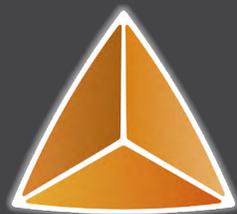


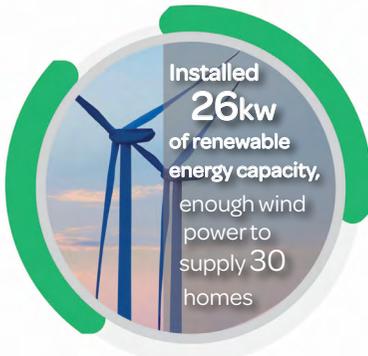
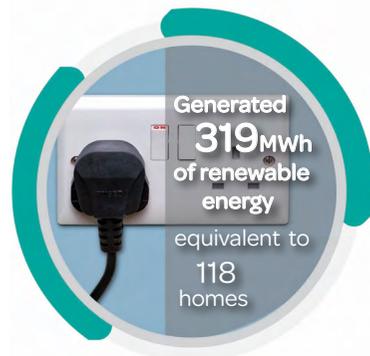
# Positive Impact Report 2023



Foundation  
Scotland

# Positive impact associated with owning £1 million of the Foundation Scotland EQ Impact Portfolio in 2022:

## Environmental impact



## Social impact



Investing (e.g. buying shares in a company) does not create these outputs and outcomes: they are generated by the activities of our underlying portfolio holdings. An investment can be associated with these measures based on company disclosures and share of ownership. The EQ Positive Impact portfolios are available in a range of risk profiles. The impact made will differ depending on the amount invested and portfolio invested in. Portfolio weightings as at 31 August 2023. For an in-depth explanation see: [eqinvestors.co.uk/positive-impact-methodology](https://eqinvestors.co.uk/positive-impact-methodology). Impact metrics reflect the latest company reporting period in 2022.

# Welcome

Having been ratified in September 2015, this year marks the half-way point to achieving the UN Sustainable Development Goals (SDGs) by 2030. These goals are the guiding framework behind the EQ Positive Impact Strategy. One thing is clear: the world is not delivering progress towards the 17 SDGs at the necessary pace and scale required.

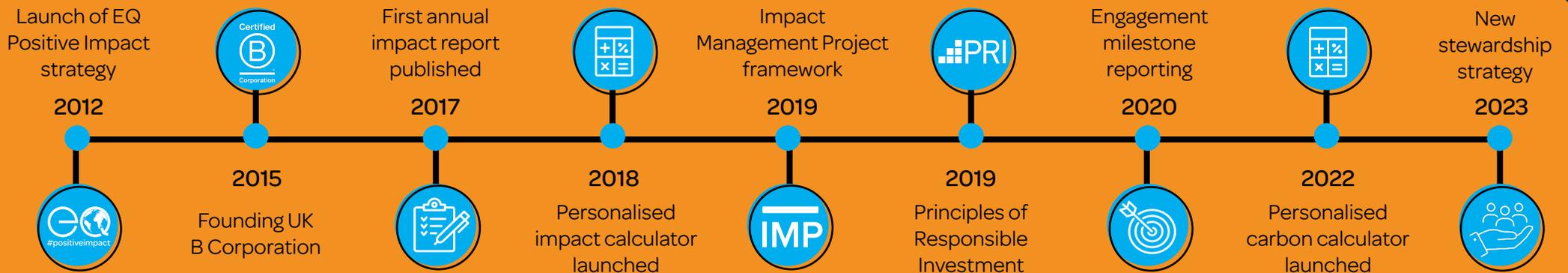
We remain committed to shifting the dial. With less than a decade left to accomplish these demanding targets, the ambition of the strategy to demonstrate that investors can make positive impact through their investments has never been more important. We are also convinced that as the world turns to solving the SDGs with stronger urgency, this provides strong momentum towards increasing financial returns of the Foundation Scotland EQ Impact Portfolio, underscoring its mandate of competitive financial returns.

Now in its seventh edition, our annual Impact Report aims to bring to life the social and environmental impacts associated with the investments and engagements made on behalf of our clients in the Foundation Scotland EQ Impact Portfolio. We are delighted to highlight our commitment to active stewardship over the past year, evidencing the way in which we play our part in shaping the behaviour and practices of the companies we invest in.

**Sophie Kennedy**  
Joint Chief Executive

## Contents

<b>Welcome</b> .....	<b>03</b>
Our approach.....	04
Contributing to solutions .....	05
How do we measure impact? .....	<b>06</b>
<b>Health &amp; well-being</b> .....	<b>07</b>
Engagement on workers' health.....	09
<b>Social inclusion &amp; empowerment</b> .....	<b>10</b>
Engagement on artificial intelligence.....	12
<b>Solutions to natural capital &amp; biodiversity.</b>	<b>13</b>
Assessing biodiversity risk.....	14
Engagement on biodiversity risk.....	15
<b>Shaping sustainable communities</b> .....	<b>16</b>
<b>Solutions to the climate crisis</b> .....	<b>18</b>
Avoiding emissions .....	19
Engagement on climate .....	20
<b>Shareholder voting monitoring</b> .....	21
<b>Environmental, Social &amp; Governance</b> .....	22
<b>About EQ</b> .....	23



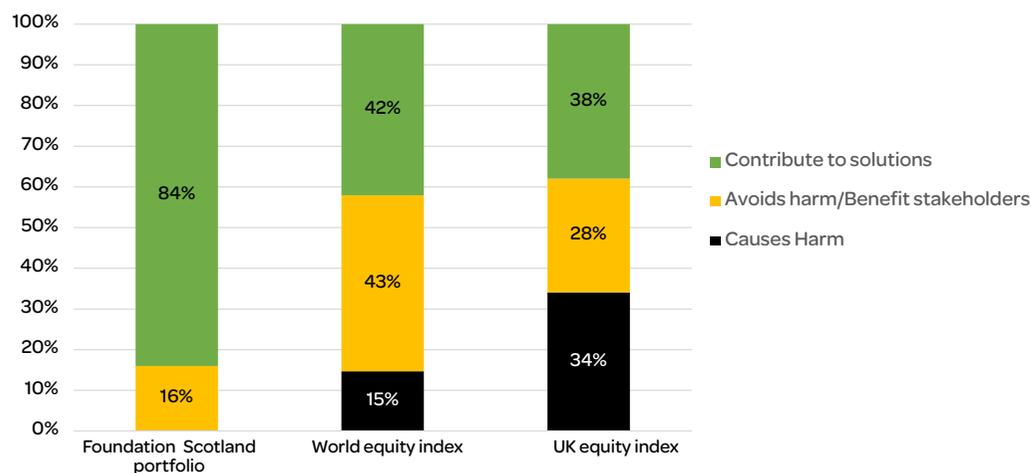
# Our approach

Foundation Scotland EQ Impact Portfolio invests in solutions to social and environmental problems and to actively engage for change towards a more sustainable world. This investment strategy has a dual focus on maximising both impact and financial returns.

