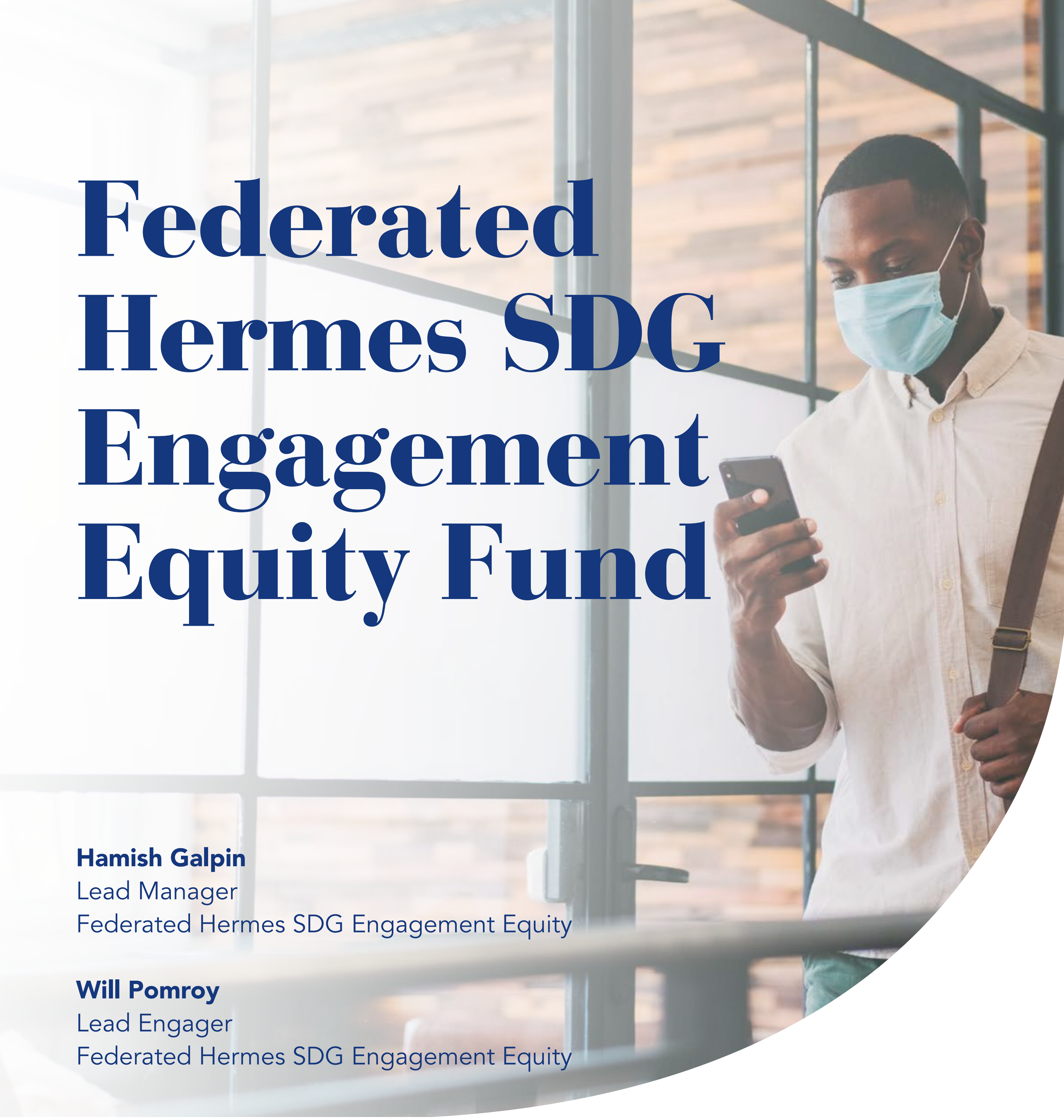

Federated Hermes SDG Engagement Equity Fund

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2020 Annual Report
March 2021

Federated Hermes
International

www.hermes-investment.com
For professional investors only

Contents

SECTION 1

How we consider and assess SDG impact

Federated Hermes SDG Engagement Equity Fund

Launched in January 2018, the Federated Hermes SDG Engagement Equity Fund has the dual purpose of delivering attractive returns and measurable real-world impact. We seek this by targeting both traditional financial performance goals as well as aiming for positive social and environmental change by engaging with companies around their ability to support the attainment of the Sustainable Development Goals (SDGs).

What are the SDGs?

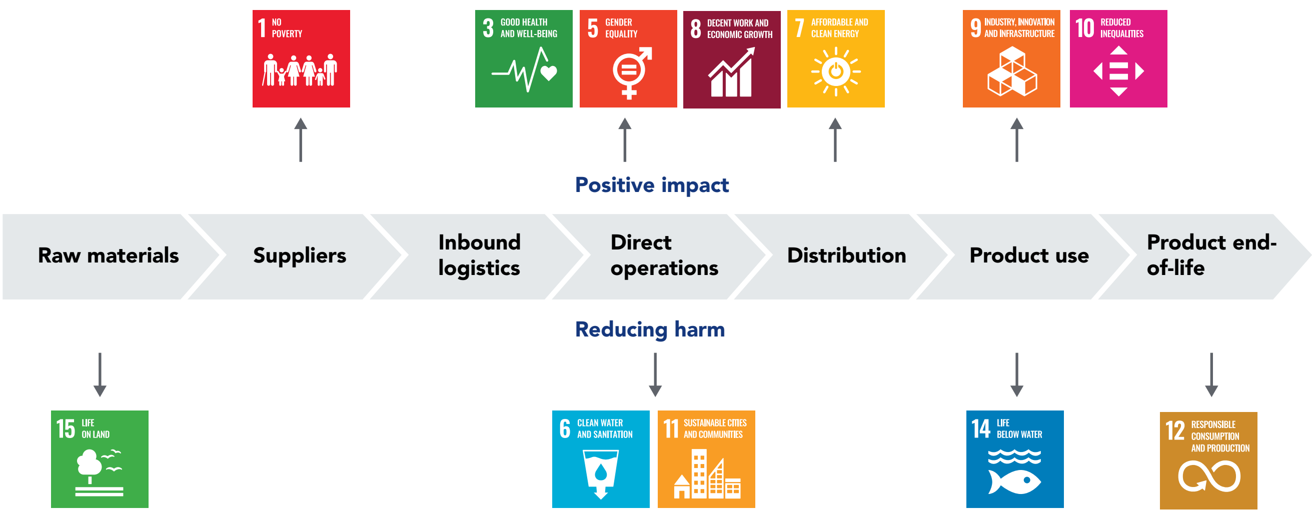
The SDGs, created by the United Nations, are a universal set of goals, targets and indicators for global development. They serve as a blueprint for significantly changing the world by 2030. They are focused on ending global poverty, safeguarding the planet and creating prosperity for all.

There are 17 goals, 169 targets and 230 indicators. The targets are integrated and balance three primary dimensions of sustainable development: the economic, social and environmental. They in effect provide a sustainability roadmap for the world. We have assessed that approximately 40% of the 169 targets are relevant for dialogue between investors and corporates. Indeed, every company is affected by, or can contribute to, at least some of these goals – often in so doing, benefiting society and their own business prospects. So, companies should be integrating and adapting these goals into specific actions, that are appropriate to them, to make progress and advance society. Attaining these goals means reducing harm and finding ways to generate positive impacts. It requires company boards and management teams to be bold and ambitious.

How do we consider impact?

Although the SDGs were not written for corporates, they are hugely relevant. Companies are uniquely positioned to significantly impact on real lives, due to their position within communities, their direct relationships with employees, and their connections with suppliers. No company is an island.

Figure 1. Opportunities throughout the value chain



Source: Federated Hermes, as at February 2021.

Importantly, we, as investors, can influence companies with regard to *what* business they do, and *how* they do business. We contend that, in liquid public markets, purposeful engagement is the only means by which investors can generate impact.

Assessing a company's contribution to the SDGs is not easy. When identifying companies for inclusion in the Fund, we consider both how 'engageable' a company is and its scope for making an improved contribution towards the goals. Having potential without being 'engageable', or vice versa, is no use.

In considering the potential for that improved contribution, we look at a company's supply chain, including its relationships with and influence over its supply partners. We consider the company's direct operations, including its resource efficiency and approach to its workforce. We also examine its products and services – do they have the potential to reach under-served markets or to develop product offerings supportive of a more circular economy?

While we have to be confident in our engagement thesis before deciding to invest, the reality is that these assessments become more fully formed the more we interact with a company. What we hope to create is a meeting of minds. Management should know the business better than we ever can, and it needs to deliver the change and embed the commitment to sustainable practices within the company's culture. Our role is to bring ideas to the table, making connections between companies and other parties, and giving management the confidence to be bold and ambitious.

How do we, as investors, play our part in the attainment of the SDGs?

By engaging as constructive and patient investors, we can play a critical role in bringing about positive changes within corporates. Our role is to catalyse new ideas, practices and activity; to cajole where necessary and to support companies in their implementation of new approaches.

We believe there are three characteristics needed for a meaningful and genuinely impactful approach to investor engagement.

Impactful engagement needs to be purposeful. It must be fully integrated into the investment process: informing the decision to buy the stock, and allowing active and ongoing portfolio manager involvement.

Achieving change means engaging as informed and constructive partners. The success of an engagement is dependent upon speaking to the right person, about the right issue, at the right time. Being able to deploy respected colleagues to speak to company management in their native tongue is very helpful in building relationships, especially in certain regions like Japan and China. Equally, requests need to develop from a real understanding of a company's particular business model and geographic footprint, rather than being derived from a one-size-fits-all framework.

Successful engagement takes time. Substantive, meaningful and sustainable change requires deep corporate buy-in and resource deployment. Given this, the meaningful results worth pursuing are those also worth waiting for.

How do we measure and report our impact?

We are mindful that while we set ourselves SMART engagement objectives and have recordable milestones on the way, measuring engagement progress is more art than science. For this reason, we have developed meaningful governance processes. As a team, and in conjunction with our colleagues across our stewardship team, EOS at Federated Hermes (EOS), and other investment teams, we formally review the engagement case and progress every six months. This review informs our engagement priorities with the company in our portfolio, and helps us decide the portfolio weighting. It also ensures that we remain focused on our dual objectives of delivering both investment returns and social and environmental impact.

We are committed to reporting both on the progress and outcomes of our engagement efforts. First, we explain our theory of change. Second, we use narratives to communicate how our corporate engagement has generated or is generating real changes within companies, and in so doing is addressing a social challenge or need. Unless impractical, we also report widely accepted and standardised metrics targeted to the individual company in question and around its specific engagement objectives.

