Aberdeen Standard Investments

Global Equity Impact Fund Annual Report 2020

Everything's Future
Invest today. Change tomorrow.

March 2021
Aberdeen Standard Investments supports the UN Sustainable Development Goals

Contents

"It's surely our responsibility to do everything within our power to create a planet that provides a home not just for us, but for all life on Earth."

Sir David Attenbourgh

Welcome to the 2020 Global Equity Impact Fund report

Dominic Byrne
Head of Global Equities

Sarah Norris
Investment Director

We published last year's report in March 2020 and were just starting to see the impacts of the coronavirus pandemic. We could not have predicted the extent of the economic, health and social impacts the disease would have globally. Not only did the coronavirus pandemic threaten global progress on addressing existing social and environmental issues, it also created new ones.

The pandemic has unquestionably put a spotlight on social inequalities. Education has been disrupted, with the World Bank estimating that in March 2020 the pandemic had forced more than 1.6 billion children and youths to be out of school in 161 countries, which is close to 80% of the world's enrolled students.[1] National lockdowns and workplace restrictions have had a crippling impact on employment. The International Labour Organisation estimates that over the course of 2020 we saw an 8.8% reduction in global working hours, equivalent to 255 million full time jobs, which is four times the losses seen during the global financial crisis.[2] And the pictures of overwhelmed hospitals and the lack of equipment to treat COVID-19 patients were a global phenomenon.

National lockdowns and the resultant economic slowdown was perversely beneficial to the climate, with CO_2 emission dropping and air quality improvements in many cities. However, climate change trends continue to move in the wrong direction too quickly. While there is some disagreement on whether 2020 matched the record-setting temperatures of 2016, there is no disagreement that the past decade was the warmest on record. Following the raft of government pledges to be net zero on carbon emissions, under the optimistic scenario estimates still suggest global warming would be over 2 degrees.[3] Therefore we need to see more action and more urgency by governments and businesses to not only reach the 2 degrees scenario, but if we are to get anywhere close to the desired 1.5 degrees scenario.

As we enter 2021 there needs to be a focus on how we will 'build back better', addressing both new and existing environmental and social issues. What this means in practice is a global reset to deliver a sustainable and just recovery for all. The recovery needs to accelerate the transition to a low-carbon economy as well as supporting those most impacted by the crisis, aiming to reduce inequality in all forms. Encouragingly, many governments including the EU, the US and China have responded to the pandemic by making sustainability the cornerstone of agendas to address the economic and social damage caused by coronavirus.

> "As we enter 2021 there needs to be a focus on how we will 'build back better'."

But strained government budgets are limited in capacity to invest in solutions to address these issues and we expect companies to step in to provide new solutions that focus on improved healthcare, more inclusive workforce opportunities, new circular economy solutions, more resilient energy sources, and cleaner mobility and infrastructure. Now, more than ever, we are convinced of the role of impact investing in supporting a greener, more inclusive recovery.

Against this backdrop equity markets have been extremely volatile – dropping by over 30% at the start of the year followed by a recovery of over 60% to finish the year at record highs. In absolute terms, and relative to the market, the Fund had a good year of performance in 2020. We launched the fund in late 2017 so have now been managing the strategy for over three years, outperforming the market over that period. While still a relatively short time period it continues to add weight to our belief that doing good and generating returns go hand-in-hand and are not mutually exclusive. We believe that our strategy to invest in companies with products or services that address the world's biggest problems will be a source of superior long-term returns.

Pillar headline impacts

Positive outputs from holdings in the portfolio:

Circular Economy

Feed additive developed that can **reduce methane emissions** from dairy cows by **30%**

Education & Employment

4,210,000 students reached with **education services**

Financial Inclusion

121,843,000 underserved individuals provided with **basic financial services**

Food & Agriculture

2,574,100 tonnes of material diverted from landfills and **recycled**

Health & Social Care

2,152,010,000 patients reached with **affordable healthcare services**

Sustainable Real Estate & Infrastructure

5,250GW renewable energy used to power data centres

Sustainable Energy

353,580,700 metric tonnes of CO_2e emissions avoided

Water & Sanitation

750,000 customers provided with access to **clean water**

Portfolio impact

How is impact defined

We define impact investing as the intentional investment to deliver financial returns alongside measurable, positive, social and/or environmental change. Our Global Equity Impact Fund aims to identify and invest in companies intentionally developing products and services that contribute to quantifiable, positive social and environmental outcomes. The companies' strategies must be intentional and the impact must be measurable.

We use the UN's 2030 Agenda and its 17 Sustainable Development Goals to help us define positive impact and target the most pressing global issues. Ultimately, we are looking for companies providing local solutions to three major global problems: climate change, unsustainable consumption and production, and social inequality.

What are our impact objectives

With this in mind we have identified eight 'pillars of impact' that address these broad challenges and align with the UN's overarching agenda of creating a more peaceful and prosperous society and environment: Circular Economy, Sustainable Energy, Food & Agriculture, Water & Sanitation, Health & Social Care, Financial Inclusion, Sustainable Real Estate & Infrastructure, and Education & Employment.

We aim to invest in companies whose products and services in each of these eight categories help countries achieve the UN's sustainable development agenda.

How do we identify opportunities and assess our investments

To help us identify impact investments we use a 'theory of change' approach we call 'Impact Maturity'. We examine a company's inputs, activities, outputs, outcomes, and impacts in three "impact maturity" stages: intentionality, implementation, and impact. These stages build upon one another, and we expect to see companies mature as the investments made in the 'intentionality' stage, deliver revenue at the 'implementation' stage and finally can be measured at the 'impact' stage[4].

Intentionality: $52,243,006,313 invested in developing products or services that address the eight environmental and social issues we have identified in our pillars. While this looks like a big number, this represents 1% of the minimum of $5 trillion the UN estimates is required to meet the SDGs.

Implementation: $587,869,546,412 of revenue generated from products or services aligned to one of our pillars.

These figures include the investment and development of new technologies and sales of products that aim to increase the energy efficiency of data centres; support renewable energy storage and distribution; expand education opportunities to rural and low-income students; improve access to priority health concerns; conserve natural resources; and expand access to nutrition, to name just a few.

Impact Maturity Following a "theory of change"				
Input	Activity	Output	Outcome	Impact
Intentionality	**Implementation**	**Impact**	**Impact reporting**	
$52,243,006,313 invested in developing products or services that address the eight environmental and social issues we have identified in our pillars	$587,869,546,412 of revenue generated from products or services aligned to one of our pillars	Company reporting on our targeted KPIs	Case Studies Aggregated Pillar Data Impact Footprints	
Impact leaders Companies whose products and services enable our other pilllars as part of a wider value / supply chain				

How do we monitor company progress in achieving impact

We have set key performance indicators or targeted ‘outputs’ for each of our pillars to assess how products and services contribute to positive social and environmental outcomes globally. Company self-disclosure is a crucial part of our approach to impact investing. We believe that if a company intends to deliver a product to address a specific environmental or social need, the impact must be reported. Therefore we heavily rely on engagement with companies and our conversations with the supervisory board, executive management teams, and divisional heads.

The following pages summarise the impact companies in the portfolio have delivered this year. We agree with the Global Impact Investing Network’s stance that “context is critical to interpreting impact results in a robust and reliable way.”[5] In addition to case studies and pillar-level data, we also analyse the impact companies delivered according to country and region. And we compare this to international sources, most frequently the World Bank databank, to understand how the impact delivered compares to the underlying country-specific issues and needs. Above all, we aim to frame the local impact delivered against the global issues our portfolio targets.

Key Engagements this year

We aim to invest in companies across all three stages of impact maturity. This means that some companies in the Fund have not yet started to report on the impact their products and services deliver. Rather than estimate the impact, we engage with companies on their reporting, with the aim of improving data disclosure.

Three standouts this year included DSM, Autodesk and Kornit Digital. We were encouraged by the proactive responses to our questions around how the companies thought about their investment budgets and prioritised different innovation. DSM has multiple products that will have a positive environmental impact and benefit farmers and is working to evidence its products in use. Autodesk is developing internal systems to measure the savings its technology generates for its customers in the construction industry. And Kornit Digital is working on its first impact report, taking the data it provides to key customers like Nike on the water savings and waste reduction achieved by using its technology.

We will explore these companies further in the subsequent pages and discuss our engagements in more detail in our Engagement Report.

Aberdeen Standard Investments’ Impact Pillars

Sustainable Development Goals

Pillars	Sub Goals
Circular Economy	Resource efficiency Material recovery and reuse
Sustainable Energy	Access to energy Clean energy Energy efficiency
Food & Agriculture	Access to nutrition Food quality Sustainable agriculture
Water & Sanitation	Access to water and hygiene Clean water Water efficiency
Health & Social Care	Access to healthcare & social care Enhanced healthcare Drug development
Financial Inclusion	Access to financial services
Sustainable Real Estate and Infrastructure	Affordable housing Eco-construction Improved access
Education & Employment	Access to education and skills development Quality employment and job creation

Circular Economy

Doing more and better with less

The concept of a circular economy is to move from a 'make, use, dispose' model to one that enhances and extends the lifespan of products and materials. Our Circular Economy pillar targets companies that offer 'closed-loop solutions' that keep resources in use for as long as possible. These products or services are designed to minimise waste, reuse materials or offer recycling services. Overall, a circular approach strives to reduce pressure on natural resources.