## 1 Invest in Positive Impact solutions

Foundation Scotland EQ Impact Portfolio invests in companies and projects whose core products and services provide solutions to address global sustainability challenges. To maximise the portfolios impact, we want companies and bond projects to:

- Have a clear intention to deliver the impact.
- Have material revenues focused on delivering the solution(s).
- Address unmet needs through innovative, additional solutions.
- Be holistically well-run in respect to all other stakeholders, shown by good environmental, social and governance practices.



Source: EQ Investors analysis, August 2023

## 2 Stewards of sustainability

We actively engage for change, acknowledging the fact that there is no perfect company or asset manager. This way we continuously improve the positive impact of investments over time. We recognise that shareholders have power, and we put this to work in our stewardship strategy (page 6).

This was re-designed last year to create systemic change through multiple levels of influence, and we put in place clear milestones that help us measure our success in addressing identified weaknesses.

### Spectrum of capital

There are many ways to integrate sustainability objectives into investments. Here we position the Foundation Scotland EQ Impact Portfolio's objective on the spectrum of capital. They have a high ambition compared to other approaches, without compromising on a financial return.



Adapted from: *The Bridges Spectrum of Capital*, Bridges Fund Management (2013) and the Impact Management Project

## Contributing to solutions

84% of the investments in the Foundation Scotland EQ Impact Portfolio contribute solutions to different SDG's, shown on the right.

The UN Sustainable Development Goals (SDGs) is a globally recognised framework that defines the most pressing social and environmental issues we face. Each SDG has multiple underlying targets.

We use the SDGs to guide our investment selection towards solutions to unmet social and environmental needs, and away from those that cause harm. This can be summarised into the themes we invest in and avoid, shown below.

There are zero investments in negative categories.

### Invest

- ✓ Healthcare innovation
- ✓ Medical research
- ✓ Education tech
- ✓ Universities
- ✓ Water treatment
- ✓ Green electric utilities
- ✓ Wind, solar, and hydro
- ✓ Financial services in emerging markets
- ✓ Efficiency enablers
- ✓ Green technologies
- ✓ Telecommunications
- ✓ Charity sector bonds
- ✓ Affordable housing
- ✓ Green buildings
- ✓ Pollution control
- ✓ Waste & recycling

### Avoid

- ✗ Adult entertainment
- ✗ Air/ocean freight
- ✗ Alcohol
- ✗ Animal farming
- ✗ Armaments
- ✗ Fossil fuel extraction and production
- ✗ Fossil fuel servicing
- ✗ Gambling
- ✗ Military contracting
- ✗ Mining
- ✗ Palm oil
- ✗ Thermal coal
- ✗ Tobacco
- ✗ Unhealthy food and beverage

*The examples listed are not exhaustive.*



Data: EQ Investors, analysis as of August 2023.

# How do we measure impact?

We want to measure the impact associated with your investments towards the SDGs, and track the impact that the strategy makes through engagement.

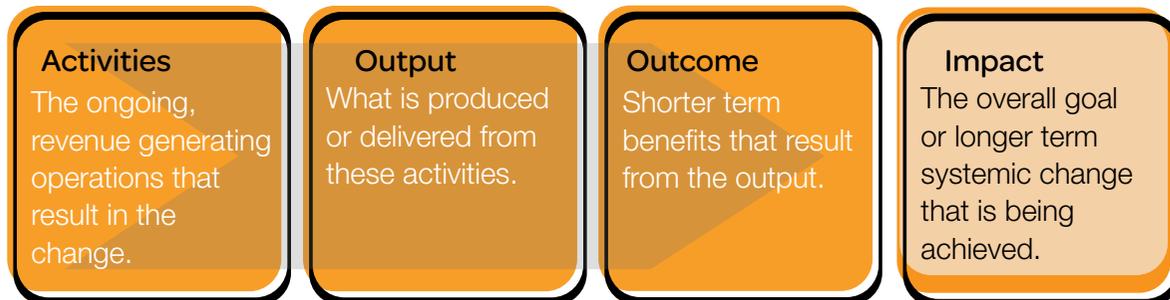
## Impact themes

Our five themes bring together global challenges, and some of the solutions the Foundation Scotland EQ Impact Portfolio support. This will be the focus of the rest of the report:

- Investing in **health and well-being** (page 7)
- Investing in **social inclusion** (page 10)
- Investing in **natural capital** (page 13)
- Investing in **sustainable communities** (page 16)
- Investing for **the climate** (page 18)

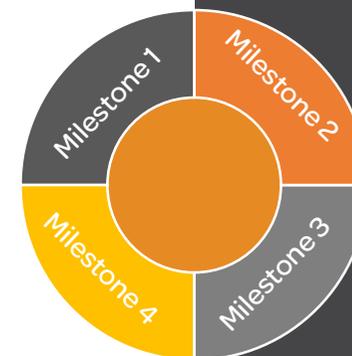
## Impact associated with investments

We establish a “theory of change” for all solution companies, linking their core products and services to their impact on a SDG. Every year we measure their contribution, some of which are aggregated in our overall impact metrics (page 2).



## Stewardship strategy

No company or fund manager is perfect. Our stewardship strategy is designed to utilise all levels of influence, listed below:



## Milestones met

We report on the outcomes of our engagements, AGM activism and collaborations in this report.

We use these milestones to show progress over time.

# Health & well-being

3 GOOD HEALTH AND WELL-BEING



## Ensuring access to medicine

The Foundation Scotland EQ Impact Portfolio invests across the healthcare value chain, including hospitals, drug manufacturers, diagnostics technology, biotech research and wellness programmes.

These companies cover the full spectrum of preventative measures, healthcare innovations and treatments. Our approach favours those that have fair access-to-medicine approaches in order to breach the access gaps.

## Anylam Pharmaceuticals

### Activities



**Anylam** is a biotechnology company that focuses on the development of a new class of therapeutics using a technique called RNA interference (RNAi). This method switches off the faulty proteins that cause some rare chronic diseases.

### Output

Anylam has six drugs on the market and was treating approximately 3,800 patients in 2022 for symptoms of rare diseases. The company is applying the same science to help cardiac and infectious diseases too, with 11 treatments in the medical pipeline.

### Outcome

Patients receiving the treatments have genetic conditions, with symptoms that are severely inhibiting, with previously low treatment success. The RNAi treatments enable patients to live healthier lives, and depending on the condition can reduce life-threatening attacks, kidney failure, and improve cardiac health.

Contributes towards patients treated impact metric.



### Impact

#### Progress towards SDG 3.4

By 2030, reduce premature mortality from non-communicable diseases through prevention and treatment by one third.



## Global progress:

**Good Health & Well-being** for all, is the third UN Sustainable Development Goal.

While progress has been made in areas including under-five mortality rates and communicable diseases like HIV, large challenges remain. These include the rising rate of chronic illnesses across the world and mental ill-health. Universal healthcare coverage remains a pipe dream – more than half of the world's population is still not covered by essential health services.

### Universal healthcare coverage index (SDG Target 3.8.1)



Data: <https://ourworldindata.org/sdgs/good-health-wellbeing>

## Thermo Fisher Scientific

### Activities



Thermo Fisher Scientific serves its customers in scientific research and healthcare laboratories, addressing safety and efficiency issues. It enables more accurate testing and diagnosis of diseases and helps researchers in developing new innovative treatments for disease.

