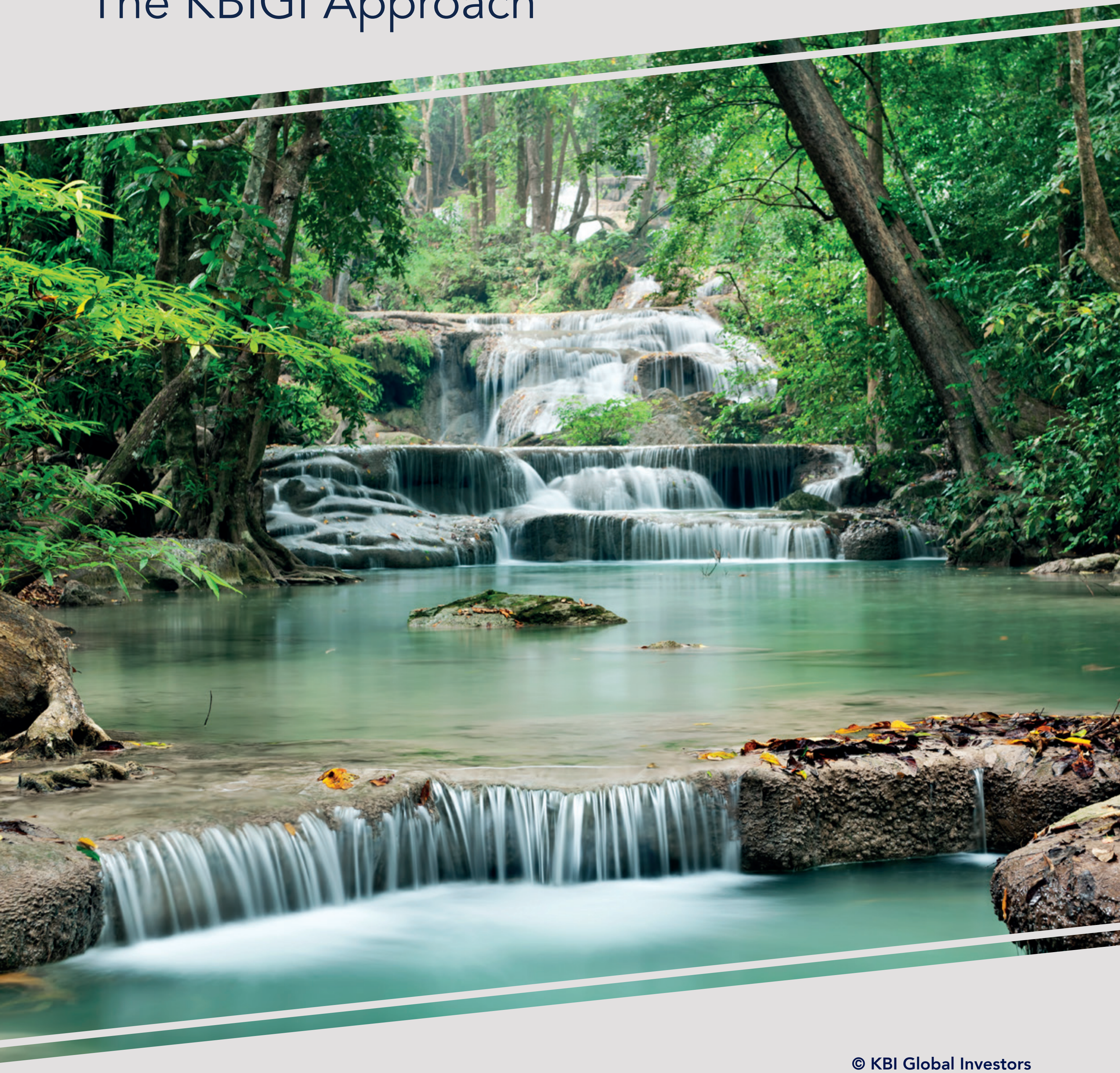
KBI Global Investors

Measuring contribution to Sustainable Development Goals

The KBIGI Approach



RESULTS

We are delighted to release our updated impact measurement scores for 2021.

The results of the Revenue Alignment SDG Score (RASS) presented below are for our Natural Resources strategies based on the holdings in those portfolios at the end of December 2021, using the most recent available data at the time the exercise was carried out during the first half of the year of 2022.

The analysis for our Global Resource Solutions strategy showed a very high RASS score of 69.9%, i.e. that percentage of revenues were contributing to the achievement of the SDGs. That is a net figure - after deducting the negative contribution number of 7.7%.

