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AberdeenStandard
Investments

Global Equity Impact Fund

Annual Impact Report 2018

February 2019
Aberdeen Standard Investments
supports the UN Sustainable
Development Goals

Contents

Our Impact Mission	04
Pillar headline impacts	06
How our portfolio can help	08
Financial Inclusion	10
Circular Economy	14
Sustainable Energy	18
Food and Agriculture	22
Water and Sanitation	26
Education and Employment	30
Sustainable Real Estate and Infrastructure	34
Health and Social Care	38
Impact Leaders	42
Engagement and conclusion	44
About Us	45
Sources	46



Welcome to the 2018 impact report for our Global Equity Impact Fund

Since their launch in 2015, the UN Sustainable Development Goals (SDGs) have become a call to capital for nations and industries around the world. With an estimated cost of \$5-7 trillion annually to achieve the SDGs,¹ investors have a key role to play in supporting progress toward the SDGs and influencing positive changes across the capital markets.

As one of the biggest asset management firms in Europe, we take our stewardship responsibilities seriously and work to integrate environmental and social considerations into our financial analysis across all asset classes. However, our flagship impact investing strategy, the Global Equity Impact Fund, has a more distinct, dedicated mandate: the Fund only invests in companies with products, services and business models that contribute to positive outcomes aligned to the SDGs. What's more, this positive impact must be a core part of the company's business strategy. In this way, we link our financial expectations to our impact expectations, constructing a portfolio that offers attractive financial returns alongside positive environmental and social impact.

Identifying companies with these credentials is no easy task, and we set a high bar for companies in the Fund. The robustness of our research process and the transparency of our reporting are essential to maintaining the integrity of our impact strategy. We draw on our extensive equity research teams and combine this with robust contextual, place-based and company level analyses. This work allows us to link these companies' activities to improving environmental and social outcomes where they occur.

Our Global Equity Impact Fund has been live for a full year now and we are pleased to present our analysis of the positive impact generated by holdings in the Fund.**

**All holdings are at 31 October 2018. The impacts noted in this report are calculated by taking the company's full year reporting data and prorating it to reflect the time held in the Fund to the nearest month.



Dominic Byrne
Portfolio Manager for the
Global Equity Impact Fund



Sarah Norris
Portfolio Manager for the
Global Equity Impact Fund

**“Through its
investments,
our Fund aims to
support the delivery
of measurable positive
environmental and
social impact while
generating strong
financial returns.”**

Our Impact Mission




The ways in which companies operate and the services and products they provide have a lasting effect on their employees, their customers, the environment, society and the economy. While this influence certainly presents risks, it also creates opportunities.

A growing number of businesses are realising that innovative products and services can solve some of today's biggest global challenges. With over 45,000 companies listed on stock exchanges globally, the combined efforts of the capital markets can be hugely powerful. Imagine the change the world would see if every business put their resources behind solving the world's most pressing problems.

We believe that companies fully embracing their power to address societal and environmental challenges, looking for new ways to prosper and do business in this context, will be able to seize high-value opportunities. The success of these companies can create substantial value for their long-term investors, both financially and socially. Our Global Equity Impact Fund aims to harness the power of the capital markets and support companies

in developing a positive impact strategy. We do this by investing in, and engaging with, these companies as they move from concept and development through to production and delivery.

The UN's Sustainable Development Goals (SDGs) provide an excellent framework to ensure that efforts are directed to the areas of greatest need. The 17 SDGs are designed to address major long-term challenges, such as climate change, growing social inequality, and unsustainable production and consumption. We believe that supporting the SDGs creates tangible opportunities for companies to contribute positively to society and the environment, while simultaneously enhancing the long-term financial value of the business. The Fund's policy is to invest in companies with business models focused on three key areas, detailed below.

<div>CLIMATE CHANGE</div> <div>Climate change is a pressing problem for the world, with significant consequences and challenges. Companies have a central role to play in developing alternative, affordable energy solutions and products that reduce climate change impacts, and in making their own operations as resource efficient as possible.</div>	<div>GROWING SOCIAL INEQUALITY</div> <div>Inequality takes a number of forms, from income gaps to limited access to essential resources, such as water, medicine, education and finance. Providing infrastructure and affordable housing, ensuring equitable pricing and access to medicines, and providing innovative access to financial services create vast opportunities for companies to support improvements to equality.</div>	<div>UNSUSTAINABLE PRODUCTION AND CONSUMPTION</div> <div>The world has a finite supply and availability of resources, alongside a growing population. Closed loop systems, product life cycle analysis, recycling and efficient resource management will become increasingly urgent for many companies. Those creating and providing solutions will capitalise on high value, long-term financial opportunities.</div>
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“What we invest in today will determine the world we live in tomorrow.”

The Global Impact Investing Network

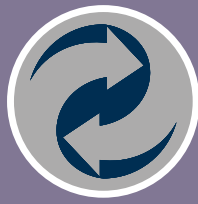


Pillar headline impacts



Financial Inclusion

341.7 million underserved adults provided with **banking services**



Circular Economy

5 million tonnes of materials **recycled** in total



Sustainable Energy

24,411 Megawatts of installed renewable capacity



Food & Agriculture

Insurance and risk management provided for more than **130 crops** on over **52.5 million acres** of US farmland



Water & Sanitation

7.4 billion
cubic
metres of
drinking
water
provided
globally



Education & Employment

23,549
new jobs
created at two
companies



Sustainable Real Estate & Infrastructure

256
million
people
provided with
3G/4G in
underserved
countriesⁱ



Health & Social Care

330,000
people
provided with
medication
for **\$0.12**
or less

How our portfolio can help

Linking companies' efforts to the SDGs

The Global Equity Impact Fund aims to support the delivery of measurable, positive environmental and social impact while generating strong financial returns. We invest in companies with technologies, products, services and business models that provide solutions in areas such as healthcare, education, agriculture and energy.

Using the SDGs for guidance on where the world should allocate capital, we identified eight pillars of impact that address three key issues: climate change, social inequalities and unsustainable consumption patterns. The table below illustrates how we have aligned our impact pillars to the SDGs.

Our measurement framework focuses on these eight pillars and sets out key performance indicators for each pillar. We use the indicators the UN sets for each SDG as a basis for our own indicators, thereby linking a company's ability to affect positive change back to these overarching global challenges. This approach allows us to report on outputs delivered by the products and services as well as outcomes.

Portfolio positioning

We identify three stages of a company's impact maturity:

- **Intentionality** – a clear strategy by the company board to pursue an impact agenda, supported by investment
- **Implementation** – putting this strategy into practice and making money from it
- **Impact quantification** – measuring and reporting on the strategy's outputs

We invest in companies across all stages of maturity, enabling us to support innovative solutions from concept through to delivery.

Intentionality acts as our minimum criterion for inclusion in the Fund; implementation and impact quantification demonstrate a more mature approach. Some companies begin to report on the measurable outputs of their impact strategy before meeting our thresholds for implementation. For reporting purposes, we have included these names in the final stage of impact quantification. We also invest in companies that we identify as 'Impact Leaders'. These companies either deliver products or services that facilitate and enable impact or offer products in multiple pillars. We cap our allocation to Impact Leaders at 10%.
















A higher proportion of the Fund is allocated to companies at the impact quantification stage to enable impact reporting. This allows us to demonstrate the ways in which the Fund meets its objective to generate positive environmental and social outcomes.

Over the year, the portfolio remained relatively diversified across sectors and pillars. We are actively seeking investment opportunities that provide access to underserved, vulnerable, or marginalised communities. The Food & Agriculture pillar has the lowest allocation in the Fund. We continue to seek out companies that champion sustainable agriculture practices. Our current exposure is to companies closer to processing and distribution activities. As a result, most companies in this pillar focus on nutrition rather than agricultural practices.

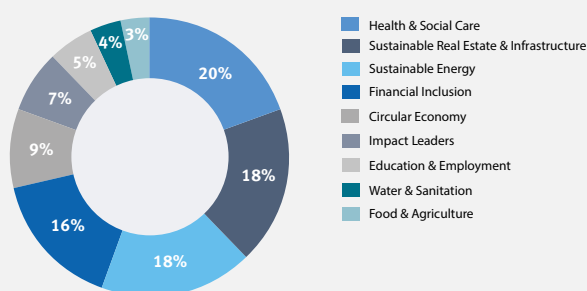
It should also be noted that the regional breakdown on page 9 is based on where the company is listed, which is not necessarily where it is providing products and services. For example, Georgia Healthcare Group and ASA International are both listed in the UK, but provide services in Georgia and Africa & Asia respectively.

Across all of our pillars, investment in solutions totalled \$41.7 billion, 28% of which was from companies that have not matured to the final stage of our impact theory of change evaluation and so we cannot currently include their contributions to solutions in the subsequent sections of this report.

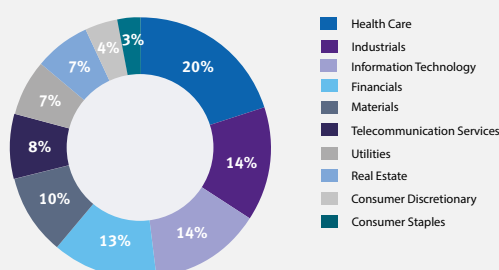
Aberdeen Standard Investments' Impact Pillars

SUSTAINABLE DEVELOPMENT GOALS	PILLARS	SUB GOALS
 	Circular Economy	Resource efficiency Material recovery and reuse
 	Sustainable Energy	Access to energy Clean energy Energy efficiency
   	Food & Agriculture	Access to nutrition Food quality Sustainable agriculture
  	Water & Sanitation	Access to water and hygiene Clean water Water efficiency
  	Health & Social Care	Access to healthcare & social care Enhanced healthcare Drug development
  	Financial Inclusion	Access to financial services
  	Sustainable Real Estate and Infrastructure	Affordable housing Eco-building Improved access
   	Education & Employment	Access to education and skills development Quality employment and job creation

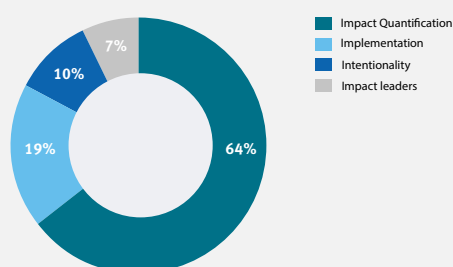
Impact Pillar Split



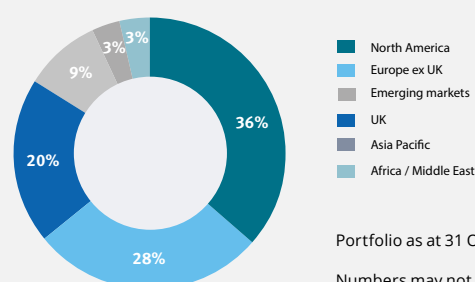
Sector Split



Impact Maturity Split



Region Split



Portfolio as at 31 October 2018.

Numbers may not total 100% exactly due to rounding.

Achievements this year

In the following pages, we aggregate company data by impact pillar to demonstrate the positive outputs delivered. Where possible, we compare the data to datasets from reputable organisations, such as the World Bank and the World Health Organisation. We then examine where the outputs from the companies in the portfolio occur, how these outputs contribute to the SDGs, and what conclusion we can draw about the ultimate outcome. Where data is not available, revenue breakdown is used as a proxy.

We take a conservative view in our reporting, with companies only appearing in one pillar. This approach focuses the portfolio on purposeful impacts and avoids double-counting. In addition, in mapping the portfolio's outcomes, we only include companies that have matured to impact quantification. The impact data collected is pro-rated to match the holding period in the Fund to the nearest month.

While we have seen progress in company disclosures since our last reporting period, there are still pillars that we are unable to map because available data is limited. Our priority in reporting is to present a transparent account of the impact generated by the Fund's holdings, while acknowledging and clarifying the challenges of doing so.

Impact measurement and reporting is a developing area and we remain open to exploring new measurement and reporting approaches. We are committed to supporting and engaging with companies in their efforts to disclose meaningful information to shareholders.

