IMPACT REPORT 2022
SEPTEMBER 2023

Jersey Finance
SUSTAINABLE FINANCE AWARDS 2022 WINNER

LEADERSHIP IN SUSTAINABLE FINANCE
INVESTMENT MANAGEMENT

Our cover image this year shows two wind power turbines turning in the foreground, while smoke rises from a coal powered energy plant on the horizon. This juxtaposition reflects a world which urgently needs to decarbonise, but which still relies on fossil fuels for approximately 83% of global energy production. The uncomfortable reality is that the burning of, and investment in, hydrocarbons will have to continue over the coming decades, despite many billions already spent on the development and roll-out of renewables. Whilst we believe anti-ESG rhetoric – more prevalent in the US, but slowly permeating across the world - is badly misplaced, and highly politicised, we cannot ignore the important role traditional energy companies continue to play in powering the global economy.

Welcome
To our 5th Impact Report

Whilst first and foremost this is an Impact Report, through the early sections of this document we will also refer to the challenging macro and market backdrop for sustainable investors in 2022 (the period this report covers), including war in Ukraine, rising anti-ESG rhetoric and a worldwide regulatory crack-down on 'greenwashing'. We wholeheartedly applaud the latter, with increased scrutiny around the misleading application of the ESG label to financial products. Unfortunately, our industry has repeated what it has done numerous times before: taken a good idea, spotted a commercial opportunity and then stretched it beyond the realms of credibility. A regulatory response was indeed required, and it is clear the authorities are increasingly committed to supporting the role of the financial sector in enabling an economy-wide transition. At the centre of this is the concept of a coordinated approach to decarbonisation which depends on the combined efforts of government, industry, regulators and individuals.

The years 2022/2023 mark the halfway point for the implementation of the UN Sustainable Development Goals (SDG) agenda. Due to numerous global factors, which are being seen and felt right across the world, it is increasingly clear we are not where we need to be in the context of achieving the SDGs.

"We're at the halfway point, we're halfway there but we're not halfway done"
Sanda Ojiambo, Assistant secretary-general and chief executive, UN Global Compact

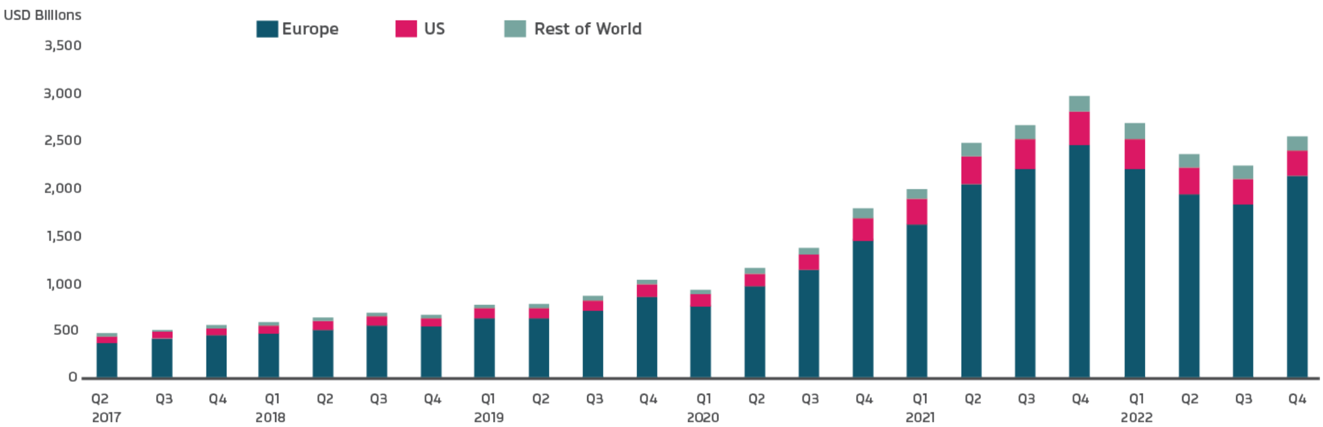
Through 2022 we saw slowdowns in economic systems and trade, while the climate crisis intensified, and the geopolitical catastrophe in Europe resulted in rampant food and energy price inflation. The value of committing capital to support the transition to a more sustainable and equitable global economy has never been more evident and investors in our solutions can take comfort they are contributing to these objectives. This report aims to provide you with an insight into just that.

Before doing so, let's begin with a review of the sustainable investment landscape.

Asset growth and investor choice

At the end of 2022, global ESG funds - categorised on the basis ESG factors are essential to the investment process - were managing just over $2.5 trillion according to Morningstar. This represents a decrease versus 2021, when the figure was almost $3 trillion, which is explained by the losses suffered across global financial markets through the calendar year, with global equities having declined 12.6%, and global bonds falling 16.3%.