### Output

In the last reporting year, Thermo Fisher's diagnostic testing equipment was used for over 22 million tests, and it treated over a million patients a day for disease with manufactured medicine. It also delivered HIV drug resistance testing in 25 new low- and middle- income countries.

### Outcome

In 2022, the company's products drove significant healthcare advancements. For example, a new genomic diagnostic test is being developed to quickly identify treatment for cancers – creating greater chances of beating it. Furthermore, its fair pricing policy now covers 100 low-to-middle income countries, enhancing health equality.

Contributes towards medical intervention impact metric.



### Impact

#### Progress towards SDG 3.4

By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.



## Novo Nordisk

### Activities



Novo Nordisk primarily serves patients with diabetes, which currently affects 1-in-10 adults and is expected to grow at a 50% rate by 2045. It provides products across the treatment ladder, from the delivery of human insulin to developing preventative interventions.

### Output

The company reached 36.3 million people annually with its essential insulin products and helped 1.8 million patients living in developing countries access these at no or subsidised cost. 2022 also marked the scale-up of "Wegovy", Novo Nordisk's highly effective obesity treatment, fighting the leading cause of diabetes.

### Outcome

Through insulin replacement therapies, diabetes patients reduce the occurrences of severe fluctuations in blood sugar levels which can lead to organ failure in their worst cases. By treating obesity, Novo Nordisk's weight loss treatment alleviates significant healthcare burdens linked to this – far beyond diabetes symptoms.

Contributes towards medical interventions impact metric.



### Impact:

#### Progress towards SDG 3.8

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



## Engagement on workers' health and labour rights

Human well-being is influenced by working conditions and labour rights safeguards across much of the world. While we support companies that develop and produce the solutions to many global challenges, we know that supply chains need close attention.

### Vote against Slavery

For the last three years, EQ has supported the "Vote against Slavery" collaborative engagement project led by the asset manager Rathbones.

In it, UK listed businesses were assessed against the conditions in the UK Modern Slavery Act, which includes a legal requirement for a public modern slavery policy, board approval and director accountability. Those companies not fulfilling these minimum standards were engaged by the coalition of investors.

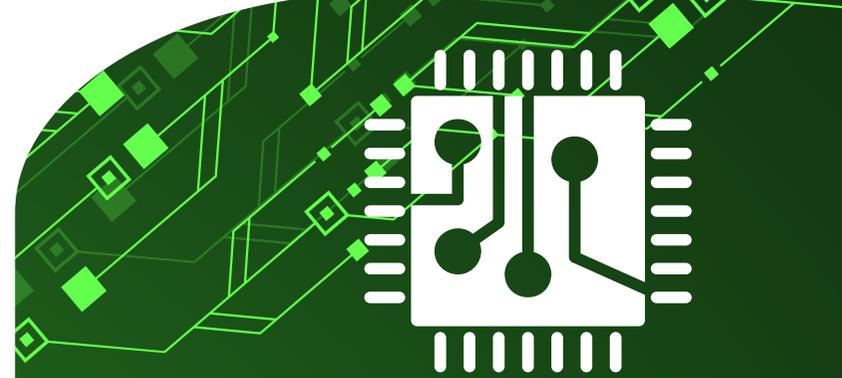
EQ is proud to support this important investor push for legal commitments to prevent modern slavery in operations and supply chains.

### ShareAction»

EQ has worked with ShareAction to attend company AGM's to engage on paying the living wage. Given the cost-of-living crisis in the UK, employers need to adjust compensation.

Three members of the EQ investment team attended AGMs at Centrica, Severn Trent and Sainsbury's to ask boards to consider a cost-of-living rise and/or implementing the real living wage for the thousands of their staff in the UK.

This is part of a wider engagement initiative to influence good working conditions and tackle income inequality in society.



## Tackling the semiconductor supply chain

Most green technologies depend on semiconductors, including solar cells, electric heaters, or electric vehicles. They are "enablers" to climate solutions.



### Stewart Investors

Since 2021, EQ Investors has supported a collaborative effort to tackle conflict minerals in the semiconductor supply chain, led by the asset manager Stewart Investors.

The poor traceability of these minerals, enhanced by smelting and refining processes, leads to a risk of inadvertent financing of abuse of human rights in mineral mining. This group of investors has engaged with nine key semiconductor companies, industry bodies and civil bodies to raise these concerns to company boards, request better transparency and agree on common standards.

This important work is ongoing and an important lever to increase the positive impact of climate solutions the Foundation Scotland EQ Impact Portfolio invests in.

# Social inclusion & empowerment



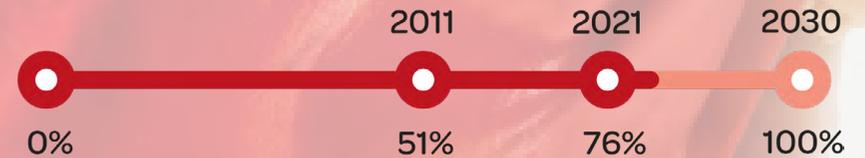
## Improving access to education and financial services

The Foundation Scotland EQ Impact Portfolio invests in affordable education services, companies extending internet and digital access to the underserved, and responsible banks unlocking financial access to customers in emerging markets.

## Global progress:

**Quality Education, Decent Work & Economic Growth and Reduced Inequalities** are the fourth, eighth and tenth SDGs respectively. Achieving these goals is crucial in reducing inequalities and empowering individuals to live a better life. There has been notable advancements in broadening access to education and financial services for all, and it is critical to sustain this momentum to reach our 2030 targets.

Global bank account ownership 15+ year olds (SDG Target 8.10.2)



Data: <https://ourworldindata.org/sdgs/economic-growth>

## Bank Rakyat Indonesia

### Activities



**Bank Rakyat Indonesia** (BRI) provides banking and financial services, including savings accounts, loans, and microfinance. It has a focus on supporting rural and small-scale businesses, even reaching those living on remote islands who previously lacked internet access.

### Output

In 2022, Bank Rakyat extended microloans to 35.3 million people, serving approximately 100 million savings account holders. It offered microinsurance to 35.6 million policyholders. BRI became the first bank to buy a private satellite to secure national connection coverage to reach customers with mobile banking across the country's many islands.

### Outcome

BRI plays a crucial role in promoting financial inclusion. Enhancing financial inclusivity empowers individuals to boost financial stability and seize economic prospects. This helps Indonesia's socioeconomic development as a whole, given small businesses make up the majority of the country's GDP and employment opportunities.

Contributes to the access to financial services impact metric.



### Impact

#### Progress towards SDG 8.10

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



## Afya

### Activities



**Afya** is a Brazilian company specialising in educational solutions for healthcare professionals. It offers medical and dentistry preparatory courses, distance learning, and content for lifelong learning. Afya's mission is to enhance the quality and accessibility of healthcare education in Brazil.

### Output

As of 2022, Afya have 58,200 undergraduate students in 32 schools across Brazil, with 18,000 graduating that year. The company offers more than 50 courses in Continuing Medical Education, accompanying the physician throughout their academic journey, and in the practice of their profession.

