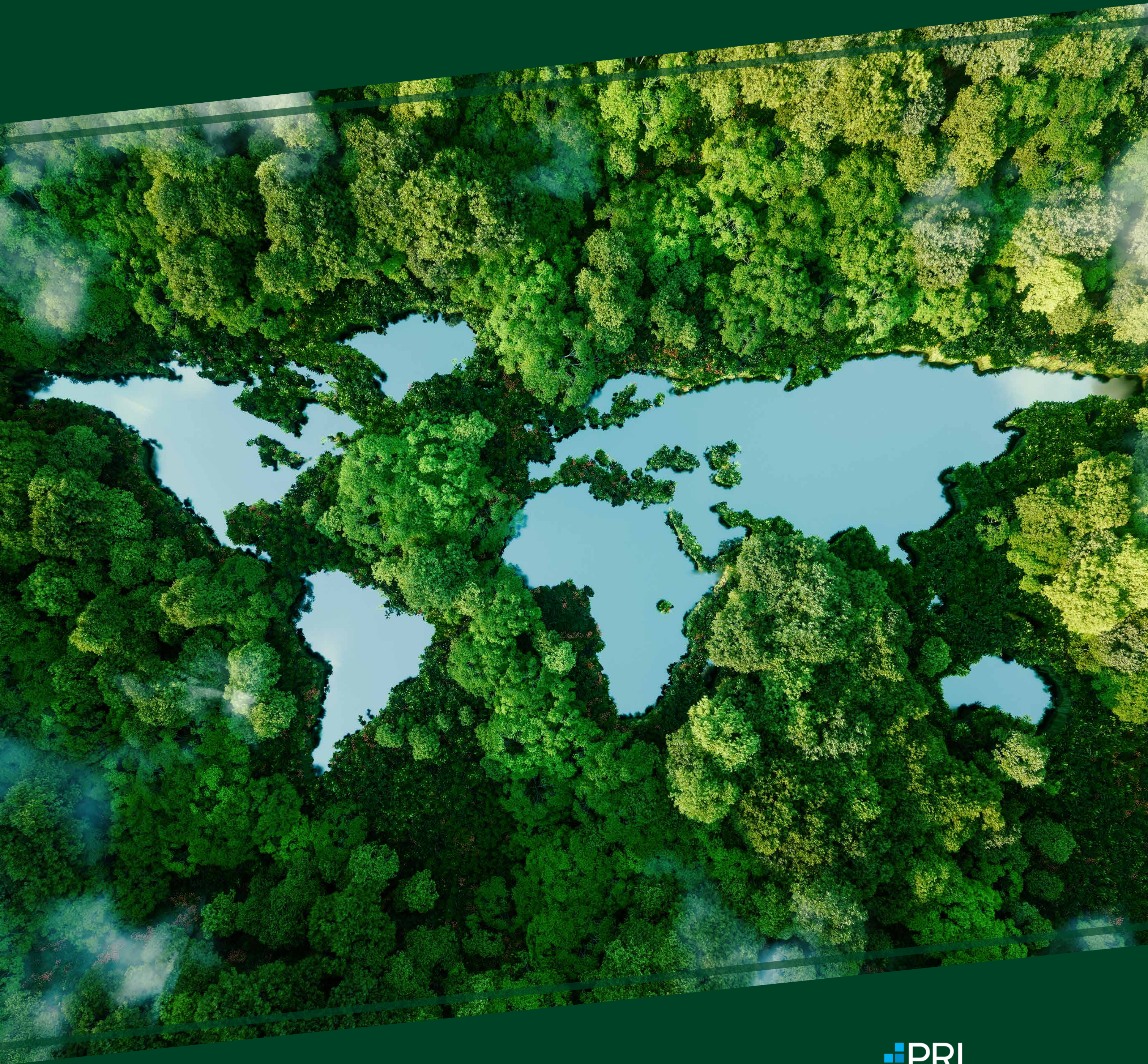
KBIGI

KBI Global Investors

Responsible Investing

2022 Annual Report



PRI

Responsible Investing
2022 Annual Report

Contents

2022 ANNUAL REPORT ON RESPONSIBLE INVESTING

Message from our CEO

Welcome to the 2022 Annual Report on Responsible Investing from KBI Global Investors.

It has certainly been a year of challenging headwinds for investors, with rising interest rates, inflation, supply chain pressures and of course, continuation of the war in Ukraine. We've also seen more evidence of the impact of climate change globally, which is increasingly a feature in risk assessment across businesses and investment portfolios.

Working with asset owners spread across North America, Asia and Europe has given us a perspective on how Responsible Investing in all its forms – from the use of ESG (environmental, social and governance) in the investment process to engagement to impact measurement – is evolving across different regions. Despite much noise, at an overall level, our experience is that we are seeing investor interest and commitment to responsible investing strengthening. There are interesting nuances – particularly if you look at divergences between the US and Europe.

In the US, the debate has become quite polarised, and to a certain extent politicised. We've seen pushback against both ESG and climate change principles from a small number of states. Proponents of this view have supported the resistance to ESG by pointing out, for example, that valuations and stock price performance of firms involved with commodities and 'traditional' fossil fuel energy raced ahead during the year. Renewables struggled to keep pace. This short-term dislocation was of course not a surprise as short-term oil prices surged and economies struggled with energy security and energy supply challenges caused largely by Europe's dependency on Russian gas. As time moved on, the longer-term focus returned to renewables as a more sustainable way to address decarbonisation, energy supply and security.