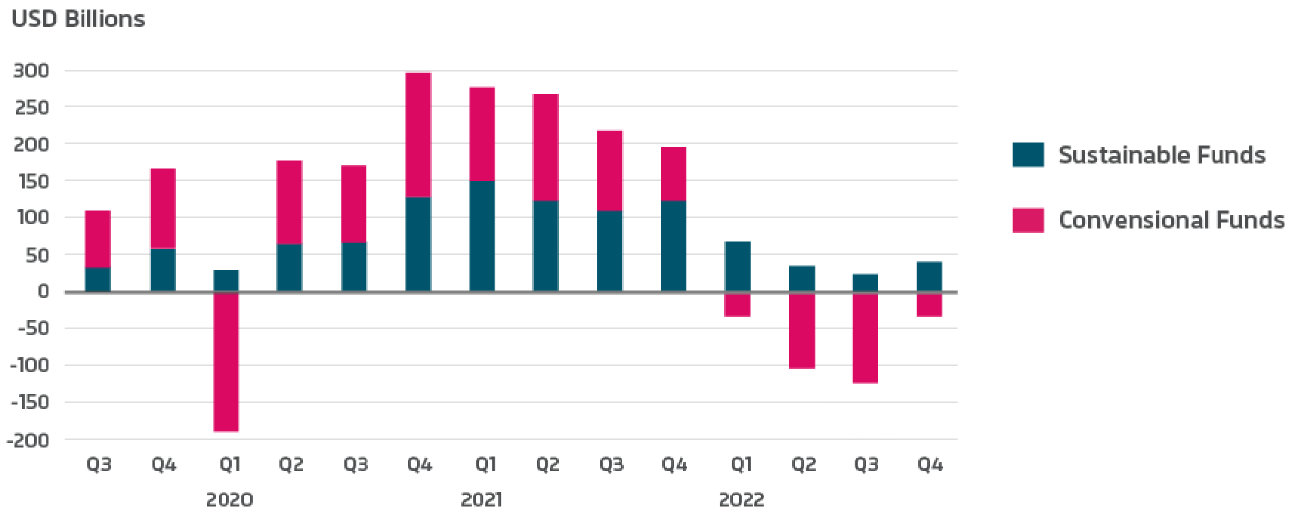
Global ESG funds are worth $2.7 trillion - Europe represents 84% of these assets



Source: Morningstar Direct & Morningstar Research - March 2023

European ESG funds: net flows prove resilient against a challenging macro backdrop

Despite these negative returns for risk assets, the appetite to invest for positive impact remained popular. This is evidenced by the chart below, which clearly demonstrates capital being withdrawn from conventional funds through the calander year, while flows into sustainable funds continued. The contrast is noteworthy and although total assets in sustainable funds are still dwarfed by conventional funds, the trend toward the former remained.



Source: Morningstar Direct & Morningstar Research - March 2023

In our previous Impact Report we detailed the launch of the EU Sustainable Finance Disclosure Regulation (SFDR), requiring funds to fulfil certain classification criteria, with those working to binding ESG/sustainable standards categorised as Article 8 or 9.

Article 6
All Funds

All managed products

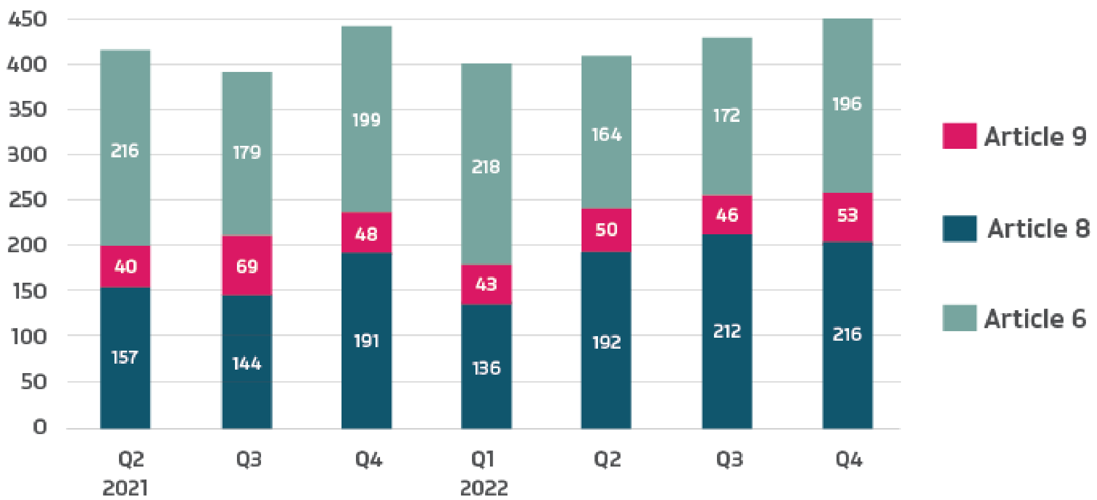
Article 8
General ESG

Funds that promote environmental or social characteristics

Article 9
Sustainable

Funds that have a sustainable investment objective

The following chart details the new fund launches through to the end of 2022, in terms of SFDR categorisation, with new Article 8 and 9 funds totalling 939 during the year, versus 750 for Article 6 funds. It is encouraging to again seen this bias towards new ESG/sustainable fund launches, albeit the wide scope of the Article 8 label results in a 'broad church' of investment solutions, and we are fearful a number of business-as-usual mandates have simply been rebranded as 'green'. Never has the phrase 'caveat emptor' been more applicable.



Source: Morningstar Direct & Morningstar Research - March 2023

2022 a challenging landscape for sustainable investors

Macroeconomic and geopolitical factors were significant headwinds for financial assets broadly, but were particularly challenging for the sustainable investment space. Starting with the former, rising interest rates caused a revaluation of 'long duration' assets, which typify the majority of opportunities in this sector, given the long-term horizons involved. If we take energy transition equities as an example, three cyclical forces drove share prices in 2022 (1) inflationary pressures and supply chain disruptions; (2) central bank rates hikes; and (3) the consequences of this monetary tightening on underlying demand. Together, these forces – and their associated side effects – worked to both disrupt and delay earnings growth across the various segments of the energy transition value chain.