The issues

If the global population reaches **9.6 billion by 2050**, we'll need almost three planets-worth of resources to sustain current lifestyles.[6]

Every year, an estimated **one-third of all food** produced is wasted.[7]

Case study: Autodesk

Unmet need

The construction-materials and building sector is responsible for more than one-third of global resource consumption. And only an estimated 20–30% of construction waste is recycled or reused.[8]

Intentionality

Autodesk is investing in software that helps reduce waste throughout the construction process, improving the material efficiency in the construction of a building and helping customers develop net-zero-energy buildings that make up smart and sustainable cities.

Implementation

According to the company, a conservative estimate is that at least 60% of Autodesk's revenues are tied to improving the design, construction and operation of buildings, infrastructure and industrial projects.

Impact: Customers generally see material or energy savings of 25–40%. In some cases, these can be even higher. Autodesk plans to disclose more data on how its products are used and the 'simulated savings' the company helps customers achieve on waste, energy and other sustainability metrics.

Positive outputs from holdings in the portfolio

Circular Economy

Doing more and better with less

173,850 tonnes CO_2 avoided through reuse models, equivalent to **37,559 passenger vehicles** driven for one year[9]

208,333,300 litres of water saved using circular systems enough to fill **83 Olympic size swimming pools**[10]

150,000 trees saved thanks to **reusing materials**

2,574,100 tonnes of materials diverted from landfills and recycled, the same weight as **25,000 blue whales**[11]

Doing more and better with less

Contributions to positive outcomes

The Fund invested in companies with a wide range of closed-loop solutions. These include the promotion of resource efficiency through supply-chain logistics, municipal waste collection, metal recycling and construction-waste management.

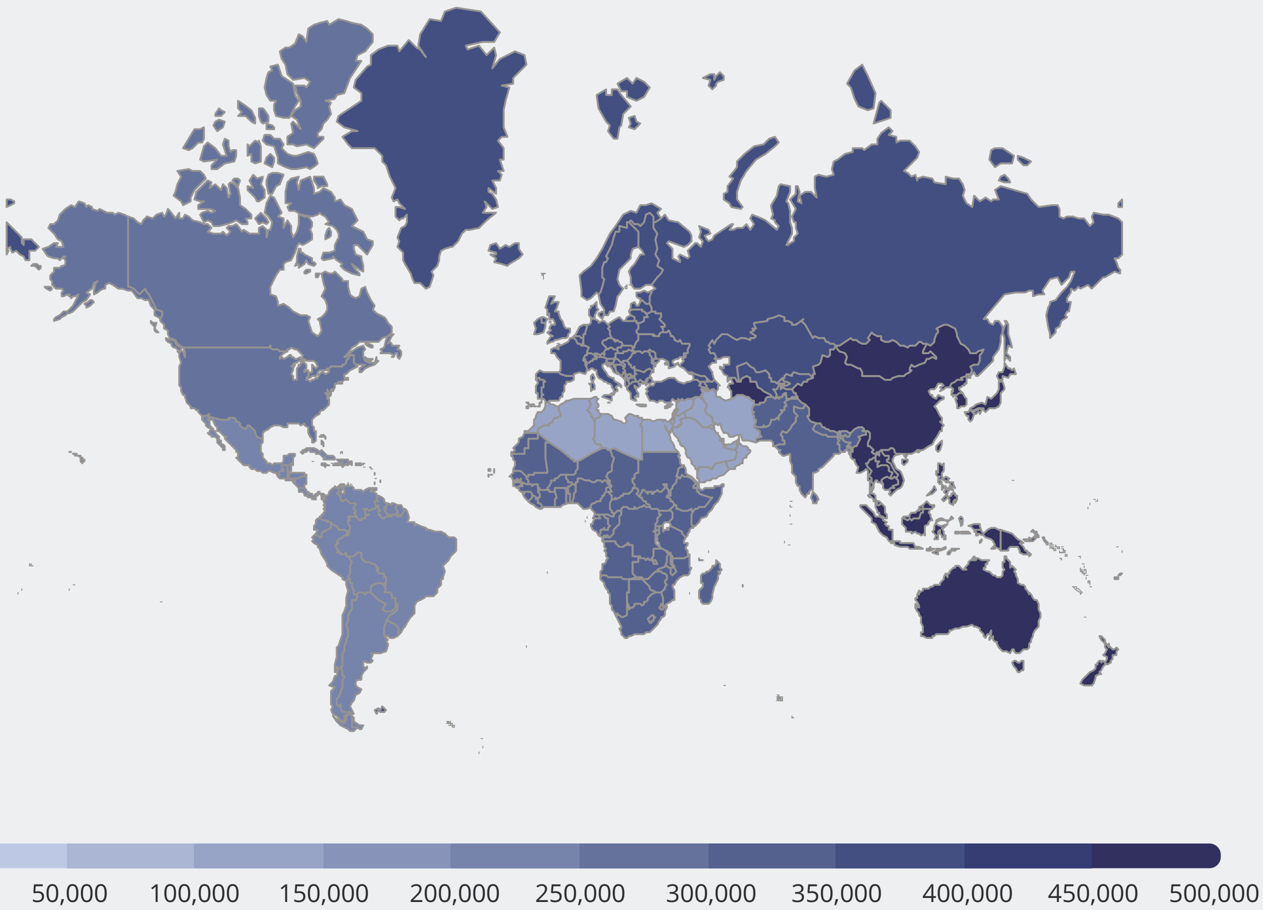
These solutions led to significant material savings for customers, including avoiding CO_2, reduction in water usage and the diversion of waste from landfills. When put in context, the absolute numbers appear small, but with over 8 million tonnes of plastic leaked into the ocean, the majority of which is packaging, making more of our material footprint is a necessity.

Annual municipal waste generated

	Annual regional waste generated (tonnes)	Aggregate waste diverted by companies in the Fund	Waste diverted as a percent of annual waste generated
Globally	2,010,000,000	2,574,083	0.128%
Asia Pacific	802,000,000	568,959	0.071%
Europe & Central Asia	392,000,000	1,652,010	0.421%
North America	289,000,000	487,590	0.169%
Latin America & The Caribbean	231,000,000	13,560	0.006%
Africa	303,000,000	10,170	0.003%

Key ESG risks
Include the efficiency of recycling operations, environmental cost of recycling, the potential business-case impact and what happens to waste that cannot be recycled. Pricing and commercial value are also important considerations. Additionally, governance concerns around contracts are particularly relevant.

Annual Regional Waste Generation



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

15 LIFE ON LAND

Education and employment

Creating opportunities for marginalised or vulnerable people

The number of people living in extreme poverty has fallen. However, inequalities persist. Full and productive employment and decent work for all women and men require businesses to invest in and support the development of their employees. We place a premium not only on wage growth and development opportunities but also on employee safety and equality, and we seek to include companies that protect against discrimination and give voice to the marginalised. Equally, our focus on education seeks out educational services that directly expand access to affordable, quality education and recognise the importance of prioritising diversity and reaching all socio-economic groups.

The issues

Even pre-pandemic, projections showed that **over 200 million children** would be out of school, and only 60% would complete secondary education in 2030.[12]

Achieving gender equality in educational standards and workforce participation by 2030 could **boost global growth by 3.6%**.[13]

Case study: Chegg

Unmet need

There have been no literacy gains in the US since 1971, and no improvements in math scores since 1980.[14]

Intentionality

Chegg is investing to deliver products that reduce education costs in the US and improve the quality of education.

Implementation

Revenue comes from textbook-rental services, which are designed to tackle the prohibitive cost of textbooks that can range from $100–$150/book; and from an online education platform that supplements in-class teaching with study aids, practice questions and solutions, and online tutors.

Impact

The use of Chegg's services is growing across the US, and they are now reaching over 3,900,000 students.
The company is working on measuring and reporting how its products and services improve the quality of education.

Positive outputs from holdings in the portfolio

Education and employment

Creating opportunities for marginalised or vulnerable people

4,210,000 students reached with education services, equivalent to **21% of college students** enrolled in the USA[15]

5,200,000 textbooks rented to university students, which is **43% of the volumes** in the Oxford University libraries[16]

16,050 people of marginalised demographics hired, **three times the capacity** of Royal Albert Hall in London[17]

19,650 full time employees from marginalised demographics, **eight times the capacity** of the Kennedy Center in Washington D.C.[18]

Creating opportunities for marginalised or vulnerable people

Contributions to positive outcomes

The Fund invested in companies principally focused on tertiary education. These companies offered affordable distance learning, textbook rentals and online learning platforms that reached a significant number of students.

