Multi-Asset Income

ESG integration report

March 2022

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Introduction

The Ninety One Multi-Asset team believes that sustainability is synonymous with successful long-term investing and that companies with strong Environmental, Social and Governance (ESG) characteristics will outperform over time. For several years, active stewardship and a strong understanding of the material ESG drivers behind positions have been integrated into our multi-asset investment process, from both a quantitative and qualitative perspective. As investors continue to closely scrutinise the sustainability characteristics of corporations and sovereigns to an ever greater degree, the integration of sustainability considerations has become an important component of holistic active management.

We employ a common framework across the mix of assets within our strategies, and in this paper, we have set out our philosophy on sustainability integration and provide metrics, analysis and commentary on a range of sustainability perspectives for the strategy. Specifically, we include the following:

- Analysis of the portfolio's exposure to climate risk utilising our proprietary approach;
- Review of the equity portfolio's third-party ESG ratings (MSCI) alongside controversy scores compared to global equities;
- An update on our voting and engagement activity over the last 12 months.

Sustainability integration approach

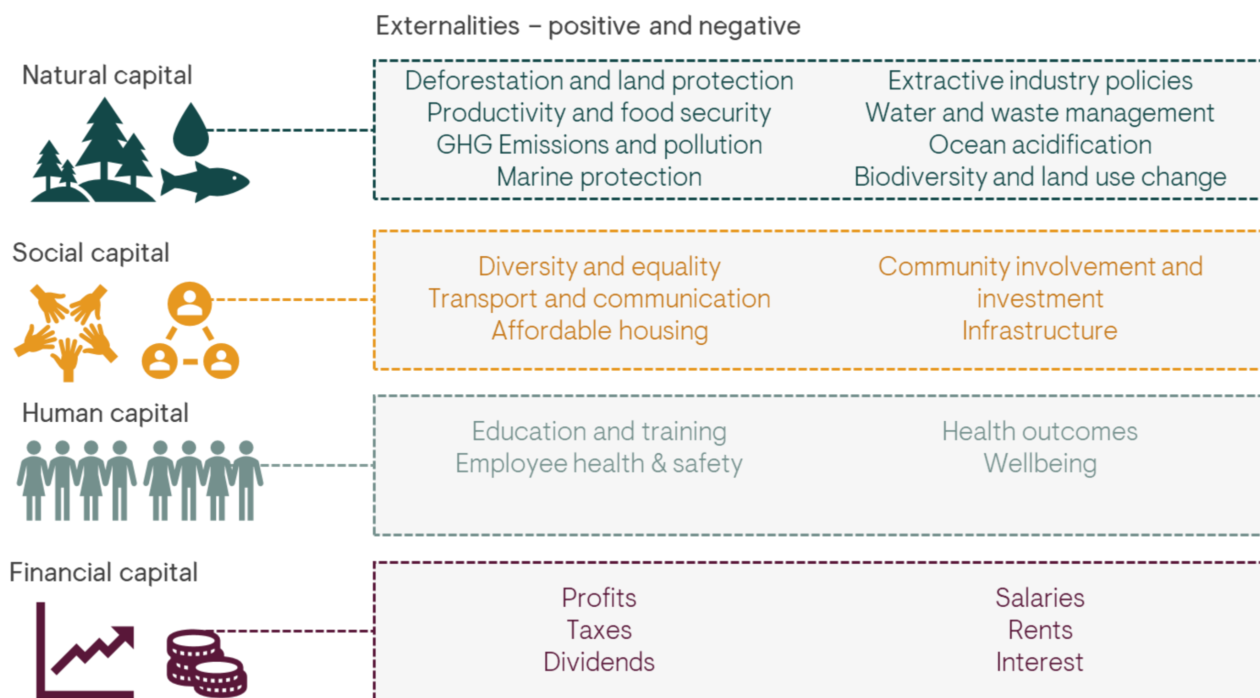
Overview

ESG and sustainability analysis has been incorporated throughout our investment research process for many years, as it is imperative to gain a deeper understanding of the prospective risks associated with each investment.

Our proprietary sustainability framework employs an externalities-based assessment across our "capitals framework", where we assess the impact of the business or government on its stakeholders across **natural capital** (the environment), **social capital** (society), **human capital** (employees) and **financial capital**. Externalities come in the form of the beneficial or harmful effects that we believe a company or country may have on the society and the environment as a result of its policies, operations, business models, products and/or services.

In the graphic below, we provide examples of both positive and negative externalities that we typically research and assess across each of the capitals. Of course, for any individual investment, the areas within each capital that are material will vary depending on the sector in which it operates or the structure of its economy.

Externalities assessed across the four capitals



Source: Ninety One. For illustrative purposes only.

For more information on the definition of externalities, our four capitals framework and how we apply it, please refer to the following paper: "Why understanding externalities is increasingly key for investors"

Below, we highlight how we integrate sustainability throughout our investment process[1].