In terms of geopolitics, Russia invaded Ukraine in February 2022; an unforgiveable event, which first and foremost, had a devastating effect on the lives of those in the region. The secondary impact was the resultant disruption to both food and energy (hydrocarbons) supplies to the European Union and beyond. The cyclical forces described above were amplified by the action of the Russian leadership which also proved a catalyst to reshape how electricity was generated across the trading block. Globally supported sanctions preventing the buying of Russian-sourced hydrocarbons led numerous countries to rely on coal fired power generation to prevent the lights from going out.

Despite being world leaders and advocates for reducing greenhouse gas emissions, EU member states were forced to temporarily renege on elements of their ambitious decarbonisation agendas due to the unprecedented circumstances faced. During this time, short term investor capital migrated from the alternative energy sector (and other areas of the market) into traditional energy opportunities, taking advantage of the spike in oil and gas prices and the oversized profits being made. These dynamics were a significant driver of investment underperformance for sustainable investors.

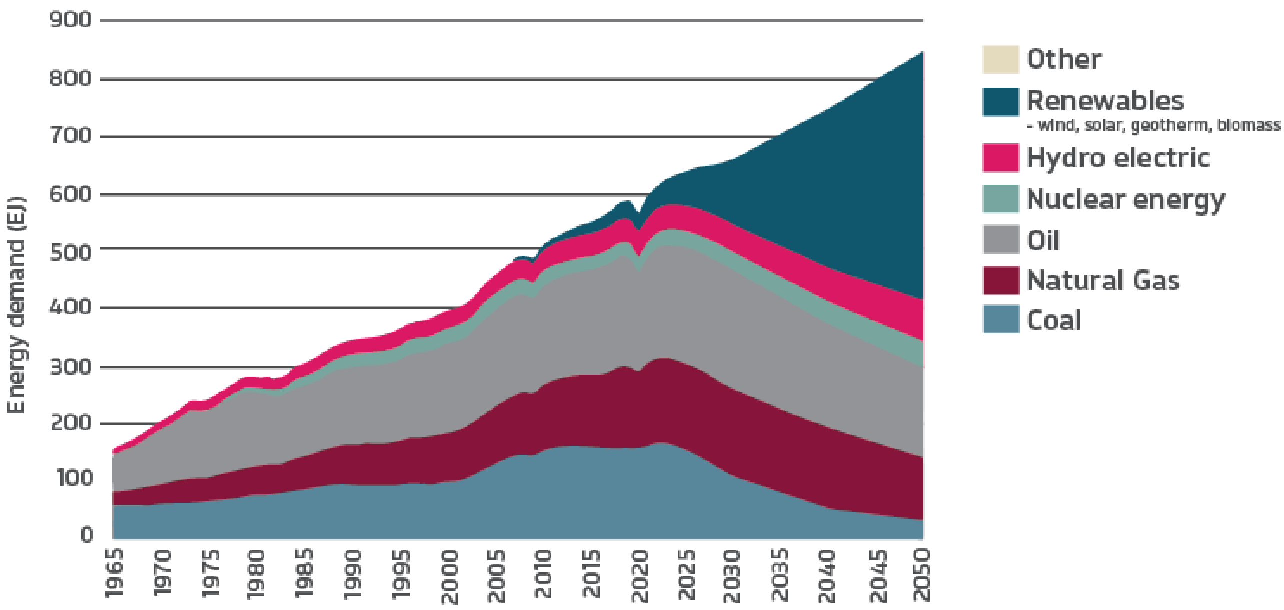
Whilst the urgent environmental case for clean energy should not have required further reinforcement, the arguments in favour of cost-competitive, affordable and secure clean technologies were only made stronger by these events. This alignment of economic, climate and security priorities may at least have provided something of a silver lining from these tragic events.

Image: Silhouette of working oil pumps on sunset background

A shift in investor mindset - idealism vs realism

The Russia/Ukraine conflict placed the world's growing energy demands under even more acute scrutiny, with many questions to be answered around what the mix of supply will look like a generation from now. Despite the billions of dollars spent on the development and roll-out of renewable energy supply, hydrocarbons continue to dominate, comprising 83 percent of the current energy mix. Moreover, even accounting for the legally binding commitments made by the global community to reduce greenhouse gas emissions, the energy mix in 2050 will still rely substantially on electricity generated from burning fossil fuels.

Global primary energy demand (1965-2050)



Source: BP Statistical Review of World Energy, IEA, Guinness Global Investors estimates, April 2023

Could it be sustainable investor capital has to support both the alternative and traditional energy sectors over the next 30 years?

The uncomfortable truth is that investment in the traditional energy sector will need to continue over the coming decades, or else supply/demand dynamics could become deeply distorted, leading to significantly higher prices and inflation, and punishing the most vulnerable members of society most acutely. The economic wellbeing and prosperity of populations around the world, consistent with the UN SDG ambitions, means we will have to continue to seek out and extract more oil and gas. For idealists this is an anathema, while for others there is a growing shift towards a more realistic outlook.

Whilst we believe much of the anti-ESG rhetoric originating in the US, and slowly permeating across the world, is extremely misplaced and highly politicised, we cannot ignore the important role E&P and other integrated oil and gas companies play in powering the global economy and the growth we all require.