### Outcome

Brazil has amongst the lowest level of medical density (2.1 physicians per 1,000 inhabitants versus an OECD average of 3.4), and a rapidly ageing population. In this context, Afya is helping to address this unmet need through its educational services and helping to alleviate the growing pressure on medical services.

### Impact

#### Progress towards SDG 4.3.1

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

Contributes to the hours of education impact metric.



## Duolingo

### Activities



**Duolingo** is a popular language-learning platform and app. It offers a diverse range of interactive lessons and exercises to help users learn and practice languages. Duolingo's gamified approach makes language learning engaging and accessible for beginners and advanced learners.

### Output

Duolingo offers its customers 40 languages across 100 courses. In 2022, it had over 70 million monthly active users, which were completing over a billion exercises per day. Last year Duolingo provided 48,785 free tests, improving learning effectiveness.

### Outcome

The Duolingo English Test reduces barriers for those from developing countries who wish to study or live abroad. In 2022, over 140,000 tests were taken from the world's lowest income countries. Furthermore, accessible language learning encourages international collaboration and further cultural understanding.

### Impact:

#### Progress towards SDG 4.5

Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable.

Contributes to the hours of education impact metric.



## Engagement on artificial intelligence (AI)

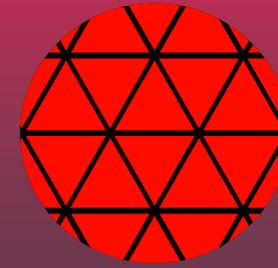
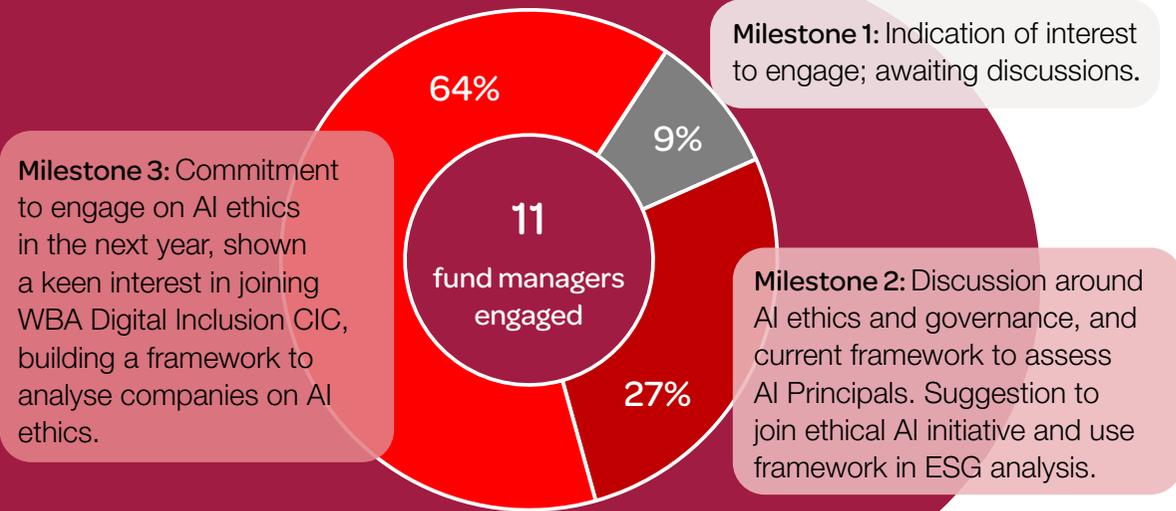
AI uptake is growing at an exponential rate. As its use in business continues to grow, it will be crucial to have the right governance structures in place to ensure AI is being deployed in a manner that promotes fairness, equity, and accessibility for all.

The growing influence of AI in society raises ethical considerations. As AI systems make autonomous decisions and interact with humans, it is crucial to ensure that it aligns with ethical principles.

Issues such as [privacy](#), [transparency](#), [accountability](#), [impact on employment](#), and [bias](#) can arise from the adoption of AI.

For example, using an AI algorithm with a bias in the hiring process could inadvertently limit opportunities for a certain group, violating principles of equal access to employment.

This year, we engaged with 11 fund managers, with relevant holdings, to understand their approach to assessing companies where AI is material to the business.



## Assessing ethics in AI

[The World Benchmarking Alliance \(WBA\)](#) has highlighted the low levels of awareness concerning ethical approaches to AI in the digital economy and among tech companies. Given these challenges, and the expectation of AI permeating across sectors that our portfolios invest in, we joined a relevant investor engagement collaboration in early 2022, as part of our “digital inclusion” engagement theme.



This year we used the WBA's newly proposed framework on assessing companies' AI ethics. The framework looks at whether a company has:

- A list of AI ethics principles which is a standalone document and includes respect for human rights.
- Its own principles (not just regional/national guidelines).
- A committee with oversight of ethical AI.
- Clear disclosure on how AI ethical principles are operationalised in the business.

# Solutions to natural capital & biodiversity

## Solutions to natural resource protection

The Foundation Scotland EQ Impact Portfolio invests in companies that prevent pollution and are involved in the circular economy, eliminating the need for new raw material extraction and associated environmental harms. This includes water treatment, pollution testing, or recycling operations.

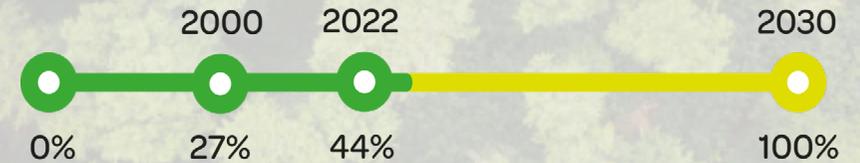


## Global progress:

**Life on Land, Clean Water** and **Responsible Consumption** are three SDGs concerned with the protection, responsible use and restoration of natural capital and ecosystems. While none of the 2030 targets have been met, global progress is evident in freshwater protection from pollution, and more waste streams being recycled.

However, land degradation and deforestation continue to happen at alarming rates globally, and conservation efforts need to increase.

### Key Biodiversity Areas covered by protected areas (SDG Target 15.1.2)



Data: <https://ourworldindata.org/sdgs/life-on-land>

## Clean Harbors

### Activities



**Clean Harbors** is a US-based provider of environmental and industrial services. The company provides waste management services for hazardous and non-hazardous waste, which includes collection, packaging, transportation, recycling, treatment, and disposal services.

### Output

In 2022, Clean Harbors has recycled 1.6 million tonnes of key materials, collected 1.2 billion litres of used oil, and destroyed 1.5 thousand tonnes of ozone depleting hazardous substances, across the treatment facilities that the company operates.

Contributes towards recycled tonnes of waste impact metric.



### Outcome

Through the services that Clean Harbors provides the company has avoided roughly 3.2 million tonnes of CO2 emissions, helping businesses and industries to minimise their environmental footprint, and promote responsible resource use, contributing significantly to global efforts to achieve more sustainable and responsible consumption patterns.

### Impact

#### Progress towards SDG 12.4

By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil to minimise their adverse impacts on human health and the environment.

