

# Global Impact investment spotlights

ADDENDUM TO OUR GLOBAL IMPACT REPORT

March 2025



# Contents

This report, an addendum to our [Global Impact report](#), showcases four impact themes and sample investment spotlights, including impact theory of change and key performance indicators (KPIs), qualitative assessment, engagement updates, and the measurable outcomes we achieved.

The purpose of this report is to highlight the impact case for one sample investment spotlight in four of our impact themes that span our three broad categories of Life essentials, Human empowerment, and Environment. While all companies in our portfolio meet the financial criteria that we believe enable us to deliver competitive investment returns for our clients, these sample investment spotlights are solely intended to illustrate metrics regarding our impact objectives and outcomes.

For information on our overall impact commitment and approach, as well as deep dives and reporting on our both our equity and fixed income strategies, please view our [impact platform page](#).

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Portfolio spotlight examples are based on non-performance-based criteria. For information on how we selected the portfolio spotlight examples, please see the Important disclosures section. Portfolio spotlight examples are for illustrative purposes only, are not representative of all investments made by the portfolio and should not be interpreted as specific security recommendations or advice. It should not be assumed that an investment in the examples has been or will be profitable. Actual holdings vary for each client, and there is no guarantee that a particular client's account will hold the examples presented. Key Performance Indicator data is based on issuer or company reporting, press releases and websites, proxy data, and Wellington analysis. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness. Wellington determines the UN SDG goals and targets that, in our view, each portfolio company or issuer is aligned with. Language for the goals and targets has been abbreviated, but not otherwise altered, from UN.org.



THEME OVERVIEW

# Clean water & sanitation

## QUANTITY | QUALITY | DISTRIBUTION

2.8 billion people in urban areas could face water scarcity by 2050, equivalent to half the world's urban population.<sup>1</sup>

The UN estimates that two billion people globally struggle to access safe drinking water and 3.6 billion live without safely managed sanitation.<sup>2</sup>

For billions of people around the world, securing clean water is a constant struggle that can hamper economic development and lead to poor health outcomes. At the community level, water scarcity can contribute to social unrest, particularly in regions where economic inequality is high and water governance is weak.

Increasing water demand, coupled with growing risk of drought and flooding associated with climate change, is likely to make water insecurity worse. The Intergovernmental Panel on Climate Change (IPCC) estimates that without adequate adaptation and resilience efforts, the water-related impacts of climate change will lower GDP in many low- and middle-income countries.<sup>3</sup> Access to water sanitation also remains a major challenge for many underserved populations; the UN estimates that achieving universal coverage by 2030 will require a fivefold increase in the current rate of progress.<sup>4</sup>

We believe that products and technologies that help alleviate water stress and secure better health outcomes will see rising investment spending and secular demand growth. Our research with Woodwell Climate Research Center has reaffirmed the opportunity in this theme. We expect to see increased capital expenditure directed toward improving water and sanitation infrastructure, including delivery, safety, and treatment.

In 2023, the equity portfolio included shares of a company that addresses some of the most challenging water issues in utility, industrial, commercial, and residential markets. The portfolio also held a company, which spun off of an existing portfolio holding, that helps address water safety, scarcity, responsible water management, and other challenges brought on by climate change. Lastly, we have maintained a position in a US consulting company that provides science-driven engineering solutions.

<sup>1</sup>"Partnerships and Cooperation for Water," UN World Water Development Report 2023, United Nations Educational, Scientific and Cultural Organization (UNESCO). | <sup>2</sup>"Imminent risk of a global water crisis, warns the UN World Water Development Report," UNESCO Press release, 22 March 2023. | <sup>3</sup>"Water." In: Climate Change 2022: Impacts, Adaptation and Vulnerability, IPCC Sixth Assessment Report, Intergovernmental Panel on Climate Change, 2022. | <sup>4</sup>The Sustainable Development Goals Report 2023, United Nations.

## IMPACT THEORY OF CHANGE

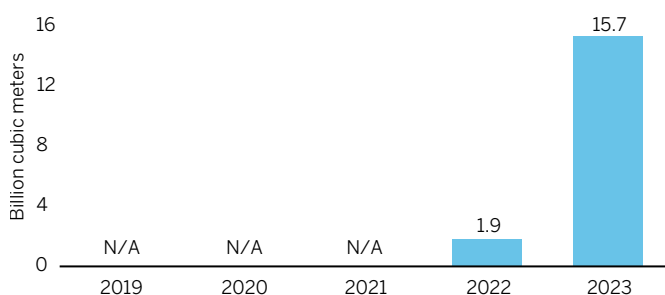
Tetra Tech is an international consulting and engineering company that delivers solutions in critical areas such as water management and sustainable infrastructure. By leveraging the combined expertise of its engineers and scientists, the company helps clients manage, treat, distribute, and recycle water. Investments in Tetra Tech address water-scarcity challenges and foster the development of innovative water-management and resiliency solutions.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Provides engineering solutions, environmental and sustainability challenges
<b>Who</b>	Completes more than 100,000 projects annually for governments and commercial clients worldwide <sup>1</sup>
<b>How much</b>	Treated, saved, or reused 15.7 billion cubic meters of water in 2023 <sup>2</sup>
<b>Contribution</b>	Market leader in delivering water and environmental management solutions
<b>Risk</b>	Execution: Ability to minimize potential environmental risks (e.g. to biodiversity) associated with its projects

## PROGRESS OF CORE KPI

Annual water treated, saved, or reused



Source: Tetra Tech Sustainability Report 2024

Note: Since investing in 2020, we have evolved our core KPI to capture water metrics rather than carbon emissions.

**Year of initial investment:** 2020

**Three-year annualized change in core KPI:** N/A

**Assessment:** Meets expectations



**UN SDG ALIGNMENT** Ensure availability and sustainable management of water and sanitation for all

**TARGET 6.4** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

## QUALITATIVE ASSESSMENT

Water-related challenges are interconnected with climate change. Extreme or unpredictable weather events can lead to water pollution, damage, and scarcity. Tetra Tech scientists and engineers help clients adapt to and mitigate the impacts of climate change by enhancing water resilience, protecting biodiversity, and securing ecosystem health.

We were pleased with Tetra Tech's impact performance in 2023. Its projects treated, saved, or reused over 15.7 billion cubic meters of water.<sup>3</sup> Despite having collected this data for just two years, the company has already exceeded its 2030 water-related target. The significant progress last year was partly due to the addition to Tetra Tech's portfolio of recently completed projects, including several from the RPS Group, which joined Tetra Tech in January 2023.<sup>4</sup>

We are also impressed with Tetra Tech's Delta solutions, which leverage advanced data analytics, AI, and other digital technologies to provide intelligent analysis to clients. Tetra Tech helped Quebec City design and implement cost-saving flood protection for a 26-square-mile area, for example, using data from sensors and rainfall forecasts to predict future water flows, significantly reducing flood risk in sensitive areas.<sup>5</sup>

## ENGAGEMENT PRIORITIES

We aim to learn about the company's future growth opportunities, particularly following the US election in November. The CHIPS Act of 2022 has increased demand from semiconductor companies for water- and energy-efficient systems, which are among Tetra Tech offerings. We will also stay engaged on the company's work promoting energy resilience in Ukraine, disaster-preparedness programs in the Asia-Pacific region, and PFAS regulation and mitigation in the US and globally.

<sup>1</sup>Tetra Tech 2023 Annual Report. | <sup>2</sup>Tetra Tech Sustainability Report 2024. | <sup>3</sup>Ibid. | <sup>4</sup>Ibid. |

<sup>5</sup>"Controlling Flooding through Application of Real-time Control," Tetra Tech.