In the news

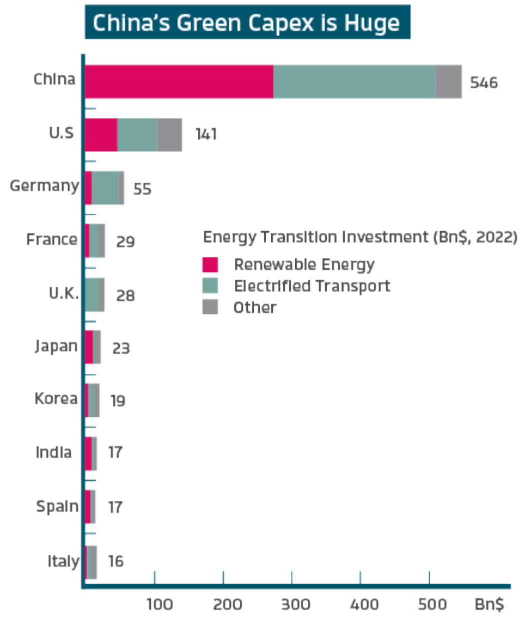
Global competition for capital

Within the sustainable investing space, our underlying fund managers continue to emphasise just how big the coming wave of green infrastructure spending is poised to be, with the most critical catalyst being the Inflation Reduction Act ('IRA') - passed by US Congress in October 2022 - which has the potential to massively accelerate the energy transition. The bill includes over $369bn in incentives (tax credits, rebates) to stimulate investment devoted to green technologies, including renewables, electric vehicles, batteries, carbon capture and storage, and hydrogen.

Whilst this already sounds like a huge program, when we factor in approximate blended tax rates of circa 30-35%, it may effectively drive circa US $1tn in capital expenditure, with a substantial portion aimed at reducing carbon emissions over the coming decades. As a result of the legislation – which involves relatively straight forward 'first come, first served', largely grant-based mechanics – the EU was pushed into ramping up its own equivalent, the RePowerEU program.

It will be unsurprising to learn the EU's plan was rather complex, slow and bureaucratic by comparison with its American counterpart, so when the IRA bill arrived, the EU responded with increased commitments and simplified regulations, in order to compete for sustainable investment capital.

Alongside the US and the EU, China has also committed considerable resources to stimulate green capex, with estimates suggesting China spent over half a trillion dollars in 2022 via a combination of public and private funding. This sets the stage for intense competition in clean technologies over the coming years, creating attractive opportunities for investors.



Source: Energy Transition Investment Trends 2023, BloombergNEF

Carbon markets

In December 2022, the European Commission, the European Parliament, and the Council of the EU finalised a provisional agreement on a broad set of policy proposals of the "Fit for 55" package, including a landmark reform of the EU Emissions Trading System (ETS). The agreements represent a defining milestone for the EU ETS, and for carbon pricing more broadly, effectively placing emissions trading at the heart of the EU's decarbonisation agenda. Building upon the 2030 Climate Target Plan, the deal includes:

- A more ambitious reduction target for the EU ETS sectors of 62% by 2030
- The phase-out of the free allocation of carbon allowances in some sectors
- The 'phase-in' of the Carbon Border Adjustment Mechanism (CBAM)
- Revised parameters for the Market Stability Reserve (MSR)
- The expansion of the EU ETS to cover maritime shipping
- A new and separate ETS for buildings, road transport, and other fuel sectors (ETS 2)
- Commitment to use ETS revenues to address

This re-emphasis on the role carbon pricing plays in the efforts to decarbonise economies runs in parallel with the continuing evolution of sustainability metrics, to demonstrate achievement versus climate goals. We refer to one such metric - Implied Temperature Rise (ITR) - later in this section.

Legislation landscape

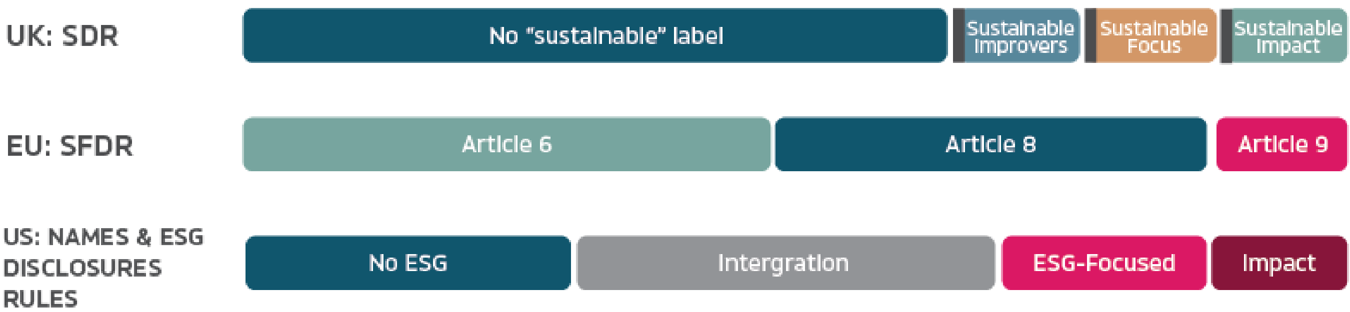
Developments continue to move at a rapid pace. The International Sustainability Standards Board (ISSB) was established in November 2021 at the UN Climate Change Conference (COP26) to deliver a global baseline of sustainability disclosures meeting the needs of capital markets. The ISSB builds significantly from existing reporting frameworks, and the organisation has pledged to enhance interoperability with other international and jurisdictional sustainability-related standards, to better support adoption. This is good news for businesses using existing frameworks, which will be better positioned to align with the final ISSB standards. The ISSB released two exposure drafts for stakeholder input by July 2022 on the following:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures

IFRS S1 proposed the creation of a universal structure for sustainability disclosures, and borrowed from sector-specific Sustainability Accounting Standards Board (SASB) standards. The climate-related disclosures which make up IFRS S2 were broadly consistent with the reporting recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), also recently approved.

