



POSITIVE REPORT

EQ investors



IMPACT 2021

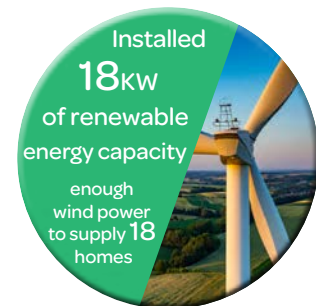
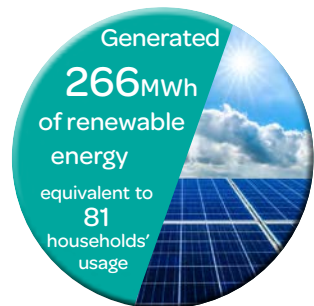
 Certified



Corporation

Positive impact associated with owning £1 million of the EQ Positive Impact Adventurous portfolio in 2020:¹

Environmental impact



Social impact



¹ Investing (e.g. buying shares in a company) does not create these outputs and outcomes: they are generated by the activities of our underlying portfolio holdings. An investment can be associated with these measures based on company disclosures and share of ownership. Portfolio weightings as at 31 August 2021. For an in-depth explanation of our impact methodology see: eqinvestors.co.uk/advisers/blog/positive-impact-methodology/.

Welcome

The ambition of the EQ Positive Impact strategy has always been to demonstrate that investors can make a positive impact through their investments while at the same time generating attractive financial returns.

This year, in its fifth iteration, our impact report continues to hold this mandate, and our mission at EQ, to account. For the first time, this year's report explains the theory of change that we use to build our impact metrics and assess our investment impact towards the UN Sustainable Development Goals.

As the UK emerges from the coronavirus pandemic, we continue to see its effects on communities globally. Meanwhile, the urgency



“Our mission at EQ Investors is to connect capital to sustainable businesses by offering impact investing to everyone.”

of the climate crisis makes our Positive Impact strategy more relevant than ever. This report shows how our investment approach is supporting the transition to a low carbon world.

As we raise the bar for our own investment practice, we invite our peers in the finance industry to join us. This report explains how we drive change through engagement – and our engagement work this year has shown that our asset manager partners are more receptive than ever.

We collaborate with like-minded businesses, and over the last 12 months have seen a seismic shift as the finance industry takes strides towards a more sustainable mindset. We see this as the key to using finance to accelerate a move to a sustainable, equitable world.

Sophie Kennedy
Joint Chief Executive

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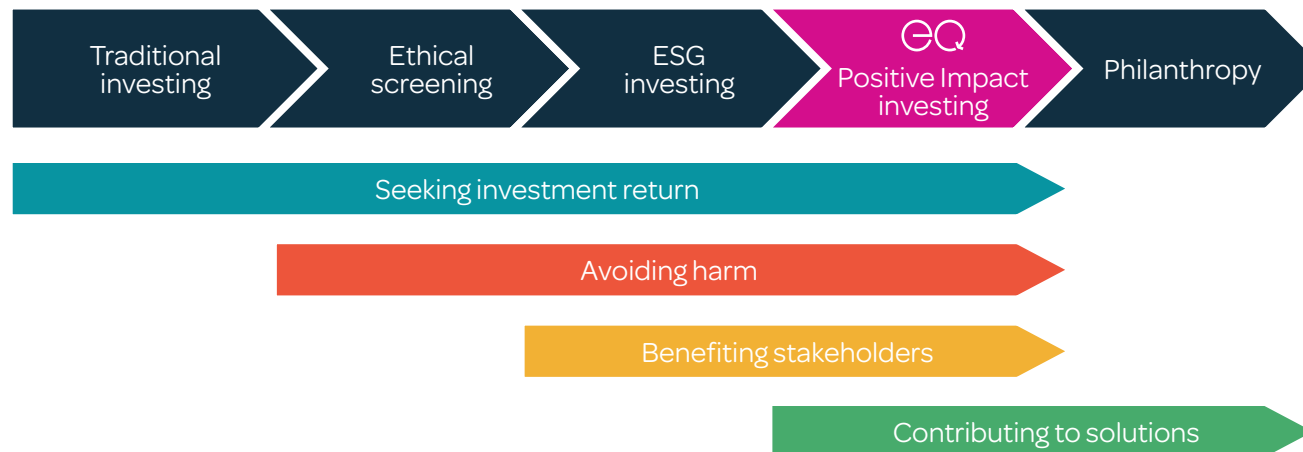
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Our approach

EQ Positive Impact is an investment strategy with a dual focus on maximising both impact and financial returns. We look to invest in solutions to social and environmental problems, measure their impact they have, and actively engage to push for change towards a more sustainable world.

- 1 Invest in solutions**
EQ Positive Impact aims to invest in companies whose core products and services help to address global challenges. We naturally look to invest in the best run companies, so also consider Environmental, Social and Governance ('ESG') factors when selecting funds, and avoid harmful industries.
- 2 Measure the impact**
We specialise in proprietary, market-leading impact measurement and reporting. This allows us to manage and improve our net-positive impacts over time. We aim to provide full transparency to our clients, helping build confidence that their investment sustainability objectives are met.
- 3 Engage for change**
We work collaboratively with our fund managers to share best practice across the industry. Through active engagement we harness the collective power of capital to advocate for change and take our partner asset managers on the journey with us to mainstream impact investing.