Also in the US, we had materially positive developments, most notably the passing of the Inflation Reduction Act – a game-changing piece of climate-related legislation injecting over $370bn in incentives to decarbonisation and clean energy. This is seen as a huge positive for the US economy by foundations, endowments and family offices who recognise both the challenges of climate change and the investment opportunities arising from investing in solutions providers and firms that are actively looking to reduce their carbon intensity.

In Europe, there is a broader consensus on the alignment between investment objectives and environmental considerations. However, there are challenges here also with regulators grappling with legitimate concerns about greenwashing leading to a proliferation of regulation coming through. Both asset managers and asset owners debated and ultimately decided and implemented solutions on matters such as the classification of Article 8 and Article 9 funds.

It is a fast-moving space and we are seeing greater clarification coming through from regulators as we move through 2023. This is to be welcomed. More generally, we remain mindful that overly rigid application of ESG 'rules' could create a risk of pushing investors into suboptimal investment decisions – essentially reducing the alpha opportunity.

Looking at the big picture, in terms of Responsible Investing, we are seeing a major change in market dynamics and despite a lot of 'noise' it is asset owner driven and supported by changing intergenerational priorities and a reassessment of fiduciary responsibilities. It is inevitable that there will be challenges and momentum will ebb and flow and move at different speeds across regions.

Stepping back, it's worth repeating that KBI implements Responsible Investing principles because of our strong conviction that the use of ESG factors has a positive impact on the risk and return for the portfolios we manage for our clients. Secondly, we believe that ESG goals are worthy of achievement in their own right – all of this is in the best interest of long-term investors. Ultimately, it's not about ideology – it's economics.

At KBI we've seen the evidence first hand. Despite all the headwinds, this past year has been exceptional in terms of new mandates across multiple channels and regions. This is not being driven by regulators or politicians – asset owners are clearly voting with their feet and allocating capital towards portfolios that are providing solutions to sustainability challenges.

Of course, it helps that the KBI investment strategies have delivered exceptional returns relative to benchmarks over 2022.

I'd like to thank our clients and distribution partners for their exceptional support against this challenging backdrop.

We are committed to consistently delivering excellent long-term investment returns underpinned by best-in-class responsible investing principles and practices. This report gives some insights as to the practical day-to-day activities which are fundamental to achieving this goal.

Sean Hawkshaw, Chief Executive Officer

Summary of developments during 2022

- We became a signatory to the Net Zero Asset Managers initiative in July 2021, committing to set interim targets by 2030 and to reach net zero by 2050 or sooner. Our formal targets were approved by the secretariat of the initiative in 2022, and may be found in this link https://www.netzeroassetmanagers.org/signatories/kbi-global-investors/

- We instituted a formal target to reduce greenhouse gas emissions from our own operations (as distinct from our investments which are covered by a separate commitment) by 30% per employee by 2024, relative to the base year of 2019. To enable this, we carried out an audit of our emissions and submitted our data to CDP, obtaining a "B" score from CDP.

- We continue to actively support the work of Climate Action 100+, and continue to be a member of the lead investor group to engage with four companies asking for greenhouse gas reductions in line with the Paris Agreement, integration of climate change issues into the governance structure of the company, and high-quality reporting on climate issues, in line with the reccomendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

- Our proxy voting activities support the goals of Climate Action 100+, voting against management and supporting the climate related resolutions at the annual meetings of thirty companies.

- The Responsible Investing Committee considered certain business activities which are particularly harmful to the environment or society and decided that where more than five percent of a company's revenues comes from one or more of these activities, the company is not eligible for inclusion in the Natural Resources universe. In 2022, we revised the threshold for companies which derive revenues from thermal coal-based power generation and/or the mining of thermal coal and its sale to external parties to 20%.

- Our Head of Responsible Investing, Eoin Fahy, chaired CDP Network Ireland, which is coordinating efforts by Irish institutional investors to encourage Irish companies to submit data to CDP.

- We conducted climate change scenario testing on all of our strategies, using the Paris Aligned Capital Transition Assessment tool provided by the RMI and the PRI.

- Further detailed requirements of The European Union Regulation on sustainability-related disclosures in the financial services sector (the SFDR) regulations came into effect in 2022. We have implemented the KBI sustainable investment definition and included the Principle Adverse Indicators as part of the Do No Significant Harm test, while automating several of our processes to implement the regulations. We fully comply with key parts of the regulations and further information may be found on our website in this link https://www.kbiglobalinvestors.com/eu-sustainable-finance-disclosures2/

- In 2022, we secured the "Greenfin" label for a Multi-Thematic mandate. The label was awarded at the end of a strict process conducted by an independent body and is a guarantee of the quality and transparency of the environmental characteristics of the fund and of its contribution to the energy and ecological transition and the fight against climate change. We also retained the French public label "ISR" for one of our Water funds. This label, first obtained in 2021, is for a period of 3 years, with a thorough annual audit conducted by an independent body. This label aims to identify investment funds with a proven socially responsible investment methodology and measurable and concrete results.

- Together with our client, Swedish national pension fund, Sjunde AP-fonden ('AP7'), we published a report on the Impact of investment in listed Water equities, highlighting our Impact measurement methodology.

- We released the 2022 update of our Revenue Aligned SDG Scores, measuring the Impact of our Natural Resource Strategies in terms of how the portfolios' revenues are aligned with achieving the United Nations Sustainable Development Goals.

- We gave comments to Institutional Shareholder Services (ISS) and MSCI ESG Research on their annual consultation on their policies. In 2022, there was particular focus on climate and diversity.

- We continued our programme of formal Responsible Investing training for staff using the courses of the PRI Academy. More than half of all staff (and almost all investment and client-facing staff) have completed at least one PRI Academy training course. 10% of staff have completed the CFA Certificate in ESG Investing.