Closer to home, the UK regulator - the FCA - continued to consult with industry regarding their reporting framework, namely the Sustainable Disclosure Requirements (SDR). These apply to wealth, fund and asset managers and include a product labelling regime, mandatory entity- and product-level disclosures, restrictions on the use of certain sustainability-related terms, and an anti-greenwashing rule. The format of the SDR introduces three fund labelling categories: Sustainable Focus, Sustainable Improvers and Sustainable Impact.

Meanwhile, the US regulator – the SEC - has been developing a similar disclosure regime, and these three key regimes are summarised in the following infographic:



Source: Morningstar

We should note these classification boundaries are indicative and they may not ultimately align as shown.

Changing the subject, financial institutions and companies are still missing information needed to understand how nature impacts financial performance, or the longer-term financial risks which may arise from their interactions with nature. The Taskforce on Nature-related Financial Disclosures (TNFD) is developing a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, aiming to encourage a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. The beta framework for the TNFD was released in March 2022, with the final development scheduled for 2023. Natural capital is an important theme within our sustainable investment solutions, and in the body of this impact report you will be able to reference specific allocations we have made to this.

Fund Launch

Finally, as referenced in last year's Impact Report, we are pleased to confirm the **Affinity Sustainable Growth Fund** was granted regulatory approval in December 2022. This daily dealing, Irish domiciled UCITS fund replicates the asset allocation seen across our segregated Sustainable Growth strategy portfolios and is accessible with as little as £100. Indeed, one of the motivations for launching the UCITS fund was to broaden access to our sustainable investing expertise, to include those wanting to save more modest sums, on a regular basis.

Images: Fund Launch Event and Trip to Ireland to see GemCap

Our Impact Metrics

Readers of our previous Impact Report will be aware we dipped our toes into reporting impact metrics for the first-time last year. We had previously been reticent given our lack of confidence in the reliability, credibility and consistency of numbers published. Twelve months on - and as described earlier- the reporting landscape has evolved quickly, and anti-greenwashing legislation has helped increase our faith in in the data investors have access to. However, there is still a very long way to go, and rather than expand on the suite of metrics reported last year, we have felt the need to remove one set of figures, whilst we have added information on key sustainability memberships. More on this later.

With a view to expanding and improving the visibility we are able to give in future years, we sought additional information from our underlying fund managers around Implied Temperature Rise (ITR), biodiversity and D&I this time around. In reviewing the responses, we were encouraged to see a growing engagement with temperature related metrics, with ITR being the most commonly referenced.

Expressed in degrees Celsius, ITR is a forward-looking metric which examines whether funds are aligned with the Paris Agreement goals of keeping the average global temperature rise between 1.5 to 2 degrees. There is a finite budget of GHG emissions left before global warming exceeds 2 degrees, which is allocated across companies for Scope 1, Scope 2, and Scope 3 based on size, country, sector, and business activities.

The allocated budget is then compared against their projected emissions (current emissions and emissions reduction target), and the budget over or undershoot is converted to a degree of temperature rise.

Image: Temperature Gauge

We have long thought a metric indicating the degrees warming associated with a given investment portfolio is far more relatable than a figure summarising the tons of CO_2 equivalent being emitted. We accept the assumptions and mathematics behind a temperature figure are complex and open to challenge, but we are hopeful ITR - or an equivalent - becomes more prevalent in the coming years. Again, the debate around idealism versus realism applies here, but we wanted to present our view. Within the next two years we expect to be able to report our strategies' temperature alignments, but we were not yet in a position to do so in this edition.

So, what are we reporting?

As outlined above, we are reporting in line with our 2021 approach with the following metrics applying separately to both the Sustainable Growth and Sustainable Balanced mandates.

- Carbon footprint by enterprise value
- Weighted average carbon intensity (WACI)
- % of companies with science-based carbon emission reduction targets
- Potentially avoided emissions (scope 4)
- Average % of women on boards

In addition, we are giving information on the key sustainability memberships of our underlying funds.

Lessons from becoming signatories of the UN Principles of Responsible Investment (UN PRI)

Affinity became signatories of the UN PRI in 2021. This body works to promote the incorporation of environmental, social, and corporate governance factors into investment decision-making. Launched in April 2006, with support from the United Nations, the PRI has over 4,900 participating financial institutions, as of December 2022, with an estimated total of US$121.3 trillion assets under management. These institutions participate by becoming signatories to the PRI's six key principles and filing annual reports on their progress.

Image: The PRI works to help investors align their responsible investment practices with the UN Sustainable Development Goals

PRI Principles for Responsible Investment

Principle 1: incorporate ESG issues into investment analysis and decision-making processes

Principle 2: be active owners and incorporate ESG issues into ownership policies and practices

Principle 3: seek appropriate disclosure on ESG issues by investee companies

Principle 4: promote acceptance and implementation of the Principles within the industry

Principle 5: work together to enhance effectiveness in implementing the Principles

Principle 6: report on activities and progress towards implementing the Principles

Due to the global pandemic our reporting cycle under UN PRI was delayed from 2022 to 2023. Nevertheless, we have been auditing our routines and processes to ensure alignment with the six principles above. Active ownership and stewardship are core components of the PRI and our Impact Report, now in its fifth edition, purposely focuses on these activities undertaken by our managers.

