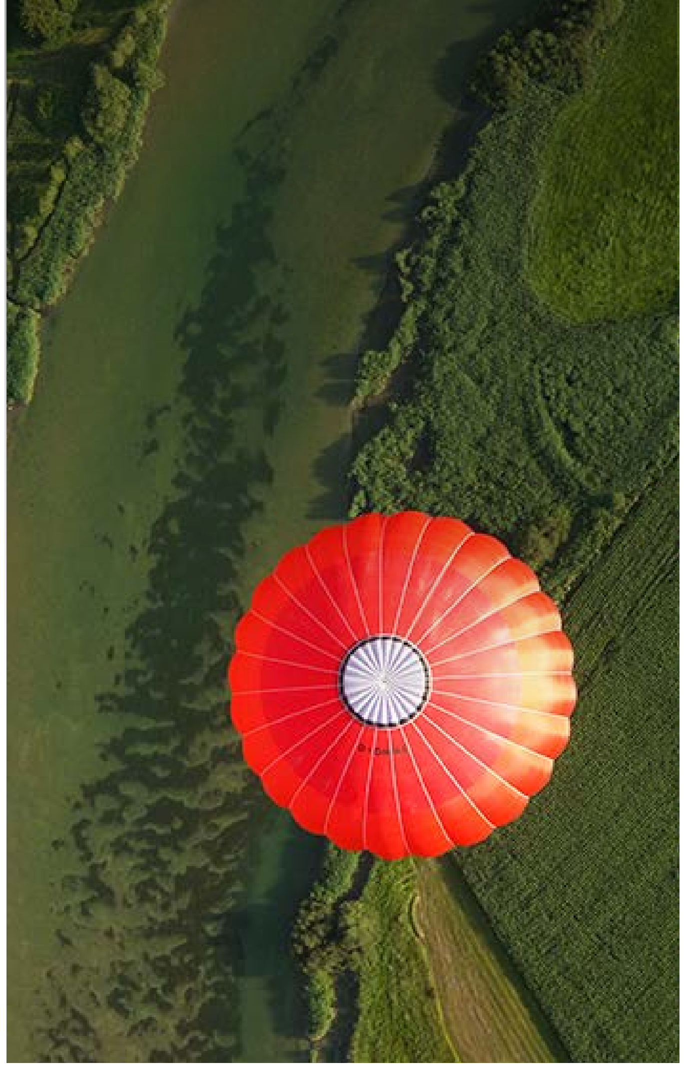
It also makes sense that companies with solid ESG (environmental, social and governance) practices, who treat their customers and staff well, and are genuinely aligned with net zero goals, will be best placed to perform well financially in the long run.

The health of the planet, and of future generations living on it, are dependent on the investment choices we make now. The cost of doing anything other than investing sustainably is huge.

So while there are current challenges for responsible investing, the longer-term direction of travel is unchanged. In fact, it is more important now than ever.

By Lori Campbell
Editor at Good With Money

Sustainable investing needs long-term thinking



Investors are increasingly looking to "do good" with their investments, which has led to money flocking into responsible investment (RI) funds in recent years. Global ESG AUM reached a record of $2.74 trillion[1] in 2021. Despite general market volatility and weaker performance from RI funds in 2022, the sector still attracted $32.6bn[2] of net new money in the second quarter of 2022. The ongoing popularity of these funds shows that in a world where short-term thinking is all too common, many investors are rightly taking a longer-term view.

Popularity aside, it is important to put the recent weak performance of RI funds into context. Since late 2021, we've seen a significant rally in 'value' stocks and sectors that have been out of favour for some time. Utilities, energy and consumer staples, for example, have all increased significantly since the start of the year. None are typical hunting grounds for ESG investors though. The main driver of this move has been the emergence of a strong inflationary environment, which is typically seen as bad for growth stocks, despite the fact that the underlying fundamental strength of many of these companies has not changed. Most RI funds tend to have a 'growth', rather than a 'value', style and recent performance has suffered as a result. This trend has affected the whole growth investing landscape, ESG or otherwise, so it's important to avoid thinking this is solely an RI issue.

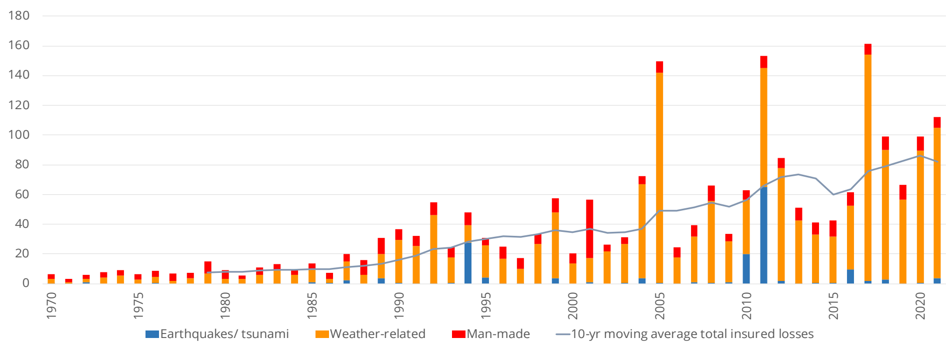
But looking at such short-term performance numbers ignores the true, long-term opportunity in RI. These opportunities not only address climate change but also other issues where the potential to make a real difference is significant. Consider the following small sample:

- **$4.2 trillion[3]**: estimated annual investment in the energy transition required each year between 2026 and 2030 to meet the Paris Accord goals.
- **8x**: number of times higher the infant mortality rate is in Africa than Europe.
- **10 million**: estimated cancer deaths globally in **2020**
- **$369bn[4]**: spending on energy transition recently earmarked by the US government.

These challenges will not be solved this year – or even this decade in many cases. The longer-term outlook, however, is exciting and highlights the need for investors also to adopt a multi-year horizon.

Insured losses since 1970

USD billion (in 2021 prices)



Source: Swiss Re Institute. Data as at December 2021.

We should also factor-in the costs of not taking sufficient action. Research shows that natural disasters are increasing in both frequency and severity. Indeed, 2021 was one of the costliest years on record for catastrophe insurers and it has been estimated that if the planet warms by 1.5 degrees by 2030, as is widely expected, losses will increase by 68% compared to the 2021 number. The cost of not taking action is simply unthinkable.

Where are the exciting opportunities for investors?

We don't have to look far to find companies that are having a positive impact on people and the planet. For example, the pace of innovation in healthcare is breath-taking; we are seeing a step-change in the quality of treatment and prevention of many serious diseases. In addition, innovative products and services within the technology sector are providing the base for sustainable development in many other industries.

One of our favourite impactful companies – and one that you may not immediately think of as a sustainable candidate – is Advanced Drainage Systems (ADS), which is a US company that makes water pipes and water management products. ADS' products collect rainwater, transport it away from source (reducing the risk of costly and potentially deadly flooding in the process) and treat it.

ADS's pipes are made from plastic, which is much more environmentally friendly to produce and more durable than traditional concrete piping. What really makes ADS so special though is that it is North America's largest recycler of plastics. ADS takes over 265,000 tons of household plastic waste each year, turning discarded water bottles, shampoo bottles and even bits of carpet into plastic piping. Its activities help avoid the release of over 340,000 tons of CO2 emissions annually – that's the equivalent to taking 74,000 (internal combustion engine) cars off the road.

As investors, of course, we are also focused on the financial impact of the companies we invest in. In the case of ADS, having a vertically integrated supply chain has had a significant financial benefit in recent months; it has been less exposed to the steep increases in input costs that many peers have seen. The ADS story is a great example of a company where sustainability and profitability go hand-in-hand, and we are encouraged to see more companies coming round to the idea that operating sustainably can improve profitability.

The trend towards sustainability reminds us that in a world often obsessed with short-term thinking, it is important to recognise the longer-term opportunities of RI investing. We can ill-afford not to.

Largest
plastic recycling company in North America

CO_2
770 million pounds
of GHG emissions avoided

GHG emissions avoided amounts to taking
74,000 cars off the road

Consumed 28%
of the recycled HDPE bottles in the US in 2021

Source: Advanced Drainage Solutions

By Iain Snedden
Investment Specialist - Equities
at Aegon Asset Management

For Professional Clients only. Capital at risk.

All investments contain risk and may lose value.

Opinions and/or example trades/securities represent our understanding of markets both current and historical and are used to promote Aegon AM's investment management capabilities: they are not investment recommendations, research or advice. This marketing is not prepared in accordance with legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing by Aegon AM or its employees ahead of its publication.

The document is accurate at the time of writing but is subject to change without notice.

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AdTrax: 4907196.1 Expiry 31 August 2023

[1]Source: Global sustainable fund flows: Q4 2021 in review, Morningstar, January 31, 2021
[2]Source: Morningstar Global Sustainable Fund Flows Report Q2 2022
[3]Source: Bloomberg: Energy Transition Investment Trends – Jan 2022
[4]Source: US government, Inflation Reduction Act

Impact investing: how you can drive change for a better world

Please remember that the value of your investment can fall and you may not get back the amount invested.