Revenue generated totalled \$257.3 billion, 12% of which was earned by companies in early impact maturity stages. These figures include the development and sales of products that aim to increase the energy efficiency of data centres, improve cost efficiencies and quality of healthcare, and enable inclusive economic growth, to name just a few. Analysing these indicators, in addition to positive impact currently measured and reported by companies, allows us not only to demonstrate the commitments made to generating positive impact and their financial materiality, but also to form a forward-looking view of solutions in these areas.

Financial Inclusion Pillar

Tackling poverty in
all its dimensions



Improving access to appropriate and affordable financial products and services is critical to enabling prosperity and reducing inequality.

Individual account creation often acts as a gateway to other services, such as loan disbursements that can pay for higher education or insurance products to protect against illness or injury. And services that support micro, small and mid-sized enterprises (MSMEs) help stimulate business growth and support economic development, with MSMEs a key source of employment in most countries.

Just under half the world's population are effectively covered by social protection programmesⁱⁱ

1.7 billion adults – one third of the world's population – are still unbankedⁱⁱⁱ

There remains a 9 percentage point gender gap in account ownership in developing countries^{iv}

Our Financial Inclusion pillar examines how underserved demographics are defined and how companies invest in products or services that meet underserved populations' needs. Above all, we seek evidence of financial literacy programmes, pricing of products and default rates to ensure that financial inclusion goes hand in hand with financial awareness.



Case Study

ASA International (ASAI)

ASAI is a microfinance lender that offers financial services to female micro-entrepreneurs that sit at the international poverty line in lower-middle income economies.

The World Bank estimates there are around 1.7 billion adults (31% of the world's adult population) that do not have access to financial services within the traditional financial system. Operating across Asia and Africa, ASAI uses this data to target its services in those countries with lowest penetration of financial inclusion and currently has over 2.1 million customers across the Philippines, Tanzania, Pakistan, Sri Lanka, Nigeria, Uganda, India, Kenya, Ghana, Sierra Leone, Myanmar and Rwanda.

ASAI recognises that financial services can help low-income households generate income, build assets and, to that end, aims to create what it calls a 'cycle of wealth'. To foster this 'cycle of wealth', ASAI initially sources references from family and community members and makes an initial loan based on the customer's ability to repay. ASAI then gradually increases loan sizes to clients successful in repaying their initial loans. Throughout the process, ASAI engages with its clients' communities, using weekly collection visits to assess business development and coordinate larger meetings where customers can exchange knowledge, ask questions and develop their businesses.

As part of this responsible lending policy to ensure that customers are granted loans they can feasibly repay, ASAI regularly benchmarks its rates against equivalent providers (non-governmental organisations and other microfinance organisations) and works with clients to set payment plans. This has resulted in default rates significantly below competitors and a customer retention rate of 78% in 2017.

Positive outputs from holdings in the portfolio



Financial Inclusion

Tackling poverty in all its dimensions

341,700,000
underserved
individuals provided
with banking services,
equivalent to **80%**
of South America's
population



8,008,333
underserved
individuals provided
with access to insurance
services, equivalent to
90% of New Jersey's
population



39,300,000
mobile wallet users,
equal to **12%**
of monthly
active Twitter users



£27,689,488,000
loaned to SMEs,
equivalent to
11.89% of
Ireland's
external debt



Enabling the underserved to participate in the economy



Contributions to positive outcomes

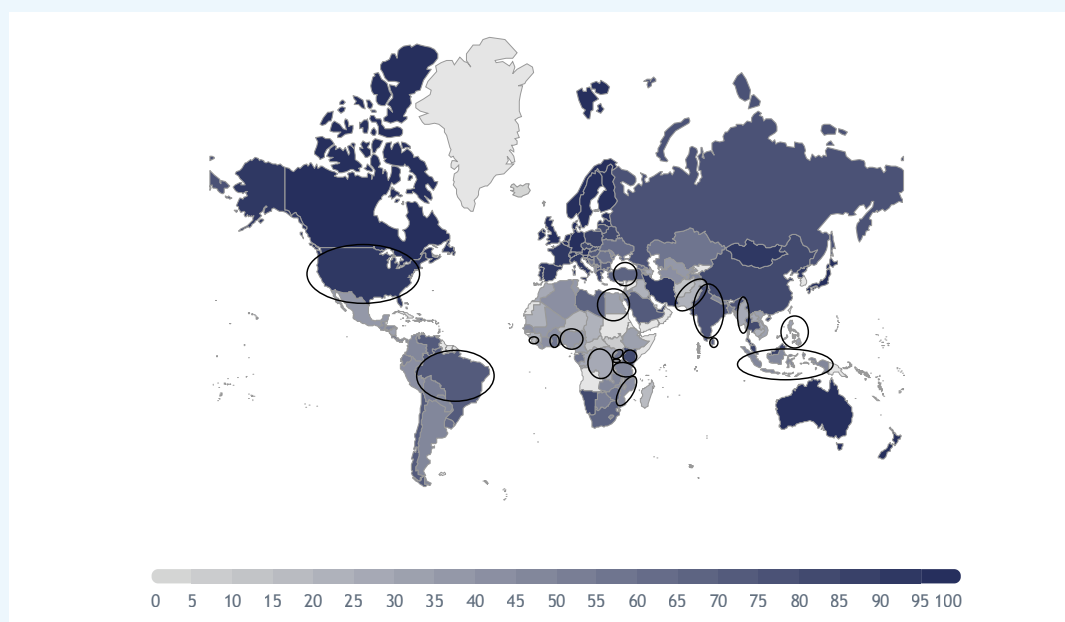
While financial inclusion has improved dramatically there remain 1.7 billion people in the world that lack access to basic financial services. World Bank research shows that financial exclusion is not limited to the poorest 40% of societies but that exclusion is equally present in the richest 60%.^v To contextualise the underserved individuals provided with access to basic financial services, we examine how account creation has evolved in countries where companies in the portfolio have operations.

The map below highlights bank or mobile-money service penetration globally. In Turkey roughly half the adult population lacks access to basic financial services. From 2014 to 2017 nine million individuals opened a bank or mobile money account. Examining accounts created in Turkey, we considered income levels and income definitions, among other factors and determined the Fund created 783,333 new accounts for underbanked demographics in the country.

This represents about 8.5% of new accounts opened between 2014 and 2017 in Turkey. In Egypt financial account ownership improved from 14% of the population to 32.8% of the population between 2014 and 2017. Using the same analysis, the accounts created by holdings in the Fund correspond to 35% of new accounts in the country.

Nearly half of all unbanked adults live in seven economies: Bangladesh, China, India, Indonesia, Mexico, Nigeria, and Pakistan. Of these countries, the holdings in the portfolio operate in India, Indonesia, Nigeria and Pakistan. Comparing services provided by holdings in the Fund to underserved demographics in the countries in which they operate, contributions in India and Nigeria were marginal, but in Indonesia services provided by the portfolio correspond to 2% of accounts created; and in Pakistan services corresponded to 1% of all accounts created.

Basic financial services penetration



Definition: Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+) in 2017. Account denotes the percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution or report personally using a mobile money service in the past 12 months (% age 15+).

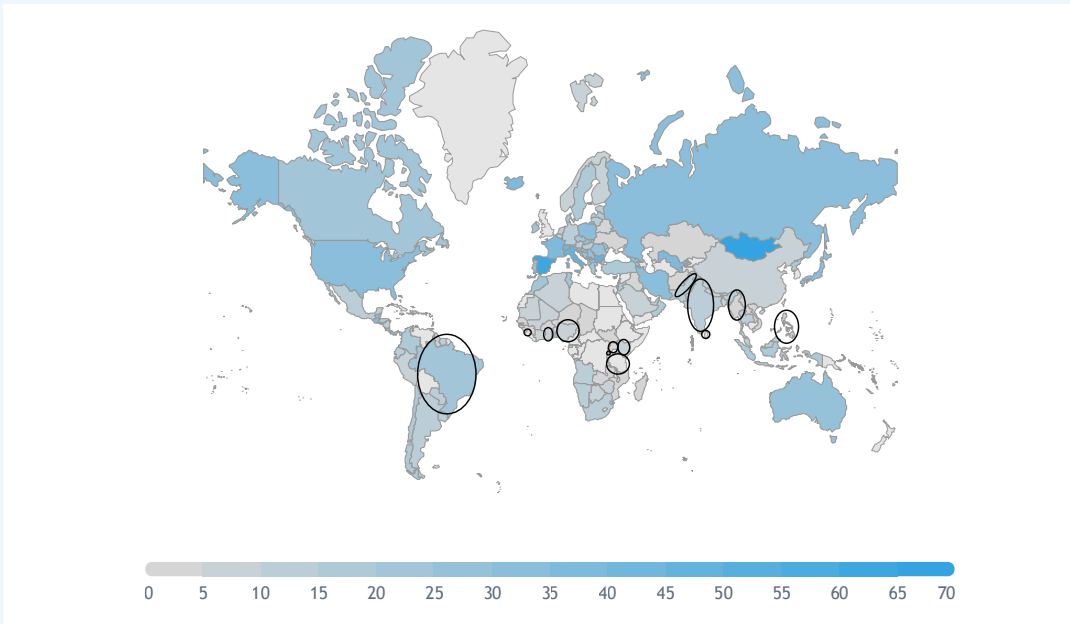
Source: Demirguc-Kunt et al., 2018, Global Financial Inclusion Database, World Bank, cited in the World Development Indicators Database, last updated 14/11/2018

Some discrepancies may exist owing to lack of published data on the World Bank Findex

While mobile money providers have helped increase access to affordable financial products and services, branches are another important point of access. In 2017, holdings in the Fund expanded branch coverage in the following regions. In OECD countries, average population coverage is about 21 branches per 100,000 adults. Of the countries highlighted in the map below, only Sri Lanka and Brazil have penetration close to this level (18.5 and 19.5 respectively). The remaining countries' branch networks range from 2 to 13 branches per 100,000. Contributions by companies held in the Fund to this coverage are marginal in under served

areas provided by companies in most countries, but in Brazil the branch coverage in underserved areas provided by companies in the Fund corresponds to 2% of the total bank branch network. Supporting MSMEs and providing insurance coverage are also key to improving global financial inclusion and supporting economic development. However sufficient data is not available to assess the holdings' contributions to positive outcomes.

Commercial branch coverage



Definition: Commercial bank branches (per 100,000 adults) in 2017. Commercial bank branches are retail locations of resident commercial banks and other resident banks that function as commercial banks that provide financial services to customers and are physically separated from the main office but not organized as legally separated subsidiaries.
Source: International Monetary Fund, Financial Access Survey, cited in the World Development Indicators Database, last updated 14/11/2018.

Some discrepancies may exist owing to lack of published data on the World Bank Findex

Circular Economy Pillar

Doing more and better
with less



The world contains a finite amount of natural resources and is currently using them faster than they can be regenerated.

A circular economy aims to make the most of these resources, moving from a 'make, use, dispose' model to one that enhances and extends the lifespan of products and materials. A circular economy is one way to address the world's growing waste management challenges.

Developed countries have **double the per-capita material footprint** of developing countries^{vi}

The equivalent of **3 Earths** would be needed to sustain current lifestyles **by 2050**^{vii}

Over 40 million tons of **electronic waste, such as mobile phones, are produced every year** only **20% of which are recycled**^{viii}

Our investments in the Circular Economy pillar target closed loop solutions that maximise the value of a product while in use and facilitate the recovery and reuse of its materials. This includes asset-light business models (e.g. products as a service) and products designed to improve efficiency by reusing or recycling materials.



Case Study

DS Smith Plc

UK-based DS Smith considers waste to be a resource. The company is guided by a “waste hierarchy” in its operations and product development, whereby it aims to reduce and reuse as much as possible, and then recycle and recover value at the end of a product’s life. DS Smith provides paper, cardboard and plastic packaging products that are made from recycled content and designed to be recyclable, but also “closes the loop” itself by offering recycling and take-back services.