In our 2023 Impact Report we will share the outcomes of our first UN PRI assessment.

Over to you

In preparing this report, we are confident our investors are just as interested in the impact their investments are having as they are in the returns they generate. It is increasingly recognised the financial services sector has an important role to play in contributing to the transition to a net-zero economy and a more sustainable long-term future. Institutions, large and small, can use their business decisions, their innovation and creativity, and their voice and influence to encourage positive change. As one of those small institutions, we are proud to be providing investment solutions to enable our clients to align their wealth with their values, and make a contribution to this collective ambition.

Image: Solar Panels

We hope you enjoy reading this and find it useful. Even after five editions, we appreciate this report remains an evolving document, and there is so much more information we would like to share. Indeed, we would like to thank our underlying fund managers, who provide us with such wonderful access and insight into their sustainable investment journeys, willingly sharing their learnings, 'warts and all'.

Equally, your input as investors is invaluable to us, and we hope this dialogue will continue for many years to come.

Russell, Lydia, and team

Affinity's social responsibility

Our commitment to sustainability extends beyond this mandate. As a firm, our Ethical Charter (available on our website) sets the tone for our business. We aim to be good corporate citizens, active in our community and supporting global efforts towards a more sustainable world. We have also published a Sustainability Policy Statement (www.affintypw.com/about) which is a Board approved set of pledges to the key stakeholders in our business.

Jersey Finance Sustainable Finance Awards 2022:

It was the inaugural year for these awards, highlighting businesses committed to operating in a sustainable fashion, and the entire team was delighted to win the 'Leadership in Sustainable Finance Award for Investment Management'. This award recognises the firm which best exemplifies the embedding of environmental, social and governance factors into its business activities. Particular attention was made to activities in the financial services space consistent with the transition to a more sustainable economy - contributing to the allocation of capital that supports long-term environmental and social development goals - and to businesses with a strong culture of corporate social responsibility. We are especially proud of Russell, who won the award for 'Outstanding Individual Contribution'; this accolade highlights Russell's dedication to furthering Jersey's pathway to a sustainable finance centre.

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Balancing our carbon footprint:

For a third consecutive year we balanced our carbon footprint through the Rewild Carbon programme run by Durrell Wildlife Conservation Trust. Our measured emissions through the last reporting period had increased, due to the inclusion of those attributed to employee office commutes and a slight uplift in business travel post-pandemic. However, for the second year running, we chose to invest in extra carbon credits beyond our measured emissions, so that we are truly giving more back to nature.

Renewing our partnership with ecoJersey:

We renewed this partnership for the 5th consecutive year, with the aim to raise awareness of environmental issues and encourage islanders to take action.

Being part of Eco Active:

A government environmental management scheme taking action to lower the environmental impact of the corporate sector in Jersey.

Signatory of:

PRI Principles for Responsible Investment

DURRELL

eco active member business

THE JERSEY GOOD BUSINESS CHARTER

DURRELL WILDLIFE CONSERVATION TRUST REWILD CARBON PARTNER 2023

Jersey Evening Post eco Jersey engaging | informing | encouraging

Charity Committee:

Throughout the year, our Charity Committee gave enthusiastic support to two local charities. Our chosen environmental charity for 2022 was the Jersey Marine Conservation, who support maritime preservation proposals, and raise awareness around the importance of Jersey's inter-tidal and sub-tidal waters. Our chosen social charity last year was Jersey Action Against Rape, who offer specialised services to those who have suffered sexual abuse. Our efforts involved arranging fundraising events and volunteering days, in addition to providing financial contributions to both charities.

Image: Jersey Marine Conservation Trust beach clean with Affinity

The Diversity Network, Jersey:

We have continued our support towards The Diversity Network, especially with the '51 Employers' initiative, which commits organisations to establish a workplace where employees experiencing the symptoms of menopause receive the support and understanding they need. Last year we attended and spoke at an event hosted by the Network and shared best practices amongst other employers on this topic.

Image: 51 Employers Event held in Jersey

UN Global Compact:

We continue to be participants in the UN Global Compact (UNGC) and this requires us to submit an annual Communication on Progress (COP), detailing the development of our business across the Ten Principles underpinning the UNGC. We completed our 2022 submission in June and this is available to review via [Affinity Private Wealth | UN Global Compact]

Durrell Wildlife Conservation Trust

By investing in Affinity's sustainable mandates you also helping Durrell Wildlife Conservation Trust (DWCT).

A fixed percentage of the fees you pay are donated to this Jersey-registered charity. They go to support the charity's work around the globe to save species from extinction.

Learn more about the important work they do by visiting www.durrell.org.

DURRELL'S IMPACT

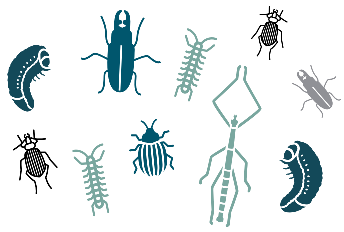
Much of Durrell's work focuses on some elusive and lesser-known species. While these may not be charismatic megafauna, saving these "little brown jobs"as Gerald Durrell fondly named them, are vital to restoring ecosystems and our vision of a wilder, healthier, more colourful world.