## Assessing biodiversity risk

While the Foundation Scotland EQ Impact Portfolio avoids some of the greatest drivers of biodiversity loss, for example animal farming and extractive industries, we recognise that biodiversity risk can be indirect. It can be hidden in supply chains or dependencies on natural resources that are being depleted.

To assess the biodiversity risk of the Foundation Scotland EQ Impact Portfolio, we assess every component holding as to whether they operate in an industry that negatively impacts ten specified biodiversity areas. We also assessed the component holdings of global equities against the same categories, to provide a comparison.

The chart displays these ten biodiversity impact areas, and indicates the percentage of portfolio and benchmark companies operating in industries with high negative impact risk. Where a high-impact risk is identified, it is then crucial that the company manages this risk and minimises its contribution.

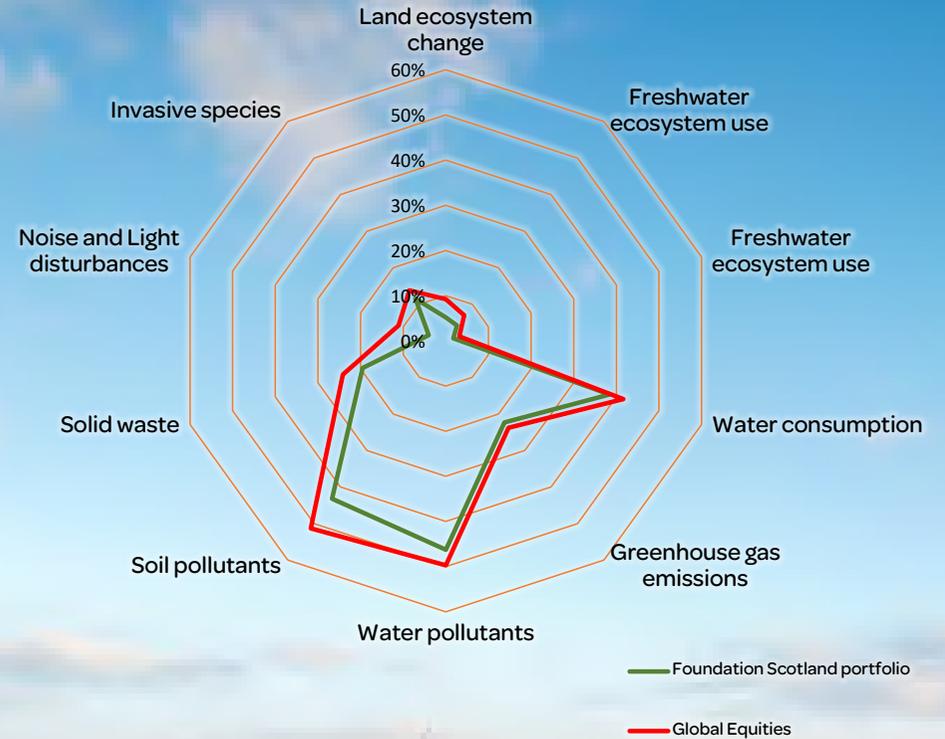
The Foundation Scotland EQ Impact Portfolio exhibits lower exposure to companies with high biodiversity impact risks compared to the market benchmark. This results from avoiding

investments in key drivers of biodiversity loss like mining, animal farming, and extractive activities.

In both portfolio and market benchmark, three categories have significant high-impact risk: water consumption, water pollutants, and soil pollutants. Manufacturing and electric power generation are key contributors to these categories. These activities require substantial water for cooling and potentially discharging pollutants and waste, causing water and soil contamination.

To address any remaining biodiversity risks, we aim to ensure portfolio companies prevent these risks from materialising. This year, our engagement includes integrating ENCORE risk mapping into relevant fund manager processes, if not already in place.

### Comparing risk with the global standard



ENCORE, endorsed by the UN, is a tool that helps financial institutions assess nature-related risks linked to investments in environmentally impactful industries.

Graph source: ENCORE, SBTN 2023

# Engagement on biodiversity risk

Best practices in biodiversity risk assessment have significantly developed over the year, and our engagement focused on instilling these across the portfolio.

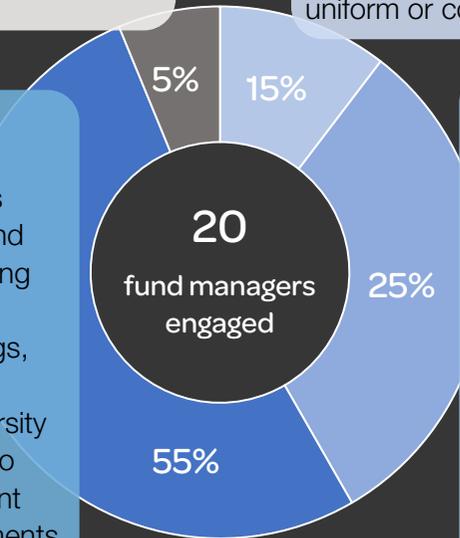
This is the second year EQ has engaged on biodiversity. 2023 saw the launch of the Taskforce for Nature-related Financial Disclosures (TNFD), and the wider application of the ENCORE framework by financial institutions.

Building on our engagement from the last year and our new ENCORE findings, we focused our engagement on fund managers that demonstrated risk exposure through their holdings.

**Milestone 1:** Indication of interest to engage; awaiting discussions (new but relevant funds).

**Milestone 2:** Discussion around findings and application of ENCORE data to help with biodiversity risk spotting, company policy. EQ shared best practices but the application to the fund level is not yet uniform or committed for the next year.

**Milestone 4:** Evidence of EQ's engagement resulting in a change in fund process and engagement activity, and resource allocation. Reporting on engagement activity on biodiversity risk with holdings, joining Nature Action 100, build-out of internal biodiversity data, a published strategy to biodiversity risk management across all managed investments.



**Milestone 3:** Commitment to implement a biodiversity risk assessment across holdings, and engagement strategy to cover identified weaknesses on the back of EQ's engagement. Commitment to engage with TNFD, Nature Action 100, develop in-house data abilities, list of engagement objectives around best-practices.

## AGM activism: Severn Trent

UK water companies have received significant criticism in respect to their role in ongoing river pollution. Severn Trent, a water company active in the Midlands and Wales, is a leader amongst its peers based on its Environmental Performance Assessment results.



Earlier this year, Tertius Bonnin, Assistant Portfolio Manager at EQ travelled to their AGM to ask the Board a question on the planned capital expenditure on infrastructure repairs.

The water and sanitation systems in the UK are, in part, from the Victorian era and biodiversity-harming spillage can only be prevented by significant investment.

We also held conversations with the management team about their climate adaptation plans, specifically around how its existing wastewater treatment plants can be retrofitted to create fertiliser and generate electricity.

As a result, we are currently in engagement conversations with Seven Trent.

# Shaping sustainable communities



## Solutions to create connected, fair, and green communities

The Foundation Scotland EQ Impact Portfolio invests in businesses that are actively helping to provide sustainable and clean urban transport, as well as smarter, connected energy systems that help tackle emissions and air pollution.