The prospect of helping to create a better world while making a solid return on your money might sound too good a combination to be true.

Yet it can be a reality. You can support companies that aim to be transformational for climate change, education and food, among other issues.

One way to do so is via 'impact investment' funds. As the name suggests, these funds only put money into companies with positive measurable impacts.

The Positive Change Fund shows how impact investing works in practice. Edinburgh-based investment management company Baillie Gifford runs it.

The Fund invests money in companies that:

- contribute to a more sustainable and inclusive world
- offer products and services that are likely to be adopted because they are better than alternatives

"It's all about changing the status quo," says Michelle O'Keeffe, a senior impact analyst with expertise in climate change.

"None of the companies we invest in are going to solve the world's problems on their own. Yet together, they address challenges in ways that excite customers."

Meat alternatives

Many of the Fund's holdings focus on the environment. For example, plant-based food producer **Beyond Meat** aims to cut how much carbon is released into the atmosphere because people eat animal-based products.

Up to 37 per cent of total greenhouse gas emissions result from the food system, O'Keeffe says, with livestock and the crops they eat among the contributors.

"Beyond Meat offers an alternative to meat which is far kinder to the environment," she adds.

"And its message is smart. Instead of telling customers that meat is bad, it offers a great alternative."

Energy giant **Ørsted** is another portfolio company. It sold its oil and natural assets to become the world's largest offshore wind developer.

"It's doing exciting things, such as developing floating offshore wind turbines for places where it can't get down to the seabed," says O'Keeffe.

"From a technical perspective, this is ridiculously complicated. But it gives much more capacity for power generation."

Precision agriculture

Back on dry land, **Deere & Co**, the maker of John Deere tractors, is among the Fund's biggest investments.

It has pioneered digital techniques to reduce chemical usage and greenhouse gas emissions.

"Machines with cameras and sensors are fitted onto tractors that can identify whether something's a plant or a weed," says O'Keeffe.

"They then apply the smallest amount of pesticide or herbicide needed for that individual plant."

The Fund also has a stake in the world's bestselling electric car manufacturer.

"Tesla has been successful because it's built cars that people want to drive," says O'Keeffe.

"Yet there's much more to its success. For example, while it manufactures batteries, it also recycles them. This presents a huge opportunity to refine the process from end to end."

Learning a new language

Positive Change also targets social issues. **DuoLingo**, for example, uses an app to teach dozens of languages. 'Superlearners', who pay for extra quizzes and add-on features, effectively subsidise others' free use.

"We've seen its adoption go viral in many countries," says Edward Whitten, the Fund's other senior impact analyst.

"Learning a new language lets some people do jobs that they wouldn't be able to get otherwise. It raises incomes and the potential for economic growth."

Another holding, **Nubank** in Brazil, provides access to basic banking services.

It serves Latin American customers who would otherwise lack a debit or credit card, have no place to safely keep their earnings and be unable to borrow money to improve their lives.

"Nubank provides free bank accounts in a place where traditional banks charge fees, which many can't afford to pay," Whitten says. "That helps people become more resilient and self-sufficient."

Encouraging change

Positive Change's managers also act as influencers.

Asset managers, including Baillie Gifford, use their influence as large shareholders to take part in 'engagements'.

These range from one-to-one conversations with management to votes at yearly shareholder meetings. They provide a way to encourage companies to improve their behaviour.

For example, the Positive Change Team supported Beyond Meat to improve its sustainability reporting.

"As a young company, it's had to develop ways to report the environmental impact of its products among other disclosures," says O'Keeffe.

The Fund's managers also encouraged a change of practice at **FDM**, a recruitment firm that helps people return to work after breaks.

"Previously, it wasn't paying trainees," Whitten explains.

"We made our concern clear to the firm last year, and it finally committed to paying. As one of the voices saying this was the right thing to do for the longer-term, we were delighted."

Investors increasingly see impact investing as a way to have a positive influence themselves.

And when "companies succeed in having a great impact," O'Keeffe says, "they also increase their chance of maximising returns".

For more information, visit the Positive Change Fund website.

By Holly Thomas
Freelance Financial Journalist,
on behalf of Baillie Gifford

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The future of Sustainable investing

With the last 12 months more challenging for ESG funds and our Sustainable Future investment process at Liontrust, it is worth reiterating exactly what we mean by a sustainable company and why we continue to believe there is alignment between doing good things and business success.

Several commentators have questioned whether sustainable investing has become a 'punt on growth' given so many funds have struggled in the value rotation, and whether underperformance indicates a previous bubble in these stocks. We feel both oversimplify what is going on.

Looking at the 'growth' question first, the trigger for the recent change in performance from many sustainable funds, including ours, has been macroeconomic, with central banks hiking interest rates to control inflation. By nature, many sustainable companies are focused on innovation and sit in the 'growth' category; they are long duration as more of their valuation is linked to future earnings, and therefore more susceptible to higher interest rates. Over recent months, as rates have risen, this has led to a sell-off in growth assets in favour of defensive, value and inflation-aligned investments. We believe this has been indiscriminate and overdone in the case of many sustainable businesses.

A deeper question is whether progress towards a cleaner, healthier and safer future has stalled but again, despite concerns, our view remans that sustainable themes have persisted for decades and are embedded in the global economy.

If you examine how change happens, there tend to be three actors. First, understanding is developed around a particular issue and ways to resolve it (air pollution is harmful to health, for example), then society/government lay the groundwork for action – via regulations, taxes and other incentives – and finally companies develop and distribute solutions. What is interesting for investors is that these businesses tend to experience persistent demand growth and face less competition due to the novelty of what they are delivering. This suggests a long-term case for innovative sustainable companies to outperform.

It is reasonable, though, to ask whether this model will work for challenges like tackling climate change, biodiversity collapse or inequality. On climate change, successive reports have stressed the need to reduce emissions from human activity and yet we now have greenhouse gases (GHG) at record levels and are experiencing extreme weather-related impacts.

But with more than 80% of global energy still from fossil fuels, is this a challenge too far? We believe not: change is rarely linear, and when a cheaper, better solution is developed, it can displace the old at an exponential rate. Progress has been slow but we are confident recent growth in renewables and adoption of electric vehicles signal one of these transitions. For years, renewables were supported by regulation and subsidies, then there was a tipping point when it became the cheapest form of energy generation. Since 2010, solar has fallen by 90% in price and onshore wind by 60% – and cost deflation continues. The consequence is falling fossil fuel use, starting with coal.

Reducing emissions will impact the whole economy, including our energy system but also driving transformations in transport, industrial processes, agriculture and land use. This move to an ultra-low carbon economy will also have a massive impact on investment returns: companies contributing to this shift should prosper while those on the wrong side are at risk of secular decline.

Beyond climate change, we see a swathe of companies contributing towards making our world cleaner, healthier and safer. We have long recognised rising demand for more digital communications, for example, as we become more connected and aware of environmental impacts of travel.

UK company Helios Towers, held across our funds, is exposed to our Connecting people theme, owning and operating telecom towers in rapidly urbanising parts of Africa. This move to online life can only thrive, however, if people are confident their information is safe, and Softcat is a long-term holding that provides outsourced IT services to small and medium-sized UK businesses.

Finally, while increased communication is important for a more sustainable economy, the challenge is to decouple growth from environmental impacts. Even before Covid supercharged these themes, we were considering the impact of the world's digital footprint: figures from think tank The Shift Project show these technologies account for 4% of GHG emissions, more than civil aviation, and this could double in coming years.

The US technology industry now emits more carbon than ever, so more efficient data centres are vital. Electricity used by these centres is expected to double approximately every five years and emissions are already comparable to small countries (back in 2016, global data centres used more than Britain's total electricity consumption). Energy now represents around two-thirds of total data centre cost, greater than the hardware within them, mainly consumed by ancillary systems such as cooling and Uninterrupted Power Supplies (UPS).

Investing in companies finding solutions to the world's problems is the central part of our process and we believe those enabling energy and carbon dioxide savings for these centres should benefit from growing demand. Held in our funds since 2011, US company Equinix stands out as the only global player in the co-location data centre market and its assets are almost impossible to copy. On top of this, the business is addressing environmental impacts of technology, with a goal of using 100% renewable energy.

Digital technologies have changed the way many of us conduct our lives and Moore's law on the rate of technical advance suggests greater transitions to come. Providing access to these trends must be part of any sustainable world but it is vital – to quote the UN World Commission on Environment and Development – to ensure we are not compromising the future by meeting the needs of the present.

By Peter Michaelis
Head of Sustainable Investment
at Liontrust

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Schroders

Why climate leaders could offer investors lower risks

Companies who are already reducing their emissions should prove lower risk investments as the pace of regulation picks up.

When it comes to climate change investing, the tendency is to think of the opportunities presented by companies who are enabling the transition to a low carbon future. Such companies supply the products, services and technologies that are critical to abating future emissions.