- We also rolled out a Biodiversity training programme to all staff provided by Vyra, an Irish environmental sustainability education platform. We conducted staff training on the European Union Sustainable Finance Disclosure Regulations, EU Taxonomy, and SFDR disclosure requirements and reporting.

- As part of our climate action programme to reduce the impact of our firm's carbon footprint, we offset our travel-related carbon emissions via the 'Panama Reforestation Project' in the Chiriquí, Veraguas, and Darien Provinces in Panama. The reforestation and forest conservation stretches over 7k acres and mitigates the impacts of climate change, restore rainforest habitats and enriches the local biodiversity, and also creates local full time job creation, and reverses the trend of rural-to-urban migration. The project is classed with the Climate, Community and Biodiversity Standard (CCBS) and the CarbonFix Standard (CarbonFix has been acquired by the Gold Standard).

COMMITMENT AND GOVERNANCE

Long-standing firm-wide commitment to Responsible Investing

KBI Global Investors has a strong commitment to Responsible Investing issues, and has managed strategies with a Responsible Investment focus for more than three decades. The firm was established in 1980 and is headquartered in Dublin, Ireland with a representative sales office in Boston in the US.

Responsible Investing at this firm began in part because of our original Irish client base, which required a faith-based approach to investing. As such, we implemented exclusions into our process as far back as the mid-1980s, in order to incorporate various 'ethical' criteria such as humanitarian and animal welfare issues for our clients. Today, our investment process has evolved from the simple exclusions utilised for our original faith-based clients to a fully integrated, decisive commitment to Responsible Investing, serving endowments, foundations, and institutional investors across the globe.

We implement Responsible Investing (RI) principles firstly because we believe that the use of environmental, social, and governance (ESG) factors has positive effects on the risk and return of investments, and secondly because the use of RI principles in managing investments can help to achieve ESG goals which are worthy of achievement and which are also in the best interests of long-term investors.

Responsible Investing can be incorporated into the investment process in three ways: exclusions involves excluding stocks that 'fail' ESG criteria; a thematic ESG approach means investing in certain industries or sectors that have strong ESG credentials; and integration is where ESG information about a company is directly built into the investment process and portfolio construction. Our two product suites - Natural Resources and Global Equities - both use exclusions and integration, while our Natural Resources strategies additionally apply a thematic approach.

RESPONSIBLE INVESTING COMMITTEE

Our Responsible Investing Committee has responsibility for all aspects of Responsible Investing, including philosophy, policies, operational issues relating to the implementation of RI factors across existing products, selection of relevant service providers, development of new RI products, Proxy Voting, Engagement, and liaison with external RI organisations and groups.

It is co-chaired by two executive directors of the firm: Chief Investment Officer, Noel O'Halloran and Head of Business Development, Geoff Blake. The Committee is made up of senior staff members, including our Head of Compliance & Risk who is also an Executive Director of the firm, our head of Responsible Investing, and various senior product specialists. While the Committee and its co-chairs have ultimate responsibility within the terms of reference, we have designated ownership for tasks within the Committee to ensure efficiency, compliance and ownership.

Specialist Team

Long-serving experienced investment

Oversees all aspects of Responsible Investing policy and implementation

Our Net Zero Commitment

In July 2021, we became a signatory to the Net Zero Asset Managers initiative, committing to set interim targets by 2030 and to reach net zero by 2050 or sooner. The Net Zero Asset Managers Initiative – a joint project of IIGCC, the PRI, CERES and others – has set out what investment managers should do to help to achieve the goals of the Paris Agreement.

But 2050 is obviously a long way off, and action needs to start immediately if that target is to be reached. The United Nations Environment Programme (UNEP) published an assessment in 2019 (the base year for this project) which calculated that the planet needed to reduce its emissions by 7.6% per annum over the period to 2030, to keep the rise in global temperatures to a trajectory that would achieve the 1.5°C Paris Agreement target.[1]

While technically the 7.6% per annum number calculated by the UN covers the period to 2030, we felt that a five-year period rather than a ten-year period would be a better timeframe for our objectives, as it is more concrete and less aspirational.

So, our current commitment is to reduce the carbon intensity of 100% of our assets under management (AUM):

- by 7.6% per annum *on average*
- over the period from end 2019 to end 2024
- encompassing Scope 1 and 2 emissions for now, but with a view to including Scope 3 emissions (both upstream and downstream) when data availability and quality has improved.

Our initial target disclosure was approved by the Net Zero Asset Managers Initiative and may be found in this link: https://www.netzeroassetmanagers.org/signatories/kbi-global-investors/

Regarding the carbon emissions of our own operations at KBI (as distinct from our investments), we carried out an audit of our emissions and have reported our data to CDP since 2021. And we have instituted a formal target to reduce Scope 1, Scope 2, and upstream Scope 3 emissions per employee by 30% in 2024, relative to the base year of 2019. In 2022, we scored a B on the CDP climate change questionnaire.

[1] https://unfccc.int/news/cut-global-emissions-by-76-percent-every-year-for-next-decade-to-meet-15degc-paris-target-un-report

UNPRI

We have been signatories to the United Nations Principles for Responsible Investment (UNPRI) since 2007.

As a signatory, we fully subscribe to the six Principles, as below. We submit a detailed Transparency Report to the UNPRI, annually, setting out our compliance with the principles and this report is publicly available via the UNPRI website.

1. We will incorporate ESG issues into investment analysis and decision making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the Principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the Principles
6. We will each report on our activities and progress towards implementing the Principles

PRI Principles for Responsible Investment

The PRI organisation carries out an annual assessment of our Responsible Investing activities, and as the table below shows, we are very proud to have achieved the **highest possible rating** in the three modules on which we are assessed in each of the last five assessments. We believe this ranks us very highly within the global equity peer group.[2]

[2] The full PRI Assessment of our firm is available to clients on request. The PRI is the world's leading proponent of responsible investment.