Furthermore, the portfolio invest in social and affordable housing, providing basic services to those previously underserved.

## Giant Manufacturing Co

### Activities



**Giant Manufacturing** is a Taiwanese company specialising in the design and production of bicycles and cycling gear. As one of the world's largest bicycle manufacturers, Giant is known for its innovative technologies and high-quality products catering to a diverse range of cyclists, from enthusiasts to professional athletes.

### Output

In 2022, Giant Manufacturing sold just under 5 million bikes globally. The company's public bicycle sharing service "YouBike", used exclusively in Taiwan, has had over nearly 600 million rides with a combined travel distance of roughly 1.5 billion kilometres, which is enough to circle the earth 36,000 times.

### Outcome

Giant Manufacturing encourages healthier lifestyles by promoting cycling, contributing to reduced carbon emissions. In 2022, through its products and services customers avoided 84,000 tonnes of CO<sub>2</sub> emissions, improving health and the environment, and economic sustainability.

Contributes towards carbon avoided impact metric.



### Impact

#### Progress towards SDG 11.2.1

Provide access to safe, affordable, accessible and sustainable transport systems for all.



## Global progress:

**Sustainable Cities and Communities** is the eleventh SDG. As urban growth continues globally, inequalities and levels of urban energy consumption and pollution are potential challenges. We have made decent progress in reducing the number of the urban population living in slums, however air pollution and energy demand remain high.

### Proportion of world's urban population living in inadequate housing (SDG Target 11.1.1)



Data: <https://ourworldindata.org/sdgs/sustainable-cities>

## BYD

### Activities



BYD is a Chinese company that specialises in electric vehicles (EVs) and renewable energy solutions. It designs and manufactures electric cars, buses, monorails, and batteries. BYD is a significant player in the global EV market, aiming to promote sustainable transportation and green energy technologies.

### Output

BYD is the world's largest electric vehicle manufacturer, selling over 1.8 million vehicles last year. The company has a global reach, with sales across over 70 countries and regions. Last year the total distance travelled by owner of BYD battery electric vehicles amounted to 19.4 billion kilometres.

### Outcome

Last year, BYD car owners saved 940,000 tonnes of fuel and oil and avoided 2.38 million tonnes of CO<sub>2</sub>e which is the equivalent to planting 103 million trees. The transport sector represents a large chunk of global greenhouse gas emissions, and companies such as BYD are crucial to driving decarbonisation in the sector.

Contributes towards carbon avoided impact metric.



### Impact

#### Progress towards SDG 11.2.1

Provide access to safe, affordable, accessible and sustainable transport systems for all.



## HICL Infrastructure

### Activities



HICL Infrastructure build and invest in buildings, space, and partnerships with the goal of creating sustainable communities. The company's portfolio includes retail, leisure, workspace, and residential real estate, making up the core infrastructure needed for communities.

### Output

In 2022 HICL's infrastructure provided essential services to individuals. For Example, HICL's assets gave 11.9 million access to healthcare, provided 40,000 accommodation places, and served 3.6 million people with clean water.

### Outcome

Over 20 million people worldwide use and depend on HICL's assets in their day-to-day lives. HICL promotes community prosperity, and well-being by facilitating the development of essential infrastructure such as schools, hospitals, and transportation, and enhancing overall public services.

Contributes towards patients treated impact metric.



### Impact:

#### Progress towards SDG 11.3

By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.



# Solutions to the climate crisis

## Mitigating climate change impact

The Foundation Scotland EQ Impact Portfolio invests in businesses that advance climate mitigation through their core products and services, avoiding carbon emissions and reducing society's dependency on fossil fuels for energy. This includes renewable energy generation like solar and wind farms, and the essential value chain that helps store, transport and manage electricity flows. It also includes technologies that reduce the overall energy consumption through improved energy efficiencies.



## Greencoat UK Wind

### Activities

Greencoat UK Wind is an infrastructure investment company with a portfolio consisting of 45 onshore and offshore wind farms across the UK. The company owns this renewable energy capacity and invests in capacity expansions.



### Output

In 2022, Greencoat UK Wind added 190 MW of new installed capacity, taking the company's total installed capacity under management to 1.6 GW, which generated 4,362 GWh of renewable energy. This year, all of the company's onshore wind assets have habitat management plans to ensure that biodiversity around sites is protected.

### Outcome

In 2022, Greencoat's total installed capacity enabled it to power the equivalent of 1.5 million homes with clean energy, which is equivalent to avoiding about 1.7 million tonnes CO<sub>2</sub> emissions by substituting fossil fuel based energy sources.

Contributes towards renewable energy capacity impact metric.



### Impact

#### Progress towards SDG 7.2

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



## Global progress:

**Affordable & Clean Energy** for all is the seventh SDG. While access to electricity has improved over the last two decades, we still remain behind schedule in greening our grids. The proportion of renewable energies supplying our needs across transport, heat and electricity has increased, but not substantially enough. Progress on this SDG through greening of grids and improving energy efficiencies is essential to fight climate change.

### Renewable share of total energy consumption (SDG 7.2.1)



Data: [IEA.org](https://www.iea.org/), 2023

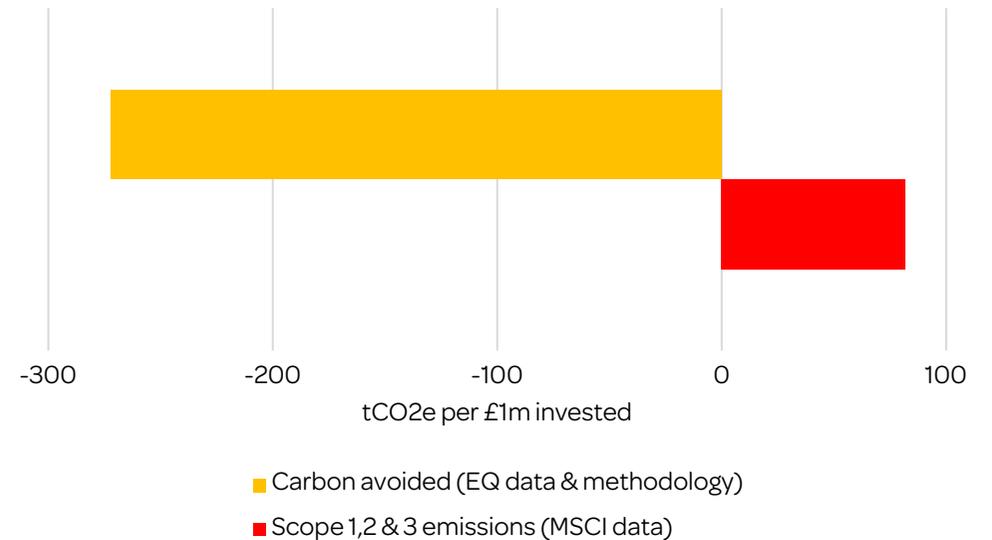
# Avoiding emissions

All companies are responsible for some carbon emissions. Carbon footprinting does not paint the complete picture when assessing climate contributions of investments.