Our Positive Impact approach goes beyond ethical screening and ESG investing by focusing on solutions:



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

Spot the difference

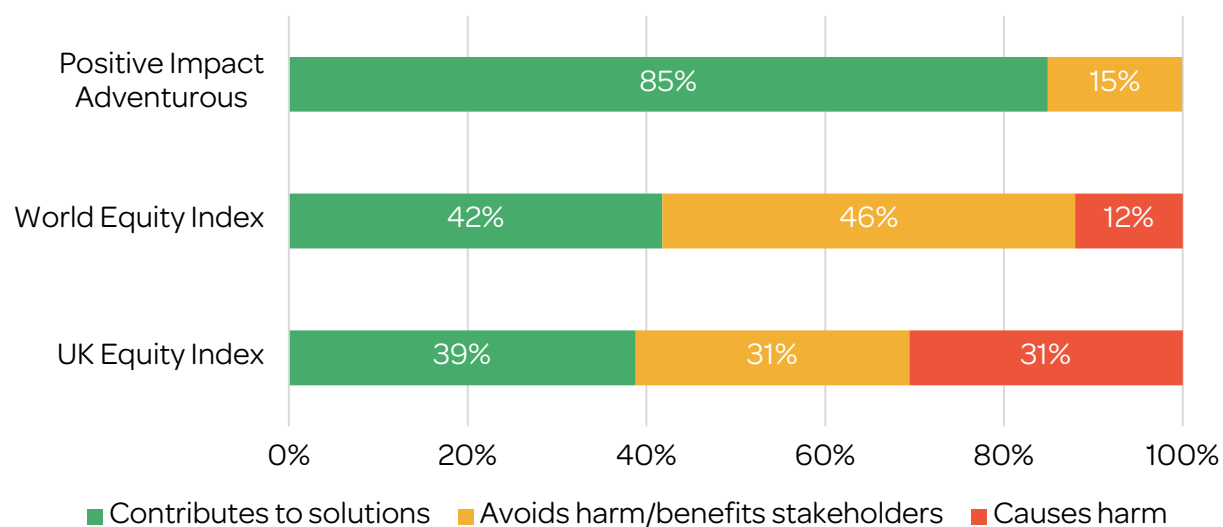
Investing this way means that the EQ Positive Impact portfolios look quite different to traditional investments.

The Impact Management Project classifies investments as either 'causes harm', 'avoids harm/benefits stakeholders', or 'contributes to solutions'.¹

We only consider our portfolio holdings to contribute to solutions if we can link their core product or service to one of the UN Sustainable Development Goals via a Theory of Change (see pages 6-7).

Compared to UK or world equity markets, the EQ Positive Impact strategy is effective at avoiding harm, and significantly increases the proportion of investment in companies that contribute to solutions.

Investing without a sustainable lens would almost halve exposure to solution-providers while significantly increasing investments in businesses causing harm to people and the planet.



¹ For more detail on this classification framework, please visit: impactmanagementproject.com.

IMPACT MANAGEMENT PROJECT

Avoiding harm

Our solutions-focused approach naturally avoids controversial themes, including:

- ✗ Air freight
- ✗ Alcohol
- ✗ Armaments
- ✗ Fossil fuel service industries
- ✗ Gambling
- ✗ Military contracting
- ✗ Mining
- ✗ Ocean freight
- ✗ Oil majors
- ✗ Palm oil
- ✗ Poor environmental practices
- ✗ Poor labour standards
- ✗ Thermal coal
- ✗ Tobacco
- ✗ Unhealthy food and beverages

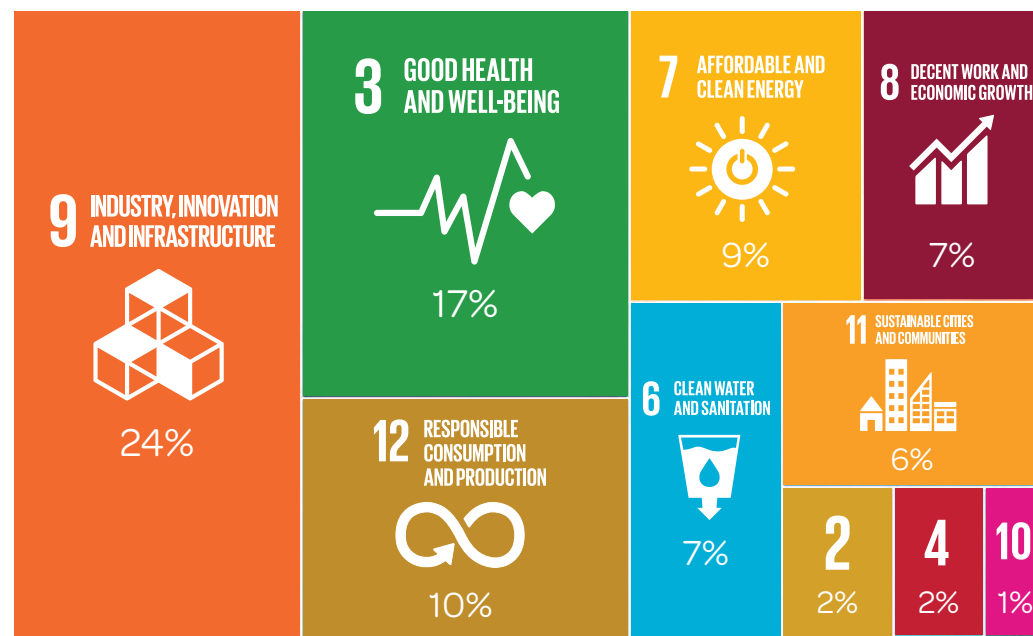
Our solutions

This map focuses on the 85% of holdings in our Adventurous portfolio that actively contribute to the UN Sustainable Development Goals.¹