Looking at the breakdown of that RASS score, the SDGs to which the portfolio contributes most are:

SDG 2

ZERO HUNGER

SDG 6

CLEAN WATER AND SANITATION

SDG 7

AFFORDABLE AND CLEAN ENERGY

SDG 9

INDUSTRY, INNOVATION AND INFRASTRUCTURE

SDG 11

SUSTAINABLE CITIES AND COMMUNITIES

Supporting achievements of Sustainable Development Goals

KBI leads the way in measurement of impact on the UN SDGs through company revenue

Global Resource Solutions

	2 Zero Hunger	3 Good Health and Well-Being	6 Clean Water and Sanitation	7 Affordable and Clean Energy	9 Industry, Innovation and Infrastructure	11 Sustainable Cities and Communities	12 Responsible Consumption and Production	13 Climate Action
POSITIVE	7.4%	1.1%	14.0%	10.4%	22.4%	12.0%	4.6%	5.7%
NEGATIVE		-0.8%		-4.1%		-0.4%	-1.2%	-1.1%

RASS POSITIVE: 77.6% RASS NEUTRAL: 14.8% RASS NEGATIVE: 7.7%

69.9% of the revenue of the **KBIGI Global Resource Solutions** strategy directly supports the United Nations SDGs

Global Sustainable Infrastructure

	2 Zero Hunger	3 Good Health and Well-Being	6 Clean Water and Sanitation	7 Affordable and Clean Energy	9 Industry, Innovation and Infrastructure	11 Sustainable Cities and Communities
POSITIVE	3.8%	0.0%	18.5%	11.3%	36.0%	14.6%
NEGATIVE		-2.7%		-6.0%		

RASS POSITIVE: 84.3% RASS NEUTRAL: 7.0% RASS NEGATIVE: 8.7%

75.6% of the revenue of the **KBIGI Global Sustainable Infrastructure** strategy directly supports the United Nations SDGs

Water

	2 Zero Hunger	3 Good Health and Well-Being	6 Clean Water and Sanitation	7 Affordable and Clean Energy	9 Industry, Innovation and Infrastructure	11 Sustainable Cities and Communities	12 Responsible Consumption and Production	13 Climate Action	14 Life Below Water
POSITIVE	0.3%	1.9%	41.2%	4.5%	5.0%	20.0%	3.9%	0.0%	0.1%
NEGATIVE				-1.4%		-1.1%		-0.5%	

RASS POSITIVE: 77.1% RASS NEUTRAL: 19.8% RASS NEGATIVE: 3.1%

74.0% of the revenue of the **KBIGI Water** strategy directly supports the United Nations SDGs

RASS: Revenue Aligned SDG Scores

Source: KBI Global Investors. Calculations are based on KBIGI's own methodology and are not independently verified. Based on portfolio holdings as at 31.12.2021

Global Energy Transition

	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
POSITIVE	0.1%	1.3%	0.9%	19.4%	22.9%	16.1%	0.0%	16.9%
NEGATIVE		-2.5%		-11.0%			-0.2%	-0.1%

RASS POSITIVE: 77.6%

RASS NEUTRAL: 8.6%

RASS NEGATIVE: 13.8%

63.8% of the revenue of the **KBIGI Global Energy Transition** strategy directly supports the United Nations SDGs

Circular Economy

	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
POSITIVE	1.6%	3.7%	14.8%	13.3%	33.6%	6.5%	8.9%	0.6%
NEGATIVE		-0.1%		-2.7%	-0.2%	-1.1%		-0.1%

RASS POSITIVE: 83.0%

RASS NEUTRAL: 12.8%

RASS NEGATIVE: 4.2%

78.8% of the revenue of the **KBIGI Circular Economy** strategy directly supports the United Nations SDGs

RASS: Revenue Aligned SDG Scores

Source: KBI Global Investors. Calculations are based on KBIGI's own methodology and are not independently verified.
Based on portfolio holdings as at 31.12.2021

It should be remembered that our equity strategies invest in companies providing solutions to the global shortages of clean water, energy, food and sustainable infrastructure. So it is not a surprise to us that these portfolios have a high level of impact, particularly in the areas of energy and climate change, water and food/hunger.

While the results are not a surprise to us or, we expect, to the investors in these strategies, they are important in that rather than having an anecdotal sense that investments in these strategies contribute to the achievement of the SDGs, we have been able to ***quantify*** this in a replicable and transparent methodology.