More details on the Principles are available at https://www.unpri.org/about-us/about-the-pri

KBI has achieved maximum possible rating from PRI

New Scoring System (2021 -)

Max. Rating - Five Stars	2021 Rating	KBI Score	Median Score
Investment and Stewardship	★★★★★	**95%**	**60%**
Active Equity - RI Incorporation	★★★★★	**95%**	**71%**
Active Equity - Voting	★★★★★	**92%**	**54%**

Old Scoring System

KBI PRI Assessment Scores	2017	2018	2019	2020
Strategy and Governance	**A+**	**A+**	**A+**	**A+**
Listed Equity - Incorporation	**A+**	**A+**	**A+**	**A+**
of which: Screening	A+	A+	A+	A+
of which: Integration	A+	A+	A+	A+
Listed Equity - Active Ownership	**A+**	**A+**	**A+**	**A+**
of which: Individual	A+	A+	A+	A+
of which: Collaborative	A+	A+	A+	A+
of which: Proxy Voting	A+	A+	A+	A+

Source: KBI Global Investors. Signatories of the PRI are assessed against a range of Responsible Investing indicators within each module. KBI Global Investors was awarded an A+ rating for all modules relevant to equity investors, i.e. Strategy and Governance, Listed Equity - Incorporation, and Listed Equity - Active Ownership. The reports in this link are based on the old Reporting Framework (2014 to 2020) https://www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports, reports from the new Framework (2021 onwards) are available to access in the PRI dataportal https://ctp.unpri.org/dataportalv2 The methodology of assessment is detailed at this link: https://www.unpri.org/reporting-and-assessment-resources/about-pri-assessment/3066.article. The full Assessment Report is available to clients on request.

Equality, Diversity and Inclusion

Our Equality, Diversity and Inclusion (EDI) Committee, a sub-committee of the firm's Executive Committee (ExCo), develops and embeds the equality, diversity and inclusion framework within the firm.

The goal of the EDI Committee is to drive an inclusive culture with frequent staff engagement to ensure that all voices are heard, and to advance diversity in the workplace through implementing a thoughtful recruitment process to encourage a diverse range of candidates. We will also seek to understand EDI data as an organisation with a view to monitor progress and identify areas that can be improved. As investors, we also play an important role in advancing equality, diversity and inclusion efforts for all groups in society, which is why we engage with companies on diversity at board level, and this is further enhanced by our proxy voting policy.

We were awarded the Silver accreditation from the Irish Centre for Diversity in 2021 and cemented our Silver accreditation in 2022. The Investors in Diversity EDI mark offers a clear and structured framework to transform culture.

In the beginning of 2022, we conducted a staff survey, and this enabled us to establish our EDI goals as a firm. We also implemented several policies and processes over the year. We reviewed our recruitment processes and enhanced the job application procedure with an EDI lens and commenced the monitoring of workplace statistics. We also reviewed recruitment firms and expanded our recruitment platforms, and implemented staff EDI training on issues such as mental health in the workplace, neurodiversity, and unconscious bias.

We continue to be signatories of the CEO Action for Diversity & Inclusion and The Belonging Pledge as we remain committed to diversity and inclusion within the workplace, as well believe that racial equity belongs in the investment process. We also continue to be members of the Irish Association of Investment Managers EDI Committee, 100 Women in Finance, and the 30% Club in Ireland.

Investors in Diversity SILVER

ACTIVE OWNERSHIP

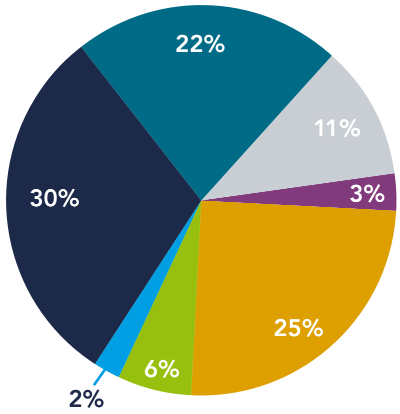
Proxy Voting [3]

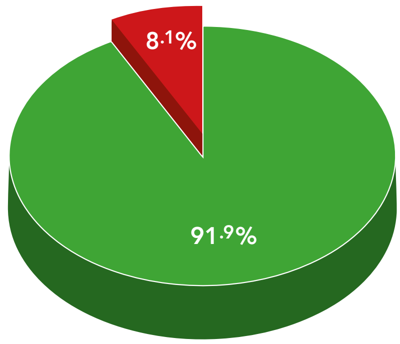
The firm has a strong commitment to active ownership, and our policy is to vote all securities that we are entitled to vote on behalf of our client portfolios. A proxy voting policy is in place, published on our website, and reviewed annually. We employ the services of Institutional Shareholder Services (ISS), the leading provider of proxy voting services, who provide voting recommendations to us based on a pre-agreed set of principles. Those principles are formulated to align our corporate governance philosophies and investment objectives with our proxy voting activities.

Vote recommendations are made using ESG risk indicators to identify moderate to severe ESG risk factors at public companies, and holding culpable board members accountable for failure to sufficiently oversee, manage, or guard against material ESG risks. Those risk indicators cover several topics, including the environment, biodiversity, human rights and impacts of business activities on local communities, labour rights and supply chain risks, consumer product safety, bribery and corruption, and governance and risk oversight failures. The guidelines are generally supportive of shareholder proposals that promote greater disclosure and transparency with regard to corporate environmental and social policies, and reporting on sustainable business practices.