But there's another important investment theme emerging: the concept of climate leaders. Such companies can operate in any field, but what they have in common is their ambition to lead their industry on the path of reducing greenhouse gas emissions.

We think companies who are leading the way in decarbonisation should be good investments, and there are three reasons why:

1. **Climate leaders should have a cost advantage.** This is because the cost of polluting is on the rise, in the form of a higher price for carbon permits or carbon taxes. The cost of offsetting pollution is also becoming more expensive. https://www.schroders.com/en/insights/economics/how-climate-leaders-will-trump-complacent-companies/

2. **Climate leaders can increasingly benefit from "network effects".** This is where companies looking to reduce their overall emissions will seek suppliers doing the same, leading to a virtuous circle in which being a climate leader will help a company to win new business.

3. **Climate leaders should be lower risk investments as government and societal action increases.**

In this article we'll focus on the rising regulation and litigation around emissions and why climate leaders should reap a benefit.

Climate leaders minimise their risk

Regulatory changes around environmental and climate considerations cover a huge breadth of different areas. This is visible in a range of recent legislation and legal action:

- Ban on single use plastic in the European Union
- The phase-out of new internal combustion engine cars in numerous countries around the world (Norway's ban starts as soon as 2025)
- Ban on gas boilers in new UK homes from 2025. Several other EU nations have similar regulations
- US states suing oil companies over climate change
- Successful legal action against Shell, requiring it to speed up the pace of its emissions reductions

Such examples give a flavour of the regulatory and legal risks faced by companies who continue to cause pollution and harmful emissions.

The risk of stranded assets is of particular concern to fossil fuel companies already, but will increasingly extend to other long lived assets that are not consistent with a net zero economy.

Stranded assets are assets that turn out to be worth less than expected as a result of changes associated with the energy transition. For example, companies may find they make investments in oil-producing assets which can never come onstream, or which have to be closed down early, as a result of legislation to reduce emissions.

Real estate is another industry facing particular risks. In addition to the physical risks from a changing climate and rising sea levels, the need to invest to comply with stricter energy and emission legislation will shorten the useful life of inferior properties.

The shipping and aviation industries also have very long lived assets, where current and future regulations to decarbonise the industry are likely to require a new investment cycle and the early retirement of high emission assets.

Such risks can be harmful to a company's reputation, and to its finances too. Volkswagen has sought to restore its reputation since the 2015 "dieselgate" scandal and is now a major producer of electric vehicles. It has paid out over €32 billion in refits, fines and legal costs as a result of the scandal.

We see climate litigation as a growing risk for companies. The vulnerable companies will be those which are meaningful contributors to climate change, or are failing to manage the risks posed by climate change to their business, or those presenting a green façade to consumers which is not supported by the facts ('greenwashing').

In 2021 a Dutch court's ruled that Shell's climate plans weren't sufficient and imposed new minimum targets for emissions reductions, taking the company strategy at least partially out of management (and shareholder) hands. The Bank of England has also recently noted that climate litigation cases globally have doubled since 2015.

Gulf between corporate ambitions and net zero

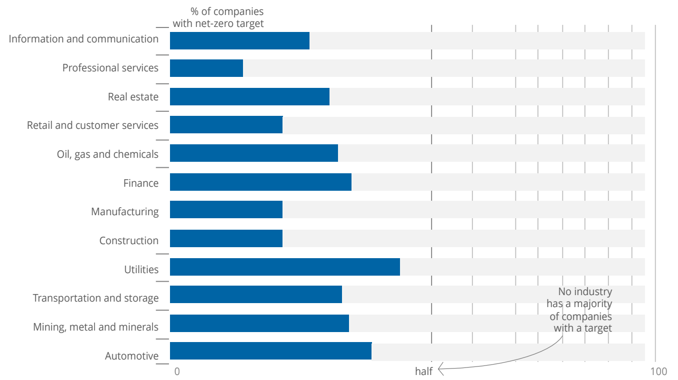
We've already seen a boom in country level commitments to combat climate change. We're now seeing a rise in such commitments from companies too, as individual companies set out their own strategies to decarbonise their operations and supply chains.

However, as the chart opposite shows, there is no industry where a majority of companies have so far adopted net zero targets. Net zero means cutting greenhouse gas emissions to as close to zero as possible. To keep global warming to no more than 1.5°C – as called for in the Paris Agreement – emissions need to be reduced by 45% by 2030 and reach net zero by 2050.

Regulation is only going to increase as the need to respond to climate change becomes ever more urgent. Companies who don't reposition their businesses and put in place measures to get to net zero risk being left behind with outdated products and technology.

By contrast, those who have already taken steps to decarbonise their businesses will be much better placed as the pace of regulation increases and the cost of compliance rises. We think there is significant potential for returns to be made by separating the climate leaders from the laggards.

Adoption of net zero targets



To read our latest sustainability insights click here and visit schroders.com to find our more about our sustainable investment funds.

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Making a positive impact on diversity and inclusion

M&G Investments

Diversity and inclusion are becoming increasingly important to investors. Here, we find out more about how investors can make a positive impact in this area and take a closer look at the M&G (Lux) Diversity and Inclusion Fund.

The current picture

Barriers to social inclusion and equal opportunities currently exist across most facets of identity, from gender and ethnicity to age and sexual orientation. These can affect employment, education, living standards and much more.

In the corporate world, gender and ethnic diversity are getting better, but there remains room for improvement, especially at senior management level. In the UK, women make up 39% of FTSE 100 company board members, while 16% of board members are from ethnically diverse backgrounds. In the US, the figures for S&P 500 companies are 30% and 21% respectively*.

Social inclusion makes economic sense

Aside from the obvious moral and ethical justifications, there are strong economic arguments for promoting social inclusion. Exclusion could lead to the loss of earnings and poor education and employment, all of which can affect global economic growth. Exclusion, or the perception of exclusion, may also cause certain groups to opt out of markets or services, with costs to both individuals and the wider economy. In fact, the World Bank currently estimates the loss of human capital because of global gender inequality alone to be $160 trillion.

Better diversity, better financial performance?

Conversely, promoting diversity and inclusion has been linked to good financial outcomes. Companies with good gender diversity are 25% more likely than their less-diverse peers to deliver above-average profits, while ethnically diverse companies are 36% more likely**. Other research has shown a positive link between cultural diversity of company boards and financial outperformance***.

This could be for any number of reasons. For senior management, a diverse range of backgrounds and viewpoints can promote healthy debate, stronger innovation and better decision-making. A management team that reflects the diversity of the company's customer base may also offer advantages, as they can more easily keep abreast of societal trends.

Furthermore, an inclusive workplace can help to improve morale and attract the best talent, both of which can boost productivity. Finally, with diversity becoming growingly important to investors and the wider public, businesses that don't take it seriously run the risk of reputational damage.

How investors can make an impact

Investors looking to promote diversity and inclusion can help to drive positive change. Here, we look at the approaches taken in the M&G (Lux) Diversity and Inclusion Fund.

Investing in companies with strong diversity credentials
Investors can pick companies that have demonstrated their commitment to diversity by hiring a diverse workforce. For example, we dedicate the majority of the fund to companies with a minimum of 30% women and/or ethnic minority representation at board level, and with a diverse wider leadership team.

We also examine the company's processes and initiatives. For example, do they have a diversity strategy in place? Are they reporting on their progress regularly? How do they support employees?

Investing in companies providing solutions
We also look for companies providing solutions to combat social inequality, by improving the reach of underserved or underrepresented people. They may serve a variety of areas, such as affordable housing, employment and education, healthcare or improved access to financial products. A portion of the portfolio is invested in companies that we deem to be making intentional, material and measurable positive impacts on society.

Using the power of engagement
Investors can drive positive change by engaging with investee companies. For example, by voting against the appointment of new board members, or encouraging management to adopt stricter diversity targets.

We send diversity questionnaires to all investee companies annually, helping to fill any gaps in the data disclosed in company annual reports, and allowing us to ensure there are adequate diversity policies and practices in place behind the headline figures. We may also engage with investee companies if gender or ethnic diversity falls below 30% at board level, to understand the reasons why and encourage improvement.

Example investee companies

Helios Towers
Helios Towers is a mobile telecommunications tower business operating in Sub-Saharan Africa. The company builds, acquires and operates mobile towers in areas of Africa that have some of the lowest mobile penetration in the region. This provides underserved local populations with greater access to voice and data communication, both of which are becoming increasingly necessary for access to financial services, healthcare and education.

Bright Horizons
Bright Horizons provides childcare and educational services across the United States, Europe, Australia and India. The company often works with corporate clients, running on-site childcare facilities for the children of employees or local residents. The positive impact is twofold – parents are free to enter or remain in the workforce, while children receive quality care and education.

*Source: GOV.UK, Parker Review and Spencer Stuart S&P 500 Board Diversity Snapshot.
**First quartile vs fourth quartile peer performance. Source: McKinsey & Co Diversity Wins Report.
***Source: Refinitiv Insight: Diversity and Inclusion in the Post-Covid World.

The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.