Throughout, we are acutely aware that it is the companies we are investing in that are delivering the outcomes that create the positive impact. Through our engagements, we hope to catalyse new initiatives, create new relationships, accelerate progress and heighten ambitions. We nonetheless recognise that it is the companies that ultimately deserve the credit.

SECTION 2

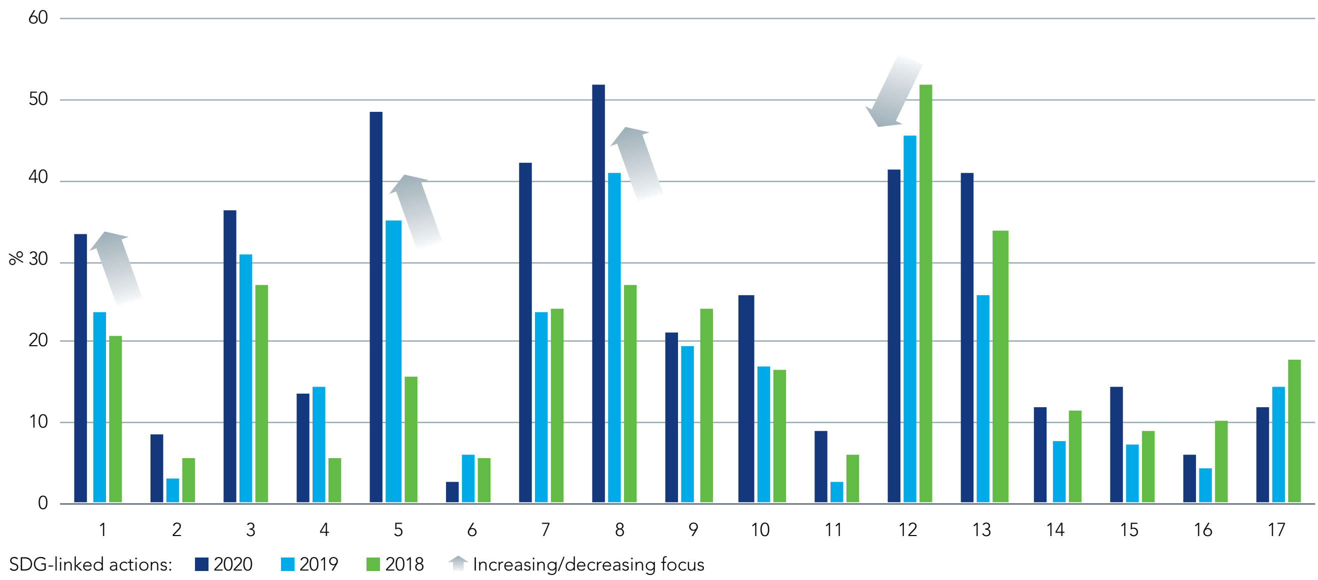
Three years of SDG Engagement Equity

It has been immensely pleasing to see our original thesis play out as hoped over the initial three years of the Fund – even if global events have been more eventful than anticipated.

Our original premise was that by identifying high-quality companies that have the scope to make a more positive contribution towards the SDGs, we would, through engagement, be able to both catalyse and accelerate meaningful change. From the outset, we were encouraged by the receptiveness of many of the management teams with whom we engaged. As each year has progressed, we have seen momentum build – both within individual companies and across the portfolio. Early on, we were often told that we were the first investors to be raising sustainability topics with management or the board. Three years on, this is less often the case. It is encouraging that many of our investee companies no longer wait for us to approach them – instead, they are proactively contacting us for advice and input at early stages of their deliberations on the agenda.

During 2020 we continued, as in past years, to focus on those SDGs towards which companies can make the most tangible and direct contributions. In our view, these are the SDGs that are focused on employment practices, resources usage and product development.

Figure 2. SDG engagement: relative share of activity



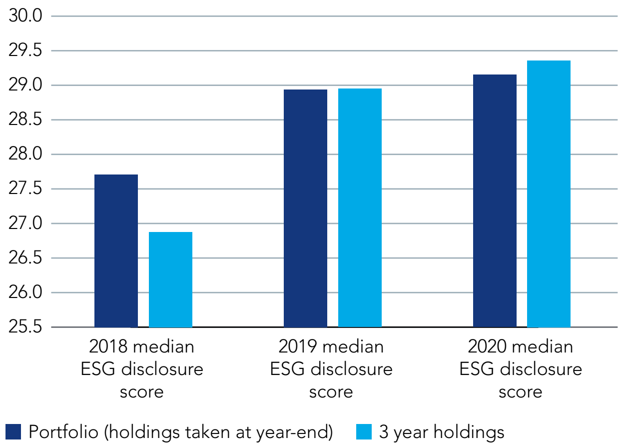
Source: Federated Hermes, as at 31 December 2020.

The continued decrease in emphasis towards SDG 12 (responsible consumption and production) was striking in 2020. This illustrates how discussions have evolved beyond initial topics of sustainability reporting. The UN's annual progress report cites how the share of corproate reporting in the ESG dimensions that are aligned with the minimum requirements outlined in SDG indicator 12.6.1 has almost doubled in the past few years. They further acknowledge, however, that in many (we would contend most) companies' reports, certain critical aspects are hardly mentioned – these include water use, waste and emissions, gender equality and expenditures on employee health and safety. So, there is much more still to achieve if we believe that external reporting is an indicator of the underlying focus on a topic within a company.

More recently, we have increased our focus on SDG 5 – gender equality – among others, which corresponds to our enhanced emphasis on the topic among our holdings in Japanese companies in particular during 2020.

Figure 3 illustrates the improving ESG disclosure scores of those companies held over the three-year period to date. The disclosure scores for the portfolio in aggregate have also been provided, using holdings as at 31 December, to illustrate that the improvement in scores is less a factor of portfolio composition and more a case of improving disclosures among those companies with which we have been engaging for a period of time. There is evidently a greater rate of improvement seen in disclosure scores for those stocks compared to the portfolio overall.

Figure 3. ESG disclosure scores of companies held since the Fund's inception are improving



Source: Bloomberg, as at 31 December 2020.

ESG ratings

While we are frequently at pains to note that we put little store by ESG ratings within our investment or engagement process, ratings nonetheless have the capacity to illustrate the directional performance of a company on sustainability-related matters.

With the expectation that meaningful engagement should be driving outperformance on such issues, and with the recognition that progress is a multi-year process, we look at the change in ESG ratings of those companies we have held in the Fund over a rolling three-year period. In figure 4, we compare the change in the ESG ratings of these names against the change in the ESG ratings of the benchmark as a whole – again looking only at those names that have featured in the benchmark over the whole period.

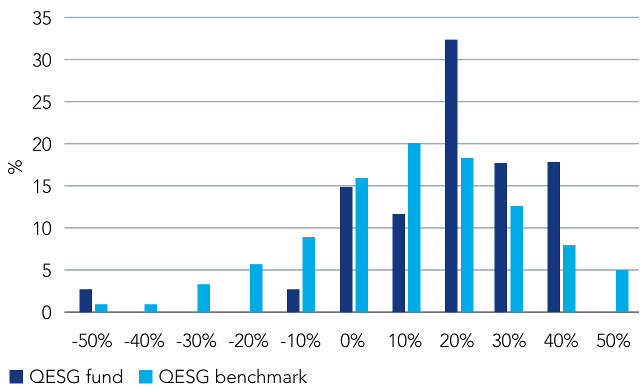
Pleasingly, we can see that, across the scores provided by both the largest external ratings providers and our own in-house proprietary ESG ratings framework, the average ESG score has been improving and has out-improved the benchmark as a whole.

Figure 4. Improving ESG ratings performance

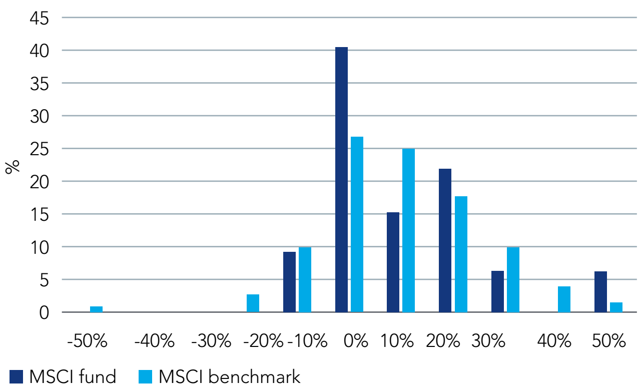
4a. Change in ESG ratings over rolling three-year period

	SDG Engagement Equity	Benchmark
MSCI ESG ratings	+3.95%	+3.65%
QESG score* (Federated Hermes proprietary ESG rating)	+17.92%	+4.38%
Sustainalytics	+12.29%	+4.5%

4b. Distribution in three-year QESG score moves



4c. Distribution in three-year MSCI rating changes



Source: Federated Hermes, as at 31 December 2020. Note: the benchmark index is the MSCI All Country World SMID index (MSCI ACWI SMID). * The QESG Score, our proprietary ESG rating framework, is a quantitative assessment of a company's ESG metrics compared to its peers and how its ESG profile is changing.

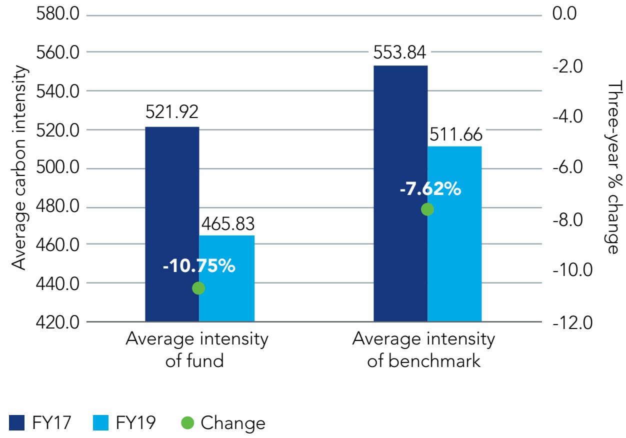
Carbon

While ESG ratings are a catch-all for a multitude of, hopefully material, ESG issues, it is also worth focusing in on two specific and substantive issues which are salient to all companies – their carbon intensity (using the three grades of carbon emissions[1] data from Trucost) and employee satisfaction (using Glassdoor data).

First, in figure 5 we compare the change in the carbon intensity (tonnes of GHGe per $m of revenue) of those companies we have held over the rolling three-year period with the benchmark (again filtering out names that did not feature across the period).

Of course, as is often the case, the portfolio's emissions are heavily concentrated within a few holdings – the top five emitters comprise 47.5% of the total emissions associated with the Fund (see figure 6).

Figure 5. Carbon intensity: fund vs benchmark since inception



Source: Trucost, Federated Hermes, as at 31 December 2020. Note: we have only compared the change in carbon intensity for those companies for which there was a data point available in both FY2017 and FY2019.