Sustainability assessments

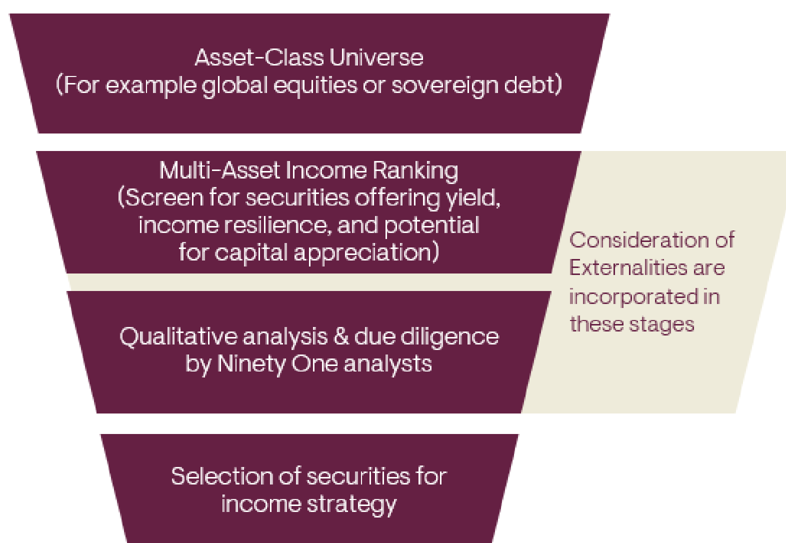
We undertake sustainability analysis in the context of the broader sector in which the company operates. The assessments are a combination of qualitative and quantitative with the purpose to define high standards and red flags within each of the four capitals. A range of sources including company reports, industry research and centres of expertise across our network are used to pull together the available data and form a view. The resulting sustainability business-group research report provides the contextual framework to make a sustainability assessment of individual

[11] For further information on our investment process, please see the Important information section.

companies. As well as providing supporting context for individual company sustainability analysis, the business group sustainability reviews have also led us to avoid certain business activities or sectors.

Security selection

The income strategies are actively managed and apply a bottom-up process, making it possible to conduct fundamental analysis and to assess the externalities – both positive and negative – at an individual security level, as highlighted below:



When allocating capital to an investment, the Multi-Asset Income investment approach quantitatively and qualitatively assesses three main criteria:

1. The level of yield
2. The resilience of the cash flows underlying the dividend or coupon
3. The potential for capital appreciation

To be selected, a security must score well across all three criteria, with sustainability considerations integrated holistically when assessing each company. As mentioned, the business group sustainability reviews that we undertake provide the contextual framework to make a sustainability assessment of individual companies.

Having a clear understanding of the positive and negative externalities of any given investment facilitates our assessment of the resilience of cash flows and the potential for capital appreciation. We take account of any mitigation policies and targets that these entities have which are intended to increase positive externalities and/or reduce the impact of negative externalities. Where securities satisfy the criteria for selection there is a preference for those which demonstrate sustainability leadership or deliver positive effects.

When investing in countries (i.e. sovereign investments), we review the extent to which authorities are balancing long-term environmental and social sustainability with short-term growth and consumption goals. It is important that for many countries, there is a delicate balance between negative environmental and social externalities and the pursuit of economic growth, particularly in lower income nations. We assess the material issues for any country with the support of data where available. Our research is then focused on the forward-looking policies which will shape the direction in these areas with a view to identifying key risks and those offering opportunity for improvement.

Engagement and voting

We also engage with companies through voting and meeting with management teams to encourage sustainable practices. We have been active participants of collective cross capability engagement efforts and have been working towards enhancing our capability specific efforts in this area. Details of recent engagements are detailed in the Engagements & advocacy section.

The role of data within ESG integration

As an industry, we are getting better at understanding and assessing the materiality of sustainability. But we continue to be challenged by the lack of standardisation of, and global access to, ESG data. We also believe that markets are not uniformly factoring in ESG issues.

Taking climate risk as an example, understanding the exposure of our investments to this risk is challenging. While disclosure is on an improving trajectory, data is disjointed across asset classes, disclosure is poor in many markets, scenario modelling is complex and involves numerous assumptions, and there is no clear method for translation of disclosed climate information into meaningful investment metrics.

To assess what we believe are the material ESG factors likely to influence investment outcomes, our fundamental analysis is supported by both proprietary and external data providers. As a firm, we work to keep in front of the ever-changing ESG data landscape. We continue to meet with service providers to stay abreast on data developments, and to consider coverage and data quality. We use the most relevant data available, and continuously review new data providers as the quality of this input improves. For example, as part of the in-depth fundamental analysis on an individual company or country, the Principal Adverse Indicators (PAIs) are considered to a potential investment or an existing investment on an ongoing basis. Overall, the measures of attainment are not solely quantitative or reliant on a single score or indicator. We consider these factors in a holistic manner alongside traditional financial metrics, while retaining a qualitative final decision.