The fund holds a small number of investments, and therefore a fall in the value of a single investment may have a greater impact than if it held a larger number of investments. The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investment. Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries. ESG information from third-party data providers may be incomplete, inaccurate or unavailable. There is a risk that the investment manager may incorrectly assess a security or issuer, resulting in the incorrect inclusion or exclusion of a security in the portfolio of the fund. Further details of the risks that apply to the fund can be found in the fund's Prospectus at www.mandg.co.uk/literature

By Thembeka Stemela Dagbo
Fund Manager at M&G Investments

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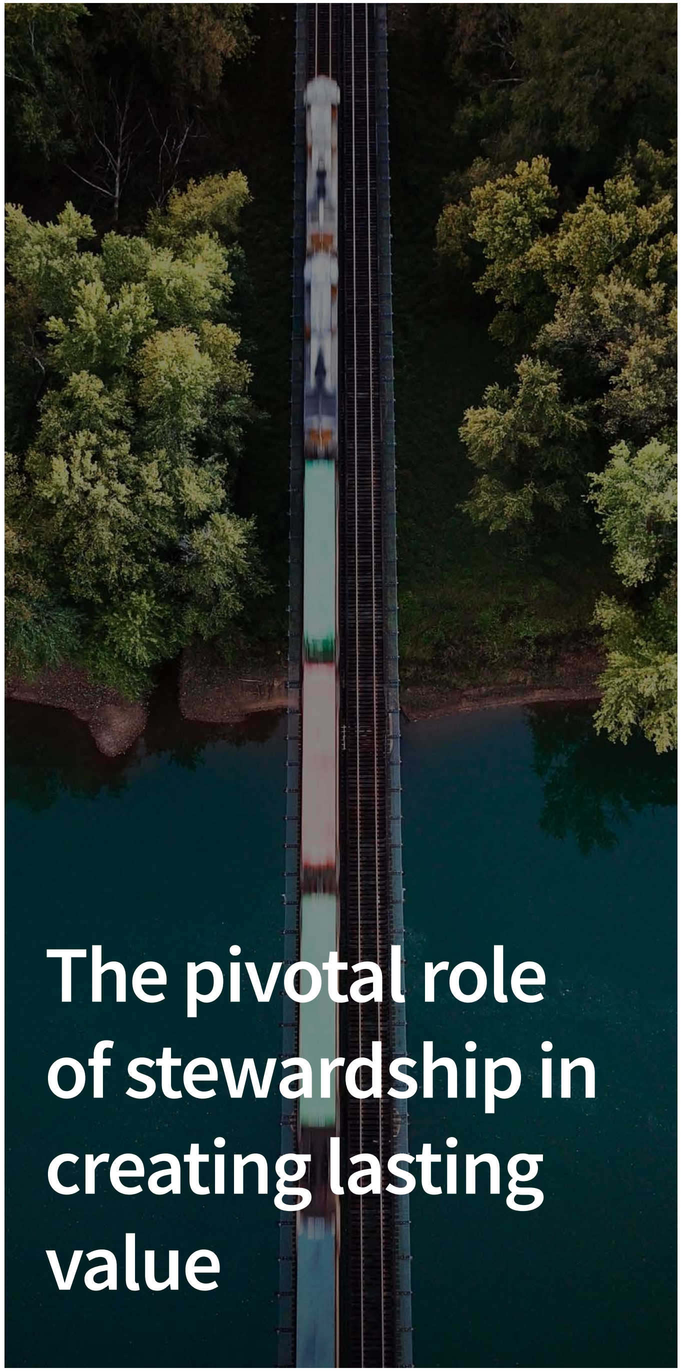

The pivotal role of stewardship in creating lasting value

WELLINGTON MANAGEMENT®

In our view, stewardship is at the heart of long-term financial and sustainable excellence. A stewardship-led investment approach can help uncover and foster companies that are what we call "good stewards", and these can be found in the most unexpected places as our two case studies demonstrate.

We put this belief about the importance of stewardship into practice in the Wellington Global Stewards Fund, which aims to outperform the broader equity markets (as represented by the MSCI All Country World Index) by investing in companies that we believe are true stewardship leaders, balancing their impact on people, the planet and profits to build long-term advantage. Typically, such companies seek to:

- Invest in **PEOPLE**, including employees, suppliers, customers and the community at large, leading to lower employee turnover, greater loyalty, a stronger culture and greater diversity;
- Respect the **PLANET** and build resilience by shrinking their environmental footprint, taking steps to make better use of finite resources and engaging proactively on climate change; and
- Boost **PROFIT** by being disciplined capital allocators — balancing shareholder returns today with investment in innovation, business and people for tomorrow.

Clearly, even stewardship leaders are still on a journey, and we seek to accelerate progress through robust engagement. This is particularly the case when companies operate in higher-risk areas, as we illustrate below with a discussion on supply-chain issues and environmental sustainability for two key holdings: Michelin, a leading tyre manufacturer, and Colgate, a global producer of household and consumer goods.

Driving responsible supply chains and sourcing

We view Michelin as a stewardship leader because of its integrated strategy focused on returns and sustainability. As a premium player in a highly competitive sector, we expect it to benefit from the increasing focus on durability and the growing prominence of electric vehicles. In the meantime, we like the company's conservative financial and operating profile and its drive to improve efficiency.

Within our Global Stewards portfolio, the company stands out within its sector for best-in-class "traceability" efforts relating to the raw materials it sources. Successful supply-chain oversight requires companies to trace their supply chain beyond Tier 1 (those suppliers with whom they have direct contractual relationships). Companies should not simply assume that each tier of suppliers will manage the oversight of the next tier down. Supply-chain visibility generally diminishes when moving beyond Tier 1 suppliers, and this is where the incidence of modern slavery is highest. Companies that can track inputs as far down the chain as possible increase the likelihood that suppliers follow codes of conduct, including those on modern slavery.

Responsible sourcing can also go a long way towards mitigating supply-chain risk, and through our stewardship dialogue, we encourage companies to address this risk consistently. For tyre makers, natural rubber typically constitutes the largest sourcing risk. Michelin goes to great lengths to farm rubber responsibly, including training 100,000 farmers annually, engaging actively to reduce deforestation and controlling the impact of rubber cultivation on local biodiversity and ecosystems. It traces its highly complex rubber value chain using a mobile application that aggregates stakeholder information about their practices. So far, the company has already gathered information from over 42,000 rubber-tree farmers on issues including working conditions and child labour practices. Its aim is to map 80% of natural rubber volumes by the end of this year. This visibility is crucial to Michelin's ability to manage its inputs and take action to ensure enhanced resilience.

Driving environmental sustainability

We identified Colgate as an exemplary steward because of its very impressive track record of high returns on capital and good growth outside of its home market. One of our concerns has been that success can breed complacency, but this company has a thoughtful and deliberate plan to innovate, reinvest and selectively acquire. Its leadership team is long-tenured but proactive in gaining an outside perspective.

We are also pleased with its progress on environmental sustainability. Colgate formalised science-based targets in mid-2020, committing to reduce Scope 1 and 2 emissions by 50% by 2030 (from a 2018 base) and to actively address Scope 3. It plans to deliver a 30%-plus reduction in greenhouse gas emissions from suppliers from 2018 to 2025, building lower emissions requirements into supplier negotiations and evolving auditing and monitoring practices, while encouraging suppliers to measure, externally validate and disclose emissions. The company is also engaged in industry-wide efforts to better map sustainable palm-oil efforts, working closely to share data with other consumer-goods leaders. Its efforts are equally robust on shifting consumer preferences, including significant product and packaging innovation. That said, we still seek improvements in disclosure, board and management access and speed of change.

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Important information

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Impact investing in industrials and materials?

PICTET 1805 Asset Management

Evgenia Molotova, Senior Investment Manager of the Pictet-Positive Change fund, an impact equity fund with a difference, explains how her experience in industries not usually associated with impact investing was the source of inspiration for the fund.

In my past life I ran the subsidiary of a major US chemicals company that produced paint and ink at a factory in the middle of Moscow. I saw first-hand the repercussions of our processes – the snow outside of our factory turned all possible colours depending on the pigment we were producing that day. Workers handling toxic chemicals had little health cover and no social safety net when jobs had to be cut. The West has moved a lot of dirty industrial production to emerging markets, essentially shipping the social and environmental issues abroad but the problems remain.

Later I moved into a financial career in the City investing in cyclical stocks like oil, gas and energy. I saw the attitude towards heavy industrials gradually change during the golden age of tech, as the energy sector's weighting fell from 10 per cent of the MSCI World Index in 2011 to 3.5 per cent in 2021. Today energy companies still generate good cash flows and returns but nobody wants to invest in them. The transition will take time. We need to continue to invest in old economy sectors, but responsibly. They are a vital part of the global economy and often the place where we most need to see change.

Engage with the laggards

We need to look at the entire value chain and consider both positive and negative externalities. Electric vehicles need lithium, nickel or cobalt for their batteries and even the most energy-efficient new building requires cement and steel. You may think investing in solar panels is virtuous, but a lot of coal was burnt in China to produce them.