THEME OVERVIEW

# Health

## **COST REDUCTION | IMPROVED ACCESS | INNOVATION**

In 2022, more than a billion people over age five were living with obesity while more than half a billion were underweight.<sup>1</sup>

Large, out-of-pocket health care expenses, defined as exceeding 10% of a household's budget, are a challenge for more than a billion people.<sup>2</sup>

The world continues to grapple with the double burden of malnutrition, characterized by both undernutrition and obesity. Even more than two full years after the end of the COVID-19 pandemic, health care systems continue to struggle, as years of underinvestment have led to persistent inefficiencies. In many countries, including the US, income inequality also complicates health care providers' ability to deliver care. Although lower-income Americans have higher rates of chronic conditions than higher-income individuals, they have more difficulty accessing high-quality health care.<sup>3</sup>

While we are seeing significant advances in disease research, genomics, and life sciences innovation, as well as a growing role for technology in preventive care, vulnerable populations are less likely to benefit from these advances. In particular, progress in automatic diabetes monitoring, insulin delivery systems, and disease diagnostics remain out of reach for the people who could benefit most.

In our view, impact companies can help narrow gaps in health care access and outcomes by combining new business models with solutions that take advantage of groundbreaking scientific or clinical approaches. In doing so, we believe they can improve health care access and outcomes, while increasing addressable markets and competitive advantages.

Over the course of 2024, the Global Impact team kept its position in a laboratory-equipment business whose tools facilitate genomic research. We continue to own shares in a life-sciences company whose bioanalysis and precision medical instruments aid diagnosis and help improve patients' quality of life. We also own share of a diversified large-cap biopharmaceutical company with multiple drivers of growth, including treatments for diabetes, autoimmune diseases, and central nervous system (CNS) diseases. The company is expanding access to a new standard of care for the treatment of diabetes and obesity, which we believe will improve morbidity and mortality outcomes. We initiated a position in a cloud software provider to the life-sciences industry. Complexity of regulatory and administrative requirements in the life sciences industry creates significant frictions in the system, reducing efficiency and increasing the time and effort to commercialize treatments. The company's products help to manage and automate critical commercial and R&D processes, speeding up the R&D and commercialization processes for critical medicines and treatments.

<sup>1</sup>"World health statistics 2024," World Health Organization. | <sup>2</sup>"Billions left behind on the path to universal health coverage," World Health Organization, 18 September 2023. | <sup>3</sup>G. Benavidez et al, "Chronic Disease Prevalence in the US: Sociodemographic and Geographic Variations by Zip Code Tabulation Area," Centers for Disease Control and Prevention, 29 February 2024.



## IMPACT THEORY OF CHANGE

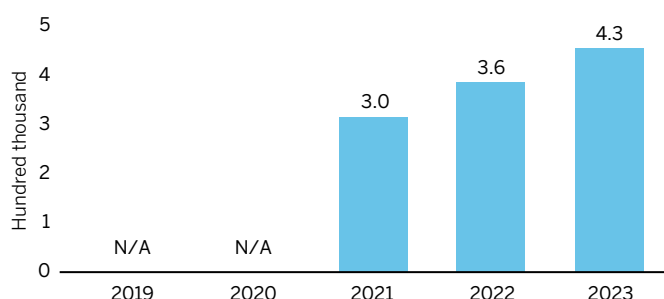
Insulet produces advanced medical devices for diabetes management, primarily through innovative insulin delivery systems that replace multiple daily injections with a tubeless automated approach. Investing in Insulet supports the development and expansion of high-quality, accessible, innovative medical devices that address critical health care needs.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Improving patient outcomes through innovative solutions to complex and growing health care issues
<b>Who</b>	Served more than 425,000 customers in 2023 <sup>1</sup>
<b>How much</b>	Products are available in 25 countries <sup>2</sup>
<b>Contribution</b>	Simplifying and improving diabetes patients' lives by providing products that can deliver up to three days of continuous insulin without the use of a needle
<b>Risk</b>	Execution: Ensuring balance between innovation and product quality, while maintaining product accessibility

## PROGRESS OF CORE KPI

Number of customers



Source: Insulet Form 10-K; 2023 Annual Report

**Year of initial investment:** 2021

**Three-year annualized change in core KPI:** Not available

**Assessment:** Meets expectations

## QUALITATIVE ASSESSMENT

Diabetes is a substantial public health issue. More than half a billion people live with diabetes globally, a number that is estimate to more than double by 2050.<sup>3</sup> Diabetes can lead to other serious health conditions such as kidney failure, heart attacks, and strokes. Investments in Insulet support effective treatments for diabetes and help prevent complications and improve quality of life for people living with this chronic disease.



**UN SDG ALIGNMENT** Good Health and Well-being

**TARGET 3.8** Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Insulet's flagship product is a tubeless pump that delivers insulin continuously and adjusts the dosage based on real-time blood-sugar readings from a continuous glucose monitor. The mechanism facilitates diabetes management and obviates multiple daily injections. A clinical trial showed that customers using the device held their glucose levels in range 74% of the time, compared to 65% with standard therapy. The trial also showed participants' time spent in overnight hypoglycemia was reduced by 60%.<sup>4</sup> Insulet's pay-as-you-go model reduces the typically high upfront cost of pump therapy, with the majority of US users paying an insurance copay of US\$50 or less.<sup>2</sup>

We are impressed with the company's growing reach: it served 425,000 people in 2023. Not only is it an effective treatment, but it also enhances customers' quality of life. Customers report experiencing less diabetes-related distress and overall improved well-being.<sup>5</sup> While Insulet does not address the rising incidence of diabetes, it does provide an effective, user-friendly product for those already diagnosed, helping them better manage their condition.

## ENGAGEMENT PRIORITIES

Our engagement focus is on the global rollout of Insulet's new insulin delivery system, which transitions users from daily injections to pump technology. We will monitor new market launches, regulatory approvals, expanded labels for Type 2 diabetics, and integration with different manufacturers' continuous glucose monitors. We will also examine the system's functionality with different types of devices.

<sup>1</sup>"Insulet Form 10-K; 2023 Annual Report. | <sup>2</sup>2023 Sustainability Report, Insulet. | <sup>3</sup>"Global, regional, and national burden of diabetes from 1990 to 2021, with projections of prevalence to 2050: a systematic analysis for the Global Burden of Disease Study 2021," The Lancet. | <sup>4</sup>Omnipod 5, omnipod.com.

<sup>5</sup>"How the Omnipod DASH system may help improve quality of life," omnipod.com.

THEME OVERVIEW

# Sustainable agriculture & nutrition

## QUANTITY | QUALITY | DISTRIBUTION

Each year, approximately US\$1 trillion worth of food is wasted, contributing up to 10% of global GHG emissions and representing ineffectual use of about 30% of the world's agricultural land.<sup>1</sup>

By 2035, over half of the global population is projected to be living with obesity.<sup>2</sup>

Food and nutrition challenges represent a global health crisis. Although households waste the equivalent of one billion meals daily, nearly 282 million people experienced acute hunger in 2023, a 9.3% increase from the previous year.<sup>3</sup> Regional conflict is a primary driver of acute food insecurity in most places. Meanwhile, obesity rates have doubled since 1990.<sup>4</sup> Challenges include the availability of cheap, processed fast foods with low nutritional value, insufficient availability or prohibitive cost of healthy fresh foods like fruits and vegetables, the exclusion of small farmers from large corporate value chains; and the loss of agricultural lands and other natural capital due to urbanization and/or climate change.