Portfolio climate risk analysis

There are two broad categories of climate risk: Physical risk and Transition risk.

Physical risks may result from weather-related risks to corporate assets or impacts of weather-related risks on value chains.

Transition risks occur as a result of changing regulation, changing consumer preferences, and disruptive or replacement technologies. The impacts may be felt by corporates with high operational emissions (Scope 1 and 2 emissions) and the knock-on effects may be felt where high emissions are found in the value chain (upstream and downstream Scope 3 emissions). With our proprietary Climate Risk Tool, we are looking to understand Transition risk considering Scope 1, 2 and 3 emissions.

Understanding carbon "scope"

We see Scope 1 & 2 emissions as a good proxy for how carbon-efficiently a company is managing its business; the upstream part of Scope 3 proxies the carbon-efficiency of a company's supply chain; and the downstream part is representative of the carbon-efficiency of a company's products.

- Scope 1: This relates to the direct emissions from owned or controlled sources for example fuel burned on site and company owned vehicles
- Scope 2: This relates to the indirect emissions from the generation of purchased energy, steam, heating and cooling for the company's own use
- Scope 3: There are 15 separate categories of Scope 3 emissions including 8 that relate to the supply chain and seven that relate to the emissions of the products once they are sold/used:

15
Scope 3 categories

Upstream

Purchased goods and services	Capital goods	Fuel & energy related activities	Upstream transportation & distribution
Waste generated in operations	Business travel	Employee commuting	Upstream leased assets

Downstream

Downstream transportation & distribution	Processing of sold products	Use of sold products	End-of-life treatment of sold products
Downstream leased assets	Franchises	Investments	

More companies are reporting detailed carbon footprint data; not just direct emissions (Scope 1 carbon) and indirect emissions from purchased energy (Scope 2 carbon), but indirect emissions from the companies' supply chains and products and services once they are sold (Scope 3 carbon). We believe it is vital that companies begin to quantify carbon risk not just in their own businesses but in their supply chains, which will then allow investors to build climate-resilient portfolios. The vast majority of carbon emissions for most companies are within Scope 3, but calculations for Scope 3 are inherently complex and most companies currently report on Scope 1 & 2 only.

We remain committed to engaging directly with investee companies to encourage better disclosure of carbon data. We believe that disclosure is the essential first step to drive better environmental action. We have been investor members of CDP (formerly known as the Carbon Disclosure Project) since 2010 and we share their goal to make environmental reporting and risk management a business norm, and to drive disclosure, insight and action towards a sustainable economy. Ninety One aims to take the lead role, or support other investors, in CDP's climate-related disclosure campaigns for companies in which our firm invests. Last year, we led on 40 companies and acted as co-signatures for a further 80 companies. We aim to increase this number over time. We collaborate with investor groups to drive changes in business practice to mitigate against climate-related risk. We have been active members of both the Institutional Investors Group on Climate Change and Climate Action 100+ since 2018.

In 2020 Ninety One became the first listed asset manager to become a signatory on the 'Say on Climate' initiative. It is a collaborative effort between asset managers, asset owners, companies and other stakeholders to encourage companies to voluntarily submit their Climate Risk Transition Plan to a vote at their annual general meeting. We believe the 'Say on Climate' initiative will improve dialogue between companies and investors allowing shareholders to better assess the strength of the companies' plans to address climate risk in their businesses. Ninety One will be incorporating the initiative into its voting policies and engagement strategy.

In June 2021, Ninety One became a signatory to the Net Zero Asset Managers Initiative, which complements Ninety One's support for the Paris Agreement and efforts to limit global warming to 1.5 degrees. In joining the initiative, we have also committed to make the case for a fair and inclusive transition that works for all of the world's 7.9 billion people. A drive to net zero that excludes, intentionally or otherwise, any place or enterprise, could result in no net zero at all. The carbon-intensive emerging market economies in particular need time, encouragement and resources to adjust. Instead of risking a disorderly exit from carbon-intensive economies, sectors and companies with a high carbon footprint, we will, where we can exert influence, actively allocate to companies and countries that can be encouraged to deliver on transition plans.

Carbon footprint data alone does not capture the macro implications of climate risk, both physical and transition, and covers a small proportion of the emerging market debt universe. That's why at Ninety One we have built on some of these existing approaches to develop a new index, the Net Zero Sovereign Index, that allows us to rank 115 countries on existing metrics, as well as on land use and deforestation. The index aims to support sovereign bond investors' engagements with governments, so that they can hold public officials to account and encourage positive change.