Figure 6. The portfolio's top five emitters: performance and progress

	Emissions (tonnes)	Emissions (% of the Fund)	Commentary
Alliant Energy	39,911	14%	Alliant Energy established new targets in 2020, replacing those of 2018, for its electricity generation to be carbon neutral or better by 2050. The company's own renewables generation will have increased more than fivefold between 2017 and 2023.
Eagle Materials	35,228	12%	Eagle Materials remains by a distance the most efficient cement producer in North America. We nonetheless expect to see public targets established during 2021 around emissions reductions and other key matters.
Glanbia Plc	32,091	11%	Approximately 90% of Glanbia's emissions are associated with its dairy farm suppliers. In early 2021, the company committed to establishing Science-Based-Targets.
Samsonite International	17,728	6%	In 2020, it committed to achieving carbon-neutral production by 2025 and is in the process of measuring its scope 3 emissions.
Huhtamaki	14,632	5%	In 2020, it committed to achieving carbon-neutral production by 2030 and has submitted emissions-reduction targets to the Science Based Targets initiative.

Source: Federated Hermes, as at 31 December 2020.

Employee wellbeing

Employee satisfaction often provides a glimpse into the culture of an organisation. To gain an insight into employees' perceptions of the quality of a company and what it offers vis a vis the theme of 'decent work', we assess a company's ratings on the review site Glassdoor, which are based on direct feedback from workers. As with ESG ratings, and other proxies used, the trend in the rating is perhaps of more importance than the rating itself.

Pleasingly, given the emphasis we have given to the agenda around 'decent work', it is encouraging to see a positive shift in employee sentiment among those companies with whom we have been engaging over the duration of the three-year period (and for whom data is available).

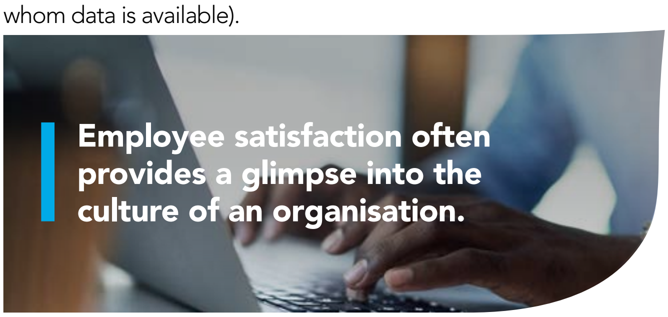
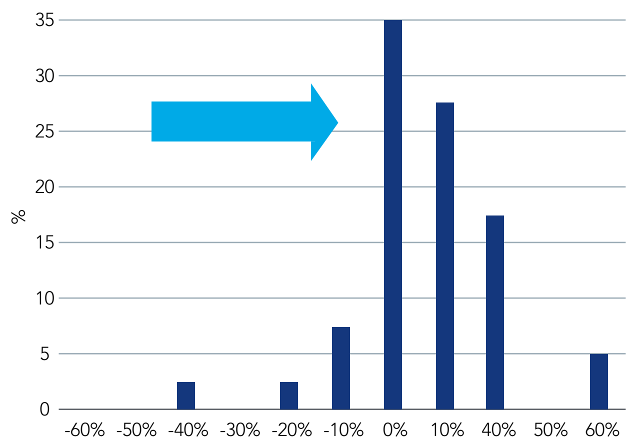


Figure 7. Glassdoor ratings: three-year change in distribution of scores for portfolio companies



Source: Glassdoor, as at 31 December 2020.

[1] Three grades of carbon emissions are scope 1 emissions: direct emissions from company-owned or controlled sources; scope 2 emissions: indirect emissions caused by the generation of purchased energy; and scope 3 emissions: all other indirect emissions that occur throughout the value chain of the reporting company, including from both upstream and downstream entities.

SECTION 3

2020: the year in review

Will Pomroy, Lead Engager

3A. Engagement commentary

Reflections on 2020

Companies are increasingly aware of, and contributing towards, the SDGs through evolving business models, more thoughtful employment practices and innovative product offerings and reporting. This is very encouraging, and in our dialogue with companies, we can see growing interest. For the more advanced companies, ambitions are being raised; those at an earlier point in their journey are investing time and resources at pace (for notable examples of progress, see section 3c).

In a normal year, this would provide encouragement that the attainment of the goals was growing more likely. This past year, however, has not been normal.

Very sadly, Covid-19 has resulted in over two million deaths and significant economic difficulty. The World Bank estimates that the number of coronavirus-induced 'new poor' in 2020 rose to between 119 and 124 million[2], with 62 million falling into extreme poverty globally. For the first time in 20 years, poverty is likely to significantly increase. It is right that we play our part in helping to build back better.

One third of the way into our SDG journey, the world is not on track to achieve the global Goals by 2030. Before the Covid-19 outbreak, progress had been uneven, and more focused attention was needed in most areas. The pandemic abruptly disrupted implementation towards many of the SDGs and, in some cases, turned back decades of progress.

– The Sustainable Development Goals Report, 2020

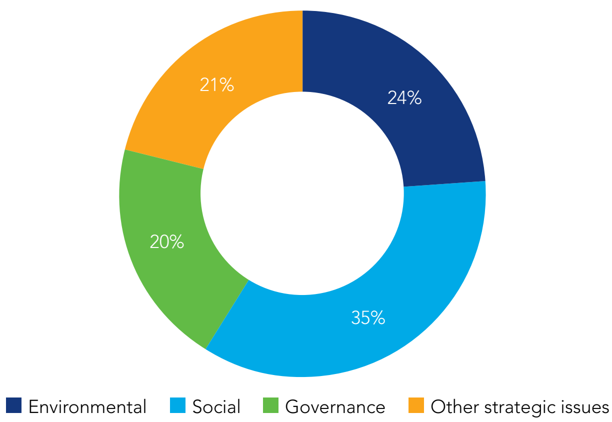
Far from undermining the case for the SDGs, the root causes and unequal impacts from Covid-19 demonstrate precisely why the 2030 agenda is so important and why the Paris Agreement on climate change, and other similarly ambitious international commitments, are so crucial. So, we are intent on not 'letting the crisis go to waste', as the saying goes.

During 2020, companies have had to make very important decisions, often rapidly, about how to manage their people through the pandemic, and how to deliver on responsibilities to their employees and customers as well as their shareholders. These difficult decisions are being watched closely by the public, media and politicians.

I have in the past noted that we spend more time with our colleagues at work than we do with our families at home. This year, for many of us, that truism has been broken. The premise that work and our relationship with our employer and colleagues is critical to our economic, physical and mental health still stands. Employees are often the public face of a company, and the lens through which corporate culture is judged. Engaging for decent work and employment practices is central to our agenda and will continue to grow in prominence.

During 2020, social matters, predominantly issues relating to the workforce, represented 35% of all our engagement actions (for context, environmental matters represented 24% of our total engagement actions).

Figure 8. Engagement actions by theme (%)



Source: Federated Hermes, as at 31 December 2020.

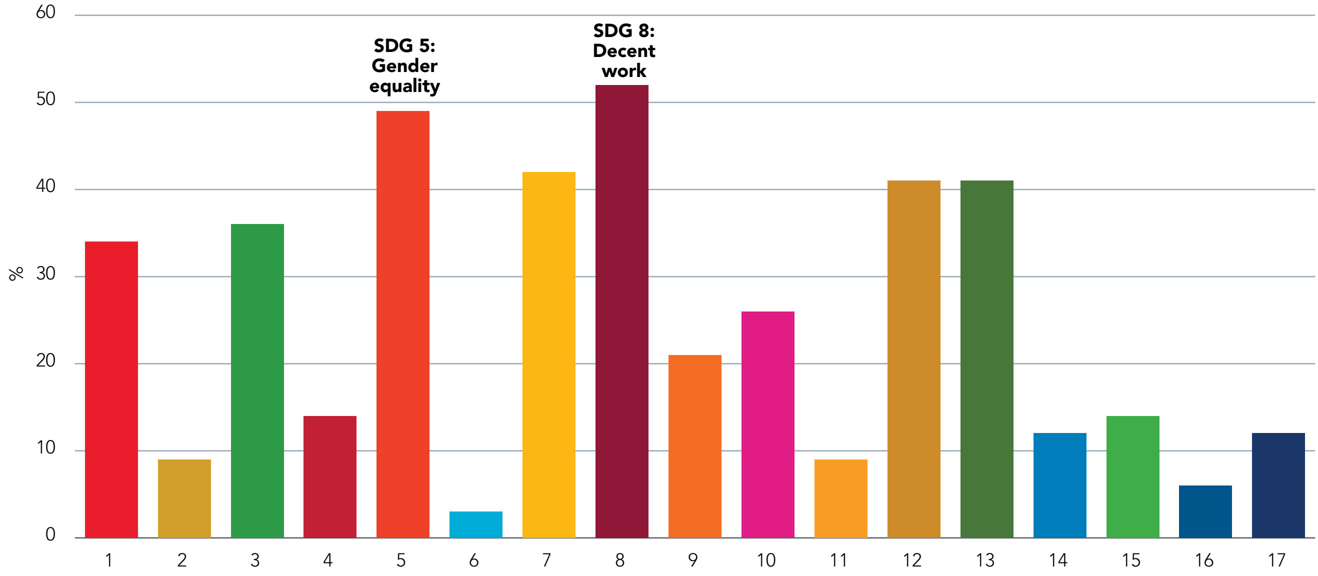
Gender inequality and the Covid-19 crisis

As is so often the case, the employees affected most by 2020 are women. In the UK, for example, of over 3.3 million workers in 'high risk' roles, around 2.5 million are women and, of the one million workers who are most high risk – those working in confined spaces with close proximity to others – and who are being paid poverty wages, 98% are women.[3] That's according to Autonomy, a UK think-tank focused on the future of work, who also identified that, simply put, moving down pay brackets leads to a higher risk factor: the less you get paid, the more at risk you are of contracting Covid-19 at work. With 'gig economy' workers responsible for keeping many of us comfortable during this past year while working at home, their situation highlights the precarious nature of the worker-company relationship for many. Evidence[4] from countries where an increasing number of workers compete on gig platforms confirms that wages are being squeezed.

[2] Updated estimates of the impact of Covid-19 on global poverty: Looking back at 2020 and the outlook for 2021 (worldbank.org)
[3] "Jobs At Risk Index," published by Autonomy.
[4] "Rethinking the world of work," published by the IMF in December 2020.

In this context, it is perhaps no surprise that gender equality continued to grow as an engagement theme for us this year, alongside the topic of decent work.

Figure 9. Engagement actions by SDG (%) in 2020



Source: Federated Hermes, as at 31 December 2020.