My experience has made me look at the problem holistically. I don't want to just buy clean energy stocks and tech stocks. Investing only in companies that have already made the transition or whose activities have a positive impact is a worthy goal, but it doesn't solve the whole problem. We miss out on a chance to engage with the laggards, those that really need to change.

Industrials and materials are disregarded because of negative externalities yet they are very important for society. By engaging with companies' managements, we have the opportunity to find solutions that are socially or environmentally conscious and good for the bottom line. When companies manage to transform, valuations improve. I want to look at all sectors through this impact lens.

Are companies ready to change?

Companies are facing pressure on all fronts, from consumers, governments and investors.

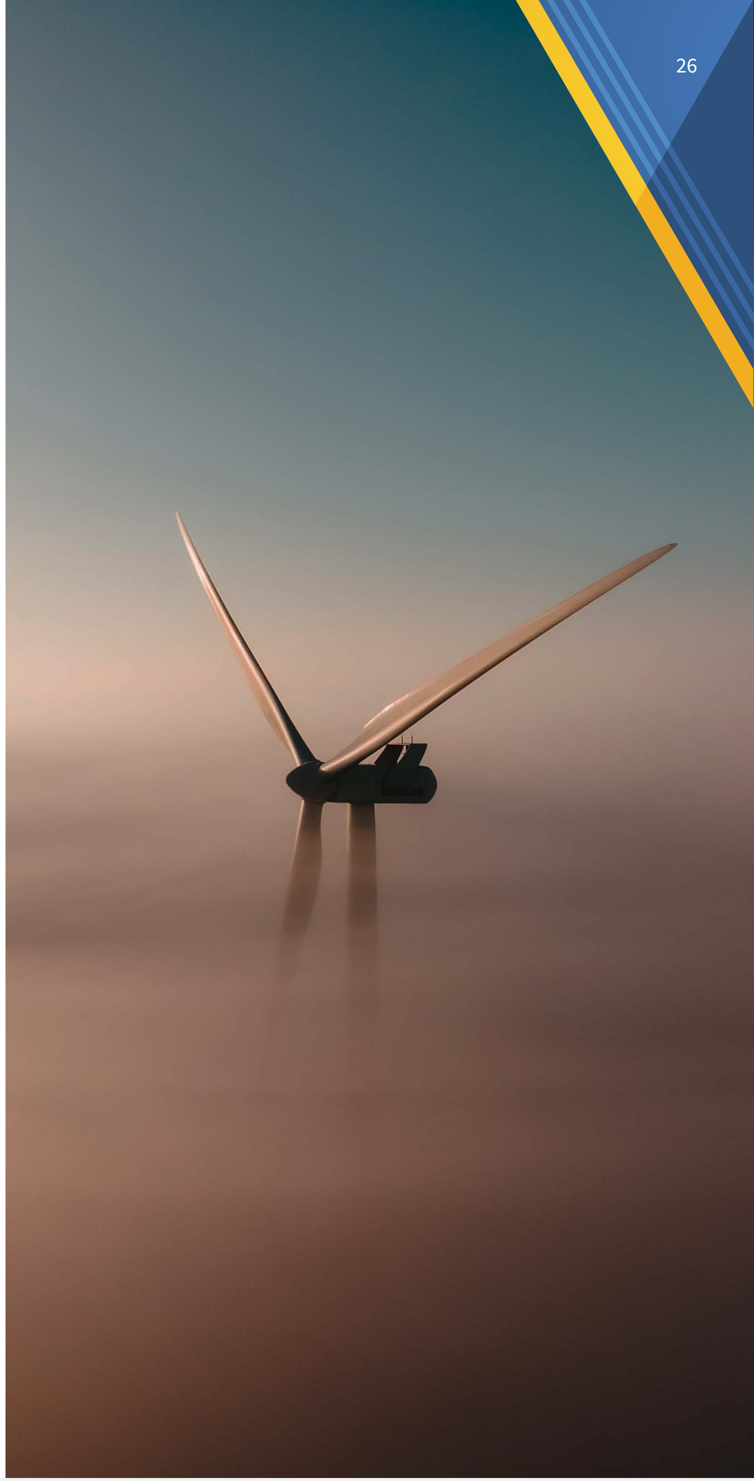
Consumers' buying habits have changed. It is now mainstream to care about the recyclability of a product or its packaging. Governments too are shifting policy and regulation. The EU's EUR2trillion Covid-19 recovery package came with green strings attached and governments around the world, including in emerging markets, are imposing rules on companies to drive social change. Investors themselves are gravitating towards companies that adopt ESG strategies. All that means that companies take notice when we approach them with our engagement ideas.

How does engagement work?

Not all companies can change. A coal mine will always be a coal mine, and even in industries that can change, management teams may be complacent, doing what they have always done. For the most part though, where there is potential to improve, we have found management teams to be receptive to our engagement objectives and keen to be part of the change – especially when we show that it creates value. We have been in talks with a major US maker of contact lenses. Each year 14 billion disposable contact lenses are flushed down sinks or toilets, so we are exploring with them the possibility of making biodegradable lenses. We have checked the feasibility with other contact lens producers, we think consumers would like that and it would create value for the company.

With the Positive Change strategy, we want to democratise impact. By investing in companies who are improving their alignment to the UN SDGs, rather than only those generating a positive impact already, investors are able to help drive change where it's most needed and capture alpha opportunities as companies improve and re-rate.

By Evgenia Molotova
Senior Investment Manager Positive Change Strategy
at Pictet Asset Management



Active ownership at Fidelity

Fidelity INTERNATIONAL

Active ownership remains at the core of Fidelity's sustainable investing approach.

In 2021, we continued our active ownership approach, engaging with investee companies to gain a deeper understanding of their approach to ESG and to use our influence to improve their sustainability practices. The report details the number and type of engagements carried out during the year, including more in-person interactions as Covid restrictions were lifted.

Engagement in 2021

1,464	1,113	20,000	51%
Number of engagements	Companies engaged	Number of company meetings*	Share of virtual or in-person engagemnts held with C-Suite or Chair/Lead director

Voting in 2021

4,310	38%	9%	648
Total meetings** (97% of total)	Meetings where we voted against management***	Proposals we voted against	Companies where we voted against directors (823 directors at 19% of companies)

*While important interactions that inform the investment theses of our analysts and portfolio managers, these meetings do not constitute engagements under the UN PRI's Reporting Framework. 2021 figures include private issuers and meetings undertaken by Fidelity Canada.Source: Fidelity International, 2022.**Fidelity submitted votes at 4,310 of 4,424 meetings. We did not submit votes in instances where voting impediments prevented us from doing so. For more information, see our Voting Principles and Guidelines.***Votes against management refers to instances where Fidelity voted contrary to the board or management's recommendation on a given proposal.Source: Fidelity International (2022), ISS (2022).

Policy update

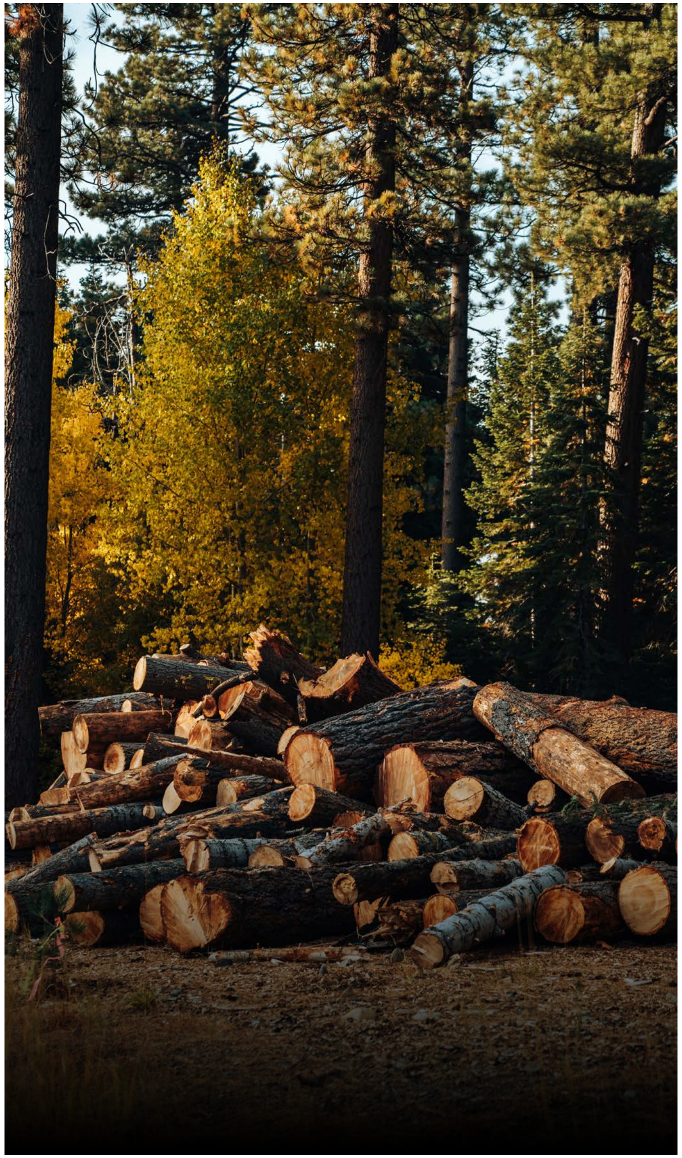
We updated two key areas of our Voting Principles and Guidelines that relate to board diversity and climate change. In the case of board gender diversity, we will consider voting against the election of directors where boards do not have at least 30 per cent female representation at companies in the most developed markets (including the UK, the EU and Australia) and 15 per cent female representation in other markets. This policy aims to improve gender balance at the board level, but also catalyses broader discussions beyond gender diversity and the board.