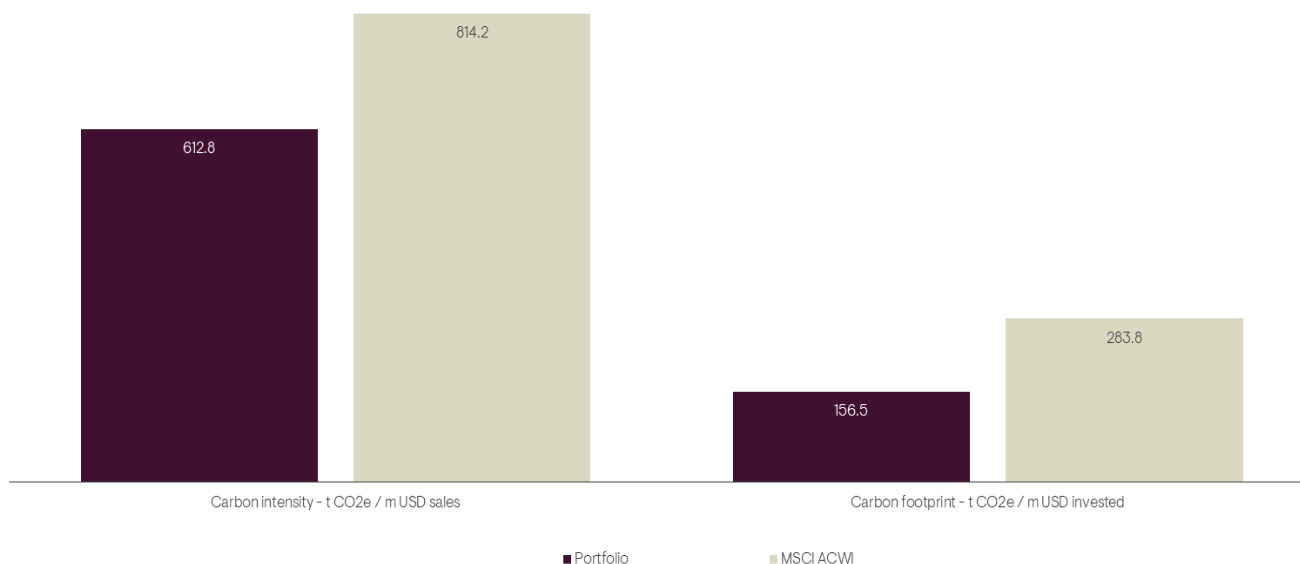
Portfolio carbon profile analysis

The analysis below is based on all assessable corporate securities (equity, credit, listed property and infrastructure) held directly within the portfolio[2]. This relates to c.58% of the portfolio as at 31 December 2021 but for the purposes of this analysis (Figure 2) has been reweighted to 100%. The remaining portion of the portfolio is invested in assets covering certain, predominantly sovereign, fixed income securities, cash and derivatives (including active currency positions and equity index hedging positions). The MSCI AC World index has been used for comparison purposes only.

The estimated carbon footprint for the portfolio as at 31 December 2021 is 156.5 t CO2e / $m. This is c.55% of the estimated carbon footprint of the MSCI ACWI, which is 283.8 t CO2e/$m.

[2] The portfolio may change significantly over a short space of time.

Figure 2: Scope 1, 2 and 3 carbon profile of the portfolio and MSCI ACWI



Source: Ninety One, as at 31 December 2021

Carbon intensity: This measures the carbon emissions of a given entity per USD million of products or services sold (revenue). When collated up to the portfolio or index level, the figure shows the average carbon intensity of each assessable security, weighted by their allocation in the portfolio/index to determine an overall carbon intensity.

Carbon footprint: This figure is derived by taking the sum of the 'financed emissions' based on the percentage held of each assessable security's enterprise value (total of market cap and outstanding debt). This is normalised by dividing by the total USD invested in the securities to give a comparable footprint.

Contribution of scopes (% of portfolio carbon footprint)

Scope 1	33%
Scope 2	3%
Scope 3 Upstream	34%
Scope 3 Downstream	30%

Source: Ninety One Climate Risk Tool, as at 31 December 2021.

Around 91% of the portfolio's carbon footprint is attributable to Scope 3. As highlighted earlier, due to limited disclosure, much of this data has been estimated. In Figure 3 we provide the proportion disclosed and proportion estimated for each of the emissions categories. The table also details our approach to estimation where this has been necessary. Over time we expect disclosures to increase, and we continue to engage with corporates to encourage them to do so.

Figure 3: Data quality summary

% AUM of assessable securities	Reported emissions	MSCI Modelled emissions	Sector Average
Scope 1	43%	11%	1%
Scope 2	42%	12%	1%
Scope 3 Upstream	4%	50%	1%
Scope 3 Downstream	3%	74%	15%

Source: Ninety One Climate Risk Tool, as at 31 December 2021.

Reported and modelled data are provided by MSCI. Where reported or modelled data is not available, the Bloomberg Industry Classification System (BICS) mean estimates provide guidance relating to a given company's emissions using the relevant sector average. This is calculated by Ninety One, using a simple mean of BICS level 2 and 3, based on Scopes 1, 2 & 3 data sources[3].