- ✓ Telecommunications
- ✓ Power networks
- ✓ Efficiency enablers

- ✓ Healthcare
- ✓ Medical research

- ✓ Wind, solar and hydro
- ✓ Green electric utilities



- ✓ Circular economy
- ✓ Waste & recycling
- ✓ Pollution control

- ✓ Water treatment
- ✓ Water utilities

- ✓ Plant and animal health
- ✓ Farming equipment

- ✓ Building societies
- ✓ Financial services in emerging markets

- ✓ Green buildings
- ✓ Affordable housing

- ✓ Charity sector bonds

- ✓ Universities
- ✓ Education tech

SUSTAINABLE DEVELOPMENT GOALS

We use the UN Sustainable Development Goals ('the Goals') as our guiding framework to think about impact.

These 17 Goals represent a global plan of action to address our most urgent social and environmental challenges.

For information on the Goals and their associated targets visit:

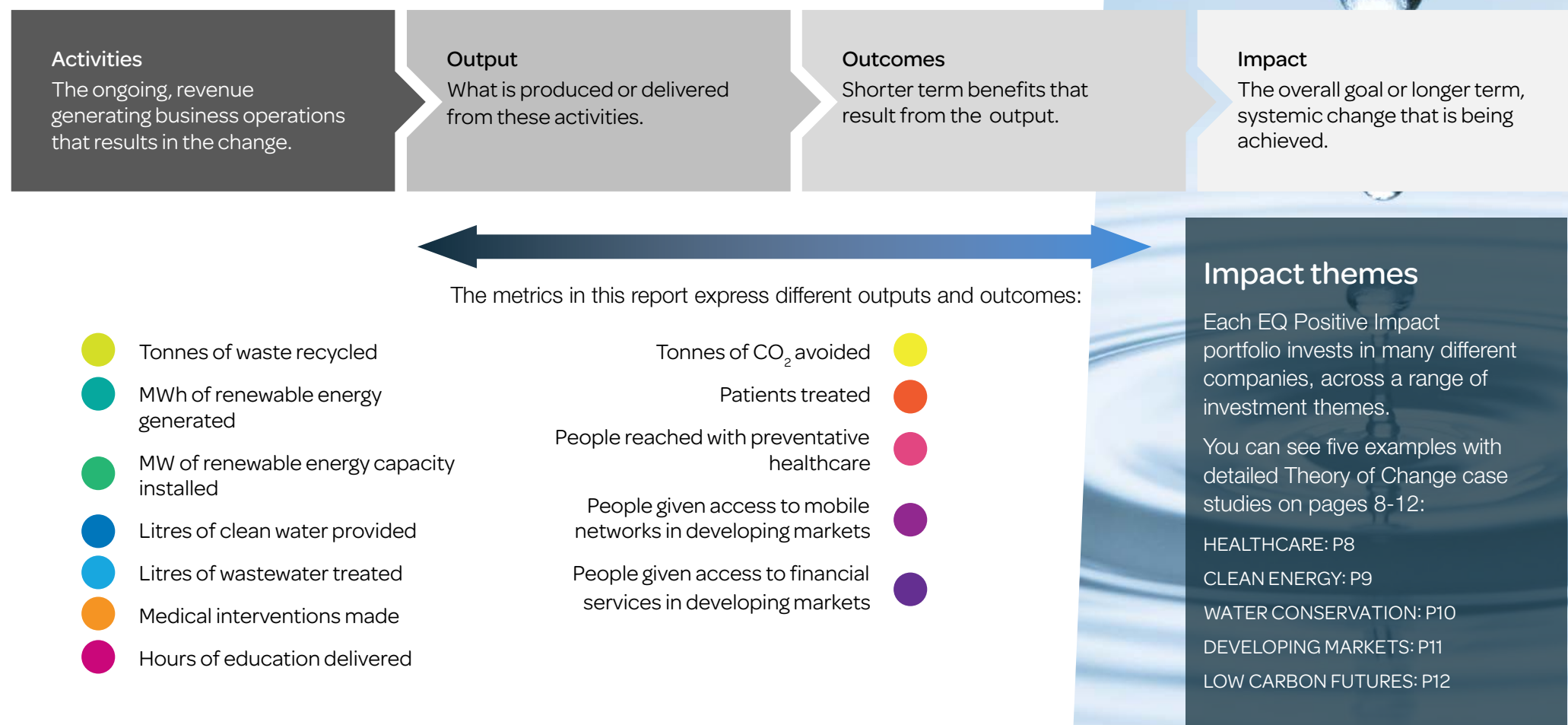
sdgs.un.org

¹ The percentages reflect weighted portfolio holdings as at 31 August 2021.

The examples listed are not exhaustive.

Theory of change

We measure the impact of our investments by linking each company's activities and its outputs to a set of outcomes and progress towards the UN Sustainable Development Goals:¹



¹ For more detail on our impact methodology, please see our white paper: eqinvestors.co.uk/wp-content/uploads/2020/10/EQ-Positive-Impact-Methodology-2020.pdf

Clean energy

EQ Positive Impact invests in companies that are decarbonising our economies by increasing the share of renewables in the global energy mix.

Globally, energy generation and consumption account for over 70% of greenhouse gas emissions. Shifting the global economy's dependence on fossil fuels to clean energy sources is key to limiting global warming to 1.5 degrees.