We have of course been talking about this agenda since the Fund's inception; however, much has changed in the space of this past year. We've shifted from discussing the challenges of recruitment in a tight labour market, and the need to think more imaginatively about *who* to employ, to discussions around Covid-19-secure workplaces and the future of remote working, including its benefits for both mental wellbeing and reduced real estate footprints and travel emissions.

Better workplaces and workforces

With millions of jobs lost, robots on the rise, and white-collar workers toiling largely at home, Covid-19 appears to have ushered in a "new normal" for the global workplace. Automation has destroyed some jobs as robots clean hospital floors, tollbooth operators vanish, and chatbots replace customer service agents. Yet digital platforms have also added new and different jobs to the economy — jobs in software programming, healthcare, pizza delivery and taxi services. Furthermore, with 2021 declared International Year for the Elimination of Child Labour, the spotlight should be shone much more brightly on corporate oversight of supply chains and the need to ensure that companies are playing their part in eradicating bad practices, instead of turning a blind eye.

The need for re-skilling continues to grow. The implicit and explicit contract between employer and employee is under pressure. Research from PwC in 2017 indicated that a quarter to a third of people feel companies are not delivering the principles of fairness they deem important. With societal expectations of an employer's obligations towards their employees' economic, physical and mental wellbeing shifting, the concept of fairness is likely to evolve too. I would like to see more workforce-wellbeing-related metrics being incorporated into management bonus plans. Too often the focus remains solely on the tip of the iceberg.

Even before the pandemic hit, hundreds of millions of workers worldwide were being paid less than the minimum wage[5]. While the pandemic is likely to result in downward pressure on wages in the near future as supply loosens, societal pressure will surely grow on employers to be able to evidence that they are paying a living wage. This in turn will challenge certain business models unless costs can be passed on.

As a final point on this theme, the best companies are not relaxing their efforts on diversity and inclusion (D&I) simply because of a sudden loosening of the labour market. They are continuing to ensure that they are sourcing from the maximum available pools of talent and identifying talent that is often ignored. The need to address a lack of racial diversity has clearly grown in prominence, and it is right that companies make sincere efforts to represent the communities in which they are based. This is important for many reasons, not least for ensuring that companies are part of the fabric of communities.

While some constraints on budgets and management attention are inevitable, two factors should be considered. First, building sustainable D&I success is a long-term endeavour that can be seriously set back by interrupted investment. Secondly, the current moment presents a significant – even unique – opportunity to achieve major progress.

[5] Source: International Labour Organisation.

At a country level, Japan is a country with an ageing workforce and a history of under-employing its female population – it has the third-highest gender pay gap among OECD countries. This year, we have emphasised how the need is growing for Japanese companies to be bolder in their efforts to recruit, attract and promote female workers, if they are to improve productivity levels. We wrote to all of our Japanese holdings in summer 2020 to call for a collective raising of ambition. We have been pleased with the response, and we look forward to further engagement and working with our investee companies to support them further in their efforts (see section 3e for more information).

Beyond race and gender, however, businesses can benefit longer-term from thinking imaginatively about both jobs and the people who can fill them. As in previous crises, young adults have been among the first affected. Companies can benefit from tapping into this under-utilised pool of talent, filled with highly trainable people. Greater remote working also provides an opportunity to widen the radius for searches and to cater for the greater flexibility needed by working parents, as well as older workers or people with disabilities.

Urgent need for action on climate change

On a more macro level, despite the public health crisis and its resultant impact on national economies, the global climate crisis marches on. This past year saw extensive fires across California, Australia and in the Amazon, as well cyclones in Mozambique and typhoons in Japan. The planet was hotter than ever before in 2020, with the year ranking alongside 2016 as the planet's hottest since record-keeping began in 1880.[6]

The planet was hotter than ever before in 2020, with the year ranking alongside 2016 as the planet's hottest since record-keeping began in 1880.

Climate change and its effects are not on pause while we grapple with the impact of the pandemic; we are already experiencing them. The climate crisis is a harsh daily reality for hundreds of millions of people, from those rural residents suffering from drought and crop failures to coastal residents threatened by sea level rises. Action is needed now. So, it has been encouraging to see the topic rise up the agenda of those companies with whom we engage.

A number of companies have now committed to achieving substantive carbon emission reductions, and we are confident that 2021 will see many more do likewise. Businesses must use the collective lessons and the opportunities arising from this crisis to accelerate the transitions needed to achieve the Paris Agreement. The Covid-19 pandemic, which has so throttled economic activity and disrupted business activity worldwide, offers an opportunity to reassess priorities and to rebuild business models to be greener and more resilient to climate change.

3B. 2020 in numbers

Engagement focus

There are opportunities for SDG-aligned engagements across three pillars: a company's supply chain, its direct operations, and its products and services.

Of the 52* **companies** in our portfolio, the focus of **our engagements** is as follows:

Supply chain for 16 companies

Direct operations for 38 companies

Products and services for 39 companies

11 **engagements** span each of the **three pillars** (supply chain, direct operations, products)

23 companies have an **emerging-market aspect** to the engagement. Thus, while the emerging-market element of our reference investment benchmark is about 10%, through engagement we are able to increase substantially our emerging-market impacts.

Source: Federated Hermes, as at 31 December 2020.
*Note: This represents the number of holdings in the portfolio at year end.

Our engagement progress in 2020

Number of companies in the portfolio: 52

% of portfolio companies engaged: 100%

Numbers of engagement interactions with portfolio companies: 193

Total objectives: 152

Objectives with progress: 76

Completed objectives: 13

Companies with progress on objectives: 37

% of companies with progress towards engagement objectives: 50%

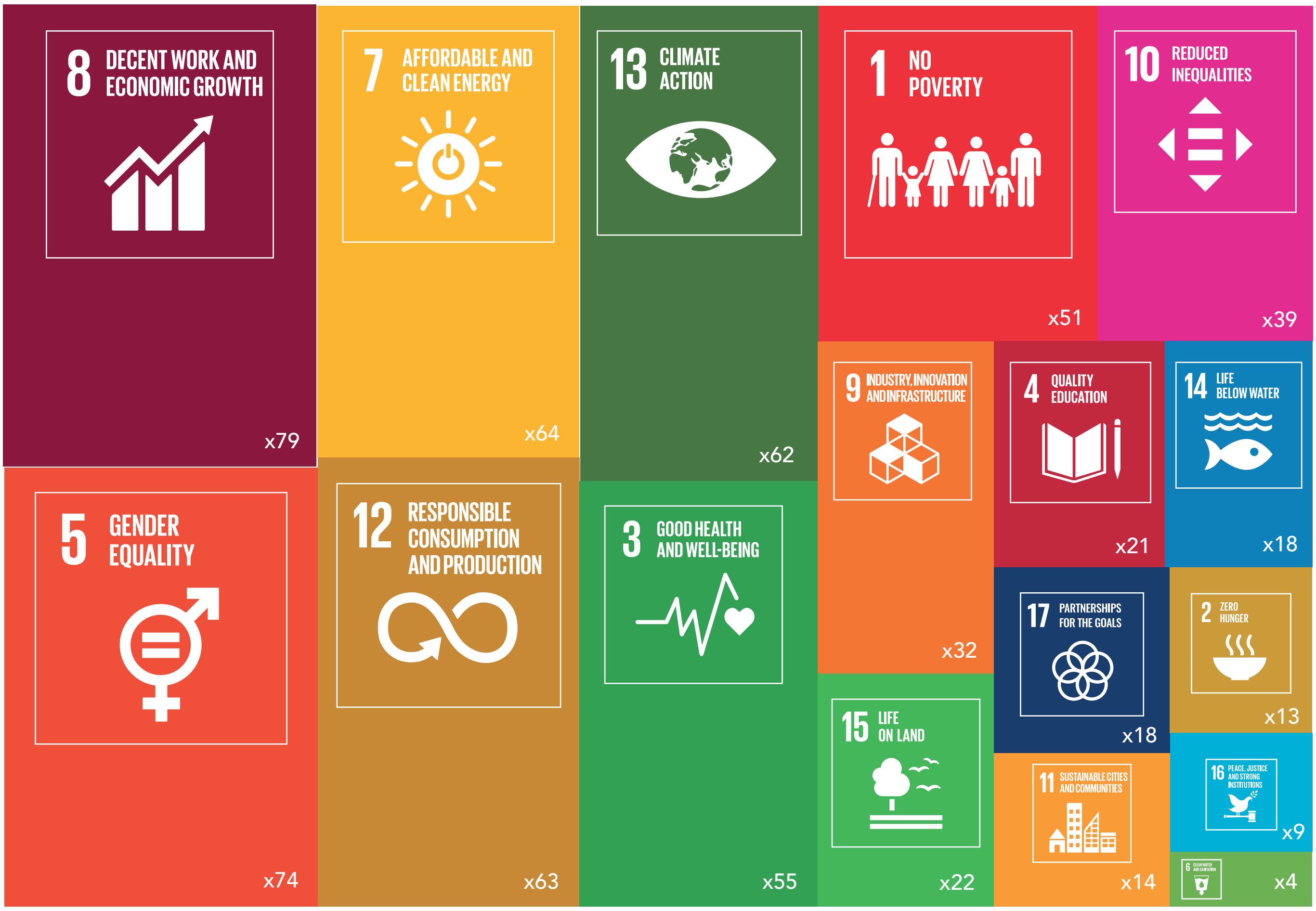
Total issues or objectives engaged: 238

Source: Federated Hermes, as at 31 December 2020.

[6] "2020 Tied for Warmest Year on Record, NASA Analysis Shows," published by NASA in January 2021.

Our SDG engagement intensity in 2020

We conducted 153 unique SDG-focused engagement interactions. The graphic below shows the intensity of our focus on each SDG by removing any duplication caused by covering multiple goals in a single engagement interaction. The larger the SDG icon, the greater our focus on the corresponding goal during the year.



x = Unique engagement actions

Source: Federated Hermes, as at 31 December 2020.

Voting activity 2020

An intelligent voting strategy is an important way to generative positive change within companies and long-term shareholder value. We do not vote in isolation: we discuss our intentions with corporate management teams and boards before and after votes to ensure our decisions are well informed and that companies understand our perspectives. Last year, we voted against management on at least one resolution at 26 meetings, and opposed management on a total of 39 resolutions.

Proxy voting in 2020

Of a total of **55** meetings, we voted against management at least once at **26** meetings

Of **644** resolutions, we opposed **6.1%** of them.

We opposed **1** shareholder proposal.

Source: Federated Hermes, as at 31 December 2020.