[3] Forecasts are inherently limited and are not a reliable indicator of future results.

Highest carbon emitting companies

In the table below, we have provided additional commentary on the five highest emitting companies in the portfolio on an absolute and intensity scope 1 and 2 basis, but among these highest emitters are also companies that we would consider decarbonising solution providers, such as Nextera, Iberdrola, and Terna[4].

Company name	Comment on emissions level and management
NextEra Energy	The company is the world's largest generator of electricity from wind and solar, a market leader in battery storage, and the market leader in North American renewable energy and are contributing to decarbonisation as a result. We can measure this positive externality through the metric carbon avoided. The company still has legacy exposure to power generation related to fossil fuels however it is worth noting that acquiring 'dirty' utilities and retiring the coal and replacing it with cleaner generation, is part of the company's strategy. As such, whilst emissions today are high, we are comfortable with this strategy and the direction of travel.
Xinyi Solar	The company is the largest producer of solar glass in the world. Sustainable decarbonisation will require a complete change in how we generate electricity, with a move away from fossil fuels towards renewable energy, mainly wind and solar. Xinyi Solar is directly exposed to solar-sector growth. The company started reporting carbon emissions to CDP for the first time in 2020 following our engagements. Carbon emission intensities for Scope 1 & 2 (as reported by the company) rose by 4% from last year. The majority of this relates to Scope 1 carbon emissions generated directly by the solar-glass furnaces. Xinyi started volume production of 2.0mm solar glass during the year, which was higher unit production energy and electricity consumption. We continue to engage with the business on efficient improvements. Estimated Scope 3 carbon emission intensity increased, reflecting a rise in our inferred number based on sector averages. The company self-reports a carbon-avoided figure, though this is based solely on its solar-power projects, not its primary business of solar glass and therefore underrepresents the amount of carbon that the company avoids since it supplies almost one-third of the global solar market.
Rio Tinto	The company's emissions are predominantly Scope 3 and falls in the Processing of Sold Products classification. This means they are indirect and generated by customers of the company. Within the stock analysis of the company, there is specific focus on their climate transition plans and their commitments to reduce emissions over various time frames. With respect to Scope 1 & 2, Rio's target-setting goes back to 2008 when it set a goal to cut intensity by 2020 with 24%. The company exceeded this target and in 2020, Rio set an absolute reduction target of 15% from the 2028 baseline to 2030, as well as an intensity reduction target of 30% over the same time period.
Terna	Terna is an Italian transmission operator, managing large quantities of electricity over long distances via substations and transmission lines. Terna's Scope 1 & 2 emissions rose in FY2019, mainly due to higher sulphur hexafluoride (SF6) gas leakage and increased electricity consumption, driven by the company's rapidly growing asset base. Given the growth in the asset base, their SF6 leakage target was increased; although this rebasing is a concern, the company saw its SF6 fall to the lowest level in 2020. We will monitor 2021 performance closely and will consider a formal engagement goal if this target is exceeded. While emissions from Scope 2 have also increased, we expect them to move lower from here, given the implementation of the company's SBT. We would note that the company has not included Scope 3 within its SBT, and this will be an engagement goal in 2021. The company has committed to reduce absolute Scope 1 & 2 emissions by 28% by

[4] 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. For further information on specific portfolio names, please see the Important information section.

Company name	Comment on emissions level and management
	2030 relative to a 2019 base year. It also expects to grow its carbon avoided over the long-term.
Iberdrola	The company is a global leader in renewable-energy generation and are contributing to decarbonisation as a result. We can measure this positive externality through the metric carbon avoided. The company still has legacy exposure to power generation related to fossil fuels; as such, whilst emissions today are high, we are comfortable with the direction of travel. We are encouraged by the fact that we are seeing declining Scope 1 & 2 emissions and the increasing carbon avoided are a direct result of Iberdrola's fast-growing renewables business and continued retirement of fossil-fuel power stations. We are also pleased to see that the company's SBT also includes Scope 3 emissions.

Portfolio ESG analysis

The overview below is based on the MSCI ESG Ratings Methodology for the physical equity holdings (including listed property and infrastructure) within the strategy. The MSCI ACWI has been used for comparison purposes only.

Understanding MSCI ESG ratings and scores

Deriving scores and ratings for ESG is notoriously challenging; these issues generally require value judgements and incorporate complex considerations which are not easily captured in a single score or rating. In our view, ESG ratings should not be used to make investment decisions and instead, the underlying research should be used to inform and prioritise fundamental research. Scores and data are just the beginning, offering an efficient means by which we can identify potential issues and prioritise analyst time. The Multi-Asset equity analysts supplement their own research with the external assessment provided by MSCI, but with a deliberate focus on the underlying drivers of the score rather than the headline scores themselves. For these reasons, we would not screen out stocks based on a low ESG score nor justify their inclusion based on a high score.