Our portfolios invest in businesses that provide renewable energy technologies, harnessing

geothermal, solar, wind and hydro energy. These companies are helping to generate clean, green electricity into grids worldwide and actively increasing our installed renewable energy capacity.

We also invest in electricity transmission and battery storage to support the greening of grids and electrification of other sectors.

Impact associated with £1m invested:

● 266 MWh renewable energy generated

● 18 kW renewable energy capacity installed

CASE STUDY

Vestas

Activities

Vestas Wind Systems is a Danish renewable energy solution company that produces, designs, installs and services wind turbines across the world. The company is a pure player: 84% of the company's revenue is from the sale of wind turbines and blades, with 16% derived from servicing this equipment.

Output

The company has installed more than 129 GW of wind turbines in 85 countries, more than any other company.

In 2020, the company added an additional 15.5GW of new turbines, giving it 50% of wind turbine market share outside China.

Outcomes

Wind now is on a par with solar power as one of the cheapest alternatives to fossil fuels. In 2020, Vestas wind turbines generated 435 million MWh of renewable electricity, avoiding 186 million tonnes of carbon emissions – about the same as taking 40 million passenger cars off the road last year.

Impact

7 AFFORDABLE AND CLEAN ENERGY



Progress towards UN Target 7.2:
By 2030, increase substantially the share of renewable energy in the global energy mix.

Water conservation

Protecting and managing freshwater is a prerequisite for life on Earth, and a key theme in EQ Positive Impact.

Inequalities and inefficiencies in water use persist, with many regions suffering from water scarcity due to decades of unsustainable water use and climate change impacts.

We invest across freshwater distribution and protection, wastewater treatment, and water efficiency applications. The portfolios also invest in sustainable water management systems and

more efficient technology that allows us to put less strain on natural water resources.

Companies within the portfolios treated enough wastewater to serve 13 billion households (in total over 1 trillion m³) and provided enough fresh water to supply 7 billion households (in total around 900 billion m³ – including domestic, industrial and agricultural supply).

Impact associated with £1m invested:

29 million litres of clean water provided

52 million litres of wastewater treated

CASE STUDY

xylem

Activities

Xylem is a global water technology company. It finds and consults on water system challenges in 150 countries, and then designs sustainable water management plans that address inefficiencies in water utilities and wastewater treatment, and that promote safe, sustainable water use.

Output

Xylem solutions involve a suite of in-house equipment, including water pumps, water disinfection systems and smart metering sensors.

Outcomes

In 2020 Xylem provided 4.1 million people at the base of the global economic pyramid access to clean water and sanitation, helped clients avoid half a billion m³ of leakage water, and treated 4.3 billion m³ of wastewater (1.7 million Olympic-size swimming pools), preventing it from polluting natural freshwater ecosystems.

Impact



Multiple UN Targets including 6.3:

By 2030, improve water quality by reducing pollution... halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Health care

Ensuring equal access to health and wellbeing for all is a major theme in EQ Positive Impact.

The pandemic has highlighted the urgent need for innovative, inclusive healthcare solutions for all. EQ Positive Impact invests to tackle a variety of healthcare challenges globally, ranging from finding cures for rare diseases to investing in healthcare efficiencies and new personalised medicines.

Portfolio companies have successfully delivered on this throughout the pandemic, providing more than 403 million Covid vaccines, treating more than 900 million Covid and non-Covid patients virtually, and through hospital visits, and contributing to over 21 million Covid diagnostic tests.

CASE STUDY



Activities

Moderna is a biotechnology company that develops treatments and vaccines based on cutting-edge mRNA science. It developed its coronavirus vaccine in record time and, following regulatory approvals, partnered with manufacturers to scale up the production rapidly.

Output

Within four months of approval Moderna had successfully supplied 102 million coronavirus vaccine doses and signed deals with different countries to supply 600 million doses by the end of 2021. Moderna's research pipeline includes mRNA vaccines for influenza, MMA, Zika, and HIV.

Outcomes

Moderna's vaccines and drugs help prevent the symptoms of disease, improve the quality of life of patients, and reduce the costs associated with treating sick patients.

Impact



Progress towards Target 3.3:

By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.

Impact associated with £1m invested:

21 people reached with preventative healthcare

157 patients treated

882 medical interventions made

Impact in developing markets

Addressing barriers to socioeconomic development is a key focus for the EQ Positive Impact portfolios.

The largest progress gap on the UN Sustainable Development Goals exists in developing countries across Africa, Asia and South America.

Our portfolios invest in companies that provide access to mobile networks for 825 million previously underserved people in developing markets. They also provide access to mobile financial services for 247 million, including

microloans, savings, and internet banking.

Billions of people globally now access their finances through mobile phones. Providing universal access to finance and mobile internet services break down barriers to education, provide access to healthcare and integration in the global economy.

Impact associated with £1m invested:

34 people in developing markets provided access to financial services

19 people in developing markets provided access to mobile networks

CASE STUDY



Activities

Safaricom is a mobile network operator serving >35 million rural and urban customers across Kenya, Tanzania and South Africa. The company owns mobile network infrastructure and offers digital money services M-Pesa and M-Tiba that enable mobile users to send, borrow and save money.

Output

In 2020, Safaricom extended access to loans to 20.3 million people, enabled 4.8 million people to save for healthcare via their M-Tiba service, and partnered with education providers to reach 5 million students with supplementary education access.

Outcomes

Mobile access to financial services supports local entrepreneurship and removes key barriers to socioeconomic development.

As the market leader, M-Pesa contributed significantly to lifting Kenya's financial inclusion rate from 14% in 2006 to 83% in 2019.