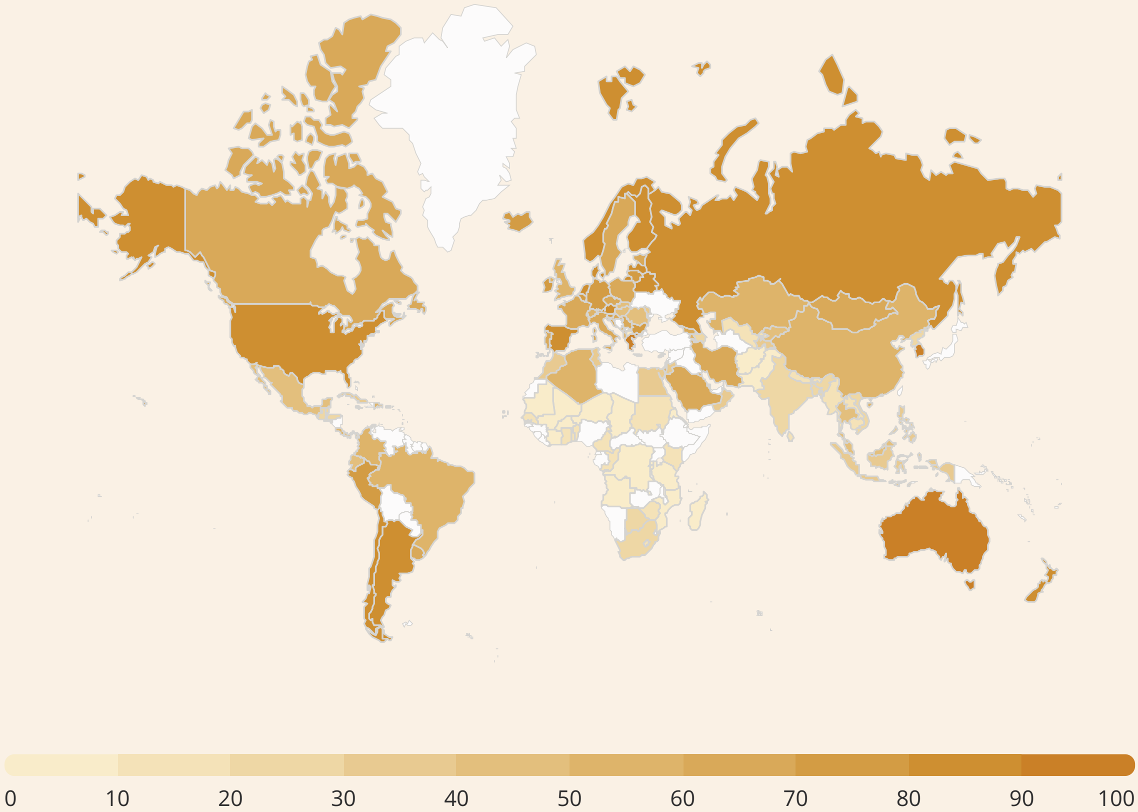
Products offered by companies in the portfolio reached students equivalent to 19% of total university enrolment in North America. And in Brazil, services reached the equivalent of 3.55% of students enrolled in university. Understanding how these products and services impacted the quality of education is more difficult, as is measuring the impact on student grades and graduation rates. We don’t have the data yet, but we are hopeful that the companies we’re invested in are working to define and report on what it means to improve the ‘quality’ of education.

Global university enrolment

	Gross enrolment in tertiary education	Students reached with education services by companies in the Fund	Students reached as a percentage of total gross enrolment
North America	20565372	3900000	18.96%
Latin America	28285387	310000	1.10%
Brazil	8741996	310000	3.55%

Key ESG risks
We are mindful of quality indicators, affordability, teacher training and wages, and data privacy for distance and online learning. We actively engage to better understand how companies manage some of these key ESG risks. We use World Bank, UN and government data sets to understand where specific education and employment needs reside and to seek out companies that focus on local solutions.

Tertiary school enrollment (% of population)



Definition: Gross enrollment ratio is the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of education shown. Tertiary education, whether or not to an advanced research qualification, normally requires, as a minimum condition of admission, the successful completion of education at the secondary level. Source: World Development Indicators, Last updated 10/28/2019.

Financial inclusion

Tackle poverty in all its dimensions

Underserved groups are often marginalised or excluded from financial systems, which negatively impacts many other areas of their lives. Financial services act a gateway to improving access to basic necessities like electricity, water, healthcare, housing and education. But there are still 1.7 billion adults – close to one-third of the global population – who do not have access to financial products or services. Our pillar identifies companies operating in countries and regions where there is low penetration of basic financial services for individuals, as well as for micro, small and medium-sized enterprises (MSMEs).

The issues

About **half of unbanked people are women**, those in poor households in rural areas, or those not working.[19]

An additional **71 million people** were pushed into extreme poverty in 2020. Projections suggest **6% of the world** will still be in extreme poverty in 2030.[20]

Case study: AIA Insurance

Unmet need

About a quarter of the world's households face a significant 'insurance gap' where 90% of their protection needs are unmet. This can lead to crippling out-of-pocket expenses linked to healthcare, natural catastrophe and other issues.[21]

Intentionality

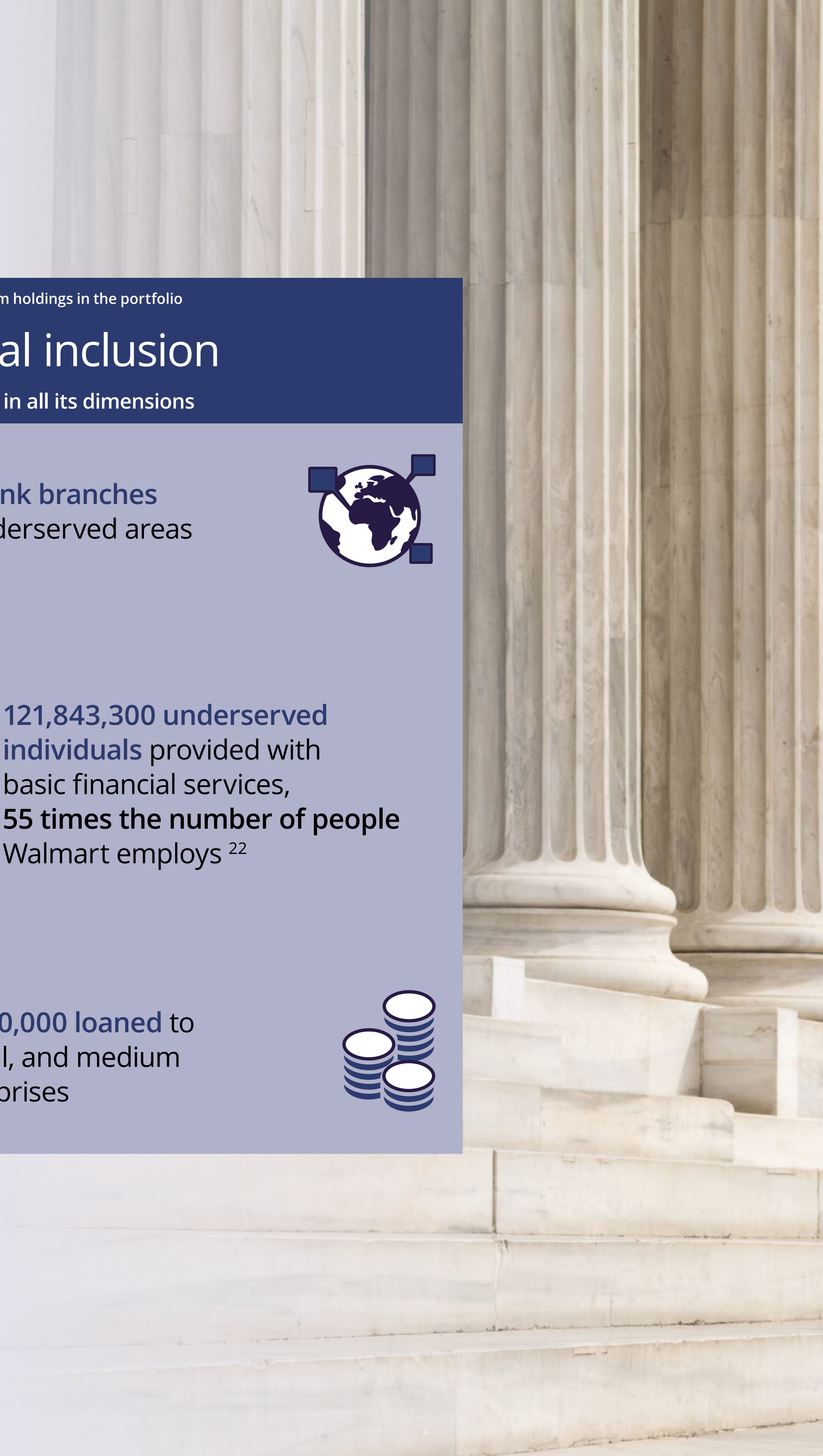
AIA addresses five key areas with its product innovation, specifically targeting underserved populations in Asia: the emerging middle class, health issues, low penetration of insurance, ageing populations and adapting to individual customer needs.

Implementation

Over 80% of revenue generated comes from regions with high protection gaps, including India, Indonesia, the Philippines, Vietnam and China.

Impact

AIA does not disclose how many customers it reaches in regions with high protection gaps and low insurance penetration, which is a key focus in our engagement with the company. We would expect to see improved metrics to demonstrate how AIA is delivering on its strategy across the five key structural drivers of growth.



Positive outputs from holdings in the portfolio

Financial inclusion

Tackle poverty in all its dimensions

424,250 bank branches
in rural/underserved areas

121,843,300 underserved individuals provided with basic financial services, **55 times the number of people** Walmart employs [22]

$22,760,460,000 loaned to micro, small, and medium sized enterprises

Tackle poverty in all its dimensions

Contributions to positive outcomes

This year, the Fund invested in companies whose technology platforms supported mobile wallets for individuals outside the traditional banking ecosystem; provided micro loans to female entrepreneurs unable to secure credit from large banks; used a river boat to sail down the Amazon to reach underserved communities and to provide financial education and development; and tailored insurance products to address the protection gap in Asia.