Cardboard boxes from DS Smith can be produced, used, collected, recycled and put back into use within 14 days. In 2018, five million tonnes were managed by the company’s recycling division, which provides the essential materials for its paper mills in Europe.

In 2016/17, DS Smith launched scenario analyses of environmental and social themes to better understand how the business is positioned for long-term sustainability, acknowledging the material impact on its business model. Since then, the company has set ambitious targets, including making all products 100% reusable and/or recyclable by 2025. Its recent acquisition of Europac, which manufactures recyclable and biodegradable products made from recycled, renewed and natural raw materials, further demonstrates its ambitions. In September 2018, the company also announced a strategic review of its plastics business in response to shifts in consumer preferences toward more sustainable options.

Positive outputs from holdings in the portfolio



Circular Economy

Doing more and better with less

3,878 tonnes of recycled content used in products, the equivalent weight of nearly **30 Boeing 747s**



Over 250 million batteries recycled



5 million tonnes of materials recycled in total, the weight of **900,000 elephants**



2.6 million tonnes of carbon emissions avoided, the equivalent of **56% of Iceland’s annual emissions**



Doing more and better with less



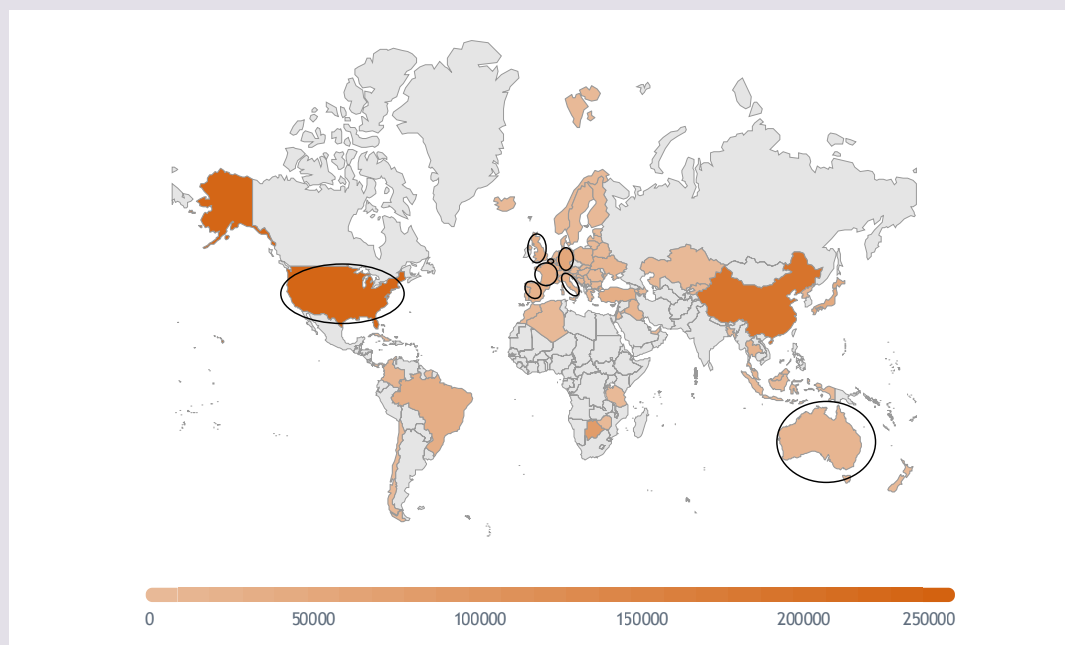
Contributions to positive outcomes

In order to contextualise the outcomes generated by companies in the Fund, we considered the amount of municipal waste collected in each country. Waste and consumption is a global challenge, but incorporating this data into our impact analysis gives us a clearer sense of where waste generation is a more prevalent issue and where solutions can have the greatest impact.

In the map below, areas where companies in the Fund provide products and services are highlighted by the circles. In aggregate, products from holdings in the Fund contained over 97,000 tonnes of recycled content. On a country-by-country basis, using revenue as a proxy, this would equate to 7.2% of the waste collected in Belgium, 2.7% of the waste collected in the UK, and 2.0% of the

waste collected in France. Using this data to connect company activity to the scale of national challenges allows us to demonstrate the ways in which the holdings in the Fund are making active contributions.

Global waste challenges



Definition: 1,000 tonnes of municipal waste, collected by or on behalf of municipalities, by public or private enterprises, includes waste originating from: households, commerce and trade, small businesses, office buildings and institutions (schools, hospitals, government buildings). It also includes bulky waste (e.g., white goods, old furniture, mattresses) and waste from selected municipal services, e.g., waste from park and garden maintenance, waste from street cleaning services (street sweepings, the content of litter containers, market cleansing waste), if managed as waste. The definition excludes waste from municipal sewage network and treatment, municipal construction and demolition waste.
Source: UN Environment Statistics Database, released 27 March 2018. NB Map uses the most recent data from 2014, 2015, or 2016 for each country.

Some discrepancies may exist owing to lack of published data on the World Bank Index

“Using this data to connect company activity to the scale of national challenges and progress being made allows us to demonstrate the ways in which the holdings in the Fund are making active contributions.”



Sustainable Energy Pillar

Increasing renewables, decreasing emissions, and improving access



Energy is relevant to almost every environmental and social issue the world faces.

From fuels for cooking, heating, lighting, and mobility, energy systems and services support businesses and employment, education, healthcare and almost every aspect of day-to-day life in some form or another.

1 billion people
do not have access to
electricity^{ix}

Energy accounts for 60% of total
global greenhouse gas emissions^x

41% of the world's population cooks with polluting fuels, disproportionately affecting women^{xi}

Within our Sustainable Energy pillar we identify companies that place offering affordable, clean and efficient energy across the value chain at the heart of their corporate strategies.



Case Study

Vestas

Vestas designs, manufactures, installs and services wind turbines, with 92GW of wind turbines installed across 79 countries. With a mission “to deliver best-in-class sustainable energy solutions for the benefit of Vestas’ customers and the planet”,² Vestas’ ambition is to reduce the levelised cost of energy and bring the cost of wind energy on par with coal and gas.

Vestas offers technology and services that will accelerate the transition to a more sustainable energy mix, delivering wind turbines with reduced energy demands across their lifecycle (manufacturing through operation). As of 2017, a Vestas wind turbine will generate 30-50x more energy than it uses across the lifecycle and these turbines emit 1% of the carbon dioxide per kWh compared to a coal power plant. Globally, Vestas turbines delivered 8,779MW of capacity in 2017, which can generate more than 23MWh of electricity per year and will save 317mn tonnes of CO2 over their lifetime.

While wind is at the core of Vestas’ business, in 2017 Vestas developed partnerships and collaborations to explore hybrid on-grid wind, solar, and battery energy storage, aiming to integrate renewables into the energy mix and address challenges with grid stabilisation. Kennedy Energy Park in Australia is one such example, a 60MW utility-scale, on-grid, wind, solar and battery energy storage project.

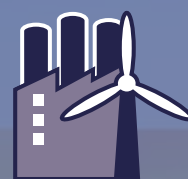
Positive outputs from holdings in the portfolio



Sustainable Energy

Increasing renewables, decreasing emissions, and improving access to energy

24,411 megawatts of installed renewable capacity, equivalent to **52%** of Germany's installed coal capacity³



67 million tonnes CO2 emission reduction, equivalent to removing **14.5 million cars** from the road⁴



27,313,500 MWh renewable production, equivalent to **16,072,376** barrels of oil



Increasing renewables, decreasing emissions, and improving access

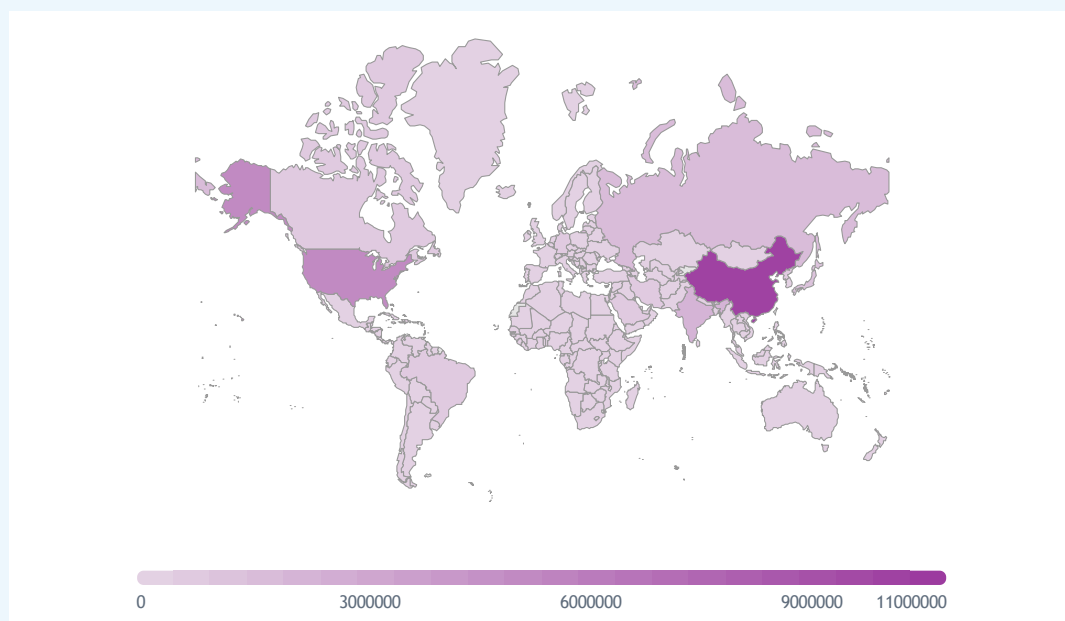


Contributions to positive outcomes

Rising CO2 emissions challenge the world's commitment to addressing climate change. We hope to compare the CO2 emissions avoided by products or services provided by the holdings in the portfolio to total CO2 emissions regionally, but at the moment the emissions avoided by the portfolio pale in comparison to the emissions generated across the globe.

In North America, for example, companies in the fund avoided 69,600kt of CO2 emissions, representing 1.2% of total emissions. In Europe & Central Asia and East Asia the emissions avoided represented less than 1% of overall emissions.

Global CO2 emissions



Definition: CO2 emissions (kt) in 2014: carbon dioxide emissions are those stemming from the burning of fossil fuels and the manufacture of cement. They include carbon dioxide produced during consumption of solid, liquid, and gas fuels and gas flaring.

Source: Carbon Dioxide Information Analysis Center, Environmental Sciences Division, Oak Ridge National Laboratory, Tennessee, United States, cited in the World Development Indicators Database, last updated 14/11/2018.

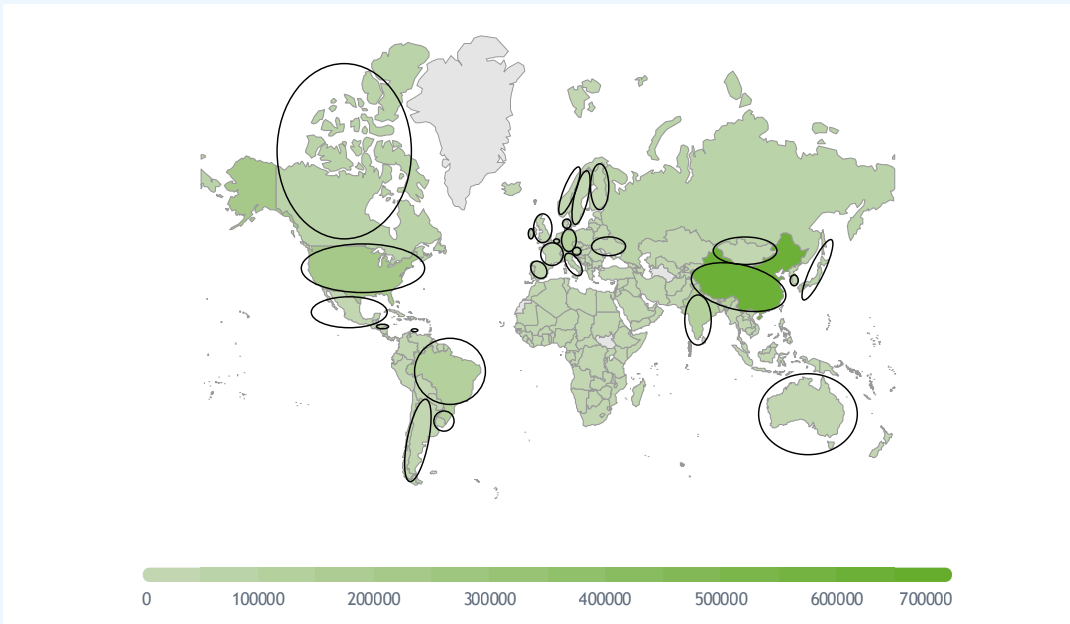
Some discrepancies may exist owing to lack of published data on the World Bank Index

According to the International Renewable Energy Agency (IRENA), there was 2,179,099 MW of installed renewable capacity globally at the end of 2017. Comparing the installed capacity produced by companies in the fund to total renewable installed capacity at a country level, we can identify the exact contribution companies make.