3C. Engagement progress highlights

North America

We continue to be pleased with the positive response from our US holdings. While US firms often lag their international peers in their public commitment to sustainability, the agenda is rapidly gaining traction and mid-sized companies are well positioned to catch up. We saw particular progress this year at:

Alliant Energy

Our objective had been for the company to set itself suitably ambitious long-range energy transition targets. Having set inaugural targets in 2018, the company revamped those targets in 2020. Its ambition is now to be ex-coal by 2040 and carbon neutral or better in its electricity generation by 2050. Alliant is now the third-largest utility owner-operator of regulated wind in the US having committed to date to expanding its renewables generating capacity more than fivefold between 2017-2023 (while decommissioning 70% of its coal plants since 2005).

AMN Healthcare Services

AMN joined the World Health Organisation and the International Council of Nurses to sign the Nursing Now Pledge, a commitment to improve global health by raising the profile of nurses worldwide and engaging these important healthcare organisations to influence international policy and build a global movement for the profession. This collaboration was directly born of our engagement and it was rewarding to see come to fruition.

Brunswick Corp

While the company's Fond Du Lac manufacturing facility (for its Mercury Marine engines) has long been a sustainability exemplar, our objective has been for the company to scale up these efforts across the group. Pleasingly, in early 2020, the company published its first enterprise-wide sustainability report and strategy. Commitments include attaining 50% of electricity from renewable sources by 2030. More pleasing still is the commitment the company is making towards exploring end-of-life options for its fiberglass vessels. The company has been supporting (with funding and people) the Rhode Island Fiberglass Vessel Recycling Pilot Project and is committed to mobilising its considerable resources and scale to support the advanced adoption of viable and responsible disposition technologies.

TCF

In response to the social unrest in and around its communities, TCF committed $1bn in lending to minority communities and minority- and women-owned small businesses and set up a $10m grant programme to assist low-to-moderate income homebuyers.

RPM, Simpson and Retail Opportunities Investment Corp

These companies published their inaugural sustainability reports. We have since continued to engage with each to improve their disclosures and maintain the positive momentum.

Latin America

Companies from the region constitute only a small proportion of our investments, but during 2020 the following engagement progress was made:

Credicorp

We have consulted extensively with Peru's largest bank as it develops its group-wide sustainability strategy. We were pleased that the company's investor-day presentation committed to making sustainability a core component of its strategy to ensure long-term competitiveness. The evolving strategy will encompass supporting the country's transition towards environmental sustainability, increasing financial inclusion, and supporting the country's micro, small and medium enterprises (MSMEs) to grow. The bank's microfinance business, Mibanco, continues to bring 100,000 new customers into formal banking services every year (42% of Peru's micro-business owners remain unbanked[7]).

[7] Credicorp 25th anniversary investor day presentation published by Credicorp in September 2020.

Europe

We engaged in productive dialogues with a number of listed companies in the region – while the agenda is not new to most, there is nonetheless more to be achieved and the receptive are raising their sights accordingly. Progress this year includes:

Huhtamaki

At the company's investor day in March, a suite of new sustainability targets was established, which looks ahead to 2030. One such target is to have 100% of products designed to be recyclable, compostable or reusable. Additionally, the company has committed to attain 100% of its electricity from renewable sources (from a base of just 2% in 2019) and for its production operations to be carbon neutral.

In addition, in Spring 2020, Huhtamaki Belfast repurposed its folding carton packaging machinery – idle due to the pandemic related drop in demand – to precision-cut optically clear and lightweight visors. In May, at its Northern Ireland operations Huhtamaki were producing 4m visors per week for use in the NHS before being ramped up further across other sites.

Aalberts

The company's share of renewable energy use increased from 10% to 14% and approximately 2/3 of its revenue is now derived from SDG supportive products and services.

Diversified Gas and Oil

Having established a board-level Sustainability and Safety Committee, the company published its inaugural sustainability report. It is set to publish new forward-looking targets in 2021.

Merlin Properties

The group has committed to achieve 100% renewable energy at all multi-tenant assets and attaining certification for 99% of all assets. Meanwhile, during the Covid-19-enforced lockdowns, it granted 100% rent relief to all tenants.

Asia

We have been engaging in constructive dialogue with our Asian holdings. Notable engagements across the region this year include:

Samsonite International

The group has set out its goal to become the most sustainable lifestyle bag and travel luggage company in the world. Associated commitments include having carbon-neutral operations by 2025, while increasing its use of materials with sustainable credentials in all of its products.

Landmark Optoelectronics

The company published an inaugural CSR report and subsequent Sustainable Development Plan. We had engaged on both topics for some time and welcomed their publication. The plan commits the company to take responsive actions on climate-change issues.

3D. Investment commentary

Hamish Galpin, Lead Manager

Before commenting on performance in 2020, it's worth reflecting on our experience of running the fund over the last three years.

The initial premise that the team's investment process – looking for attractive entry points into relatively high-quality companies, that we'll then hopefully hold for many years – would work well for SDG investment has proven to be the case. Long-term investors who are looking well past quarterly results (and short-term catalysts for share price improvements) are well placed to consider initiatives that are both good for business and that have an impact in relation to the SDGs. One thing that has surprised on the upside is that engagement leads to a broader and deeper knowledge about our investments. Hopefully that will, in time, lead to better investment decisions.

The long time horizon is critical. In many cases, it will take three to five years for engagement initiatives to bear fruit, and perhaps longer for the real impact to be realised to a meaningful extent. Most companies now report on sustainability, but fewer have broadened out beyond the high-profile issues such as carbon emissions and are just at the start of their journeys, so there is plenty for us to do across the range of SDGs. In smaller cap companies, initiatives can be highly targeted given their niche operations, and these will be meaningful too to those businesses.

The initial aim of a 50-stock portfolio is also about right – we get the high stock-specific component to the risk that we are seeking, and the engagement programmes are not too numerous to be able to manage effectively. While we do therefore have a good degree of diversification, the non-financial fund objective of generating impact does nonetheless lead the Fund to have a tilt towards capital intensive businesses – that being not just physical capital, but human capital as well. This manifests itself as an overweight to Industrials and Materials, and a corresponding underweight in Information Technology and, to a lesser extent, Financials (following MSCI/GICS classifications). We do not intend to seek to correct this within the portfolio by, for example, adding IT stocks with weak SDG-engagement potential, and leave it to investors instead to adjust for this themselves with their own portfolio construction.

Similarly, the Fund will maintain a bias towards small- and mid-cap companies as access to management is key to the success of engagement programmes. That said, the mid-size companies' market capitalisation cut off of approximately $14bn (i.e. when stocks above that level are classified as large cap) takes us well into the primary indices in most countries. We will consider larger cap stocks which have very good engagement potential (and, of course, investment potential).

2020 performance

The Fund outperformed in 2018, when markets fell, and 2019, when they rose. It failed, however, to keep up with the benchmark in 2020 when markets did remarkably well considering all that happened. The Fund is "core" in style: it contains some growth stocks and some value stocks, but not enough of either to produce outperformance when either factors are performing strongly. It thus had two distinct periods of underperformance in 2020: first, when growth stocks were exceptionally strong in the April to September period, when the underweight in IT was to our detriment, and then when value stocks were strong in November and December. The Fund's tilt to quality and returns stability also detracted at the end of the year when the market sought reflationary earnings.

At stock level, performance was dominated by the effects of Covid-19: the top three outperformers were West Pharmaceuticals (pharmaceutical packaging), Techtronic (power tools) and IMCD (chemicals distribution). Both West Pharmaceuticals and Techtronic were beneficiaries of the Covid-19 pandemic, but they were also stocks which maintained good momentum from prior years. Meanwhile, the Fund's greatest detractors – Cineworld (cinemas), Kirby (US barge operator) and Reinsurance Group of America (life insurance) – were adversely impacted by the pandemic, either directly or indirectly. Given the increased volatility in markets, share price moves up and down were greater than that experienced in recent years, but there were no material outliers; the aggregate contribution of the top and bottom five stocks were of similar levels of magnitude. Cineworld was sold on the expectation of a protracted recovery and, at the time, fear of a dilutive equity raising, but we have maintained holdings in Kirby and Reinsurance Group of America.

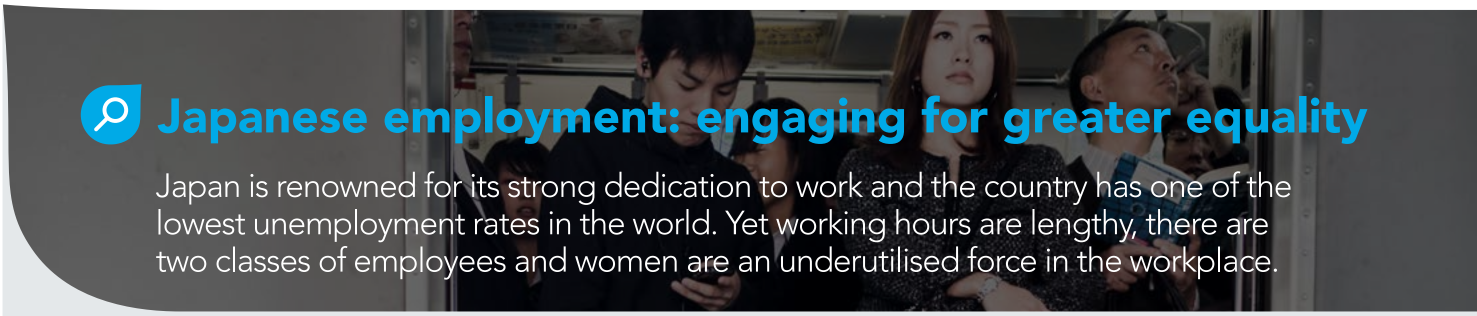
Altogether, four new holdings were added to the portfolio in 2020 and seven were sold in their entirety. Two of the sales were primarily due to lack of progress in engagement activity.

Looking ahead

Looking forward, we think that the Fund is well positioned as many high-growth stocks will ultimately disappoint (as they did in the tech boom 20 years ago) and many cyclical stocks are now looking expensive. We continue to see new ideas with good upside potential, suggesting good prospects for returns in the future.

3E. Case study overview

In 2020, we published a number of commentaries to communicate how our corporate engagement has generated or is generating real changes within companies, and in so doing is addressing a social challenge or need. Here is a selection of our commentaries:



Japanese employment: engaging for greater equality

Japan is renowned for its strong dedication to work and the country has one of the lowest unemployment rates in the world. Yet working hours are lengthy, there are two classes of employees and women are an underutilised force in the workplace.

SDGs

Japan has the third-highest gender pay gap among OECD countries.

Women have long been underrepresented in the Japanese labour force, a phenomenon that has been exacerbated by the entrenched dualism between regular and non-regular works. The coronavirus pandemic could further cement this trend, as many of the lost jobs are either part-time or temporary roles – ones which women make up a disproportionate share of.

