Ninety One

Investing for a world of change

4Factor Emerging Markets Equity

Sustainability Integration Report

for the quarter ended 31 December 2023

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Ninety One’s approach to sustainability

Our purpose is to invest for a better tomorrow. In June 2023, we published our Sustainability & Stewardship Report detailing Ninety One’s work – on behalf of our clients and all of our stakeholders – towards a more sustainable future, including with respect to our investments, advocacy and corporate footprint.

As stewards of our clients’ capital, achieving long-term investment excellence is our primary goal. We are committed to being active and responsible investors. We at Ninety One are focused on having real-world impact through our sustainability efforts.

Sustainability is not the preserve of the sustainability team. Rather, it is implemented across the business by every relevant team. Our investment beliefs are aligned with our core external advocacy positions and the way we run our business.

Sustainability framework

Our sustainability framework helps us stay accountable and endeavour to get better. Ninety One’s sustainability framework has three core pillars:

Invest: Sustainability analysis is integrated into all of our investment strategies. We also offer dedicated sustainable investment strategies.

Advocate: We seek to lead the conversation on sustainable investing. A major focus of our work is to advocate for a transition that includes emerging markets and results in real-world carbon reduction.

Inhabit: We believe change starts at home. We run our business responsibly and act sustainably.

These pillars are underpinned by six core principles that guide our approach as illustrated below:

Invest

1 Endeavour to identify, understand and integrate material sustainability risks and opportunities within the investment process.

2 Fulfil stewardship and fiduciary duties to stakeholders, including exercising ownership rights responsibly.

3 Develop investment solutions that focus on addressing sustainability challenges and the energy transition

Advocate

4 Play our part in accelerating the transition to a more sustainable future by contributing to the global policy agenda and development of industry standards.

Inhabit

5 Look to act sustainably and aim to run our business responsibly.

Invest | Advocate | Inhabit

6 Disclose how we discharge our sustainability responsibilities through publicly available policies and reporting.

Our approach to sustainability within our investments is governed by our ‘Sustainability policy’ and our ‘Stewardship policy and proxy voting guidelines’. Over the past year, we reviewed and updated our policy documents to reflect developments in industry standards and to align with our sustainability framework.

All our mainstream investment strategies seek high-quality integration of sustainability into their investment processes. By this, we mean understanding sustainability risks well and pricing them appropriately. At Ninety One, each of our investment teams’ approach to integrating sustainability has been tailored to their respective investment processes.

More details on Ninety One’s sustainability initiatives can be found under the sustainability section of the Ninety One website.

Net zero strategy

Ninety One is a signatory to the Net Zero Asset Managers Initiative (NZAMI), working with investor networks, companies and our clients to support the goal of net zero emissions by 2050 or sooner. When we joined NZAMI in June 2021, we made two commitments:

1 **Our approach to cutting emissions will support real-world decarbonisation.**

2 **We will work for a fair transition that includes emerging markets.**

Ninety One has set a target that by 2030, 50% of financed emissions across all corporate holdings are invested in companies with science-based targets. We provide an update on our firm-level progress in our Sustainability & Stewardship Report published in June 2023.

At a firm-level, to work towards these targets we focus our engagement efforts on the heaviest emitters. Our aim is to ensure these companies develop credible transition plans. Over this past year, a major focus of our sustainability work has involved creating a Transition Plan Assessment ("TPA") framework so that our teams can better understand the transition risk and potential of their investments. The TPA framework is also a powerful means of driving progress towards Ninety One's own net-zero targets. Outside of transition, we are building frameworks to assess diversity, equity and inclusion, and biodiversity.

In this report, if a portfolio holding is part of one of these firm-wide coordinated engagements on transition plans, we will include the latest steps we have taken over the quarter in the engagement section. As a firm, we have prioritised coordinated engagements on the higher emitters across all portfolios Ninety One manages for its clients.

Our 4Factor approach to integration

The Ninety One 4Factor approach seeks high quality, attractively valued companies with improving operating performance that are receiving increasing investor attention. Our belief is that with intensive fundamental research, finding and investing in companies that exhibit these characteristics leads to outperformance. Part of this framework is the inclusion of sustainability analysis as we believe that when financial, social and natural capital work together, a company can be better placed to deliver attractive long-term returns.

Our approach to sustainability within the 4Factor team has been one of constant evolution with particular emphasis over the last few years on better integration of sustainability opportunities and risks within our investment analysis and decision making. As we move forward, we look to ensure externalities have been appropriately discounted within valuations. We are increasingly convinced that global markets will continue to internalise and price these externalities which will present considerable opportunities for active investors.

Significant progress has been made over the last five years to broaden the integration of sustainability risks in our fundamental analysis of companies where we have explicitly disaggregated our analysis by E, S and G. To identify areas of concern or potential sustainability risks, we have developed sector frameworks as a good launching point to challenge our analysis. A more detailed analysis of these multifaceted ESG issues now forms a key part of our fundamental assessment for investing in a company.

Engagement is an important part of our investment process which incorporates sustainability opportunities and risks. The nature of our engagements continues to evolve to include a more holistic understanding of – and influence over – the impact our companies have on the environment and society. We believe that engaging with companies allows for better understanding of their real sustainability performance and contributes to improvement of their ESG practices. We believe this leads to better investment returns for shareholders.

Key portfolio sustainability risks and opportunities

In this section, we report on key themes that form important sustainability risks and opportunities within your portfolio. Quarter-on-quarter, these themes will often be consistent. In this report, we have updated the sustainability risks in the mining sector. When applicable, we will reference companies that are CCC-rated by MSCI or have received a red controversary flag to explain our analysis of the company's progress on sustainability initiatives. We include the actions we are taking to understand and engage with these themes. Where additional context can be provided, we reference the subsequent sections of this report that provide a snapshot of the portfolio's ESG and emissions profile.

CCC MSCI ratings [no material updates this quarter]

Hindustan Aeronautics

Hindustan Aeronautics (HAL) is an Indian state-owned aerospace and defence company. It is primarily engaged in the operations of designing, developing, manufacturing, repairing, and maintaining aircraft, helicopters, and their related components. HAL is a strong beneficiary of the Indian government's decision to redirect its large defence equipment budget from imports to domestic production, at a time when it has to invest heavily to replace its existing obsolescent military helicopter and aircraft fleet. This is a US$54bn opportunity for HAL over the next decade, which could result in US$100bn of revenues in the decades following from servicing the new fleet. HAL is the preeminent Indian military aerospace company and is well-placed to gain the lion's share of the potential opportunity. Management is experienced, and the balance sheet and accounting are extremely conservative, making HAL's investment case a compelling one for our portfolio.

After the newly issued MSCI rating of HAL (CCC), we reviewed our fundamental investment thesis and believe the rating change does not reflect the full picture, thus our conviction in the position remaining intact.
Hindustan Aeronautics is a government-controlled company with a minority of independents on the board. Ordinarily, this would be an obvious negative; however, HAL is reliant on the Government of India for virtually all its business, so this close relationship is clearly central to its business prospects.