In the USA for example, there was 229,913 MW of renewable energy capacity at the end of 2017. Holdings in the portfolio

contributed 7.4% of this capacity, manufacturing, installing and operating 16,974 MW of capacity. In some countries, the fund contribution is marginal, less than 1% of total renewable capacity in Mexico, Brazil, Japan, China or India for example. But in other countries the contribution is significant, with 32% of renewable installed capacity in Mongolia provided by holdings in the portfolio; 9% in Denmark; 8% in Belgium; and 30% in the Island Territory of Curaçao.

Installed renewable capacity



Definition: Megawatts of installed renewable capacity in 2017.
Source: International and Renewable Energy Agency (2018) Renewable Capacity Statistics 2018 [Online]. Available at https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Mar/IRENA_RE_Capacity_Statistics_2018.pdf (Accessed 24 November 2018)

Food and Agriculture Pillar

Providing quality food and preventing land degradation



According to the UN, the world's population is projected to reach 9.8 billion in 2050 and 11.2 billion in 2100, amplifying the demands we place on Earth's natural resources. In particular, the resources required to feed the global population are putting unsustainable demands on land, oceans, forests and biodiversity.

11%
of the world's
population is
undernourished^{xiii}

**3 billion people
depend on the
oceans as
their primary
source of
protein^{xiv}**

**2.6 billion people
depend directly on
agriculture, 52%
of the land used
is affected by soil
degradation^{xv}**

Our Food and Agriculture pillar covers both social and environmental concerns, with a twin focus of ending hunger while also promoting the sustainable use of the world's resources to accomplish this. We therefore look at access to nutrition, improved nutrition and services for farmers, as well as how food is produced and the impact of farming practices on the land, water, and biodiversity.



Case Study

Costa Group Holdings

Costa Group is Australia's largest horticultural company, dedicated to producing fresh fruit and vegetables and committed to sustainable commercial farming practices. Costa's produce forms part of a nutritional, balanced diet and Costa's farming practices strive to protect and improve the natural environment. In 2018 Costa published its first Sustainability Report and set long term goals to improve yields per hectare of farmland, use fewer inputs such as water or energy and manage waste and biodiversity.

We engaged with Costa at the start of 2018 and found the company is taking proactive steps to reduce its environmental footprint. We are encouraged to see that the company's reporting is reflective of these efforts.

Examples of Costa's improved growing practices include integrated pest management, which the UN Food and Agriculture Organization endorses as a "pillar of both sustainable intensification of crop production and pesticide risk reduction."⁵ Costa is also pioneering substrate growing (i.e. soil-less growing). All tomatoes and strawberries are already grown hydroponically (i.e. without soil, using mineral nutrient solutions in a water solvent), as well as 50% of blueberries and 50% of raspberries.

Costa articulates a clear water efficiency policy and utilises rainwater harvesting and water recycling at many of its sites. Fertigation is also commonly used. This process brings water and fertiliser into a combined dose, allowing more precision in the delivery and dosage, avoiding runoff. Overall, Costa's fertiliser and water usage have decreased significantly as it refines its practices and the company prioritises the use of organic and biological pest and disease control.

Costa's reporting on the outcomes of its sustainable farming practices is less advanced but following its inaugural sustainability report we look forward to evolving and deepening disclosure on these farming practices and the outcomes to which they contribute.

Positive outputs from holdings in the portfolio



Food and Agriculture

Providing quality food & preventing land degradation

\$78,351,838

revenue from organic and 'better for you' products at two companies



Insurance and risk management

provided for more than

130 crops on over **52.5 million acres** of US farmland, covering roughly

5.5% of US farmland^{xvi}



Providing quality food and preventing land degradation



Contributions to positive outcomes

While we can easily identify the problems within the Food & Agriculture pillar in our everyday lives, nascent non-financial reporting standards lead to a lack of homogenous data sets, and in some cases no data at all.

Some of our holdings provide case studies or comparisons and we include examples below:

- It takes an average of 216 litres of water to produce one kilo of field crop compared to c49 litres in glasshouse production at Costa^{xvii}
- On average Australian outdoor farms can support 11,000 plants per hectare and produce seven kilograms of produce per square metre. Costa's glasshouse production supports 34,000 plants per hectare or 65kgs of produce per square metre, a significant yield improvement^{xviii}

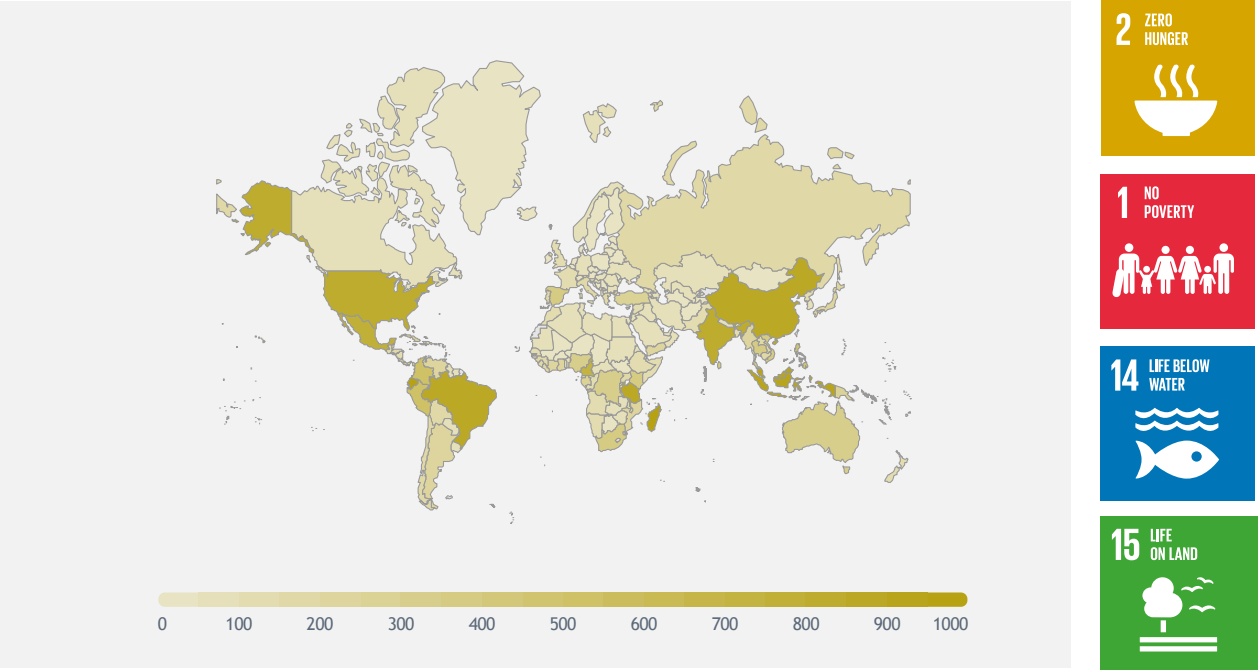
Ideally, we want to collect output indicators that allow us to track the number of people provided with access to affordable and nutritious food, detail around total acreage for farming and yields achieved, biodiversity on the farmland, soil quality, and ocean toxicity to name a few. The names we hold are not yet advanced in reporting to provide us with meaningful data.

Data sets that shed light on yield improvements, soil quality, biodiversity etc. should help us understand how the products contribute to global outcomes around health, hunger, life on land and life in water. This would include analysis of how the products help address global undernourishment, combat overfishing of marine fish stocks, and hopefully reversing (or at least slowing) the annual net loss of forest areas globally and the biodiversity loss.

The Species Under Threat map highlights the levels of threatened and vulnerable species across the world. As reporting improves, we would hope to interrogate the change in these levels each year and evaluate how companies in which we invest contribute to improving biodiversity.

The Global undernourishment map illustrates the percentage of the population whose food intake is insufficient, indicating the prevalence of undernourishment. We currently invest in companies that produce and sell nutritious, sustainable food options but we do not have the customer data. Eventually, we aim to understand how companies set price points to ensure access to nutrition in underserved areas and how this compares to national undernourishment levels.

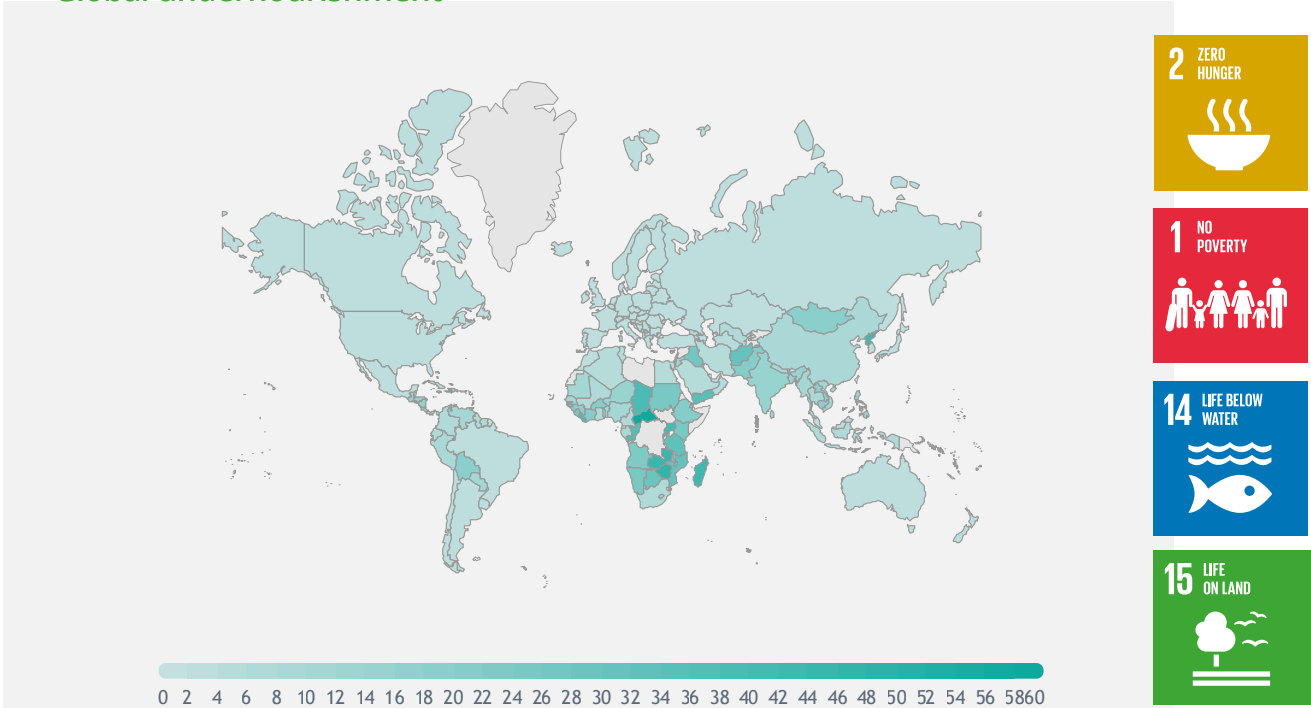
Species under threat



Definition: Number of threatened bird, fish and mammal species in 2017. Datasets include “Birds are listed for countries included within their breeding or wintering ranges. Threatened species are the number of species classified by the IUCN as endangered, vulnerable, rare, indeterminate, out of danger, or insufficiently known. Fish species are based on Froese, R. and Pauly, D. (eds). Threatened species are the number of species classified by the IUCN as endangered, vulnerable, rare, indeterminate, out of danger, or insufficiently known. Mammal species are mammals excluding whales and porpoises. Threatened species are the number of species classified by the IUCN as endangered, vulnerable, rare, indeterminate, out of danger, or insufficiently known. Higher plants are native vascular plant species. Threatened species are the number of species classified by the IUCN as endangered, vulnerable, rare, indeterminate, out of danger, or insufficiently known.