Our policy also encourages improvement on climate change strategy, governance, and disclosures, providing a clear set of criteria that we believe companies should be achieving to effectively address climate risks and opportunities. Moreover, the updates introduce a shift in how we approach shareholder proposals, taking a more holistic view of factors when determining our final decision.

Three themes for 2021

As well as adapting our Voting Principles and Guidelines last year, we identified three key themes to guide the nature of our engagements: climate and natural capital, employee welfare and digital ethics. These themes recognised the serious financial risks posed by climate change, as well as the importance of social issues in sustainability considerations, which have become even more prominent following the pandemic and the evolution of the digital economy.

These themes provided the basis for much of our engagement activity last year. For instance, we continued our work as a Climate Action 100+ signatory in the collaborative engagement with Sasol,



South Africa's largest integrated energy and chemicals company. Sasol is one of the highest emitters in Africa, but we were pleased to see it has made significant progress in developing and implementing its climate strategy, notably releasing its 2030 and 2050 decarbonisation roadmaps in 2021.

Likewise, the focus on employee welfare was a guiding principle in our ongoing work with IAST (Investors Against Slavery and Trafficking). Fidelity was a founding member of IAST in late 2020, and through 2021 we began our modern slavery engagements. One of these included working with a palm oil company as part of a collaborative initiative.

Three new themes for 2022

Building on the progress made in 2021 in our core engagement areas and following the outcomes of COP26, we identified three themes for 2022.

The first is deforestation. Our focus here has been prompted by the essential role forests play in mitigating climate change and biodiversity preservation. Ten million hectares of existing forest cover are still lost each year. Unabated loss of our forests will undermine the ecosystem services on which over 50 per cent of global gross domestic product (GDP) is moderately or highly dependent (according to the World Economic Forum), and it is inconsistent with our commitments to achieve net zero.

Second is a focus on the "Just Transition". This means ensuring that the race to decarbonise is not done in such a way that it harms those whose livelihoods are dependent on fossil fuels or carbon intensive industries. We push companies to consider how their environmental policies do not also leave a damaging social mark.

Finally, a key concept for Fidelity is the principle of "double materiality" which recognises that companies are not only responsible for managing the financial risk to their business of environmental and social factors but that they are also responsible for the actual impact that their business has on people and the planet. Double materiality is a key tenet of Fidelity's latest version of our proprietary sustainability ratings, which have been updated to take a more holistic view of an issuer's ESG risks and opportunities.

By Jenn-Hui Tan
Global Head of Stewardship and Sustainable Investing
at Fidelity International

How ESG scoring really works

In recent years we have seen remarkable growth in the number of ESG-focused or sustainable strategies being offered by asset managers, a trend that first emerged in equities but is now conquering fixed income.

However, we believe there still remains a troubling lack of clarity when it comes to sustainable fixed income strategies. There is no standard framework for data disclosure by bond issuers, and the huge variety of approaches to ESG scoring can create confusion for the end investor.

Here we lift the lid on how ESG scoring typically works in practice, with the help of some real-world examples that will help explain why some companies can score well and others poorly.

It's all relative

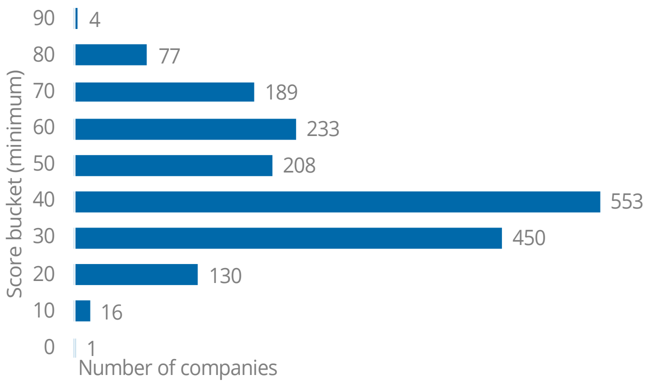
One common misconception with most ESG scoring methodologies is that they determine whether companies are 'bad' or 'good' in absolute terms, when in most frameworks scores are determined by comparing a company's performance relative to its peer group.

The chart opposite shows the distribution of ESG scores taken straight from commercial ESG data provider Asset 4 (except for Yorkshire Building Society – more on this later).

As a heavy user of plastics and a producer of sugary drinks, Coca-Cola's Combined Score of 70+ often comes as a surprise, but it benefits on a relative basis from the large number of alcohol producers that populate its beverages sector and tend to score poorly.

As the chart shows, a score above 70 is quite rare across all industries; the vast majority of firms score between 30 and 50, and the median score is around 36 out of 100.

Some ESG scores may not match your expectations



90+	Yorkshire Building Society
70+	Axa, Coca-Cola, Salesforce.com, Diageo, Gap, Hankook, 3i, Investec, National Grid, Royal Caribbean, Swiss Re, Union Pacific
50+	Aon, Arqiva, Bankia, Colgate-Palmolive, CNP, Transocean, ITV, M&S, National Express, Phoenix, Repsol, Severn Trent, Tate & Lyle, Viacom
30+	Agilent, Apple, AB Inbev, Credit Agricole, Adobe, Admiral, Boeing, Barclays, Bayer, Caterpillar, Cemex, Costco, Walt Disney, eBay, Engie, Firstgroup, Fortis, Sainsburys, Hewlett Packard, Intel, JP Morgan, Legal & General, Lafarge Holcim, Microsoft, Nike, Orange, Pfizer, Royal Mail, RWE, Santander, SocGen, AT&T, BT, Telefonica
<30	Alibaba, Broadcom, Experian, G4S, ICICI Bank, Netflix, Ryanair, Tesla, Willis Towers Watson

For illustrative purposes only. The companies identified above should not be seen as investment advice or a personal recommendation to hold the same or similar. No assumption should be made as to the profitability or performance of any company identified or security associated with them.
Source: TwentyFour, Asset 4; June 2022

Building a score

There are countless factors that can influence where a company ends up on this spectrum.

Firstly it is helpful to know that the scores in the chart above are 'Combined Scores'. Like many scoring methodologies, Asset 4 assigns each company a 'Raw Score' and a value for Controversies (more on this below) which impacts the final number.

Interestingly, as a mutual with no listed equity, Yorkshire Building Society (YBS) isn't actually scored by Asset 4, so its 90+ score is purely a TwentyFour assessment, but it is worth including in order to explain why it scores so highly. YBS pursues a number of positive societal causes, such as providing finance to underserved borrowers. It also has one of the best Corporate Social Responsibility (CSR) reports we have ever seen, listing four of the UN's Sustainable Development Goals and demonstrating clearly how its business contributes to each.

Towards the other end of the scale we find Tesla, which as a producer of electric vehicles might be expected to score rather higher than this. However, the company scores particularly poorly on emissions due to its inefficient method of producing batteries, and its overall Environmental and Social scores are both in the bottom quartile relative to its peer group. Although it's worth pointing out that we think this is partly a function of Tesla's youthfulness versus its much larger rivals who have had more time to optimise their production processes and devote resources to socially beneficial projects.

Tesla is also a good example of how Controversies can impact an issuer's ESG scoring. Asset 4 gives the company a rather healthy Raw Score of just under 56, but its Controversies Score of just 8 (partly due to governance concerns related to the amount of power concentrated in the hands of CEO Elon Musk) is enough to drag its Combined Score down to around 30.

The active dimension

At TwentyFour we believe that for a fixed income strategy to be truly sustainable it must be actively managed. Our research has shown that nearly 50% of the investment grade corporate bond universe isn't currently scored by any commercial ESG data provider, and this lack of coverage in our view makes engagement with bond issuers paramount.

TwentyFour's portfolio managers conduct their own ESG analysis on every bond issuer they consider adding to a portfolio, and are able to override any aspect of the Asset 4 score if their research convinces them this is necessary.

The Coca-Cola example above is one instance where we disagree with Asset 4's relatively high score, and we would therefore apply an override to reduce its final Combined Score accordingly (cruise line operator Royal Caribbean is another example).