5 REPTILE SPECIES SAVED FROM

- Round Island boa
- Antiguan racer
- Ploughshare tortoise
- Günther's gecko

7 BIRD SPECIES SAVED FROM EXTINCTION

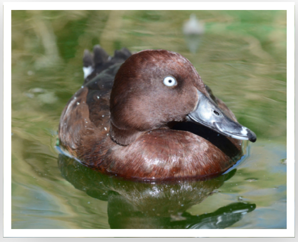
- Echo parakeet
- Mauritius kestrel
- Pink pigeon
- Rodrigues fody
- Rodrigues warbler
- Saint Lucia amazon



15 INVERTEBRATE SPECIES ARE BRED AT JERSEY ZOO TO FEED THE AMPHIBIANS AND REPTILES

THEY'VE RELEASED INTO THE WILD...

152 PYGMY HOGS



111 MADAGASCAR POCHARDS

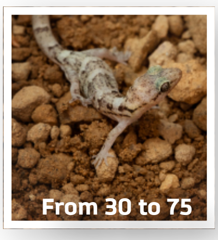
1,640 TELFAIR'S SKINKS

DURRELL WAS THE FIRST ORGANISATION TO SUCCESSFULLY BREED IN CAPTIVITY...

THE MALAGASY GIANT JUMPING RAT IN 1991

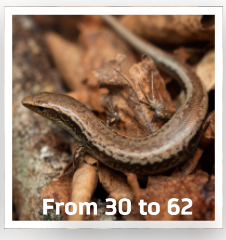
AND THE MOUNTAIN CHICKEN FROG IN 2000

THREE SPECIES OF REPTILE WERE RESCUED IN THE AFTERMATH OF THE OIL SPILL IN MAURITIUS IN 2000 AND BROUGHT TO JERSEY ZOO WHERE THEY ARE NOW SUCCESSFULLY BREEDING.



Lesser night geckos

Bouton's skinks



Bojer's skinks

SOURCE - Durrell - figures correct as of December 2022

Recapping the purpose of the mandate

For us sustainability means making economic prosperity long lasting, more socially inclusive, and less dependent on exploitation of finite resources and the natural environment. Today, companies which provide solutions to the challenges faced are well placed to grow strongly. We believe, by investing in these firms, our clients can make a positive contribution towards a more sustainable world, align wealth with their values and generate attractive capital gains.

The purpose of the Sustainable Growth mandate is to provide growth with impact. The strategy targets inflation plus 3%, over a long-term investment horizon of at least ten years. The purpose of the Sustainable Balanced mandate is to provide risk-adjusted returns and positive impact. The strategy targets inflation plus 2% and aims to maintain the real value of capital invested over a five to seven year time horizon.

8 themes

We allocate capital, using funds, across 8 key themes. Namely;

Resource Efficiency

Sustainable Infrastructure

Natural Capital

Future Mobility

Health and Wellbeing

Education

Reduced Inequality

Clean Energy

These sustainability themes relate to long-term trends, and the funds we use to access them are focused on the competitive advantages of firms and economies in the future, rather than value-diminishing short-term reactions. Each theme maps to one or more of the 17 UN SDGs.

Memberships & Alliances

The business and financial risks posed by a range of sustainability issues are increasingly well established, however, forming a cohesive response to these challenges across the financial services sector is still ongoing. What has become abundantly clear is individual actors cannot tackle this problem in isolation. As investors we still need to establish best practice; fill knowledge gaps; examine the issues and ultimately, understand which policies, industries and countries are progressing – and use this information to guide capital allocation.

In response to this backdrop, alliances have been established to help investors and investment service providers create spaces for new investment solutions, identify the policy enablers and call for the changes needed, while still discharging their fiduciary responsibilities. These alliances serve a vital role in creating test beds for policy makers and regulators to observe and build confidence in good practice - which is why governments and regulators around the world welcome them.

We request all our underlying fund managers to detail their memberships. It will be unsurprising to learn 100% of them are signatories to the UN PRI; this being a pre-requisite for all our managers ahead of Affinity selecting them for investment. The next most popular affiliation – 96% was with the UK Stewardship Code. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society. The Code recognises that asset owners and asset managers play an important role as guardians of market integrity and in working to minimise systemic risks as well as being stewards of the investments in their portfolios.

The third most popular alliance across our managers was Climate Action 100. CA100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Launched at the end of 2017, the initiative is coordinated by five investor networks: Asia Investor Group on Climate Change (AIGCC); Ceres; Investor Group on Climate Change (IGCC); Institutional Investors Group on Climate Change (IIGCC); and Principles for Responsible Investment (PRI). The aim is to coordinate engagement activities and unify messaging of dialogue with more than 160 of the world's most systemically important carbon emitters.

On the following page, we have included a Sustainability Memberships Glossary, which quickly summarises a wider selection of the climate and impact focused organisations, where in most cases, the large majority of our fund managers are members.

CDP

GFANZ Glasgow Financial Alliance for Net Zero

GIIN GLOBAL IMPACT INVESTING NETWORK

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

*Disclaimer: APW Investors Limited are not members of the above memberships, these logos are shown for illustrative purposes only

Memberships Glossary

Carbon Disclosure Project (CDP): International non-profit organisation based in the UK, Japan, India, China, Germany and US, focused on accurate environmental impact disclosures.