The map below shows the penetration of basic financial services by country. Companies held in the Fund operated in countries where access to financial services is as low as 20%. In some countries, these operations covered a significant percentage of the population. In Indonesia, for example, the number of underserved individuals provided with basic financial services corresponds to 10% of the country's unbanked population.

Penetration of basic financial services

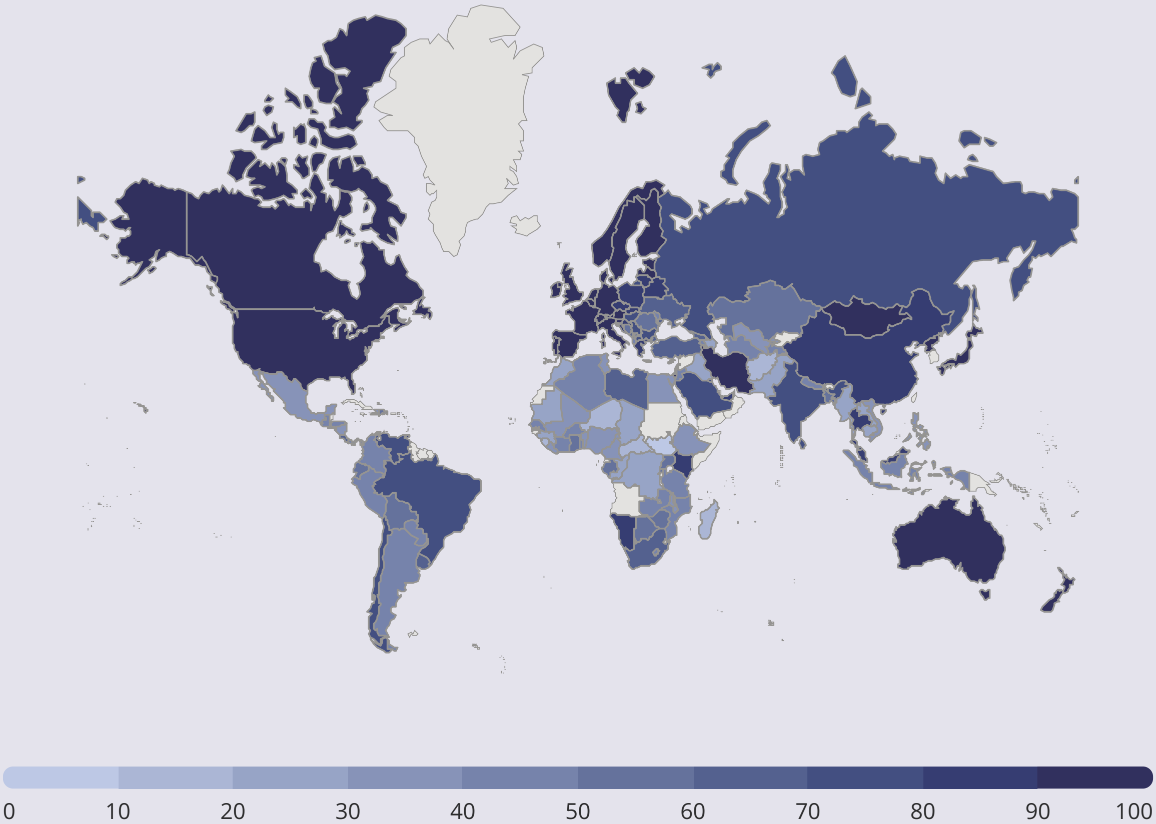
	Penetration of basic financial services in adults over 15	Underserved/unbanked individuals provided with basic financial services by companies in the Fund	New accounts created as a percentage of un/underbanked
Indonesia	48.86%	10600000	10.38%
Sri Lanka	73.65%	21000	0.48%
Philippines	34.50%	11333	0.23%
Sierra Leone	19.81%	34000	0.92%
Uganda	59.20%	33666	0.35%

Companies held in the Fund also had operations in Brazil, Mexico, India, Pakistan, Myanmar, Ghana, Nigeria, Kenya, Tanzania, Rwanda and Zambia. In these countries, access to financial services ranges from 21% in Pakistan to 80% in India.

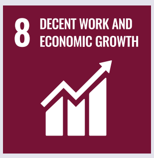
Key ESG risks

We undertake a risks analysis around lending practices and other ESG concerns, including an assessment of financial-literacy programmes and fair pricing of products that suit transactional, payment, savings, credit or insurance needs. And we monitor default rates, non-performing-loan ratios, and churn rates (among other things) to ensure that financial inclusion goes hand in hand with financial awareness.

Basic financial services penetration (% of population)



Definition: Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+) in 2017. Account denotes the percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution or report personally using a mobile money service in the past 12 months (% age 15+). Source: Demirguc-Kunt et al., 2018, Global Financial Inclusion Database, World Bank, cited in the World Development Indicators Database, last updated 14/11/2018 Some discrepancies may exist owing to lack of published data on the World Bank Findex.



Food and agriculture

Providing quality food and preventing land degradation

According to the UN, the world's population is projected to reach 9.8 billion in 2050 and 11.2 billion in 2100, amplifying the demands we place on Earth's natural resources. In particular, the resources required to feed the global population are putting unsustainable demands on land, oceans, forests and biodiversity. Our Food & Agriculture pillar covers both social and environmental concerns, with a twin focus on addressing hunger and nutrition on the one hand, and, on the other, promoting the sustainable use of the world's resources.
We therefore look at access to nutrition, improved nutrition and services for farmers, as well as how food is produced and the impact of farming practices on land, water, and biodiversity.

The issues

Food insecurity was already worsening pre-Covid, affecting **26.4% of the global population**. The pandemic is an additional threat to food systems.[23]

Globally, **49 million children** under-five are affected by wasting, while another **40 million are overweight** – termed the 'double burden of malnutrition'.[24]

Case study: DSM

Unmet need

About 50% of ice-free land is used for agriculture. Livestock accounts for 77% of this, making it the biggest global driver for land use change and habitat loss.[25]

Intentionality

DSM directs its research efforts toward delivering sustainable solutions linked to health, nutrition and sustainable living.

Implementation

Key products address global agricultural challenges, including natural ways to remove antibiotics for growth promotion, the reduction of emissions from livestock, the problem of overfishing with Omega-3 from marine algae, and biofuel opportunities.

Impact

DSM is able to report on the emissions savings its products can have, but it is not yet able to report on the real-world impact of its products. But the company is working with Harvard University and other academic sources to quantify the positive impact its products have on society and aims to introduce science-based disclosures.

Positive outputs from holdings in the portfolio

Food and agriculture

Providing quality food and preventing land degradation

$245,524,200 invested in sustainable agriculture practices

Feed additive developed that can reduce **methane emissions** from dairy cows by **around 30%**

Marine algal oil that contains **twice the levels of Omega-3 fatty acids** than fish oil

Providing quality food and preventing land degradation

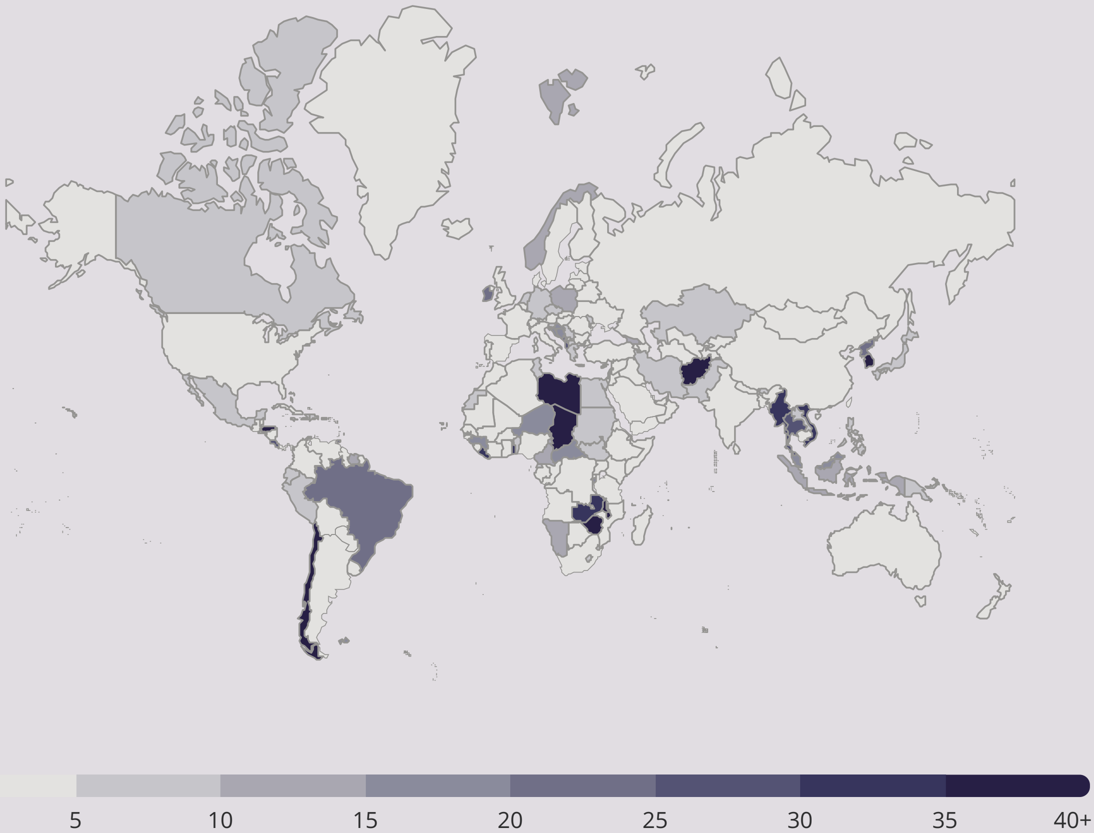
Contributions to positive outcomes

Reflecting over the last year, we have struggled to find companies that align with our food and agriculture pillar and meet our financial criteria. The map showing the prevalence of undernourishment below highlights the percentage of the population whose food intake is insufficient, and the UN is concerned that the pandemic has compounded the problem. We continue to look for companies providing access to affordable and nutritious food, hoping to identify solutions to the double burden of malnutrition.