While Japan's legislature has set targets for hiring and promoting female employees, progress has been slow and the targets often too modest. Failing to take advantage of the country's female population has a clear opportunity cost, and we believe that Japanese companies should take a more courageous approach to hiring and investing in female talent and making necessary adaptations to working practices.

While there is a need for progress across the board, some of the Japanese companies in our SDG Engagement Equity Fund have taken modest steps to improve their hiring practices. For example, portfolio company HORIBA launched the HORIBA Stained Glass Project Office, a diversity promotion unit, in 2017. This is responsible for connecting and aligning the top management, worksite employees and HR in promoting diversity, so the opinions of all parties are heard. Meanwhile, our holding Yaoko has developed a dedicated four-pronged action plan to support the hiring, promotion and development of of women, including in particular female deputy store managers.

To find out more about some of the measures our Japanese holdings have taken, read the full report.

Huhtamaki

A Finnish consumer packaging company, with a focus on paperboard, molded fiber and flexibles.

SDGs

Engagement focus

As mentioned earlier in the report, there are opportunities for SDG-aligned engagements across three pillars: a company's supply chain, its direct operations, and its products and services. We have been engaging Huhtamaki on:

1. The company's sourcing of fiber (supply chain)
2. The provision of decent work and resource efficient operations (direct operations)
3. Investments in innovations which are more environmentally friendly both in terms of material usage and end-use recyclability (products).

Recent progress

Sustainability targets: At a curtailed March 2020 Investor Day, the company announced updated sustainability targets. We are satisfied that two of our original engagement objectives have been completed: the company has publicly committed to design 100% of its products to be recyclable, reusable or compostable. It has also committed to carbon-neutral production, with 100% of electricity to be derived from renewable sources.

Plastic lids: Further to our engagements on the negative impact of using plastic lids and the feedback we conveyed from Huhtamaki customers, the company developed fiber-based alternatives. In North America and Europe, fiber and paper lid solutions will be launched fully during Q1 2021.

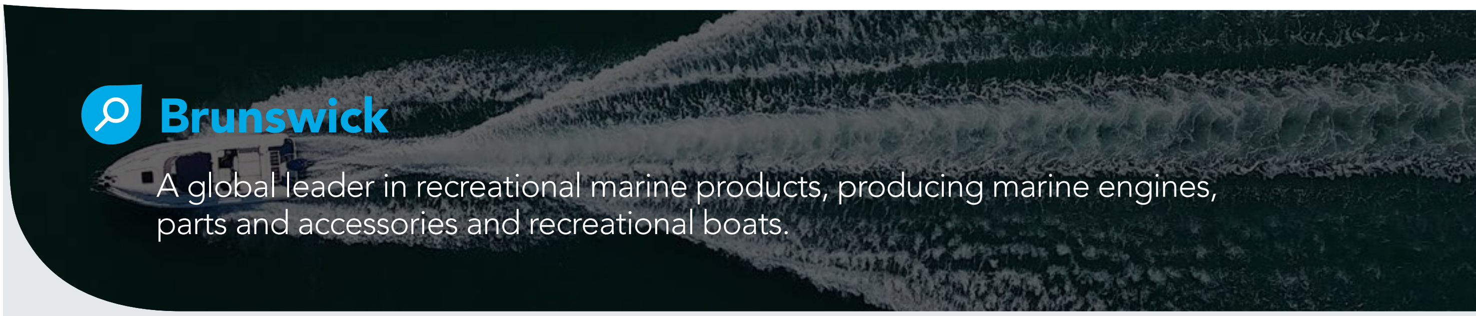
Flexibles: In 2019, Huhtamaki launched Blueloop – a concept that aims to make flexible packaging more circular by promoting monomaterials and adopting a holistic approach to design. A number of solutions have passed long-run trials and are ready for wider market adoption.

Living wage: Large proportions of the company's workforce are situated in markets with low or minimal minimum wages and/or relatively few rights (for example, 22% are based in the US and 20% are in India). In its approach to pay, the company uses the term 'basic needs wage' as opposed to Living Wage – an area we believe there is scope for further progress.

Next steps

We are confident that the management team are supportive of further embedding sustainability into the company's business model and strategy. Our focus going forward is to engage on product development, the implementation of Science Based Targets pertaining to the total emissions associated with the business, and the commitment to the payment of at least a living wage to all direct and indirect employees.

The full commentary is available here.



Brunswick

A global leader in recreational marine products, producing marine engines, parts and accessories and recreational boats.

SDGs

- 3 GOOD HEALTH AND WELL-BEING
- 5 GENDER EQUALITY
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER

Engagement focus summary

Our SDG-aligned engagements with Brunswick focus on:

- Replicating Mercury's sustainability strategy across the wider group
- Ensuring provision of decent pay and conditions
- Developing solutions for end-of-life recycling of fiberglass vessels
- Further 'green' product development
- Aiming for carbon neutral production

Recent progress

Decent work: In May 2020, we received confirmation that the group has analysed its pay practices pertaining to both its direct employees and tier one suppliers and was able to confirm that it pays at least a living wage. The group now intends to extend this due diligence to its tier two and tier three suppliers.

Carbon neutral production: In its 2020 enterprise-wide sustainability report, the group established the goal of transitioning to 50% of electricity to be derived from renewable sources by 2030.

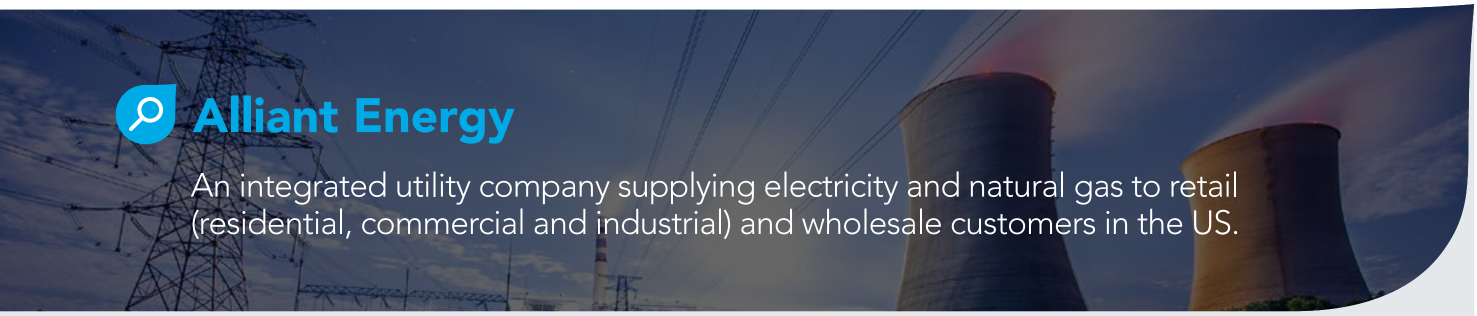
Green boating: The group is developing a methodology for monitoring and measuring its scope three emissions, including those associated with boat usage.

End-of-life: Since 2018, the Brunswick Foundation has been supporting (with funding and people) the Rhode Island Fiberglass Vessel Recycling Pilot Project. The project is exploring solutions for the sustainable disposal of fiberglass boats by dismantling and re-processing fiberglass hulls into alternative materials or as a potential high-energy alternative fuel source.

Next steps

Our focus going forward is to continue to engage constructively with management and, in so doing, encourage them to keep raising their ambitions. We remain particularly focused on developing options for more circular usage at the end-of-life for the fiberglass material in vessels, as well as further innovations to reduce the group's direct (production) and indirect (product usage) emissions impact.

The full commentary is available here.



Alliant Energy

An integrated utility company supplying electricity and natural gas to retail (residential, commercial and industrial) and wholesale customers in the US.

SDGs

1 NO POVERTY

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

13 CLIMATE ACTION

Engagement focus

Since we invested in Alliant, we have engaged with multiple individuals in the business. We are pleased with how receptive the management team has been, as well as – more pertinently – the progress made in a short period of time. Our engagements with Alliant focus on:

- Transitioning its energy-generation mix away from fossil fuels and towards renewable energy.
- Concretely satisfying the needs of its customers with a consequential improvement in performance-satisfaction surveys.

Recent progress

Carbon emissions reduction: In August 2018, Alliant stated it would reduce its carbon emissions by 80% below 2005 levels and eliminate coal by 2050. Discussions with Alliant reassured us that, like us, it also believed these targets were conservative and that more could be achieved. In October 2019, Alliant announced its Powering What's Next plan which included a Clean Energy Blueprint for its Blueprint for its Wisconsin customers, the first milestone of which includes the expansion of its Wisconsin solar-energy generation by up to one gigawatts (GW) by the end of 2023. More recent announcements have confirmed that the company will be decommissioning its final coal plants in Wisconsin in the next few years.

The company has also signalled that its future plans include no expectations for a further build-out in natural gas.

Revised targets: in 2020, Alliant revised its targets (see table below) thereby accelerating its plans to eliminate coal from its generating asset base, while also moving it along the path to achieving net-zero CO_2 emissions.

2018 targets	Updated 2020 targets
By 2030: • Renewables will be more than 30% of the energy mix • CO_2 emissions from fossil-fuelled generation will be reduced by 40% compared to 2005 levels	**By 2030:** • Achieve a 50% reduction in CO_2 emissions compared to 2005 levels
By 2050: • Eliminate all existing coal from the energy mix • CO_2 emissions from fossil-fuelled generation will be reduced by 80%	**By 2040:** • Eliminate all existing coal from the energy mix **By 2050:** • Net zero CO_2 emissions from generated electricity

Next steps

While Alliant has made very positive progress – a more than fivefold increase in renewables capacity between 2017-23 – we continue to believe there is scope for it to accelerate further its decommissioning of coal assets, direct additional capital expenditure towards renewables and make improvements in customer satisfaction. We will continue to explore these topics with company management.

The full commentary is available here.

Glanbia

An international dairy, nutrition and ingredients company. While more than 80% of the company's revenues comes from America, the company operates primarily in Ireland, the UK and the US.

SDGs

1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
13 CLIMATE ACTION
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

Engagement focus

Our SDG-aligned engagements with Glanbia focus on:

- Reducing its total carbon footprint
- The clear articulation of its alternative-protein strategy
- Diversity and inclusion efforts as well as the promotion of economic, physical and mental wellbeing
- A packaging audit
- International partnerships to address the needs of populations for the mutual benefit of all
- Executive pay

Recent progress

Sustainability plan: Glanbia came to the end of its first five-year sustainability plan in 2020 and is currently reviewing its progress and is setting new targets for the next decade and beyond.

Carbon footprint: In 2019, the company worked with the Carbon Trust to map its total value-chain emissions. The analysis identified that 89% of the group's total emissions came from its purchased milk.