Being a defence contractor, HAL is not the most communicative of companies; however, its state-ownership provides a significant advantage for a minority shareholder, as listed state-owned companies are independently audited but then also face a second review from government auditors as well, so increasing safeguards here. Thus, while ethics and corruption policies are not fully disclosed (a major negative for MSCI), we do have "double verification" of the accounts and business. HAL is less likely to engage in unethical behaviour to win government contracts. As a government-owned entity, HAL is well-positioned to compete for government contracts without resorting to unethical behaviour. MSCI also has concerns over several aircraft and helicopter crashes; however, we would argue this is not unusual in the defence aerospace business globally.

In the past, India has been closely aligned with Russia for its defence needs. However, there is now a growing desire to reduce this reliance on Russia and to develop more home-grown defence capabilities. This is due to several factors, including the increasing cost of Russian arms, the desire to have more control over its own defence technology, and the need to reduce the import bill. Most importantly, we would argue Indian defence is simply a matter of protecting itself from external threats; it has not used its armed forces in an offensive context since independence. Therefore, we believe a strong, home-grown Indian defence industry is a contributor to global stability, not a potential contributor to instability.

In addition, there are several positive developments that are underway that could benefit HAL. For example, in Q2 of 2023, the Indian Prime Minister, Narendra Modi, visited the United States. One of the deals that came out of this visit was an agreement between General Electric (GE) and HAL to form a joint venture to manufacture military jet engines in India. This is a significant development, as it will allow India to gain access to GE's advanced technology and expertise.

Overall, we believe that HAL is an appropriate investment for our portfolio. It is a well-established company with a strong track record, and it is well-positioned to benefit from the growing demand for home-grown defence capabilities in India.

Multiplan Empreendimentos

Multiplan Empreendimentos is a Brazil-based company primarily engaged in the real estate sector. MSCI flags concerns regarding the board, which lacks an independent majority, as well as poor disclosure with regards to executive pay and the ownership structure. We fundamentally disagree with MSCI and believe minorities' interests are well protected here.

The ownership structure (below) is of most importance; c.26% is owned by founder and CEO, Jose Isaac Peres, while 27% is held by controlling shareholders Ontario Teachers' Pension Plan (OTPP). We would argue that the relationship between the Peres family and OTPP reflects quite well on how the company is managed – some further details below: A 30-year Shareholders' Agreement was signed between the controlling shareholders (the Peres family and OTPP) in July 2007. OTPP saw Brazil as a place with large investment opportunities (potentially reminiscent of Canada 50 years ago: a country with growth opportunities). The Canadian mall market was saturated while they were looking for a market that was not. There are no other links between the Peres family and OTPP otherwise. Relationships between the two parties are strong and stable, with both actively taking part in board meetings and annual general shareholders' meetings.

The Shareholders' Agreement has clauses establishing that Multiplan Participações will nominate most of the board members, while OTPP will nominate the remaining members without the need for them to be independent members. OTPP owns 100% of preferred shares, which have the same voting rights as common shares except election and dismissal of board of directors. Preferred shares were issued due to restrictions in Canadian law that limited the amount of common stock OTPP could own. These can be converted into common stock at a 1:1 ratio at OTPP's request. A partial conversion was made in 2009, and no further solicitations since.

Multiplan appears to lack a strategic emphasis capitalising on green building investments, and this could potentially be an area for discussion, but otherwise this is a highly focused and well-managed business, in our view. The entrenchment of one of the pre-eminent global investing institutions in the capital structure – OTPP – is a major positive in our view in terms of protecting minority shareholder rights.

High contributors to portfolio emissions

The following companies are included as they are in the highest contributors to Scope 1 and 2 emissions within the portfolio:

China Longyuan Power Group [no material updates this quarter]

The company designs, develops, and operates over 300 wind farms across 32 provinces in China. It also provides thermal power (2 coal-fired plants), solar power (8 PV plants), tidal power, biomass power, and geothermal power services. Our investment thesis on holding this name remains unchanged from the previous quarter.

Longyuan's coal activities seem out of place in a predominantly 'green' company; however, they are essentially legacy activities that have not been a focus of investment for a decade. The company has pledged divestment of all coal assets within three years, and we expect an injection of as much as 20 gigawatts of renewable assets from its parent company over the medium term. Positively, almost 100% of all new capital employed is being invested in wind and solar power. Such investment is imperative if China is to meet its new target of carbon neutrality by 2060. Clearly, Longyuan is playing a major role at the forefront of reducing China's carbon emissions.

We recently met with the company, which reiterated that its plans to divest coal assets and add to its renewable assets were very much in place and that the company has begun working on obtaining the necessary regulatory and supervisory approvals to bring this to fruition.

LG Corp

LG Corp. is a Korea-based holding company mainly engaged in the provision of information technology (IT) services. While it is a high emitter in the portfolio, LG is making great efforts to reduce greenhouse gas emissions by setting goals and strategies. It is currently in the process of establishing the group's carbon neutral roadmap and confirming each affiliate's reduction plan, setting standards for securing objectivity to support the execution of carbon neutral activities. The company intends to present reduction targets for 2030 and 2050 compared to 2018 (base year) based on the National Carbon Neutrality Framework Act for the evaluation of goal achievement.

As one of the largest battery makers in the world, the subsidiary LG Energy Solutions is at the forefront of developing innovative battery technologies that are essential for the transition to a low-carbon economy. For instance, LGES was the first to join RE100 and EV100 in the global battery industry and committed to using 100% renewable energy and converting 100% of owned and leased vehicles to EVs by 2030. Additionally, the company has set ambitious sustainability goals, including the reduction of GHG emissions from all global business sites, thereby achieving carbon neutrality in 2040 and carbon negative by 2050.

By investing in LG, we are not only supporting a company with strong growth potential but also one that is an enabler of zero emissions for its industry.

TSMC [no material updates this quarter]

TSMC is one of the world's largest semiconductor manufacturers, being the source of over 95% of the world's leading-edge logic capacity. The company occupies a critical position in the supply chain while being an enabler of decarbonisation for its customers due to the energy efficiencies that the operation of those semiconductors provides (e.g., electric vehicles, industrial efficiency, digital interaction). At the same time, though, it is a large absolute emitter given the high carbon footprint from the manufacturing of those chips. In 2022, TSMC's greenhouse gas emissions were equivalent to 19 million tons of CO_2.

The company is one of our strategic engagements. TSMC has committed to net zero for all scopes by 2050, supported by short-, medium-, and long-term targets. The company has also committed to setting science-based targets, but as its plan does not assume a linear reduction in emissions, it is not considered SBTi-aligned. We continue to engage with the company on its climate transition strategy, with a focus on achieving its medium-term targets (peak emissions in 2025 and falling thereafter), SBTi alignment, and discussions around the broader geographic and government energy policy challenges that the company faces.

Our most recent engagement with the company was during the third quarter of 2023, where we focused on the timing of SBTi alignment as well as renewable energy commitments. The company reiterated that an SBTi target will not be set before 2025 (due to the requirement for linear reductions in emissions). In relation to its RE100 (100% renewable energy) commitment by 2040, TSMC also stated that any acceleration in plans is contingent on its work with the Taiwan government, Taipower, and renewable energy suppliers to increase overall supply in Taiwan.