There is also an urgent need to enhance the climate resilience and sustainability of food production and distribution mechanisms, which contribute meaningfully to GHG emissions. Unfortunately, despite their critical importance for human health and well-being, food systems currently receive less than 4% of total climate finance.<sup>5</sup> With adequate funding, food and agriculture systems have the potential to contribute 20% of the emissions reductions needed by 2050 and generate US\$4.5 trillion in new market opportunities annually.<sup>6</sup> In our view, companies that focus on sustainable agriculture and nutrition solutions can mitigate negative environmental impacts from inefficient food production, enhance yields, and provide attractive investment opportunities.

In 2024, the Global Impact approach helped finance businesses that support livestock productivity, address malnutrition and obesity, and widen access to healthy meats and vegetables. We have maintained our position in a company advancing technology in porcine, bovine, and other animal breeding, which can increase overall protein supply and improve animal productivity. We believe that enhancing animal welfare by reducing disease incidence and increasing the efficiency of feed, water, and other resources can significantly improve economic outcomes for farmers. We continued to invest in a company addressing malnutrition through the development of nutritious fortified food and micronutrients that reduce the added salt and sugar in processed food. We also maintained a position in a producer of frozen meats and vegetables that helps increase access to quality nutrition, particularly in areas where fresh produce is less available. We initiated a position in a US-based premium-pasture-raised egg producer that we believe supports the accessibility of nutritious food from a sustainable supply chain in ways that improve the quality of its products and lead to more environmentally friendly farming practices.

<sup>1</sup> "Think Eat Save: Tracking Progress to Halve Global Food Waste," UN Environment Programme, 27 March 2024. | <sup>2</sup> World Obesity Atlas, World Obesity Federation, March 2023.



## IMPACT THEORY OF CHANGE

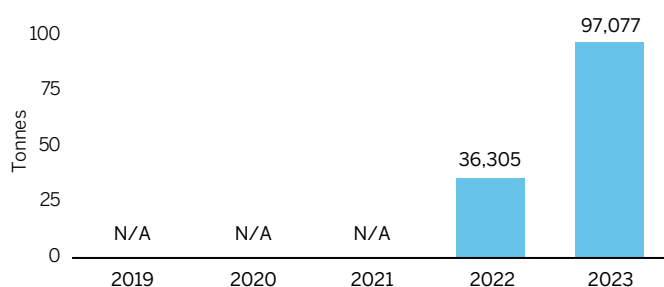
DSM-Firmenich is a global, chemicals company advancing health, nutrition, and sustainable living. By leveraging expertise in biotechnology, materials science, and chemical engineering, the company develops eco-friendly solutions that benefit society. Its initiatives help reduce carbon emissions, promote circular economies, and enhance the nutritional quality of food for humans and livestock.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Provide innovative, scientifically developed products and services that are, in our view, essential for the health, well-being, and sustainability of humans and livestock
<b>Who</b>	Reached 677 million people in 2023 with fortified foods; improved the lives of 92,000 smallholder farmers <sup>1</sup>
<b>How much</b>	Bovaer, the company's emission-reducing feed additive for cows has reduced its customers' greenhouse gas (GHG) emissions by over 97,000 tonnes <sup>2</sup>
<b>Contribution</b>	One of the largest companies in the consumer chemicals sector, with leading positions across nutrition, and health
<b>Risk</b>	Exogenous: Environmental impact of agricultural production by customers

## PROGRESS OF CORE KPI

CO<sub>2</sub>e avoided by Bovaer since trials began



Source: dsm-firmenich.com

**Year of initial investment:** 2020

**Three-year annualized change in core KPI:** Not available

**Assessment:** Meets expectations



**UN SDG ALIGNMENT** End hunger, achieve food security and improved nutrition and promote sustainable agriculture

**TARGET 2.4** By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality Indicators

## QUALITATIVE ASSESSMENT

DSM-Firmenich works to enhance global nutrition by producing dietary supplements and fortified foods, particularly for staple items like flour, cooking oil, and rice. Its products also provide an effective, economical solution to widespread micronutrient deficiencies. In 2023, the company reached 677 million people with fortified foods and improved the lives of 92,000 smallholder farmers.<sup>3</sup>

We are impressed with the expansion of Bovaer, the company's emission-reducing feed additive for cows. This product is now available in 57 countries, up from 45 in 2022, and has reduced its customers' GHG emissions by nearly 100,000 metric tons of CO<sub>2</sub>e.<sup>3</sup> As Bovaer has only been authorized since 2021, it is too early to assess its long-term impact. However, it is estimated that Bovaer can reduce methane emissions from dairy cows by 30%, equivalent to avoiding one metric ton of CO<sub>2</sub>e per animal annually.<sup>4</sup> We are enthusiastic about the product's scalability: DSM-Firmenich is constructing a large-scale production plant in Scotland that will provide scale needed to help address the emissions from the world's nearly 1.5 billion heads of cattle.<sup>5</sup>

## ENGAGEMENT PRIORITIES

We aim to discuss the merger between DSM and Firmenich, specifically focusing on the restructuring and disposal of the commodity vitamin and animal health businesses. Additionally, we are monitoring the development and commercialization of Bovaer, along with other products such as Veramaris algal oil, which is used for omega 3 and omega 6 supplements in aquaculture. We aim to utilize future engagements to explore these solutions further.

<sup>1</sup>"2023 Integrated Annual Report, DSM-Firmenich. | <sup>2</sup> dsm-firmenich.com. | <sup>3</sup>2023 Integrated Annual Report, DSM-Firmenich.

<sup>4</sup>"How cows can help us fight climate change," DSM, 2024. | <sup>5</sup>2023 Integrated Annual Report, DSM-Firmenich.



THEME OVERVIEW

# Education & job training

## REMOTE ACCESS | IMPROVING FINANCIAL FUTURES

In 2023, US adults with a high-school diploma earned 25% more than those who did not finish high school.<sup>1</sup>

The world could have shortfall of 10 million health workers by 2030, with chronic underinvestment in the education and training cited as a key reason.<sup>2</sup>

Education is a basic human right, yet an estimated 250 million children did not attend school in 2023, owing to social conflict, climate-related disasters, or other reasons for displacement.<sup>3</sup> Adults without a childhood education often struggle to attain employment sufficient to sustain them economically. The uneducated and undereducated are also likely to be more vulnerable to exploitation, discrimination, and ill health.<sup>4</sup>

Since the end of the COVID-19 pandemic, gaps in educational and professional-skills attainment have persisted in many parts of the world. Shortages of skilled labor in key sectors, including health care, present risks and challenges for communities in developed and developing markets. Job training and skill development — whether attained online or in person — can help reduce unemployment, enhance earning potential, and strengthen communities. In our view, companies and issuers whose products and services provide targeted, effective learning and vocational training are likely to enjoy significant growth potential. The impact they can have in narrowing the education gap, increasing access to economic opportunities, and mitigating labor shortages in critical sectors such as health care, is potentially widespread and enduring.

In 2023, the equity strategy continued to invest in a Brazilian higher education group that provides access to quality postsecondary education to underserved students. We maintained exposure to a leading provider of cloud-based software to the K-12 education market. Its unified platform can replace non-digital and/or disconnected, legacy software solutions. We initiated a position in a global technology company whose job matching and hiring platforms simplify the recruitment process. We believe the company's technology and services are lowering barriers to employment, including for candidates from traditionally disadvantaged backgrounds. Lastly, we initiated a position in a leading for-profit health care educator.

<sup>1</sup>"Education pays, 2023," US Bureau of Labor Statistics, May 2024. | <sup>2</sup>"Health workforce," World Health Organization, 2024. | <sup>3</sup>"250 million children are now out of school," UN News, September 2023. | <sup>4</sup>"The role of education in reducing health inequalities," Health Action Research Group, August 2024.