In spring 2020, the Innovation Centre for US Dairy – an organisation founded by dairy farmers to bring leadership across the dairy value chain together to align social responsibility priorities – committed to become carbon neutral or better by 2050. We were pleased to be invited to speak at their Spring Conference and welcomed this commitment. Progress against each of the US Dairy Innovation Centre's 2050 environmental stewardship goals will be reported every five years, beginning in 2025.

Glanbia was involved in developing this commitment and has committed to its goals.

Plant-based protein: The firm has launched plant-based innovations across its Performance Nutrition portfolio, and we tasted some of its Optimum Nutrition pea-based protein products during a visit to the company's Chicago offices in 2018. Today, these plant-based products represent about 5% of the Performance Nutrition division's revenue while from a nutrition perspective compare favourably with whey protein. We believe there is further scope for the company to invest in and expand this offering, in so doing both supporting wellbeing and reducing its product related carbon footprint – reducing the reliance on dairy.

Next steps

We will continue to engage in a constructive manner with company management and the board. Our focus will remain on encouraging it to adopt an ambitious strategy which underpins and supports the firm's long-term commercial success, while also minimising the negative and scaling-up positive societal impacts.

The full commentary is available here.

SECTION 4

Transformation chain

Inputs and activities	Change strategy Opportunities – through engagement – to create more impactful businesses	Number of engagement interactions 2018-2020	Three pillars of SDG-aligned engagement: Supply chain	Direct operations	Products and services	An emerging-market engagement focus	Summary of changes so far Changes at the corporate level that have delivered specific benefits to society	Long-term impact Long-term corporate outputs that are aligned with delivery of the SDGs
Aalberts N.V. Offers integrated piping and multilayer systems, heat and surface treatment, hydronic flow and fluid control, advance mechatronics, and other related products. Serves customers worldwide. **Market cap:** $5.2bn **Employees:** 16,000	Products are closely tied to supporting 'green' buildings and cleaner transportation, if combined with carbon-neutral production then could contend to be carbon positive. As a global business, employing more than 16,000 employees in typically skilled manufacturing roles, the development of the group centre coordination offers the capability to scale up good local efforts to generate a greater impact.	14	✓	✓	✓	✓	• 64% of revenues supporting energy efficiency improvements in end-markets and growing; • Committed to research living wage applicability across operations at 2019 AGM – initial assessment of practices in China were reassuring; and • Among other initaitives the company has been working in partnership with UWV (the Dutch employee insurance agency) to provide opportunities to the long-term unemployed, and in Norway, the business started a labour training centre for refugees to increase assembly capacity and provide (language) training to refugees.	1 No poverty; 5 Gender equality; 7 Affordable and clean energy; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 10 Reduced inequalities; 11 Sustainable cities and communities; 13 Climate action
Alliant Energy An integrated utility company supplying electricity and natural gas to retail (residential, commercial and industrial) and wholesale customers in the US. Serves customers in the States of Illinois, Iowa, Minnesota, and Wisconsin. **Market cap:** $12bn **Employees:** 3,375	Committing investment to renewables generating capacity should result in reduced carbon and particulates emissions (and a significant reduction in operating expenses), a greener economy in Wisconsin and Iowa and, in time, more affordable energy for local residents too.	9		✓	✓		• More than a five fold increase in installed renewable generation between '17-23 (taking renewable owned capacity to over 40% of total owned generating capacity). 2020 targets include a commitment to be ex-coal by 2040 and have carbon neutral generation by 2050; • In early 2021, the company announced its final coal plant closure in Wisconsin, with 40% of coal plants to be retired in Iowa by 2024; and • The employees at the coal facilities are to receive meaningful career assistance, including one-on-one meetings, offer opportunities, tuition reimbursement and more, as the company continues its transformation toward cleaner energy.	1 No poverty; 7 Affordable and clean energy; 8 Decent work and economic growth; 10 Reduced inequalities; 13 Climate action
AMN Healthcare Leading US healthcare staffing company. Places nurses and allied health professionals on temporary assignments at hospitals and healthcare facilities throughout the US. **Market cap:** $3.4bn **Employees:** 3,236	Occupying healthcare's frontline, physicians and nurses play a pivotal role in delivering culturally competent care. However, of active physicians, just 11% are Black, Hispanic, and Native American. Similarly, while the gender mix has improved, the proportion of active female physicians stands at just 36%. There exists a 40% gender pay gap among physicians in US healthcare which is simply unjust and contributes to the understandable feeling of discrimination and resultant high turnover of female physicians which in turn exacerbates the growing physician shortfall. AMN is well positioned to help address this issues. In so doing, it can improve equality and US healthcare outcomes.	14			✓	✓	• Commitment made by both CEO and Chair to take an industry leadership role regarding diversity and the gender pay gap – with the company publicly acknowledging our role in this in its 2019 Sustainability Report; and • Introduction made to Nursing Now as a potential partner to promote the status of nursing and development of young nurses. The company has sinced joined initiative and are actively promoting.	3 Good health and well-being; 5 Gender equality; 8 Decent work and economic growth; 17 Partnerships for the goals
AptarGroup Global leader in consumer dispensing, active packaging and drug delivery solutions and services. Products are used for fragrance and cosmetics, personal care, pharmaceutical, household and industrial, and food products. Operates worldwide. **Market cap:** $8.7bn **Employees:** 13,000	While food and beverage is a small proportion of the business, bottle caps are among the top five most littered items on beaches. For both F&B and its beauty and home business, Aptar is well positioned to develop more recyclable solutions, while at the same time make greater usage of recycled content to improve the environmental performance of packaging.	13	✓	✓	✓		• In 2020, Aptar committed to science-based targets for 2030, and by 2023, 75% of sites will run on renewable energy; • The company committed to 100% recyclable, reusable or compostable products in its non-pharma business by 2025; and • It has also set a target for incorporation of 10% post-consumer resin (PCR) content within its beauty and home and food and beverage segments by 2025.	1 No poverty; 8 Decent work and economic growth; 12 Responsible consumption and production; 14 Life below water; 17 Partnerships for the goals
Breedon Group Manufactures construction materials. Offers asphalt, ready-mixed concrete, surfacing and contracting, cement, and concrete products. Operates in the UK and Ireland. **Market cap:** $2.8bn **Employees:** 3,000	Cement manufacturing is inherently carbon intensive, however, there are opportunities to improve the environmental efficiency of production through investments in equipment to improve thermal efficiency, usage of alternative fuels and raw materials and collaboration around CCS development and in so doing reduce aggregate emissions.	2		✓	✓		• Alongside the industry (at UK and regional level), Breedon has made a commitment to 2050 carbon neutrality; • It joined GCCA in 2018 and appointed its first Sustainability Director in 2019; and • The company indicated to us that it is in the process of establishing targets.	7 Affordable and clean energy; 8 Decent work and economic growth; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action

			Three pillars of SDG-aligned engagement:					
Inputs and activities	**Change strategy** Opportunities – through engagement – to create more impactful businesses	**Number of engagement interactions 2018-2020**	**Supply chain**	**Direct operations**	**Products and services**	**An emerging-market engagement focus**	**Summary of changes so far** Changes at the corporate level that have delivered specific benefits to society	**Long-term impact** Long-term corporate outputs that are aligned with delivery of the SDGs
Brunswick Corporation Leading manufacturer of marine engines, boats and parts and accessories. Principal operations are in the US. **Market cap:** $7.2bn **Employees:** 14,382	Being a global leader in marine provides an opportunity to continue to raise standards across the industry. In particular, given end-of-life challenges with fiberglass vessels, there is an opportunity to take a leadership role in identifying a viable and scalable solution (ideally more circular in nature than usage as alternative fuel in cement kilks) and in so doing reduce instances of discarded vessels and improve material resource efficiency.	15		✓	✓		• In 2018, its v6 and v8 product range was 12-16% and 8-10% more fuel efficient than its peers, respectively, and 100lb lighter than predecessors; • It published its inagural enterprise-wide sustainability report in 2020, which includes a commitment to 50% renewable electricity usage by 2030 and ongoing efficiency improvements from new engines; • Work is underway to assess in-use emissions from boats; and • Financial and in-kind commitments are being made to the Rhode Island Recycling project to develop a more circular value-preservation end-of-life solution for fiberglass vessels.	3 Good health and well-being 5 Gender equality 7 Affordable and clean energy 8 Decent work and economic growth 9 Industry, innovation and infrastructure 12 Responsible consumption and production 13 Climate action 14 Life below water
Clean Harbors Provides a variety of environmental remediation and industrial waste management services. Services include treatment and disposal of hazardous and non-hazardous solid and liquid waste, surface remediation, groundwater restoration, and waste packaging, as well as analytical testing and consulting. Serves customers in the US. **Market cap:** $4.7bn **Employees:** 13,500	Investment in pay, benefits and training of the trucking employee base – an area of consistent labour shortages – has the potential to improve their physical, economic and mental wellbeing while reducing unncessary and costly turnover. As the 24th largest fleet operator in North America, there is a significant opportunity to reduce direct emissions. Additionally, as the largest collector, recycler and re-refiner of used motor oil in North America scaling this business offers a significant environmental impact opportunity.	10		✓	✓		• Between 2018-20 invested an additional $75m into the workforce across new/additional benefits like 401K increases and absorbing all medical insurance increases – has translated into reducing turnover (volume turnover down from 22% to 16% over the same period); • Veterans comprise 6% of workforce; and • More than 235m gallons of used oil collected in FY20 and >190m gallons of reused oil sold.	1 No poverty 3 Good health and well-being 7 Affordable and clean energy 8 Decent work and economic growth 12 Responsible consumption and production 13 Climate action
Credicorp Provides a full range of financial services including commercial banking, corporate finance, brokerage services, asset management, trust and insurance. Operates in Peru, through its subsidiaries and nearby countries such as Colombia and Ecuador. **Market cap:** $14.6bn **Employees:** 34,000	A large proportion of the Peruvian population still without access to a savings account – the figure is higher in rural areas and among the female population. Similarly, Peru's MSMEs are among the most credit constrained in region. As the largest bank in Peru with the largest microfinance business in the region, Credicorp is uniquely placed to increase access to finance and financial inclusion, in turn supporting economic development and reducing inequalities.	17			✓	✓	• Mibanco adds >10,000 unbanked entrepreneurs every month; • New products have been launched, including a a health insurance product for micro-entrepreneurs, alongside greater investment in their technological platform which should broaden their reach; • Company's strategy, presented at its investor day in H2 2020, talked heavily to the company's increasing focus on financial inclusion through both MiBanco and BCP; and • An enterprise-wide sustainability strategy, to which we have inputted, is to be published during 2021.	1 No poverty 3 Good health and well-being 5 Gender equality 8 Decent work and economic growth 9 Industry, innovation and infrastructure 10 Reduced inequalities 13 Climate action 16 Peace, justice and strong institutions
Eagle Materials Manufactures and distributes cement, gypsum wallboard, recycled paperboard, and concrete and aggregates. Products are used in the construction of homes, commercial and industrial buildings, and governmental buildings across the US. **Market cap:** $5.2bn **Employees:** 2,400	Cement manufacturing is inherently carbon intensive, however, there are opportunities to improve the environmental efficiency of production through invesmtents in equipment to improve thermal efficency, usage of alternative fuels and raw materials and collaboration around CCS development.	9		✓	✓		• It expects to publish its sustainability report in early 2021; • The company with governmental and technology partners is exploring the potential of pyrogenic Carbon Capture and Storage; and • It launched a new lower clinker content cement in 2020.	7 Affordable and clean energy 8 Decent work and economic growth 12 Responsible consumption and production 13 Climate action
Fortune Brands Home & Security Provides home and security products. Offers kitchen and bath cabinetry, plumbing, accessories, windows material, door systems, security, and storage solutions. Serves customers worldwide. **Market cap:** $11.8bn **Employees:** 27,500	Across the business it has an opportunity to realise positive impacts through its supply chain practices (moving towards sustainably certified timber), direct operations (moving towards net-zero production) and products (via product development and promotion of water-efficient faucets), thereby improving livelihoods and reducing deforestation in SE Asia, reducing operational emissions and saving water via product usage.	11	✓	✓	✓	✓	• Primary faucet brand, Moen's new stated mission incudes a commitment to preserving 1tn gallons of water over decade 2020-30; • The company published its inaugural ESG report in 18/19, and expanded upon it in FY19. Its FY20 report is due to cover sustainable timber sourcing and renewable energy usage as per our engagement; and • In Q4 2020, Executive Chair Chris Klein was succeeded by Susan Kilsby as a new Non-Executive Chair.	6 Clean water and sanitation 7 Affordable and clean energy 9 Industry, innovation and infrastructure 13 Climate action 15 Life on land 12 Responsible consumption and production