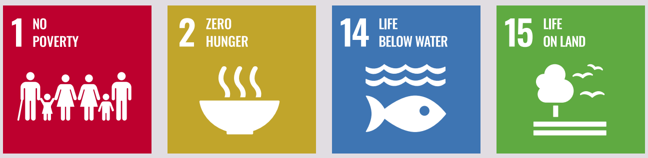
Sustainable agriculture is equally imperative when addressing global food needs. And we hope to find companies that provide sustainable solutions for farming, protecting biodiversity levels and soil quality, and combating ocean toxicity.

Key ESG risks
This pillar is subject to specific ESG risks arising from genetic modification, antibiotics, working conditions and human rights. We also focus on environmental concerns such as biodiversity, land degradation and deforestation.

Prevalence of undernourishment (% of population)



Definition: Population below minimum level of dietary energy consumption (also referred to as prevalence of undernourishment) shows the percentage of the population whose food intake is insufficient to meet dietary energy requirements continuously. Data showing as 5 may signify a prevalence of undernourishment below 5%.
Source: Food and Agriculture Organization (**www.fao.org/publications/en/**).



Health and social care

Ensuring access to quality, affordable essential care and enhancing care outcomes

Health and social-care standards vary dramatically, with each country facing unique issues. The UN focused its 2030 agenda on reproductive, maternal, new-born and child health; specific infectious and non-communicable diseases; mental health and environmental risks; and health systems and funding. Our health and social-care focus mirrors these objectives and looks for companies that are focusing drug discovery on priority diseases; improving accessibility and affordability of treatment and prevention; improving the availability of doctors and nurses; and improving system funding.

The issues

The pandemic has disrupted childhood immunisation programmes in around **70 countries**.[26]

Under **half the global population** is covered by essential health services.[27]

Case study: GlaxoSmithKline (GSK)

Unmet need

According to the UN, pandemic-linked service cancellations will lead to a 100% increase in malaria deaths in sub-Saharan Africa.[28]

Intentionality

GSK aims to improve global health by investing in drug development for infectious diseases that affect children and adolescents in developing countries, with a particular focus on malaria, HIV and tuberculosis. GSK is recognised by the Access to Medicine Index as having the leading research and development unit and the largest number of products targeting priority healthcare gaps.

Implementation

Respiratory, oncology and HIV treatments and vaccines represent about half of GSK's revenue base.

Impact

Reporting within the healthcare segment is patchy, and GSK is one of the leaders, disclosing licensing agreements and patient numbers for selected health concerns. We would hope to see this expand to its full portfolio and to see more granular data on patient numbers, total number of doses under affordable pricing and country-level data.

Positive outputs from holdings in the portfolio

Health and social care

Ensuring access to quality, affordable essential care and enhancing care outcomes

2,152,010,000 patients reached with affordable healthcare services, close to a **third of the world population**

909,400,000 doses of medicine provided under tiered pricing/ affordability schemes

6,530 clinics, pharmacies, and hospitals operated in countries with limited healthcare services

1,407,000 doctors and nurses trained and supported in underserved areas, **22 times the capacity** at Ellis Park Stadium in Johannesburg[29]

Ensuring access to quality, affordable essential care and enhancing care outcomes

Contributions to positive outcomes

Global health issues vary by country and region, though according to the WHO, in 2019 more than half of the 55.4 million deaths globally were due to 10 top causes, seven of which are noncommunicable diseases, like heart disease, diabetes and kidney disease. These accounted for 44% of all deaths globally.[21] In lower-middle-income countries, malaria, HIV/AIDS, road injury and cirrhosis of the liver are also leading causes of death.[22]

Companies held in the Fund developed, manufactured and distributed a range of medications and vaccinations targeting non-communicable diseases.

Reach of access programmes:

Pneumococcal vaccine: Respiratory diseases are a key cause of death globally, and companies in the Fund provided pneumococcal vaccines to 10 Gavi-eligible countries, reaching 20 million patients.[23]

HIV: 38 million people were living with HIV in 2019,[24] and companies in the Fund had licensing agreements to provide access to treatments for 6.9 million patients across 84 countries.

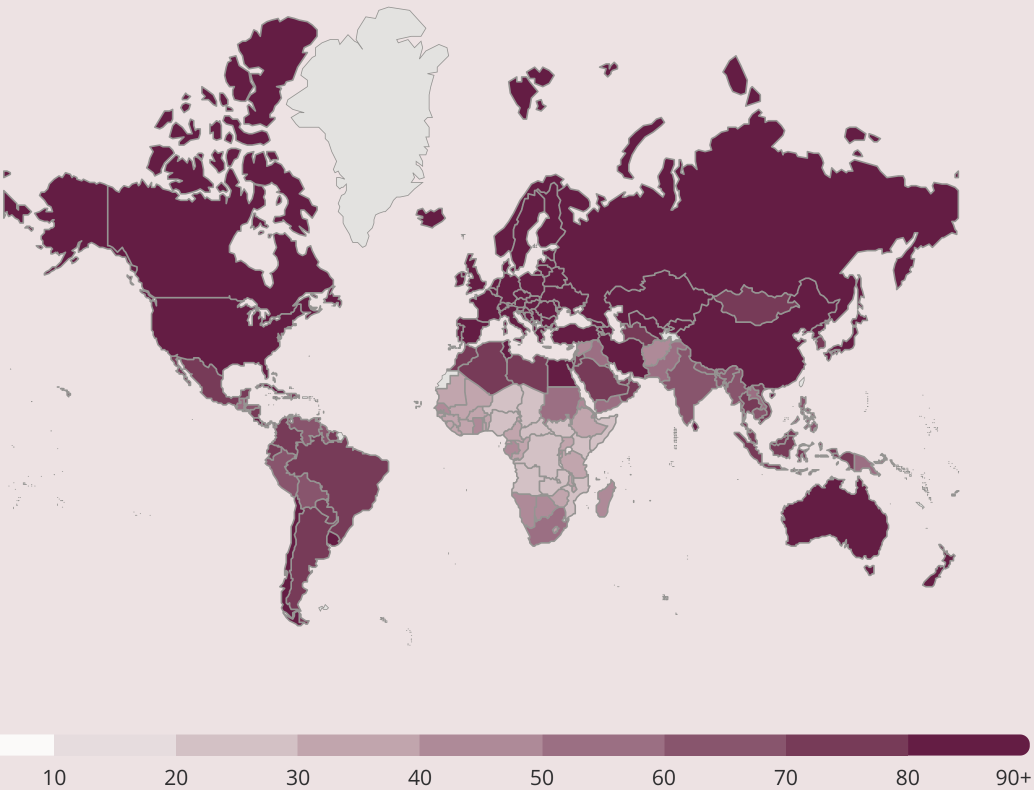
Diabetes: According to the most recent World Health Organisation data, 422 million people have diabetes.[25] Companies in the Fund provided 2.9 million patients in 78 countries with diabetes treatment under affordability schemes.

Maternal care: 94% of all maternal deaths occur in low- and lower-middle income countries,[26] and companies in the Fund provided 3.4 million women with improved quality of care and access to contraception through Medical Care Development International.

Key ESG risks

Affordability and treatment pricing is a key ESG consideration in our risk analysis, as are considerations of product safety, human-rights practices and appropriate marketing practices.

Cause of death, by non-communicable diseases (% of total)



Definition: Cause of death refers to the share of all deaths for all ages by underlying causes. Non-communicable diseases include cancer, diabetes mellitus, cardiovascular diseases, digestive diseases, skin diseases, musculoskeletal diseases, and congenital anomalies.
Source: Derived based on the data from WHO's Global Health Estimates.

Sustainable energy

Increasing renewables, decreasing emissions and improving access

Energy is central to almost every environmental and social issue the world faces and touches most aspects of daily life: cooking, heating, mobility, communication and education. Our Sustainable Energy pillar considers three areas of energy: clean-energy solutions; initiatives that promote energy efficiency; and services to expand access to energy.

The issues

Almost **800 million people** still have no access to electricity.[30]

Energy is the main contributor to climate change, accounting for **73% of human-caused greenhouse gases**.[31]

Case Study: Ørsted

Unmet need

Renewable energy represents only 17% of global energy consumption.[32]

Intentionality

Ørsted aims to create a world that runs entirely on green energy and is focused on improving the efficiency and delivery of renewable energy.

Implementation

Ørsted has over 90% of its business in the generation of renewable energy, principally wind. In 2020, Ørsted announced several sales of legacy natural-gas and liquid-natural-gas businesses as it completes its transformation to a company providing only renewable energy.