Ternium [no material updates this quarter]

Ternium is a market-leading Latin American steel manufacturing company and is a high emitter in its portfolio. The company's steel production process generates significant amounts of CO2 emissions. However, Ternium has several initiatives in place to reduce its carbon footprint. These initiatives include investing in new technologies to improve energy efficiency, using recycled steel, and carbon capture and storage.

Ternium announced on 20 June 2023, that it will build a new steel slab mill in Pesquería, Nuevo León, Mexico. The plant will be integrated into the company's existing downstream facility in Pesquería and is expected to begin operations in the first half of 2026. The facility will include an electric arc furnace, advancing the company's decarbonisation plans.

Management has committed to its first emissions targets, to reduce carbon intensity by 20% by 2030, and the new facility will be an important steppingstone to meeting this target. New facilities will also include some optionality around carbon capture and hydrogen. Ternium is also investing US$160 million in a 72 MW Argentine windfarm, which will supply 65% of the company's Argentine electricity use.

From a governance standpoint, the company now has two female directors, compared to zero five years ago.

In terms of social issues, safety performance remains a focus. ESG risks here remain controversial, but we believe this is better than the consensus view and is improving.

With room for improvement in ESG, the company's commitment to emissions reduction presents a promising sustainability opportunity. Overall, the company is well positioned to benefit from the growth of the global steel market and is making progress on improving its current challenges around sustainability. We are pleased to see the company commit significant capital to de-carbonising its activities.

PetroChina [no material updates this quarter]

PetroChina is a major player in the global oil and gas industry. The company has operations in over 30 countries and regions, and its products are sold in over 100 countries. PetroChina is also a major investor in the renewable energy sector. However, the share price has continued to lag earnings revisions, and it trades on 0.7x price-to-book and 5x price-to-earnings, low valuations relative to its own history and oil and gas peers.

Given the nature of the business, a key sustainability consideration for PetroChina is carbon emissions. The company faces energy transition risks but has committed to reducing the potential impact on the environment and biodiversity during production and operation by committing to carbon emissions peaking by 2025, green energy exceeding self-consumed fossil energy by 2035, and near-zero emissions by 2050. PetroChina also stated its intention to rebalance its product mix to 1/3 each between oil, gas, and new energy by 2035, which will require investments in wind, solar, geothermal, and hydrogen. It seems most likely that most of these investments will occur after 2025, but we are satisfied with recent progress in this space.

Transitioning traditional industries

Prio SA

The case for owning Prio (formerly Petro Rio) rests on its track record as a highly efficient asset operator (highest operational efficiency rate in Brazil). As the largest independent oil company in Brazil, it avoids the pitfalls of state-owned enterprises such as Petrobras. Additionally, its lack of downstream exposure makes Prio a relatively pure play on oil prices.

While MSCI ratings paint Prio as an average sustainability performer, a closer look reveals a company actively moving in the right direction. Issuing its first Sustainability Report in 2023 and engaging with CDP shows genuine progress, especially when compared to Petrobras' weaker governance within a Brazilian context.

Alignment with net zero is challenging for oil companies. Prio recognises the challenge of growing global demand for energy while shifting to low-carbon energy. Prio takes the view that a low-carbon world is not a zero-hydrocarbon world. Its focus from an environmental perspective is lowering carbon intensity in terms of CO2 equivalent per barrel of oil produced, with the goal of lowering intensity by 35% by 2026. This can be achieved via existing technologies such as tiebacks between fields, which increase productivity.

However, its efficient operations and CDP debut, coupled with Prio's desire to join SBTi once it becomes available to the oil & gas sector, make them a prime candidate for positive engagement. Ultimately, better disclosure, already underway, could significantly improve its sustainability perception.

Notwithstanding Prio's commendable progress, it is important to note that engagement regarding a specific transition plan has not yet been pursued. This is primarily due to the company's current focus on intensity reduction efforts. However, we remain open to potential engagement with Prio contingent upon the observed progress reflected in its 2024 sustainability report.

In essence, Prio's story is one of proactive progress masked by a historical lack of transparency. With continued engagement and improved disclosure, they have the potential to become leaders in this sector in the region.

Mining for the transition

Vale [no material updates this quarter]

Vale is a stock that we held in the past but sold immediately after the Brumadinho incident back in 2019. Before considering investing again, we had a call with the company as an initial step to see if our concerns would be addressed and whether there had been sufficient improvement in ESG practices. We observed that Vale had not continued a 'business as usual' approach. Instead, we concluded it was adopting ESG as part of its core focus, with significant board focus on the issue of culture, and this is something we continue to monitor. Dam safety is a key priority for Vale, where it has continued to evidence significant risk monitoring and dam de-characterisation.

Recently, we have engaged on carbon emissions. Tackling carbon emissions in the iron ore industry is a major task, particularly when most emissions are Scope 3. That said, the company has made a net-zero commitment on Scope 1 and 2 and has put reduction targets in place for Scope 3 emissions. Initiatives include electrification, green products, and Memorandums of Understanding (MOUs) with customers to seek ways to reduce overall emissions.

We had a positive meeting with Vale over Q3, which is explained in greater detail in the 'Key Engagements' section of this report.

Sustainable mining

Zijin Mining [no material updates this quarter]

Zijin Mining is a Chinese mining company also rated 'CCC' by MSCI. The company operates in several difficult jurisdictions, such as China, the DRC, Serbia, and Eritrea. Historically, the company has grown rapidly and been highly acquisitive. It has also had historical issues related to health & safety and environmental spills. However, we have seen improvements both in Zijin's regulatory environment in China and in the company's approach to sustainability.

China still represents the core of Zijin's business, and here the quality of environmental and social regulation has improved significantly, and perhaps more importantly, the level of industry compliance with such regulations has also evolved positively. Constraints around air and water emissions are now much tighter than previously, and Zijin is operating in compliance with these higher standards.

More generally, though, the company has begun to recognise the importance of achieving higher social and environmental standards if it wants to grow to become an industry leader in the mining sector. Its most recent ESG report features much improved disclosures, in line with the Global Reporting Initiative (GRI) standards for sustainable reporting, particularly on such aspects as air pollutants, water consumption, and safety. The 'Strategic Committee' at board level now has a much broader remit as the 'Strategic and Sustainable Development (ESG) Committee', evidencing a greater focus on ESG. The recently announced acquisition of a lithium mine is also a welcome initial move into activities that might help mitigate the risks of climate change.

We have engaged with Zijin and Barrick Gold due to the problematic history in PNG at the Porgera gold mine (50% owned by Zijin through its stake in Barrick Niugini, operated by Barrick). Zijin's acquisition of the Porgera mine placed it in the line of responsibility for historical problems associated with illegal mining and human rights abuses at the mine. We met with the Barrick CEO in November 2021. The original reason for Barrick/Zijin to be put on a controversy flag list was due to human rights violations in PNG because of disproportionate responses by mine security personnel to protests at the mines (over workers' rights), which turned violent. The situation at Porgera has significantly improved with a new CEO at Barrick, who has overseen a harmonious agreement with the PNG government at Porgera.