Impact



Multiple UN Targets including 9.c:

Significantly increase

access to information and communications technology and strive to provide universal and affordable access to the internet in least developed countries.

Investing for a low carbon future

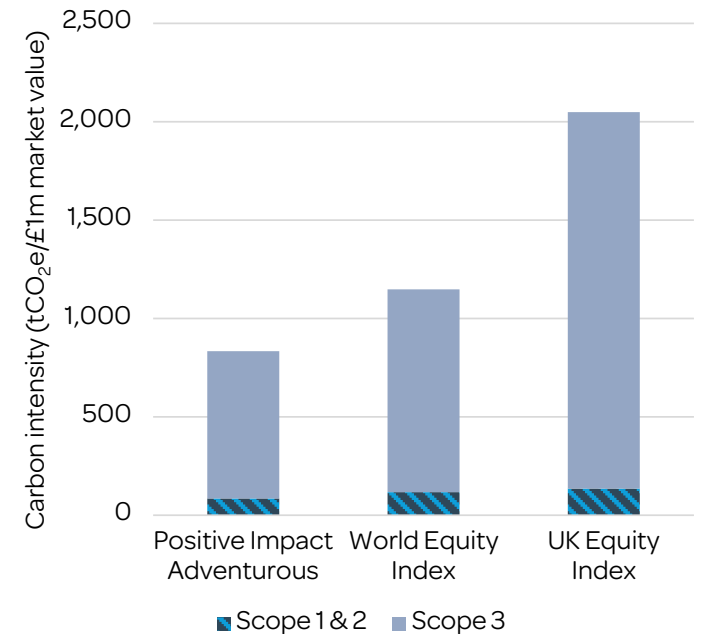
Limiting the worst effects of climate change requires the rapid decarbonisation of our economies.

Avoiding carbon emissions

EQ Positive Impact invests in companies that provide solutions to the climate crisis through business models that avoid carbon emissions. Businesses helping us transition to a green, low carbon economy include renewable energy, energy efficiency technology, renewable materials, electric transport and green buildings. In 2020, these companies in our portfolio avoided more than 1.8 billion tonnes of CO₂ emissions.

Portfolio carbon intensity

We have measured carbon emissions across the entire value chain of our equity investments. This chart shows the Scope 1, 2 and 3 emissions intensity, as defined by the Greenhouse Gas Protocol, of our Adventurous portfolio compared to market indices. The companies in our portfolio show a significantly smaller climate change contribution and are more carbon efficient.



CASE STUDY



Activities

Novozymes makes everyday products more sustainable by replacing raw material inputs derived from fossil fuels with renewably sourced biological products such as enzymes and microbes. These provide more efficient, lower carbon solutions for household care, agriculture, food processing and transport.

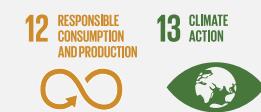
Output

Novozymes produces enzymes that enable washing machines and dishwashers to run at lower temperatures, inoculants that improve plant growth, and products such as 'Protana® Prime' that improve the taste and texture of plant-based meat alternatives.

Outcomes

Through its diverse product range, Novozymes contributes to significant carbon emissions avoidance – far outstripping its operational carbon footprint. In 2020, its enzymes saved an estimated 87 million tonnes of CO₂ associated with its customers' product life cycles – equivalent to taking 18.9 million cars off the road for a year.

Impact



Novozymes contributes to UN Goal 13 and Target 12.2:

By 2030, achieve the sustainable management and efficient use of natural resources.

Scope 1

Direct emissions:

Company facilities
Company owned vehicles

Scope 2

Indirect emissions:

Purchased heat and electricity

Scope 3

Indirect emissions:

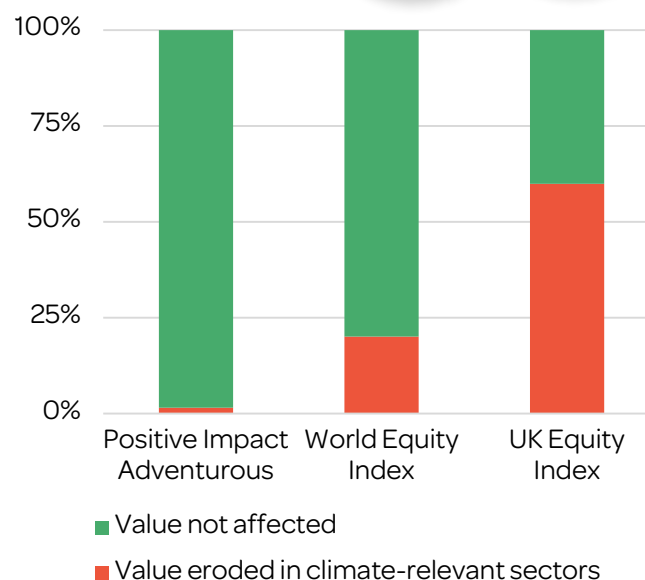
Material inputs
Product usage
Waste and disposal
Outsourced supply chain

Portfolio transition risks

In the future we see more stringent regulation, litigation, and changing market demands in favour of lower carbon technologies and the phasing out of fossil fuels. So what could happen in a policy crackdown?

We use stress-testing to assess the effectiveness of our portfolio strategy in planning for such potential sudden policy changes.¹ By this measure, UK companies in climate-relevant sectors could lose 60% of their market value, while globally, companies could lose 21%.

EQ Positive Impact holdings are in a significantly stronger position (assessed to lose just 1.5%), which is unsurprising as we actively seek out companies that are already engaged in the transition to a low carbon world.



