Vanguard

Vanguard Global Environmental Opportunities Stock Fund

Annual Sustainability Report | 2025



Vanguard Global Environmental Opportunities Stock Fund seeks to provide long-term capital appreciation by investing in a highly selective portfolio of companies that Ninety One North America, Inc. (Ninety One) deems to be positive contributors to environmental change involved in the process of decarbonization. The Annual Sustainability Report assesses the fund's sustainability profile as it relates to its investment strategy. In addition to providing transparency to investors on how the fund's holdings are contributing to environmental change and decarbonization, sustainability reporting can help hold the advisor accountable to the investment strategy.

Ninety One reports on contributions to decarbonization at the strategy level. This report assesses the portfolio holdings of Vanguard Global Environmental Opportunities Stock Fund and other Ninety One-managed mandates that use the same strategy.

Note: The views in this report represent those of Ninety One North America, Inc., and not necessarily those of Vanguard.

Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors.



Ninety One

Investing for a world of change

Global Environment

Impact Report 2025

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About this report

This report provides an assessment of the impacts made by companies in the Global Environment portfolio as at end-2024. It also assesses portfolio companies on other aspects of sustainability, including the extent to which we believe they are likely to benefit from growth driven by decarbonisation. Companies' impacts are measured via our decarbonisation key performance indicator (KPI), carbon avoided. Please note that we do not include assessments for holdings sold during the year, namely Carlisle Companies, Sungrow, Trane Technologies, Wuxi Lead Intelligent Equipment and Xinyi Solar. Technical terms are explained in the glossary towards the end of the report.

Welcome

> “The future is already here – it's just not evenly distributed.” Cyberpunk writer William Gibson's prescient comment from the 1990s resonates in today’s increasingly polarised conversation about the energy transition.

While headlines declare setbacks and political headwinds, the data tells a different story: the transition has not reversed, it is just taking a different path to the one we expected. Global energy investment is set to reach a record US$3.3 trillion in 2025, with clean-energy technologies attracting US$2.2 trillion, twice the US$1.1 trillion flowing to fossil fuels. But the transition we thought we might have – largely policy-driven, with developed markets leading the way because they could afford to implement change first – has been turned on its head.

Original roadmap

The original roadmap envisioned Europe and the US hitting net-zero by 2050 or before while emerging markets followed later, with China targeting 2060 and India 2070. This made sense because developed markets had experienced decades of flat or declining energy demand and had almost universally supportive policy.



Deirdre Cooper
and **Graeme Baker,**
Co-Portfolio Managers,
Global Environment strategy

The developed world's energy transition was modelled as a transformative one. Where previous transitions had been additive, with new forms of energy layered onto existing forms to meet new demand (biomass supplemented with coal then oil), this one would require the existing energy forms to be replaced. Hence the need for significant policy measures to effect the required change. Emerging markets, on the other hand, were expected to make a gradual additive transition to meet new energy demand, without the supportive policy.

A different transition

All this has changed. With surging total energy demand – partly due to data centres and artificial intelligence – and decelerating policy momentum, developed markets are transitioning more slowly than expected, and going forward in a more additive way. The opportunities for decarbonization solution providers remain abundant: more total energy demand means more demand for decarbonization technologies, even part of an 'all-of-the-above' energy solution.

Meanwhile, emerging markets are surprising dramatically to the upside, driven not by policy but by the simple economics of (mostly Chinese-manufactured) clean technology that has become the cheapest option available. In some sectors in emerging markets, such as electric vehicles in China, we are seeing a transformative energy transition. Most new cars and the vast majority of two-wheelers sold in China are electric, and 10% of cars on the road are now electric vehicles.

Acceleration

We expect both trends to accelerate. Developed-market energy demand growth has to date been mostly a US phenomenon, where datacentres are on course to account for almost half the growth in electricity demand between now and 2030. By the start of the new decade, the US is set to use more electricity to process data than to manufacture all energy-intensive goods combined. Alongside artificial intelligence, the increased demand additionally reflects higher air-conditioning loads, industrial reshoring and diminishing returns from decades of efficiency improvements.

There are now also early indications of higher electricity demand in Europe, whose creaking electrical infrastructure will require investment and create both demand and impact opportunities for decarbonisation solutions. Fossil fuels simply cannot meet the new energy needs efficiently or economically, even with favourable policy. So the market for decarbonisation solutions, as below is still growing, and the imperative to engage companies and advocate for policy that encourages it is more pressing than ever.

Second transformation

The second transformation, the change in the trajectory of the energy transition in emerging markets, is even more significant for global emissions. China's exports of solar, wind and electric vehicles to the Global South now account for 47% of total exports – nearly matching its developed country exports for the first time. The scale is staggering: Pakistan alone imported 19GW of solar modules in 2024, equivalent to nearly half its grid-connected capacity. This represents the solution to what has long been the biggest challenge in climate policy: how to transition emerging markets, which constitute the majority of future emissions growth.

Perhaps because we are not experiencing the energy transition we expected, the valuations of the companies in our portfolio do not reflect the structural-growth support for them – even though they have grown at almost double the rate of the market as a whole. We also see more opportunity for impact in a world where energy growth is accelerating, and decarbonisation is no longer only, or even primarily, a developed world phenomenon.

As futurologist Roy Amara observed, "we tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run". The energy transition may have exemplified Amara's Law: early hype gave way to disillusionment, but now the long-term transformative effects of the transition are becoming undeniable.

Progress in our portfolio

We continue to see good progress in our portfolio companies' climate impact and transparency:

- 100% of companies now report Scope 1 and 2 emissions*.
- 69% report all categories of Scope 3, up from 63%.
- 65% of companies reported carbon avoided. While this is slightly down from 67% last year, we have more companies in the portfolio today and continue to have growing confidence in quantifying positive climate impact.
- 77% of companies reporting reduced Scope 1 and 2 emissions intensity year-on-year.
- 59% reduced Scope 3 intensity year-on-year.
- 56% grew their carbon avoided year-on-year.
- 69% now have externally verified science-based emissions reduction plans.

We believe our engagement with companies to reduce their emissions and grow their carbon avoided is more valuable than ever in a world where those conversations are otherwise less frequent.

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Sources:

IEA World Energy Investment 2025.
IEA Energy and AI Report 2025.
Centre for Research on Energy and Clean Air analysis, various reports 2024-2025.
*See Glossary for definitions.

Highlights

This report includes our first impact assessments for the following companies, which were added to the portfolio during the year:

Tetra Tech
AECOM
Delta Electronics
Shimadzu
Spectris
Yadea
Spirax

We met with each portfolio company multiple times in 2024, undertaking over **95 engagements** across the year.

We engaged on a broad range of topics throughout the year, the most common of which were:

Biodiversity (19%)
Climate change (18%)
Corporate strategy (15%)

We cast **503 proxy votes** during the year.

- We voted 'against' management on 12% of proposals. We aim to invest in companies with strong management teams that we support, but on some occasions we believe it is necessary to vote against them on certain issues.
- This included items relating to executive compensation and incentives, the election of board members, auditor approval and equity issuance.

A guide to the dashboard

The ‘Sustainability dashboard’ provides aggregated data for the Global Environment portfolio as at end-December 2024.

Emissions and carbon footprint

The metrics in this section focus on how companies are reducing their own emissions and/or contributing to the transition to a low-carbon economy via their products and services.

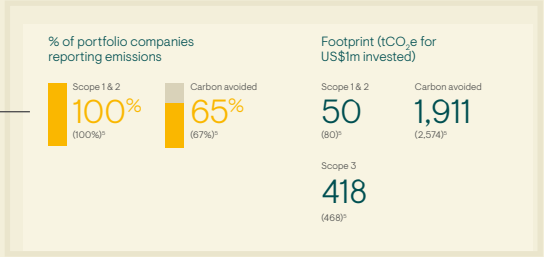
We monitor companies’ progress via:

Reporting

We track the types of emissions that companies report (see Glossary). Comprehensive carbon reporting is an essential first step for developing effective climate strategies.

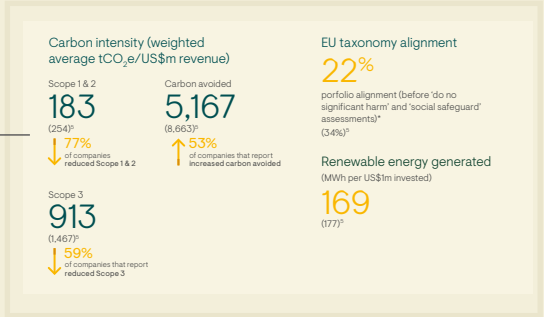
Metrics

Carbon footprint is a measure of the total volume of greenhouse gases emitted by a company. See the glossary for an explanation of the types of emissions we track (Scope 1, 2 and 3).



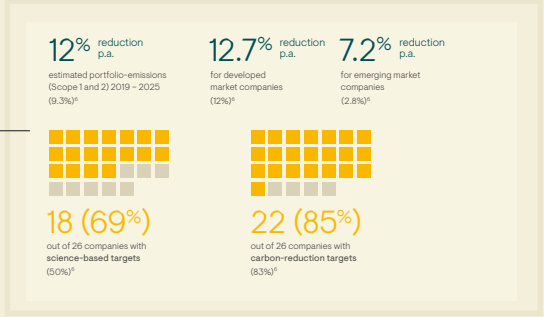
We also report **carbon avoided** by portfolio companies, a measure of the extent to which their products or services avoid emissions relative to the status quo products or services. In addition, we report the percentage of companies’ revenues (or other appropriate metric) that are aligned with the **EU Taxonomy**, a classification system that aims to identify environmentally sustainable economic activities, as well as total renewable energy generated.

Carbon intensity is a measure of emissions per unit of revenue (or sales), which helps to track progress in reducing emissions over time and to compare companies of different sizes. The change in emissions intensity is shown in subsequent charts, for companies with and without science-based targets.



Net-zero ambitions

These metrics estimate the trend in annual emissions reduction (Scope 1 and 2) on average across the portfolio in the five years to end-2025, split between companies in developed and emerging markets. We also show the percentage of companies that have committed to science-based targets. Our ambition is for all portfolio companies to have done so by the end of this decade.



Sustainability dashboard

% of portfolio companies reporting emissions

Scope 1 & 2

100%

(100%)[1]

Carbon avoided

65%

(67%)[1]

Footprint (tCO_2e for US$1m invested)

Scope 1 & 2

50

(80)[1]

Carbon avoided

2,016

(2,574)[1]

Scope 3

418

(468)[1]

Carbon intensity (weighted average tCO_2e/US$m revenue)

Scope 1 & 2

183

(254)[1]

77% of companies **reduced Scope 1 & 2**

Carbon avoided

5,242

(8,663)[1]

56% of companies that report **increased carbon avoided**

Scope 3

913

(1,467)[1]

59% of companies that report **reduced Scope 3**

EU taxonomy alignment

22%

porfolio alignment (before 'do no significant harm' and 'social safeguard' assessments)*

(34%)[1]

Renewable energy generated

(MWh per US$1m invested)

169

(177)[1]

—

1. Equivalent figures from last year's Impact Report are shown in brackets.
*To align with the taxonomy, an activity must make a substantial contribution to one of six defined environmental objectives. The percentage given here reflects holdings meeting this criterion. Full alignment also requires that an activity does no significant harm to the other environmental objectives, and complies with minimum safeguards.

Net-zero ambitions

We have updated our estimated emissions-reduction pathways, as below. The reduction improvements vs. last year are mostly due to changes in positioning, rather than companies accelerating their plans. CATL in particular has a very ambitious near-term emissions-reduction trajectory.

12% reduction p.a.

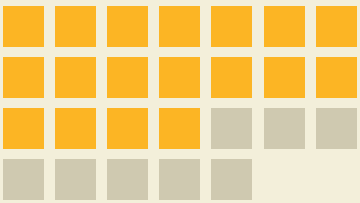
estimated portfolio-emissions (Scope 1 and 2) 2019 – 2025 (9.3%)[2]

12.7% reduction p.a.

for developed market companies (12%)[2]

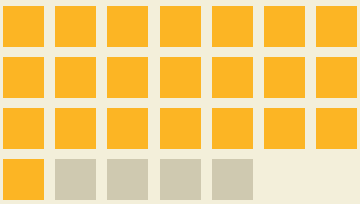
7.2% reduction p.a.

for emerging market companies (2.8%)[2]



18 (69%)

out of 26 companies with **science-based targets** (50%)[2]



22 (85%)

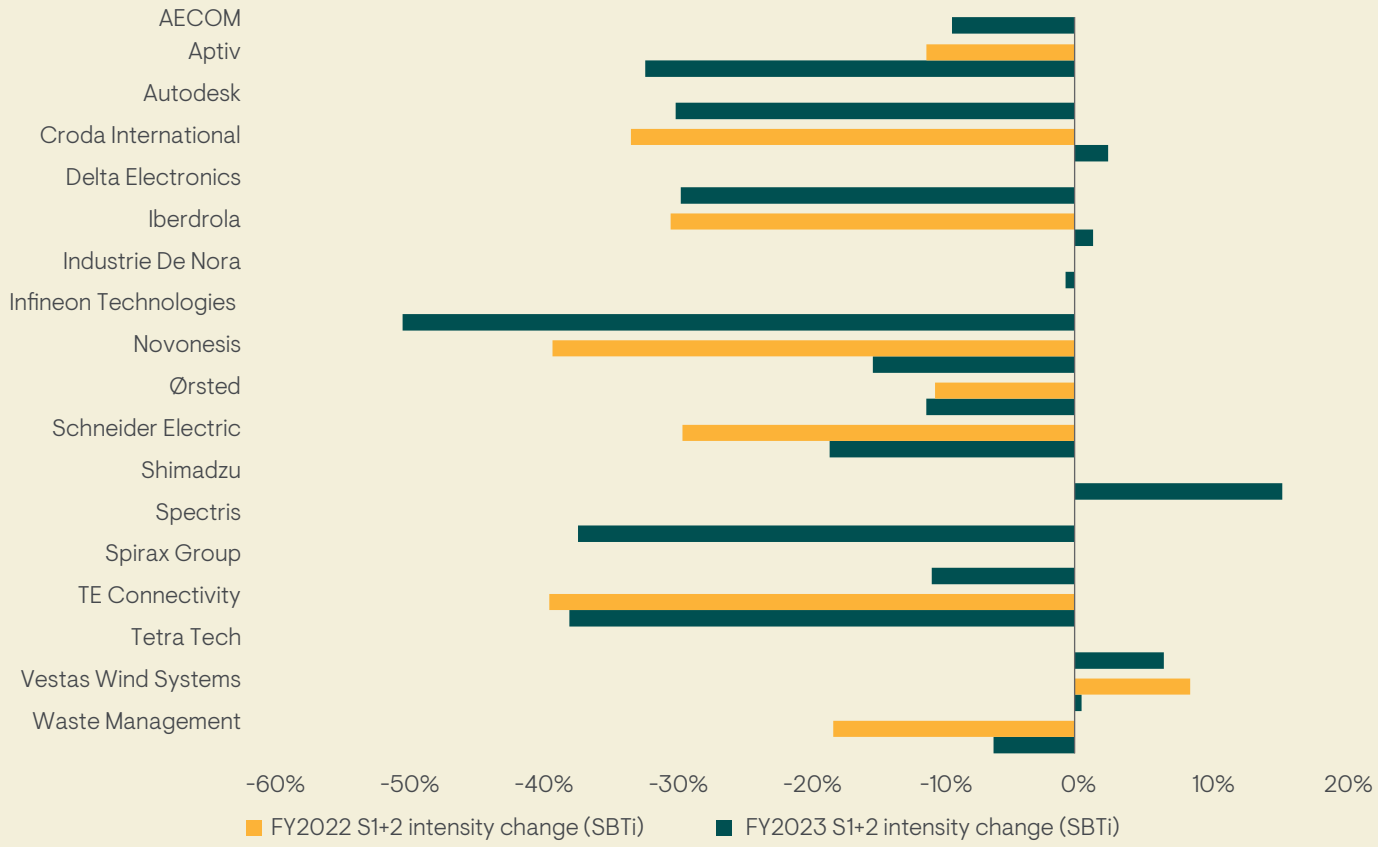
out of 26 companies with **carbon-reduction targets** (83%)[2]

2. Equivalent figures from last year's Impact Report are shown in brackets.

Changes in emissions intensity

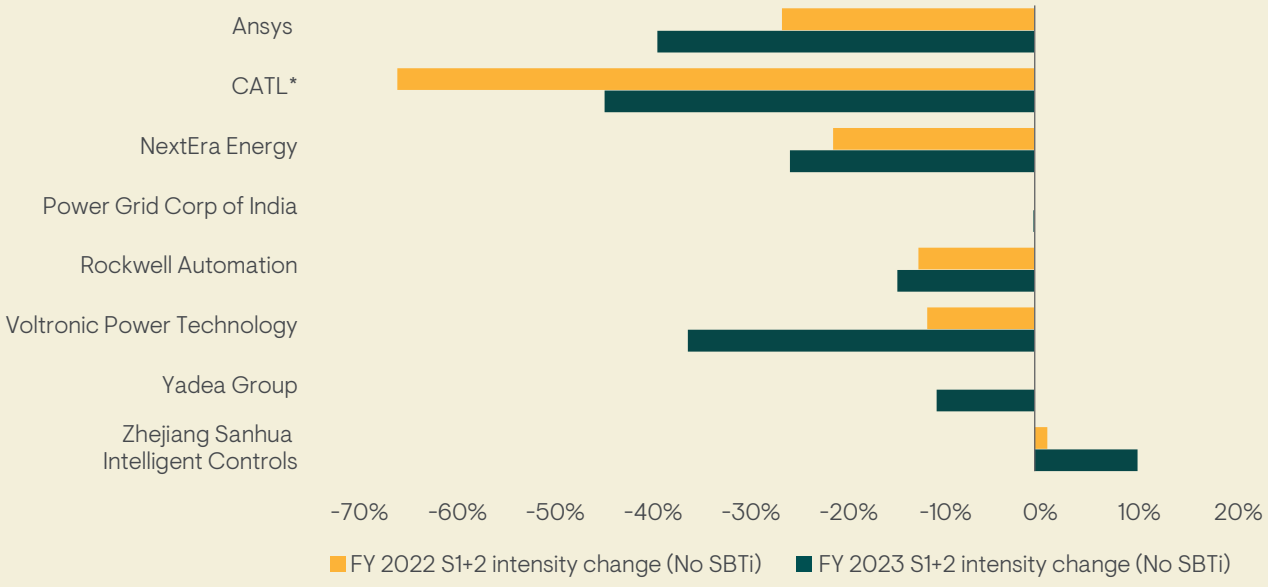
Portfolio companies with SBTi-approved science-based targets

Carbon intensity change year-on-year



Portfolio companies without SBTi-approved science-based targets

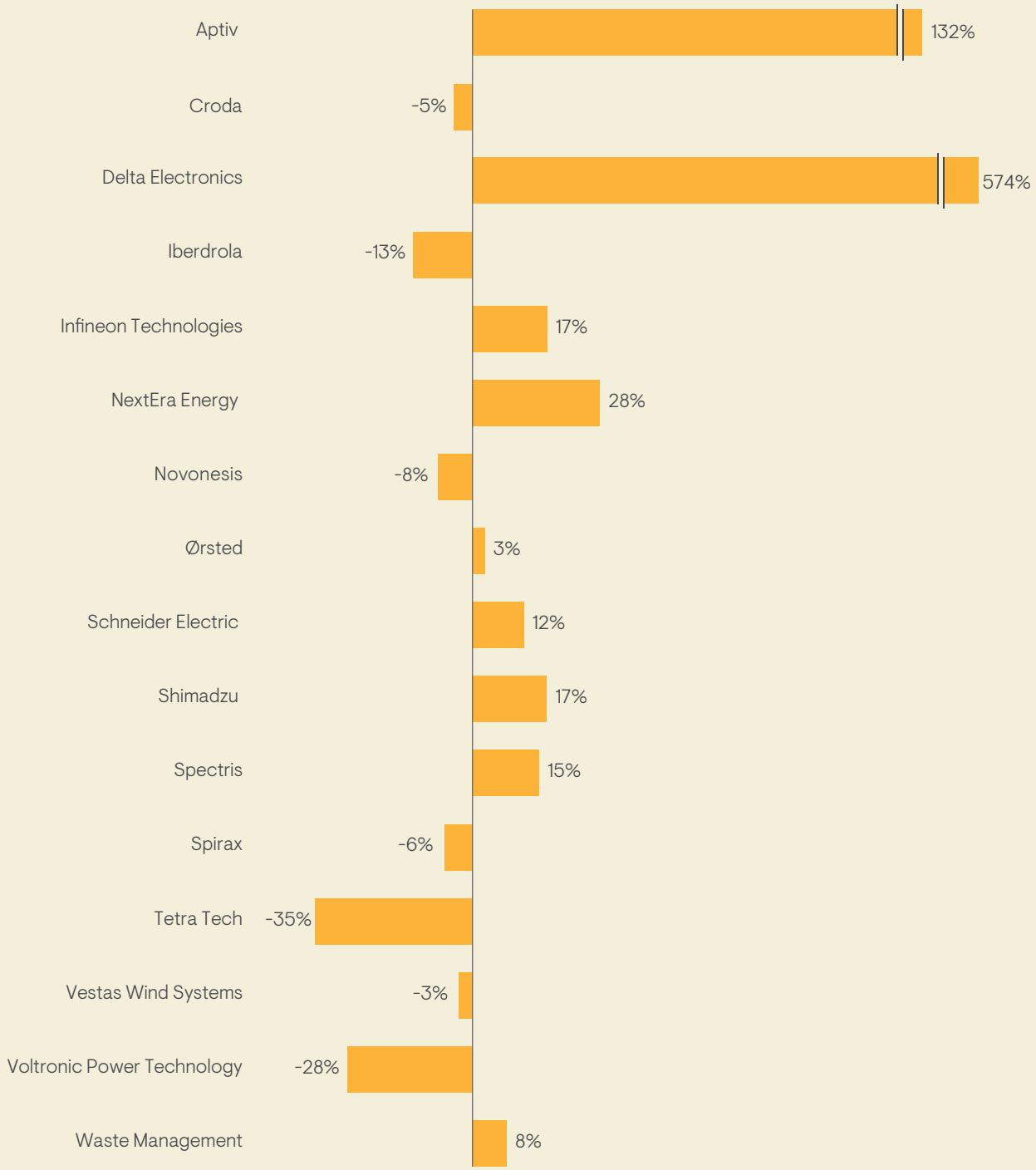
Carbon intensity change year-on-year



*Due to a shift from estimated emissions in FY2020 to reported emissions in FY2021, CATL's Scope 1 and 2 intensity increased by 352%. However, this figure decreased significantly the following year as the company actions to address emissions took effect.