With this new agreement, all parties have united to continue the operations at Porgera on a more sustainable basis. We believe that MSCI is behind the curve on this controversy flag, and this outcome is a step in the right direction.

In summary, we are comfortable holding Zijin, as satisfactory progress has been made at Porgera. We derive further comfort from the company's efforts to improve ESG performance, as discussed above.

Transition enablers

OCI Holding

OCI Holdings is a South Korean chemical and renewable energy company that has completed a spin-off of its chemical and carbon chemical divisions. The new holding company, OCI Holdings, is focussed on the production of polysilicon, which is used in the production of solar panels and is an important enabling commodity for the energy transition. OCI Holdings is one of the few producers of polysilicon outside of China, which may become increasingly valuable as US and European governments seek to reduce reliance on China within their solar panel supply chains.

From an ESG standpoint, OCI Holdings has a good track record. We have found through our analysis and discussions with the company a desire to increase capital allocation to opportunities from the energy transition. OCI's good ESG profile has been recognised by its inclusion in the Dow Jones Sustainability Korea Index for 13 consecutive years and its integrated 'A' score on ESG assessments conducted by Korea Corporate Governance Service (KCGS).

Other opportunities and risks available covered in previous reports without material updates this quarter:

Corporate governance and disclosure

Fibra Uno

New Oriental Education & Technology

Novatek Microelectronics

Sustainable finance

Saudi Awwal Bank/Saudi British Bank

Key sustainability engagements

Engagements take place as an integral part of our investment process, with the investment teams initiating engagement relevant to environment, social and governance characteristics based on their investment priorities as identified through their fundamental research. Our engagements are categorised into Strategic, General and Advocacy depending on the materiality and form of the engagement.

Details of key engagements over the reporting period across the portfolio are highlighted below:

Company		**Country**	**Status**
WH Group Ltd		Hong Kong	Ongoing (new update in Q4)
Sector	Consumer Staples		
Category	Governance		
Issue	Capital Management, Corporate Strategy - Firmwide high-emitter engagement		
Purpose	The primary purpose of the engagement was to discuss the company's transition plan with two sub-components: a) disclosure and target setting b) gain an understanding of why the company has different targets for different geographies and to encourage them to drive toward universal best practice c) to raise some governance issues		
Outcome	The Hong Kong Stock Exchange will make TCFD mandatory in the next two years. The company produces Scope 1,2 and 3 disclosures for its Smithfield subsidiary already, and they are aiming for group level disclosure by the end of 2023, which is a key follow up for our next engagement. WH Group does not report to CDP, but it does view this as the gold standard. Smithfield already reports to CDP and has been working with CDP over the past two years on data granularity to help inform WH Group reporting across the entire group. WH is also aligning disclosure with TCFD requirements. In terms of ESG policies, we discussed the different approaches in place for Shuanghui Development and Smithfield Foods, who both produce packaged meat products. WH stressed the differences in cultures, economies, regulation, customers, and market behaviour between the two businesses (Shuanghui's origins are in China and Smithfield in the US). WH also pointed out that prior to its acquisition of Smithfield, it was already well-advanced on issues such as animal welfare. Universal best practice is not currently something the company is working towards and remains a key focus of engagement. It should be noted that Smithfield has a carbon negative target by 2030, and that the growing European business also falls under Smithfield's remit, so over time it will adhere to its targets. On governance, we conveyed our view on the importance of pre-emption rights, gender diversity on the board and a progressive dividend policy. The company expressed understanding of our concerns and will feed them upwards.		
Company		**Country**	**Status**
PetroChina Co. Ltd.		China	Ongoing (new update in Q4)
Sector	Energy		
Category	Environmental		
Issue	Climate Change, Waste Management - Firmwide high-emitter engagement		
Purpose	To understand progress PetroChina is making on environmental impact and disclosures.		
Outcome	We met with PetroChina to discuss their energy transition plan and other related issues. Scope 3: PetroChina is now reporting Scope 1 and 2 emissions to CDP, which is a positive outcome. In		

	terms of Scope 3 disclosure, the company is currently working out how to gather data for subsidiaries and developing systems to manage this, therefore disclosure is not likely until 2025. Update on transition plan: The Company has a target to reduce methane emissions intensity by 20% by 2030, compared to what emissions will be in 2025. It endeavours to achieve "near-zero" emissions by around 2050. In the long run, PetroChina will incorporate geothermal, wind, solar, electricity and hydrogen into its energy mix and by 2035 new energy will represent one third, increasing to 50% by 2050. It will increasingly use natural gas to replace coal which has far greater emissions intensity. The company is also looking to develop CCUS/CCS and hydrogen. PetroChina confirmed it has no new refinery construction plans. Capex: In 2022, investment in new energy was RMB7.67 billion, forecast to be RMB20bn for the next year. The company will continue to strengthen its investment in green and low-carbon, new energy, and new materials. Offsets: PetroChina is part of the China Greening Foundation's campaign, which has the goal of raising RMB100 million over a 5-year period to plant 15,000 mu of forest land. Governance: The chair is currently responsible for energy transition. If one board member could be highlighted as having responsibility for transition it would help in terms of clarity externally (for example the CA100+ assessment states that the company has not named a position at the board level with responsibility for climate change), so this needs to be better articulated. We expressed our desire to have an expert on the board, and the company agreed that for future board members this would be something to consider. We will continue to monitor the company's progress with regards to its transition plan, and also the appointment of a board member with the relevant expertise

Company	**Country**	**Status**
OCI NV	Netherlands	Ongoing (no material update in Q4)

Sector	Industrials
Category	Environmental, Governance
Issue	Climate Change
Purpose	To engage with our investee companies who have not disclosed to the CDP on Climate in 2023: Climate and environmental factors pose a risk to our business, and we depend on the likes of CDP's TCFD-aligned, standardized environmental disclosure platform to understand how companies are managing critical climate-linked issues. We use the data that has been provided through the disclosure process to understand and manage risks, to prepare for regulation, and identify performance improvements—issues which are of considerable importance to us as investors and to other key stakeholders.
Outcome	We will await the company's response and continue to engage if necessary.

Company	**Country**	**Status**
Samsung Electronics Co Ltd (Engagement 1)	South Korea	Ongoing (no material update in Q4)

Sector	Information Technology
Category	Governance
Issue	Board Structure/Composition, Capital Management - Firmwide high-emitter engagement
Purpose	Multi-year multi-faceted engagement on governance covering capital allocation and corporate governance.
Outcome	Engagement 1: Initiated in 2015, engagement 1 is a multi-year, ongoing engagement with the company, which has spanned several areas. Initial focus was on 1) Capital allocation; and 2) Corporate Governance. The engagement has yielded tangible results in the form of a) Improved capital return

<table>
<tr><td></td><td colspan="2">where company formalised a policy that saw 50% of FCF returned to shareholders, and b) Improvement in board composition in terms of board independence, gender diversity and foreign representation as well as formations of sustainability, related party, and compliance committees.

There remain challenges due to culture and family ownership (chaebol) structure. Notwithstanding the progress so far, Samsung Electronics continues to lag global peers, which as global investors is the appropriate framework.