¹ The tool used, provided by 2i PACTA, calculates the magnitude of potential market value losses of equity due to a late and sudden policy shock in 2030 to limit global warming to 2°C. This is assumed to impact climate-relevant sectors that represent 75% of global greenhouse gas emissions.

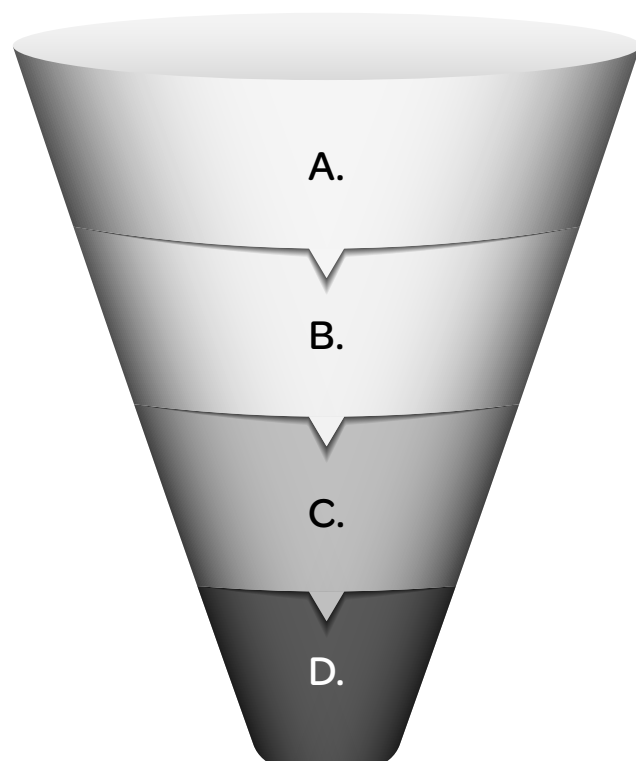
Impact associated with £1m invested:

● 333 tonnes of carbon emissions avoided

equivalent to taking 72 cars off the road for a year

Engaging for change

We engage with fund managers, policy makers and underlying companies as we continually look for opportunities to improve the net-positive impacts associated with our investments.



A. Fund managers

We only invest with fund managers that show leading ESG voting policies, and that incorporate proactive engagement within their fund strategy.

B. Portfolio monitoring

We monitor portfolio companies' net-positive impacts via news flows, ESG controversies, and emerging academic research to spot new engagement opportunities.

C. Collaborative engagement

More change can happen if investor demands are unified behind an objective. We have built collaborative relationships with all our fund managers and we amplify our voice by encouraging collaborative engagement approaches.

D. Our engagement themes

We proactively engage around topics that are either important across many of our portfolio companies, or systematically underrepresented.

In this section we report on each of our strategic engagement themes via our milestone framework:

- 1) Setting climate change targets, P15
- 2) Human rights in supply chains, P16
- 3) Tackling obesity through nutrition, P17

Setting climate change targets



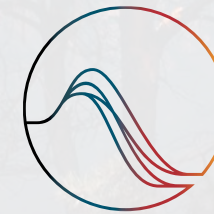
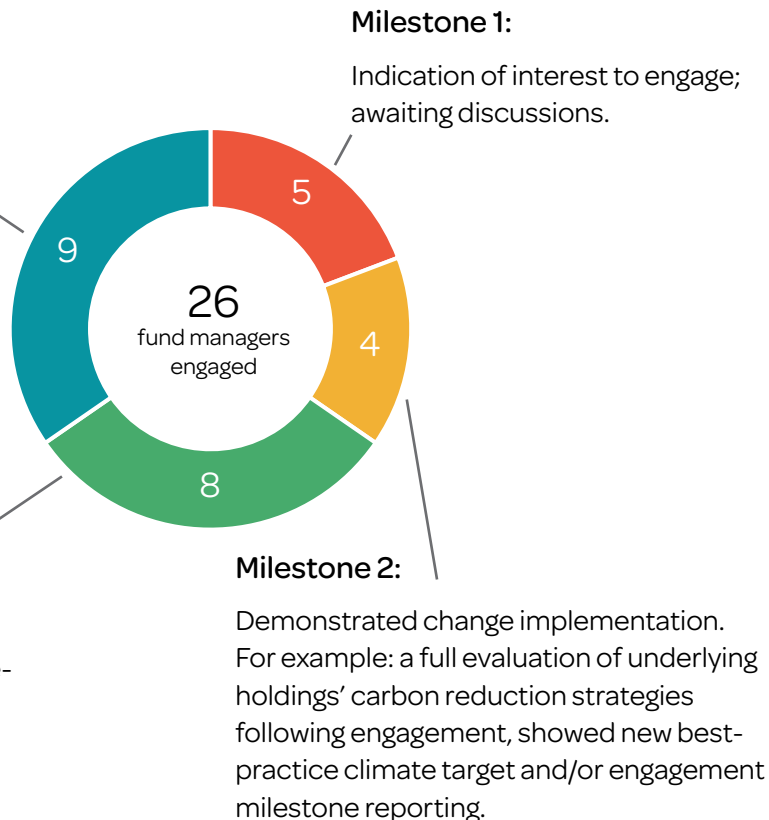
Globally, fewer than 2% of listed companies have set science-based carbon reduction targets. This year we have focused on encouraging fund managers to set their own targets, and push their investee companies to follow suit.

