Meeting unmet needs in emerging markets: EQ Positive Impact Portfolios
Positive Impact Report 2021 Launch
Introducing EQ Investors

Staff owned sustainable investment manager

- £1.7 billion AUM (Sept 2021)

- Founding UK B Corporation

- Focusing on sustainable and impact investing since 2008
This is a journey, our story so far

Our expertise in impact investing has built over time

- Microfinance Institution launched in Sierra Leone (2008)
- Private Equity Impact Fund launch (2011)
- Founding UK B Corporation (2012)
- Launch of the UN Goals (2017)
- Online impact calculator (2018)
- #futureleaders (2019)
- certified B Corporation (2020)
Ask for a copy!
## Agenda

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2021 Positive Impact Report: Key highlights

Louisiana Salge,
EQ Investors
Senior Sustainability Specialist
Maximise impact
Products and services that deliver a measurable social or environmental impact

Maximise returns
For each risk profile
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

- **Positive Impact Adventurous**
  - Contributes to solutions: 85%
  - Avoids harm/benefits stakeholders: 15%

- **World Equity Index**
  - Contributes to solutions: 42%
  - Avoids harm/benefits stakeholders: 46%
  - Causes harm: 12%

- **UK Equity Index**
  - Contributes to solutions: 39%
  - Avoids harm/benefits stakeholders: 31%
  - Causes harm: 31%

HOLDINGS AS OF AUGUST 2021
Our solutions

- Telecommunications
- Power networks
- Efficiency enablers
- Healthcare
- Medical research
- Wind, solar and hydro
- Green electric utilities

- Building societies
- Financial services in emerging markets
- Green buildings
- Affordable housing
- Charity sector bonds
- Universities
- Education tech
Theory of change: reporting on solution impact

Example: How we measure impact on unmet needs

Activities
The ongoing, revenue generating business operations.

Output
What is produced or delivered from these activities.

Outcome
Shorter term changes that result from the output.

Impact
Long term progress on an identified goal.
We measure how much our invested businesses have delivered on the green recovery. Impact associated with £1m invested in EQ Positive Impact Adventurous in 2020:

- Treated 157 patients
- Reached 21 people with preventative healthcare
- Delivered 623 hours of school, further and adult education
- Made 882 medical interventions covering diagnostics, screens and treatments
- Gave 34 people in developing markets access to financial services
- Gave 18 people in developing markets access to mobile networks

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/
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 manager selection
B. Portfolio monitoring
C. Collaborative engagement
D. Our strategic engagement themes
Engaging for change: modern slavery & human rights

We engage for change across a number of strategic themes
Engaging for change: healthy nutrition

We engage for change across a number of strategic themes

**Milestone 1**

**Milestone 2**

**Milestone 3**

**Milestone 4**

26 fund managers engaged

Current portfolio companies

ACCESS TO NUTRITION INITIATIVE
Q&A

POSITIVE IMPACT REPORT 2021

EQ investors
Fund perspective: Investing for global impact on unmet needs

Tim Crockford,
Fund manager for
Regnan Global Impact Solutions Equity
Regnan’s Responsible Investment journey

1996
Monash Centre for Environmental Management (MCEM) formed

2000
MCEM became Monash Sustainability Enterprises (MSE)

2001
Westpac (and later BT) Governance Advisory Service (BT GAS) launched

2007
BT GAS evolved into Regnan – Governance Research & Engagement
Pendal established as a founding part-owner and client

2010
MSE merged with Regnan, now operating in Sydney and Melbourne

2019
Pendal assumed full ownership of Regnan

2020
Regnan Global Equity Impact Solutions Strategy launched

2021
Regnan Sustainable Water and Waste Strategy launched

Forward thinking on sustainability issues for 25 years
Regnan Global Equity Impact Solutions Strategy

The impact case is the investment case
Our approach to impact investing

- **Impact for portfolio construction**
  Impact analysis is integrated with investment analysis, starting with sustainable development goal targets, to identify companies with solutions.