Impact

Ørsted helped customers avoid over 11 million CO_2-equivalent (CO_2e) emissions and increased renewable capacity by 19% to reach 9.9GW of installed capacity.

Positive outputs from holdings in the portfolio

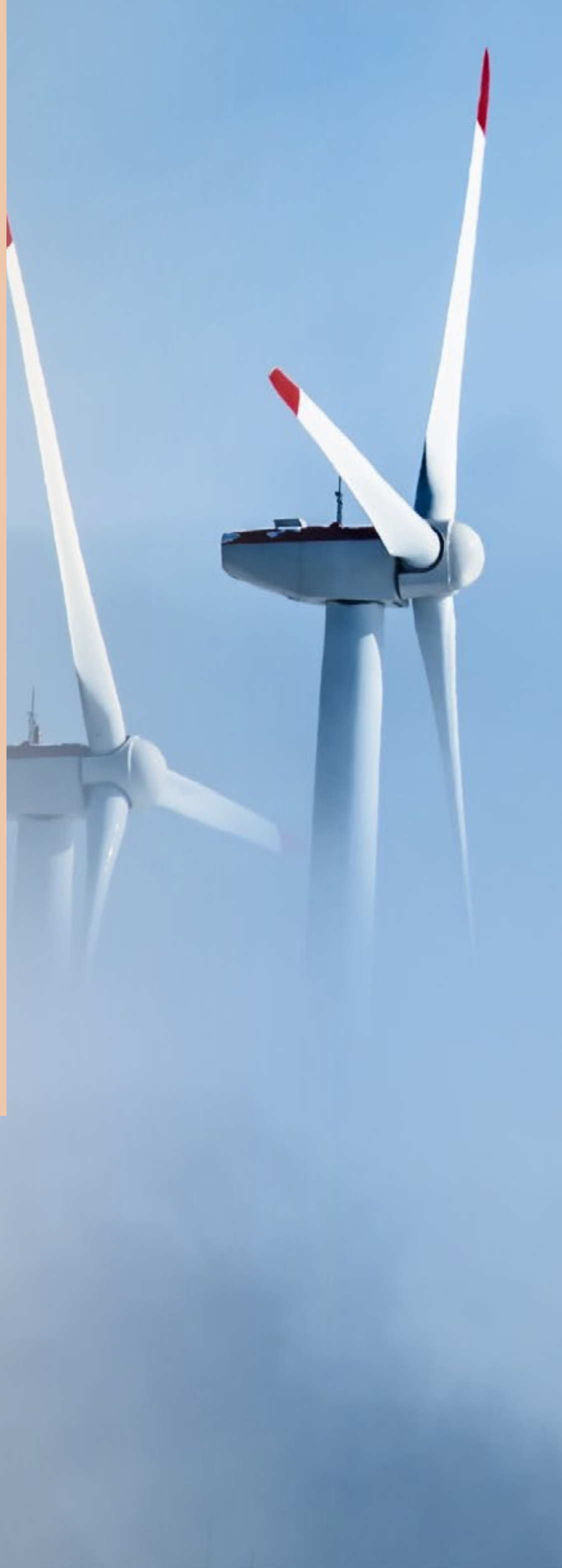
Sustainable energy

Increasing renewables, decreasing emissions and improving access

322,300 photovoltaic inverters sold to support solar power

147,650 MW of renewable energy capacity installed, enough to power **28 million homes** for a year [33]

353,580,700 metric tonnes of CO_2e emissions avoided, comparable to the emissions from charging over **45 trillion smart phones** [34]



Increasing renewables, decreasing emissions and improving access

Contributions to positive outcomes

The Fund invested in companies developing batteries for electric vehicles; providing componentry for solar-power generation; installing grid networks that support renewable-energy distribution; and generating renewable energy. These business models helped avoid carbon emissions globally and expanded renewable-energy capacity in a number of countries.

Despite strong global commitments to tackle emissions, increase renewable-energy capacity and improve access to affordable clean energy, fossil fuels still dominate consumption. Encouragingly, as more countries invest in renewable capacity, companies held in the Fund made strong contributions. In the UK, of total renewable capacity, companies in the Fund installed and operated the equivalent of almost 11%. And in the US, companies contributed capacity equal to 9.5% of total renewable capacity.

We are hopeful that we will continue to see expanded renewable capacity as storage and grid connectivity improves, and we continue to look for companies that will provide essential technology to expanding renewable-energy footprints.

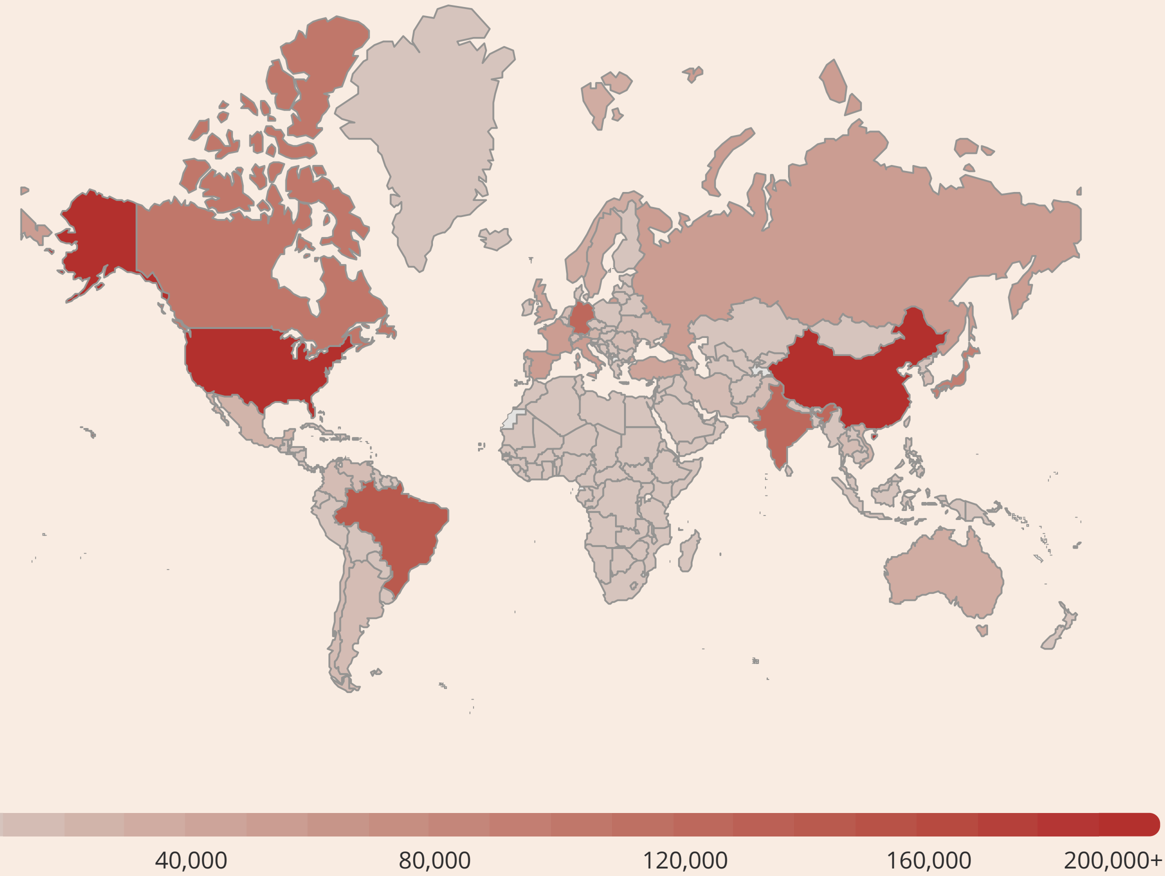
Installed renewable-energy capacity

	Renewable capacity (MW)	Installed/operated renewable capacity by companies in the Fund (MW)	Installed/operated renewable capacity as a percentage of total renewable capacity
Argentina	12776	502	3.93%
Australia	31534	666	2.11%
Bolivia	1036	41	3.96%
Denmark	9012	7392	82%
Dominican Republic	1314	58	4.41%
Jordan	1401	70	5%
Senegal	209	128	61.24%
The United Kingdom	46733	5054	10.81%
Ukraine	12171	319	2.62%
The United States	264505	25303	9.53%

Companies held in the fund also had operations in Austria, Belgium, Canada, Chile, China, the Czech Republic, El Salvador, Finland, France, Germany, Greece, India, Italy, Ireland, Kenya, Kazakhstan, Mexico, New Zealand, the Netherlands, Norway, Panama, Poland, Romania, Russia, Serbia, South Africa, Spain, Sri Lanka, Taiwan, Thailand and Vietnam.

Key ESG risks
A key risk within our sustainable-energy pillar is that high emission intensity of production could offset the emission reduction offered from these products. We also examine safety and injury rates, bribery and corruption, supply-chain oversight, impact on climate change and biodiversity, and any legacy exposure to fossil fuels. Many energy-generation companies are undergoing a green transformation, shifting their business models toward renewable power sources, so it is essential to understand exposures to fossil fuels and commitments to exit, balanced with the need for security of supply.

Total renewable energy capacity (MW)



Definition: Population below minimum level of dietary energy consumption (also referred to as prevalence of undernourishment) shows the percentage of the population whose food intake is insufficient to meet dietary energy requirements continuously. Data showing as 5 may signify a prevalence of undernourishment below 5%.
Source: Food and Agriculture Organization (**www.fao.org/publications/en/**).