As such we continue to engage on these elements in order to encourage that:
1) They implement a progressive capital return policy and address an overly conservative balance sheet structure; as well as

2) Increase representation of non-Korean directors on the board and continue to improve governance functions. More recently, the engagement has evolved into one encompassing their climate change strategy (Engagement 2) given the increased importance of this issue.

In February 2023, we held call with company to discuss AGM items as well as related topics with focus on governance matters, namely:
I. Discussed progress on increasing diversity on the board in relation to non-Koreans. They referred to Jeon Kim (American citizen, Korean descent) and Jun-Sung Kim (Singapore citizen, Korean Descent). Will continue to look for candidates of non-Korean descent but more importantly looking for directors that have C-suite experience in the Technology industry;

II. JY Lee, who has been reappointed as Executive Chair, following pardon, but not on board given ongoing legal cases. All his decisions need to be approved by the board; iii) the BCG compliance report for Samsung group distributed and in process of receiving feedback. N91 awaiting conclusions / recommendations.</td></tr>
<tr><td>Company</td><td>Country</td><td>Status</td></tr>
<tr><td>Samsung Electronics Co Ltd (Engagement 2)</td><td>South Korea</td><td>Ongoing (no material update in Q4)</td></tr>
<tr><td>Sector</td><td colspan="2">Information Technology</td></tr>
<tr><td>Category</td><td colspan="2">Environmental</td></tr>
<tr><td>Issue</td><td colspan="2">Climate Change - Firmwide high-emitter engagement</td></tr>
<tr><td>Purpose</td><td colspan="2">As of Q1 2022, we have two ongoing, strategic engagements with Samsung Electronics.

Engagement 2: Net Zero

1. The inclusion of interim targets for Scope 1 for the semiconductor division (this accounts for the bulk of Scope 1 and 2 emissions, so will allow for interim targets to be set for Scope 1 and 2)

2. Inclusion of Scope 3 in net-zero targets

3. Update on what progress has been made towards developing a transition plan in line with a 1.5°C aligned pathway with short-, medium- and long-term targets, in line with the South Korean government’s strategy that qualifies for an SBTi target.</td></tr>
<tr><td>Outcome</td><td colspan="2">In our first interaction with the company, it was clear that they are lacking disclosures and targets at this stage, but its 'work in progress'. Further to our engagement in February this year, we followed up with a letter to the Chairman of the Board urging the company to consider ten recommendations in relation to its climate change strategy, including committing to net zero by 2050, setting Scope 1 and 2 interim emission-reduction targets in 2022, measuring Scope 3 emissions and setting targets by 2023, along with developing a transition plan in line with a 1.5°C degree pathway with short-, medium- and long-term targets, in line with the South Korean government's strategy. We subsequently met with the</td></tr>
</table>

	company to discuss their plans further, in addition to other topics. They committed to publishing targets before year-end covering Scope 1 and 2 mid- to long-term goals, at which point we can actively engage on their transition pathway. The main challenge is the South Korean grid, which is mainly fossil-fuel powered, with the government having a monopoly on electricity generation. Once targets are published, we will engage further on their transition pathway based on the points of engagement identified in the Transition Assessment Framework, and the published plan. The company published their new Environmental Strategy in September 2022, which committed to Net Zero by 2050. However, there was insufficient detail and no mid-term target for the semiconductor division, which generates the bulk of company emissions, thus we met with the company to discuss in more detail. The company clarified that they had set interim internal Scope 1 and 2 targets for the Device Solutions (DS) Division, but they are not ready to publicly disclose. We discussed the South Korean Government's renewables policy, which has been classified by Climate Change Tracker as “Highly insufficient”, and agreed it was the key challenge. Given the outsourced nature of the semiconductor industry, which drives industry emissions towards the manufacturers, we discussed customer initiatives like Apple’s Supplier Clean Energy program and the idea of pricing at a premium, 'low carbon' chips. Samsung confirmed they are having these discussions with their Top 15 customers. Finally, we discussed Scope 3 emissions. The decision was taken to remove disclosure, based on the size of their supply chain, and the need to ensure correct inventory, where they have enlisted a consultancy. Expected to be included in the sustainably report this year, with Scope 3 targets to be included in the Net Zero commitment, with publication of the next phase of the plan at the end of this year. Following our March 2023 meeting, we sent a clarification email to obtain more detail on domestic energy usage and mix; carbon footprint of domestic vs overseas fabs; Power Purchase Agreement (PPA) procurement (given South Korea’s renewables policy progression Is lagging); RE100 membership (given domestic nuclear mix); and stakeholder engagements. Key points are that they confirmed their commitment to sourcing 100% of their electricity from renewable sources as part of their RE100 membership, albeit the high nuclear energy mix in South Korea remains a contingency. They are currently developing a procurement strategy for renewable energy, including direct PPAs with local power generation companies. Samsung continues to engage with stakeholders and drive progress on renewables policies and the semiconductor carbon transition pathway through initiatives such as the Semiconductor Climate Consortium and the Asia Clean Energy Coalition. We met with the company in August 2023, to discuss the detail behind its environmental strategy and understand the challenges involved in the company meeting our key engagement objectives. We were comforted to hear that there has been some positive progression regarding our first objective, namely they have set internal interim targets for both Scope 1 and 2 emissions reduction by 2030, and for the semiconductor (DS) division, given this division accounts for the bulk of the company’s Scope 1 and 2 emissions. They plan to update us on these interim targets by the end of Q4 2023, which they hope to be able to publish externally in 2024. Once published, we will review these interim targets and engage with the company accordingly. As part of the transition discussion, in relation to our third engagement objective, we talked about the company’s use of renewables and challenges surrounding procurement through PPAs. They highlighted that there is no change in terms of domestic energy policy, with costs remaining high for suppliers and there continuing to be issues around permits and license to operate. Samsung Electronics is part of the Asia Clean Air coalition, which is made up of offtakers and suppliers, to try and work with government on policy advocacy to address these issues. We were also comforted to hear Samsung is looking at ways to reduce the amount of process gas released in fabrication, and are moving to electrification rather than using LNG boilers. All in all, we believe the company is moving in the right direction; however, there is more that we would like to see. In particular, we hope to see the company disclose more information on the financial implications on OPEX and CAPEX, given their investment strategy to decarbonise. Their disclosure of a KRW7 trillion investment through to 2030 is a start, but as they acknowledged, this excludes the