Carbon avoided KPI progression

(year-on-year change; only companies that report the metric)



Engagement and voting update

Engagements

We met with each portfolio company multiple times in 2024, undertaking over 90 engagements across the year. While our focus remained predominantly on environmental issues, we also engaged meaningfully on governance and social matters. Engagement outcomes and progress on objectives are detailed in our company assessments. As always, any positive developments reflect collaborative efforts by the broader investment community and company leadership, not just our own engagements.

A key area of focus in 2024 was climate change, representing nearly a fifth of our total engagement activity. We encouraged the adoption of science-based net-zero targets, improved disclosure of carbon avoided, and growth of decarbonisation solutions. Several companies made tangible progress:

- **Spectris** has committed to a 40% Scope 3 emissions reduction by 2030 and net zero by 2040.
- **AECOM** has made progress in estimating carbon avoided in its sustainability report and expressed interest in aligning with industry standards for reporting.
- **Schneider Electric** provided insights into its plans to reduce Scope 3, including by supporting suppliers who fall short rather than just severing relationships.

On the social front, we engaged on workforce diversity and inclusive cultures:

- Discussions with **Tetra Tech** focused on recommending improved employee-engagement disclosure. Our suggestions included publishing an aggregate employee engagement score, external accreditation, and detailed breakdowns by region and function.

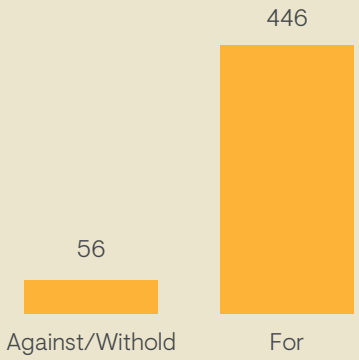
We continue to engage on a range of topics, with a focus across the portfolio on increasing disclosure of carbon avoided and the growth of this KPI.

Proxy voting

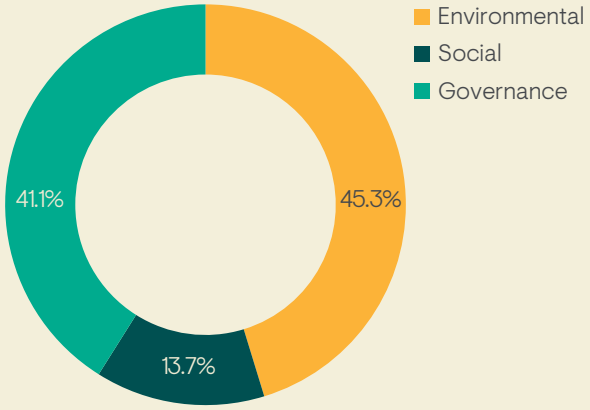
We voted on 503 proxy items in 2024. The vast majority of votes were in support of management proposals. However, we cast votes against management on 12% of proposals. Most of the votes we cast against management related to director elections, executive pay and share issuance. A breakdown of our voting activity is provided in the following chart, with details on notable individual votes included in our company assessments.



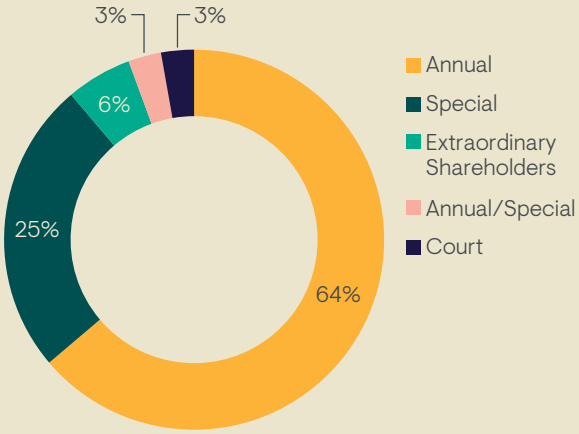
Number of votes cast*



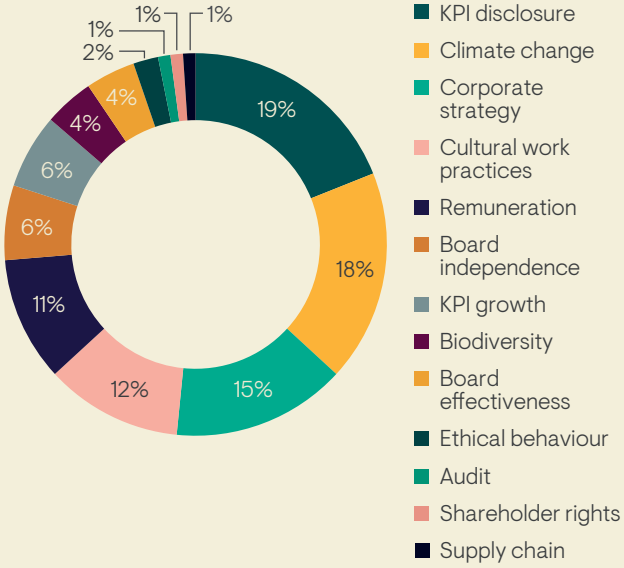
Engagement activities by category



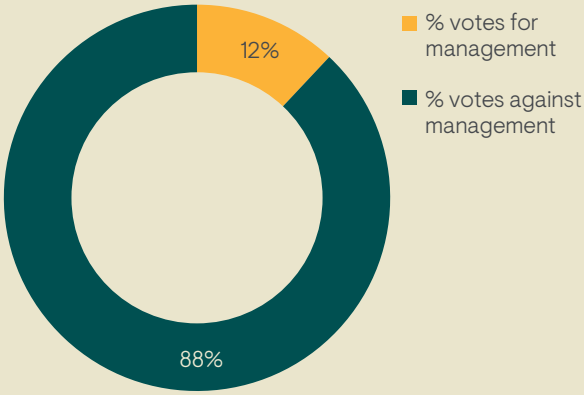
Vote resolutions by type for all votes made



Engagement activities by sub-category 2024

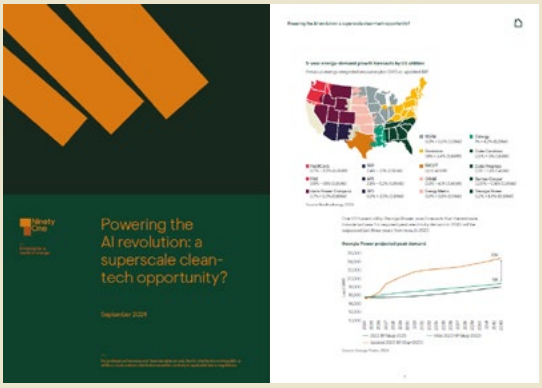


Votes cast (% of meetings)



*One 'say on pay' vote, where we voted for an annual frequency, is not included in these figures.

Global Environment insights



Powering the AI revolution: a superscale cleantech opportunity

Artificial intelligence is forecast to drive a big increase in electricity demand. As a consequence, the markets for clean energy and energy-efficiency solutions could become multiple times their current sizes.

Read more



Notes from the road: What hyper-competition means for China clean-tech

Analyst Yunli Liu returns to his home country to see for himself what business conditions are like and try to separate sentiment from fundamentals.

Read more



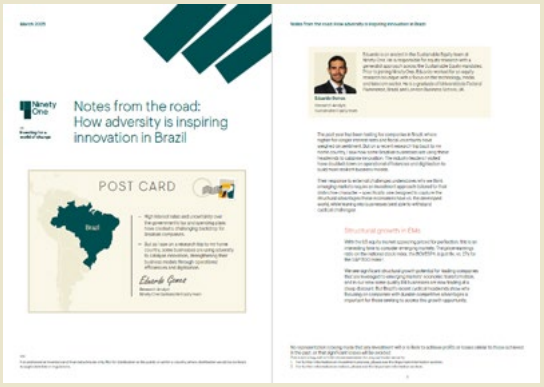
What Spain's blackout means for investors

Rather than undermining the case for clean energy, Spain's power outages underscore the urgent need for smarter planning, greater storage capacity, and much more investment in upgrading the grid to integrate renewables.

Find out more

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Please note that materials on this page are for professional investors only.



Notes from the road: How adversity is inspiring innovation in Brazil

High interest rates and uncertainty have created a challenging backdrop for Brazilian companies. But some businesses are using adversity to catalyse innovation.

Read more



Opportunities at a low point in the sentiment cycle

Higher interest rates and policy uncertainty have resulted in negative sentiment towards clean-tech sectors. This is creating a compelling opportunity for a countercyclical, diversified source of returns.

Read more



Investing in decarbonisation under Trump 2.0

How will Trump 2.0 affect clean-tech sectors, including renewable energy and electric vehicles? Deirdre Cooper considers what lies ahead for investors in global decarbonisation.

Read more

Please note that materials on this page are for professional investors only.

How to read the company assessments



Abbreviations

Space permitting, we have generally spelled out abbreviations on first reference within each company assessment. The following terms are commonly used in the reports:

- Return on equity (ROE)
- Return on invested capital (ROIC)

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Technical terms are explained in the glossary towards the end of the report.

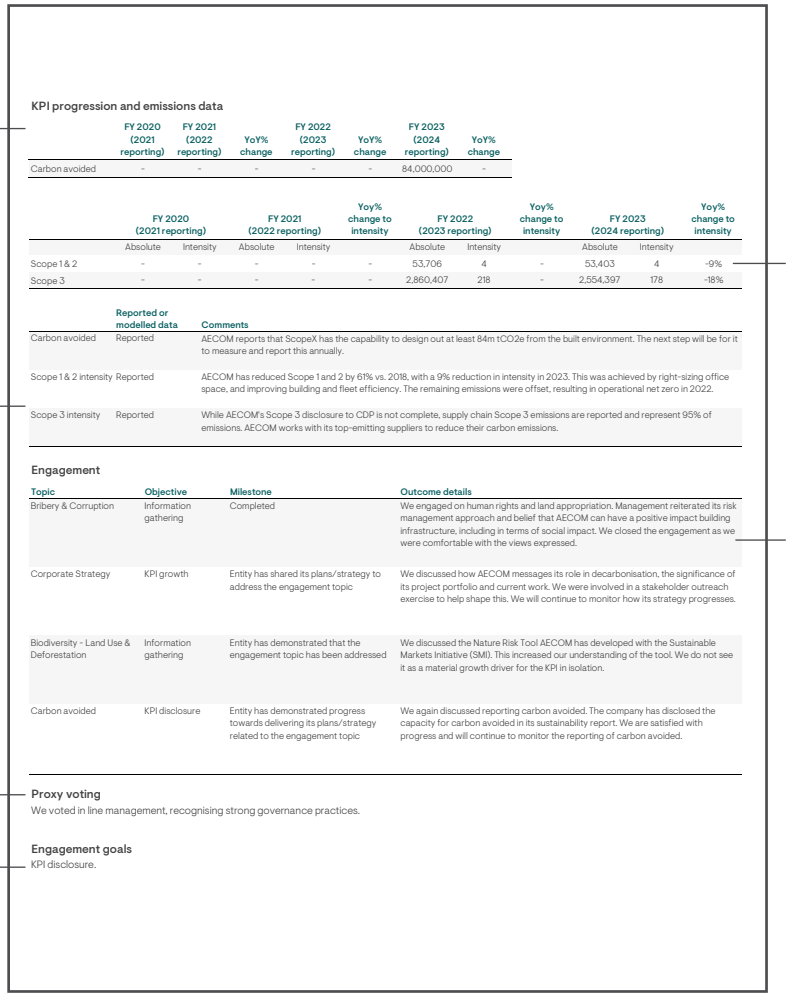
How to read the company assessments continued

Change over time in key performance indicator

Change in intensity and explanation of drivers. The sources of the data are CDP and, for modelled data, MSCI.

Voting record during the year

Current engagement goals



KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	-	-	-	-	-	84,000,000	-

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	-	-	-	-	-	53,706	4	-	53,403	4	-9%
Scope 3	-	-	-	-	-	2,860,407	218	-	2,554,397	178	-18%

Change in emissions over time

	Reported or modelled data	Comments
Carbon avoided	Reported	AECOM reports that ScopeX has the capability to design out at least 84m tCO2e from the built environment. The next step will be for it to measure and report this annually.
Scope 1 & 2 intensity	Reported	AECOM has reduced Scope 1 and 2 by 61% vs. 2018, with a 9% reduction in intensity in 2023. This was achieved by right-sizing office space, and improving building and fleet efficiency. The remaining emissions were offset, resulting in operational net zero in 2022.
Scope 3 intensity	Reported	While AECOM's Scope 3 disclosure to CDP is not complete, supply chain Scope 3 emissions are reported and represent 95% of emissions. AECOM works with its top-emitting suppliers to reduce their carbon emissions.

Engagement

Topic	Objective	Milestone	Outcome details
Bribery & Corruption	Information gathering	Completed	We engaged on human rights and land appropriation. Management reiterated its risk management approach and belief that AECOM can have a positive impact building infrastructure, including in terms of social impact. We closed the engagement as we were comfortable with the views expressed.
Corporate Strategy	KPI growth	Entity has shared its plans/strategy to address the engagement topic	We discussed how AECOM messages its role in decarbonisation, the significance of its project portfolio and current work. We were involved in a stakeholder outreach exercise to help shape this. We will continue to monitor how its strategy progresses.
Biodiversity - Land Use & Deforestation	Information gathering	Entity has demonstrated that the engagement topic has been addressed	We discussed the Nature Risk Tool AECOM has developed with the Sustainable Markets Initiative (SMI). This increased our understanding of the tool. We do not see it as a material growth driver for the KPI in isolation.
Carbon avoided	KPI disclosure	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	We again discussed reporting carbon avoided. The company has disclosed the capacity for carbon avoided in its sustainability report. We are satisfied with progress and will continue to monitor the reporting of carbon avoided.

Engagement goals, progress and outcomes

Proxy voting

We voted in line management, recognising strong governance practices.

Engagement goals

KPI disclosure.

General risks. The value of investments, and any income generated from them, can fall as well as rise. Costs and charges will reduce the current and future value of investments. Past performance does not predict future returns. Investment objectives may not necessarily be achieved; losses may be made. Target returns are hypothetical returns and do not represent actual performance. Actual returns may differ significantly. Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

Specific risks. **Currency exchange:** Changes in the relative values of different currencies may adversely affect the value of investments and any related income. **Derivatives:** The use of derivatives is not intended to increase the overall level of risk. However, the use of derivatives may still lead to large changes in value and includes the potential for large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss. **Equity investment:** The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company. **Concentrated portfolio:** The portfolio invests in a relatively small number of individual holdings. This may mean wider fluctuations in value than more broadly invested portfolios. **Sustainable Strategies:** Sustainable, impact or other sustainability-focused portfolios consider specific factors related to their strategies in assessing and selecting investments. As a result, they will exclude certain industries and companies that do not meet their criteria. This may result in their portfolios being substantially different from broader benchmarks or investment universes, which could in turn result in relative investment performance deviating significantly from the performance of the broader market. **Emerging and Frontier market (inc. China):** These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems.

Company impact assessments

AECOM	18	Power Grid of India	44
Ansys	20	Rockwell Automation	46
Aptiv	22	Schneider Electric	48
Autodesk	24	Shimadzu	50
Contemporary Amperex Technology	26	Spectris	52
Croda	28	Spirax	54
Delta Electronics	30	TE Connectivity	56
Iberdrola	32	Tetra Tech	58
Industrie De Nora	34	Vestas Wind Systems	60
Infineon Technologies	36	Voltronic Power Technology	62
NextEra Energy	38	Waste Management	64
Novonesis	40	Yadea	66
Ørsted	42	Zhejiang Sanhua Intelligent Controls	68

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No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided.
This is not a buy, sell or hold recommendation for any particular security. Company Market capitalisation, Profitability metrics, Sales growth and Taxonomy revenues data are based on latest information available from our vendors. For further information on specific portfolio names, please see the Important information section.

AECOM

AECOM is an infrastructure design and consultancy firm.

Investment rationale

AECOM is an engineering design and consultancy firm that provides capital-light access to growth from decarbonisation. It has transformed from an at-risk, low-margin construction engineering firm to a low-risk, high-margin professional services firm. It is further transitioning towards a consultancy business model. AECOM has proven its ability to take market share in a highly fragmented industry by being selective on the projects it bids for, while leveraging its domain expertise and technical competence. ScopeX (see 'Structural growth') is a differentiated initiative from AECOM to deliver greater value-add for customers through project-level decarbonisation, both in design and operationally.

Decarbonisation opportunity
Resource Efficiency, Renewable Energy, Electrification

Theme
Water & Land Efficiency

Market capitalisation
US$15.04bn

Structural growth

AECOM's addressable market is wide and structurally growing, driven by increasing climate financing flows, water infrastructure spending, PFAS ("forever chemicals") remediation, and rising infrastructure spending. ScopeX is AECOM's strategy to remove 50% of carbon from its largest projects, which further supports its structural growth.

ROIC
1yr: 12%
5yr: 6%

Sales growth per share
1yr: 4%
5yr: 8%

Competitive advantage

AECOM's expertise is in large, complex infrastructure projects where specialist technical competence is required. It is ranked the #1 design firm globally; #1 in water, transportation, and environmental design and consulting; and #2 in program management. Barriers to entry are low, but barriers to scale are high, and AECOM focuses on large and complex projects where only a handful of competitors have the track record and capabilities to compete. AECOM is shifting towards the early parts of the value chain, where competition is lower and projects are awarded based on technical competence rather than price. AECOM has a flat structure and entrepreneurial culture vs. bureaucratic competitors, enabling it to leverage its global capabilities better than many competitors. This translates into attractive win rates of >50% at the enterprise level and >70% for key projects.

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

AECOM has an asset-light, talent-heavy model, which results in lower gross margins but higher returns on capital. Selectivity in the types of projects it bids for, and a focus on where it has a competitive advantage, lead to high incremental profitability. AECOM is driving margins higher through execution, technology and the use of enterprise capability centres. In recent years, AECOM has generated >20% operating ROICs and incremental returns close to 40%.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

AECOM has committed to net zero across its value chain by FY2040 vs. FY2018.
For infrastructure companies, land appropriation can be a source of controversy in emerging markets (see Engagement section).
The company has industry leading turnover and employee engagement levels (c.80%).

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	-	-	-	-	-	84,000,000	-

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	-	-	-	-	-	53,706	4	-	53,403	4	-9%
Scope 3	-	-	-	-	-	2,860,407	218	-	2,554,397	178	-18%

	Reported or modelled data	Comments
Carbon avoided	Reported	AECOM reports that ScopeX has the capability to design out at least 84m tCO2e from the built environment. The next step will be for it to measure and report this annually.
Scope 1 & 2 intensity	Reported	AECOM has reduced Scope 1 and 2 by 61% vs. 2018, with a 9% reduction in intensity in 2023. This was achieved by right-sizing office space, and improving building and fleet efficiency. The remaining emissions were offset, resulting in operational net zero in 2022.
Scope 3 intensity	Reported	While AECOM's Scope 3 disclosure to CDP is not complete, supply chain Scope 3 emissions are reported and represent 95% of emissions. AECOM works with its top-emitting suppliers to reduce their carbon emissions.