Annual Review process:

The first part of the annual review begins with discussions between the Responsible Investing (RI) Committee and the Portfolio Managers around the business activities of companies held in the portfolio. The Portfolio Managers present the full list of business activities carried out by investee companies, and their proposals for how each business activity will be categorised, i.e. which SDG, if any, the activity is aligned with, and whether the activity contributes positively or negatively to that SDG.

The vast majority of activities are straightforward to classify (e.g. healthcare is clearly positive, coal-powered electricity generation is clearly negative), but there is a need for debate, challenge and judgement in some cases.

In addition, 'new' business activities (those that were not present in the portfolio in previous years) will receive particular consideration - this year, there were eleven new business activities added for the Global Energy Transition strategy, mostly due to the addition of new companies to the portfolio, no new business activities for the Water strategy, two new business activities for the Agribusiness strategy, eleven business activities specific to Sustainable Infrastructure, and the business activities of the recently launched Circular Economy strategy were also reviewed.

2022 debates:

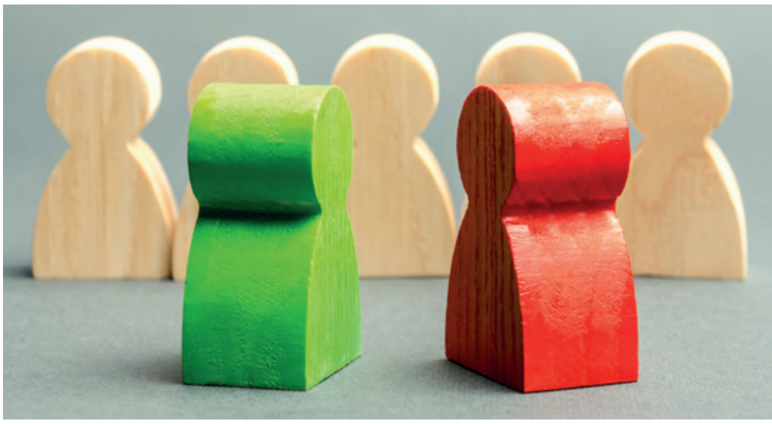
This year, the RI Committee focused on business activities related to nuclear and natural gas. The European Commission has proposed that these activities be added to the Sustainable Taxonomy, under strict conditions, as it believes that both are important for the energy transition. Our Responsible Investing Committee debated this issue, and concluded that we will deem natural gas and nuclear power to be negatively aligned with the SDGs due to the high carbon intensity of natural gas and the safety concerns around nuclear and its lack of commercial viability when true costs are taken into consideration. The issue will be kept under review.

One of the companies in the Water strategy has a gas heater business. The committee decided that this business activity should be classified as neutral until alternative forms of (non-fossil-fuel) heating are available and viable as an alternative. The committee also discussed "Water rights" activities and reclassified these activities as positive, because the revenues are from a company that acts for communities and municipalities.

In the Global Energy Transition strategy, we discussed the controversies around certain metals needed for the energy transition such as batteries and electric cars. We again debated the mining of lithium, which is used in the production of electric vehicles. The committee decided to continue to split this activity into both positive and negative contributors. There is a positive contribution as there is no alternative to lithium, and despite its drawbacks, there is a net benefit to society and to the environment. A negative contribution is also attributed as mining is damaging to the environment regardless of the method used.

Similarly, we discussed the negative impact of mining rare earth minerals. It is a very carbon intensive activity, where many mines are illegal, and all but two mines in the world are based in the emerging markets where regulation is lax. The committee also noted concerns about waste disposal and labour conditions. At the same time, rare earth minerals are used for battery storage and electric vehicles, and therefore the committee decided to take a similar approach to that applied to lithium mining, but to use a higher negative factor. The committee also requested the Portfolio Managers to do further analysis on the negative impacts of rare earth mining.

The committee also discussed biomass generation. Last year, the committee decided to treat wood pellet production as neutral and its burning as negative. However, this year the committee agreed to change biomass generation to a negative contributor, until/unless the company in question implements carbon capture and storage.



The RI Committee also discussed offshore wind and the recycling of wind turbine blades and its potential impact on marine life. The committee agreed that its negative impact is captured within our investment process and is the subject of engagement. The committee also noted that the companies that we are invested in are also aware of the issues around wind turbine recycling and marine life impact, and are actively working on such issues.