	impact of renewables, which will be a much larger component. We appreciate the uncertainty around certain determinants, for example domestic procurement. But as plans progress, we hope to be able to see at least some ranges quantified. This will help us better understand the implications of their decarbonisation strategy, not only for shareholders, but for all stakeholders.		
Company		**Country**	**Status**
Taiwan Semiconductor Manufacturing Co. Ltd.		Taiwan	Ongoing (no material update in Q4)
Sector	Information Technology		
Category	Environmental		
Issue	Climate Change, Reporting and Disclosure		
Purpose	As one of the highest emitters of both our firm and our portfolios, we have an ongoing strategic engagement with TSMC regarding its climate strategy. Although the company has carbon targets, these are not yet SBTi aligned, and we are engaging them to understand what is required to set SBTi targets for the semiconductor manufacturing industry. Beyond SBTi, the other two areas we wrote to the company about concerned the use of renewables in achieving their decarbonisation targets, and their Capex and financial planning as it relates to their 2030 emissions reduction targets.		
Outcome	As previously discussed with the company, part of the challenge around setting SBTi targets is that SBTi requires a linear reduction of emissions for targets to be deemed to be in alignment. However, TSMC expects its emissions to grow till 2025 before beginning to decline. We were comforted to hear that when they see a realistic path for absolute carbon emission levels to reduce, as required by SBTi, they expect to set a SBTi target. We were also encouraged to hear that they expect to reach their 2030 targets through using renewables rather than new technology. They also clarified that Taiwan regulations require all renewable energy generated to be fed into Taiwan's power grid first before being distributed to users, which impedes TSMC from developing its own capacity and thus drives the company to use Renewable Energy Certificates. We have been engaging with the company's IR via email on their plans around SBTi, 2030 goals, carbon offsets, renewable energy, and their CAPEX and financial planning relating to their 2030 target. Following the publication of TSMC's latest ESG and TCFD reports, we reached out to the company in September with further questions to better understand their transition and renewable energy strategy. As a member of RE100, with a target of 100% renewable energy by 2040, and given their net-zero target by 2050, they confirmed that they continue to work with the Taiwanese government, Taipower, and renewable energy suppliers to increase renewable energy supply in Taiwan. They confirmed that if they reach a point where they are confident that more renewable energy supply will come online, they will raise their target and try to reduce emissions further, and earlier. Ultimately, they emphasised that they would continue to be very transparent to all stakeholders, and share their latest developments and targets via public disclosures. Given the criticality of semiconductors and the complexity associated with their decarbonisation, this is a topic we will continue to engage TSMC on regularly, while pushing for greater disclosure.		
Company		**Country**	**Status**
Vale		Brazil	Ongoing (no material update in Q4)
Sector	Materials		
Category	Environmental		
Issue	Climate Change - Firmwide high-emitter engagement		

Purpose	To see ongoing improvement in governance, safety, and emissions at Vale. Ongoing analysis and engagement have taken place with Vale to ensure that progress is being made on improving governance and safety at the firm. Furthermore, we have been engaging with the company on their transition plan.
Outcome	We met with Malu Paiva, Vale's sustainability Vice-President (VP) during June, to discuss Vale's progress on sustainability. We are pleased that the company is making ongoing progress across the board in terms of their ESG strategy. The company has shifted its organisational structure from siloed to cohesive, enabling a more systematic implementation of its sustainability strategy. Being one of our top emitting companies, progress on carbon reduction is crucial in determining whether we will continue to hold the stock, and thus far, we are pleased with the progress being made. There is an increased focus on Scope 3 (which is most of its emissions and the most difficult to solve) compared to a year ago. 50% of their Scope 3 emissions now fall under memorandums of understandings (MOUs) with their customers, as they together target emissions reduction. The company establishes targets which they have a clear path to achieve, rather than over-promising on net-zero goals with no roadmap to achieve such targets. Goals related to their climate agenda represent 5% of short-term remuneration and 6% of long-term compensation (out of 20% ESG-related). In September, we had a meeting regarding Vale's transition progress, detailed as follows: Scope 1 and 2: Net-zero target by 2050. Vale is making progress with electrification as part of their PowerShift programme which aims to replace fossil fuels with clean sources in its operations. The company is trialling a 100% electric truck in its mines, as well as using battery-powered locomotives and electrical equipment in underground mines in Canada. Offsets used currently for the residual. Scope 3 accounts for 98% of Vale's emissions, and is a huge challenge, hence not yet setting clearer targets and timelines as they want to be able to deliver. Currently seeking to reduce by 15% by 2035. Vale is looking into various ways to achieve this: – Their product portfolio: Higher-quality iron ore, and their green brickettes are in pilot stage and are in testing – these are 15 years in the making and can reduce the emissions of partners by 10%. – They have engaged with 50% of customers and will revert on how many have emissions reduction targets – They currently have two eco-shipping pilot programmes – About US$4-6bn capex has been allocated to Scope 1 and 2, but currently too much uncertainty for Scope 3 to set a budget immediately. A further positive is Vale focuses on the justice element of transition; the people and the impact of the company on their livelihoods, communities and wellbeing are key considerations for Vale's Sustainability Team. While there is no formal policy around Just Transition, we are pleased to see the social aspect being very much embedded in the way Vale is viewing Sustainability – a substantial change following the devastating dam collapse in 2017.

Company	**Country**	**Status**
Zijin Mining Group Co. Ltd.	China	Ongoing (no material update in Q4)

Sector	Materials

Category	Environmental, Social, Governance
Issue	Board Independence, Board Structure/Composition, Climate Change, Diversity, Labour, Pollution, Remuneration, Reporting and Disclosure, Safety, Waste Management
Purpose	To understand the commitment and existing measures in place focusing on ESG improvement by the company, and to push for improvement in environmental and labour practices. The engagement priorities are set as the following: 1. Labour management (health and safety of workers) 2. Improving environmental-related disclosure 3. Setting key pollution and social indicators
Outcome	During our initial engagement, we discussed our key concerns regarding environmental impact and labour standards in Zijin Mining's global operations. We gained insights into the company's current practices and works in progress, and discussed areas of focus and action plans. In July, we held a call with Zijin's CSR manager, Mr. Juntao Gao, to follow up on our previous discussion about the company's environmental and labour practices and disclosure, and to advocate for further improvement in these areas. Since our last meeting, we have observed notable improvements in Zijin's medium-term environmental goals and transition plans. Following our last engagement meeting in August, we have seen a notable improvement in Zijin's medium-term environmental goals and a more detailed transition plan. We discussed the measures being implemented to help the company achieve its medium-term environmental targets. We also discussed the allegations raised by NGOs in locations such as Serbia, Argentina, and Peru. We requested that the company disclose its policies and measures to ensure that its labour practices in Xinjiang do not pose any risk of violating human rights. The company provided affirmative responses and stated that it is conducting a third-party audit. We also advocated for increased female representation in Zijin's management team and board. In September 2023, we had a valuable opportunity to visit Xinjiang for four days, courtesy of an invitation from Zijin Mining to explore their copper mine in Ashele and gain insights into their operations and sustainability practices. During this visit, we did not find any evidence related to forced labour or human rights violations at the Ashele copper mine. We acknowledge the site's commendable initiatives in supporting the community, prioritizing staff safety, and implementing environmental safeguards. One suggestion we have for Zijin is to enhance supervision over contractors and outsourced staff members, in order to ensure adherence to responsible practices. Zijin also needs to have access to contractors' employment contracts to make sure there is no risk of forced labour.

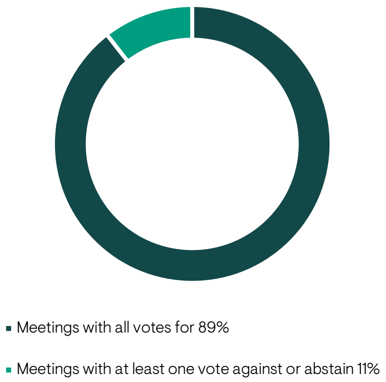
Source: Ninety One, data covering reporting period.