Engagement

Topic	Objective	Milestone	Outcome details
Bribery & Corruption	Information gathering	Completed	We engaged on human rights and land appropriation. Management reiterated its risk management approach and belief that AECOM can have a positive impact building infrastructure, including in terms of social impact. We closed the engagement as we were comfortable with the views expressed.
Corporate Strategy	KPI growth	Entity has shared its plans/strategy to address the engagement topic	We discussed how AECOM messages its role in decarbonisation, the significance of its project portfolio and current work. We were involved in a stakeholder outreach exercise to help shape this. We will continue to monitor how its strategy progresses.
Biodiversity - Land Use & Deforestation	Information gathering	Entity has demonstrated that the engagement topic has been addressed	We discussed the Nature Risk Tool AECOM has developed with the Sustainable Markets Initiative (SMI). This increased our understanding of the tool. We do not see it as a material growth driver for the KPI in isolation.
Carbon avoided	KPI disclosure	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	We again discussed reporting carbon avoided. The company has disclosed the capacity for carbon avoided in its sustainability report. We are satisfied with progress and will continue to monitor the reporting of carbon avoided.

Proxy voting

We voted in line management, recognising strong governance practices.

Engagement goals

KPI disclosure.

ANSYS

Ansys develops multi-physics simulation software for computer-aided engineering.

Investment rationale

Ansys' simulation tools are used to predict how products will behave in the real world. Its software allows customers to reduce material inputs, increase energy efficiency and stimulate innovation within low-carbon technologies across renewable technologies, electrification solutions, and building and industrial processes. At the end of 2023, Ansys received an acquisition offer (c.US$34bn) from Synopsys, a leader in electronic design automation solutions. The deal is expected to close in 2025.

Decarbonisation opportunity
Resource Efficiency

Theme
Energy Efficiency

Market capitalisation
US$31.05bn

Structural growth

Ansys' addressable market continues to grow rapidly, most notably via electrification, autonomy and 5G. For example, with electrification increasing the complexity of products, Ansys' software makes it possible to identify thermal and electrical issues during the design phase. The company's addressable market may also grow through what Ansys calls 'new adjacencies'. Within this component, Ansys offers solutions that support upfront simulation, digital twins and 3D printing. The breadth of Ansys' solutions enables it to contribute to decarbonisation across different markets.

ROIC
1yr: 9%
5yr: 10%

Sales growth per share
1yr: 10%
5yr: 11%

Competitive advantage

Ansys is the global leader in multi-physics simulation software. Over time, the company has acquired leading simulation technology to develop its offering, and now provides the widest range of leading software solutions. This technology leadership is bolstered by a focus on research and development, and partnerships with key users such as Synopsys and Autodesk. Overall, Ansys has a substantial market share, estimated at 20-25%.

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Ansys' returns have been stable over time, but the company has continued to invest, through acquisitions and capital expenditure, to strengthen its simulation-software platform. It is increasingly providing solutions for a wider array of engineering problems and expanding into new markets. Over the long-term, as the company matures and grows its platform capabilities, we expect returns to improve.

KPI
Carbon avoided

SBTi status
No Commitment

Externalities assessment

The company still relies largely on non-renewable energy sources, although Scope 1 and 2 emissions are small in absolute terms. The company remains committed to a carbon-reduction target of 15% by 2027.
Ansys needs to continue to improve gender diversity; only 23% of the global workforce is female. The company does not disclose its gender pay gap.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	279,432	267,151	-4%	244,982	-8%	527,757	115%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	16,045	10	15,133	8	-20%	12,268	6	-25%	8,291	4	-33%
Scope 3	170,354	101	206,944	109	8%	223,471	108	-1%	245,009	108	0%

	Reported or modelled data	Comments
Carbon avoided	Estimated	The higher carbon avoided estimate was driven by higher automotive revenues and underlying avoided-emissions intensity. We continue to estimate emissions avoided and are engaging with the company to report them.
Scope 1 & 2 intensity	Reported	Ansys has continued to reduce its Scope 1 and 2 footprint via higher levels of renewables investment.
Scope 3 intensity	Estimated	Scope 3 remains estimated, with use of sold product emissions still to be reported.

Engagement

Topic	Objective	Milestone	Outcome details
Climate Change - GHG emissions/transition risk	Disclosure	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	Regarding enhancing Scope 3 disclosure, Ansys will follow Synopsys' reporting.
Carbon Avoided	KPI Disclosure	Entity has shared its plans/strategy to address the engagement topic	As above regarding disclosing carbon avoided.
Board Effectiveness	Ambition & Commitments	Entity has acknowledged that the engagement topic is an area that should be addressed	The Synopsys board will replace Ansys' board.
Climate Change - GHG emissions/transition risk	Targets	Entity has acknowledged that the engagement topic is an area that should be addressed	Ansys will be need to be integrated into Synopsys' target (which is SBTi verified)

Proxy voting

We supported a shareholder proposal that set a threshold to call a special meeting at 10% of outstanding common stock, given it enhances shareholder rights. We supported management on all other items including the Synopsys acquisition.

Engagement goals

The stock was sold in 2025.

Aptiv

Aptiv is a global technology company that serves the auto industry.

Investment rationale

A net-zero aligned future for mobility is likely to include electric, autonomous vehicles powered by zero-emissions energy. We believe Aptiv had been a leader in enabling the transition to an electrified, software-defined vehicle of the future. However, we sold the position in Q1 2025 given disappointing structural growth and continued underexposure to the leading Chinese EV manufacturers.

Decarbonisation opportunity
Electrification

Theme
Autonomous Vehicles

Market capitalisation
US$15.60bn

Structural growth

Aptiv provides technology spanning the brain and nervous system of the car and is directly exposed to the move towards an electrified transport system. The company saw reasonable absolute revenue growth per share (+13% in 2024, reflecting a stock buyback), but a fall in absolute revenue for the year and disappointing growth-over-market (GOM), driven by changes in customer mix and a slowdown in the high-voltage (pure-play EV) business.

ROIC
1yr: 12%
5yr: 12%

Sales growth per share
1yr: 17%
5yr: 14%

Competitive advantage

Aptiv provides high-voltage content to a significant number of EV platforms and is on one-third of all auto platforms with a scale and cost advantage. It remains one of the only full-systems solutions providers and global systems integrators, which should help it maintain its leading market-share and strong relationships with original equipment manufacturers. Unfortunately, Aptiv is underexposed to the leading integrated EV manufacturers and we expect this to continue.

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Aptiv has significant operating leverage, relatively low capital-intensity and a focus on costs. Growth in software and continued scale benefits across segments such as high voltage should increase margins over time. It is targeting 17% operating margins by 2030 (vs. 12% today), mostly driven by volumes and efficiencies, partly from growth in software (80% gross profit margin and >30% EBIT margins). We have continued to see good cashflows, supporting the buyback.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

The company remains reliant on non-renewable energy but has targets to move to 100% renewable energy by 2030. Renewable energy consumption rose from 13-33% over the last reporting period.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	2,302,288	14,285,714	521%	31,000,000	117%	72,000,000	132%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	322,870	25	364,394	23	-8%	362,497	21	-9%	282,600	14	-33%
Scope 3	7,298,105	559	13,908,733	891	59%	11,854,715	678	-24%	12,139,800	605	-11%

	Reported or modelled data	Comments
Carbon avoided	Reported	Growth in carbon avoided in 2023 was due to growth in high-voltage electrification sales (EVs).
Scope 1 & 2 intensity	Reported	A decrease in absolute emissions and intensity was driven by enhanced energy efficiency and increased use of renewable energy.
Scope 3 intensity	Reported	Growth in absolute emissions was due to volume increases. A fall in intensity was due to rising revenue and highlights continued product efficiency improvements and strong high-voltage electrification growth.

Engagement

Topic	Objective	Milestone	Outcome details
Carbon avoided	KPI Growth	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	There is no company target at the moment, but there is an implicit target that can be derived from growth targets. Weak growth in high voltage for the year hampered growth in carbon avoided.
Climate Change - GHG emissions/transition risk	Targets	Entity has shared its plans/strategy to address the engagement topic	In 2023, SBTi approved Aptiv's near-term science-based emissions reduction target. the company has committed to reduce absolute Scope 1 and 2 emissions 100% by 2030 and absolute Scope 3 emissions 47.4% within the same timeframe, from a 2021 base year. Aptiv does not have a long-term SBTi-approved target. Once the criteria has been set, we expect Aptiv's net-zero commitments to be sufficient for approval.

Proxy voting

We supported all items.

Engagement goals

We sold the position in Q1 2025.

Autodesk

Autodesk provides computer-aided design (CAD) software for the construction and manufacturing industries.

Investment rationale

To decarbonise construction, which accounts for almost 40% of global energy-related emissions, the very low level of digitisation in the sector needs to be addressed. Autodesk is driving the adoption of building information modelling (BIM), which enables the creation and management of digital information throughout the construction lifecycle. Autodesk's BIM tools can support low-carbon design and greater resource efficiency by reducing embodied emissions and buildings' operational emissions. Its manufacturing tools also contribute to lower carbon-intensity design.

Decarbonisation opportunity
Resource Efficiency

Theme
Energy Efficiency

Market capitalisation
US$66.68bn

Structural growth

Regulation and rising demand for low-carbon construction are driving greater adoption of products like those Autodesk makes, in particular its BIM tools. BIM penetration globally is low; even in developed markets, it is not used by most of the industry. And where penetration is higher, more sophisticated BIM software is required. Autodesk has been developing a platform of solutions for all stages of the construction lifecycle, increasing productivity and customer convenience, and thereby creating the opportunity to increase pricing as well as sales volumes. The company also has a rapidly growing manufacturing design segment, and makes tools such as Fusion 360, which supports CAD, manufacturing and engineering.

ROIC
1yr: 25%
5yr: 29%

Sales growth per share
1yr: 13%
5yr: 14%

Competitive advantage

Autodesk is a global leader in design software, with a market share we estimate at c.30%. Few companies can compete with the breadth of its offering. In recent years, Autodesk has focused on integrating its tools into a platform to provide a one-stop solution covering the design, construction and manufacturing phases. This will enable the unification of workflows across construction and manufacturing lifecycles. We also believe the company's focus on evolving its culture supports talent retention and continuous innovation.

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Autodesk's returns have been highly variable in recent years as it has been transitioning to a cloud/subscription service. It has also been implementing a new transaction model, which increases its direct relationship with customers (vs. distributor relationships). These evolutions have the potential to support an improvement in margins and returns in the long-term.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

We believe the company is effectively managing its externalities.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	86,057,400	80,883,000	-6%	81,526,500	1%	79,315,500	-3%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	969	0	686	0	-	1,156	0	-	927	0	-
Scope 3	124,884	38	101,913	27	-29%	114,060	26	-4%	154,166	31	19%

	Reported or modelled data	Comments
Carbon avoided	Estimated	The lower figure is a result of lower estimated US construction emissions. We continue to engage with Autodesk to report carbon avoided.
Scope 1 & 2 intensity	Reported	Scope 1 and 2 remain very small, with emissions representing less than 1 tonne per US$m of revenue.
Scope 3 intensity	Reported	Scope 3 rose with a change to the purchased goods and services emissions methodology. Also, business travel emissions rose.

Engagement

Topic	Objective	Milestone	Outcome details
Carbon Avoided	KPI Disclosure	Entity has shared its plans/strategy to address the engagement topic	Autodesk is continuing to develop its carbon avoided calculation but the required data is challenging to source. In the meantime, it is working on a case study.
Board Effectiveness	Board / Mgmt Oversight	Entity has demonstrated that the engagement topic has been addressed	The company has continued to strengthen its board with new members, most recently in 2025. Given the continued refreshment, this goal will be removed.

Proxy voting

The proxy included a shareholder proposal to provide the right to call a special meeting with a 15% ownership threshold. Given this enhances shareholder rights, we supported the proposal. We supported all other items.

Engagement goals

Disclosing carbon avoided.
Disclosing the unadjusted gender pay gap.

Contemporary Amperex Technology

CATL is the largest electric-vehicle (EV) battery and energy storage system (ESS) battery manufacturer globally.

Investment rationale

Contemporary Amperex Technology (CATL) has industry-leading profitability and directly contributes to the global transition to EVs and renewable energy. In 2024, it shipped 339GWh of EV batteries, equivalent to supplying 6.5m EVs and plug-in hybrids. That year, it also shipped 94GWh of ESS batteries, which equates to c.40% of the global market.

Decarbonisation opportunity
Electrification

Theme
Electric Vehicles

Market capitalisation
US$160.60bn

Structural growth

We forecast rapid electrification of transport, with EVs going from 20% of vehicle sales in 2024 to c.50% by 2030, driving an increase in EV battery demand from 894GWh in 2024 to more than 3TWh by 2030. The ESS market is growing even faster, from 300GWh in 2024 to more than 1TWh by 2030. The negative sales growth per share last year reflected the pass through of lower input costs into the prices of CATL's products.

ROIC
1yr: 11%
5yr: 10%

Sales growth per share
1yr: -3%
5yr: 49%

Competitive advantage

CATL has the largest manufacturing scale globally, at 676GWh at end-2024. This has enabled it to become a cost leader, due to economies of scale and supply-chain pricing power. It also has the highest absolute R&D spending among battery producers globally (US$2.6bn in 2024), more than all of its major South Korean competitors combined. It has a comprehensive battery product portfolio, with global leadership in several key categories, including: lithium ferrophosphate (LFP), a cobalt-free battery with lower cost and better safety; cell-to-pack technology such as the Qilin battery, supporting 1,000km of driving range on a single charge; and emerging battery technologies such as: Shenxing battery (a 4C charging speed LFP battery); Qiji battery (a high energy-density and safety truck battery); and Xiaoyao battery (a 700km range battery for plug-in hybrids).

Taxonomy eligible revenues
99%

Taxonomy aligned revenues
94%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Although battery-cell manufacturing is asset heavy, CATL's competitive advantages helped it generate a five-year average ROE of 22% and ROIC of 10% despite end-market volatility. In 2024 CATL had a 9% revenue decline due to raw material cost pass-throughs, but it was able to maintain healthy profits per GWh of battery sold, with a 23% ROE and 11% ROIC during a year when many of CATL's peers were loss making.

KPI
Carbon avoided

SBTi status
No Commitment

Externalities assessment

CATL will be Scope 1 and 2 neutral by end-2025. Its Sichuan Plant has been certified as the world's first zero-carbon battery factory.
The company advocates a 'battery passport', which would allow full traceability of emissions and supply-chain data at the battery-pack level.
It has not disclosed all Scope 3 categories, but we expect it to improve its reporting and are engaging on this.
Despite CATL being a member of several responsible-mining industry alliances, we would like to see more detailed data and disclosure on the natural and social capital externalities linked to its use of battery metals.
However, we believe it is a global leader in this regard and will leverage its industry position to push for better sustainability across the supply chain.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	14,900,000	42,800,000	187%	84,600,000	98%	112,800,000	33%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	310,092	42	3,846,796	190	352%	3,242,833	66	-65%	2,108,291	37	-44%
Scope 3	10,459,868	1,433	28,505,172	1,410	-2%	14,632,451	299	-79%	68,856,916	1,201	302%

	Reported or modelled data	Comments
Carbon avoided	Estimated	CATL continues to grow its carbon avoided in line with its EV and ESS battery shipment growth.
Scope 1 & 2 intensity	Reported	CATL is on track to reduce all of its battery plants Scope 1 and 2 emissions to net zero by 2025. It already has 10 zero-carbon battery plants.
Scope 3 intensity	Estimated	The change reflects changes in MSCI estimated Scope 3.

Engagement

Topic	Objective	Milestone	Outcome details
Carbon Avoided	KPI Disclosure	Entity has acknowledged that the engagement topic is an area that should be addressed	CATL acknowledges the rationale behind carbon avoided, and will consider providing an estimate in the future. In its CDP report, it reports 447,230 tons saved based on use of renewables at its own plants, but this does not constitute carbon avoided per our definition.
Climate Change - GHG emissions/transition risk	KPI Disclosure	Entity does not acknowledge that the engagement topic is an area that should be addressed	We would like CATL to disclose all 15 categories of Scope 3. It believes it has disclosed the categories of Scope 3 relevant for its business, and has no plans to disclose more.
Biodiversity - Land Use & Deforestation	Disclosure	Entity has demonstrated that the engagement topic has been addressed	In its latest ESG report, CATL provided detailed assessments of biodiversity risks under the Taskforce on Nature-related Financial Disclosures (TNFD) and the Integrated Biodiversity Assessment Tool (IBAT). Its strategy is based on the mitigation hierarchy framework.
Cultural Work Practices	KPI Disclosure	Entity does not acknowledge that the engagement topic is an area that should be addressed	We would like CATL to disclose employee turnover. It considers this sensitive information and is not planning to disclose it in the short term.
Climate Change - GHG emissions/transition risk	Targets	Entity has acknowledged that the engagement topic is an area that should be addressed	The goal was for CATL to commit to SBTi validation. Having engaged with CDP and SBTi since 2018, CATL has decided to set its own, more ambitious emissions target instead: carbon neutrality in "core operations" (Scope 1 and 2 for battery plants) by 2025 and Scope 1, 2 and 3 neutrality by 2035.

Proxy voting

We supported all items except one, regarding appointing the auditor. We have consistently voted against this item for all Chinese A-share companies as we would like them to explicitly disclose non-audit fees as zero (which is the case but we would like formal confirmation).

Engagement goals

Disclosing carbon avoided.
Disclosing emissions reduction plans for battery plants in emerging markets such as Indonesia.
Validating emission targets via SBTi.

CRODA

Croda

Croda is an oleochemical producer that uses over 50% biological inputs in production.

Investment rationale

Croda's output includes ingredients for products such as skin creams, vaccines and biological pesticides; they replace carbon-intensive, fossil-fuel-based alternatives. The company enables decarbonisation in industries such as personal care and crop protection. In addition, some of its products offer efficacy advantages; for instance, its adjuvants decrease the active ingredients required in a pharmaceutical product to deliver the same health outcome. We believe environmental revenues will increase long-term, with the majority of Croda's research and development pipeline being bio-based.

Decarbonisation opportunity
Resource Efficiency

Theme
Water & Land Efficiency

Market capitalisation
US$5.69bn

Structural growth

Within consumer care, we expect increasing demand for products based on natural or organic ingredients derived from bio-based sources (as opposed to petrochemicals). Croda is a key partner for companies like L'Oréal, which is targeting 95% bio-based ingredients by 2030. Within life sciences, Croda's products focus on the delivery of drugs to plants and humans. Its agricultural products increase crop productivity, reducing pressure on land and mitigating negative impacts such as deforestation and soil degradation. In FY2024, the company continued to recover from an extreme destocking cycle across consumer care, crop care and industrial specialities, which remained a headwind to growth. In 2025, the company is set to return to growth.

ROIC
1yr: 6%
5yr: 12%

Sales growth per share
1yr: 0%
5yr: 2%

Competitive advantage

The foundation of Croda's competitive advantage is its intellectual capital. The company is focused on continuing to develop its in-house intellectual property and growing revenues from 'New and Protected Products' (NPP), which currently represent around 35% of sales. Thanks to its leading technology and market share within niches, Croda has strong relationships with customers, which are often partners in product development (which can take up to four years, depending on the complexity of the chemistry).

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Croda has evidenced an ability to deliver strong returns in the long term. Its oleochemicals are often critical inputs into products, and typically account for only a small proportion of the total cost of a product, which we expect will allow Croda to retain pricing power in the long-term. As noted, operating deleverage resulting from destocking has continued to hamper profitability, which we expect to recover with revenue growth.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

The majority of Croda's energy sources remain non-renewable but the company has continued to make progress, with renewable sources representing 33% of energy consumption in 2024 vs. 30% in 2023.
The company is assessing its impacts and dependencies on nature. It aims to be nature-positive by 2030.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	604,491	880,394	46%	750,979	-15%	713,839	-5%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	177,464	99	182,463	70	-29%	121,093	47	-33%	101,246	48	2%
Scope 3	984,871	552	1,141,057	439	-20%	920,578	356	-19%	1,272,640	604	70%

	Reported or modelled data	Comments
Carbon avoided	Reported	Croda has restated its 2022 figure, which the table reflects, given the improved quality of the underlying assumptions. The decline in carbon avoided in 2023 was due to a decline in revenues. We restated 2020 and 2021 figures based on the carbon avoided intensity in 2023.
Scope 1 & 2 intensity	Reported	Croda has continued to reduce emissions through greater use of renewables.
Scope 3 intensity	Estimated	Historical Scope 3 figures are on a reported basis. Following Croda's review of its footprint, the company is now attempting to reflect key downstream emissions. While it undertakes this work, we have reverted to an MSCI estimate until all Scope 3 categories are reported.