Source: United Nations Environmental Program and the World Conservation Monitoring Centre, and International Union for Conservation of Nature, Red List of Threatened Species and Froese, R. and Pauly, D. (eds). 2008. FishBase database, www.fishbase.org cited in the World Development Indicators Database, last updated 14/11/2018.

Global undernourishment



Definition: Population below minimum level of dietary energy consumption (also referred to as prevalence of undernourishment) shows the percentage of the population whose food intake is insufficient to meet dietary energy requirements continuously in 2016. Data showing as 5 may signify a prevalence of undernourishment below 5%.

Source: Food and Agriculture Organization (<http://www.fao.org/publications/en/>) cited in the World Development Indicators Database, last updated 14/11/2018

Water and Sanitation Pillar

Establishing access to safe, clean and sustainable facilities



Water is one of our most valuable resources. It sustains all forms of life and helps deter illness and disease. Lack of water and sanitation facilities is a significant global problem. This is likely to be exacerbated by climate change, which is altering weather patterns and water distribution through droughts and flooding.

61% of the world's population lacks access to safely managed sanitation services^{xix}

2.1 billion people lack access to safely managed drinking water supplies^{xx}

73% of people in least developed countries lack basic handwashing facilities^{xxi}

Spanning access, hygiene, sustainability, and infrastructure, our pillar seeks companies that provide equal access to safe, efficient and sustainable water and sanitation sources. These efforts support life, health and wellbeing, while also ensuring that water is used in ways that mitigate scarcity and seek to conserve natural resources.



Case Study

Case study – Suez

French utility company Suez describes itself as a “player in the entire value chain of water and waste”; it treats and distributes drinking water, and provides services in countries around the world.

Suez has a strategic focus on both access to water and sanitation, and on protecting natural resources. The company positions its overall approach as the circular economy, but its strong focus on water and sanitation still makes it appropriate for this pillar.

Suez shows a significant focus on enhancing positive impact in its strategic aims and demonstrates a strong awareness of the linkages between environmental and social impacts. The SDGs are integrated into its strategy by grouping them into three levels of action – those where Suez has the opportunity to be a driving force, those where it can demonstrate its commitment, and those where it can ensure that it operates responsibly. While it acknowledges that SDG reporting is still developing, the company’s efforts to demonstrate its own contributions are remarkable.

Suez provides water and wastewater treatment services to 23.8 million people in developing countries, and targets an increase in this number by 2021. Current figures include drinking water connections for 150,000 people living in informal settlements in Algiers, and Suez seeks to increase the number of decentralised or modular solutions in order to expand access further to those removed from the central network.

Positive outputs from holdings in the portfolio



Water and Sanitation

Establishing access to safe, clean and sustainable facilities

15.6 million people provided with drinking water in underserved areas, equivalent to almost half the population in Malaysia



8.2 million people provided with sanitation in underserved areas, enough to fill Fenway Park over 200 times



1.3 billion cubic meter of alternative water^{xxii} supply, enough water to grow 520,000 tonnes of rice



Establishing access to safe, clean and sustainable facilities

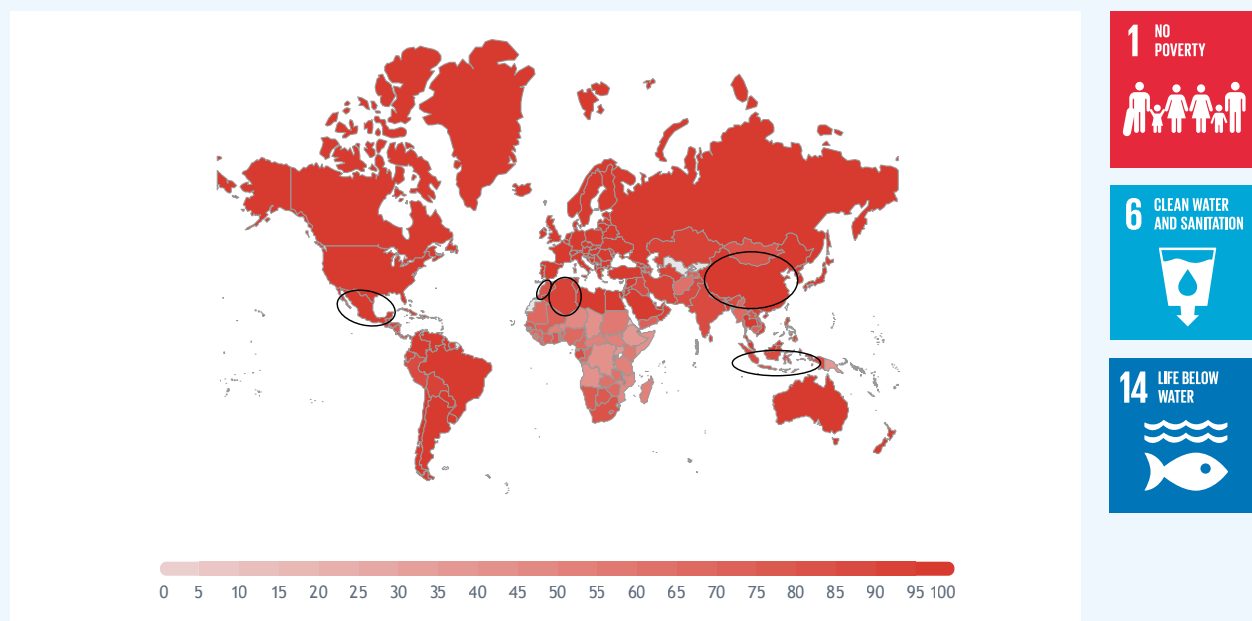


Contributions to positive outcomes

Globally, 88% of the population has access to at least basic drinking water services. However, this figure varies widely by country, from 100% access in the UK, Belgium and Switzerland to less than 40% access in developing countries.^{xxiii} Contributions from holdings in the Fund include the provision of drinking water to 4% of the population in Algeria, 8% of the population in Morocco and 0.6% of the population in Mexico. These regions, as well as other areas of operation, are circled in the map below. While these are

noteworthy contributions, we are cognisant that some of the key areas where improved drinking water sources are needed most are not addressed by the portfolio. We continue to seek out companies who provide access to clean and affordable drinking water in the most underserved areas globally.

Access to drinking water

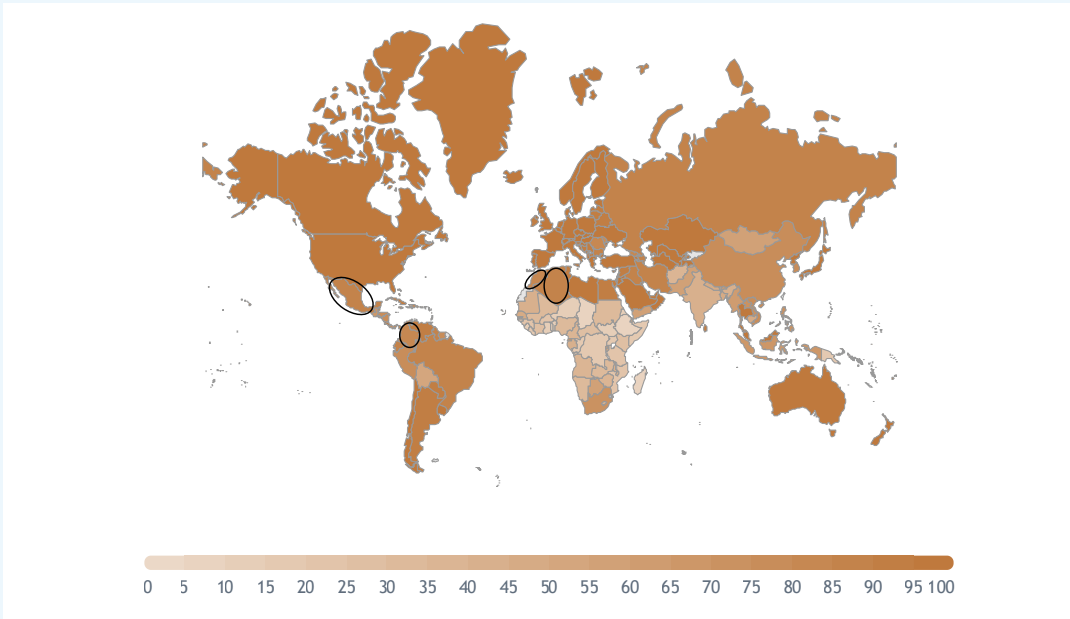


Definition: the percentage of people using at least basic water services in 2015. This indicator encompasses both people using basic water services, as well as those using safely managed water services. Basic drinking water services is defined as drinking water from an improved source, provided collection time is not more than 30 minutes for a round trip. Improved water sources include piped water, boreholes or tubewells, protected dug wells, protected springs, and packaged or delivered water.

Source: WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply, Sanitation and Hygiene (washdata.org) cited in the World Development Indicators Database, last updated 14/11/2018

Similarly, in relation to provision of basic sanitation, Fund holdings provided 4% of services in Morocco, 2% of services in Algeria, and 0.5% of services in Colombia. Areas of operation are circled in the map below.

Access to sanitation



1 NO POVERTY


6 CLEAN WATER AND SANITATION

14 LIFE BELOW WATER

Definition: the percentage of people using at least basic sanitation services, that is, improved sanitation facilities that are not shared with other households in 2015. This indicator encompasses both people using basic sanitation services as well as those using safely managed sanitation services. Improved sanitation facilities include flush/pour flush to piped sewer systems, septic tanks or pit latrines; ventilated improved pit latrines, composting toilets or pit latrines with slabs.

Source: WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply, Sanitation and Hygiene (washdata.org) cited in the World Development Indicators Database, last updated 14/11/2018

Education and Employment Pillar

Creating opportunities for marginalised or vulnerable people 

The number of people living in extreme poverty has fallen dramatically. However, inequalities persist.

617 million children and adolescents worldwide
58% are not achieving minimum proficiency in reading and mathematics^{xxiv}

In 89% of 45 countries surveyed there remains a median pay gap of 12.5% between men and women^{xxv}

204 million people were unemployed in 2015^{xxvi}

Our Education & Employment pillar addresses fair employment and education services. Full and productive employment and decent work for all women and men requires businesses to invest in and support the development of their employees. We place a premium not only on wage growth and development opportunities but also employee safety and equality, and seek to include companies that protect against discrimination and give voice to the marginalised.

Companies that provide educational services must directly expand access to education, and recognise the importance of prioritising diversity and reaching all socioeconomic groups; specifically primary and secondary education services for underserved populations and apprenticeship opportunities.



Case Study

Salesforce.com

Salesforce.com provides cloud-based customer relationship management software solutions for businesses but fits within the Education & Employment pillar because the business champions a culture of 'Ohana'. Characterised as a "deep-seated support system"^{xxvii}, Ohana promotes equality, diversity and employee success and seeks to support its employees and improve quality of life.