## IMPACT THEORY OF CHANGE

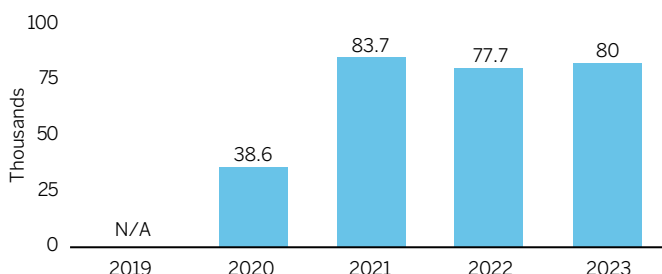
To provide high-quality health care, staff at health care facilities must receive comprehensive education and training. Adtalem, a for-profit post-secondary education company, trains incoming professional talent for the health care industry. The company has a strong focus on providing access to education that helps ensure competitive professional outcomes for a diverse population of students. Adtalem helps increase the supply of skilled labor in an industry constantly struggling with a shortage of workers.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Improve access to high-quality health care education and availability of health care professionals
<b>Who</b>	Diverse student cohort with a focus on underrepresented populations
<b>How much</b>	Provided education for 80,000 students in 2023 <sup>1</sup>
<b>Contribution</b>	98% of students received residency positions in 2023 <sup>2</sup>
<b>Risk</b>	Execution: Balance between cost of education and return on investment for students

## PROGRESS OF CORE KPI

Number of students enrolled



Source: Adtalem Annual Report 2023

**Year of initial investment:** 2023

**Three-year annualized change in core KPI:** 28%

**Assessment:** Exceeds expectations

## QUALITATIVE ASSESSMENT

According to a 2023 survey, US hospitals ranked workforce challenges as their number one challenge in providing safe, high-quality care for the third consecutive year.<sup>3</sup> The US may lack up to 450,000 nurses by 2023 and up to 86,000 physicians by 2036.<sup>4,5</sup> Given projected increases in patient demand, expanding the number of educated health care professionals is paramount for the US and elsewhere.



**UN SDG ALIGNMENT** Ensure inclusive and equitable quality education and promote life-long learning opportunities for all

**TARGET 4.4** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

Adtalem increases access to education and supports underrepresented students. Its nursing program is the largest in the US, and its 300,000 alumni can help address clinician shortages. In our view, the company's commitment to educating underrepresented students and delivering high-quality outcomes is evident: 52% of its students are people of color and 98% of its graduates successfully secured residency positions in 2023.<sup>6</sup>

Adtalem proactively works with health care systems to address worker shortages. As an example, in 2023 Adtalem announced a collaboration with LCMC Health, which faces nursing shortfalls in its New Orleans hospitals. LCMC Health will cover up to three years' cost of Adtalem tuition for students who commit to work for the company after graduating.<sup>7</sup>

We are pleased with the continued growth in student enrollment. Although an acquisition in 2021 contributed to a large increase in the number of students enrolled, we are satisfied with Adtalem's consistent enrollment numbers over the past few years. We acknowledge that cost plays a crucial role in ensuring equal access to education, and we will continue to monitor costs and pricing across the industry. We are encouraged by the lower-than-average loan default rates of Adtalem students.<sup>8</sup>

## ENGAGEMENT PRIORITIES

We aim to discuss the opening of two new nursing campuses to understand trends in student enrollment and satisfaction. We would also like to know how potential changes in the regulatory environment might affect Adtalem. Lastly, we plan to engage with the company on challenges facing its veterinary segment, which, consistent with industry trends, has had weaker employment metrics than other segments. We want to know how the company is advocating for the professional treatment of veterinarians.

<sup>1</sup>Bridging the gap: 2023 Sustainability Report, Adtalem Global Education. | <sup>2</sup>Ibid. | <sup>3</sup>Survey: Workforce Challenges Again Cited by CEOs as Top Issue Confronting Hospitals in 2023, American College of Healthcare Executives. | <sup>4</sup>"Assessing the lingering impact of COVID-19 on the nursing workforce," McKinsey & Company, 11 May 2022. | <sup>5</sup>The Complexities of Physician Supply and Demand: Projections From 2021 to 2036, Association of American Medical Colleges, March 2024. | <sup>6</sup>Bridging the gap: 2023 Sustainability Report, Adtalem Global Education. | <sup>7</sup>"Partnership Starts Delivering Dedicated Nurse Pipeline," Adtalem, 3 August 2023. | <sup>8</sup>Bridging the gap: 2023 Sustainability Report, Adtalem Global Education.



## THEME OVERVIEW

# Financial inclusion

## FINANCIAL TECHNOLOGY | ACCESS TO CAPITAL

Approximately 24% of people worldwide lack an account at a bank or regulated financial institution.<sup>1</sup>

Access to finance is a major barrier for the growth of micro, small, and medium-sized enterprises in emerging markets, where an estimated 131 million MSMEs face this challenge.<sup>2</sup>

The UN deems financial inclusion vital for economic growth, resilience, and job creation, yet approximately 1.4 billion adults globally are unbanked.<sup>3</sup> Women represent 56% of the world's unbanked, half of the unbanked come from the poorest 40% of households, and two-thirds have a primary education or less.<sup>4</sup> Lack of access to financial services limits one's ability to save money securely, invest in education or new businesses, and manage financial risks. At a macro level, these challenges can hinder economic growth and sustain poverty cycles. Financial inclusion is a crucial factor in helping households fully participate in the broader economy and enhancing quality of life at the community level.

Technology can help close the financial inclusion gap by reducing reliance on high-cost or unreliable mechanisms for managing money.<sup>5</sup> For example, millions of unbanked adults still receive payments in cash from governments and employers. Digitizing these payments through mobile banking can boost account ownership and expand financial inclusion. Recent data has shown faster increases in mobile bank-account ownership among women than men in some places, illustrating how the technology can also help reduce gender-based inequalities.<sup>6</sup>

We believe companies that expand access to financial products and services, especially via mobile technology, have long runways for growth by expanding addressable markets globally. These solutions can help foster financial stability and economic development to improve the lives of millions of underserved households and small-business owners.

In 2023, the equity portfolio held shares in a bank with high market share in Puerto Rico that provides essential financial services, including lending to small- and medium-sized local businesses and subprime consumers. Puerto Rico has a large low-income population that has endured years of economic recession and a string of natural disasters. We continued to hold an Indonesia-based company that offers loans to small and micro commercial customers, the country's biggest cohort. We remain invested in a company that provides insurance and other financial products to underbanked populations across Africa. In the US, we have maintained exposure to a company that offers basic insurance to low-income families. We also continue to hold a position in a company that extends credit to lower-income borrowers for use with unexpected household expenses, medical bills, and debt consolidation. The company also has an educational program aimed at improving financial literacy and budgeting.

<sup>1</sup>The Global Findex Database, The World Bank, 2022. | <sup>2</sup>"Small and Medium Enterprises (SMEs) Finance," The World Bank, 2020. | <sup>3</sup>"The Imperative of Financial Inclusion," United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, 2023. | <sup>4</sup>Ibid. | <sup>5</sup>The Global Findex Database, The World Bank, 2022. | <sup>6</sup>Ibid.