Engagement

Topic	Objective	Milestone	Outcome details
Carbon Avoided	KPI Disclosure	Entity has acknowledged that the engagement topic is an area that should be addressed	As part of the IIGCC's Net Zero Engagement Initiative, we asked for an extension of carbon avoided analysis to cover more products.
Climate Change - GHG emissions/transition risk	Targets	Entity has acknowledged that the engagement topic is an area that should be addressed	Also as part of the IIGCC Initiative, we discussed Croda's decarbonisation plans and requested further details in future disclosure. This will be important for understanding science-based target progress.
Biodiversity - Land Use & Deforestation	Disclosure	Entity has acknowledged that the engagement topic is an area that should be addressed	Via the IIGCC Initiative, we requested a clearer presentation of raw materials inputs, which have implications for both biodiversity and carbon.
Pollution & Waste	Disclosure	Entity has demonstrated that the engagement topic has been addressed.	Croda confirmed emissions to water are not material, so we are removing the goal.
Remuneration	Remuneration Link	Entity has acknowledged that the engagement topic is an area that should be addressed	We met with the newly appointed board chair. Compensation practices are under review. We believe that explicit inclusion of ROIC and cash measures would be additive.

Proxy voting

While our feedback on remuneration was positively received, to demonstrate our desire for change we voted against remuneration practices in 2024. We supported all other items.

Engagement goals

Carbon avoided disclosure.
Monitoring progress on SBTi.
Progressing towards land/biodiversity targets and related disclosures.

Delta Electronics

Delta Electronics is a global provider of power and thermal-management solutions.

Investment rationale

Delta Electronics offers products that address underserved areas in emerging markets such as power electronics for electric vehicles (EVs) and solutions for industrial automation and datacentre power supply. The company enables decarbonisation through energy-efficient products and solutions for areas including EV charging and energy storage.

Decarbonisation opportunity
Resource Efficiency

Theme
Energy Efficiency

Market capitalisation
US$38.06bn

Structural growth

EV penetration globally is still low, at c.10% of annual passenger vehicle production, making EV adoption a powerful structural-growth driver for Delta Electronics. In China, the world's largest manufacturing economy, the trend towards industrial automation is driven by rising labour costs, low penetration levels and policy support. Lastly, growth in datacentre infrastructure continues to be driven by increasing data consumption and customers' focus on energy efficiency.

ROIC
1yr: 11%
5yr: 12%

Sales growth per share
1yr: 12%
5yr: 11%

Competitive advantage

The company's main competitive moat stems from its long relationships with customers, especially original equipment manufacturers, which have long approval lead-times and require very high product quality and safety. Other moats include manufacturing scale, R&D and total spending. We expect Delta Electronics' return profile to improve with EV adoption, as this part of the business is yet to reach steady-state profitability.

Taxonomy eligible revenues
20%

Taxonomy aligned revenues
20%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Delta Electronics has generated economic profit consistently. It has delivered a 'double-digit' percentage ROIC over the past decade, above its cost of capital, as the business has transitioned away from being a pure component supplier and invested more in structurally growing areas (EVs, industrial automation and datacentre infrastructure), after the saturation of the PC and smartphone markets. This shift away from stagnating end-markets has allowed Delta Electronics to maintain a good level of return.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

Delta Electronics committed to SBTi targets in 2017 and was the first company in Taiwan to pass the SBTi's evaluation. It has targets to reduce Scope 1 and 2 carbon intensity by 57% by 2025 and to reach carbon neutrality by 2030. It has committed to 100% renewable energy by 2030 (80% by 2025), reaching 63% in 2022. In addition, it has initiated an internal carbon-pricing mechanism, under which all units set zero-carbon emissions as a target and prepay an internal carbon price of US$300 per tonne. To drive energy efficiency, it has a target to reduce energy intensity by 20% by 2025. The company reports carbon reduction by customers driven by its energy efficient products/solutions.

Delta Electronics conducts regular supplier training. It uses questionnaires to gather information on labour and human rights conditions at suppliers, and procurement contracts include the Responsible Business Alliance (RBA) Code of Conduct and address fair competition and antitrust. All suppliers must provide data on their emissions and percentage use of renewable electricity, verified by a third party.

The company's culture promotes innovation and talent development, with expansion into new structural-growth areas creating opportunities for employees. There is some decentralisation, with eight business group heads managing their own divisions and reporting directly to executive management. The employee turnover rate ex-China is low, and the company focuses on retaining high-performing individuals. 42% of the board is independent; 33% of board members are female.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	1,060,000	1,210,000	14%	2,046,000	69%	13,780,000	574%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	177,811	19	216,891	19	4%	187,645	15	-25%	132,275	10	-31%
Scope 3	594,288	62	5,203,942	462	646%	6,854,023	531	15%	7,160,049	556	5%

	Reported or modelled data	Comments
Carbon avoided	Reported	The company continues to avoid carbon via its core energy-saving technologies and is developing net-zero business opportunities including low-carbon transportation, microgrids and green buildings. In 2023, it calculated the avoided emissions of products based on the World Business Council for Sustainable Development methodology for the first time: 13.78mn tCO2e.
Scope 1 & 2 intensity	Reported	Scope 1 and 2 intensity reduced meaningfully due to energy management and adoption of renewable electricity.
Scope 3 intensity	Reported	Scope 3 intensity increased moderately, driven by an increase in 'purchased goods and services' emissions, while 'use of sold products' decreased year-on-year. The company is actively working on establishing a low-carbon supply chain and has targeted reducing Scope 3 emissions by 25% by 2030 vs 2021.

Engagement

Topic	Objective	Milestone	Outcome details
Board Effectiveness	Board / Mgmt Oversight	Entity has demonstrated that the engagement topic has been addressed	We reiterated our preference for non-executive board members to have fewer than four board commitments to maintain board effectiveness. The company explained Audrey Tseng's strong and relevant background. However, it acknowledged our request.
Carbon avoided	KPI Disclosure	Entity has acknowledged that the engagement topic is an area that should be addressed	We engaged on increasing the scope of reported carbon avoided beyond energy efficient products. The company acknowledged our request and believes its growth opportunity is very much linked to decarbonisation, but caveated that it is difficult to calculate carbon avoided given how diversified its businesses are.

Proxy voting

We supported all items.

Engagement goals

Increasing scope of carbon avoided.

Iberdrola

Iberdrola is a global leader in clean energy, grids and storage.

Investment rationale

Sustainable decarbonisation requires continued electrification of the global economy and a change in how we generate electricity, moving away from fossil fuels towards renewable energy. Decarbonisation and improved energy security and resiliency will require significant investment in electricity networks and storage to reduce losses and outages and better integrate renewables. Iberdrola operates almost 45GW of renewable energy in Europe, the US and Latin America, and owns regulated networks in Spain, the UK, the US and Brazil, supplying electricity to almost 100m people and employing over 42,000.

Decarbonisation opportunity
Renewable Energy

Theme
Clean Power

Market capitalisation
US$120.78bn

Structural growth

Iberdrola is the market leader in owning renewable-energy generating capacity in Europe, and has leading positions in Spain, the UK, the US, Mexico and Brazil. The International Energy Agency's net-zero roadmap requires a 3x increase in renewable energy by 2030 and 10-20x increase by 2050. We believe Iberdrola has a key role in delivering this and hence is extremely well positioned for structural growth. By the end of this decade, Iberdrola expects to reach €65-70bn in grid assets and 100GW of installed renewable capacity. Revenue is not the most indicative growth metric for utilities. Operating income and EBITDA grew 8% and 19%, respectively, during the year.

ROE
1yr: 11%
5yr: 11%

Sales growth per share
1yr: 0%
5yr: 9%

Competitive advantage

We believe Iberdrola's market-leading position in developing wind- and solar-generating capacity gives it several competitive advantages, including access to the best sites (wind especially can vary significantly depending on the location), more competitive turbine pricing and better financing terms. The company's position as an integrated utility means it is well positioned to provide a full net-zero solution including grids, renewable energy, storage and energy efficiency.

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
40%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Iberdrola's long-term ROE compares well to other European utilities, and earnings quality has significantly improved in recent years as networks have grown as a percentage of the business. The company also benefits from a relatively low cost of capital, so typically generates good returns above its weighted-average cost of capital.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

Renewable energy exposure continues to grow as part of Iberdrola's power mix and the company has clear science-based targets.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	31,299,730	27,720,320	-11%	30,741,473	11%	26,673,000	-13%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	14,885,263	393	15,314,828	331	-16%	13,849,783	244	-26%	13,181,770	247	1%
Scope 3	47,646,000	1,325	44,615,000	964	-27%	42,679,000	751	-22%	39,304,000	737	-2%

	Reported or modelled data	Comments
Carbon avoided	Reported	Decrease driven by improvement in regional baseline carbon intensity.
Scope 1 & 2 intensity	Reported	While absolute emissions declined, intensity increased as revenues fell faster. As noted previously, revenue includes electricity prices and pass-through on costs. As the grid in Spain becomes dominated by renewables, absolute emissions will be a more relevant metric than intensity or even carbon avoided.
Scope 3 intensity	Reported	The decline in absolute emissions and intensity was driven by a decrease in emissions from purchased goods and services, fuel and energy-related activities, and use of sold products.

Engagement

Topic	Objective	Milestone	Outcome details
Climate Change - GHG emissions/transition risk	Accountability Mechanisms	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	The company aims to achieve carbon neutrality for Scope 1 and 2 by 2030, offsetting any residual emissions after 2030. The ultimate aspiration is to achieve net zero by 2040. We continue to monitor science-based targets.
Biodiversity - Land Use & Deforestation	Targets	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	Iberdrola was an early adopter of the Taskforce on Nature-related Financial Disclosures. It aims to be net positive in nature by 2030. By 2025, it aims to have assessed 20% of its generation facilities assessed and with a biodiversity action plan in force (100% by 2030). All new projects should have these two elements.
Remuneration	Ambition & Commitments	Entity has acknowledged that the engagement topic is an area that should be addressed.	We have been engaging on this topic for a long period of time with Iberdrola. Given the above-average pay relative to peers, we would like to see an increased share in equity as a percentage of total pay. The company has acknowledged our suggestions and is feeding back them back to the board.

Proxy voting

We voted against the requested increase in capital up to 50% via issuance of equity in line with Ninety One policy (maximum of 33% for issuances with pre-emptive rights). We also voted against the advisory vote on remuneration as we believe the board remuneration to be excessive relative to peers.

Engagement goals

Monitoring science-based targets.
Improving diversity and inclusivity.
Monitoring biodiversity progress.

Industrie De Nora

De Nora makes specialist energy-efficient electrodes for electro-chemical processes.

Investment rationale

De Nora is a leader in manufacturing electrodes, which are critical components in electro-chemical processes. An important future structural decarbonisation growth driver for the company is manufacturing electrodes for the green-hydrogen value chain. Within green-hydrogen electrolysis, we expect the company to replicate its profitable leadership position in other areas (chlor-alkali, electrowinning, electronics and water).

Decarbonisation opportunity
Electrification

Theme
Green Hydrogen

Market capitalisation
US$1.54bn

Structural growth

De Nora is exposed to multiple structural-growth drivers stemming from its expertise in producing the most energy-efficient electrodes globally. We see a long-term growth runway for its green-hydrogen exposed energy-transition business, with green hydrogen the likely solution for hard-to-abate sectors such as steel. Unfortunately, there has been a significant delay to this growth opportunity as the green hydrogen market has suffered a number of setbacks regarding costs. Elsewhere, we see structural-growth opportunities within electrowinning (copper foil for electric vehicles), lithium extraction, electronics and water purification/filtration.

ROIC
1yr: 8%
5yr: 12%

Sales growth per share
1yr: 5%
5yr: 12%

Competitive advantage

De Nora is a market leader across at least 85% of its revenue base, with >50% market share in key segments. A niche provider of mission-critical components, it has scale, cost leadership and unique technological capabilities, which enable it to develop innovative products and solutions for a broad range of industries, including chemicals, energy and water treatment. There is a high degree of technological overlap across De Nora's key business areas and it has strong customer relationships. It has also shown an ability to pass a significant proportion of cost increases on to customers.

Taxonomy eligible revenues
69%

Taxonomy aligned revenues
19%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Returns have been above the cost of capital for the past eight years, with an improving trend over that period. De Nora listed in 2022 and is still in an early growth phase within two of its three main segments. The delays in green-hydrogen growth have impacted current and near-term margin expectations. De Nora generated a 17.5% EBITDA margin and 13.5% operating profit in 2024.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

The company still mostly uses non-renewable electricity, but reached 29% renewables in 2024, up from 3% the previous year. The company has targets to use 40% renewables by 2026 and 100% by 2030.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	-	295,572	-	589,961	100%	954,871	62%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	25,933	46	31,435	43	-5%	33,828	38	-13%	34,636	38	2%
Scope 3	-	-	-	-	-	34,750,334	38,686	-	39,569,097	42,720	10%

	Reported or modelled data	Comments
Carbon avoided	Estimated	For 2024, De Nora began reporting carbon avoided but only for its green-hydrogen business. Prior estimates have been restated to align with this reporting.
Scope 1 & 2 intensity	Reported	Weak revenue growth relative to significant capital expansion drove a near-term rise in absolute emissions and intensity.
Scope 3 intensity	Reported	The cause of the near-term rise in absolute emissions and intensity was as above. De Nora is working to enhance its Scope 3 reporting.

Engagement

Topic	Objective	Milestone	Outcome details
Climate Change - GHG emissions/transition risk	Disclosure	Entity has demonstrated that the engagement topic has been addressed.	De Nora now reports Scope 3 to CDP.
Climate Change - GHG emissions/transition risk	Accountability Mechanisms	Entity has demonstrated that the engagement topic has been addressed.	The company has submitted emissions targets to SBTi.
Carbon avoided	KPI Disclosure	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	Carbon avoided has begun to be reported for one segment, green hydrogen. This engagement is ongoing.

Proxy voting

We supported all items.

Engagement goals

Carbon avoided KPI disclosure
Carbon avoided KPI growth

Infineon Technologies

Infineon is the world's largest power semiconductor supplier.

Investment rationale

Infineon is a market-leading power semiconductor company. We expect its products to see structural growth as electricity generation moves away from fossil fuels towards renewable energy, mainly wind and solar; as ground transportation moves from internal combustion engines (ICEs) towards electric vehicles (EVs) powered by renewable energy; and as a consequence of efforts to increase energy efficiency. Within renewable energy, Infineon supplies the top 10 wind-turbine and solar-inverter companies with power semiconductors. Within automotive, an electric car has twice the semiconductor content of an ICE vehicle, especially within the powertrain, where Infineon is a leader.

Decarbonisation opportunity
Electrification, Renewable Energy, Resource Efficiency

Theme
Electric Vehicles

Market capitalisation
US$54.36bn

Structural growth

In the past 10 years, Infineon has grown revenues by 13% per year on average, significantly faster than the global semiconductor market's c.6% CAGR. Infineon's automotive business grew 14.1% p.a. vs. the auto semi market's 10.6%. Because of the company's significant market share in power semiconductors and tailwinds from the structural growth drivers outlined above, we expect this to continue. Management expects revenues to grow at >10% through the cycle, with the Automotive (ATV) and Green Industrial Power (GIP) segments growing faster than the company average.

ROIC
1yr: 6%
5yr: 9%

Sales growth per share
1yr: -4%
5yr: 13%

Competitive advantage

Infineon's biggest advantage is its strong semiconductor design and manufacturing capabilities, as well as the long and trusted track records of its products. Also, a new management team has been focusing on a 'systems' approach (rather than components only) to capture more value in key markets, especially automotive and industrials. This is a differentiator vs. emerging competitors, especially in China. Infineon also has strong product leadership and ambitious capacity-expansion plans in wide-bandgap semiconductors, namely silicon carbide (SiC) and gallium nitride (GaN). These next-generation power semiconductor materials support greater power efficiency and performance, and present higher barriers to entry. In 2024, Infineon had a global market share of 29% in power semiconductors within automotives, well ahead of the #2 player's 20% and a significant advance from 11% in 2010. It also has 18% market share across all power discrete devices and modules. No competitor has a double-digit share.

Taxonomy eligible revenues
59%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Infineon has historically generated high returns due to its much higher mix of in-house manufacturing vs. peers, as its competitive advantages helped it offset some fluctuations in capacity utilisation rates. 2024 was a transition year with an 8% ROE and 8.5% ROIC, as idle charges affected returns during the global analog semiconductor downcycle. Infineon's strategy is to work increasingly with outsourcing partners where it sees no or little differentiation to in-house production to optimise capital efficiency and improve returns. For new markets such as AI Power, SiC and GaN, Infineon will produce in-house. It also aims to capture more value share with its system approach.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

Infineon identifies material topics in its mapping analysis. In addition to carbon, it recognises the need to manage material externalities in its supply chain. Infineon evaluates over 390 strategic suppliers annually, covering more than 70% of its procurement volume. Suppliers undergo assessments on human rights, environmental protection and governance. Corrective measures are implemented where necessary, and suppliers are encouraged to set their own science-based targets.
Regarding conflict minerals, Infineon maintains a DRC conflict-free supply chain by evaluating all relevant suppliers on use of conflict minerals. Infineon requires that suppliers source raw materials from smelters compliant with the Responsible Minerals Assurance Process or equivalent audit programmes.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	56,000,000	72,450,000	29%	100,000,000	38%	116,600,000	17%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	864,748	90	993,677	75	-17%	886,671	58	-23%	500,461	29	-50%
Scope 3	4,206,435	438	5,889,528	445	2%	7,926,333	514	16%	7,930,945	455	-11%

	Reported or modelled data	Comments
Carbon avoided	Reported	In FY2023, carbon avoided was derived from products sold in the following applications: industrial drive, e-mobility, solar and wind. Combined, these accounted for 25% of FY2023 revenues (e-mobility 14%, renewables 7%, automation and drives 4%), similar to FY2022.
Scope 1 & 2 intensity	Reported	Infineon targets Scope 1 and 2 carbon neutrality by 2030, and is making progress by increasing its use of renewables.
Scope 3 intensity	Estimated	We use MSCI's estimate as the more conservative baseline. We plan to move to reported Scope 3 next year given Infineon's Scope 3 target has been validated by SBTi.

Engagement

Topic	Objective	Milestone	Outcome details
Climate Change - GHG emissions/transition risk	KPI Disclosure	Entity does not acknowledge that the engagement topic is an area that should be addressed.	We would like Infineon to report use of sold products Scope 3 emissions. Infineon believes it is not able to reliably estimate customers' use cases for its products.
Climate Change - GHG emissions/transition risk	Targets	Entity has demonstrated that the engagement topic has been addressed.	Infineon obtained SBTi approval for its emission targets in May 2025.

Proxy voting

We supported all proxy items in 2024.

Engagement goals

Monitoring Scope 2 progress.
Reporting Scope 3 use of sold products.
Improving gender diversity.

NextEra Energy

NextEra Energy is a leading generator of electricity from wind and solar, and the North American leader in renewable energy.

Investment rationale

Sustainable decarbonisation requires a rapid shift away from fossil fuels towards renewable energy, mainly wind and solar. It also requires significant investment in electricity networks to reduce losses and better integrate renewables. NextEra Energy operates 30GW of wind energy, 14GW of solar and 4GW of battery storage across the US and Canada. It also operates 89,180 miles of transmission and distribution lines.

Decarbonisation opportunity
Renewable Energy

Theme
Clean Power

Market capitalisation
US$150.40bn

Structural growth

NextEra Energy is the market leader in owning renewable-generating and battery-storage capacity in the US. There has been a significant increase in forecasted power demand in the US over the last 12 months, with BNEF now expecting an additional 450GW of power-generating capacity to be required by 2030, the vast majority of which is likely to be met by renewables because of economics and faster build times. Forecasted capacity additions required are significantly higher in a net-zero scenario. This is evidenced by NextEra Energy's current expected build-out of 22.4-29.4GW in 2026/2027, significantly above the build rate in 2024/205 of 14.1-17.1GW. GAAP revenues are not a particularly informative metric for regulated utilities because fuel is a pass-through, but NextEra Energy expects to grow earnings-per-share at c.8% through 2027, which we believe is backed by highly visible capital-expenditure plans and is in line with historical growth rates.

ROE
1yr: 11%
5yr: 12%

Sales growth per share
1yr: -2%
5yr: 6%

Competitive advantage

We believe NextEra Energy's market-leading position and first-mover status in developing wind, solar and battery storage capacity in the US gives it several competitive advantages, including access to the best sites (access to interconnection is critical and wind resource especially can vary significantly by location), more competitive equipment pricing (NextEra Energy is one of the largest capital spenders in the US across all industries), better financing terms and proprietary data. NextEra's distinctive culture appears to deepen the competitive advantage, with a strong employee ownership mindset continuing to drive innovation from the bottom up.

Taxonomy eligible revenues
99%

Taxonomy aligned revenues
32%

Data provided are estimates sourced from Clarity AI

Sustainable returns

NextEra Energy has consistently generated market-leading returns, with an ROE c.2% above the sector average. We expect this trend to continue. We also believe the significant increase in power demand from AI datacentres and re-shoring will support longer-term power demand and ultimately prices, and therefore renewable-project returns.