Climate Action 100 (CA100+) : An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Farm Animal Investment Risk and Return (FAIRR) : An investor network focusing on ESG risks in the global food sector.

Glasgow Financial Alliance for Net Zero (GFANZ): A global coalition of leading financial institutions, committed to accelerating the decarbonisation of the economy.

Global Impact Investing Network: With 280 members across 41 countries, this non-profit supports activities, education, research and infrastructure to accelerate the development of the impact investing industry.

Institutional Investors Group on Climate Change (IIGCC): A leading European membership body, assisting the European investment community in driving significant and real progress towards a resilient, net zero future.

Net Zero Asset Managers: This initiative involves an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees celsius.

Science Based Targets initiative (SBTI): A global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science. Their goal is to support the halving of emissions before 2030, and achievement of net-zero before 2050.

Task Force on Climate-related Financial Disclosures (TCFD) : The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information.

UN Global Compact: A non-binding United Nations pact encouraging firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

UN Principles of Responsible Investment (PRI): A UN-supported international network of investors focused on the investment implications of ESG factors, and supporting signatories in incorporating these factors into their investment decisions through 6 key principles.

UK Stewardship Code: A voluntary code for asset managers, owners, and service providers, en-

The impact of your investments

Once again, our focus is on including the most credible available sustainability metrics in this report - aggregated at the strategy level for our Sustainable Balanced and Sustainable Growth strategies.

Benchmark: The benchmarks given are calculated based on blended MSCI ACWI (global stocks) and Bloomberg Global Aggregate (global bonds) figures. For Sustainable Balanced the mix is 65/35, and for Sustainable Growth 80/20, to best represent the asset allocations of the two strategies in 2022.

Carbon footprint: Both our strategies had significantly lower carbon footprints than their benchmarks. Sustainable Balanced was responsible for 38.8 tons CO2e, per $mn invested versus 71.0 for its benchmark, while Sustainable Growth accounted for 32.3 tons CO2e, per $mn invested, compared to 684 for the benchmark. Carbon footprints vary widely across underlying allocations, with higher tech, 'asset-light' companies at the lower end of the spectrum, and 'hard-to-abate' exposure at the upper end.

Carbon intensity: Our strategies were also shown to have substantially lower carbon intensity figures than their benchmarks. Sustainable Balanced accounted for 97.5 tons CO2e, per $mn of (underlying company) revenue, versus 163.2 for its benchmark, while Sustainable Growth was responsible for 108.1 tons CO2e, compared to 155.8 for its benchmark.

Water usage: Figures for water usage continue to suffer from a lack of both quantity and quality. Not enough companies reliably report their 'water footprint', and the data shows a degree of

Sustainable Growth Metrics

Potentially avoided emissions
(tons CO2e per $mn invested)

STRATEGY	BENCHMARK
885.9	Not Available

Carbon footprint
(tons CO2e per $mn invested)

STRATEGY	BENCHMARK
32.3	68.4

Weighted average carbon intensity (tons CO2e per $mn revenue)

STRATEGY	BENCHMARK
108.1	155.8

% of companies with science-based carbon emission reduction targets

STRATEGY	BENCHMARK
44.4%	Not Available

Average % of women on boards

STRATEGY	BENCHMARK
32.1%	31.6%

dispersion exaggerated by inconsistencies in measurement and reporting – which undermines the credibility. As such, we decided not to report these figures for 2022. We would hope to see an improvement in water (and waste) data in the coming years.

Potentially avoided emissions (PAEs): PAE data remains sparse at this stage, with figures received covering 51% of Sustainable Growth, and just 31% of Sustainable Balanced, since data is less widely available for fixed income. As such, we have not reported PAEs for the latter strategy. We retained PAE figures for Sustainable Growth, as they are important given our allocations to renewables and hard-to-abate industries, where higher carbon footprints near-term are necessary for large long-term emissions reductions. For instance, Sustainable Growth's underlying holdings currently equate to projected PAEs of 885.9 tons CO2e, compared to the 2022 carbon footprint of 32.3 tons CO2e, per $mn invested.

% of women on boards: These unbalanced figures remain a reflection of a long-standing societal issue, with women representing just 32% of benchmark companies' boards in 2022, albeit this is up from 29% in 2021. Here, Sustainable Balanced had a marginally worse metric than its benchmark, at 30.4%, pulled down by our larger allocation to emerging markets. Our managers are actively engaging with companies around board diversity, and we would hope to see steady improvement going forward.

% of companies with science-based carbon emissions reduction targets (SBTs): SBTs allow companies to define emission reduction targets in a more credible, standardised way, looking at the emissions reductions needed to limit global warming to 1.5 degrees. We were pleased to see the % of underlying companies within Sustainable Growth with SBTs rise significantly, from 37.0% in 2021 to 44.4% in 2022. The 31.3% figure for Sustainable Balanced is dragged down by the strategy's large allocation to fixed income, since SBTs are unavailable for many bond issuers, such as supranationals.

Sustainable Balanced Metrics

Carbon footprint (tons CO2e per $mn invested)

STRATEGY	BENCHMARK
38.8	71.0

Weighted average carbon intensity (tons CO2e per $mn revenue)

STRATEGY	BENCHMARK
97.5	163.15

% of companies with science-based carbon emission reduction targets

STRATEGY	BENCHMARK
31.3%	Not Available

Average % of women on boards

STRATEGY	BENCHMARK
30.47%	31.8%

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PAM AWARDS 2022

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