Inputs and activities	Change strategy Opportunities – through engagement – to create more impactful businesses	Number of engagement interactions 2018-2020	Three pillars of SDG-aligned engagement: Supply chain	Direct operations	Products and services	An emerging-market engagement focus	Summary of changes so far Changes at the corporate level that have delivered specific benefits to society	Long-term impact Long-term corporate outputs that are aligned with delivery of the SDGs
Glanbia An international dairy, consumer foods, and nutritional products company. Conducts operations primarily in Ireland, the UK and US. **Market cap:** $3.9bn **Employees:** 7,385	The majority of its business model emissions are associated with those arising at its dairy farm suppliers. The objective therefore is to work collaboratively with the US dairy industry as well as suppliers to bring about lower emissions and more environmental resilient farming practices, alongside a more diversified product offering, and in so doing reducing aggregate business model GHG emissions. Other impact opportunites are associated with its employment practices and in-market promotion of health and wellness.	19	✓	✓	✓	✓	• The company committed to pursue a renewable energy procurement focus for the 36% of its carbon footprint that is attributable to purchased electricity; • US Dairy (with whom we engaged) committed to carbon neutrality (or better) across its value chain by 2050; and • Glanbia are expected to commit to science-based targets (or the equivalent) in early 2021 – and a suite of other accompanying targets are to be provided too.	1 NO POVERTY; 2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 13 CLIMATE ACTION; 15 LIFE ON LAND; 17 PARTNERSHIPS FOR THE GOALS
Huhtamaki Oyj Manufactures consumer packaging products. Produces disposable food service and tableware products as well as containers for fresh meats, fruits, among others; and makes the containers of paper, molded fibers, and plastics. Manufactures in many countries and sells worldwide. **Market cap:** $4.9bn **Employees:** 18,227	As a manufacturer of flexible and fiber packaging for food and beverage items, the company is well positioned to develop solutions which are more recyclable and reduce its material intensity (i.e. greater usage of recycled, renewable and sustainable content). In so doing, it can reduce the environmental impact of single-use plastics. Similarly, as a relatively large global employer its employment practices directly contribute to economic, physical and mental well-being.	19	✓	✓	✓	✓	• The company committed to achieving carbon-neutral production and has also submitted targets to the Science-Based Targets initiative; • It committed to designing all products to be recyclable, compostable or reusable by 2030; • In 2018, 98% of fiber sourced came from sustainably-certified sources – this is expected to be 100% in 2020; • It has set a new 2030 target for 80% renewable material (66% of all raw materials are renewable and 26% of input is recycled at present); and • The UK paper coffee cup recycling rate has improved from 1 in 400 in 2018 to 1 in 25.	1 NO POVERTY; 7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 15 LIFE ON LAND; 14 LIFE BELOW WATER; 17 PARTNERSHIPS FOR THE GOALS
RPM International Manufactures, markets, and sells various specialty chemical product lines. Product lines include specialty paints, protective coatings and roofing systems, sealants and adhesives, focusing on the maintenance needs of both the industrial and consumer markets. **Market cap:** $10.8bn **Employees:** 14,621	Given breadth of product portfolio, it has the potential to allocate greater capital towards the development and promotion of more sustainable products and, in so doing, reducing the aggregate environmental impact.	9		✓	✓		• The company published its inaugural Sustainability Report; and • It has implemented the Rooney Rule for recruitment for the purposes of filling any vacancies on the Board of Directors.	3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
Samsonite International Designs, manufactures, and distributes luggage. Products include suitcases, garment bags, casual bags, business cases, clothing, shoes, and accessories. **Market cap:** $2.5bn **Employees:** 14,500	With 90% of the group's manufacturing outsourced, predominantly to China and SE Asia, the company has the ability to work with supply-chain partners to improve the livlihoods of those producing their goods. In parallel as the producer of durable products it can develop product offerings that are more circular in nature both by dint of material usage and end-of-life recycling.	14	✓		✓	✓	• The company committed to being carbon neutral across operations by 2025 and gender balanced across senior leadership; and • It has made substantive commitments to more circular material development and incorporation across its product range.	1 NO POVERTY; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
SSP Group A holding company that, through its subsidiaries, offers catering and concession services at airports and railways stations within the UK, Europe, Asia and North America. **Market cap:** $2.5bn **Employees:** 39,000	The group has a multitude of opportunities to create a positive impact (or avoid exacerbating negative impacts) through the provision of decent work, including paying a living wage (requiring operators to share responsibility) to individuals towards the bottom-of-the-pyramid in so doing supporting the economic and mental wellbeing of thousands of people. At the same time, sustainable sourcing practices can support both livlihoods and responsibile agricultural practices while their menu options can encourage healthier eating habits.	18	✓	✓	✓	✓	• There are indications that the new CEO and chair recognise the need to address the sustainability agenda, given company maturity; • We have heavily informed the board's revised pay policy which is to be presented to shareholders in 2021; and • We have been consulted extensively on the company's developing sustainability strategy which is pleasingly putting particular emphasis on its responsibility towards its people – we expect to see substance in 2021.	1 NO POVERTY; 2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 15 LIFE ON LAND

Inputs and activities	Change strategy Opportunities – through engagement – to create more impactful businesses	Number of engagement interactions 2018-2020	Three pillars of SDG-aligned engagement: Supply chain	Direct operations	Products and services	An emerging-market engagement focus	Summary of changes so far Changes at the corporate level that have delivered specific benefits to society	Long-term impact Long-term corporate outputs that are aligned with delivery of the SDGs
TCF Financial Corporation A multi-bank holding company. Offers consumer and commercial banking, trust and wealth management, and specialty leasing and lending products and services to consumers, small businesses and commercial clients. Serves customers throughout the US Mid-West. **Market cap:** $7.2bn **Employees:** 7,123	As a large US mid-west bank, it has the potential to support access to credit among the region's SMEs and access to savings among the lower-income populations.	4		✓	✓		• Following George Floyd's death, it committed $1bn in lending to minority communities and minority- and women-owned small businesses as well as a $10m grant programme to assist low-to-moderate income home buyers.	5, 8, 10, 12
Varun Beverages Produces and distributes beverages. Offers carbonated soft drinks and non-alcoholic beverages, as well as provides packaged drinking water. Serves customers worldwide. **Market cap:** $3.9bn **Employees:** 5,662	Soft-drink penetration in India is low, especially in rural areas. Scaling new, innovative (health) products through distribution networks can improve access and provide healthier alternatives while also reducing the littering issues associated with plastic packaging. In a similar vein, water-borne diseases and drinking-water shortages are prevalent in India. Providing cheap bottled water can ameliorate this problem. Varun should have ample influence over its agricultural supplier (even if Pepsi is the authoriser). As such, it has the capacity, through contractual payment terms, human rights due diligence, among other things, to influence lives of those commonly at the bottom-of-the-pyramid for the better.	1	✓	✓	✓	✓	• Initiated in November 2020.	1, 2, 3, 5, 6, 7, 8, 10, 11, 12, 13, 14, 17
John Wiley & Sons Publishes print and electronic products. Specialises in scientific, technical, and medical books and journals, as well as professional and consumer books and subscription services, and provides textbooks and educational materials. **Market cap:** $2.9bn **Employees:** 6,900	Wiley has long been embedded within most colleges and universities through its journals and legacy text and e-books. Among corporate partners, Wiley is less established but growing in scale. In between these two parties sits the individuals who often lack training and capability to match the demands of evolving work. Wiley has the potential to leverage its brands, relationships and delivery capabilities to bridge the "skills gap" while also broadening access to affordable and quality higher education. In parallel to access to education, it is notable that women are under-represented at all stages of academic research. As the number one research platform and top three research publisher, Wiley has the ability to show leadership in this area.	10			✓	✓	• After falling off the agenda over the past decade in the context of business transformation, sustainability and their ability to have meaningful social impact is now back on the agenda of the board; and • We have been consulted extensively to input into their developing thoughts and are confident of seeing meaningful progress.	4, 5, 12, 17
YAOKO Operates local supermarkets and drugstores in Saitama Prefecture. Handles fresh food products, daily-use sundry products and other various goods in local area. **Market cap:** $2.4bn **Employees:** 15,241	Breadth of issues to grapple with and take leadership position on, spanning agricultural supply through to packaging usage.	10	✓	✓			• One element of their work to promote women's progression is the selection of only women for deputy store manager positions, with subsequent training in order for later promotion to store managers and in turn increasing the number of women in managerial positions.	2, 5, 7, 8, 12, 13, 14, 15

Please note the above list includes our engagement tier-one portfolio holdings only.

The value of investments and income from them may go down as well as up, and you may not get back the original amount invested. Any investments overseas may be affected by currency exchange rates. Past performance is not a reliable indicator of future results and targets are not guaranteed.

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