While it is not uncommon for companies to stress the importance of advancing equality and diversity, Salesforce.com stands out in a number of ways. The company has engaged in national discussions around LGBTQ rights, joining other companies to oppose discriminatory state policies and advocate for their employees, most notably in North Carolina and Indiana. Salesforce.com has also been a pioneer in promoting maternity/paternity leave. The U.S. Family and Medical Leave Act of 1993 mandates 12 weeks of unpaid leave for most mothers of new-born babies, but Salesforce.com surpasses this, offering 12 weeks of maternity or paternity leave at 80% pay, plus a gradual return to work of four days a week. The US currently has one of the lowest levels of leave time for new mothers and is the only member of the OECD that does not offer paid maternity, which makes this all the more significant.⁶

Perhaps most noteworthy and supportive of Salesforce.com's positive impact within fair employment is its pledge to balance any pay gaps each year. Salesforce.com reviews employee compensation annually to ensure that equal pay is awarded for equal work and commits to close any gaps it finds.^{xxviii} With companies now required to publish pay gaps in the UK, we would hope to see other companies copy this practice to support fairer and equal employment.

Positive outputs from holdings in the portfolio



Education and Employment

Creating opportunities for marginalised or vulnerable people

23,549 new jobs created at two companies



23,980 women, veterans and ethnic minorities hired at two companies



\$3million spent to correct unexplained differences in pay for gender, race and ethnicity in the U.S.

Creating opportunities for
marginalised or vulnerable people

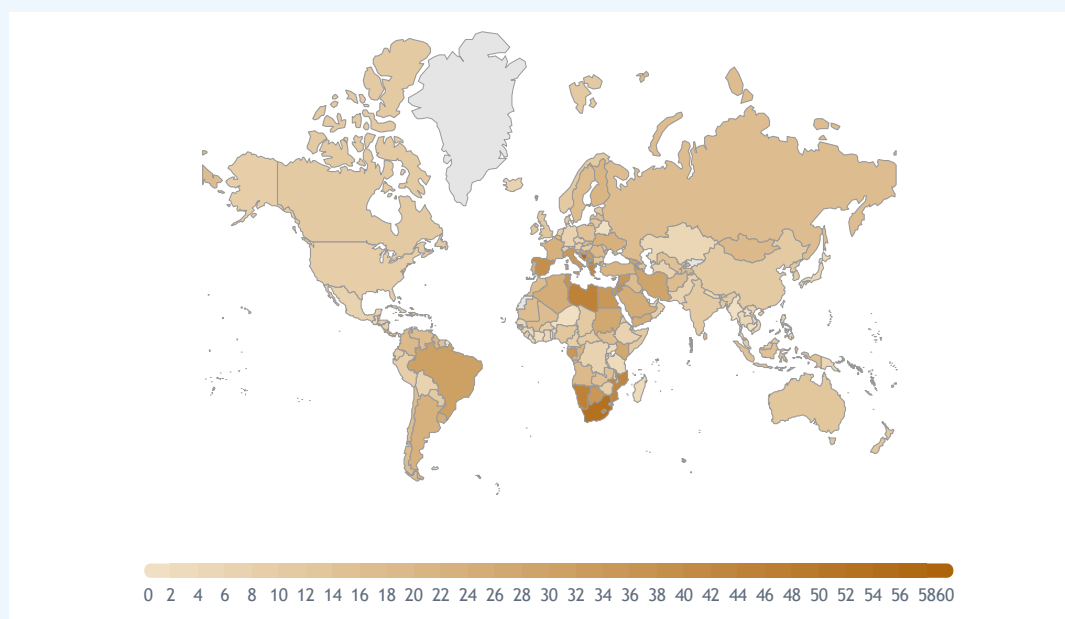


Contributions to positive outcomes

Marginalisation of any minority—gender, race, religion, sexual orientation—in the work place limits society's growth potential and risks the achievement of the social and environmental issues the world faces. A McKinsey study found that companies with greater gender, racial or ethnic diversity would deliver superior financial returns and that diversity likely helped companies gain market share over time.^{xxix}

Ensuring access to similarly is linked to economic growth, poverty reduction and environmental protection. Yet youth unemployment remains stubbornly high resulting in disenfranchised generations demoralised about their employment prospects.^{xxx}

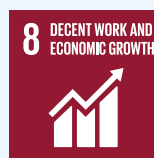
Youth unemployment



Definition: Youth unemployment refers to the percentage of the labour force ages 15-24 without work but available for and seeking employment in 2017.

Source: International Labour Organization, ILOSTAT database. Data retrieved in September 2018 as cited in the World Development Indicators Database, last updated 14/11/2018h

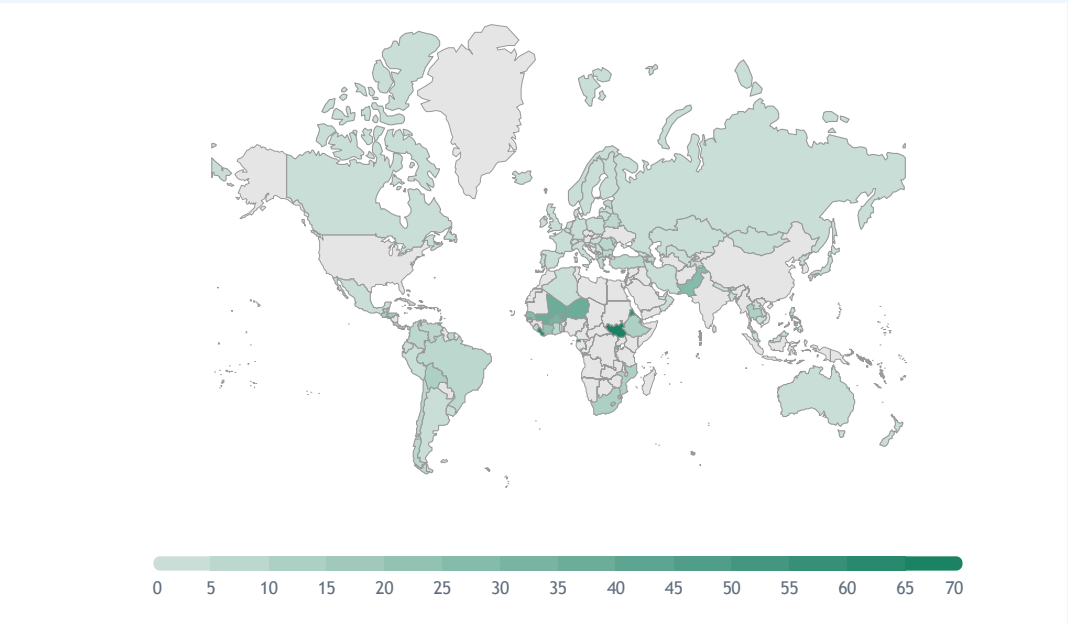
Source: WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply, Sanitation and Hygiene (washdata.org) cited in the World Development Indicators



Government regulations such as mandating that corporates publish pay gaps help draw attention to non-financial disclosure on social issues, but reporting on education and employment indicators is still under-developed and varies across regions. With only two companies aligned to our Education and Employment pillar, it is harder to draw meaningful conclusions about their

contributions to positive outcomes. Over time we would hope to report on how companies held in this pillar directly contribute to closing pay gaps, job creation for underserved demographics and increasing the percentage of youths’ access education services and employment.

Children out of school



Definition: The percentage of primary-school-age children who are not enrolled in primary or secondary school in 2015. Children in the official primary age group that are in pre-primary education should be considered out of school.
Source: UNESCO Institute for Statistics cited in the World Development Indicators Database, last updated 14/11/2018

4
QUALITY EDUCATION

5
GENDER EQUALITY

8
DECENT WORK AND ECONOMIC GROWTH

10
REDUCED INEQUALITIES

Sustainable Real Estate and Infrastructure Pillar

Providing affordable and eco-friendly buildings and improving connectivity



As the global population grows and people flock to urban areas in increasing numbers, the built environment has a key role to play in supporting social and environmental goals. Our Sustainable Real Estate and Infrastructure pillar focuses on the provision of affordable housing, eco-building and increased connectivity. Improvements across these areas would address a number of global challenges.

883 million
people
globally
live in slums^{xxxii}

Cities are
physically
expanding
1.5 times faster
than the population
is growing^{xxxiii}

Only **6%** of
the population
in developing
countries has access
to high-speed fixed
broadband^{xxxiii}

In addition to increasing the sustainability and resilience of physical structures, this pillar also includes internet connectivity. Access to the internet has the potential to significantly reduce inequalities by facilitating access to information and enhancing coordination among communities.



Case Study

Telenor

With headquarters in Norway, Telenor provides telecommunications and internet connectivity services across 13 markets in Europe and Asia.

Telenor views internet connectivity as “the great equalizer” in society – a view consistent with that of the UN, which recognises the role of the internet in facilitating access to basic human rights, including healthcare, education, culture and freedom of expression.

Telenor puts its views into action with a strategy aimed at empowering society through digital communication. While digital penetration varies across its markets, Telenor provides connectivity services in multiple parts of developing Asia where mobile cellular subscriptions are below the world average and/or internet availability and speed is relatively low. This includes Bangladesh, Malaysia and Pakistan, where Telenor provides 3G/4G coverage to 93%, 87% and 38% of the populations respectively.

Telenor also actively collaborates to help its users fully realise the power and potential of the internet. For example, Telenor works with partners to run multiple digital literacy and online safety programs for over 200,000 students, teachers, children, and parents in Myanmar and Bangladesh. It also works with UNICEF in Pakistan to support the government in increasing birth registrations, which are essential to safeguarding children's rights, using mobile technology.^{xxxiv}

Positive outputs from holdings in the portfolio



Sustainable Real Estate and Infrastructure

Providing affordable and eco-friendly buildings and improving connectivity

1,182 affordable homes provided



2.75 million tons of carbon emissions avoided, the equivalent of 1 billion hours of low energy light



256 million people provided with 3G/4G in underserved countries, over 10x the population of Shanghai



279,200 people provided with digital training or engagement, the equivalent of over half the number of people that attended Wimbledon



Providing affordable
eco-friendly buildings
and improving connectivity

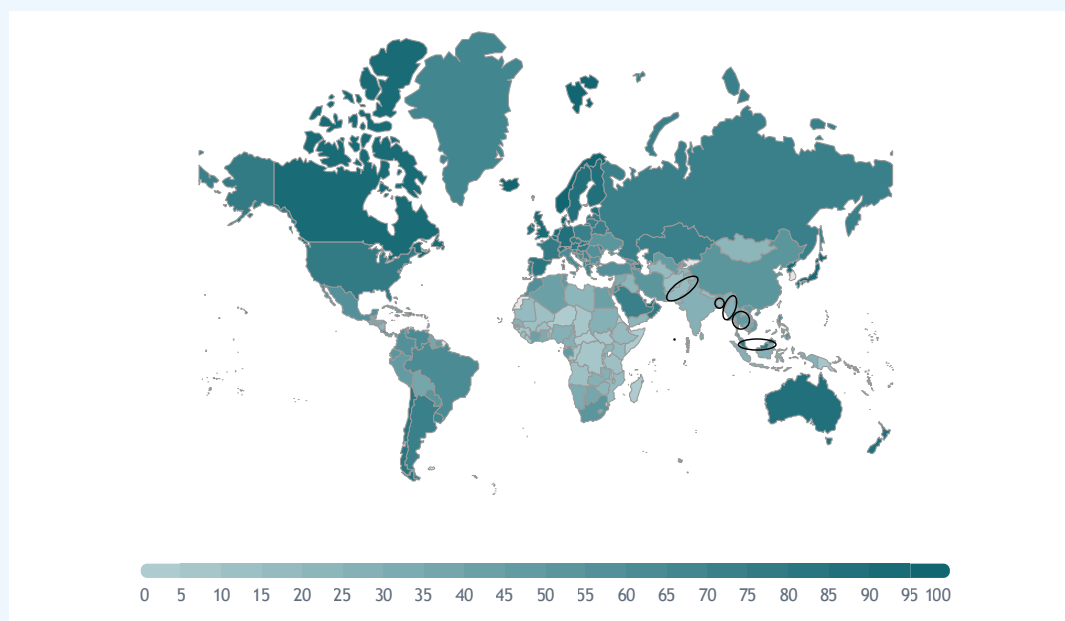


Contributions to positive outcomes

While many of the holdings in our Sustainable Real Estate and Infrastructure pillar provide solutions within the built environment, we also consider internet connectivity to a critical element of infrastructure. The SDGs target an increase in the number of people using the internet, recognising the ways in which connectivity can enhance wellbeing and enable the enjoyment of

human rights. Companies in the Fund contribute to these aims in multiple countries, indicated with circles in the maps below. In many of these places, internet penetration remains below global average. This includes Bangladesh, Myanmar and Pakistan, where active data users at companies in the Fund equate to 100%, 82% and 53% of people using the internet in these countries.