Clarity is critical

In the next few years we do expect the lack of standardisation in ESG investment practices across the asset management industry to improve – we believe the European Union's Sustainable Finance Disclosure Regulation, for example, is a positive step that should help provide more clarity to the end investor.

In the meantime, we believe it is down to fixed income managers to acknowledge the gaps that remain in ESG data across the bond market, and explain what they intend to do to fill in those gaps.

By Chris Bowie
Partner, Portfolio Management
at TwentyFour Asset Management

3D Responsible Ratings

The 3D ratings are awarded to Responsible Investment funds which have been assessed against the 3D framework of ‘do good’, ‘avoid doing harm’, and lead change’. This enables funds to be compared in a systematic and objective manner by way of consistent profiling. The full range of 3D Investing funds can be found here.

REVIEWED

Reviewed – A reviewed fund may demonstrate some investment in solutions but this will typically not be its primary focus. As such, the evidence of impact outcomes is likely to be limited. There may be some evidence of screening criteria applied but this could be restricted in scope and so there may be some exposure to ethical controversies. Engagement activities and reporting, meanwhile, will usually be focused at a group level.

BRONZE

Bronze - A Bronze rated fund will typically have some focus on investment in solutions to social and environmental challenges, as well as some evidence of impact but this can vary in standard and scope. There may be some exposure to ethical controversies. Depending on the RI approach applied, there may also be some systematic engagement.

SILVER

Silver - A Silver rated fund will have a high focus on investment in solutions to social and environmental challenges, as well as systematic reporting on environmental and/or social metrics across the portfolio. Typically, there will be a low level of exposure to ethical controversies due to informal or formal screening policies. The manager will typically demonstrate systematic engagement on social and environmental issues at an individual holdings level and participation in collaborative and educational initiatives.

GOLD

Gold - A Gold rated fund will have a very high focus on investment in social and environmental challenges and a very low level of controversies due to formal or informal screening policies. There will be a clear intention to make a positive social and environmental impact with systematic reporting to demonstrate these outcomes. The manager should also systematically engage on social and environmental issues at both an individual holdings level and as part of collaborative and educational initiatives.

The Big Exchange Ratings

Every fund rated against The Big Exchange's methodology which maps to the United Nations Sustainable Development Goals, for the type and level of positive impact they are making. Funds that pass the test are awarded a gold, silver or bronze medal, with gold funds meeting the highest grade against the test. The Big Exchange analyses whether funds can really "walk the talk", and, as at August 2022, has over 60 funds to choose from, as well as three risk rated, ready-made bundles.

To view the full list of funds rated by The Big Exchange, click here.

Gold, Impact Leaders – The majority of the fund is invested in companies that make a positive contribution to the SDGs (through revenues made from products and/or services, or company processes). Full integration of ESG risks into the investment process, as well as systematic impact reporting. Gold funds are known on The Big Exchange as impact leaders. These are the funds that have shown us that they are all about making a positive impact. The majority of the fund makes a positive contribution to industries that map positively to the UN Sustainable Development Goals. But not stopping there, the people managing gold funds usually make joint decisions for impact and investment performance and report it effectively to their clients (you!)

Silver, High Positive Impact – The majority proportion of the fund invested in companies that make a positive contribution to the SDGs. Funds may or may not have impact reports or ESG integration but have a positive intention to create an impact. What we say on The Big Exchange is that Silver funds have a high positive impact. This means that normally over half the fund is making a positive impact towards people and/or the planet and the fund has the intention to report on this positive impact to the people who buy the fund! Silver funds include thematic funds where the intention is to invest based on a theme that aligns to the UN Sustainable Development Goals.

Bronze, Positive Impact – These funds have strategic intention to invest in companies that make a positive contribution to achievement of the SDGs, either through better than average ESG integration, or direct stock selection. Bronze funds are making a positive impact through their investments but not to quite the same extent as Silver or Gold. Bronze funds include those kind of funds that try to avoid doing any harm by avoiding "the bad stuff" (ethical funds) as well as funds that make an impact in other ways outside of direct stock selection such as using a proportion of their fees to donate to charities and foundations.

Fund Name	3D Rating	TBE Rating	Description
7IM Sustainable Balance	REVIEWED		This fund combines a portfolio of direct stocks managed by Sarasin with collective investment funds including ETFs and infrastructure.
abrdn Global Equity Impact	SILVER	THE BIG EXCHANGE	Mixes ESG with a clear focus on positive impact in line with the UN Sustainable Development Goals.
Aegon Global Sustainable Equity	SILVER		This fund is distinctive for its focus on investing in positive change.
Allianz Clean Planet	SILVER		The managers of the Clean Planet fund aim to invest in solutions linked to a comprehensive range of environmental challenges through the fund's holdings
Allianz Food Security	GOLD		The team responsible for managing this fund seek to invest in companies which are contributing to a sustainable food ecosystem with minimal adverse ecological impacts.
Allianz Global Water	SILVER		The managers of the Global Water fund aim to improve the use of water resources around the world.
Allianz Positive Change	SILVER		The managers of the Positive Change fund seek to generate returns by investing in companies mapped across the full spectrum of the UN Sustainable Development Goals (SDGs).
Allianz Smart Energy	SILVER		The Smart Energy fund aims to drive the transition to a renewable, low-emission and sustainable energy mix through its investments
Allianz Sustainable Health Evolution	SILVER		The managers of this fund aim to promote healthy and sustainable lifestyles in terms of promoting well-being, developing medical treatments, and prolonging life.
Artemis Positive Future	SILVER	THE BIG EXCHANGE	This fund is invested in companies listed around the globe, which the four co-managers judge to be offering the strongest solutions to the world's most pressing sustainability-related challenges.

Fund Name	3D Rating	TBE Rating	Description
AXA ACT Framlington Clean Economy	SILVER		Although the fund's approach is stated as dual objective, the desire to produce "a positive and measurable impact on the environment" (in addition to a financial return) is given prominence throughout all the underlying support literature
Baillie Gifford Positive Change	GOLD		A concentrated impact fund with sophisticated impact reporting and an exposure to emerging markets.
BNY Mellon Sustainable Global Dynamic Bond	BRONZE		As the name suggests, a flexible, unconstrained approach to asset allocation is adopted by this fund, with a Responsible Investment approach that focuses on encouraging improved corporate behaviour through active engagement.
BNY Mellon Sustainable Global Equity	REVIEWED		A Responsible Investment approach is adopted which combines a focus on investment in businesses that both have durable financial and competitive positions and also positively manage the material impacts of their operations.
BNY Mellon Sustainable Global Equity Income	REVIEWED		A Responsible Investment approach is adopted which combines a focus on investment in businesses that both have durable financial and competitive positions and also positively manage the material impacts of their operations. The financial mandate includes a requirement for equity income.
BNY Mellon Sustainable Real Return	REVIEWED		The fund has an absolute return style strategy, combined with a Responsible Investment approach that seeks to positively manage the material impacts of investee companies' operations whilst avoiding investments that the manager considers to carry high social or environmental costs.
Federated Hermes Global Equity ESG	REVIEWED		A style agnostic approach is adopted that favours companies that the manager considers to be best-in-class in terms of ESG, or whose ESG profile is improving.
Federated Hermes Impact Opportunities	GOLD		8 core impact themes with incorporation of ESG and active engagement.
Federated Hermes SDG Engagement Equity	REVIEWED		This fund focuses on effecting change through active interaction with investee companies to help realise some of the SDGs.
Fidelity Sustainable Water & Waste	BRONZE		Has a pure focus on water and waste and also seeks above average ESG performance whilst reporting on key impacts.

Fund Name	3D Rating	TBE Rating	Description
GSAM Emerging Markets Equity ESG	REVIEWED		An emerging markets equity fund seeking to deliver long-term capital growth by investing in companies which the manager either considers to be best-in-class in terms of their ESG credentials, or whose ESG profile is improving.
GSAM Global Environmental Impact Equity	SILVER		The manager of this global equity fund aims to "do well by doing good", meaning the strategy seeks to take advantage of the tailwinds relating to the transition to a more sustainable world.
Impax Asian Environmental	SILVER		This Dublin fund has the highest environmental impact of any emerging markets fund, investing in Asian companies that derive at least 20% of their income from environmental activities, but in practice it is usually much more than this.
Impax Environmental Leaders	SILVER		The fund largely invests in environmental efficiency, water, waste & recycling and environmental testing stocks and follows Impax's Environmental Leaders Strategy which is quite broadly based.
Impax Environmental Markets PLC	GOLD		This is Impax's original fund, an investment fund providing wide exposure to the main environmental themes, with full impact reporting and little exposure to ethical controversies.
Impax Global Equity Opportunities	SILVER		The fund invests in companies benefiting from the transition to a more sustainable economy, with clear themes and few controversies.
Jupiter Global Sustainable Equities	BRONZE	THE BIG EXCHANGE	Low carbon global fund with fully integrated ESG. Clear focus on business practices and positive impact.
Liontrust Monthly Income Bond	REVIEWED	THE BIG EXCHANGE	A relatively high monthly income and demonstrates a preference for companies with strong ESG credentials.
Liontrust Sustainable Future Cautious Managed	REVIEWED	THE BIG EXCHANGE	A mixed asset fund with a 60% allocation to global equities that benefits from good ESG management.
Liontrust Sustainable Future Corporate Bond	REVIEWED	THE BIG EXCHANGE	Like other ethical corporate bond funds, there is a high weighting in financials and a relatively low social impact but the fund benefits from strong ESG analysis.