## IMPACT THEORY OF CHANGE

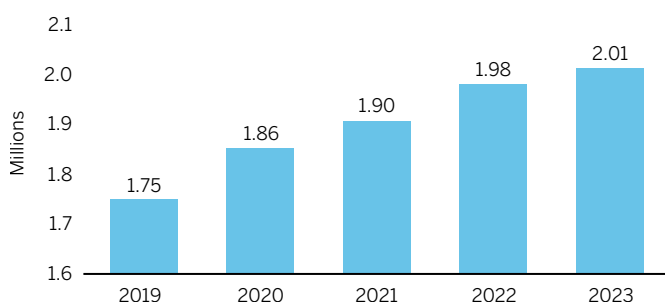
Popular is the leading financial institution for assets and deposits in Puerto Rico. It promotes financial inclusion in a region where systemic challenges, including those facing a large low-income population, contribute to less overall financial well-being than much of the rest of the US.<sup>1</sup> Popular provides essential financial services, such as lending for small- and medium-sized local businesses and subprime consumers who might otherwise struggle to access financial products and services. We believe that investing in banks that promote financial inclusion can have a lasting impact on wealth creation and socioeconomic mobility for individuals and communities.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Provides financial access to an underserved population, contributing to economic empowerment
<b>Who</b>	Serves financially excluded individuals and businesses in Puerto Rico, where over 40% of the population lives in poverty <sup>2</sup>
<b>How much</b>	Popular has approximately two million customers <sup>3</sup>
<b>Contribution</b>	Largest banking provider in Puerto Rico, holding over 50% market share <sup>4</sup>
<b>Risk</b>	Execution: Providing customers with transparent, comprehensible products to prevent unfair treatment

## PROGRESS OF CORE KPI

Number of customers provided with access to financial services



Source: Popular Annual Report, 2023

**Year of initial investment:** 2021

**Three-year annualized change in core KPI:** 2.6%

**Assessment:** Meets expectations



**UN SDG ALIGNMENT** End poverty in all its forms everywhere

**TARGET 1.4** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

## QUALITATIVE ASSESSMENT

In Puerto Rico, 12% of households lack a checking or savings account — significantly more than the US national average of 4.5%.<sup>5</sup> As the island's leading bank, Popular can help narrow this gap, improve financial well-being, and expand economic opportunities for millions of low-income customers. The bank's inclusive services have been especially valuable in the aftermath of repeated economic crises and natural disasters that have affected the island in recent years.<sup>6</sup>

Popular embarked on a transformation project in 2022 to enhance its financial access and service quality for island residents. The bank has expanded its digital capabilities, upgraded its technology platform, and simplified its business processes. As a result, the company now delivers an omnichannel banking experience, reaching its two million customers in a more cost-effective way.<sup>7</sup>

Popular operates at an impressive scale, with branches in 76 out of 78 of Puerto Rico's municipalities. It offers a range of products and services to meet diverse customer needs, including low-cost transactional accounts, affordable loans and insurance, and programs for business development and impact investing.

## ENGAGEMENT PRIORITIES

We aim to address the wages of Popular's lowest-paid employees and explore how the bank navigates the complexities of retention, wage inflation, and company profitability in determining salaries. Additionally, we seek to examine credit-normalization trends and how they compare with Puerto Rico's improving economic landscape. Lastly, we aim to discuss the possible effects of the US presidential election on Puerto Rico's economy.

<sup>1</sup> Popular Annual Report, 2023. | <sup>2</sup> "Pervasive poverty in Puerto Rico: a Closer Look," Center for Puerto Rican Studies (CENTRO), 2023. | <sup>3</sup> Popular 2023 Corporate Sustainability Report. | <sup>4</sup> Popular Annual Report, 2023. | <sup>5</sup> "Financial struggles in Puerto Rico bite deeper than the rest of the United States," Consumer Financial Protection Bureau, 2023. | <sup>6</sup> Popular 2023 Corporate Sustainability Report. | <sup>7</sup> Ibid.

## THEME OVERVIEW

# Safety & security

## CLIMATE ADAPTATION | ONLINE SAFETY | PRODUCT TESTING

In 2023, the US experienced 28 separate billion-dollar weather and climate disasters, totaling at least US\$92.9 billion in damages.<sup>1</sup>

60% of organizations rate their cyber resilience as insufficient or just meeting the minimum requirements.<sup>2</sup>

In a world driven by connectivity, cybersecurity is critical. The rising cost of cybercrime is estimated to cost the global economy US\$10.5 trillion in 2025, up from US\$3 trillion in 2015.<sup>3</sup> Companies in this theme focus on solutions for both businesses and individuals to counter cyber threats. This impact theme also includes companies whose solutions strengthen physical infrastructure that helps protect human life and property from natural disasters. Many regions continue to be impacted by climate-related incidents, leading to infrastructure damage and loss of life. These instances underscore the importance of building resilient infrastructure to safeguard lives and properties. We are excited about the continued expansion in this theme's research scope. We believe the impact relevance and growth potential of companies dedicated to enhancing safety and security will increase over time, especially for those that have demonstrated effective solutions.

In 2024, the Global Impact strategy invested in a multi-cloud application-security and delivery-solutions provider. The company's security, automation, performance, and insight capabilities allow customers to secure, create, and operate adaptive applications, thus enabling greater protection, improving operational resiliency, and lowering costs. We maintained exposure to a leading test-equipment solutions provider with a strong presence in power equipment, batteries, and photonics applications. We have exposure to a manufacturer of impact-resistant glass that is designed to withstand high winds and rain. We also own shares in an engineering firm specializing in climate resiliency, including energy infrastructure, which helps communities respond to natural disasters and adapt to growing climate risks. We initiated a position in a developer and manufacturer of semiconductors with key application areas in automotive, industrial, and infrastructure. The company's products help enable safer driving through applications in automotive-safety software and driver-assistance systems; they also enable the safe handling of power in industrial end markets.

<sup>1</sup> Adam B. Smith, "2023: A historic year of US billion-dollar weather and climate disasters", Climate.gov, 8 January 2024. | <sup>2</sup> Global Cybersecurity Outlook 2024, = World Economic Forum, January 2024. | <sup>3</sup> Cybersecurity Ventures report on cybercrime, Esentire, 23 July 2024.

## IMPACT THEORY OF CHANGE

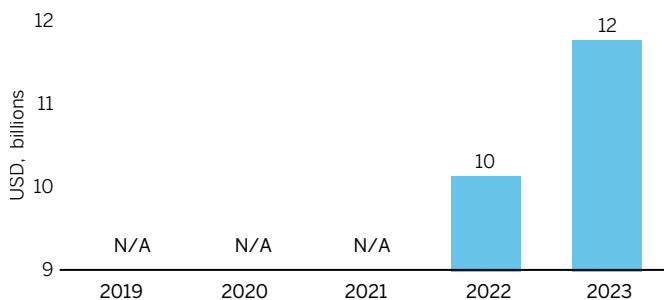
Increasingly sophisticated cyberattacks, natural disasters caused by climate change and extreme weather, geopolitical turmoil and regional conflicts, and economic uncertainty all underscore the importance of tailored insurance products. Investments in Beazley offer customers financial protection through specialty insurance products that address complex and diverse risks.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Increasing financial protection for customers from diverse risks, ranging from cyber threats to catastrophic events
<b>Who</b>	Protecting individuals and organizations of all sizes, from small businesses to large corporations, against specialty risks
<b>How much</b>	Protecting organizations from cyber risk, one of its key segments, represents nearly US\$1.2 billion of its revenue <sup>1</sup>
<b>Contribution</b>	Providing specialized products that address unmet needs, which general insurers might not cover
<b>Risk</b>	Endurance: Continuously innovating capabilities to match diverse and complex risks

## PROGRESS OF CORE KPI

Insurance revenue from cyber risk protection



Source: "Risky Business: Annual report and accounts 2023," Beazley

**Year of initial investment:** 2024

**Three-year annualized change in core KPI:** Not available

**Assessment:** Meets expectations

## QUALITATIVE ASSESSMENT

The world faces increasingly diverse and complex risks, with rising geopolitical tensions creating a volatile environment. In 2023, organizations experienced an average of 1,158 cyberattacks per week globally.<sup>2</sup> Another form of risk, extreme weather events, caused over US\$300 billion in property damage