The Foundation Scotland EQ Impact Portfolio invests in businesses whose products and services help to avoid real world emissions, thereby helping to tackle the climate crisis. Avoided emissions refer to the emissions saved by substituting a product for a greener or more efficient alternative.

The industrial sector represents the largest part of the Foundation Scotland EQ Impact Portfolio's carbon footprint. As shown on the graph, the emissions associated with the industrial companies held in portfolios are significantly outweighed by the emissions their products help avoid. In this case, the overall net climate impact of the industrials' emissions is positive.

Avoided emissions in the industrial sector



Source: MSCI, EQ Investors

## Voltronic Power

### Activities



Voltronic Power specialise in power electronics and renewable energy components. It manufactures solar inverters, energy storage systems, and power management solutions. These are key components in the workings of renewable energy systems.

### Output

Voltronic Power's solar PV inverters convert direct current electricity generated by the solar panel into the alternating current electricity used by the grid. In addition, Voltronic's products are used in the scale-up of electric vehicles through better storage and charging infrastructure.

### Outcome

The inverters optimise energy use, reduce energy wastage, and enhance the overall efficiency of renewable energy systems. Voltronics' products help to reduce fossil fuel dependencies and allowed their customers to avoid over 765,000 tonnes of CO<sub>2</sub> emissions in 2022.

Contributes towards carbon avoided impact metric.



### Impact

#### Progress towards SDG 7.3

By 2030, double the global rate of improvement in energy efficiency.



## Engagement on climate

While the Foundation Scotland EQ Impact Portfolio avoids investing in the largest carbon polluters, we still use engagement to push for decarbonisation across key industries.

### Fund manager engagement on banks

Banks have a strong influence on the world we live in tomorrow through lending and capital market activities. Banks' climate change policies have developed significantly in the last few years, and it's crucial that they continue to raise in ambition so that the real economy can transition to net-zero by 2050.

This year, we engaged with the 11 fund managers with relevant holdings, to raise the quality of assessing and engaging banks on indirect fossil fuel financing.



## Collaborative engagement and AGM activism on chemicals

The chemical industry accounts for roughly 5% of global greenhouse gas emissions and has historically received less scrutiny over its use of fossil fuels compared to other sectors. Most of the industry is not aligned with a 1.5C° transition pathway.

This year we joined ShareAction's Investor Coalition tackling chemicals decarbonisation. The focus of the engagement has been encouraging companies to reduce the usage of fossil fuels in the chemical production process and setting ambitious targets on renewable energy consumption.

## CRODA

Earlier this year Louisiana Salge, Head of Sustainability, attended the AGM of the UK-based chemical company Croda to ask the Board on whether they would commit to the RE100+ initiative, a global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity.

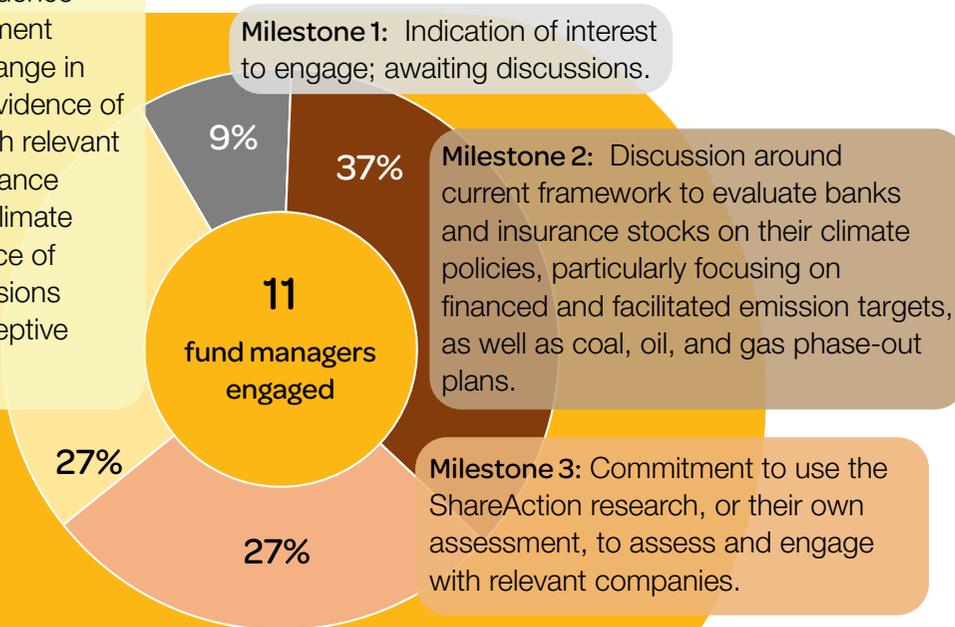
As a result, we are currently in engagement conversations with Croda.

**Milestone 4:** Evidence of EQ's engagement resulting in a change in fund process. Evidence of engagement with relevant banks and insurance companies on climate strategy, evidence of divestment decisions based on unreceptive laggards.

**Milestone 1:** Indication of interest to engage; awaiting discussions.

**Milestone 2:** Discussion around current framework to evaluate banks and insurance stocks on their climate policies, particularly focusing on financed and facilitated emission targets, as well as coal, oil, and gas phase-out plans.

**Milestone 3:** Commitment to use the ShareAction research, or their own assessment, to assess and engage with relevant companies.



# Shareholder voting monitoring

Every shareholder holds the power to attend and to vote at the annual general meetings (AGMs) of the companies they own. This year, we show you how the asset managers we work with voted across all of their invested companies.

Voting at AGMs can be predominantly “routine” – supporting a resolution on director election or accepting the financial accounts.

However, they can also provide a window for activism, and with very direct impact. EQ wants all managers to leverage these opportunities to support resolutions that ask businesses for higher social and environmental standards.

## The project

As part of EQ’ stewardship strategy, we monitor and encourage ambitious stewardship from all managers we work with. Disclosure of voting activity is one part that is still often difficult to obtain and remains unstandardised.

In the last year, EQ has significantly improved its ability to monitor voting behaviour across our fund managers.

Our team compiled a list of over 800 individual resolutions which linked to an environmental or social outcome. Examples include requesting a company to provide gender pay-gap reporting, or proposing a more ambitious net-zero target.

We then compiled data on the 2022 and 2023 voting decisions of the asset managers for every relevant resolution (across all their managed investments). It is our intention to test the systemic voting impact that the asset managers we work with have, above the specific impact fund we select for our clients.

## The results

The average support for relevant environmental and social (E&S) resolutions across all assets managed by the asset managers sits at a solid 57%, indicating clear room for improvement.

Asset Managers:	AM 1	AM 2	AM 3	AM 4	AM 5	AM 6	AM 7	AM 8	AM 9	AM 10	AM 11	Avg.
Total relevant E&S proposals (against & for)	227	96	254	14	220	239	11	99	770	238	4	
Proportion supported	53%	38%	50%	86%	59%	45%	9%	51%	69%	67%	100%	57%

Source: EQ analysis

## Conclusion

We believe we are amongst the first in the market to do this exercise thoroughly and gain this level of transparency.

It will now provide our team with the basis for engagement and raising ambitions across the asset manager industry. Aligning and lifting the ambition of voting activity across the industry is going to feed into EQ’s engagement in the coming months, and remain a key engagement area in years ahead.