Milestone 4:

Demonstrated improved fund's impact management process. For example: Demonstrated a full evaluation of underlying holdings' carbon reduction strategies following engagement, reported on engagement outcomes with underlying companies on setting targets, demonstrated new best-practice climate reporting.

Milestone 3:

Commitment shown on identified weakness. For example: committed to assess underlying holdings for carbon reduction strategy in line with the science-based targets framework, committed to implement cross-sector engagement.

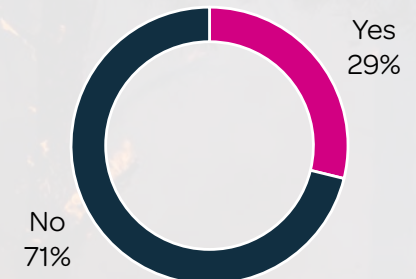


SCIENCE BASED TARGETS

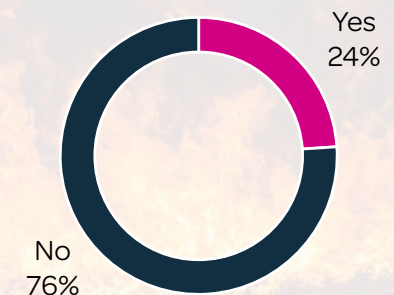
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

We assess the climate change ambition of all companies in the EQ Positive Impact portfolios on two fronts:

1. Are they committed to setting science-based targets for emissions reduction?



2. Have they set a target for net zero emissions by 2050 or earlier?



Weighted portfolio holdings as at 31 August 2021.

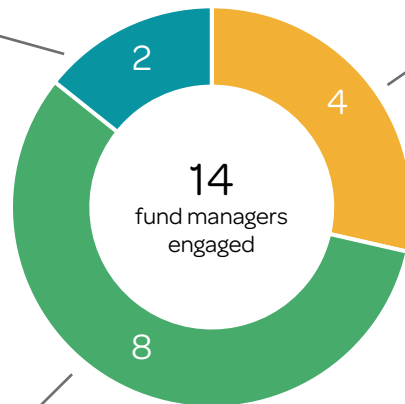
Human rights in supply chains



This year, we have focused our supply chain engagement on human rights. We want all our fund managers to move from a reactive approach (spotting controversies) to a more proactive stance: addressing modern slavery risks using best practice frameworks such as the Corporate Human Rights and KnowTheChain benchmarks.

Milestone 4:

Demonstrated integration of preventative human rights abuse due diligence in stock selection process. Demonstrated engagement examples or strategies on this issue.



Milestone 3:

Committed to applying the suggested best-practise frameworks into company selection and engagement. Committed to engage on identified weaknesses in the benchmark studies for covered companies.

Milestone 2:

Discussion around current approach to integrating human rights risks in investee supply chains into investment and engagement process.*



**World
Benchmarking
Alliance**



KNOW THE CHAIN

* No fund managers were at Milestone 1

CASE STUDY:

Votes Against Slavery coalition

Many UK-based companies did not previously adhere to the 2015 Modern Slavery Act which, among other things, required companies to publish transparent policies and oversight structures regarding modern slavery risks.

EQ Investors joined the “Votes Against Slavery” engagement coalition in early 2021, which aims at pushing the UK’s top 350 companies to comply with a set of modern slavery risk management demands.

The initiative has proven significantly impactful, with 59 of the 61 remaining targets companies now having reacted to investor demands and have become compliant. Among these were portfolio holdings **Pennon Group** and **Unite Group**.

Tackling obesity through nutrition

3 GOOD HEALTH AND WELL-BEING



Obesity is one of the most pressing public health issues today – yet an underrepresented engagement topic among responsible investors. We built on last year’s engagement efforts and focused on streamlining collective investor engagement demands to target food manufacturers and retailers more effectively.

Milestone 4:

Demonstrated active engagement alongside EQ investors in collaborative investor initiatives, urging for better disclosure and more ambitious nutritional target setting.

Milestone 3:

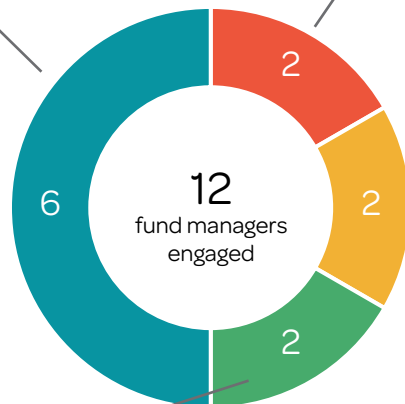
Committed to using ATNI research and the framework of ShareAction Healthy Markets initiative in engagement with relevant companies.

Milestone 1:

Indication of interest to engage; awaiting discussions.

Milestone 2:

Discussed current engagement activity with food manufacturers and retailers, identified weaknesses. Put forward ATNI findings for inclusion in company due diligence and engagement.



ShareAction»

EQ investors



**ACCESS TO
NUTRITION
INITIATIVE**

CASE STUDY:

Engaging with Unilever

In last year’s report we discussed how we pushed Tesco on setting nutritional value sales targets during their Annual General Meeting (AGM). Since then, the company has committed to our demands.

Learning from this success, we have started engaging with Unilever on their product nutrition footprint given that sugary, fatty ice creams still make up the largest part of their food sales.

We posed a question at their 2021 AGM as part of the ShareAction Healthy Markets coalition, and following an unsatisfactory response, we are taking additional steps to build momentum. Through the Access to Nutrition Index (ATNI) investor coalition we are pushing for change in additional engagement calls, and have asked our fund managers to join us.

We believe that by streamlining investor demands and gathering strength in numbers, we can create ambitious changes.