**UN SDG ALIGNMENT** Peace, Justice and Strong Institutions

**TARGET 16.4** By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.

in the US between 1995 and 2022.<sup>3</sup> Beazley, a specialty insurer, offers underwriting and claim services in emerging segments like cyber, property, and marine, aviation, and political (MAP) risk.<sup>4</sup>

New technologies, such as AI, and the shift to the cloud offer businesses opportunities to streamline operations and increase efficiency, but they can also expose them to risks like technological obsolescence and susceptibility to sophisticated cybercrime. Despite this growing risk, cyber risk remains a blind spot for many companies, with 75% of global executives believing they are prepared — a figure that does not align with the annual US\$10 trillion cost of financial losses from cybercrime.<sup>5</sup> Beazley's cybersecurity business, one of its key segments, ranked first in the global cyber insurance market in 2023 and received the Service Quality Marque accreditation for the eighth consecutive year, demonstrating consistently above-average service quality.<sup>6,7</sup> Beazley's scale and quality in this rapidly changing field highlight its market leadership and its role in driving impact in our Safety & security theme.

We are pleased to see the increase in revenue from cyber risk coverage. While it does not capture all of Beazley's segments, we believe it is indicative of Beazley's ability to innovate and match the diverse and complex risk landscape. More data on the number of customers, attempted attacks, and successful preventions would further support our impact thesis. However, the importance and diversity of risks it focuses on and its commitment to innovation underscore Beazley's substantial role in protecting companies, including small- and medium-sized enterprises, from emerging risks.

## ENGAGEMENT PRIORITIES

We intend to use future engagements to discuss Beazley's ability to provide KPIs that better highlight its customer reach and its ability to protect its customers. While we believe our analysis and evidence demonstrate Beazley's positive impact and importance, additional KPIs would allow us to illustrate this impact more clearly.

<sup>1</sup>"Risky Business, Annual report and accounts 2023," Beazley. | <sup>2</sup>"Check Point Research: 2023," InfoSec, 23 January 2024. | <sup>3</sup>YanJun Liao and Margaret A. Walls, "Storm Watch: Trends in extreme US weather events," Resources, 26 July 2024. | <sup>4</sup>Revenue lines contributing to our impact materiality calculation for Beazley include specialty risks, cyber risks, and other categories that align with our safety and security theme. | <sup>5</sup>Spotlight on Cyber & Technology Risk 2024, Beazley. | <sup>6</sup>Kristian McCann, "Beazley leads cyber insurance market amid sector challenges," Cyber Magazine, 25 July 2024. | <sup>7</sup>Claims, Beazley.com.



THEME OVERVIEW

# Resource efficiency

## **PRESERVATION | ADVANCEMENT | SUSTAINABILITY**

Global electricity demand is expected to reach 50,000 terawatt hours (TWh) in 2050, almost double the 2021 level.<sup>1</sup>

The extraction and processing of material resources account for over 55% of greenhouse gas (GHG) emissions.<sup>2</sup>

To ensure a sustainable and equitable future, we believe society must use its natural resources more efficiently. The UN projects that optimizing the production and consumption of materials could reduce GHG emissions by 80% by 2060.<sup>3</sup> The twin trends of rising consumption and dwindling supply of nonrenewable and mostly finite resources — including fossil fuels, minerals, and arable land — pose significant risk to economic activity worldwide. We are already seeing signs of growing resource scarcity in areas as diverse as power generation and transmission, manufacturing, and construction.

The natural resource challenge is not just environmental. For many people, the more difficult resources are to obtain, the harder it is to maintain living standards and economic stability. In many countries, difficulties ensuring reliable access to energy and the associated rise in energy prices have underscored the importance of efficient production and consumption. Smarter use of finite resources is also essential for a successful transition to a sustainable and more inclusive economic model. At the same time, technological innovation is critical for optimizing efficient product performance, which can contribute to lower energy consumption, extend product lifetimes, and safeguard human health. Better processes like these, while requiring initial investments, are also likely to save money in the long run.

In 2023 our equity portfolio held a leading North American multinational heating, ventilation, and air conditioning (HVAC) company whose high-efficiency products reduce energy use and GHG emissions. We held a position in a US manufacturer of electrical products and other utility solutions that enhance grid safety and efficiency. We continue to own shares of a technology company that helps improve rail efficiency, including precision rail, autonomous rail, positive train control. We initiated a position in a US-based company whose software helps architecture, engineering, and construction firms incorporate sustainability. We also built a position in a leading global semiconductor company that develops, manufactures, and sells chips and chip-based solutions — particularly power semiconductors — for auto, industrial, and consumer end markets.

<sup>1</sup>"Global Energy Outlook 2023: Sowing the seeds of an energy transition," Resources for the Future, March 2023. | <sup>2</sup>"Global Resources Outlook: Bend the Trend," UN Environmental Programme, March 2024. | <sup>3</sup>Ibid.



## IMPACT THEORY OF CHANGE

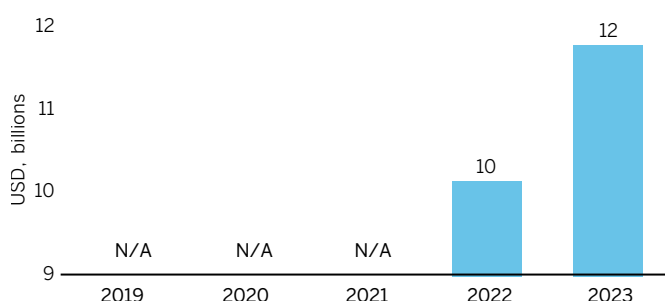
Trane Technologies offers efficient HVAC systems designed to reduce energy consumption. The company's products help buildings, which are responsible for a significant portion of GHG emissions, become more sustainable. Trane Technologies also provides products that improve capabilities in the temperature-controlled supply chain, helping to decrease both energy use and food waste.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Reduce GHG emissions through energy-efficient HVAC systems and temperature-controlled transport solutions
<b>Who</b>	Customers in approximately 100 countries <sup>1</sup>
<b>How much</b>	Invested approximately US\$252 million in sustainably driven R&D to improve the energy efficiency and circularity of its products <sup>2</sup>
<b>Contribution</b>	Reduced customer carbon footprint by 64 million tonnes in 2023 <sup>3</sup>
<b>Risk</b>	Efficiency: Environmental footprint of the production and use of its products

## PROGRESS OF CORE KPI

GHG emissions avoided



Source: "Accelerating Action for Impact," Trane Technologies 2023 ESG Report

**Year of initial investment:** 2020

**Three-year annualized change in core KPI:** 103%

**Assessment:** Exceeds expectations



**UN SDG ALIGNMENT** Take urgent action to combat climate change and its impacts

**TARGET 13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

## QUALITATIVE ASSESSMENT

HVAC systems account for nearly 15% of global energy-related emissions.<sup>4</sup> Extreme temperatures and weather events are rapidly increasing demand for HVAC, creating a problem that contributes to climate change and leads to more energy consumption. Without efficiency improvements, energy demand for cooling alone is expected to more than triple by 2050, compared to 2018 levels.<sup>5</sup>

Trane Technologies' products are more energy efficient than similar products, and we are impressed with the company's progress of 64 million tonnes of GHG emissions reduced for its customers.<sup>7</sup> A recent product innovation features AI-enabled technology that uses real-time information to predict occupancy, temperature, and energy loads in advance. The tool then sends appropriate instructions to a building's HVAC system. This technology has been shown to cut energy costs by up to 25% and emissions by up to 40%.<sup>8</sup>

We appreciate Trane Technologies' sustainability commitments and transparency. It has committed to an ambitious "Gigaton Challenge," aiming to avoid one billion tonnes of GHG emissions by 2030, compared to 2019 levels, with 85% of reductions expected from HVAC solutions and 15% from efficient transport-temperature control.<sup>6</sup> In 2022, the company became the first in its industry to set a long-term net-zero target approved by the Science Based Targets initiative. It also discloses its avoided emissions calculation methodology. We will continue to monitor the firm's progress towards its Gigaton Challenge commitment.