KPI
Carbon avoided

SBTi status
No Commitment

Externalities assessment

NextEra Energy continues to own significant fossil-fuel generating capacity. However, having invested heavily in decarbonisation, the company's emissions are 51% lower than the industry average, which gives us comfort that positive carbon externalities outweigh negative ones.
We also monitored allegations of incorrectly channelled political donations in Florida and were pleased to see the Federal Election Commission dismiss the case. A positive solution to the upcoming rate case at the end of the year will give further comfort that there are no significant issues with the important regulatory stakeholder.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	39,382,821	39,395,709	0%	34,286,018	-13%	44,000,000	28%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	43,326,682	2,407	43,064,606	2,523	5%	42,016,462	2,005	-21%	42,303,675	1,505	-25%
Scope 3	19,666,464	1,093	21,224,706	1,243	14%	18,637,810	889	-28%	18,637,809	663	-25%

	Reported or modelled data	Comments
Carbon avoided	Reported	The growth in the KPI is driven by the inclusion of nuclear power. Longer term we expect the KPI to grow as renewables development accelerates.
Scope 1 & 2 intensity	Reported	The significant decline in Scope 1 and 2 intensity was driven by an unusual increase in revenues because of higher prices, which will likely reverse. Longer term, we would expect a gradual decline in Scope 1 and 2 intensity as renewables development accelerates.
Scope 3 intensity	Estimated	The company does not report all Scope 3 categories, making it challenging to monitor progress. Reporting, and ultimately setting an emissions-reduction plan for Scope 3, is a key engagement target.

Engagement

Topic	Objective	Milestone	Outcome details
Board Effectiveness	Board / Mgmt Oversight	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	NextEra's board continues to develop well. There are now four new directors with less than two years' tenure, giving a good mix of tenure. Sherry Barrat, who we voted against last year, has retired as expected and Amy Lane has been made Lead Independent Director (LID). She is approaching the retirement age of 72 so this will be a short duration appointment. Engagement on the next LID will be an important next milestone.
Climate Change - GHG emissions/transition risk	Targets	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	We continue to discuss Scope 3 reporting and are pleased to see progress. Targeting emissions reductions on purchased goods and services will rely on the development of a scaled green steel industry.
Climate Change - GHG emissions/transition risk	Targets	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	NextEra has a strong net-zero target for Scope 1 and 2, targeting zero emissions with no use of offsets by 2030. It recently announced a joint venture with GE Vernova to develop new gas-fired power plants in the US. Our recent engagement focused on ensuring that renewables would continue to dominate the investment programme and that gas would be built to allow either hydrogen or carbon capture in the future. We have collaborated with a large US asset owner on this engagement and look to see continued acceleration in investment in wind, solar and battery storage.

Proxy voting

We voted for all resolutions, including casting two votes against management supporting shareholder proposals on further disclosure of board skills and diversity and climate lobbying reporting.

Engagement goals

Corporate governance.
Scope 3 reporting.
Science-based emissions reduction targets and adherence to existing net-zero target on Scope 1 and 2.

Novonesis

Novonesis is a global provider of biosolutions.

Investment rationale

Novonesis is the global leader in enzymes, functional proteins and microbes, which serve as biological catalysts to speed up chemical reactions. Its bio-based products help to improve yields (e.g., of crops), increase energy efficiency (e.g., via lower washing temperatures), and reduce emissions and hazardous waste across the value chain.

Decarbonisation opportunity
Resource Efficiency

Theme
Water & Land Efficiency

Market capitalisation
US$33.33bn

Structural growth

Biotech offers decarbonisation solutions across many sectors. Within household and consumer care, Novonesis is helping to reduce petrochemical use and energy consumption. In the food system (one-third of global emissions), its products help to reduce waste (30% of all food is wasted), improve crop yields, reduce fertiliser use and enable plant-based meat alternatives. Biofuels also support growth for the company as its technology enhances yields. Looking further out, Novonesis' research and development pipeline is creating additional potential in areas such as reducing plastic waste and carbon capture. Please note that the 1-year revenue per share growth figure shown here is impacted by the Chr. Hansen acquisition (completed January 2024).

ROIC
1yr: 5%
5yr: 15%

Sales growth per share
1yr: -5%
5yr: 5%

Competitive advantage

We believe Novonesis' competitive moat has been strengthened by the combination of Novozymes and Chr. Hansen. The new company brings together Novozymes' world-leading enzyme business (>6,500 patents) with the world's largest microbe library from Chr. Hansen (>3,400 patents). This is key to its future competitive position: enzymes and microbes have complementary roles in biological and environmental processes.

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

The sustainability of Novonesis' returns is supported by end-market diversification, scale and intellectual property, which drives a high gross profit margin (among the best-in-class in the industry) and peer-leading incremental ROIC. In the near term, the acquisition reduces reported returns on capital. However, over the longer term, given the company's strengthened competitive position and increased optionality to invest in new verticals, we see potential for a significant return on incremental invested capital relative to peers.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

Some 93% of electricity consumed is from renewables, up from 82% in the previous year. Novonesis has a target of 100% electricity consumption from renewables by 2025.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	49,000,000	60,000,000	22%	65,000,000	8%	60,000,000	-8%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	234,000	109	253,000	106	-3%	161,000	65	-39%	143,000	55	-15%
Scope 3	602,250	281	728,875	307	9%	768,657	309	1%	644,000	248	-20%

	Reported or modelled data	Comments
Carbon avoided	Reported	Reported carbon avoided still only includes the bioenergy segment. The decrease was due to a larger decrease in the comparative baseline emissions intensity. As noted, firm-wide carbon avoided will be reported in 2025.
Scope 1 & 2 intensity	Reported	The reduction in Scope 1 and 2 intensity was mainly driven by a continued focus on energy efficiency and increased sourcing of renewable electricity.
Scope 3 intensity	Reported	Through enhanced supplier engagement, the company achieved a notable decrease in purchased goods and services emissions.

Engagement

Topic	Objective	Milestone	Outcome details
Climate Change - GHG emissions/transition risk	Disclosure	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic.	Novonesis has confirmed it will report combined emissions for 2024. As per SBTi guidelines, in 2024 it integrated its emissions and merged accounting methodologies. Its 2030 and 2050 targets remain SBTi-validated.
Climate Change - GHG emissions/transition risk	Accountability Mechanisms	Entity has demonstrated that the engagement topic has been addressed.	Novonesis is committed to emissions reductions by 2030 of 75% from operations (Scope 1 and 2) and 35% from its supply chain (Scope 3) vs. 2018. It aims to reduce absolute Scope 1 and 2 by 65%. By 2050, it aims to reduce absolute Scope 1 and 2 by 90% and absolute Scope 3 from multiple categories by 90% .
Carbon Avoided	KPI Disclosure	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic.	Novonesis currently only reports carbon avoided for its bioenergy business. It plans to report firm-wide carbon avoided in 2025.

Proxy voting

We supported all items.

Engagement goals

Monitoring science-based emissions targets.
Improving carbon avoided reporting for the combined organisation.

Ørsted

Orsted is a global leader in developing, constructing and operating offshore wind farms.

Investment rationale

Orsted is a leading player in offshore wind technology. As at December 2024, it had installed renewable capacity of 18.2GW, including 9.9GW of offshore wind, 6.2GW of onshore wind and 2.1GW of solar. In 2024, 97% of its generation was from renewables, up 4% vs. 2023. The company's business model is based on generating long-term returns at a spread to the weighted-average cost of capital (WACC) by bidding for projects in favourable tariff regimes, securing supply-chain contracts, constructing projects on time and within budget, and running the assets well to keep operation and maintenance costs low. Typically, at some point during construction , Orsted farms down the project to de-risk and recycle capital into new opportunities, which enhances returns over time. While risks are higher during construction, once operational these projects provide good revenue and cashflow visibility. The offshore industry has experienced challenges especially in the US, but at the time of writing the stock was trading below the fair value of Orsted's assets.

Decarbonisation opportunity
Renewable Energy

Theme
Wind

Market capitalisation
US$18.68bn

Structural growth

Orsted is the world's largest offshore wind developer and asset owner, and hence we believe it is well placed to benefit from structural growth driven by the need for a massive build-out of renewable energy. Offshore wind technology has been maturing in recent years, and its deployment is poised to accelerate in the near term especially across Europe. Amid a challenging market backdrop, Orsted stepped away from its 2030 GW ambition with a strong commitment to prioritising value creation over growth. Nevertheless, it plans to build c.26GW of renewable capacity (of which c.16GW would be offshore) by 2030, which is still twice its current capacity.

ROIC
1yr: 2%
5yr: 5%

Sales growth per share
1yr: 8%
5yr: 0%

Competitive advantage

Orsted derives its competitive advantages from its long-standing experience in developing and operating complex offshore projects, in-house engineering and procurement capabilities (EPC) to innovate and optimise wind farms, procurement scale to negotiate supplier contracts, and capital recycling efficiency. Orsted's renewed focus on regions with enduring competitive advantages is reassuring.

Taxonomy eligible revenues
91%

Taxonomy aligned revenues
91%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Historically, Orsted achieved a significant improvement in returns, with ROCE (return on capital employed) rising to 14-15% as more offshore projects came online and the company undertook farmdowns. In the recent past, the offshore wind industry has experienced challenges, particularly in the US, leading to impairments. We understand that Orsted's new management team is focused on improved risk governance, disciplined capital allocation and cost efficiencies to preserve and enhance value, while still targeting a value-creation spread of 150-300bps over WACC. Orsted is targeting a ROCE of c.13% from 2024-2030. Furthermore, we continue to monitor the company's execution of farm-downs, which is critical to maintaining healthy credit metrics.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

Orsted is effectively managing its externalities, based on our analysis.
We continue to seek to better understand Orsted's net positive biodiversity ambition.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	13,100,000	15,100,000	15%	18,200,000	21%	18,700,000	3%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	1,852,790	241	2,142,802	173	-28%	2,510,802	155	-10%	1,585,523	138	-11%
Scope 3	-	-	-	-	-	10,984,000	678	-	5,631,000	489	-28%

	Reported or modelled data	Comments
Carbon avoided	Reported	Carbon avoided growth was driven by two key factors: a change in emission factors from 2022 to 2023/2024, to factors with a slightly higher value; and increased offshore generation in 2023 vs. 2022, mainly in Taiwan, which has a significantly higher share of coal in the residual mix, hence a relatively high avoided emissions factor.
Scope 1 & 2 intensity	Reported	Scope 1 and 2 decreased overall largely due to lower coal consumption.
Scope 3 intensity	Reported	The significant reduction (in absolute and intensity terms) was primarily driven by a 47% reduction in emissions from natural gas sales.

Engagement

Topic	Objective	Milestone	Outcome details
Corporate Strategy	Board/Mgnt. oversight	Entity has demonstrated progress towards delivering its plan/strategy related to the engagement topic	Engagements over the past 12 months included separate engagements with the Danish government, the outgoing and incoming board chair, and meetings with the CFO, CEO and COO. With new COO Patrick Harnett, we reviewed operational developments and discussed his experience in delivering infrastructure projects, updates on project cancellations, and strategies to improve supply-chain maturity in the US while exploring high-return prospects in Asia. He detailed efforts to centralise decision-making and enhance portfolio risk management. With the chair, we continued our discussions on capital allocation. We were comforted that there is a clear focus on value creation. However, we reiterated that there remains a challenge related to the management team's communication of capital discipline to shareholders. We explained what we expect to see in terms of precise communication, including figures, to demonstrate the impact of decisions and the actions taken. We have been encouraged by the positive reception to our proposals, (ongoing) management changes to bolster infrastructure experience, a dividend holiday and a renewed focus on value creation over pursuing growth. We have been closely monitoring the execution and communication of funding, de-risking and strategic partnership plans, and are disappointed to see further cost overruns, which will be factored into our assessment of the investment case. We continue to engage with all relevant parties.

Proxy voting

We voted for all items with the exception of approving the remuneration report. We voted against the latter to signal our strong preference for greater alignment with long-term incentives and emphasise ROIC discipline.

Engagement goals

Continuing strategic engagement with a focus on governance and risk management.
Monitoring progress on science-based targets and developments on net positive biodiversity targets.

Power Grid of India

Power Grid is primarily engaged in the bulk transmission of power in India.

Investment rationale

Power Grid is a majority state-owned enterprise primarily engaged in the bulk transmission of power through its extra-high voltage alternating current (EHVAC) and high voltage direct current (HVDC) transmission network in inter-state / inter-regional domains in India. India's power-generation mix is expected to undergo a massive shift towards renewable energy over the next decade (the target is 500GW by 2030) to meet increasing energy demands in a sustainable way. Power Grid, as a principal transmission developer and operator, is well placed to benefit from the build-out of the grid to integrate renewables.

Decarbonisation opportunity
Resource Efficiency, Renewable Energy

Theme
Clean Power

Market capitalisation
US$31.98bn

Structural growth

Over the next decade, India's planned capital expenditure on inter-state transmission is c.Rs.6 trillion (US$70 billion). As the transmission company with the largest market share, Power Grid should be a beneficiary of this expenditure, driving its structural growth.

ROE
1yr: 17%
5yr: 19%

Sales growth per share
1yr: 0%
5yr: 4%

Competitive advantage

With regulated monopoly status and running 83% of India's inter-state transmission assets, Power Grid derives its competitive moat from its unparalleled experience and scale advantages in procurement. This is further supported by its relatively low cost of capital, since it is backed by the government of India, which enhances Power Grid's ability to create and preserve value even in a competitive bidding environment.

Taxonomy eligible revenues
97%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

With a regulated ROE of >15% and a realised ROE in the high 'teens' as a percentage, Power Grid has a sustainable return profile, positive value creation well above its cost of capital, and a strong cashflow profile.

KPI
Carbon avoided

SBTi status
No Commitment

Externalities assessment

Power Grid is effectively managing its externalities, based on our analysis.
Accessing land for laying down transmission networks is an important factor to manage and we understand that Power Grid acquires land on a 'willing buyer, willing seller' basis following due process on stakeholder management, and prioritises remote/barren/unproductive land over agricultural land.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	23,200,000	24,000,000	3%	22,000,000	-8%	24,800,000	13%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	-	-	-	-	-	356,980	65	-	357,071	65	0%
Scope 3	-	-	-	-	-	1,347,679	246	-	1,334,516	244	-1%

	Reported or modelled data	Comments
Carbon avoided	Estimated	Carbon avoided for Power Grid increased during the year with the growth in renewables in the Indian grid.
Scope 1 & 2 intensity	Reported	Scope 1 and 2 intensity largely remained unchanged. The majority of Power Grid's Scope 1 emissions come from SF6 leakage and a small part is attributable to diesel vehicles/gensets. However, we understand the company is taking steps to reduce emissions by installing highly sensitive SF6 leak detectors, implementing tighter inventory control of SF6 gas and reducing diesel consumption by shifting to EVs.
Scope 3 intensity	Estimated	The company does not report Scope 3 so we have used estimated data.

Engagement

Topic	Objective	Milestone	Outcome details
Carbon Avoided	KPI Disclosure	Entity has acknowledged that the engagement topic is an area that should be addressed	We discussed with the company in detail our carbon avoided methodology for Power Grid and offered to be a sounding board as it develops its avoided emissions calculation.
Climate Change - GHG Emissions	Disclosure	Entity has shared its plans/strategy to address the engagement topic	We met the company in person and learnt that team is already working with upstream suppliers and looking to enhance disclosures in the next year or so.
Science based Targets	Ambition and commitments	Entity has acknowledged that the engagement topic is an area that should be addressed	We appreciate that PowerGrid is currently working on Scope 3 emissions and has a 'net zero by 2047' target. However, we encouraged the company to seek SBTI validation.
Board Effectiveness	Accountability mechanisms	Entity has acknowledged that the engagement topic is an area that should be addressed	We would like to see greater board independence. The company has appealed to the Department of Public Enterprises to make the required director appointments.

Proxy voting

We voted for all items except for items pertaining to director elections, signalling our strong preference for greater gender diversity and board independence.

Engagement goals

Disclosing Scope 3 emissions and carbon avoided.
Committing to science-based emissions targets.
Improving gender diversity and board independence.

Rockwell Automation

Rockwell Automation is a global leader in industrial automation and digital transformation.

Investment rationale

More than 20% of global emissions come from manufacturing plants. Rockwell Automation's solutions address this, enabling visibility and control of manufacturing processes via its hardware and software, and accelerating energy and resource efficiency across a range of sectors. While being exposed to structurally increasing spending on the digitisation of factories, the company has not been immune to automation cycles across its wide-ranging end-markets. We sold the stock in Q1 2025 given a rich valuation in the face of cyclically weak end-market demand.

Decarbonisation opportunity
Resource Efficiency

Theme
Energy Efficiency

Market capitalisation
US$38.17bn

Structural growth

Rockwell Automation's hardware includes programmable logic controllers, variable speed drives and intelligent conveyor systems. Its software portfolio includes predictive analytics software and asset-optimisation software, to name a few. These solutions enable plant managers in any manufacturing end-market to drive resource efficiency and improve the sustainability of manufacturing. While we think the company is well positioned to benefit from structural growth driven by ongoing investments in smarter, greener factories, we continue to see cyclical demand weakness across its different end-markets. Rockwell Automation has gone through a prolonged destocking cycle, while policy uncertainty in the US has also delayed investment decisions, which continues to weigh on its near-term growth prospects.

ROIC
1yr: 15%
5yr: 24%

Sales growth per share
1yr: -9%
5yr: 5%

Competitive advantage

Rockwell Automation derives its durable sources of competitive advantage from its market leadership in the US; deep domain expertise across industries; focus on being an outcome-oriented problem-solving partner to its clients; distribution capabilities; and strong partnerships, which create the potential to expand into new adjacencies.

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Rockwell Automation has historically delivered a ROIC of >20% and ROE of >30%. However, the destocking cycle witnessed in 2024 impacted its returns during the period. Stable end-market demand, increasing revenue share from software opportunities and capital discipline will be key to maintaining this return profile going forward.

KPI
Carbon avoided

SBTi status
Committed

Externalities assessment

The company remains reliant on non-renewable energy for its own operations and could improve on this front. We understand that it has a Scope 1 and 2 carbon-neutrality goal by 2030.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	2,707,459	2,835,967	5%	3,179,203	12%	864,094	-73%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	108,100	17	109,700	16	-6%	109,498	14	-13%	109,965	12	-14%
Scope 3	-	-	2,334,497	369	-	15,331,000	1,976	435%	19,364,000	2,138	8%

	Reported or modelled data	Comments
Carbon avoided	Estimated	While low-carbon product revenues increased , estimated carbon avoided declined owing to a lower use of sold product intensity figure. We continue to evolve our methodologies/ estimates and seek reported carbon avoided from our holdings.
Scope 1 & 2 intensity	Reported	Scope 1 and 2 intensity improved on the back of energy efficiency measures across the portfolio.
Scope 3 intensity	Reported	The company iterated its Scope 3 calculations, with 99% of Scope 3 representing c.99% of total emissions.

Engagement

Topic	Objective	Milestone	Outcome details
Carbon avoided	KPI Growth	Entity has acknowledged that the engagement topic is an area that should be addressed	We have been engaging with the company on disclosure of carbon avoided and improvement in governance practices.

Proxy voting

We voted for all items except for director re-elections to signal our long-standing preference for better governance practices, such as a majority voting rule and separation of the CEO and chair positions.

Engagement goals

We sold the position in Q1 2025.

Schneider Electric

Schneider Electric is a global specialist in energy management and industrial automation.

Investment rationale

Schneider Electric provides energy-management and industrial-automation solutions. The company serves the major transitions towards a more electrified, decentralised, decarbonised and digitised world. It combines world-leading energy technologies, real-time automation, software and services, leveraging its digital platform EcoStruxure to accelerate customers' and partners' transitions towards a sustainable future.

Decarbonisation opportunity
Resource Efficiency, Electrification

Theme
Energy Efficiency

Market capitalisation
US$147.06bn

Structural growth

The electrification of fossil-fuel processes supports demand for Schneider Electric's low- and medium-voltage products, given that many more appliances need to be electrified to progress towards net zero. Sales of many products from the company's energy-management segment are driven by the need for better energy efficiency, particularly in Schneider's key end-markets such as data centres (partly led by AI-driven power consumption), buildings and utilities. This should help Schneider Electric meet its target of 80% of revenues from green solutions by 2025. With a significant installed base worldwide, Schneider Electric can focus on growing its software and service businesses.