We disclose our full proxy voting record on our website with details of all votes, including our voting rationale, in this link https://www.kbiglobalinvestors.com/proxy-voting/

In the 12 months to December 2022, as a firm, we voted at 908 meetings worldwide for all our strategies. We voted against management in 8% of 11,267 proposals.





Holding companies accountable through Proxy Voting

Bunge: Voted against Chair Kathleen Hyle as a signal to the board that stronger independent oversight and board management of climate and related risks at the company are necessary.

Chevron: Voted against Chair and CEO Michael Wirth, Lead Director Ronald Sugar, and Public Policy and Sustainability Committee Chair Enrique (Rick) Hernandez Jr. as a signal to the board that stronger independent oversight and board management of climate risks at the company are necessary. Voted in favour (against management recommendations) of all six shareholder resolutions, and the climate-related resolutions include:

- Adopt medium and long-term GHG emission reductions targets
- Issue audited net zero scenario analysis report
- Oversee and report on reliability of methane emissions disclosures

Rio Tinto: Voted against a management resolution to 'approve climate action plan' due to the apparent gaps in the company's climate reporting and lack of Science Based Targets setting. While Rio Tinto has provided admirable disclosure on its Scope 1 and 2 targets, there is an absence of quantifiable Scope 3 targets at this time.

NextEra Energy: We voted against Board Chair and Lead Director as a signal to the board that the company needs stronger independent oversight and board management of climate-related risks. We also supported two shareholder proposals against management recommendations, supporting measures to disclose a board diversity and qualifications matrix and to report on effectiveness of diversity, equity and inclusion efforts and metrics.

[3] Conflict of Interest: Please note that, in line with the firm's regulatory requirements, the firm has identified potential conflicts of interest related to Responsible Investing and ESG and these potential conflicts have been specifically highlighted in the firm's Conflicts of Interest Policy and Conflicts of Interest Log. To mitigate any actual or potential conflicts that could arise, the firm will evaluate all the circumstances involved and implement appropriate preventative measures, including where necessary making relevant disclosures to its clients. The potential for conflicts to arise will be kept under constant review by the firm's management and Compliance team. Further information is available upon request.

We also supported the shareholder proposals shown below, and voted against management on 29% of all shareholder proposals. Shareholder proposals are initiatives put forward by shareholders, usually requesting management to take action on particular issues.

Climate change related:

Goldman Sachs,
Kinder Morgan,
Bunge,
Chevron,
Devon Energy,
Anglo American,
TotalEnergies SE,
UPS,
Comcast,
Bank of Nova Scotia,
CIBC,
Toronto-Dominion,
M&G,
Rio Tinto,
Sumitomo Mitsui Financial Group,
CRH,
Sims Limited,
BHP Group,
Microsoft Corporation,
Westpac Banking Corp,
Archer-Daniels-Midland,
NextEra Energy,
Pennon Group

Employment diversity, equity and inclusion report/gender/ethnic pay gap:

Intel,
Comcast,
Citigroup,
Maximus,
Badger Meter,
Chevron,
Cigna,
UPS,
American Water Works,
NextEra Energy

Report on sustainable packaging:

Tyson Foods,
General Mills

Lobbying payments and political contributions:

Merck & Co,
Gilead Sciences,
UPS

Require independent board chairman:

Dow,
Citigroup,
IBM,
Goldman Sachs,
Bristol Myers Squibb,
Gilead Sciences,
Cummins,
AT&T,
Merck,
The Interpublic Group of Companies

Health and access to medicine/Covid-19 products:

Merck & Co,
Pfizer

Report on pesticide use in the company's supply chain:

Archer-Daniels-Midland

Lack of gender/racial diversity

We voted against one or more board members of the following companies due to a lack of gender/racial diversity on the board:

The Sage Group,
Watkin Jones Plc,
TechnologyOne,
Paragon Banking Group,
Enghouse Systems,
Cheil Worldwide,
Altech,
SKF,
Wuhu Shunrong Sanqi Interactive Entertainment,
Fullcast Holdings,
Coca-Cola FEMSA SAB de CV,
Canon Marketing Japan,
Henkel AG,
Rio Tinto,
The Necessity Retail REIT,
M.D.C. Holdings,
Great-West Lifeco,
Kingboard Laminates Holdings,
Plenus,
Coca-Cola Europacific Partners,
China Merchants Port Holdings,
BIM Birlesik Magazalar,
Greek Organisation of Football Prognostics SA,
Beijing Enterprises Holdings,
Zhongsheng Group Holdings,
Coca-Cola HBC,
Innolux,
QinetiQ,
Tama Home,
Power Grid Corporation of India,
Games Workshop Group,
Redde Northgate,
China Everbright Bank Company,
Kainos Group,
Bapcor,
Insurance Australia Group,
Kelsian Group,
JB Hi-Fi,
Phibro Animal Health,
Redrow,
Shopping Centres Australasia Property Group,
Nick Scali,
Premier Investments,
Bellway,
Gladstone Land Corp,
International Public Partnerships Limited,
The Renewables Infrastructure Group Limited,
Farmers Edge,
China Datang Corp Renewable Power,
GCP Infrastructure Investments,
Tetra Tech,
Adecoagro,
Alfa Laval,
VH Global Sustainable Energy Opportunities,
The Weir Group,
Companhia de Saneamento de Minas Gerais,
Greencoat Renewables,
SIIC Environment Holdings,
HomeServe Plc.

KBIGI votes on Management Proposals

Source: KBI Global Investors and ISS for the year 2022

KBIGI votes on Shareholder Proposals

Source: KBI Global Investors and ISS for the year 2022

Engagement

There are many reasons for commencing engagement, including but not limited to concerns regarding board structure and governance, excessive or inappropriately structured executive compensation, management's intention or ability to deliver shareholder expectations, disclosure of environmental information, and breaches of best practice with regard to stakeholder management.