- **Impact for alpha**
  An impact investing approach of selecting companies with products and services that make a difference also drives portfolio growth and investment returns.

- **Impact for change**
  Active ownership and engagement efforts help to drive positive change and generate consistent returns, with measurement and accountability.
The plastic problem

By 2050 there will be more plastic than fish in the sea

Source: Ellen MacArthur Foundation
The Solution
Reverse vending machines for beverage container recycling

Solving the problem drives the investment opportunity

**Total Addressable Market (TAM)** is an estimate of the revenue opportunity available for a product or service, derived from estimates from market research providers. TAM estimates obtained from market research providers and the team’s estimate of TAM may differ.
Investment philosophy
We aim to outperform the broad global equity market:

1. **Identify changing systems**
   - with our taxonomy, which helps find new solutions to replace the old systems of growth

2. **Uncover emerging growth opportunities**
   - that meet a structural need and are positioned for demand, revenue, and earnings growth

3. **Invest in companies**
   - that positively impact people and planet, capturing opportunities that market inefficiencies miss
Portfolio companies making an impact in Emerging Markets
China is the world's largest steel producer, accounting for 53% of the global steel output.

China's Electric Arc Furnace (EAF) share of steel production lags developed markets (41% in Europe, vs. 10% in China).

However, the total addressable market (TAM) in China is already larger than in Europe (c. 1.5Mt of steel dust vs. 1.0Mt).

Befesa has started to construct the first and to date only steel dust recycling plants (state-of-the-art, 110kt each) in Henan and Jiangsu.

We believe there is potential for Befesa, through its exposure to China to double, or triple its steel dust recycling business until 2030.

Befesa contributes by reintroducing valuable materials into the production process.

### EAF steel production: EU-27 / US / China, million tonnes

<table>
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<tr>
<th>Region</th>
<th>2015</th>
<th>2019</th>
</tr>
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<tbody>
<tr>
<td>EU-27</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>US</td>
<td>49</td>
<td>61</td>
</tr>
<tr>
<td>China</td>
<td>47</td>
<td>103</td>
</tr>
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EAF % of total steel production:

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<tr>
<td>EU-27</td>
<td>39%</td>
<td>41%</td>
</tr>
<tr>
<td>US</td>
<td>63%</td>
<td>70%</td>
</tr>
<tr>
<td>China</td>
<td>6%</td>
<td>10%</td>
</tr>
</tbody>
</table>

China EAFD addressable market > 1.5 millions tonnes vs. c. 1.0-1.3 million tonnes in EU-27 and US each; Expected to grow in share and tonnage.

Source: IEA, October 2020.

Source: Regnan, Befesa.
Over 200 million Indonesians live on less than $4.50 per day and there are 96 million Indonesians on less than $1.90 a day.

Over 75,000 villages spread across thousands of archipelagos.

Hired BRI Link agents (>465,000 branchless agents) and equipped them with an e-banking platform to reach out to unbanked communities.

In Indonesia, only about 25% of SME’s have access to lending. Despite this, over 56 million Micro Small Medium Enterprises (MSME) contributed greater than 50% of Indonesian GDP.

What do MF customers look like, and what do they value?

The typical Micro outlet: small, low-manpower and no-frills; unimposing to Micro customers

- Today only 21% of Brazil’s population aged 25-34 have a degree level education.
- Degree holders earn a 2.4x higher salary versus high school leavers in Brazil.
- YDUQS educates 750,000 students across 119 campuses and 1,225 distance learning centers.
- YDUQS is nearly 10% of the distance learning market in Brazil and expects to reach 1 million students on its distance learning platform by 2022 from 380,000 in 2020.

Source: Regnan, OECD.
Thank you

Q&A
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Investee case study: Afya

Renata Costa Couto, IR Manager at Afya
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• Regulated financial advice should be sought before investing into our Positive Impact Portfolios.

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