Having highlighted the limitations of MSCI ratings, we also recognise these metrics are widely used and provide a starting point for clients to understand ESG and to compare with other managers or indices. For this reason, in the section that follows, we have provided the aggregated MSCI ratings and scores across the equity portfolio and compared to the MSCI AC World index. As the availability and quality of data improves, we will provide more meaningful and thorough quantitative analysis of the portfolio's ESG risks.

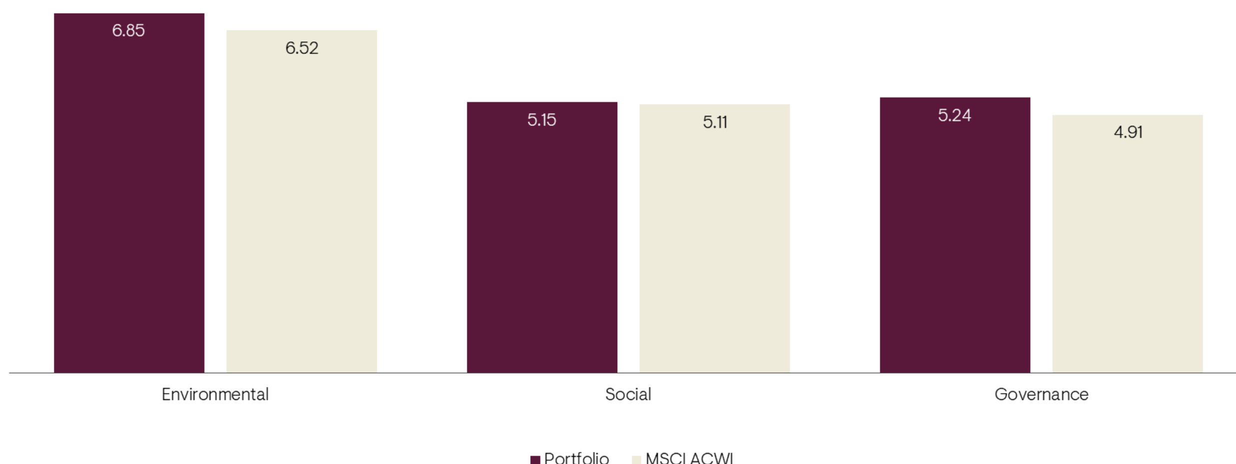
Portfolio ESG analysis

As at 31 December 2021, the equity portfolio's MSCI ESG score is 5.75. This score was 4.2% higher than the comparison index score – the MSCI ACWI.

Portfolio ESG score	Relative ESG score
5.75	+4.2%

Source: Ninety One, MSCI as at 31 December 2021.

Figure 5: ESG pillar scores



Source: Ninety One, MSCI as at 31 December 2021.

The ESG pillar scores represent weighted average scores across the key issue areas that MSCI identifies for a given company's industry. The weight that each key issue is assigned is determined based on the contribution of the industry to negative or positive impacts on the environment or society, relative to all other industries. The timeline within which a risk or opportunity is expected to materialise is also taken into account in determining the weights.

Engagements & advocacy

As a business, we are active (not passive or activist) investors. We believe that effective boards and management that are aligned with our long-term objectives should be supported.

Ninety One's global engagement policy is driven by a clear purpose to preserve and grow the real value of the assets entrusted to us by our clients over the long term. The following section explains how that policy has been implemented over the reporting period. Ninety One seeks to ensure company boards focus on creating and preserving sustainable value. Investing client capital in an uncertain future requires each investment team to include governance as part of its fundamental analysis. A low level of governance comfort requires engagement to justify the investment.

Engagements take place as an integral part of the investment process, with the investment team initiating engagements based on the investment processes and priorities. The Sustainability team provides engagement advice and targets material ESG themes and specific holdings that are significant to Ninety One and our clients. The team is accountable to executive leadership through the Investment Governance Committee for policy implementation and engagement on a quarterly basis.

We take a targeted approach to engagement, prioritising strategic engagements where we can influence an issuer to reduce risk. We believe strategic engagements enhance our understanding of sustainability risks and can provide the opportunity to improve outcomes. Ninety One regards the shareholder vote as a fundamental part of preserving and growing the real purchasing power of our clients' assets.

In the table below we have provided examples of portfolio holding[5] engagements that have occurred across different asset classes over the course in 2021, both within the Multi-Asset team and also in collaboration with other capabilities at Ninety One:

Equity

Company name	Focus
Medtronic	We had a discussion with company management to address concerns about the tenure of board members, and in particular about tenured directors on the audit committee. In addition, we pushed for refreshing the lead independent director. The company committed to continuing to refresh the board and we had comfort that the board is being moved in the right direction with a clear path to future improvement and that the company took our feedback seriously.
Xinyi Solar	Over the past 18 months, the Thematic Equity group within Multi-Asset led collaborative engagements on carbon emissions disclosures including NextEra Energy and Xinyi Solar which are current portfolio companies. Looking at Xinyi Solar – the largest producer of solar glass in the world – in more detail, the company was added to the Income portfolios in Q321 however this followed a period of engagement on carbon-emissions disclosures. Sustainable decarbonisation will require a complete change in how we generate electricity, with a move away from fossil fuels towards renewable energy, mainly wind and solar. Xinyi Solar is directly exposed to the solar industry. At year-end 2020, Xinyi Solar had 9,800 tonnes/day of ultra-clear solar glass capacity, equating to over 30% of the global solar-glass market. In addition, it has built or acquired 3.47GW of solar power projects. BNEF's conservative 2020 'Economic Transition Scenario' expects global solar cumulative capacity to increase from 553GW at the end of 2020 to 2.3TW by 2030 and 8.2TW by 2050. Climate action sufficient to limit global warming to 2 or 1.5 degrees Celsius would imply even faster growth of the

[5] 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.

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Company name	Focus
	solar sector, which Xinyi Solar would stand to benefit from. Additionally, there is a trend towards bifacial solar panels (two glass panes instead of one), which means higher demand for solar glass. As a market leader in solar glass, in our view Xinyi solar will benefit from this strong structural growth trend. The business plans to expand from 9,800 tonnes at the end of 2020 to 13,800 tonnes in 2021 and 17,800 tonnes in 2022, highlighting Xinyi Solar's clear intention to maintain its market leadership. The company currently does not have net-zero or emissions-reduction targets in place. We expect this will take some time to achieve as the company only just started reporting to CDP. However, as a result of the team's engagement, the company now reports emissions data to CDP having not done so previously. This is a significant positive development, and it demonstrates above all the importance of tenacity and patience.
Iberdrola	We engaged with company management, sending a letter with respect to the board of directors and corporate governance. We place significant importance on independent oversight of boards and favour separation of the CEO/Chairman functions. As such, we sent a letter requesting a discussion with the lead independent director on the Iberdrola board to discuss the following questions: – Rationale for the joint Chairman/CEO? – Longer term succession planning – Quality of board discussion, examples of challenge to management
Valmet	We held a call with Valmet's CEO Pasi Laine and CFO Kari Saarinen, with the purpose to discuss their planned acquisition of Neles, which was announced a few days prior. The deal broad to the fore capital allocation, discipline, and a question around conflicts given Pasi Laine used to manage the Neles division when it was still part of the Metso group. Against that backdrop, we challenged management on the rationale for the deal and we felt they justified it well with respect to (1) cost synergies (2) adding a growth driver to Valmet's portfolio (3) cultural fit given their shared history within the Metso group (4) defensive pivot against Alfa Laval who has recently entered some of Valmet's markets. We voted in favour of the deal.

Credit

Company name	Focus
Primo Water	Engaged with management on initiatives to drive ESG improvement given Primo's efforts over recent years to position itself as a best-in-class ESG company. In particular, we wanted to address a) the company's progress in decreasing emissions from its delivery fleet by use of propane and electric vehicles, b) environmental impact from its bread-and-butter dispensers compared to water filtration systems, and c) plans to decrease exposure to the single-use plastic bottle business. Following our engagement, we gained new appreciation for the ESG virtues of Primo, believing they are well positioned to benefit from consumer and regulatory shifts toward more environmentally-friendly dispensing of drinking water. In November 2021 Primo announced that they will be exiting the single-use plastic bottle business, underscoring their commitment to being a best-in-class ESG company and eliminating our top ESG concern for the company (which we had directly engaged them on back in June 2021).
Quarate (QVC) Retail	Engaged with Qurate Investor Relators (IR) seeking clarity on any initiatives taken to address MSCI CCC rating and associated flags (specifically Energy Efficiency, Data Protection / Privacy, Governance and Ethics). Qurate IR and ESG teams responded to concerns raised and stated their intent to follow-up with MSCI directly to ensure accurate reflection of Qurate's ESG efforts, something which is clearly being missed currently by the MSCI team. Qurate provided comprehensive detail around each MSCI area of concern rebutting substantially all the issues MSCI

Company name	Focus
	had raised. A potential multi-notch ratings upgrade is possible from MSCI if / when this detail is assimilated into their analysis. It is clear Qurate / Liberty Media are purposefully aiming to improve across all ESG areas, including disclosure and communication with agencies. In August 2021: MSCI upgraded QVC from CCC to B following discussion with QVC IR team.
Telefonica	Video call with Telefonica IR team, Head of Sustainability, Head of Corporate Governance, and Director of Corporate Strategy. Telefonica outlined overall ESG strategy focus while also taking questions on: (i) Recent fine at O2 UK for alleged lack of bill transparency; (ii) MSCI's recent downgrade to BBB; (iii) the steps being taken with the O2-VMED merger to ensure ESG consistency and support; (iv) intent to broaden Board diversity goals beyond improving female representation; (v) potential future green or labelled bond issuance, with focus on developing greater disclosures to ensure "greenwashing" is not a factor as seen in other deals. They also noted the significant challenge in communicating with MSCI when seeking to collaborate and understand ratings drivers. Telefonica continue to be a leader in the ESG space with substantial resource committed and clear intent to improve on areas where relative weaknesses exist, of which there are few. Engagement with investors remains a key focus for the team.
United Airlines	We sought clarity on United's Environmental ambitions, particularly in closing the gap to better rated peers Delta (A-rated) and Southwest (BB-rated) both in terms of disclosure and to seek more aggressive and near-term carbon emission reductions goals. We continue to seek greater clarity / disclosure around Carbon goals, and Social concerns to a lesser extent.