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

Sustainable real estate and infrastructure

Providing affordable and eco-friendly buildings and improving connectivity

As the global population grows and people flock to urban areas in increasing numbers, the built environment has a key role to play in supporting social and environmental goals. Our Sustainable Real Estate & Infrastructure pillar focuses on a variety of key issues facing industry, infrastructure and sustainable cities and communities. This includes the provision of affordable housing, efficient building practices, environmentally friendly construction materials and solutions, and increased internet and telecom connectivity. These are all global priorities, and we use the World Bank Database to understand the different types of unmet real estate and infrastructure needs in different regions and countries.

The issues

Only **half the world's urban population** has convenient access to public transport.[35]

Building & construction accounted for **36% of global energy use**, and **39% of global carbon emissions**.[36]

Case Study: Alstom

Unmet need

Urban cities account for about two-thirds of energy consumption and more than 70% of CO_2 emissions globally.[37]

Intentionality

Alstom aims to support carbon neutrality by delivering innovative and green mobility solutions with lower carbon footprints – with a focus on motor efficiency, weight reduction and eco-driving.

Implementation

According to Alstom, rail transportation represents 8% of worldwide motorised transport but only 2% of energy consumption and 4% of CO_2 emissions. About 50% of Alstom's revenue comes from rolling stock and passenger-transport solutions where CO_2 emissions are lower on average.

Impact

Innovations in Alstom's passenger-transport solutions reduced energy consumption by 20%, making Alstom's solutions amongst the most energy-efficient in the transport sector.

Positive outputs from holdings in the portfolio

Sustainable real estate and infrastructure

Providing affordable and eco-friendly buildings and improving connectivity

5,250GW of renewable energy used to power data centres

40,000,000 litres of water saved, enough to fill **250,000 bathtubs**[38]

500,666,700MWh reduction in energy consumption avoiding emissions equivalent to **820 million** barrels of oil consumed[39]

140,887,500 metric tonnes of CO_2e emissions reduced/avoided, equivalent to the emissions from 50 million round-trip flights between London and Hong Kong [40]

385,000,000 PET bottles reused within building materials

Providing affordable and eco-friendly buildings and improving connectivity

Contributions to positive outcomes

This year, the Fund invested in companies offering a wide variety of products and services within the Sustainable Real Estate & Infrastructure pillar. This included companies working to power data centres with 100% renewable energy; those investing in and developing renewable energy infrastructure; those providing affordable housing; and those improving building energy use from construction through to operation. We also invested in several companies expanding internet services in emerging markets.

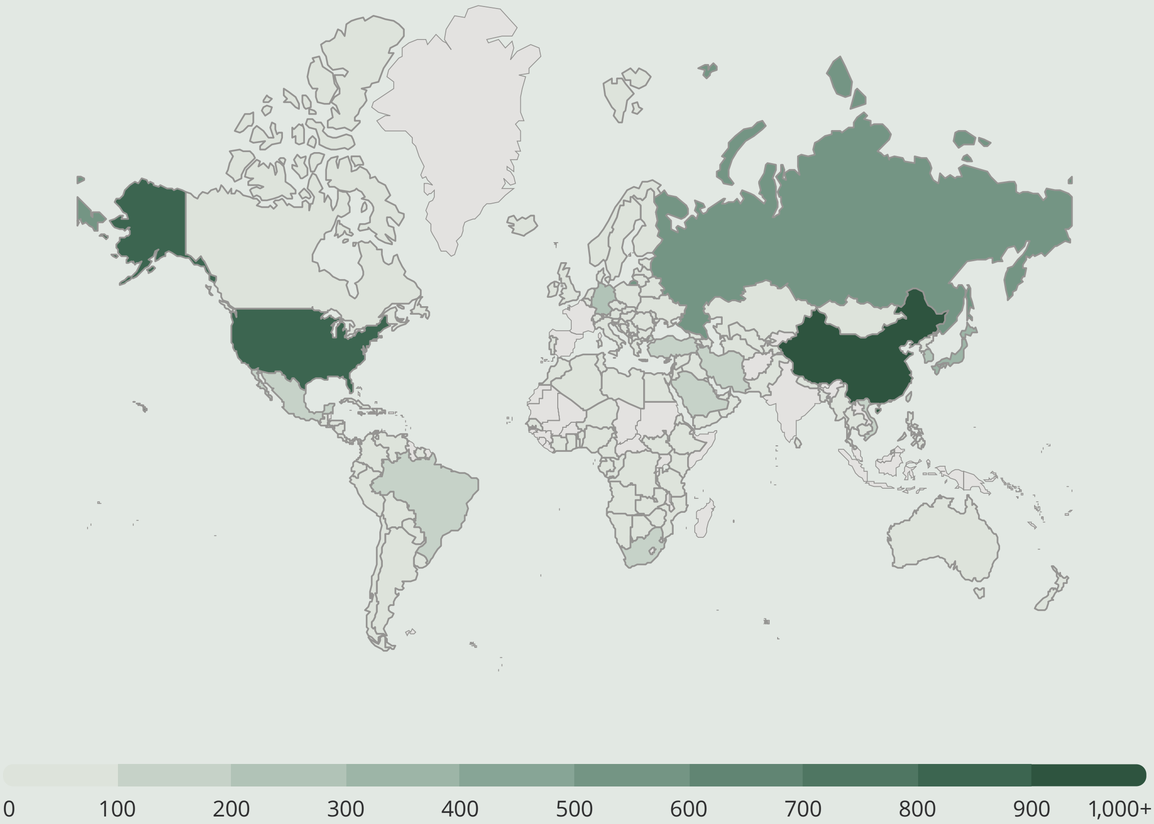
Decarbonising the buildings and construction sector is critical to achieve the Paris Climate Agreement and the UN Sustainable Development Goals, as buildings and construction contribute to almost 40% of energy and process-related emissions.[33] Companies in the Fund worked to cut emissions in construction, reducing waste and improving material reuse. They also addressed energy consumption from building operations, installing efficient lighting, improving insulation, heating, cooling, and ventilation, and innovating around water capture. These savings resulted in significant reductions of CO_2e emissions. When compared with global CO_2 emissions from manufacturing industries and construction, these savings represent 7.7% of emissions generated in the Americas and close to 3% of emissions generated in Europe, the Middle East and Africa.

CO_2 emissions from manufacturing industries and construction

	CO_2 emissions generated by manufacturing industries and construction (MT)	CO_2e emissions reduced/ avoided in buildings constructed/operated by companies in the fund (MT)	CO_2e emission reduction/ avoided as a percentage of total CO_2 emissions in manufacturing/construction
Americas	1368800000	105140000	7.68%
Asia Pacific	8234900000	2658802	0.03%
EMEA	2561900000	72176925	2.82%

Key ESG risks
We recognise key ESG concerns within these areas, including issues related to connectivity solutions such as privacy rights, online abuse and the digital divide; land rights and community relations; network shutdowns; and bribery and corruption. We also examine risks from construction and building safety, supply-chain oversight, life-cycle analysis and circular designs, biodiversity and climate change.

Global CO_2 emissions from electricity and heating use in the manufacturing industries and construction in 2018



Definition: Electricity and heat production contains the sum of emissions from electricity production, combined heat and power plants and heat plants. It is the sum of main activity producers and autoproducers. Emissions from own on-site use of fuel are included. Source: IEA (2020), CO_2 Emissions from Fuel Combustion.

Water and sanitation

Establishing access to safe, clean and sustainable facilities

Water supports all life and is a precious and finite resource. Data suggests, however, that progress is woefully lagging in establishing universal access to basic sanitation and encouraging both the protection and the responsible use of ocean resources. With a growing global population and the increasing prevalence of extreme weather events, more efficient use and management of water are critical to meeting increased demand and managing risks from droughts and flooding.

The issues

Ocean acidification will increase by an estimated **100%-150% by the end of this century**, severely affecting marine life.[35]

Some **2.2 billion people** lack safe drinking water; **4.2 billion people** lack safe sanitation.[42]

Case Study: Kornit Digital

Unmet need

It is estimated that traditional textile processing pollutes 20% of the Earth's water sources. According to UN Environment Programme estimates, textiles account for 9% of annual microplastic losses to the oceans.[43]

Intentionality

Kornit is a manufacturer of waterless printing technologies for the textile industry and spends about 15% of revenue each year on research and development to improve the environmental impact of textile dyeing and printing.

Implementation

About half of Kornit's revenue comes from its waterless printer systems, and about a third comes from green-certified ink and consumables.

Impact

Kornit's digital printing services produce zero waste water and enable just-in-time printing, which helps combat excess inventories and deliver zero textile waste, as well as reducing customers' carbon footprints. Kornit does not yet report on the total savings its products help customers achieve, but it is working to provide metrics around waste and water saved.