ROIC
1yr: 10%
5yr: 9%

Sales growth per share
1yr: 6%
5yr: 8%

Competitive advantage

Continued innovation and a high-quality offering have enabled Schneider Electric to maintain a sizeable market share across many parts of its energy-management segment. The company also has a large global distribution channel, which has been key to the success of its low-voltage products (it is the global #1 in this segment). A 'multi-hub' operating model puts a strong focus on building local teams, which allows for more efficient decision-making. Other advantages include the mission-critical nature of Schneider Electric's products and services, and the company's strong brand and reputation for reliability. Schneider Electric also benefits from cross-selling opportunities across energy management and industrial automation, and from having the most complete offering among its peers. The firm has a distinctive culture which reflects its decentralised business structure and gives autonomy to employees at the point of customer interaction. This bolsters nimbleness, differentiates the company from peers, and drives employee engagement and motivation.

Taxonomy eligible revenues
89%

Taxonomy aligned revenues
28%

Data provided are estimates sourced from Clarity AI

Sustainable returns

In addition to innovation and product/service quality, positioning around mega-trends has helped Schneider Electric build significant market share in most business lines. The company has expanded its margins over the past few years and shown strong pricing power. We believe this can continue over the medium term thanks to Schneider Electric's leadership, focus on cost control, and growth in higher-margin segments such as software and services.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

We continue to monitor progress towards SBTi targets and the company's own carbon avoided targets.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	134,000,000	84,000,000	-37%	113,000,000	35%	126,000,000	12%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	287,356	10	294,051	9	-10%	229,347	6	-33%	202,232	5	-17%
Scope 3	66,144,376	2,303	68,874,865	2,015	-13%	60,952,497	1,693	-16%	59,777,964	1,540	-9%

	Reported or modelled data	Comments
Carbon avoided	Reported	The increase in carbon avoided reflected the ongoing development of the business.
Scope 1 & 2 intensity	Reported	Absolute and intensity reduced due to measures including energy conservation, avoiding SF6 leakages, switching from gas or petrol/diesel to electricity, and using renewable energy.
Scope 3 intensity	Reported	Upstream emissions decreased by 10%, due to a reduction in commodities purchased and decarbonisation efforts in the supply chain. Downstream emissions, most of which are from use of sold products, decreased by 6% between 2022 and 2023. This was due to decarbonisation of the grids that consumers use, and the evolution of the geographic split of sales, with higher growth in regions where electricity mixes are becoming less carbon-intensive.

Engagement

Topic	Objective	Milestone	Outcome details
Management remuneration	KPI Growth	Entity has acknowledged that the engagement topic is an area that should be addressed	We met the chairman to discuss the structure of management's long-term incentive plan, which is partially based on Scope 1 and 2 emissions. We reiterated the importance of carbon avoided as a metric. The company acknowledged our request that it should be strongly considered in the upcoming corporate sustainability plan.
Corporate governance	Board / Mgmt Oversight	Entity has demonstrated that the engagement topic has been addressed	We met with Schneider's vice chairman to better understand the CEO change. The key takeaway was that multiple senior executives considered the previous CEO's management style unsuitable, with a lack of transparency to the management team and board.
Biodiversity - Land Use & Deforestation	Suppliers / Procurement	Entity has acknowledged that the engagement topic is an area that should be addressed	Schneider has little direct biodiversity risk exposure. Potential improvement it could make to manage this risk include via engagement with suppliers.

Proxy voting

We supported all items.

Engagement goals

Monitoring progress towards SBTi targets.
Monitoring progress on carbon avoided.

Shimadzu

Shimadzu is a global leader in analytical and measurement equipment and specialised vacuum pumps.

Investment rationale

Shimadzu is a global leader in analytical and measuring instruments (AMI) and vacuum technology. The AMI business enables the R&D of many decarbonisation technologies. Its products can also detect substances that contribute to climate change or cause other environmental harm. Shimadzu's vacuum technology enables the manufacturing of leading-edge semiconductors, which can improve the energy efficiency of data centres; and solar cells, which directly contribute to decarbonisation.

Decarbonisation opportunity
Resource Efficiency

Theme
Energy Efficiency

Market capitalisation
US$6.98bn

Structural growth

Shimadzu benefits from increased R&D spending on technologies that enable decarbonisation. It is a leader in analytical instruments such as liquid chromatography (LC), mass spectrometry (MS) and gas chromatography (GC) in particular, but also many other types of instruments such as the surface analyser, X-ray spectrometer and materials testing machine. Many of these technologies are still at the basic research stage, and therefore pre-commercialisation, so the structural growth opportunity is largely driven by governments' R&D budgets globally, and particularly the Japanese government's significant climate research budget. Shimadzu is also a leader in turbomolecular pumps (TMP), which exposes it to decarbonisation-related growth via semiconductors and solar modules.

ROIC
1yr: 11%
5yr: 12%

Sales growth per share
1yr: 6%
5yr: 7%

Competitive advantage

Shimadzu's largest and most profitable segment, AMI, is uniquely positioned in an industry where competition centres on US healthcare (especially pharma), the most important end-market for analytical tools like LC and LC-MS, which are commonly used in quality assurance/control in drug manufacturing. GC and GC-MS are used more in industry and academia. In addition, Shimadzu's other analytical tools – such as material-testing machines, non destructive testing and surface analysis – have wide applications across decarbonisation sectors. As a result, Shimadzu is well-positioned to benefit from increasing cross-disciplinary decarbonisation R&D demand.

Taxonomy eligible revenues
7%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Historically, Shimadzu has consistently maintained a 40-45% gross profit margin and mid-teens operating profit margin, with asset turnover of 0.7x and ROIC of 10-12%. About 36% of revenues were recurring (from consumable products such as chromatography columns and services), with equipment sales making up the remainder. Improving this is a priority for management. A ROIC target was introduced for the first time in the 2023-2025 mid-term plan, a clear indication of management's increasing focus on return metrics as opposed to just profit-and-loss items.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

Shimadzu manages its externalities well, based on our analysis.
The company provides comprehensive disclosure on natural, social and human capital.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	7,037	7,924	13%	8,884	12%	10,352	17%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	34,468	6	18,389	3	-48%	9,980	3	10%	10,778	3	-7%
Scope 3	-	-	-	-	-	2,196,000	576	-	2,293,464	643	12%

	Reported or modelled data	Comments
Carbon avoided	Reported	Shimadzu's carbon avoided derives from energy savings from the latest EcoProductsPlus series of products. The company reports cumulative savings.
Scope 1 & 2 intensity	Reported	Shimadzu's mid-term target is to reduce Scope 1 and 2 by 85% by 2030 vs. 2017, with a 90% reduction by 2040 and net zero by 2050. It is making steady progress.
Scope 3 intensity	Reported	We use reported data as Shimadzu reports all Scope 3 categories and its emissions target is verified by SBTi.

Engagement

Topic	Objective	Milestone	Outcome details
Carbon Avoided	Disclosure	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic.	We would like Shimadzu to disclose the percentage of its revenues that are 'green'. It is training staff to flag equipment use cases that fall into this category and will disclose relevant data in the future.
Climate Change - GHG emissions/transition risk	Product & Solutions	Entity has demonstrated that the engagement topic has been addressed.	We engaged on adopting ACT labels, which provide information on the environmental impact of laboratory products, including their carbon footprint. Shimadzu has since done so for its energy-efficiency mass spectrometry MALDI-8000 series following our engagement.

Proxy voting

There have been no proxy votes since the position was initiated in Q3 2024.

Engagement goals

Disclosing percentage of green revenues.

Spectris

Spectris provides high-precision measurement and testing equipment.

Investment rationale

Spectris provides test and measurement systems that help scientists and engineers monitor the environment, accelerate climate adaptation and build resilience. After five years of significant streamlining, the company is now focused on its strong competitive positions, which should lead to an improved growth and returns profile.

Decarbonisation opportunity
Resource Efficiency

Theme
Energy Efficiency

Market capitalisation
US$5.22bn

Structural growth

The company's products are mostly used in R&D settings and enable the development of key decarbonising technologies. Spectris' simulator business helps industrial customers avoid carbon by deploying virtual testing, which replaces real-world prototyping and testing. To test new EV models, Spectris' VI-grade simulator runs hundreds of tests daily, with millions of kilometres driven virtually saving 1.7m tC02e annually. Despite industry headwinds in the auto sector, the virtual test business continues to grow strongly and take market share. Spectris' instruments and advanced sensors are used in the development of green cement, battery testing, weight-saving in container transportation, and air testing in semiconductor clean rooms. Over the cycle, decarbonising-product innovation has produced 6% organic growth, which we would expect to accelerate in the coming years. The historical 5-year growth calculation includes some large divestments, and the company has experienced a cyclical downturn in the last year.

ROIC
1yr: 14%
5yr: 16%

Sales growth per share
1yr: -1%
5yr: 1%

Competitive advantage

Spectris' moat derives from the well-regarded accuracy and reliability of its instruments. Its Malvern instruments (c.75% of the Scientific division's sales) are considered the gold standard for laboratory measurements of particle size and shape. In the Dynamics division, Spectris' full range of advanced sensors and virtual testing gives it an unrivalled market position.

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Spectris has delivered stable 55% gross margins through challenging markets. It generates a 15% cashflow return on investment and a 20% incremental ROIC, showing a sustainable returns profile. With an asset-light model, it generates healthy free cashflow that is reinvested in further growth.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

Spectris manages its externalities well, in our view.
It has been effective at reducing Scope 1 and 2 emissions, and is working to reduce Scope 3 emissions.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	-	-	-	1,680,000	-	1,930,000	15%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	-	-	31,703	20	-	17,546	11	-46%	12,144	7	-37%
Scope 3	-	-	458,646	287	-	506,289	309	8%	458,192	254	-18%

	Reported or modelled data	Comments
Carbon avoided	Reported	We take a conservative approach and use the carbon avoided figure for the virtual testing business, even though 45% of revenues relate to decarbonising products. We expect greater disclosure in the 2024 sustainability report (to be published in the coming months) and hope to expand the scope of revenue directly aligned to the carbon avoided KPI over time.
Scope 1 & 2 intensity	Reported	Spectris is targeting an 85% reduction in Scope 1 and 2 and a 42% reduction in Scope 3 emissions by 2030 (vs. 2020). As of 2023 reporting, it had reduced Scope 1 and 2 by 54% on a like-for-like basis vs. 2020. 81% of the company is now powered by renewable electricity and energy efficiency has improved by 10%.
Scope 3 intensity	Reported	For Scope 3, Spectris is working to get its supply chain certified by Ecovadis. It is conducting a detailed lifecycle analysis of its products (e.g., Servomex, Malvern Panalytical) to further examine potential emissions savings for its supply chain and customers.

Engagement

Topic	Objective	Milestone	Outcome details
Climate Change - GHG emissions/transition risk	KPI Disclosure	Entity has shared its plans/strategy to address the engagement topic	We engaged on the need to expand carbon avoided reporting beyond virtual testing, having a productive conversation with the Head of Sustainability on this topic. We also discussed how Spectris is working on reducing Scope 3. It recognises that it needs a ramp up by 2030.
Capital Allocation	Board/ Mgmt Oversight	Entity has acknowledged that the engagement topic is an area that should be addressed	Management gave assurances that it continues to evaluate the value of the various businesses. We will revisit this once Spectris' end-markets recover.

Proxy voting

We voted in line with management recommendations. We believe Spectris has a sensible compensation plan driven by a mix of growth, returns, cash generation and sustainable objectives. The board is well structured with no signs of over-boarding.

Engagement goals

We continue to engage on reporting carbon avoided. While we commend the company for reporting carbon avoided for the virtual test business, this is a small percentage of the group (c.10% of sales). We know from Spectris' case studies that its products can help reduce customers' carbon emissions. We look forward to seeing more of the life-cycle analysis as it is completed over the next two years.

Spirax Group

Spirax is a thermal energy and fluid technology business helping industrial customers to decarbonise and electrify their operations.

Investment rationale

Spirax manufactures steam management systems, electrification solutions and peristaltic pumps. Structural growth is supported by customer requirements to decarbonise and electrify their own operations. The company has strong market positions in specialist niches, underpinned by a direct sales model that ensures a close relationship with customers.

Decarbonisation opportunity
Electrification

Theme
Energy Efficiency

Market capitalisation
US$5.99bn

Structural growth

Steam is the primary source of heat from many industrial processes, and is also used for sterilisation, humidification and space heating. Steam can hold five times more potential energy than water in liquid form and be easily transported from the place of generation to where it is used. Spirax's steam specialities (STS) business supports the efficient management of steam in industrial processes and the company is increasingly enabling electrification with its electrical thermal solutions (ETS), offering lower-carbon alternatives for industrial heating. Spirax also has a pumps business called Watson Marlow (WM); while less exposed to decarbonisation, WM is supported by structural growth from biopharma end-markets. In recent history, Spirax has seen slower growth with slower industrial production and a weaker biopharma market, but growth is now returning.

ROIC
1yr: 10%
5yr: 12%

Sales growth per share
1yr: 0%
5yr: 6%

Competitive advantage

Spirax has strong positions across several market niches. It is among the market leaders in STS and WM, and is building a stronger position in ETS via acquisitions. Its market position is underpinned by the mission-critical nature of its products and a direct sales model that ensures close relationships with key decision-makers.

Taxonomy eligible revenues
46%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Return on capital has been on a downward trend, with higher levels of investment in building out the ETS business and increasing the scale of WM. With these investments largely complete (capital expenditure is expected to normalise in 2026), we expect returns to begin to improve.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

The mean gender pay gap in the UK is 4.9% vs. 8.6% in 2023.
The company has set a ambitious science-based target and is making good progress.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	-	-	-	17,700,000	-	16,600,000	-6%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	46,559	30	46,745	25	-17%	33,715	17	-33%	31,658	15	-11%
Scope 3	-	-	-	-	-	-	-	-	26,297,439	12,564	-

	Reported or modelled data	Comments
Carbon avoided	Reported	Carbon avoided has declined with weaker revenue growth. This figure is based on a subset of products and we will engage with the company to expand coverage.
Scope 1 & 2 intensity	Reported	Scope 1 and 2 has declined with increasing use of renewable energy.
Scope 3 intensity	Reported	Scope 3 is only shown from 2023 because Spirax has worked to greatly enhance its reported calculation, as well as properly accounting for acquisitions.

Engagement

Topic	Objective	Milestone	Outcome details
Spirax was purchased in 2024. We have not yet engaged with the company.			

Proxy voting

We have not yet conducted any voting activity.

Engagement goals

Carbon avoided disclosure.
Monitoring progress on science-based target.

TE Connectivity

TE Connectivity offers connectivity and sensor solutions across transport, industrial and datacentre applications.

Investment rationale

TE Connectivity is a world leader in connectivity and sensor solutions that enable sustainable decarbonisation. Its connectivity solutions are mission-critical and enable the distribution of power, signals and data efficiently. The company helps customers produce smaller, lighter and more energy-efficient products and supports the electrification of automobiles – a key value and decarbonisation driver of the investment. Exposure to other structural-growth areas like renewables, factory automation and data-centre energy efficiency increase its carbon avoided impact.

Decarbonisation opportunity
Electrification

Theme
Electric Vehicles

Market capitalisation
US$50.49bn

Structural growth

TE Connectivity is positively exposed to structural growth via its broad range of connectivity and sensor solutions. Its products can withstand harsh environments, which is important as the electrification of vehicles creates higher-voltage environments that require more robust terminal and connector products. EVs also provide double the content opportunity vs. traditional internal combustion engine vehicles. Management expects to achieve content growth of 4-6%, driven by long term structural trends, particularly the shift to electric vehicles. Applications in renewables, grids and next generation AI systems in data centres further enhance growth prospects for the company.

ROIC
1yr: 20%
5yr: 13%

Sales growth per share
1yr: 8%
5yr: 5%

Competitive advantage

TE Connectivity has an industry-leading position in reliably manufacturing a broad portfolio of safety-critical, custom-designed connectivity products. This is enabled by close working relationships with customers that allow the company to better anticipate and respond to customer needs, especially in the transport segment. Also, the low dollar-value but high safety-critical nature of TE Connectivity's content vs. the total cost of a car creates defendable margins and relatively high switching costs.

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Since 2020, TE Connectivity has generated an average ROIC of c.18%, delivering value-accretive growth on the back of exposure to secular growth areas, a strong order book and portfolio pruning. Operating margins for the company have steadily expanded to >16% on a blended basis, with significant improvement in transport-segment margins. Management expects to expand operating margins by 30-80bps annually.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

The company tracks the sustainability performance of its largest >400 suppliers by spending to strengthen supply chain sustainability and aid Scope 3 reduction; we continue to monitor progress.
The total recordable incident rate, a metric used to measure work safety, improved to 0.14 in 2023 from 0.16 in 2022.
There was a notable 15% reduction in hazardous waste generated and disposed of, and a 15% reduction in water-withdrawal intensity for targeted sites.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	275,542	736,373	167%	821,806	12%	1,792,756	118%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	-	-	361,338	24	-	237,892	15	-38%	146,113	9	-39%
Scope 3	-	-	3,799,670	255	-	3,341,036	205	-19%	3,204,243	200	-3%

	Reported or modelled data	Comments
Carbon avoided	Estimated	EV-related sales increased from c.14% of total sales in FY2022 to c.17% of total sales in FY2023. We only count EV-related sales for carbon avoided, though the company reports this as 400m tCO2e from EV applications. It also reports c.300m tCO2e of carbon avoided from renewable-energy solutions and c.40,000 tCO2e per data centre, which we do not include in our calculation. For context, company figures capture carbon avoided for the overall industry/applications that TE Connectivity helps enable, rather than its contribution to those savings based on its sales.
Scope 1 & 2 intensity	Reported	TE Connectivity achieved c.39% reduction of absolute Scope 1 and 2 emissions. In 2023, it launched the TE Business improvement tool (TEBIT), a centralised resource to identify, track and implement emissions-reduction projects. The company extended its renewable electricity programme, reaching 77% renewable-electricity use.
Scope 3 intensity	Reported	The company has focused on reducing Scope 3 through resin material procurement. This has included collecting data to finalise Scope 3 baselines and target setting.

Engagement

Topic	Objective	Milestone	Outcome details
Climate Change - GHG Emissions	Disclosure	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	We have engaged on enhancing Scope 3 disclosure. The company is working with suppliers to reduce upstream Scope 3. We have discussed also disclosing downstream Scope 3.
Adopt SBTI validated long term net zero targets	Disclosure	Entity has acknowledged that the engagement topic is an area that should be addressed	The company has SBTi-validated near-term net-zero targets. We are encouraging it to also have its long-term targets SBTi-validated.

We voted for all items this year. We continue to emphasise board refreshment.

Refine carbon avoided reporting.
Enhance Scope 3 disclosure.
Adopt SBTi-validated long-term net-zero targets.
Monitor labour and supply chain practices.

Tetra Tech

A specialised technical consulting and engineering services firm focusing on water, environment, sustainable infrastructure and resource management.

Investment rationale

Tetra Tech is a leading global provider of high-end consulting and engineering services that focuses on water, the environment and sustainable infrastructure. Building on domain expertise and technical experience built over nearly six decades, the company is involved in creating solutions to mitigate emissions, save and treat water, and protect ecosystems. Tetra Tech has a culture of innovation and meritocracy, which helps attract talent.

Decarbonisation opportunity
Resource Efficiency

Theme
Water & Land Efficiency

Market capitalisation
US$9.51bn

Structural growth

Tetra Tech has a large and growing opportunity set. The company is poised to benefit from steadily growing spending to address stresses on water and the environment, and on decarbonising buildings. Additional growth areas include: the need to tackle emerging contaminants (e.g., PFAS and microplastics); nature-based solutions; and liquid-cooled AI data centres. The market for environmental consulting remains fragmented, and we expect relatively small, niche M&A to support organic growth. The company guides towards steady high single-digit growth.

ROIC
1yr: 15%
5yr: 17%

Sales growth per share
1yr: 9%
5yr: 14%

Competitive advantage

Tetra Tech operates in an industry where the client value proposition is driven by experience and expertise, and delivered by people. It enjoys market leadership and a strong reputation in water and environmental management. It derives its competitive moat from its demonstrated expertise, problem-solving experience and long track record, which is hard to replicate. This is evidenced by thought leadership and client retention and pull, especially for first-of-kind projects. It is further supported by best-in-class talent retention.