Emerging market sovereigns

Country	Focus
Indonesia	We joined the Investors Policy Dialogue on Deforestation (IPDD) meeting on the effect of the Omnibus Law: this law and regulation is new, so we continue to analyse its impact. There is 3 years left of current administration – with a trend of significant reduction in deforestation. We will continue to engage with IPDD and monitor the progress of Omnibus Law, engaging further on those areas that lack clarity.
Ghana	We engaged with the IMF and in particular the IMF Mission Chief and Minister of Finance on policy initiatives in a post-Covid world following significant fiscal deterioration in 2020 and the need to get finances back to a sustainable level. Discussions were focused on areas where Ghana could achieve that. We also engaged on the possibility of ESG focused issuance given strong progress on ESG areas in Ghana, with authorities already having started work on a green framework. We will monitor the mid-year budget review as well as the release of the green framework.
Egypt	We engaged with the IMF and in particular the IMF Mission Chief and Minister of Finance on Egypt reform agenda as well as dealing with environmental and social risks. Discussions focused on continued changes in budget which is pivoting away from subsidies to healthcare and education spending as well as what reforms are needed to reduce the role of the military in the economy and create space for the private sector. We will monitor the release of the latest reform proposals which will focus on increasing the role of the private sector in economy.

Proxy voting

Firm-wide voting activity

As a firm, we report our voting activity on our website here. Full details of our voting activity over the 12 month period to 31 March 2021 can be found in our latest annual Sustainability report. Over the period, we made vote recommendations at 1,366 shareholder meetings worldwide, analysing 17,040 resolutions in accordance with Ninety One's voting policy. On a resolution-by resolution basis, we voted 'for' on 87% of the resolutions, and cast a dissenting vote ('against', 'abstain' or 'withhold') on 13% of resolutions.

Portfolio voting activity

Relating specifically to this strategy, we voted at 60 shareholder meetings across 24 markets and on 1153 resolutions during the 12 month period to 31 December 2021. On a resolution-by-resolution basis, we voted 'for' on 90.0% of the votes cast, and a dissenting vote ('against', 'abstain', 'withhold', or 'do not vote') on the remaining 10.0% of votes cast. Our voting activity on the strategy is broken down into more detail in the charts below:

Figure 8: Votes cast on per resolution basis

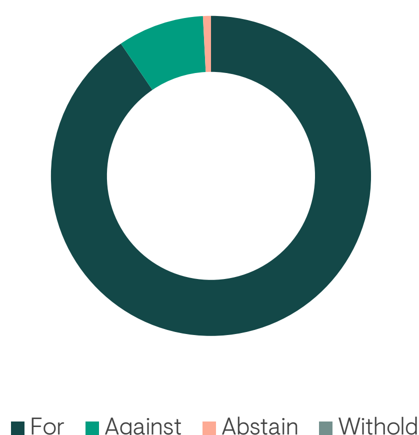
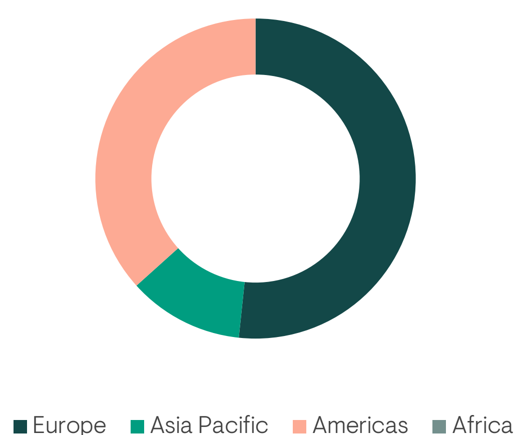


Figure 9: Votes cast per region



Source: Ninety One, ISS as at 31 December 2021

General risks: The value of investments, and any income generated from them, can fall as well as rise. Where charges are taken from capital, this may constrain future growth. Past performance is not a reliable indicator of future results. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations. Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made. 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. **Default:** There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss. **Derivatives:** The use of derivatives may increase overall risk by magnifying the effect of both gains and losses leading to large changes in value and potentially large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss. **Interest rate:** The value of fixed income investments (e.g. bonds) tends to decrease when interest rates rise. **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. **Emerging 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.

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