However, while any of these factors may lead to commencement of engagement, we have decided to prioritise climate and diversity.

For **Climate**, we prioritise engagement with companies that do not meet the minimum expectations of reporting carbon emissions to CDP and reporting on climate-related financial disclosures using the TCFD framework. Furthermore, we expect large cap companies in carbon-intensive sectors to have a formal net zero target and we prioritise engagement with those who do not.

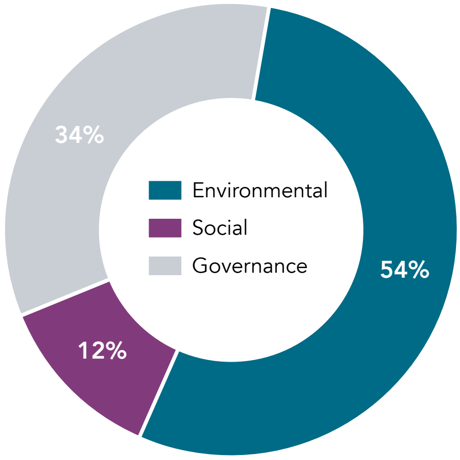
On **Diversity**, we prioritise diversity at board and senior management level.

Our engagement priorities are supported by our voting policy, where we have a particular focus on board accountability in terms of climate and on diversity at board and senior management level.

We participate in collaborative engagements based on materiality and strategic priorities set by our Responsible Investing Committee. As a specialist boutique asset manager with focused resources, we endeavour to leverage relationships to engage in collective engagement when appropriate.

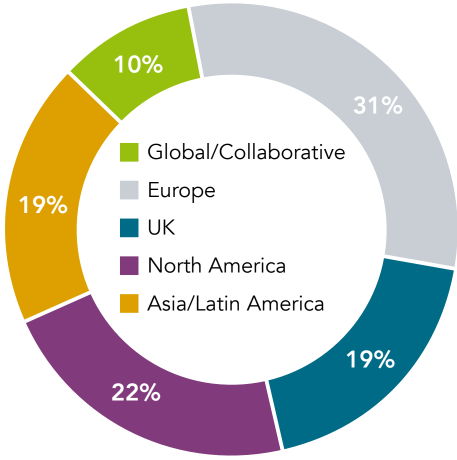
During 2022, we directly engaged with 33 companies, and were involved with the leading investor groups for collaborative engagement with 20 companies, and on six issues, as well as with a much larger number of companies as part of group collaborative engagements where we were not among the leading investor group.

2022 Engagement: Direct and Collaborative



Source: KBI Global Investors

2022 Engagement: Regional Breakdown



Source: KBI Global Investors

We also participate in, or are signatories to, or are formal supporters of several other responsible investment organisations and initiatives.

UN PRI Advance initiative for human rights and social issues

BASIC-Boston (BASIC) Building a Sustainable Investment Community

CDP (Carbon Disclosure Project)

CERES Investor Network on Climate Risk and Sustainability

Climate Action 100+

Institutional Investors Group on Climate Change (IIGCC)

Net Zero Asset Managers Initiative

Sustainable Finance Ireland

The Taskforce on Climate-related Financial Disclosures (TCFD)

Engagement Case Studies:

Environment:

RWE: In June 2021, we engaged with RWE on a number of issues including an acceleration of its exit from coal power, and asking it to set near-term emission target reductions. In Oct 2022, the company announced a signification acceleration of its planned exit from coal.

- It agreed with federal and state governments in Germany to exit its coal business by 2030, eight years ahead of its previous target.
- The agreement provides for a pathway to reduce their emissions in line with a 1.5 degrees pathway.
- The company is committed to a 'just transition' to exit operations in a socially responsible way.
- However, in the short term, RWE is to provide 2.1GW lignite generation capacity to increase energy security during the energy crisis.
- That means that the lifetime of 1.2GW of generation that was due to go offline at the end of 2022 was extended until March 2024.
- And 900MW of capacity has been re-activated from reserves, for temporary operations until March 2024.

Bunge: We engaged with the company on its 2030 targets, to reduce Scope 1 and 2 emissions by 25% and Scope 3 emissions by 12%. We also discussed the severe controversy in relation to biodiversity and land use. The company is confident of becoming 100% deforestation-free by its 2025 deadline, noting that its direct purchases are already at 99%+. Bunge is also working with sustainable partners and is giving its resellers its own satellite technology that it uses to verify and authenticate its direct purchases as being deforestation-free. It is also buying minority shares in its resellers in order to have a position on the board of the reseller, as a means of further progressing its aim of becoming deforestation-free.

United Utilities: We engaged with the company on its climate-related disclosures and asked it to improve details on how its 2050 net zero targets will be met. The company has not disclosed clear short-, medium- and long-term targets to substantiate its net zero target and it is for this reason that we had voted against the management resolution to 'approve climate-related financial disclosures' at its AGM in July.

Social:

Aalberts: We engaged with the company's head of sustainability and head of investor relations on the European Sustainable Finance Disclosure Regulation Principal Adverse Impact indicators. We discussed its carbon reduction initiatives and whether they are Paris Agreement aligned, and also its Scope 3 targets, UN Global Compact compliance, and workplace accident prevention policies. The company subsequently updated its policy for workplace accident prevention.

Governance:

The Berkeley Group: We engaged with this UK company on board composition and diversity in 2021. We also informed the company that we voted against the head of the nomination committee at its 2021 AGM as its board did not have at least 33% female representation. In February 2022, the committee appointed an additional female director to its board. It now has a total of five women on the board, a 33% female representation.