Global internet penetration



Definition: Percentage of the population using the internet. Internet users are individuals who have used the Internet (from any location) in the last 3 months. The Internet can be used via a computer, mobile phone, personal digital assistant, games machine, digital TV etc.

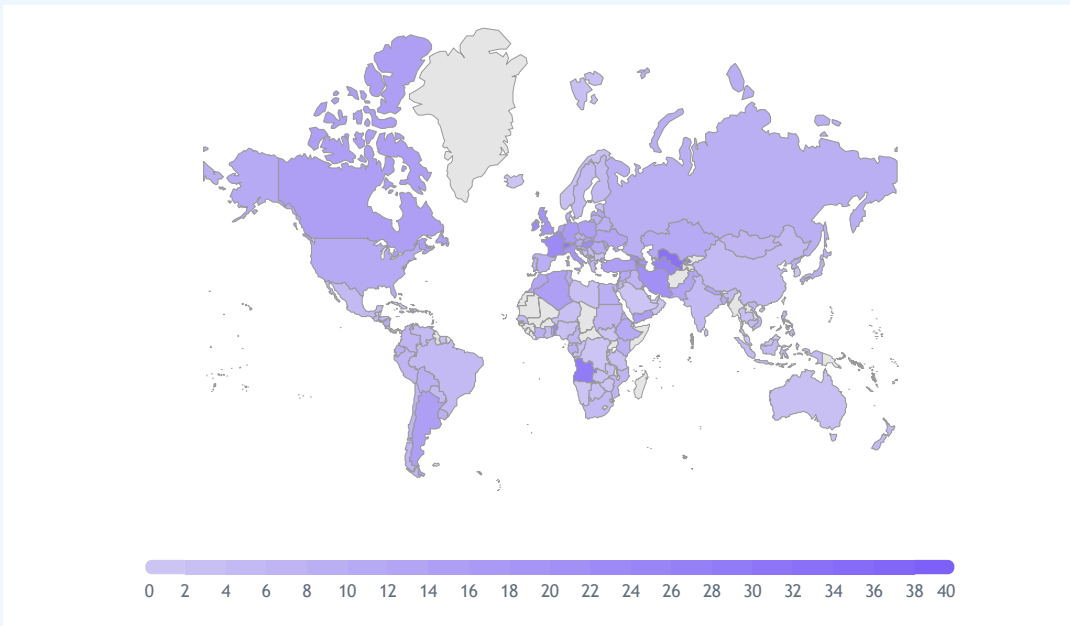
NB Map uses the most recent data from 2015, 2016, or 2017 for each country.

Source: International Telecommunication Union, World Telecommunication/ICT Development Report and database as cited in the World Development Indicators Database, last updated 14/11/2018

Despite a strong focus on improving the environmental credentials of physical dwellings and commercial properties, we do not have the granularity of data required to map the environmental impacts from holdings in the Fund. We are able to report that an aggregate of 2.7 million tons of emissions were avoided from these companies' solutions. Using revenue as a proxy, we can see

that almost 70% of this was in North America. However, ideally we would like more granular data to about where these structures and solutions are located. This would help us to quantify the contributions to emissions reductions at the regional level.

CO₂ from residential buildings & commercial services



9

INDUSTRY, INNOVATION
AND INFRASTRUCTURE

11

SUSTAINABLE CITIES
AND COMMUNITIES

17

PARTNERSHIPS
FOR THE GOALS

Definition: CO2 emissions from residential buildings and commercial and public services as a percentage of total fuel combustion in 2014, contains all emissions from fuel combustion in households. This corresponds to IPCC Source/Sink Category 1 A 4 b. Commercial and public services includes emissions from all activities of ISIC Divisions 41, 50-52, 55, 63-67, 70-75, 80, 85, 90-93 and 99.
Source: IEA Statistics © OECD/IEA 2014 (<http://www.iea.org/stats/index.asp>), subject to <https://www.iea.org/t&c/termsandconditions/> as cited in the World Development Indicators Database, last updated 14/11/2018

Health and Social Care Pillar

Ensuring access to essential care and enhancing services



While significant global progress has been made in areas such as reducing child mortality and incidences of HIV, many health and social care challenges remain. These challenges vary widely by region, and some of the most striking inequalities can be seen in the disparity of health and social care services by demographic.

Over 50%
of the population
do not have full
coverage of
essential health
services^{xxxv}

**41 million
deaths**
were caused by
non-communicable
diseases in 2016^{xxxvi}

76 countries
have fewer than
1 physician
per **1,000**
people^{xxxvii}

The focus of our pillar is ensuring fair and affordable access to essential health and social care. This can be through affordable pricing strategies, targeted drug development in burden and neglected diseases, and sexual healthcare (specifically neonatal and for women). This also includes companies with solutions focused on reducing costs and creating efficiencies across healthcare companies, as inflated costs across sectors can often be the root cause of treatment barriers.



Case Study

Georgia Healthcare

Georgia Healthcare provides medical care and insurance in the country of Georgia, where public spending on healthcare provision is significantly lower than other regional averages. The country is therefore heavily reliant on external resources (e.g. international organizations, other countries through bilateral arrangements, or foreign non-governmental organization). This is a focus area for the government and expenditure is increasing, but gaps in the service remain.

Georgia Healthcare's strategy aims to fill these gaps by focusing on improved access to healthcare services and enhancing outcomes in Georgia. The business splits into four divisions: hospitals, polyclinics (outpatient/ambulatory services), pharmacies, and health insurance. The company has invested heavily in its healthcare and pharmacies footprints, adding beds, strengthening existing services, and acquiring two pharmaceutical companies. In 2017, Georgia Healthcare managed over 3,000 hospital beds and provided insurance to over 150,000 people.

Beyond the business units themselves, Georgia Healthcare has recognised a strong need for qualified doctors and nurses, particularly with skills in anaesthesiology, intensive care, emergency care, oncology, and technologically advanced surgery. It therefore implements a clinical strategy to develop doctors and nurses. This includes continued professional development (CPD), a postgraduate residency programme, and a joint Nurse College with D. Tvildiani Medical University. The company also offers financial support for these programmes through grants, student loans and employment during and after study. In 2017, the company provided CPD to over 3,000 nurses and physicians, had 112 residents involved in 20 specialty areas, and 50 people enrolled at the Nurse College.

Positive outputs from holdings in the portfolio



Health and Social Care

Ensuring access to essential care and enhancing services

11 million people provided with preventative care, insurance and savings accounts, roughly equivalent to the population of Haiti

Over 330,000 people provided with medication for **\$0.12 or less**



470,000 healthcare professionals trained, enough people to fill the Sydney Opera House 82 times



1.8 million people utilised additional healthcare support programmes equivalent to $\frac{1}{4}$ of the population of Hong Kong



Ensuring access to essential care and enhancing services



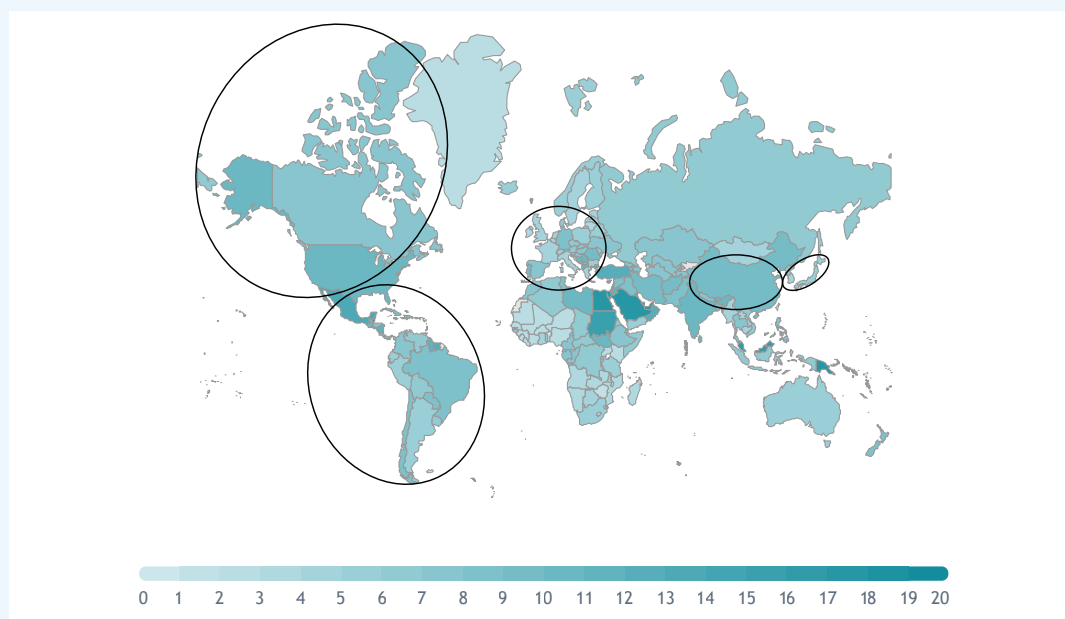
Contributions to positive outcomes

Companies' products and services can play a significant role in improving health and social care provisions; however, since the most pressing health and social care issues vary substantially by country and region, aggregate assessments are challenging from an impact perspective. Considering impact in relation to a single disease, diabetes, may help to contextualise the efforts of companies in the Fund.

According to the World Health Organisation (WHO), diabetes caused the death of 1.6 million people in 2016.^{xxxviii} It is one of four non-communicable diseases where SDG 3 Good Health and

Wellbeing specifically targets reductions in pre-mature mortality through prevention and treatment.^{xxxix} Diabetes is a major cause of blindness, kidney failure, heart attacks, strokes and lower limb amputation, and its prevalence is growing most quickly in low and middle income countries.^{xl} However, diabetes is treatable and a focus area for holdings in the Fund. The map below illustrates the areas where diabetes is most prevalent, and the circles indicate where companies in the Fund have provided treatment. Using regional revenue as a proxy, treatment was provided to the equivalent of 38% of people with diabetes in North America, 19% in Japan & Korea, and 17% in the European Union.

Global diabetes prevalence



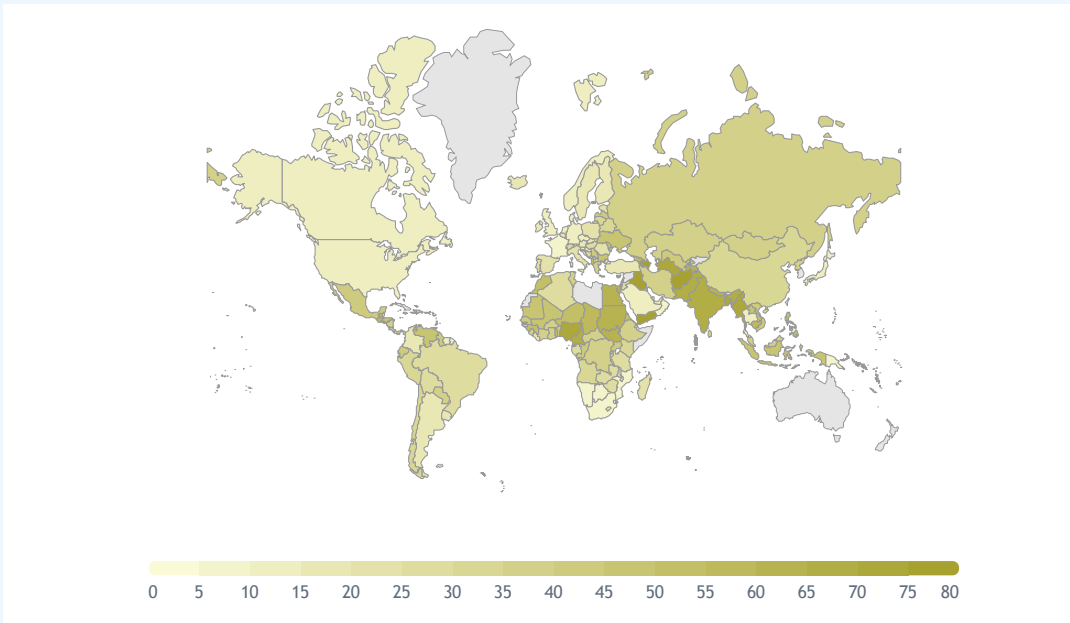
Definition: Diabetes prevalence refers to the percentage of people ages 20-79 who have type 1 or type 2 diabetes in 2017.