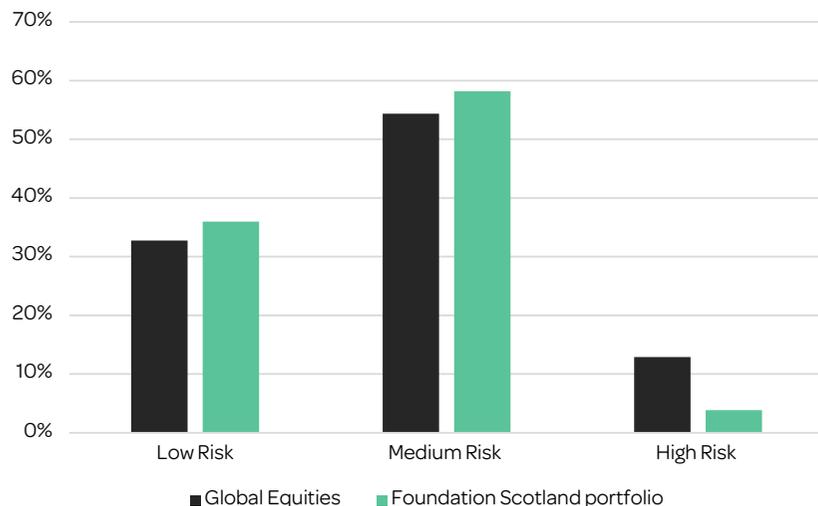
# Environmental, Social & Governance (ESG)

How a company treats its stakeholders across its operations has a material impact on its financial performance.

While Foundation Scotland EQ Impact Portfolio's focus is on investing in companies that provide solutions to social and environmental issues, we also manage the portfolios internal environmental, social and governance (ESG) risks.

The graph below shows the distribution of Foundation Scotland EQ Impact Portfolio companies across ESG risk rating categories (Sustainalytics\*), compared to global equities.

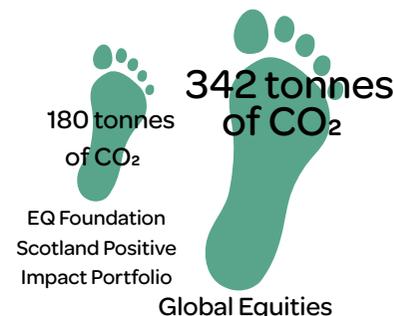
While all portfolios carry some ESG risk, the Foundation Scotland EQ Impact Portfolio has a lower exposure to companies with a high Sustainalytics ESG risk. The portfolio manages any remaining ESG risks through the strong engagement practices of the fund managers we select.



One of the most important ESG risks, across all companies, is climate risk. All companies need to reduce their impact on climate change, and align to a science-based pathway to net-zero.

## Portfolio carbon footprint

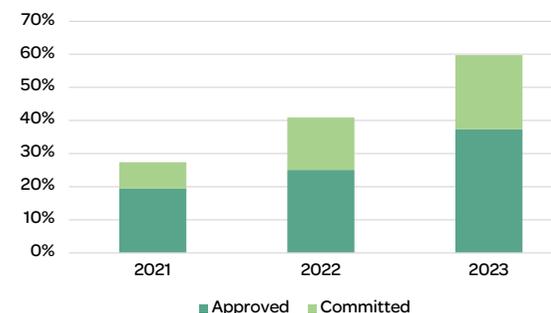
Carbon emissions are the best proxy for climate risk. Here we show the total carbon footprint of £1 million in the Foundation Scotland EQ Impact Portfolio, compared to global equities. Currently, the portfolios have approximately 50% lower carbon intensity. This means the portfolio already presents a lower level of climate risk.



Source: MSCI

## Science based targets

The Science-based targets initiative (SBTi) verifies each company's climate commitments independently and presents the "gold standard" to identify whether a corporate climate plan is ambitious enough to align with the goals of the Paris Agreement.



We were encouraged to see an increase in the number of Foundation Scotland EQ Impact companies that have committed to and approved setting science-based targets, now at approximately 60%. We are encouraging fund managers to further increase this through engagement.

Source: MSCI, SBTi

\*Sustainalytics ESG ratings combine data analysis and qualitative assessments to provide a score based on how well a company is managing industry-specific risks across all relevant stakeholders (e.g. employees, environment).

# About EQ

EQ Investors was set up as a purpose-led investment management company. Owned by the EQ Foundation and our staff, business as a force for good is written into our constitutional articles.

## Verified sustainability leadership

As a Certified B Corporation we undertake a regular, in-depth assessment of our company's impact on all our key stakeholders – including our clients, employees, local community and our impact on the environment. This is verified and audited by the independent B lab. We are currently among the highest scoring B Corp's in the UK. To learn more about the B Impact Assessment and to view ours online, visit [bcorporation.uk](https://bcorporation.uk).



## Designed to give

EQ Investors is 21% owned by our sister charity, the EQ Foundation. Being part owned by a charity means that a proportion of our profits will always go towards supporting good causes.



The EQ Foundation is transforming giving in the UK by making grants to impact focused charities and by creating new initiatives for the charitable sector such as Giving is Great.

Visit [eqfoundation.org.uk](https://eqfoundation.org.uk) to learn more.

## Our clients

The EQ Impact strategy attracts a higher proportion of female investors, compared to investors in standard UK Stock & Shares ISA investors.

Source: [UK GOV](https://www.gov.uk)

## Climate action

[EQ has a net-zero commitment](#) by 2030 across its business operations, aligned with the SME climate Hub and UN Race to Zero standards.

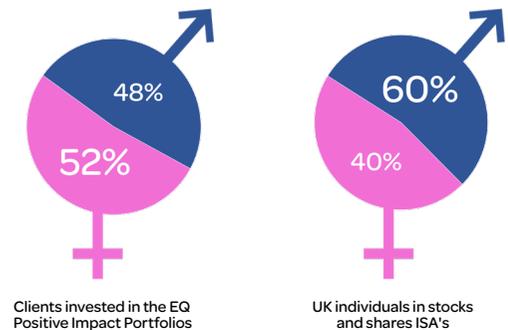
We measure our own Scope 1, 2 and 3 emissions footprint every year, and our EQ Net-zero working group implements reduction strategies over time. We have committed to purchase carbon credits to cover any residual emissions annually.

## Our employees

As a staff-owned business, creating an inclusive culture is paramount to our success. We are an accredited Living Wage employer, we continue to embrace new employee benefits, and our Diversity, Equity and Inclusion working group seeks regular feedback.

Furthermore, in 2023 we re-committed to a higher target through the Women in Finance Charter, targeting 40% female representation in senior management by 2026.

We continue to attract diverse talent through our partnerships with 10,000 Black interns programme, and Resurgo Spear programme.



Invest to make a positive impact on the world<sup>\*</sup>



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Past performance is not a guide to future performance. The value of investments and the income derived from them may go down as well as up, so you could get back less than you originally invested.

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<sup>\*</sup>Heatmap reflects general distribution of Foundation Scotland EQ Impact portfolio's investments.