## ENGAGEMENT PRIORITIES

We are happy to see the company's growing sustainability-driven R&D spending. We would like to engage more on its innovations and efforts to reduce emissions and improve HVAC efficiency. We are particularly interested in the potential for its connected solutions to drive further progress.

<sup>1</sup>"Accelerating action for impact," Trane Technologies 2023 Annual Report. | <sup>2</sup>"Accelerating action for impact," Trane Technologies 2023 ESG Report. | <sup>3</sup>Ibid. | <sup>4</sup>"How to heat up and cool down climate innovation," World Economic Forum, 21 February 2022. | <sup>5</sup>"The future of cooling," IEA, May 2018. | <sup>6</sup>Gigaton Challenge Playbook, Trane Technologies. | <sup>7</sup>"Accelerating action for impact," Trane Technologies 2023 ESG Report. | <sup>8</sup>Trane autonomous control, Trane.



THEME OVERVIEW

# Resource stewardship

## RECYCLING AND REUSE | BIODIVERSITY

Over 2 billion tonnes of municipal solid waste are generated annually, equivalent to the weight of 385 million African elephants.<sup>1, 2</sup>

Between 2002 and 2023, the world lost a total of 76.3 million hectares of humid primary forest, or 16% of overall tree-cover loss.<sup>3</sup>

Overconsumption of natural resources results in significant environmental degradation, including deforestation, water scarcity, and biodiversity loss. At present, humans consume resources at a rate that is 1.7 times faster than the Earth's capacity for regeneration.<sup>4</sup> Consequently, wildlife populations have decreased by 73% over the past 50 years, with Latin America and the Caribbean experiencing the most pronounced decline of 95%.<sup>5</sup>

The accelerated loss and degradation of nature, exacerbated by climate change, are driving the world toward critical tipping points. Crossing these thresholds can potentially lead to devastating consequences for communities, including job losses and reduced incomes. Even a partial collapse of ecosystem services could reduce global GDP by 2.3% annually, or US\$2.7 trillion by 2030., with impacts most severe in low-income and lower-middle-income countries, where GDP could drop by up to 10%.<sup>6</sup>

Biodiversity discussions at 2024's COP16 yielded some positive outcomes, such as the recognition of Indigenous Peoples and Local Communities and the establishment of a new subsidiary body to ensure participation by indigenous peoples in decision-making processes.<sup>7</sup>

In our view, solutions that improve resource stewardship, promote biodiversity, and sustain circular economies may be more widely adopted as the harmful effects of linear, disposable economies become more apparent. Self-sustaining, regenerative systems of production and consumption, where waste is minimized or avoided altogether, could become an economic necessity. Companies, industries, and governments will likely need to upgrade infrastructure, improve production processes, and implement technologies necessary for safe, effective resource management.

During 2024, the Global Impact team continued to have conviction in a UK-based company developing bio-based specialty chemicals to support agriculture, where traditional methods may be less effective because of climate change. We held a position in Australia's leading integrated waste-management company that is enabling significant landfill diversion, avoiding substantial CO2 emissions per year, and contributing to Australia's circularity ambitions. We maintained exposure to a manufacturer of metal cans and packaging, which reduce reliance on plastic. We started a position in a manufacturer of composite decking and railing made from resin/wood composites and PVC. Investments in the company support higher volumes of waste diverted from landfills and greater recycled content in more durable building materials.

<sup>1</sup> Global Waste Management Outlook 2024, UN Environment Programme, 28 February 2024. | <sup>2</sup> Calculation based on estimates African elephants weigh an average of 5,443 kilograms. | <sup>3</sup> Global Forest Watch, 2023. | <sup>4</sup> "National Footprint and Biocapacity Accounts", Global Footprint Network, 2022. | <sup>5</sup> 2024 Living Planet Report, World Wildlife Fund, 10 October 2024. | <sup>6</sup> The Economic Case for Nature: A global Earth-economy model to assess development policy pathways, World Bank group, 2021. | <sup>7</sup> "COP16: Landmark biodiversity agreements adopted," United Nations, 3 November 2024.





IMPACT THEORY OF CHANGE

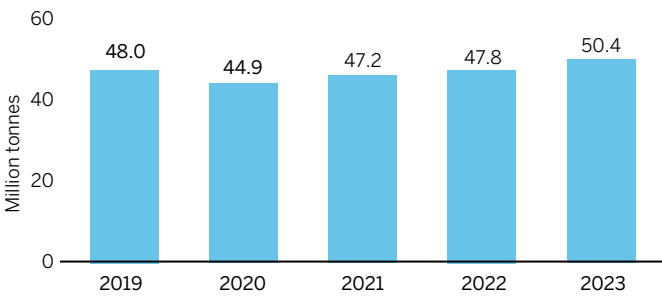
Waste Connections specializes in the development of recycling infrastructure and waste-management practices, serving many rural areas across North America. Amid population growth and rising per capita consumption, efficient waste collection and recycling initiatives are essential for reducing GHG emissions and mitigating plastics pollution in waterways. We believe that investing in Waste Connections addresses these critical challenges, given the company’s innovative solutions, including the implementation of robotics technology.

FIVE DIMENSIONS OF IMPACT

What	Develops recycling infrastructure and promotes responsible waste management for landfills, mitigating pollution in waterways
Who	9 million customers across 46 US states and six provinces in Canada <sup>1</sup>
How much	Collected and treated more than 50 million tonnes of waste; recycled 2million tonnes in 2023 <sup>2</sup>
Contribution	Third-largest waste management company in North America, with approximately 15% market share <sup>3</sup>
Risk	Execution: Environmental impact of operations and supply chain

PROGRESS OF CORE KPI

Volume of waste collected and treated at landfills



Source: “2024 Sustainability Report,” Waste Connections

Year of initial investment: 2024

Three-year annualized change in core KPI: 3.9%

Assessment: Meets expectations



**UN SDG ALIGNMENT** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**TARGET 11.6** By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management Indicators

QUALITATIVE ASSESSMENT

The world generates more than two billion tonnes of municipal solid waste annually; at least one-third of that is not managed in an environmentally safe manner.<sup>4</sup> As waste streams become more complex and hazardous, with materials like lithium-ion batteries and electronic waste a growing proportion, advanced solutions for waste collection and circularity (recycling) processes are crucial for safeguarding human and environmental health, in our view.

Waste Connections offers comprehensive waste management services across North America, recycling and/or diverting over 50% of collected waste from waterways. In 2023, the company treated 50.4 million tonnes of waste, marking a 3.9% annual growth rate over the prior three-year period. With investments in robotics and optical-sorting technology, along with the establishment of new facilities in various markets, we expect the company’s collection capacity to grow.

We are pleased with the progress Waste Connections has made in recycling. From the 2018 baseline through 2023, its recycling volume increased by 44%, moving it closer to its 2033 target of a 50% increase.<sup>5</sup> While we recognize that Waste Connections also directs waste to landfills, with associated externalities, we believe that the company plays an essential role in enhancing the sustainability of waste collection.