Taxonomy eligible revenues
0%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Tetra Tech's growth profile is value accretive as it generates a healthy mid-teens ROIC, which is well above its weighted-average cost of capital. The business is asset light with low working-capital intensity, which allows it to generate healthy cashflows. With inherently minimal capital-expenditure needs, the company has been disciplined in capital allocation, with dividends and share buybacks making up the dominant use of cash, while making a series of tuck-in acquisitions at reasonable valuations, which preserves and grows returns over time.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

Tetra Tech is effectively managing its externalities, based on our analysis.
It has now settled a long-standing civil litigation in relation to Hunter's Point Naval Shipyard to avoid a protracted legal action.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	-	20,600,000	-	80,600,000	291%	52,400,000	-35%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	-	-	29,348	11	-	24,622	9	-24%	34,729	9	7%
Scope 3	-	-	15,395	6	-	23,566	8	38%	41,168	11	32%

	Reported or modelled data	Comments
Carbon avoided	Reported	Tetra Tech's carbon avoided impact depends on projects completed during the year. Annual figures for carbon avoided or captured include client projects that are complete or substantially complete in the reporting year. As projects in this category can be large, multi-year contracts, the yearly addition varies based on timing, scope and types of projects which meet Tetra Tech's inclusion criteria for
Scope 1 & 2 intensity	Reported	As this is an asset-light business, Scope 1 and 2 emissions are minimal. The company has a target for a 50% reduction in emissions vs. 2021. Scope 1 and 2 emissions intensity increased in 2023 vs. 2022 because of the inclusion of data from the RPS acquisition in January 2023. The company reduced its footprint per employee by 17% and decreased Scope 1 and 2 per employee by 7% vs. 2021.
Scope 3 intensity	Reported	Unlike Aecom, Tetra Tech does not do any construction/ implementation work; it provides only technical advisory services. Furthermore, Tetra Tech's Scope 3 today largely includes upstream Scope 3 emissions categories (1,2,3,4,5,6,7 and 15). The company is looking to expand its data sets for 2024 Scope 3 estimation.

Engagement

Topic	Objective	Milestone	Outcome details
Carbon Avoided	KPI Disclosure	Entity has shared its plans/strategy to address the engagement topic	We engaged to understand carbon avoided disclosure. The company explained that the carbon avoided disclosed is project driven, process oriented and not anecdotal. We continue to seek to better contextualise the attribution of carbon avoided to different business segments for the reporting year.
Corporate Culture	Disclosure	Entity has acknowledged that the engagement topic is an area that should be addressed	Tetra Tech has an entrepreneurial set-up and very low employee turnover. It remains cautious about disclosing high-level employee engagement, given the fairly high heterogeneity of the company. We have encouraged it to consider selective disclosures like employee engagement scores for representative parts of the business to better articulate its differentiated culture.
Board Effectiveness	Accountability mechanisms	Entity has demonstrated that the engagement topic has been addressed	We spoke to Tetra Tech about its dual chair/CEO structure. We were reassured by the robust governance mechanisms in place to achieve board independence and refreshment, including refreshment of independent directors every four years.

Proxy voting

We voted for all items.

Engagement goals

Understand carbon avoided disclosure in more detail.
Seek additional disclosure on employee engagement.

Vestas Wind Systems

Vestas Wind Systems is the world's largest wind-turbine manufacturer and service provider.

Investment rationale

Sustainable decarbonisation requires a radical shift from a fossil-fuel powered world to green energy, mainly wind and solar. Vestas Wind Systems designs, manufactures and services wind turbines globally, and is the world's largest supplier of wind-energy technology. Combined with its expertise, this means it has a significant impact on how the renewables industry scales and matures. A Vestas Wind Systems' turbine is energy neutral after only 5-8 months of operation and delivers the highest energy payback of all current energy technologies.

Decarbonisation opportunity
Renewable Energy

Theme
Wind

Market capitalisation
US$15.07bn

Structural growth

Wind and solar are now the cheapest sources of renewable energy in over two-thirds of the world, including the US, China, India and Brazil. Stable and high demand for onshore wind, coupled with the improving economics of offshore wind projects – against the backdrop of a need for mass electrification and rising energy-security concerns – are key drivers of high growth expectations. Further, we expect Vestas Wind Systems' large installed base to produce a steady stream of service revenues (servicing is critical to maintaining wind-asset health and productivity). We expect structural tailwinds to continue to support the company's long-term growth.

ROIC
1yr: 10%
5yr: 1%

Sales growth per share
1yr: 20%
5yr: 5%

Competitive advantage

Vestas has the largest market share in global ex-China onshore and offshore wind installations. The company's primary competitive advantage is in its service business. First, long service contracts (the average contract length is >10 years) enable the company to lock-in high returns for extended periods, as well as creating the potential for high-value aftermarket sales like digital services or power-curve upgrades. Second, 95% of the operation and maintenance orders signed by Vestas Wind Systems are performance guaranteed. Customers prefer performance-guaranteed contracts to maximise turbine utilisation and achieve more predictable returns by sharing risks/rewards with the original equipment manufacturer (OEM). But only OEMs like Vestas Wind Systems, with a large installed base and spare parts access, are willing to take on such project risks. Finally, the company's scale improves service efficiency, helping it to maintain a sizeable market share in the higher-margin service segment of a consolidated industry.

Taxonomy eligible revenues
99%

Taxonomy aligned revenues
99%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Following a cost-cutting programme that began in 2013, Vestas Wind Systems consistently generated strong returns vs. peers. However, the last four years have been challenging for the wind OEM industry owing to supply-chain instability, which led to cost inflation and constraints on turbine delivery. Due to a lack of cost pass-through mechanisms in pricing previously, and long delivery lead times, industry returns were negatively impacted. Vestas Wind Systems was no exception. At the same time, the wind industry has undergone consolidation, resulting in a more stable competitive environment. We expect Vestas Wind Systems to keenly pursue profitability improvement across its equipment and service businesses. The company remains optimistic about reaching a 10% earnings-before-interest-and-taxes margin in the medium term and a minimum 20% return on capital employed through the cycle.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

Vestas Wind Systems has one of the most ambitious carbon-reduction programmes of any company worldwide, targeting carbon neutrality by 2030 without offsets.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	493,000,000	532,000,000	8%	408,000,000	-23%	396,000,000	-3%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	73,127	4	101,963	6	50%	99,428	7	17%	108,953	7	0%
Scope 3	9,794,000	579	10,564,110	573	-1%	8,177,390	536	-6%	7,660,000	460	-14%

	Reported or modelled data	Comments
Carbon avoided	Reported	The minor decline in carbon avoided in 2023 resulted from the equipment business recovering from supply-chain disruptions in prior years.
Scope 1 & 2 intensity	Reported	Growth in absolute Scope 1 and 2 was due to rapid growth in the offshore construction and service businesses, which rely on marine vessel fuels. Vestas Wind Systems remains committed to working with customers and suppliers to accelerate alternatives to marine fuels in offshore vessels.
Scope 3 intensity	Reported	The company has secured a commitment from 77 key suppliers to track and report emissions and set aggressive reduction targets for themselves and their own suppliers.

Engagement

Topic	Objective	Milestone	Outcome details
Climate Change - GHG emissions/transition risk	Targets	Entity does not acknowledge that the engagement topic is an area that should be addressed	The company remains committed to net zero by 2050 but is unlikely to recommit to an SBTi target for this date. It remains committed to its 2030 target, which is SBTi validated. We continue to encourage validation of the former.
Biodiversity	Risk Assessment	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	The company is continuing with an internal assessment and improving its disclosure.

Proxy voting

We supported all items.

Engagement goals

Initiating biodiversity policies.

Voltronic Power Technology

Voltronic Power Technology supplies UPS and PV inverters.

Investment rationale

Voltronic is a design and manufacturing service (DMS) supplier for uninterruptible power systems (UPS) and photovoltaic (PV) inverters. PV inverters are a crucial part of solar power generation systems and Voltronic's UPS drive improved energy efficiency, particularly in emerging markets.

Decarbonisation opportunity
Electrification, Renewable Energy, Resource Efficiency

Theme
Energy Efficiency

Market capitalisation
US$3.86bn

Structural growth

Following a year of destocking in the solar inverter market in 2023, there was a return to growth in 2024. We continue to expect the PV inverter segment to grow c.20% annually in the medium term. The compound annual growth rate of the UPS industry has been >5% historically and, similar to solar inverters, after a year of destocking in 2023 UPS returned to growth in 2024. At the group level, Voltronic grew revenues >20% year-on-year in 2024. Over the long-term, we believe stable growth will continue in developed markets due to the build-out of data centres and enterprise servers. In emerging markets, there are even larger growth opportunities, where greater infrastructure development is required. In addition, the company continues to benefit from outsourcing trends among tier-1 customers. Its product suite now includes energy storage systems and electric vehicle chargers.

ROIC
1yr: 42%
5yr: 39%

Sales growth per share
1yr: 15%
5yr: 12%

Competitive advantage

With no brand of its own, rather creating bespoke solutions for other companies, Voltronic does not compete with its customers, which helps to protect relationships with them. This is an advantage relative to competitors who also manufacture for their own brands. Customer 'stickiness' is enhanced by the extensive due diligence involved to be approved as a supplier. Original design manufacturer (ODM) certification takes at least six months; and each product must be audited and approved for sale, which takes another 6-12 months. Finally, the company benefits from economies of scale that enable it to design and manufacture UPS and solar inverters at a lower cost than other companies. The company has its manufacturing base in China, but it also has facilities in Vietnam and Taiwan to improve flexibility in the context of US/China geopolitical tensions.

Taxonomy eligible revenues
28%

Taxonomy aligned revenues
28%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Voltronic has delivered an average ROIC of c.35% over the last 10 years, partly driven by global customers increasingly outsourcing UPS production to lower-cost manufacturers. It offers a quality service that we believe will enable it to maintain these returns over the longer term. A more favourable product mix should also help sustain returns: the company offers UPS with higher power densities (for data centres and enterprise-scale solutions), which generate better margins.

KPI
Carbon avoided

SBTi status
No Commitment

Externalities assessment

We would like to see the company progress towards establishing a science-based target.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	670,301	765,310	14%	1,002,145	31%	723,784	-28%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	15,835	34	19,304	32	-6%	21,744	29	-9%	11,200	18	-38%
Scope 3	643,103	1,387	768,882	1,266	-9%	804,669	1,055	-17%	546,783	899	-15%

	Reported or modelled data	Comments
Carbon avoided	Reported	The lower carbon avoided was due to a decline in revenue in 2023, but we expect carbon avoided to recover with the revenue growth achieved in 2024.
Scope 1 & 2 intensity	Reported	Absolute emissions declined on shrinking revenues in 2023. The decline in emissions outpaced the revenue growth.
Scope 3 intensity	Reported	Absolute emissions declined with shrinking revenues in 2023. The decline in emissions outpaced the revenue growth.

Engagement

Topic	Objective	Milestone	Outcome details
Climate Change - GHG emissions/transition risk	Targets	Entity has acknowledged that the engagement topic is an area that should be addressed.	We explained the importance of setting a science-based target (the company has a target to be net zero in its operations by 2025 and to have a net zero supply chain by 2050). While it could not commit to a science-based target this year, Voltronic agreed to provide more detail on how the above targets will be achieved in practice.
Board Effectiveness	Ambition & Commitments	Entity has demonstrated that the engagement topic has been addressed.	Board elections happen on a 3-year rotation. Board diversity has been 38% for the three previous years, which should be maintained after elections in 2024. Given this strong level of diversity, we are closing this goal.

Proxy voting

We supported all items in 2024.

Engagement goals

Growing carbon avoided.
Setting a science-based net zero target.

Waste Management

Waste Management is the largest waste-collection and processing company in the US.

Investment rationale

Waste Management has an extensive landfill network that permanently sequesters carbon and other greenhouse gases. The company also employs methane-capture technology on an increasing portion of its landfill sites and uses this gas to produce and sell renewable natural gas (RNG). In addition, Waste Management is a significant player in the recycling industry, collecting and sorting materials such as metal, paper, plastic and glass, which reduces the requirement for virgin materials.

Decarbonisation opportunity
Resource Efficiency

Theme
Water & Land Efficiency

Market capitalisation
US$92.05bn

Structural growth

We believe the company is exposed to multiple structural-growth drivers. They include the volume of US household and business waste, recycling and RNG. While the contribution from volume growth has remained small in recent times, pricing has remained strong. The ability to increase pricing above inflation supports resilient growth through the cycle. We also expect growing demand for recycled materials and RNG, towards which the company is deploying approximately US$2.2bn of incremental capital expenditure.

ROIC
1yr: 12%
5yr: 11%

Sales growth per share
1yr: 9%
5yr: 10%

Competitive advantage

Waste Management has a large market share in the consolidated US waste industry. Its competitive advantages arise from its leading network: it has the largest number of landfill sites and recycling facilities in the US. The mission-critical nature of waste collection and disposal further strengthens its pricing power. Waste Management also has a leading capability to capture methane at its landfill sites (which is released as waste decomposes).

Taxonomy eligible revenues
100%

Taxonomy aligned revenues
31%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Waste Management's return on capital has been improving with US waste-industry consolidation and landfill commissioning becoming harder. We expect this trend to continue, with the company's pricing power supported by increasing monetisation of its asset base through better utilisation of recycling facilities and sales of RNG.

KPI
Carbon avoided

SBTi status
Verified

Externalities assessment

We would like additional disclosure on biodiversity.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	52,720,000	52,080,000	-1%	48,320,000	-7%	51,997,895	8%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	16,975,324	1,115	17,158,208	957	-14%	15,460,480	785	-18%	15,061,702	737	-6%
Scope 3	3,502,992	230	3,357,742	187	-19%	1,488,094	76	-59%	1,811,754	89	17%

	Reported or modelled data	Comments
Carbon avoided	Reported	Carbon avoided rose with improved material recovery and higher carbon sequestration from the landfill business.
Scope 1 & 2 intensity	Reported	The total volume of landfill gas captured and renewable energy generated increased.
Scope 3 intensity	Reported	While Scope 3 emissions are less material for Waste Management, they increased due to improved measurement in both upstream and downstream categories (e.g., improved collection truck miles).

Engagement

Topic	Objective	Milestone	Outcome details
Board Effectiveness	Ambition & Commitments	Entity does not acknowledge that the engagement topic is an area that should be addressed	The company sees the board as well balanced with the right mix of perspectives. We will continue to engage on this topic.
Remuneration	Remuneration Link	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	We engaged on the topic of sustainability targets in management compensation in collaboration with CalSTRS. While the company includes sustainability metrics in its short-term incentives, it is yet to include them in long-term measures. It is monitoring the success of short-term measures before considering doing so.
Pollution & Waste	Disclosure	Entity has demonstrated progress towards delivering its plans/strategy related to the engagement topic	The company reports toxic release inventory (TRI) for its hazardous waste facilities. TRI permitted releases to water are less than 1%. We continue to discuss pollution and waste beyond hazardous waste.
Biodiversity - Land Use & Deforestation	Disclosure	Entity has acknowledged that the engagement topic is an area that should be addressed	Waste Management has attempted to engage with a data provider to begin to understand its biodiversity footprint.

Proxy voting

We supported all items in 2024.

Engagement goals

Grow carbon avoided.
Board diversity.
Sustainability targets in management compensation.

Yadea Group

Yadea is a world leader in electric micro-mobility solutions, enabling low-emission transport.

Investment rationale

Headquartered in Jiangsu province, China, Yadea is a leading micro-mobility company that designs, develops and manufacturers >15m electric scooters and bicycles annually and has served c.100 million users. The company has a leading market share of c.30% in the Chinese electric two-wheeler market, widening the reach and impact of its product portfolio. Growth is expected to be driven by market consolidation in China, alongside regional expansion to South East Asian markets with low electric vehicle (EV) penetration. This growth of micro-mobility EVs is a core enabler of low-emission urban mobility.

Decarbonisation opportunity
Electrification

Theme
Electric Vehicles

Market capitalisation
US$4.94bn

Structural growth

As China continues to urbanise, motorisation is increasingly challenging the country's traffic system, affecting daily life through congestion, and air and noise pollution. In response, commuters and the government have favoured electric two-wheelers as a green, flexible personal mobility solution. However, battery fire and road safety incidents are gradually leading to greater emphasis on product safety, aided by a government push towards standardisation of quality parameters and manufacturing capability. As a leading market player in China with scale economies and a highly competitive product offering, in our view Yadea is poised to benefit from market share consolidation. Further, rising electrification in South Asian markets such as Vietnam, Indonesia and the Philippines present new growth opportunities for Yadea where we believe the company can enjoy higher gross margins.

ROIC
1yr: 14%
5yr: 28%

Sales growth per share
1yr: -13%
5yr: 12%

Competitive advantage

Yadea derives its competitive advantage from best-in-class economies of scale, given it has the highest electric two-wheeler sales in the world. This enables the company to re-invest in R&D to build high-quality products at competitive prices. Yadea's brand leadership and distribution network buttress this scale moat. The company has recently vertically integrated to acquire an electric two-wheeler battery capability, which will further enhance its ability to offer differentiated quality products at competitive prices.

Taxonomy eligible revenues
100%

Taxonomy aligned revenues
27%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Possessing both scale and the highest gross profit per vehicle results in a virtuous cycle of investment in brand, R&D and distribution, which helps Yadea generate a healthy ROIC of c.30% with a strong net-cash balance sheet.

KPI
Carbon avoided

SBTi status
No Commitment

Externalities assessment

Yadea effectively manages its externalities, based on our analysis.
From company disclosures, we understand that the group complies with all applicable labour standards and strictly prohibits illegal labour.
The biodiversity risk potential of lead-acid batteries remains high. To address this, Yadea is leading industry efforts in efficient recycling and innovating on product quality with graphene batteries that promote durability and longevity.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	-	-	-	41,867	-	54,840	31%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	-	-	-	-	-	156,937	34	-	150,187	31	-10%
Scope 3	-	-	-	-	-	-	-	-	6,830,478	1,391	-

	Reported or modelled data	Comments
Carbon avoided	Estimated	We estimate Yadea's carbon avoided based on its international electric two-wheeler units sold. The carbon avoided logic is based on replacement of petrol travel miles with electric two-wheelers miles. An increase in electric two-wheeler unit sales explains the increase in carbon avoided.
Scope 1 & 2 intensity	Reported	Scope 1 and 2 (absolute and intensity) from EV production increased during the year owing to a significant increase in overall EV production. However, absolute Scope 1 and 2 from battery manufacturing decreased on the back of energy efficiency measures. In aggregate, this resulted in a reduction of both absolute emissions and intensity.
Scope 3 intensity	Estimated	The company does not report Scope 3 emissions.

Engagement

Topic	Objective	Milestone	Outcome details
Carbon Avoided	Information gathering	Entity has demonstrated that the engagement topic has been addressed	According to the company, it uses external consultants to estimate annual carbon avoided with a basic logic premised on replacement of petrol miles with electric two-wheeler miles driven.

Proxy voting

The position was initiated in Q4 2024, so there are no proxy votes to report.

Engagement goals

Annual disclosure of carbon avoided.
Disclosure of Scope 3.

Zhejiang Sanhua Intelligent Controls

Sanhua supplies automotive heat-management systems and HVAC components.

Investment rationale

Sanhua is a leading global supplier of automotive heat-management systems and HVAC (heating, ventilation and air conditioning) components. It is positively exposed to two sectors that require a rapid transition to decarbonise: automotive, which requires electrification; and HVAC, which needs a major efficiency upgrade. Sanhua's automotive heat-management solutions help maintain an optimal working temperature for batteries and improve driving range. The company also makes specialised components such as electronic expansion valves (EXVs), which are key for HVAC original equipment manufacturers to achieve high energy efficiency. Sanhua was sold as it had neared our estimate of intrinsic value. While the company's fundamentals were still strong, its share price had built in very high expectations regarding Tesla's humanoid robots (which it supplies components for).

Decarbonisation opportunity
Resource Efficiency, Electrification

Theme
Electric Vehicles

Market capitalisation
US$14.69bn

Structural growth

The electric vehicle (EV) and HVAC sectors provide significant structural-growth opportunities in the transition to a low-carbon economy. Sanhua achieved revenue growth in 2024 of 14%, comprising 15% growth in autoparts and 13% in HVAC. The autoparts segment has delivered a 38% CAGR since 2015, supported by solid content share along with increasing EV penetration. The HVAC segment has also seen a steady 13% CAGR since 2015, driven by increasing EXV adoption and market-share gains.

ROIC
1yr: 12%
5yr: 12%

Sales growth per share
1yr: 14%
5yr: 21%

Competitive advantage

Sanhua is a one-stop shop for HVAC and automotive heat-management components such as pipes, valves and heat exchangers. It has a global market share of >50% across many of these components, including EXVs. Its scale gives it a consistent cost advantage over its competitors. Sanhua is a leader in auto heat-management, with strong R&D and volume-manufacturing capabilities. It has achieved greater R&D efficiency by sharing research across autoparts and HVAC, while maintaining higher absolute R&D spending than its competitors.

Taxonomy eligible revenues
100%

Taxonomy aligned revenues
0%

Data provided are estimates sourced from Clarity AI

Sustainable returns

Sanhua's gross margins have been approximately 25-30%, with net margins of at least 10%, since 2016. It has generated an ROE of 10-21% and a ROIC of 9-15% since the Global Financial Crisis. Sanhua's returns declined slightly in 2024, to 17% ROE and 12% ROIC, largely due to upfront investments in new growth areas, namely humanoid robots. Returns have been achieved largely organically.

KPI
Carbon avoided

SBTi status
No Commitment

Externalities assessment

The company remains reliant on non-renewable energy, reflecting the eastern Chinese grid. In 2024, its percentage renewables share was 16%.
The company introduced carbon targets in 2024 but lacks detailed action plans.