Proxy voting activity for the portfolio

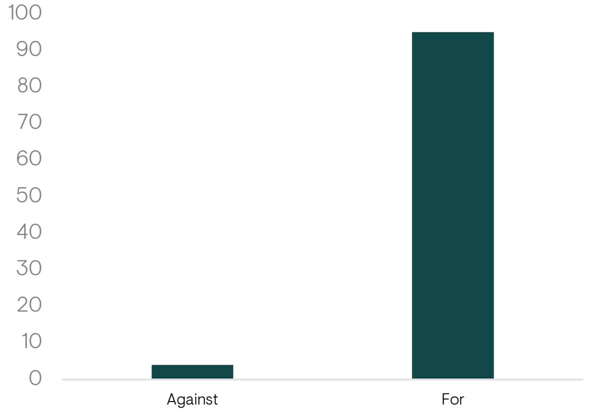
Ninety One votes at shareholder meetings throughout the world as a matter of principle. We believe that once we become investors, that is to say part-owners of a company, we assume a duty of stewardship and therefore take responsibility to support or sanction as required.

Below are the highlights of our voting activity.

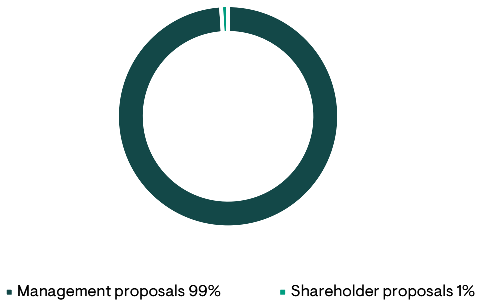
Votes Cast (%) meetings



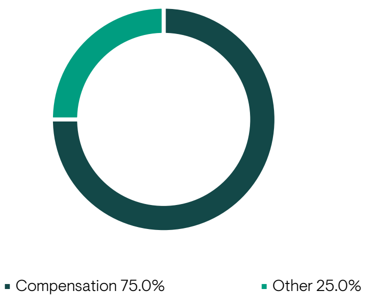
Number of Votes Cast



Votes resolutions by type (%)



Vote categories – against, abstain and withhold votes (%)



Source: Ninety One, ISS ProxyExchange, data covering reporting period.

Note: the above charts do not include ‘Do not vote’ instructions. The ‘Other’ category is a grouping of the following sub-categories in no particular order; Antitakeover Related, Preferred/Bondholder, Non-Salary Compensation, Reorganization and Mergers, Company Articles, Strategic Transactions, Miscellaneous and ESG.

Portfolio climate risk analysis

To address climate risk in portfolios, we aim to use the available climate-related information to make more informed decisions. We would note that understanding the exposure of investments to climate risk is a developing area. Data is not uniformly available across asset classes, disclosure is poor in many markets, scenario modelling is complex and involves numerous assumptions, and differing methodologies may be used to translate disclosed climate information into investment metrics. We use climate-change information provided by MSCI and CDP, as well as company disclosures and our own analysis. In addition, Ninety One has integrated carbon data with portfolio management tools, allowing investment teams to quickly identify big emitters, companies influencing portfolio emissions, and the quality of carbon data. This includes modelled data to fill gaps where companies do not report.

We encourage our investment teams to look beyond the emissions data and consider transition plans which include consideration for explicit targets over multiple timeframes, resilience of business strategy and overall governance including their climate risk policy.

While our current analysis focuses primarily on climate risks, several of our investment strategies incorporate proprietary screens to identify climate related opportunities where investment mandates intentionally target carbon reduction or impact as an investment objective. Not all securities are currently assessable.

The analysis below is based on all assessable securities held directly within the portfolio as at the end of the quarter as estimated using the methodology described above. For the purposes of this analysis, where only a percentage of the portfolio is covered as at 31 December 2023, the assessable securities have been reweighted to 100%. This only affects the carbon intensity measure. Therefore, the carbon intensity reflects only the emissions of companies where we have data and may not be reflective of the emissions of the entire portfolio. This quarter we've changed the Carbon Footprint measure to align with observed changes in the industry. Using the Partnership for Carbon Accounting Financials (PCAF) guidance, we now use Enterprise Value including Cash (EVIC) to determine the allocation of emissions. In previous quarters we used Market Capitalisation and therefore in this quarter the Carbon Footprint may appear smaller.

Carbon Intensity and Footprint

	Scope 1+2		Scope 1+2+3	
	Portfolio	Benchmark	Portfolio	Benchmark
Weighted Average Carbon Intensity [t CO2e / mUSD revenue]	148	361	1041	1354
Carbon Footprint [t CO2e / mUSD invested]	71	146	497	677

Source: MSCI carbon data, data as at 31 December 2023

Scope 1 & 2 emissions provide a good proxy for how efficiently a company is managing the carbon emissions directly under its control. Data for Scopes 1 & 2 has decent coverage and is relatively consistent quarter on quarter reflecting portfolio and benchmark changes. However, for many sectors, like oil & gas or automotive companies, Scope 3 accounts for the bulk of emissions. This includes the carbon emissions in both the company's supply chain and those generated by the company's products as they are used. Therefore, we also provide Scope 3 data, when this accounts for the most significant portion of a company's emissions. We would caution that the quality of Scope 3 data is less advanced, it is not reported by all companies and where it is, it may not be calculated on a consistent basis. We use estimates based on sector averages where it is not available or incomplete and are regularly refining the modelling underpinning Ninety One's climate-risk tool to improve accuracy. This leads to greater variability in the Scope 1, 2 & 3 columns for both the portfolio and benchmark. This means that it is difficult to compare Scope 3 emissions quarter-to-quarter. However, as we aim to have an impact on real world emissions, we believe that engagement priorities can only be set including Scope 3 emissions.

Largest contributors to portfolio weighted average carbon intensity (scope 1 & 2 only)

This shows the 5 largest contributors to the portfolios weighted average carbon intensity, measured by weighting the tons of operational (scope 1 and 2) emissions required to generate one million US dollars of sales.

Company	% Weight in Portfolio	Contribution to Portfolio Carbon Intensity*
Taiwan Semiconductor Manufacturing Co Ltd	9.3	16.9
LG Corp	1.0	14.7
Ternium SA	1.1	12.9
China Longyuan Power Group Corp Ltd	0.7	12.8
Reliance Industries Ltd	1.4	10.4

*Represents absolute contribution. Source: Ninety One, MSCI ESG Research, data as at 31 December 2023

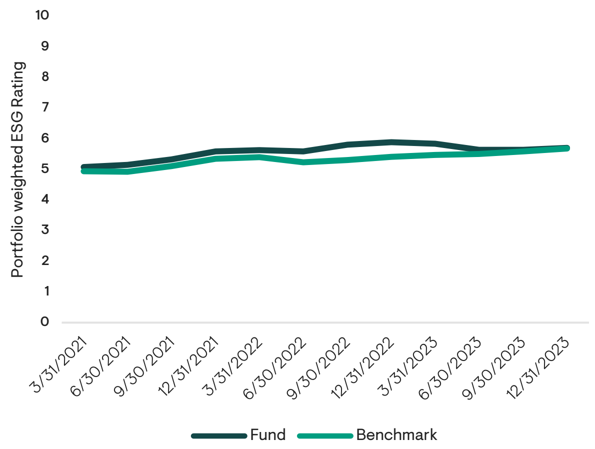
MSCI portfolio characteristics

It should be noted that whilst we use the external assessment provided by MSCI as a basis to inform and prioritise fundamental research, these ratings are not used to make investment decisions. The ESG Score ranges from 10 (best) to 0 (worst).