Fund Name	3D Rating	TBE Rating	Description
Liontrust Sustainable Future Defensive Managed	REVIEWED		A mixed asset fund with a 45% allocation to global equities that benefits from good ESG management.
Liontrust Sustainable Future European Growth	BRONZE		A leader amongst European equity funds.
Liontrust Sustainable Future Global Growth	SILVER		A global equity fund which balances thematic investment with an ESG approach.
Liontrust Sustainable Future Managed	BRONZE		A mixed asset fund with a 20% allocation to fixed interest and the remainder in equities.
Liontrust Sustainable Future Managed Growth	SILVER		A growth fund with freedom to invest without reference to asset allocation benchmarks.
Liontrust Sustainable Future UK Growth	BRONZE		Some themes evident as well as a best of sector approach.
Liontrust UK Ethical	BRONZE		Similar to the Sustainable Future UK Growth fund but avoids animal testing.
M&G Climate Solutions	GOLD		As its name suggests, this fund invests in companies that provide solutions to the challenge of climate change, including clean energy, green technology and the circular economy.
M&G Positive Impact	GOLD		A concentrated impact fund with a bespoke impact reporting app.
M&G Sustainable Multi Asset	BRONZE		An 'all in one' fund combing multiple assets with 30% dedicated to impact equities and the rest undergoing an ESG screen.

Fund Name	3D Rating	TBE Rating	Description
M&G Sustainable Multi Asset Balanced	BRONZE		A multi-asset fund with 20%-60% equities with some focus on impact but mostly invested in companies with responsible business practices.
M&G Sustainable Multi Asset Cautious	BRONZE		A multi-asset fund with up to 35% equities with some focus on impact but mostly invested in companies with responsible business practices.
M&G Sustainable Multi Asset Growth	BRONZE		A multi-asset fund with up to 55% - 100% equities with some focus on impact but mostly invested in companies with responsible business practices.
Montanaro Better World	GOLD		A global equity fund with 6 core themes and a focus on impact.
Morgan Stanley Global Sustainable Balanced	REVIEWED		A multi-asset approach adopting an exclusion screen with an ESG tilt that favours companies with better than average ESG scores.
Morgan Stanley Sustainable Fixed Income Opportunities	REVIEWED		This is a global fixed income fund which combines a limited exclusions policy with an ESG tilt and some investment in Sustainable bonds.
Ninety One Global Environment	GOLD		A concentrated fund with a wholesale focus on environmental solutions and positive carbon impact.
Ninety One Global Multi-Asset Sustainable Growth	SILVER		This multi-asset fund has a dual objective; its managers seek to invest in companies that have the potential to deliver real world change and sustainability with substance, alongside an attractive financial return.
Ninety One UK Sustainable Equity	SILVER		A UK equity fund that is differentiated by its' positive impacts.
NN Investment Partners Green Bond	GOLD		This is a fixed income fund with an approach that is driven by proprietary analysis and frameworks such as the ICMA green bond principles. This helps to shape a portfolio with robust responsible investing credentials.

Fund Name	3D Rating	TBE Rating	Description
NN Investment Partners Green Bond Short Duration	GOLD		This is a short-dated fixed income fund with an approach that is driven by proprietary analysis and frameworks such as the ICMA green bond principles.
Pictet Clean Energy	BRONZE	THE BIG EXCHANGE	This fund adopts an environmentally themed strategy, which focuses exclusively on companies that provide goods and services that are supportive to a low carbon economy.
Pictet Global Environmental Opportunities	SILVER	THE BIG EXCHANGE	An environmental fund that seeks to keep within sustainable limits.
Pictet Global Sustainable Credit	REVIEWED	THE BIG EXCHANGE	This is an ESG driven fund that seeks to invest in companies that are regarded as 'best in class' on the most relevant ESG metrics for their sector.
Pictet Nutrition	BRONZE	THE BIG EXCHANGE	This is a thematic fund that seeks to invest in companies that both contribute to, and benefit from improving quality, access and sustainability of food production.
Premier Miton Global Sustainable Growth	BRONZE		The fund's primary aim is to provide capital growth over the long term. This is augmented with the statement that it is an actively managed portfolio with a focus on companies with a strong ESG profile and longer-term sustainable growth themes.
Rathbone Ethical Bond Fund	REVIEWED		A UK corporate bond fund with rigorous exclusion criteria and a small amount in charity bonds.
Rathbone Global Sustainability	SILVER		A high conviction fund that combines ethical screening with a thematic approach based on the Sustainable Development Goals.
Regnan Global Equity Impact Solutions	GOLD	THE BIG EXCHANGE	A true impact fund with every stock having a clear impact rationale.
Regnan Sustainable Water & Waste	SILVER		The managers of this global equity fund seek to invest in companies which are driving the sustainable management of water resources, or which are contributing to the development of the circular economy.

Fund Name	3D Rating	TBE Rating	Description
Sarasin Responsible Corporate Bond	BRONZE		A UK corporate bond fund with a clear thematic approach.
Sarasin Responsible Global Equity	BRONZE		A large cap fund which combines a thematic approach with ethical exclusions and ESG integration.
Sarasin Sustainable Global Real Estate Equity	REVIEWED		An open ended fund investing in global property shares with good ESG management.
Sarasin Tomorrow's World	BRONZE		This fund is positioned as Sarasin's most rigorously screened fund, combining a clear sustainable thematic approach with exclusion criteria and ESG traffic lighting.
Schroder Global Cities Real Estate	BRONZE		The fund has a high-level dual objective to generate a total return by investing in "equity and equity-related securities of real estate companies …which the manager deems to be sustainable investments".
Schroder Global Sustainable Value	REVIEWED	THE BIG EXCHANGE	This global equity fund is run by a team of three portfolio managers as part of the Schroders Global Value Team
Schroder ISF BlueOrchard Climate Bond	GOLD		This emerging market fixed income fund is managed by the BlueOrchard team, a pioneer in the responsible investing space. It aims to deliver long-term, stable growth for investors by investing in issuers which are providing a positive environmental impact.
Schroder Global Energy Transition	SILVER	THE BIG EXCHANGE	Investing in multiple aspects of the renewable energy transition whilst avoiding fossil fuel production.
Schroder Global Sustainable Growth	BRONZE	THE BIG EXCHANGE	This fund has a clear focus on sustainability with strong ESG and reporting.
Storebrand Global ESG Plus	REVIEWED		An indexed global equity fund that incorporates rigorous climate change criteria.

Fund Name	3D Rating	TBE Rating	Description
Storebrand Global Solutions	SILVER		An actively managed, global equity fund seeking to invest in sustainable companies whose products and/or services are positively contributing to the UN Sustainable Development Goals.
TM Home Investor	REVIEWED		Invests in residential property at the lower end of the affordability spectrum and with specific sustainability criteria.
Triodos Global Equities Impact	SILVER	THE BIG EXCHANGE	A global equity fund investing in large cap stocks with a 'best of sector' approach.
Triodos Pioneer Impact	GOLD	THE BIG EXCHANGE	A thematic fund investing in multiple social & environmental themes.
Triodos Sterling Bond Impact	SILVER	THE BIG EXCHANGE	A bond fund with a focus on positive impact.
TwentyFour Sustainable Short Term Bond Income	BRONZE		The managers' primary aim is to deliver superior risk-adjusted returns, whilst maintaining volatility at a suitable level. They believe that they can achieve this goal through the application of both a negative and positive screen.
UBAM Positive Impact Emerging Equity	GOLD	THE BIG EXCHANGE	This is a highly distinctive fund that makes a true impact in emerging markets.
UBAM Positive Impact Equity	GOLD	THE BIG EXCHANGE	A concentrated impact fund that benefits from a partnership with the Cambridge Institute for Sustainability Leadership.
Wellington Emerging Market Development	BRONZE		Applying high-level exclusions, extensive ESG analysis, and engagement with company management teams, as well as the high-quality Responsible investment capability and resources at Wellington Management to enable positive change.
Wellington Global Impact	GOLD		One of the earlier impact funds with significant emerging markets exposure.

Fund Name	3D Rating	TBE Rating	Description
Wellington Global Impact Bond	GOLD		Each bond has a direct positive social impact and this is substantiated through a comprehensive impact report.
WHEB Sustainability	GOLD		A thematic equity fund investing in sustainability themes with excellent impact reporting.

We hope you enjoy this edition of The Good Investment Review. We would love to hear your feedback on this issue. If you have any questions or would like more information, please do not hesitate to contact us at info@squaremileresearch.com

GOOD WITH MONEY
MORE MONEY, FEWER PROBLEMS