Source: International Diabetes Federation, Diabetes Atlas as cited in the World Development Indicators Database, last updated 14/11/2018

While specific health challenges may vary, one common aspect of healthcare is its cost. High treatment prices can act as a significant barrier to access. In assessing companies for the Global Equity Impact Fund, we pay close attention to companies' pricing structures and how they determine levels of affordability in different regions. The map below highlights areas where out-of-pocket healthcare expenses (as a proportion of total health expenditure) remain high, making it difficult to access essential, life-saving treatment. The companies in the Fund have a significant global presence, including many of these areas, and tiered pricing or dedicated initiatives in place where price acts as a significant

barrier to access. Going forward, we would like additional granularity on the locations and outputs of these efforts, in order to measure and map the ways in which this helps to break down these barriers.

Out-of-pocket healthcare expenses



1 NO POVERTY

5 GENDER EQUALITY

3 GOOD HEALTH AND WELL-BEING

Definition: Share of out-of-pocket payments of total current health expenditures in 2015. Out-of-pocket payments are spending on health directly out-of-pocket by households.
Source: World Health Organization Global Health Expenditure database (<http://apps.who.int/nha/database>) as cited in the World Development Indicators Database, last updated 14/11/2018

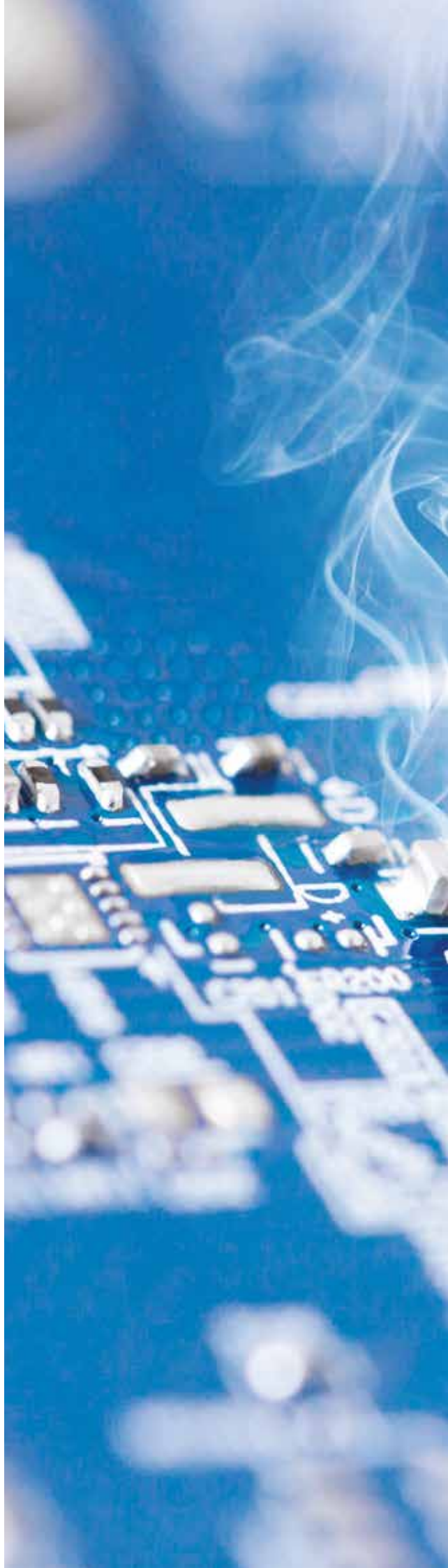
Impact Leaders

Impact leaders are companies that facilitate the solutions that fall into one of our pillars, but sit too far up the value chain for us to be able to measure the social or environmental outputs and contributions to outcomes. These companies often support product development in multiple pillars and do not fit perfectly within just one, which prevents us from including them directly in pillar reporting.

These suppliers and contributors to solutions play a vital role in delivering positive social and environmental impact. Indeed, without their technologies and services, products that support one of our pillars would not be possible.

These names still demonstrate intentionality through a clearly articulated strategy and measurable investments. Evidence of this investment is also apparent in the businesses' operations and how non-financial data is reported.

We take the conservative view of not reporting the non-financial contribution of these holdings because the businesses' products and services support the outputs of other holdings in this portfolio.





Case Study

ASML

ASML develops and manufactures semiconductor equipment designed to reduce costs and improve the energy efficiency of semiconductor chip manufacturing.

ASML has a clear focus on positively impacting society and expects its technology will “help to tackle society’s toughest challenges”. It then follows through with significant investment, not only in research and development, but also in its own operations, supply chain and employees to ensure its operations embody the solutions it aims to deliver.

The semiconductor equipment and the chips ASML’s customers produce enable grid networks, wind turbines, Internet of Things and a host of other ‘megatrends’. However, because ASML is several steps removed from the end product, it is too far along the value chain to be included in either our Sustainable Energy or Real Estate and Infrastructure pillars.

Nonetheless, supporting more efficient and cost-effective production of chips that then enable solutions to social and environmental issues is crucial to delivering the impact goals of this portfolio. ASML is less advanced in the measurement of its products’ contribution to solutions and impact outputs. As such, we would welcome additional reporting on how ASML envisions its products are being used and contribute to tackling society’s challenges.

Engagement

A key challenge to impact investing across asset classes is the availability and homogeneity of data and measuring intended and unintended outcomes. This is not an issue unique to the investment community with the United Nations Secretary-General António Guterres highlighting the difficulty in collecting and measuring data to evidence progress on meeting the SDGs.⁷

Just as the UN struggles to collect and analyse data, companies face increasing and disparate demands for more extensive non-financial disclosure to satisfy a variety of needs.

This year we participated in discussions with Principles for Responsible Investment (PRI) on its Impact Market Map and the Carbon Disclosure Project as part of its Taskforce for SDG-related Financial Disclosure as well as attending the Global Impact Investing Network Forum to refine and improve our impact reporting. These industry bodies serve to stimulate discussion and greater participation should help to introduce uniformity in non-financial disclosure and impact reporting. Engagement is integral to this Fund and we continue to work with other investors and industry groups to ensure we reach consensus on data requests and measurement of impact. Through active engagement with management teams, we as investors can influence corporate strategy and hold companies to account and work to enhance disclosure around the impact a company's products and services deliver.

We sent out our first impact survey to over one hundred companies this year. We are pleased to report we had a 50% response rate. Many companies reached out for further dialogue to understand our process and approach to reporting on positive environmental and social outcomes, including Vodafone, Prologis, Equinix, and ING, among others. These responses, along with conversations with companies and data collected from annual reports and company presentations facilitates the impact measurement seen in this report. Our impact engagement focuses on identifying and quantifying a company's strategic intent to invest in and deliver products that will contribute to measureable social and environmental outcomes. This work has informed our contextual analysis and enhanced our ability to report on positive impact outcomes.

We had a call with US-based datacentre provider Equinix to understand its long-term goal to operate with 100% sustainable and renewable energy across its datacentre platform. In 2017, Equinix's energy mix grew to 2/3 green and sustainable, though we would encourage further disclosure on how this splits regionally across different types of green and sustainable energy sources.

In South America, we had a meeting with Banco Bradesco to understand how the bank set interest rates for underserved

demographics, what financial literacy programmes the bank ran and the level of defaults it saw for customers. We gained reassurance in Banco Bradesco's strategy and its plan to expand access in rural and hard to reach parts of Brazil while also ensuring its clients had the appropriate education they needed.

We had repeated conversations with the CEO at Clinigen, a UK-based company focused on expanding access of drug treatment. We found Clinigen has a strong approach to fair pricing with 90% of products in the Managed Access division provided free of charge to the patient. Internally, Clinigen's own drug development strives to maintain a narrow pricing corridor. Other UK names we spoke to this year included Countryside Properties, Georgia Healthcare Group, and Vodafone.

Ørsted is a Danish utility services provider that is actively switching its generation mix away from coal to wind sources. Our meeting focused on how Ørsted is expanding its operations beyond Europe into countries like the US and Taiwan and how it anticipates offshore wind will develop. Engagement in Europe during the year included Covestro, ING, Orpea, Plastic Omnium, Signify and Vestas.

We were pleased to see both MasterCard and Costa Group publish inaugural sustainability reports following extensive engagement this year. We view both of these reports as encouraging starts to improved and enhanced disclosure. For further detail on our conversations with both companies, please see our quarterly impact reports.

Over the year we spoke to the following companies on impact topics to ascertain, confirm or reject their inclusion in the Impact Universe: Banco Bradesco, Costa Group, Covestro, Countryside Properties, Clinigen, CSX, Equinix, Georgia Healthcare Group, ING, Intesa Sanpaolo, MasterCard, Novo Nordisk, Orpea, Ørsted, Plastic Omnium, Prologis, Signify, Suntrust Banks, Vestas, Vodafone.

Conclusion

The problems the world faces are vast and we believe that a holistic approach to tackling the challenges of increasing social inequalities, unsustainable consumption and production and climate change is necessary. Nothing in this world happens in a vacuum and these three core challenges have social and environmental elements. The companies that address these challenges must consider the unintended consequences of their products and services as well as the intended impact.

As we look to 2019 we are hopeful the universe of investible companies for the Fund will grow and reporting improves as the corporate world shifts to find solutions for the most pressing global issues.

About us

At Aberdeen Standard Investments, we take our stewardship and environmental, social and governance (ESG) roles seriously. As we are active long-term responsible investors, stewardship and ESG are fundamental components of our company-wide investment philosophy and process.

Stewardship is about understanding everything there is to know about an asset, especially its risks and opportunities.

We do this before making any investment, ensuring we build only the highest-quality portfolios for our clients.

In addition to the review and integration of material ESG factors, we also offer clients bespoke solutions to meet their environmental and social needs, including impact investment strategies such as the Global Equity Impact Fund. This process is led by our Stewardship and ESG specialists for a fully integrated approach.

Impact Investing Team



Euan Stirling,
Global Head
of Stewardship
& ESG Investment



Amanda Young
Head of Global ESG
Investment Research



Dominic Byrne
Deputy Head
of Global Equities



Ross McSkimming
Investment Director



Elizabeth Meyer
ESG Investment
Analyst



Sarah Norris
Investment Director



Andrew Patrick
Investment Director

As well as those shown in the team, we have had significant, valuable contributions from our regional equity teams over the year. Members of our equity investment teams regularly join our discussions on impact ideas and contribute research for the Fund. We also received support from graduates and interns in collating and analysing the impact indicators used in this report. We are very grateful for the support of our colleagues and look forward to continuing to work with them.

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Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested. Past performance is not a guide to future results.

Please consider these risk factors:

- The Fund invests in equities and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- A concentrated portfolio may be more volatile than a more broadly diversified one.
- Interpretation of "Impact Investing" will vary according to beliefs and values. Consequently the Fund may invest in companies which do not align with the personal views of any individual investor.
- A full list of risks applicable to this Fund can be found in the Prospectus.

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