Portfolio ESG Score	Benchmark Score	Red/CCC
5.7	5.7	5

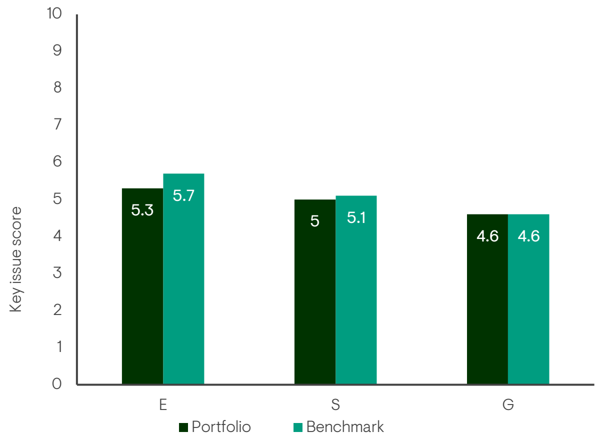
ESG rating trend

(portfolio weighted ESG scores)



ESG pillar scores

(portfolio weighted ESG scores)



Source: MSCI ESG, data as at 31 December 2023
Benchmark: MSCI EM (Emerging Markets)

The MSCI ratings provide an overall ESG rating for a company by weighting the scores for the key issue areas assessed by MSCI within each ESG pillar (environment, social and governance). The weighted company score is then normalised according to the relevant company industry. Each company's final industry-adjusted score then corresponds to a rating between best (AAA) and worst (CCC).

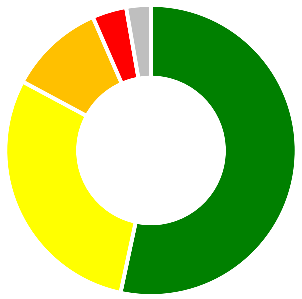
The ratings are not absolute and are deliberately intended to be relative to the standards and performance of a company's industry peers.

MSCI ESG rating distribution

(% Equities in portfolio)

MSCI controversy flag distribution

(% Equities in portfolio)



Source: MSCI ESG, data as at 31 December 2023,
Benchmark: MSCI EM (Emerging Markets).
Please note that these portfolio weights exclude cash

Emerging Markets Equity Sustainability Integration Report

Top 5 holdings by MSCI Rating

Company	% Weight	ESG Score	MSCI Rating	MSCI E Score	MSCI S Score	MSCI G Score	Controversy Flag
Taiwan Semiconductor Manufacturing Co Ltd	9.3	10	AAA	5.9	7.9	7.1	Green
Naspers Ltd	1.6	8.57	AA	10.0	7.5	4.4	Green
FirstRand Ltd	1.0	8.5	AA	10.0	5.8	7.1	Yellow
Samsung Electronics Co Ltd	5.7	8.3	AA	6.4	6.0	4.2	Orange
Sanlam Ltd	0.9	8.3	AA	6.6	5.4	7.0	Yellow

Bottom 5 holdings by MSCI Rating

Company	% Weight	ESG Score	MSCI Rating	MSCI E Score	MSCI S Score	MSCI G Score	Controversy Flag
Hindustan Aeronautics Ltd	1.5	0.0	CCC	2.1	1.9	0.8	Yellow
Multiplan Empreendimentos Imobiliarios SA	0.9	1.2	CCC	4.0	5.7	3.5	Green
Zijin Mining Group Co Ltd	0.8	1.6	B	3.3	2.4	4.8	Red
PDD Holdings Inc	1.9	1.7	B	6.6	2.9	4.2	Yellow
Kweichow Moutai Co Ltd	0.8	2.0	B	4.0	3.0	3.7	Green

Red/CCC Holdings

Company	% Weight	MSCI Rating	Controversy Flag
Zijin Mining Group Co Ltd	0.8	B	Red
Hindustan Aeronautics Ltd	1.5	CCC	Yellow
PetroChina Co Ltd	1.2	B	Red
Vale SA	1.8	B	Red
Multiplan Empreendimentos Imobiliarios SA	0.9	CCC	Green

Source: MSCI ESG, data as at 31 December 2023

Please refer to section 3: sustainability risks and opportunities for details of our analysis related to these holdings.

Glossary

Advocacy: Subject to the interests of our clients, Ninety One may help support or become involved in professional, national and international initiatives that offer opportunities and/or reduce systemic risk to our client funds.

Carbon intensity: This measures the carbon emissions of a given entity per US$ million of products or services sold (revenue). At the portfolio or index level, the figure takes the weighted average carbon intensity of each assessable security in the portfolio/index to determine an overall carbon intensity.

Carbon footprint: This figure is derived by taking the sum of the 'financed emissions' based on the percentage held of each assessable security's enterprise value. This is normalised by dividing by the total amount of dollars invested in the securities to give a comparable footprint.

Carbon 'scope': Scope 1 & 2 emissions are a proxy for how efficiently a company is managing its carbon emissions; the upstream part of Scope 3 provides an indicator of the carbon emissions in a company's supply chain; and the downstream part of Scope 3 is representative of the carbon emissions of a company's products as they are used during their life-cycle.

– Scope 1 relates to the direct emissions from owned or controlled sources, for example fuel burned on site and company owned vehicles.

– Scope 2 relates to the indirect emissions from the generation of purchased energy, steam, heating and cooling for the company's own use.

– Scope 3 There are 15 separate categories of Scope 3 emissions including eight that relate to the supply chain and seven that relate to the emissions of the products once they are sold/used.

Communication engagements seek to improve information and disclosure around issues that arise as a function of the usual business of holding a company, such as requesting improved disclosure, reinforce our voting rights and conversations around board structure and remuneration.

Controversy case is defined as an instance or ongoing situation in which company operations and/or products allegedly have a negative environmental, social, and/or governance impact.

ESG: Environmental, social and corporate governance

GHG Greenhouse Gas

MSCI ESG Controversies is designed to provide consistent assessment of ESG controversies involving publicly traded companies and fixed income issuers.

– A Red flag is an indication of current, ongoing, concerns,

– An Orange flag indicates issues that are likely to become material concerns for the business, such as an indication that a company has been involved in one or more recent severe structural controversies that are ongoing,

– A Green flag indicates that the company is not involved in any major controversies.

Strategic engagements cover material issues where change can lead to improved returns, including by enhancing investor ratings. This may include improved strategy, leadership, capital allocation, financial performance, balance sheet, disclosure, incentivisation and risk management including reputational management.

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