Spotlight on EQ

We have been building our expertise in impact investing since 2008. EQ Positive Impact, our flagship retail investment strategy, remains at the heart of our mission to offer impact investing to everyone.

Our impact

As a Certified B Corporation we undertake a regular, in-depth assessment of our company's impact on all our key stakeholders – including our clients, employees, local community and our impact on the environment. To learn more about the B Impact Assessment and to view ours online, visit bcorporation.uk.

Our commitments



As part of the B Corp Climate Collective, EQ has committed to net-zero emissions by 2030. In addition to the portfolio climate reporting in this report, we are working across our business to reduce, manage, and offset our carbon footprint.



EQ supports the Better.. Business Act, a public interest campaign advocating for a change to UK company law. We believe that every company in the UK, whether big or small, should align the interests of their shareholders with those of wider society and the environment.

Our charitable work



Our charity, The EQ Foundation, is transforming giving in the UK using an impact-driven approach. Visit givingisgreat.org to find out how.



The EQ Foundation has also started an environmental charity subscription model based on this research. Visit tythe.org to learn more.

Our partners

We collaborate through a range of initiatives to drive change across the finance industry for a more sustainable world:

Signatory of:

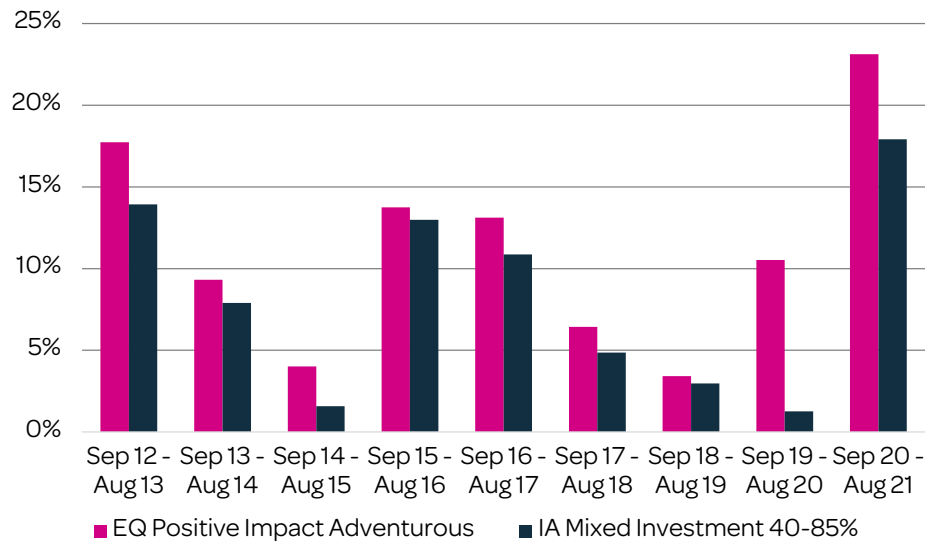


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INTERNS



Our performance

We believe that investors should not have to sacrifice returns to invest sustainably. EQ Positive Impact has a 9 year track record of outperformance:¹



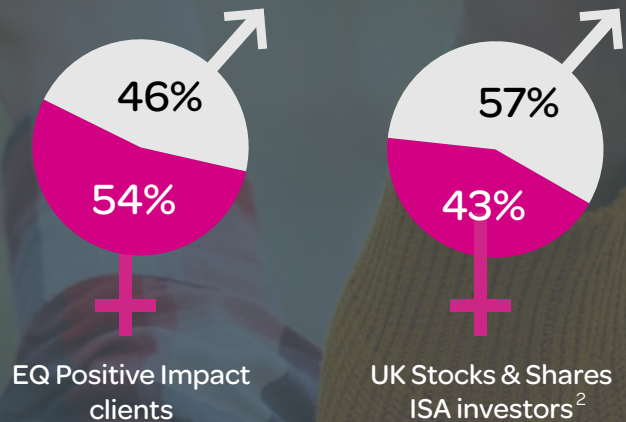
Cumulative		Annualised	
EQ Adventurous	158.0%	EQ Adventurous	11.1%
IA Mixed Investment 40-85%	101.7%	IA Mixed Investment 40-85%	8.1%

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

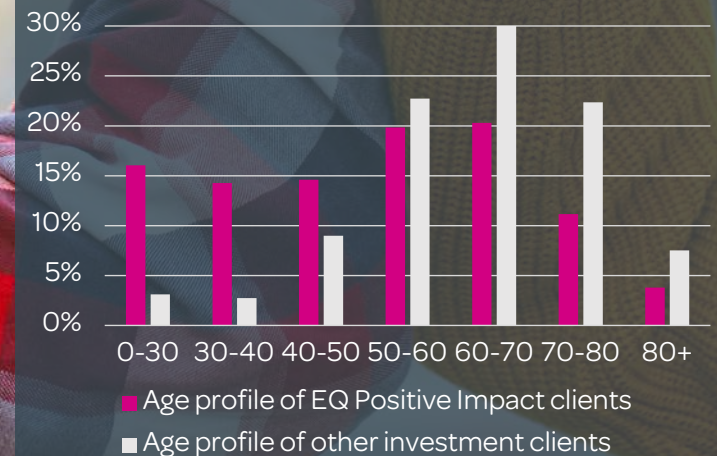
¹ EQ performance figures include a management fee of 0.32%

Our clients

More inclusive than other investments:



Appealing to investors of all ages:



² Source: HMRC (2018-19 tax year)

Certified



Corporation

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