Positive outputs from holdings in the portfolio

Water and sanitation

Establishing access to safe, clean and sustainable facilities

825,000,000 gallons of water saved which is a similar volume to 5.5 billion Starbucks venti coffees[44]

750,000 customers provided with access to clean water

Establishing access to safe, clean and sustainable facilities

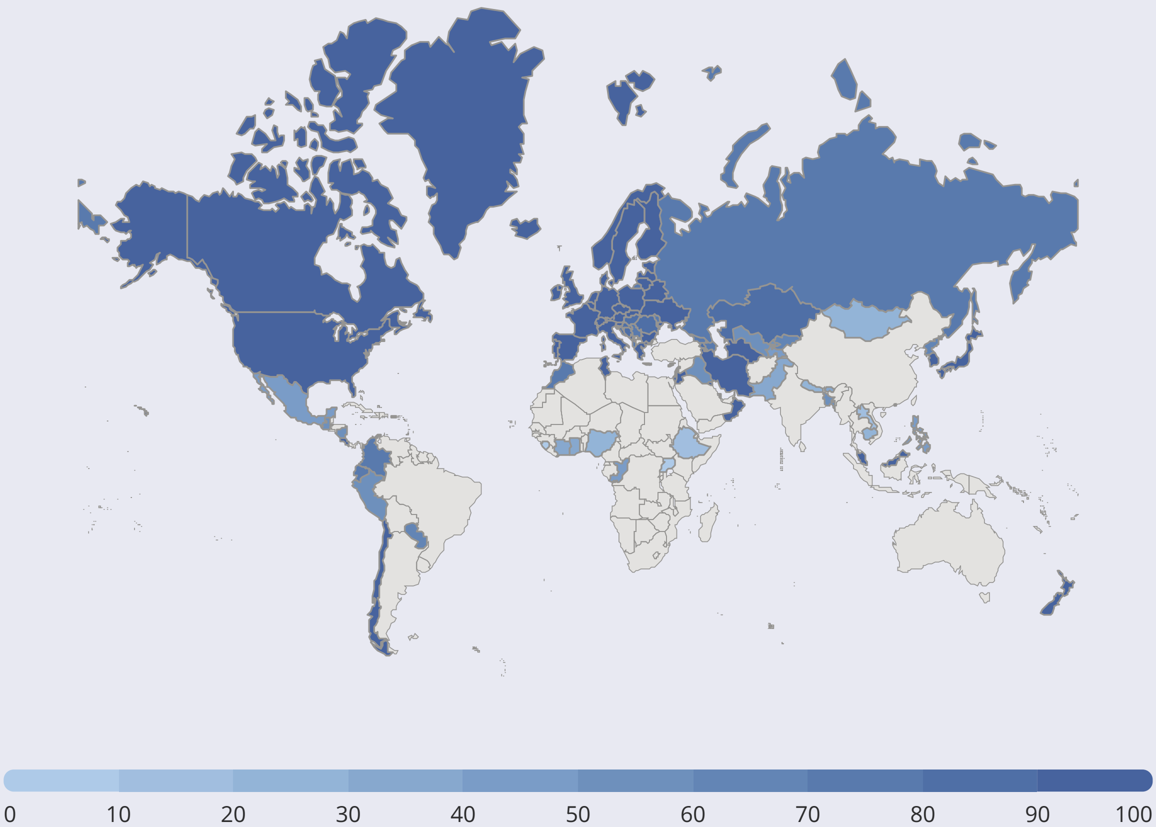
Contributions to positive outcomes

Billions still lack access to water and sanitation services.[37] There are substantial inequalities between and within countries, as well as between the richest and poorest.

We do not have enough data to report on how the water savings or number of people provided with access to safe, affordable and sustainable water sources compare with water stress globally or the number of people with access to safely managed drinking services in different countries.

ESG: Water stress is an important ESG consideration when we examine companies. We also focus on pricing for services, resilience to climate change, and water quality as key topics for investigation.

People using safely managed drinking water services (% of population)



Definition: Electricity and heat production contains the sum of emissions from electricity production, combined heat and power plants and heat plants. It is the sum of main activity producers and autoproducers. Emissions from own on-site use of fuel are included. Source: IEA (2020), CO_2 Emissions from Fuel Combustion.

"We can't save the world by playing by the rules, because the rules have to be changed. Everything needs to change – and it has to start today."

Greta Thunberg

Conclusion

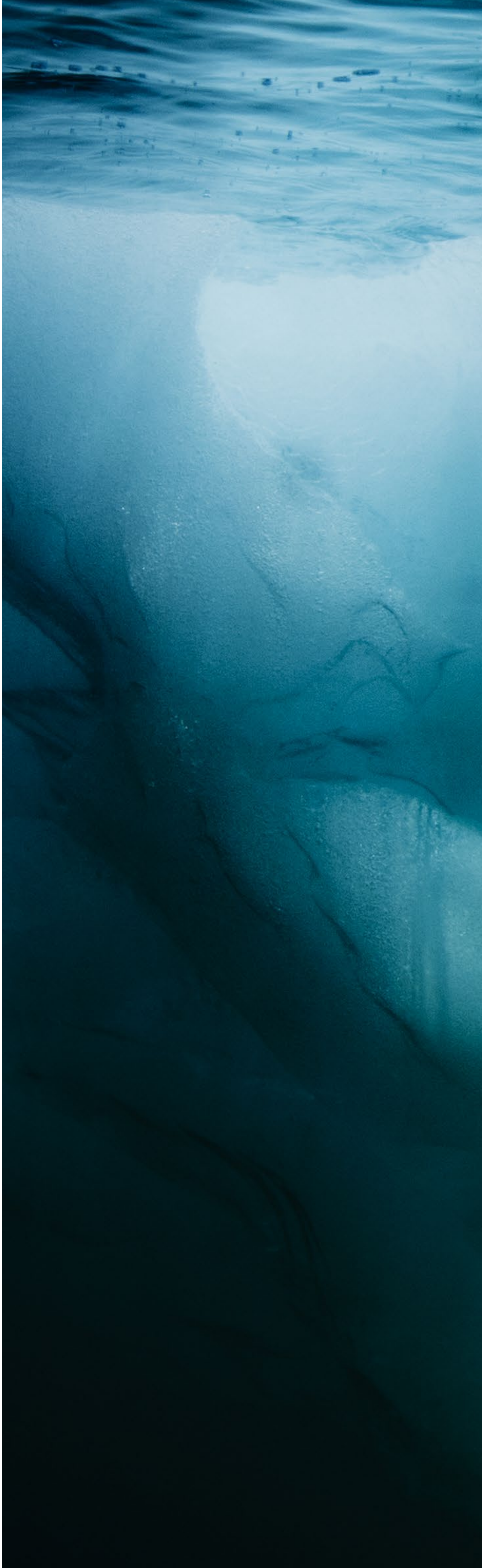
According to the World Economic Forum, over the last decade the perception of risks deemed most likely and most severe has shifted. While once overwhelmingly economic or geopolitical, the most pressing risks we face today are almost entirely environmental and social. Unsurprisingly, infectious diseases and our response to global pandemic sits at the top.

Governments are changing and businesses are changing. We believe we are witnessing a structural shift as environmental and social risks become the dominating influence on government policy, consumers and ultimately businesses. And this creates opportunities.

We look forward to welcoming the delayed COP26 to Scotland later this year and we hope that this is a catalyst for more governments and more businesses to move from climate pledges to climate action.

Data from Bloomberg New Energy Finance highlights that government investment into transitioning to low-carbon energy projects totalled over $500bn in 2020, up 9% yoy and double from the levels of 2013. Complementing this is a noticeable change in corporate behaviour with a record volume of clean-energy power-purchase agreements, supporting our confidence in durability of opportunities for companies supporting this transition.

From a social standpoint, the path to recovery is less clear. The ILO highlights younger workers, women, self-employed and low-and medium skilled workers are being disproportionately impacted by the pandemic. We must see a human-centred recovery focused on quality job creation if we are to address both the environmental and social issues we face. Encouragingly, there are opportunities for improving access to basic finance, closing the insurance protection gap and addressing underfunded health systems. We are excited to see the innovations companies bring to tackle these challenges.



About us

As a leading global asset manager, we believe that investing responsibly can help generate long-term value for our clients. We offer an extensive and growing range of investment solutions, as well as the very highest levels of service and support.

When investing our clients' capital, environmental, social and governance (ESG) considerations are an integral part of our decision-making. By understanding how ESG factors affect our investments, we believe we can generate better outcomes for our clients, society and the wider world.

To help us achieve this, our dedicated, 20-strong ESG Investment team works closely with colleagues across all asset classes to support this work. A further 30 dedicated ESG asset-class analysts provide an additional layer of expertise.

Impact Investing Team

Amanda Young
Global Head of Responsible Investment

Dominic Byrne
Head of Global Equities

As well as those shown in the team, we have had significant valuable contributions from our regional equity teams over the year. Members of our equity investment teams regularly join our discussions on impact ideas and contribute research for the Fund. We are very grateful for the support of our colleagues and look forward to continuing to work with them.

Ross McSkimming
Investment Director

Elizabeth Meyer
Senior ESG Investment Analyst

Sarah Norris
Investment Director

Andrew Patrick
Senior Portfolio Manager

Housekeeping notes: In the previous pages, we aggregated company data by impact pillar to illustrate the positive social and environmental contributions. Where possible, we also analysed the data collected from companies to datasets from international organisations, including the Access to Medicine Index, the International Energy Agency, the World Bank and the World Health Organisation. We take a conservative view in our reporting, with companies only appearing in one pillar. This approach focuses the portfolio on purposeful impacts and avoids double-counting. In addition, in mapping the portfolio's outcomes, we only include companies that have reported the data, with revenue breakdown sometimes used as a proxy for regions. The impact data collected is pro-rated to match the holding period in the Fund to the nearest month.

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