Andritz: We have concerns about the board structure at Andritz. We asked the board about the decline of female representation on its board, which declined to 11%. We asked the company to address its board composition.

Collaborative Engagement :

Our collaborative engagement efforts during 2022 were largely, though not exclusively, focused on climate change issues. We also became formal endorsers of the PRI initiative "Advance", a new stewardship initiative for human rights and social issues.

We are proud to endorse Advance

PRI Principles for Responsible Investment

advance

A stewardship initiative for human rights and social issues

Audit and Audit committee engagement:

In 2020, we joined a collaborative group engaging with auditors and audit committees to ask if they have included climate change risk in financial statements. We encourage auditors to make sure that audited accounts and annual reports contain enough disclosures on climate issues to allow shareholders to make an informed judgement on the risks and opportunities facing the company. In November 2021, we sent a round of (public) letters to the big auditors in the UK. In January 2022, we signed letters to the big auditors in France.

In November 2022, we sent another round of letters to the big auditors in the UK reminding them of our expectations as investors that auditors provide net zero aligned audits and associated disclosures, and that investors will be holding audit firms accountable at the 2022 AGMs (auditor reappointment).

Audit Committee Chairs of carbon-intensive companies:

As part of our collaborative engagement with auditors and audit committees, we wrote to the Audit Committee Chair at the carbon-intensive companies, and copied other members of the company's audit committee as well as the lead audit partner.

Our letters:

- reiterated our expectations that the directors consider material climate risks in their financial statements and make the disclosures we set out in our investor expectation document sent last year,
- highlighted key areas of ongoing concern based on Carbon Tracker's recent analysis of their latest financial statements, and
- underlined that the board should expect increasing votes against the audit committees reappointment and auditor where these expectations continue not to be met.

Companies include: Anglo American, BASF, BHP, BMW, CRH, Daimler, Enel, Eon, Iberdrola, OMV, Repsol, Rio Tinto, Saint-Gobain, TotalEnergies SE, Volkswagen (via Porsche)

Rio Tinto:

In December 2022, we wrote to Rio Tinto to seek more detailed disclosures in Rio Tinto's forthcoming financial statements on how climate change and global decarbonisation are being captured in critical accounting assumptions and judgments.

AIGCC, CDP, Ceres, IGCC, IIGCC, PRI and UNEP FI:

We signed the 2022 Global Investor Statement to Governments on the Climate Crisis. The statement has been prepared jointly by the founding partners of The Investor Agenda: AIGCC, CDP, Ceres, IGCC, IIGCC, PRI and UNEP FI and will be launched mid-year 2022.

THE INVESTOR AGENDA
ACCELERATING ACTION FOR A NET-ZERO EMISSIONS ECONOMY

Water:

We signed an investor letter to governments, ahead of the March 2023 United Nations Water Conference, summarising the key policy asks that we wish to see agreed at the conference.

Sector Engagement:

The chemicals sector has been largely untouched by shareholder engagement, as most investors focus on the energy and transport sectors. Subsequent to our lead engagement effort on LyondellBasell, we joined the ShareAction collaborative engagement effort with the European chemicals sector. We asked the companies about emissions targets which include Scope 3 emissions, and also its decarbonisation strategy for feedstock and energy consumption, including moving away from inadequate solutions. We met with eight of the companies, and four of these companies subsequently set Scope 3 emissions reduction targets in 2022, and a few of the companies invested in pilot electrification projects.

ShareAction»

Collaborative Engagement as part of Climate Action 100+

Global Investors Driving Business Transition

enel

As part of Climate Action 100+, we are part of the lead investor group engaging with this large Italian manufacturer and distributor of electricity and gas. We asked the company to divest from coal and to give the market a firm timeline for this. In November 2019, the company updated its 2020-22 strategic plan, and announced that it will be accelerating its planned investment in renewables and its phase out of coal generation, committing to reduce production by 74% in 2022 (vs 2018). We have had several interactions with the company, including an interesting discussion in particular on the political implications of closing its coal-fired power plants. We supported the slate of board candidates filed by Climate Action 100+ shareholders at the Enel AGM, who were appointed to the board in June 2020. On a call with the company in September 2020, Enel committed to a Scope 1 emissions cut of 70% per kWh by 2023 relative to 2017, with a cap of 125g/kWh, and full decarbonisation by 2050. It also committed to cut Scope 3 emissions by 16% to 2030, and it is compliant with the Science Based Targets Initiative standards but only to keeping global temperature increase to "well below two degrees", not with "maximum rise of 1.5 degrees" which is best practice. Enel made several climate-related announcements at its Capital Markets Day in 2021, including bringing its net-zero emissions commitment across all scopes forward by ten years, to 2040. **Enel became the first and only company to meet all the indicator criteria in the third assessment of the Climate Action 100+ Net Zero Company Benchmark in October 2022.**

CNOOC

We joined the lead investor group of Climate Action 100+ to engage with this Chinese oil company. Members of the group have met and spoken with the CNOOC President, CFO, and the Deputy Manager in the Office for the Board of Directors and Investor Relations. The company's sustainability report 2019 included more reporting on climate risks in its operations. In August and November 2020, the lead investor group discussed TCFD-related disclosures which are important to investors with the company. The company was drafting its own five-year plan and strategy to meet the country's low carbon 2060 pledge. The company's plan was to announce ESG targets in 2021, which include increasing the gas production percentage in its mix (target 50% gas by 2035; now ~20%) to develop new energy business focusing on offshore wind power and to adopt new technologies and management such as onshore power and smart oil fuels. In July 2022, CNOOC launched its 'carbon peak and carbon neutrality action plan', aiming to achieve carbon peaking in 2028 and carbon neutrality in 2050. By 2050, the share of clean energy will account for more than 50% of CNOOC's total supply.

lyondellbasell

We joined the lead investor engagement group of Climate Action 100+ to engage with this commodity chemicals company. We met with the Head of Investor Relations and the Head of Research & Development, Technology & Sustainability in 2019, the Head of Global Sustainability who joined the company in 2020, with the CEO Bob Patel in January 2021, and with the Chairman of the Board Jacques Aigrain in February 2022.