ENGAGEMENT PRIORITIES

We aim to discuss the company’s key growth initiatives, including capital expenditure for recycling, gas recovery systems, and other green capex projects. Additionally, we seek to understand the company’s perspective on PFAS, how evolving regulations and technological advancements may create revenue opportunities, and their potential effects on costs and profit margins.

<sup>1</sup>“Relationships Results: 2023 Annual Report,” Waste Connections, 2023. | <sup>2</sup> “2024 Sustainability Report,” Waste Connections. | <sup>3</sup> “WCN’s Market share relative to its competitors, as of Q3 2024”, CSI Markets, 2024 | <sup>4</sup> “Global Waste Management Outlook 2024,” UN Environment Programme, 2024. | <sup>5</sup> “2023 Sustainability Report,” Waste Connections, 2024.

THEME OVERVIEW

## Multi-theme

Several of our investments meet multiple impact themes as illustrated by the investment spotlight below, which is the largest holding in this theme.



## IMPACT THEORY OF CHANGE

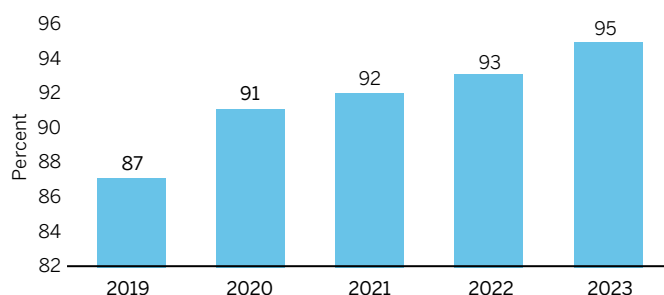
Sekisui House, one of Japan's largest homebuilders, specializes in residential construction of single- and multi-family homes and provides design and remodeling services. Investing in Sekisui House helps increase the supply of high-quality, energy-efficient, affordable, and climate-change resistant homes in markets where excess demand has created long-running community-level challenges.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Providing safe, high-quality homes with a focus on energy efficiency
<b>Who</b>	Has supplied communities with more than 2.6 million homes
<b>How much</b>	95% of its newly built detached houses in 2023 were "net-zero energy homes," abbreviated as ZEH <sup>1</sup>
<b>Contribution</b>	Supports Japan's strategic plan for energy-efficient homebuilding and home retrofitting with a ZEH ratio higher than the national average <sup>1</sup>
<b>Risk</b>	Execution: Ensuring balance between home affordability, quality, and energy efficiency

## PROGRESS OF CORE KPI

Proportion of newly built detached houses that are ZEH certified



Source: "Value Report 2024: Our Engagement," Sekisui House

**Year of initial investment:** 2024

**Three-year annualized change in core KPI:** 1%

**Assessment:** Meets expectations

## QUALITATIVE ASSESSMENT

Affordable housing and climate change, once seen as separate, are now recognized as interconnected. Increasing a home's energy efficiency can reduce costs, and resilient homes help mitigate damage from extreme weather events.<sup>2</sup> Sekisui House supports the provision of high-quality, affordable homes with a focus on sustainability, ensuring customers do not have to choose between affordability and environmental responsibility.



**UN SDG ALIGNMENT** Responsible consumption and production

**TARGET 11.1** By 2030, By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

The costs of Sekisui House's detached housing units are at the lower end of Japan's average price for single-family homes.<sup>3</sup> At the same time, its homes achieve energy savings and safety without sacrificing comfort. The company's use of thermal insulation enhances energy efficiency while allowing for the installation of large windows that create bright, open spaces desired by customers. To protect against natural disasters, Sekisui House equips its homes with seismic-resistant structural elements to reduce earthquake impacts and power-storage cells and photovoltaic systems to ensure self-sufficiency during power outages.<sup>4</sup> With a market share of 4.6% across Japan,<sup>4</sup> the company's ZEH homes help the government achieve its decarbonization goals.

We are impressed that the company's proportion of detached ZEH houses reached 95% of its overall housing stock in 2023 — far higher than Japan's average of 23%.<sup>4</sup> Since the launch of its ZEH products, Sekisui House has constructed more than 83,000 ZEH homes.<sup>4</sup> We believe its holistic focus on safety, energy efficiency, comfort, and affordability is key to improving the quality of life for residents and communities across Japan.

## ENGAGEMENT PRIORITIES

Recognizing the company's leadership in safe and energy-efficient building construction in Japan and its expansion into the US, we visited a community in Temecula, CA, featuring homes built with Sekisui's proprietary technology. This visit allowed us to evaluate the quality, appearance, and ambiance of the homes and understand how they are being received in the US. We also learned about Sekisui House's strategy for promoting net-zero energy, fire-resistant, and earthquake-resistant building technology.

<sup>1</sup>"Value Report 2024: Our Engagement," Sekisui House. | <sup>2</sup>"Preserving, Protecting, and Building Climate-Resilient Affordable Housing: A Framework for Local Action," Urban Institute, January 2024. | <sup>3</sup>Alex Shapiro, "How much does it cost to purchase a home in Japan," Tokyo Portfolio, updated 17 September 2024. | <sup>4</sup>"Value Report 2024: Our Engagement," Sekisui House.



# Important disclosures

## ABOUT THIS REPORT

The views expressed herein are those of the author(s), are based on available information, and are subject to change without notice. Individual portfolio management teams may hold different views and may make different investment decisions for different clients. Forward-looking statements or estimates may be made. Actual results and occurrences may vary significantly. Certain data provided is that of a third party. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness. Wellington determines the goals and targets that, in our view, each portfolio company is aligned with. Language for the goals and targets has been abbreviated, but not otherwise altered, from UN.org. Wellington Management supports the United Nations Sustainable Development Goals. These are not to be construed as a recommendation of any of the specific securities presented or indicative of their past or future performance.

Q3 2024 investment examples are based on holdings of the representative account as of 30 June 2024. For Global Impact Equity, the representative account shown became effective on 1 September 2017 because it was the least restrictive account at the time of selection. Each client account is individually managed; individual holdings will vary for each account and there is no guarantee that a particular account will have the same characteristics as described.

Company examples are for illustrative purposes only, are not representative of all investments made by the portfolio, and should not be interpreted as a recommendation or advice. Portfolio spotlight examples are based on nonperformance criteria. For Global Impact Equity, the largest position in each impact theme is selected. If the largest position was highlighted within the past year, then the second largest position is highlighted. If largest two positions were highlighted within the past two years, then a new position within the theme for the year is highlighted. If no new positions in the theme, the largest addition (based on transaction value in USD) is highlighted.

Featured holdings Adtalem and Popular, Inc. were the largest by size in their respective themes as of 30 June 2024. Tetra Tech and Trane Technologies were the second-largest holdings in their respective themes as of 30 June 2024.

The key performance indicators (KPIs) shown for each company have been developed by Wellington. These metrics are proprietary to Wellington and are used to assess a company's progress toward its particular business objectives. Company information is from multiple sources including the following: annual and quarterly reports; industry research pieces; company websites; press releases; case studies; and company engagements. Only holdings that had applicable and available KPI data were included. In cases where the 2023 data was not available at the time of publication, we have used 2022 or the nearest to 2023 data.

## INVESTMENT RISKS

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

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

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

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

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

**Foreign and emerging markets:** Investments in foreign markets may present risks not typically associated with domestic markets. These risks may include changes in currency exchange rates; less-liquid markets and less available information; less government supervision of exchanges, brokers, and issuers; increased social, economic, and political uncertainty; and greater price volatility. These risks may be greater in emerging markets, which may also entail different risks from developed markets.

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

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

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

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