KPI progression and emissions data

	FY 2020 (2021 reporting)	FY 2021 (2022 reporting)	YoY% change	FY 2022 (2023 reporting)	YoY% change	FY 2023 (2024 reporting)	YoY% change
Carbon avoided	765,531	53,880,000	6938%	51,320,513	-5%	59,018,590	15%

	FY 2020 (2021 reporting)		FY 2021 (2022 reporting)		Yoy% change to intensity	FY 2022 (2023 reporting)		Yoy% change to intensity	FY 2023 (2024 reporting)		Yoy% change to intensity
	Absolute	Intensity	Absolute	Intensity		Absolute	Intensity		Absolute	Intensity	
Scope 1 & 2	222,596	127	259,381	104	-18%	209,647	66	-37%	253,252	73	11%
Scope 3	1,941,229	1,105	2,053,311	827	-25%	4,061,806	1,280	55%	4,866,953	1,403	10%

	Reported or modelled data	Comments
Carbon avoided	Estimated	Sanhua did not respond to the latest CDP report. We apply 15% revenue growth, in line with its FY2023 performance, to estimate growth in carbon avoided, which comes from EXVs and variable-speed drives. We excluded North America commercial AC product savings as we think the calculations are not based on conservative assumptions.
Scope 1 & 2 intensity	Reported	Sanhua restated its historical emissions as it introduced Scope 1 and 2 targets. Intensity increased as it front-loaded investments from 2022.
Scope 3 intensity	Estimated	MSCI estimates differ year on year, driven by changes in the peer-group average. Sanhua's reported Scope 3 emissions are only 700,000t, across only three categories.

Engagement

Topic	Objective	Milestone	Outcome details
Carbon Avoided	KPI Disclosure	Entity has acknowledged that the engagement topic is an area that should be addressed	Sanhua included the same overly ambitious carbon savings calculations for its North American commercial air-conditioning heat exchangers. We have communicated the potential to improve on this.
Climate Change - GHG emissions/transition risk	Disclosure	Entity does not acknowledge that the engagement topic is an area that should be addressed	Sanhua disclosed its first Scope 3 data this year, reporting three categories.
Audit, Accounting & Reporting	Risk Assessment	Entity has acknowledged that the engagement topic is an area that should be addressed	Sanhua has used the same auditor since its IPO 20 years ago. It says that replacing auditors in China is considered a red flag by investors. It is weighing the pros and cons of changing auditor.
Remuneration	Remuneration Link	Entity does not acknowledge that the engagement topic is an area that should be addressed	Sanhua still only considers ROE in its incentive plans.
Climate Change - GHG emissions/transition risk	Targets	Entity has demonstrated that the engagement topic has been addressed	Current targets: reduce CO2 emissions intensity by 30% vs. 2020; be carbon neutral by 2050; be carbon neutral through the lifecycle of products by 2060.

Proxy voting

We voted against: 1) the incentive plan given it only incorporates ROE as the KPI; and 2) the issuance of shares in Hong Kong as we do not think the business case is strong enough to support a 10% dilution.

Engagement goals

We sold the position in 2025.

Climate targets: details

Company (SBTi status)	SBTI overall target	SBTI near target	SBTI long target
AECOM (Verified)	Reach net-zero across its value chain by FY2040.	Reduce absolute Scope 1 and 2 60% by FY2030 vs. 2018; and absolute scope 3 from purchased goods & services, capital goods and business travel 50% by FY2030 vs. 2018.	Reduce absolute Scope 1 and 2 90% by FY2040 vs. 2018; and absolute Scope 3 from purchased goods and services, capital goods, and business travel 90% by FY2040 vs. 2018.
ANSYS (No Commitment)	No target	No target	No target
Aptiv (Verified)	Aptiv aims to achieve carbon neutrality across operations and products by 2040.	Scope 1 and 2: reduce absolute emissions by 100% by 2030 vs. 2021. Scope 3: reduce absolute emissions by 47.4% by 2030 vs. 2021. Interim milestone: reduce Scope 1 and 25% missions by 2025.	Awaiting criteria for segment.
Autodesk (Verified)	Achieve carbon neutrality across Scopes 1, 2, and 3 on an annual basis starting from FY2021.	Scope 1 and 2: Reduce absolute emissions by 50% by 2031 vs. FY2020. Scope 3: Reduce emissions from purchased goods and services, fuel and energy-related activities, business travel, and employee commuting by 55% by 2031 per US dollar of gross profit over the same timeframe.	No target
Contemporary Amperex Technology (No Commitment)	Achieve carbon neutrality in its "core operations" (scope 1 and 2 for battery plants) by 2025 and Scope 1, 2 and 3 neutrality by 2035.	Core operations carbon neutrality (Scope 1 and 2 for battery plants) by 2025.	Scope 1, 2 and 3 neutrality by 2035.
Croda (Verified)	Reduce absolute Scope 1 and 2 46.2% by 2029 and reduce upstream Scope 3 13.5% within the same timeframe.	Scope 1 and 2: reduce absolute emissions 46.2% by 2029 vs. 2018. Scope 3: reduce upstream Scope 3 13.5% by 2029 vs. 2018, focusing on supplier engagement to lower emissions from raw material sourcing and product distribution.	Scope 1 and 2 : reduce emissions 80% by 2050, using 2006 as the base year.
Delta Electronics (Verified)	Net zero across the value chain by 2050 vs. 2021.	Reduce absolute Scope 1 and 2 90% by 2030 vs. 2021; increase annual sourcing of renewable electricity from 55% in 2021 to 100% by 2030; reduce absolute Scope 3 25% by 2030.	Maintain at least a 90% reduction in absolute Scope 1 and 2 from 2030-2050 vs. 2021; reduce absolute Scope 3 90% by 2050 vs. 2021.
Iberdrola (Verified)	The company aims to achieve carbon neutrality for Scope 1 and 2 by 2030, offsetting any residual emissions after 2030. The ultimate aspiration is to achieve net zero by 2040.	Absolute: Reduce absolute Scope 1, 2, and 3 by 65% by 2030 vs. 2020. Intensity: Reduce Scope 1 and 2 intensity from power generation by 83% by 2030 per kilowatt-hour (kWh); reduce Scope 1 and 3 emissions intensity from fuel and energy-related activities (covering all electricity sold) by 85%by 2030 per kWh. Scope 3: By 2030, reduce absolute emissions from the use of sold products by 42%, and decrease all other remaining absolute Scope 3 by 46%.	Absolute: Emissions Reduction (by 2039): Reduce Scope 1, 2, and 3 by 90% by 2039 vs. 2020. Intensity: Reduce Scope 1 and 2 intensity from power generation by 84% per kWh by 2039; Reduce Scope 1 and 3 intensity from fuel and energy-related activities (covering all electricity sold) by 95% per kWh by 2039. Scope 3: Cut absolute GHG emissions from the use of sold products by 90% by 2039, and decrease all other remaining absolute Scope 3 by 90% by 2039.
Industrie De Nora (Verified)	Reduce Scope 1, 2 and 3 by 2030 vs. 2022.	Scope 1 and 2: Reduce absolute emissions by 50% by 2030 vs. 2022. Scope 3: Reduce emissions intensity by 52% per unit of gross profit by 2030 vs. 2022. Renewable energy: Source 100% renewable electricity annually by 2030.	No target

Company (SBTi status)	SBTI overall target	SBTI near target	SBTI long target
Infineon Technologies (Verified)	Reduce Scope 1 and 2 in line with the Paris Agreement to limit global temperature increases to 1.5C.	Scope 1 and 2 (by 2030): Reduce absolute GHG emissions by 72.5% from a 2019 baseline. Scope 3 (by 2030): Ensure that 72.5% of suppliers (by emissions related to purchased goods and services, capital goods, and upstream transportation and distribution) have science-based targets by 2029.	No target
NextEra Energy (No Commitment)	No target	No target	No target
Novonesis (Verified)	Net-zero across Scope 1, 2 and 3 by 2050.	Scope 1 and 2: Reduce absolute emissions by 75% by 2030 vs. 2018. Scope 3: Reduce absolute emissions by 35% by 2030 vs. 2018, covering purchased goods and services, fuel and energy-related activities, upstream transport and distribution, waste generated in operations, and business travel.	Scope 1 and 2: Reduce absolute emissions by 90% by 2050 vs. 2018. Scope 3: Reduce absolute GHG emissions by 90% by 2050 vs. 2018.
Ørsted (Verified)	Achieve net-zero emissions across Scopes 1, 2 and 3 by 2040.	Achieve 77% reduction in Scope 1, 2 and 3 emissions intensity from 2018 (ex-gas sales) and a 67% reduction in Scope 3 from gas sales.	Achieve net zero by reducing Scope 1, 2 and 3 emissions intensity by 99% (ex-gas sales) vs. 2018 and cutting Scope 3 from gas sales by 90%.
Power Grid of India (No Commitment)	No target	No target	No target
Rockwell Automation (Committed)	Rockwell Automation joined the SBTi in 2023 and is working to submit, approve and disclose its near- and long-term science-based targets by December 2025.	No target	No target
Schneider Electric (Verified)	Achieve net-zero across Scope 1, 2 and 3 by 2050, with SBTi validated targets.	Scope 1 and 2: Reduce absolute emissions by 25% by 2030 vs. 2021. Scope 3: Reduce absolute emissions by 25% by 2030 vs. 2021. Operational: Achieve "net-zero ready" operations by 2030.	Scope 1, 2 and 3: Reduce absolute emissions by at least 90% by 2050 vs. 2021. Residual emissions: Neutralise remaining emissions through carbon removal.
Shimadzu (Verified)	Net zero by 2050.	Reduce Scope 1 and 2 by 85% by 2030 vs. 2017.	Reduce Scope 1 and 2 by 90% by 2040 and be net zero by 2050.
Spectris (Verified)	Spectris has committed to net zero for Scope 1 and 2 by 2030, with a supporting science-based target of 85% abatement by 2030.	The company is targeting an 85% reduction in Scope 1 and 2 (absolute) by 2030, and a 42% reduction in Scope 3 (absolute) by 2030 vs. 2020.	None published.
Spirax Group (Verified)	Commitment to achieve net zero by 2050.	Target to reduce absolute Scope 1, 2 and 3 emissions 50.4% by 2032.	Target to reduce absolute Scope 1 and 2 emissions 95% by 2050 from a 2021 base year. Spirax commits to reduce absolute Scope 3 emissions 90% within the same timeframe.
TE Connectivity (Verified)	Achieve significant reductions in Scopes 1, 2 and 3, with targets set for 2030 and 2032.	Scope 1 and 2: Reduce absolute emissions by 70% by 2030 vs. 2020. Scope 3: Reduce absolute emissions by 25% by 2032 vs. 2022.	No target
Tetra Tech (Verified)	50% reduction in Scope 1, 2 and 3 by 2030 vs. 2021.	Reduce absolute Scope 1 and 2 50% by 2030 from a 2021 base year. Reduce absolute Scope 3 50% within the same timeframe. 60% of suppliers by spending covering purchased goods and services to have science-based targets by 2027.	No target

Company (SBTi status)	SBTI overall target	SBTI near target	SBTI long target
Vestas Wind Systems (Verified)	Achieve carbon neutrality in own operations (Scope 1 and 2) by 2030, without carbon offsets.	Scope 1 and 2: Reduce absolute emissions by 100% by 2030 vs. 2019. Scope 3: Reduce emissions intensity by 45% per megawatt-hour (MWh) generated by 2030 vs. 2019.	Zero-waste wind turbines: Achieve zero-waste wind turbines by 2040, focusing on improving recyclability and reducing waste across the value chain.
Voltronic Power Technology (No Commitment)	No target	No target	No target
Waste Management (Verified)	Reduce absolute Scope 1 and 2 42% by 2031.	Reduce absolute Scope 1 and 2 by 42% by 2031; increase beneficial use of captured landfill gas to 65% by 2026.	No target
Yadea Group (No Commitment)	No target	No target	No target
Zhejiang Sanhua Intelligent Controls (No Commitment)	Be carbon neutral throughout the lifecycle of products by 2060	Reduce CO2 emissions intensity by 30% vs. 2020	Be carbon neutral by 2050, and carbon neutral throughout the lifecycle of products by 2060

Governance and oversight

Every strategy in Ninety One's range labelled 'Sustainable' is subject to oversight and monitoring to ensure that it can deliver its sustainability characteristics and complies with regulatory requirements, as relevant. At the outset, the proposed investment approach of any new sustainable strategy must be approved via a structured report-back process and Ninety One's Global Product Committee.

Strategies in Ninety One's Sustainable Equity range must invest a minimum proportion of the portfolio in 'Sustainable Investments'. These are investments that can demonstrate a material, measurable and intentional contribution to an environmental or social characterstic, Ninety One has approved a number of methodologies for robustly assessing contributions to environmental and social characteristics, as follows:

- **Decarbonisation:** providing products or services that displace carbon emissions versus the alternative.
- **Climate adaptation and water:** contributing to helping those affected by the physical impacts of climate change.
- **Financial inclusion:** providing financial services to **underserved groups.**
- **Healthcare impact:** promoting healthcare inclusion and reducing health inequality.
- **Access to education:** disseminating educational and knowledge resources and providing training to help close skills gaps.
- **Digital inclusion:** bringing access to digital technologies, infrastructure and services to underserved cohorts.

For the Global Environment strategy, 100% of the investments are classified as sustainable investments under the decarbonisation methodology

Each methodology for assessing Sustainable Investments is reviewed by the Sustainable Investing Advisory Forum and approved by the Sustainability Committee before it can be used to classify Sustainable Investments.

Once a methodology has been approved, the investment team can invest in companies that it classifies as meeting the requirements of the methodology. Each quarter, all new Sustainable Investments made are reviewed by the Sustainable Investing Advisory Forum and approved by the Sustainability Committee to ensure ongoing oversight of the investment team's process for applying the approved methodologies.

This report has been reviewed by Ninety One's Sustainability team. For more information on sustainable investing at Ninety One, please see our annual Sustainability and Stewardship report.



Glossary

Please note that the definitions in this glossary reflect the context in which the terms are used in this report.

Board of directors
A governing body of a company. Board directors are elected by shareholders and typically include external individuals with relevant expertise and members of the management team. See 'Executive/non-executive' director.

Carbon intensity
The amount of greenhouse gases generated by a company per unit of revenue generated.

Carbon footprint
The total volume of greenhouse gases generated by a company. Usually reported as 'CO_2 equivalent'.

Carbon avoided
The volume of greenhouse gas emissions avoided due to products, technologies and services that result in fewer emissions than the status quo products, technologies and services.

Competitive advantage
A factor that may give a company an advantage over its peers, such as larger size or superior technology.

Decarbonisation
The process of transitioning to a lower-carbon economy, including switching to renewable energy, increasing resource efficiency and electrifying transport and industrial processes (i.e., powering machines by electricity instead of higher-carbon power sources).

Engagement
Interacting with companies as a shareholder, for example to encourage positive change with respect to sustainability.

EU Taxonomy
A classification system to identify environmentally sustainable economic activities.

Executive director/non-executive director
An executive director is a member of a board of a company who is also employed by the company and typically has management responsibilities. A non-executive director is a member of a board who is not employed by the company and can provide an external perspective.

Externality
A cost a company imposes, or a benefit it confers, on people, society and the environment.

Greenhouse gases
Any gas (including carbon dioxide and methane) that contributes to the greenhouse effect (i.e., they trap heat in the atmosphere).

Key performance indicator (KPI)
In this context, a metric used to track the impact a company has on the environment or society.

Net Zero
Achieving a balance between the carbon emitted into the atmosphere, and the carbon removed from it.

Proxy vote
In this context, a vote cast on behalf of a shareholder in a company. Shareholder votes typically take place at companies' annual general meetings.

Glossary continued

Return on equity (ROE)
A measure of company profitability focused on how effectively management is using shareholders' funds.

Return on invested capital (ROIC)
A measure of company profitability focused on the return generated from capital investments made by management.

Science Based Targets initiative (SBTi)
An organisation that seeks to assist companies to set science-based emissions reduction targets, and that validates whether companies' emissions targets have met its criteria.

Science-based (emissions/net-zero) target
An emissions reduction target (and plan to achieve it) that is aligned with the goals of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels – based on the latest climate science.

Scope 1, 2 and 3 carbon emissions
Categories of greenhouse gas emissions: Scope 1 - All direct emissions from activities of a business or under its control. This includes fuel combustion on site such as heating boilers and vehicles. Scope 2 - Indirect emissions from energy purchased and consumed by a business. Emissions are created during the production of the energy which is eventually used by the business. Scope 3 - All indirect emissions not in Scope 2 i.e., from a business's activities, but from sources that it does not own or control. Also known as value chain emissions, this is often the greatest proportion of the carbon footprint and covers emissions associated with business travel, procurement, waste and water.

Structural growth
Economic growth resulting from changes in the structure of the economy – such as the transition to lower-carbon means of production and transportation – that is distinct from the cycle of economic expansion and contraction.

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Australia
Level 28 Suite 3, Chifley Tower
2 Chifley Square
Sydney, NSW 2000
Telephone: +61 2 9160 8400
australia@ninetyone.com

Botswana
Plot 64289, First floor
Tlokweng Road, Fairgrounds
Gaborone
PO Box 49
Botswana
Telephone: +267 318 0112
botswanaclientservice@ninetyone.com

Channel Islands
PO Box 250, St Peter Port
Guernsey, GY1 3QH
Telephone: +44 (0)1481 710 404
enquiries@ninetyone.com

Germany
Bockenheimer Landstraße 23
60325 Frankfurt am Main
Telephone: +49 (0)69 7158 5900
deutschland@ninetyone.com

Hong Kong
Suites 1201-1206, 12/F
One Pacific Place
88 Queensway, Admiralty
Telephone: +852 2861 6888
hongkong@ninetyone.com

Luxembourg
2-4, Avenue Marie-Thérèse
L-2132 Luxembourg
Telephone: +352 28 12 77 20
enquiries@ninetyone.com

Namibia
Am Weinberg Estate
Winterhoek Building
1st Floor, West Office
13 Jan Jonker Avenue
Windhoek
Telephone: +264 (61) 389 500
namibia@ninetyone.com

Netherlands
Johan de Wittlaan 7
2517 JR Den Haag
Netherlands
Telephone: +31 70 701 3652
enquiries@ninetyone.com

Singapore
138 Market Street
CapitaGreen #27-02
Singapore 048946
Telephone: +65 6653 5550
singapore@ninetyone.com

South Africa
36 Hans Strijdom Avenue
Foreshore, Cape Town 8001
Telephone: +27 (0)21 901 1000
enquiries@ninetyone.com

Sweden
Västra Trädgårdsgatan 15,
111 53 Stockholm
Telephone: +46 8 502 438 20
enquiries@ninetyone.com

Switzerland
Dufourstrasse 49
8008 Zurich
Telephone: +41 44 262 00 44
enquiries@ninetyone.com

United Kingdom
55 Gresham Street
London, EC2V 7EL
Telephone: +44 (0)20 3938 1900
enquiries@ninetyone.com

United States
Park Avenue Tower, 65 East 55th Street
New York, 10022
US Toll Free: +1 800 434 5623
usa@ninetyone.com

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www.ninetyone.com
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CS_820 06/2025 - MACS19341



Vanguard Global Environmental Opportunities Stock Fund Top Holdings

Top 10 holdings as of December 31, 2024

Holding	Weight (%)
Iberdrola SA	6.8
NextEra Energy Inc.	6.3
Waste Management Inc.	6.3
ANSYS Inc.	5.8
Autodesk Inc.	5.5
Contemporary Amperex Technology Co. Ltd.	5.1
Schneider Electric SE	4.7
TE Connectivity plc	4.6
Novonesis (Novozymes) B	4.3
Orsted AS	4.2

Source: Vanguard, as of December 31, 2024

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For more information about Vanguard funds, visit vanguard.com or call 800-662-2739 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.

All investing is subject to risk, including the possible loss of the money you invest. Diversification does not ensure a profit or protect against a loss. Investments in stocks issued by non-U.S. companies are subject to risks including country/regional risk and currency risk. These risks are especially high in emerging markets.

ESG funds are subject to ESG investment risk, which is the chance that the stocks or bonds screened by the index provider or advisor, as applicable, for ESG criteria generally will underperform the market as a whole or, in the aggregate, will trail returns of other funds screened for ESG criteria. The index provider or advisor's assessment of a company, based on the company's level of involvement in a particular industry or their own ESG criteria, may differ from that of other funds or an investor's assessment of such company. As a result, the companies deemed eligible by the index provider or advisor may not reflect the beliefs and values of any particular investor and may not exhibit positive or favorable ESG characteristics. The evaluation of companies for ESG screening or integration is dependent on the timely and accurate reporting of ESG data by the companies. Successful application of the screens will depend on the index provider or advisor's proper identification and analysis of ESG data. The advisor may not be successful in assessing and identifying companies that have or will have a positive impact or support a given position. In some circumstances, companies could ultimately have a negative or no impact or support of a given position.

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ENVI 082026