Over the course of these discussions, we discussed the company's climate change commitments, disclosure and reporting, and governance and risks.

In September 2021, LyondellBasell announced its commitment and pathway for net zero emissions by 2050.

In November 2021, we met with the company to discuss its new carbon reduction targets, and met with the company again in December 2021 to discuss the Climate Action 100+ Net Zero Company Benchmark assessment and also the appointment of its new CEO, as Bob Patel retired at the end of 2021.

In February 2022, we met the Chairman of the Board Jacques Aigrain to discuss the oversight of climate-related issues and the transition of its new CEO Peter Vanacker in the second half of 2022. We discussed board oversight of climate strategy, board priorities for CEO transition, the board's role in succession planning and board competencies, board oversight of climate-related lobbying activity, and assuring accountability for climate strategy through compensation policies.

In May 2022, we met with the company to discuss its performance on the Climate Action 100+ Net Zero Company Benchmark score for March 2022, the company's sustainability report, and Scope 3 emissions. We discussed our expectations, continued poor performance on the Benchmark and expected actions. We discussed the impact of the shuttering of the company's oil refining activities and the methodology around Scope 3 emissions for the chemicals sector.

In October 2022, we met with the company to discuss its performance on the third iteration of the Climate Action 100+ Net Zero Company Benchmark 2022. We asked about the company's plan to submit its net zero targets to the Science Based Targets Initiative, and discussed standards for the chemicals sector and the company's Scope 3 emissions with its sale of its refining business in the US. We also had an extensive discussion on the company's trade association memberships, its climate lobbying position and internal governance.

In December 2022, the company set a Scope 3 target for the first time, which was the primary focus of our engagement over the past year. The target is for a 30% reduction in Scope 3 emissions from 2020 to 2030. The company also increased its 2030 ambitions for Scope 1 and 2 emissions, increasing the target from 30% to 42%, representing a major step for the company, which in the previous year increased this target from 15% to 30%.

Weyerhaeuser

As part of Climate Action 100+, we are part of the lead investor group engaging with this US forest/paper company. We participated in a meeting with the company in December 2019 with group IR and Head of Sustainability. The company had released its new sustainability plan, which was approved by the company's board in H1 2020, and subsequently we discussed the company's new sustainability plan and its efforts on carbon, as a large owner of land, forest, and wood products. We also asked the company to consider divesting its oil and gas properties given that it generates less than 1% of revenues. In September 2021, Weyerhaeuser set a science-based GHG reduction target aligned with the pathway to net zero. We met with the company to discuss its carbon record and targets submitted to the Science Based Targets Initiative. In November 2022, the Climate Action 100+ group met with the company and discussed its land use matters, including oil and gas contracts, and its position on climate-related lobbying.

EXCLUSIONS

As a house policy, we do not invest in any companies which are involved with the production or sale of anti-personnel mines and cluster bombs, or of chemical, biological and depleted uranium weapons, and we also exclude any company which violates, repeatedly and seriously, one or more of the ten principles of the Global Compact. In 2022, we added nuclear weapons and unconventional oil and gas (shale oil, shale gas and oil sands) to our house policy.

As at the end of December 2022, we screened out a total of 969 companies in all portfolios. The breakdown is as follows:

Controversial weapons: 142 companies
Nuclear weapons: 8 companies
Global Compact: 35 companies
Coal: 566 companies
Unconventional oil and gas: 54 companies
Tobacco: 80 companies
Russian/Belarus: 84 companies

Our Integris Global, Eurozone and Emerging Market Equity strategy also exclude companies that have material connections to certain controversial industries, e.g. fossil fuels, gambling and civilian firearms. These portfolios also exclude companies that score the worst overall ESG score ('CCC') as calculated by an independent external ESG research company, MSCI ESG Research. At the end of December 2022, there were 501 additional companies excluded from the investible universe of these portfolios as a result of this ESG exclusion policy.

Our Natural Resource strategies invest in companies providing solutions to sustainability challenges related to the provision of food, energy, and water, and the mitigation and adaptation to the impacts of climate change. The strategies exclude companies that have material connections to certain controversial industries, such as fracking, private prisons, civilian firearms, conventional and nuclear weapons, and a more restrictive revenue threshold for coal extraction and power generation than that of our house exclusion. At the end of December 2022, there were an additional 221 listed companies that did not meet the criteria of our proprietary investment universe of our Natural Resource strategies.

It is our policy to facilitate clients who wish to exclude investment in certain companies or sectors, on a separate account basis, using either lists of securities supplied by the client or using negative screens based on MSCI ESG Research inputs.

DISCLAIMERS:

Name of Firm:	KBI Global Investors	KBI Global Investors (North America) Ltd
Office Location:	**Headquarters** 3rd Floor, 2 Harbourmaster Place, IFSC, Dublin 1, D01 X5P3, Ireland	**US Representative Sales Office** One Boston Place, 36th Floor, 201 Washington Street, Boston, MA 02108, USA
Contact:	Tel: (+353) 1 438 4400 Email: info@kbigi.com	Tel: +1 (617) 621 7141 Email: info@kbigi.com
Website:	www.kbiglobalinvestors.com	