In the Agribusiness strategy, sustainable food production was a new business activity, and the committee noted that in time there will be more companies with revenues in this business activity. The negative element of fertilisers was previously allocated to SDG 7 (Affordable and Clean Energy), and the committee decided to change this attribution to SDG 12 (responsible consumption and production), as its production is the largest negative aspect of fertiliser. The strategy still does not invest in protein producers and processors, therefore there is no climate impact from meat and dairy production. We will continue to monitor biodiversity issues and any actions that investors can take to advance this issue.

In the recently-launched Circular Economy strategy, the committee discussed landfill at length. Landfill is clearly a very poor option for waste disposal, but it is better than the alternative which is to leave waste in non-managed sites. The committee agreed to split this category and treat landfill managed with gas collection as positive, while landfill in non-managed sites is treated as negative. The committee also discussed the aftermarket of auto parts, and agreed that parts that are recycled will be treated as positive, while generic parts (such as a distribution business) will be treated as neutral.

In the Sustainable Infrastructure strategy, the business activities were generally straightforward to classify and there were no controversial activities to discuss.

The Difficulties of Measuring Impact

***Measuring* Impact is often exceptionally difficult.**

It is, for example, clear that a company improving food safety is generating a beneficial social impact - preventing death and illness - but how material is that impact relative to the size of an investment in that firm and/or to the size of the total investment portfolio? This is an issue that has been exercising investors' minds for some time.

Some companies (an increasing number) do try to report on their own Impact. This is a welcome trend and investors and stakeholders of all kinds should encourage this development.

However, many companies still do not even attempt to report on the Impact of their operation, and for the companies that do report, it has been nigh impossible to compare the results with those reported by other firms. It is very rare to find any two companies measuring their Impact in the same way.

Data suppliers have recognised this gap and are beginning to provide investors (and asset owners) with reports on the extent to which investment portfolios are aligned with the SDGs. But to date, this has not been fully satisfactory. Data does not seem to be available at the right level of granularity (particularly for smaller companies), and in our opinion this kind of work faces considerable challenges if not carried out by portfolio managers or analysts who know 'their' companies extremely well.

Background to developing the Revenue Alignment SDG Scores (RASS)

In 2017, we reached the conclusion that in the absence of any agreed or common approach to Impact reporting, or Impact measurement, we would measure it ourselves, for our Natural Resources equity strategies.

We quickly reached two conclusions.

The first was that there clearly is no single correct methodology for measuring Impact. No matter what method we or any other investor chooses to measure Impact, it can be challenged on the grounds that it may have flaws and imperfections.

But we decided not to let this deter us. Reporting Impact is much too important to wait several years, perhaps, for an agreed industry methodology and databank to emerge. If we can come up with a methodology that we can stand over (while recognising that it may not be perfect, and may certainly evolve over time), we can make a valuable contribution to the Responsible Investing cause.

Our second conclusion was that a company-specific approach would not be sufficient for this project. A single company may be engaged in many different types of business activity. One business line of a company might be contributing to the achievement of a particular SDG, another might have no positive impact at all on any SDG, another might also contribute positively, but to a different SDG, while still another might actually be detrimental to the achievement of the SDGs. It would be quite wrong to in some way aggregate or average out these effects and then decide in some arbitrary fashion that the company as a whole was contributing to a particular SDG.

Instead we opted to examine each particular business line (business activity) of each company in our portfolio. We determined the amount of revenue accruing to each activity, and then assessed the extent to which each activity contributed, or not, to the achievement of each SDG.

The Analysis

The first part of the analysis - determining the quantity of revenue for each business activity of each company in the portfolio - was a significant piece of work. This involved identifying close to 200 different business activities and the revenues accruing to each.

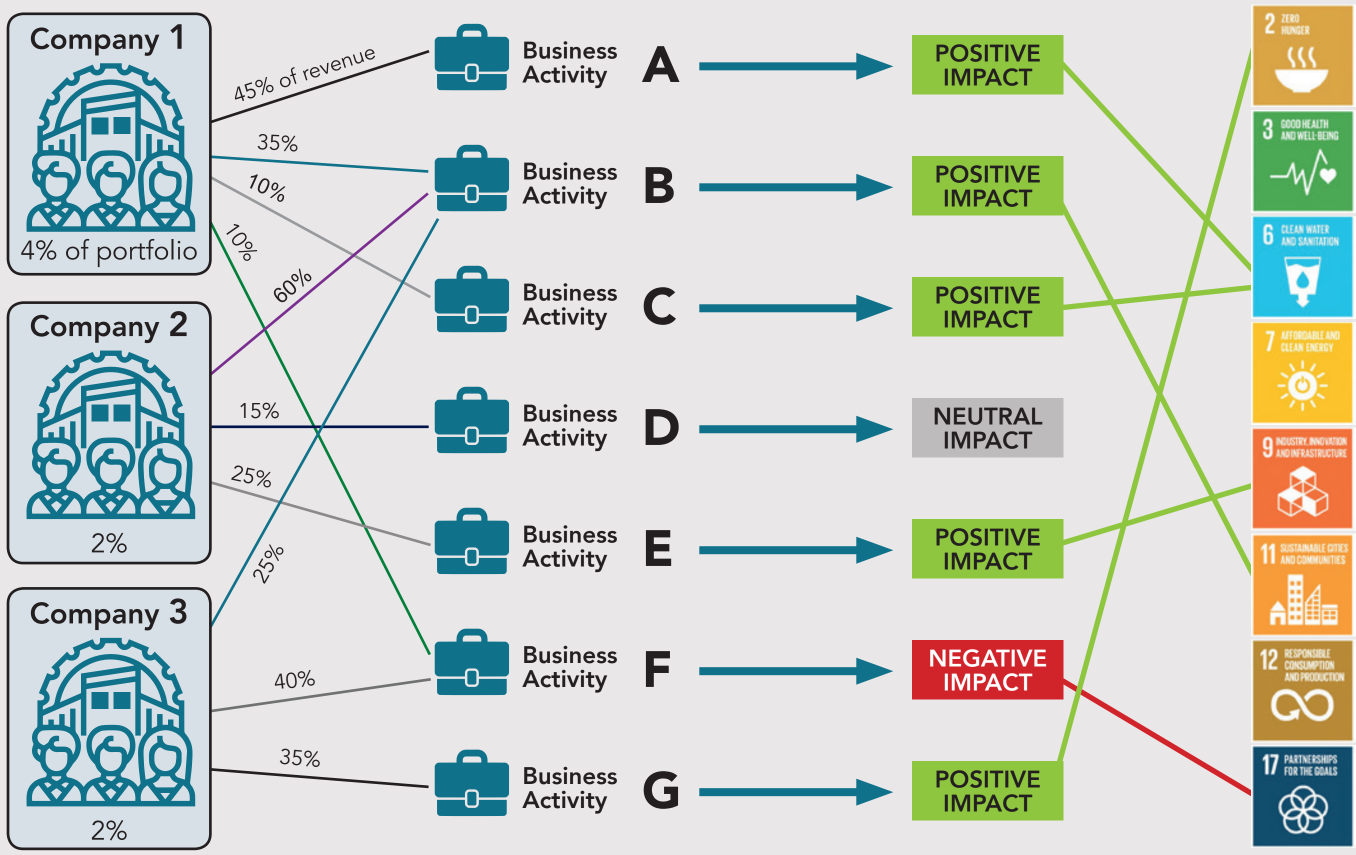
This was relatively straightforward for a small number of companies with only one business line. But for the considerable majority of companies, there were quite a number of different business activities (up to 10 in some cases), and so the work required a very detailed knowledge of the companies in which we invest. This was work that in our view could only be carried out by our portfolio management team, who alone have the required level of detailed knowledge that is required to do this type of extremely detailed analysis.

The second part of the analysis was to determine (for each of the almost 200 different types of activity) whether the activity was helping to achieve the SDGs, was neutral to the achievement of the SDGs, or was detrimental to their achievement. Also, where there was a positive or negative impact, it was necessary to allocate that impact to a particular SDG.

The graphic below indicates the process followed:

1 Breakdown each portfolio company into its core businesses (i.e. Business Activities)

2 Assign each Business Activity to an Impact Rating & Alignment with an SDG (if any)



The KBI Global Investors Approach

One of our principal goals as an investment firm is to be first to market with value-adding investment themes of the future.

In the late 1990s, we were amongst the earliest investors to recognise the inherent source of alpha from investing in companies providing solutions to sustainability challenges related to the provision of food, energy, water and the mitigation of and adaptation to the impacts of climate change.

Having identified a compelling clear need for investment in companies providing solutions to the global shortages of clean water and energy, we began by researching and then launching strategies first in Water and Clean Energy in 2000.

Building up our team and intellectual capital in these themes, we added a sustainable impact agribusiness (food) strategy in 2008, a sustainable impact infrastructure strategy in 2017, and a circular economy strategy in 2021.

Our investment process has evolved over almost 20 years since we launched the first strategies to a higher conviction approach which we believe is the best way to capture market inefficiencies and generate alpha in these sectors.

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