

GIVES

# Global Impact Value Equity Strategy

2023 IMPACT REPORT



LYRICAL

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# GIVES Mission Statement

The world faces complex and growing challenges. We view the United Nation's 17 Sustainable Development Goals (SDGs) as major problems the world needs to solve, and we believe for-profit organizations should be a part of the solutions. As public equity investors, we aim to drive companies to align their profit-seeking with positive societal impact.

Our Global Impact Value Equity Strategy (GIVES) aims to create a virtuous cycle. We invest capital in companies that are making a positive societal impact, which we believe should increase their valuations and lower their cost of capital. Through long-term engagement, we have built strong relationships with company management, who share our dual objectives of creating a positive societal impact and achieving financial returns. We work with our portfolio companies to measure and report their impact, helping them gain the recognition they deserve, which we believe should drive stock price appreciation.

**Good financial returns through impact investing lead to increased impact investment and greater benefits to the world.**

For us to succeed, we believe that we must, first and foremost, generate good financial returns. Good financial returns through impact investing should lead to increased impact investment and greater benefits to the world. This is why our approach combines the financial returns from value investing with the societal returns from impact investing.

If we can outperform broad indices while owning world-changing businesses,\* we believe we can turn impact investing from a growing niche into a mainstream investment approach. As more funds flow into impact investing, we expect more companies will reshape their approaches to solving global challenges like the SDGs, in turn causing the valuations of those companies to rise and drive more investors into impact investing.

GIVES was founded to drive this virtuous cycle forward.

\*An investment in this strategy entails substantial risks. Please visit [lyricalam.com/notes](https://lyricalam.com/notes).

# Impact in Public Markets

The world faces growing and significant environmental and social problems, and we believe public companies can and must play a role in helping. A recent UN Intergovernmental Panel on Climate Change (IPCC) report found that average global temperatures are expected to rise 1.5 degrees Celsius above preindustrial levels sometime in the early 2030s since we continue to rely on coal and fossil fuels. Temperatures have already increased above 2 degrees Celsius in certain areas. There have also been mounting social challenges. Over 58 million Americans cannot afford essential prescription drugs, and 34 million adults know someone who died because they could not afford treatment. The world is also going through a digital transformation. While this has created immense benefits, cybercrime is expected to grow by 15%, to \$10.5 trillion annually by 2025.

Impact investing plays a crucial role in making a significant positive contribution to the environment and society. Historically, impact investing has been left to philanthropic organizations and the private markets, where investors have a greater degree of control and where organizations are smaller and more focused. Going forward, we believe that public companies must be included in the impact space. The UN estimates that solving the SDGs will require \$5-7 trillion per year, compared with the private sector size of \$4 trillion and annual total philanthropic giving of \$471 billion. To truly address our problems, the public market must be involved, with its \$45 trillion of capital, its easier access to capital, and its broader global reach. Within public markets, long-term, concentrated investing naturally aligns with impact because it creates a mindset that focuses on long-term benefits and a willingness to forgo short-term cost increases to develop sustainable products and services.

**To truly address the SDGs, the public market must be involved, with its \$45 trillion of capital, its easier access to capital, and its broader global reach.**

# Our Strategy

GIVES seeks to make a meaningful contribution to the SDGs by creating positive environmental and social change while achieving good long-term returns. To be included in GIVES, a company must meet each of Lyrical's general investment criteria of Value, Quality, and Analyzability, in addition to our four impact investment pillars.

**Value:** As with all investing at Lyrical, our GIVES investment process begins with Value. We only look to buy businesses that trade at a significant discount to our estimate of their intrinsic value. The GIVES portfolio today trades for 10.3x forward earnings, a steep discount to the MSCI World at 15.7x. Value is the fuel for our returns; it is the reason we expect to outperform the MSCI World Index by 500-1,000 basis points annually. Looking back to 1975, the cheapest quintile delivered an annualized return 6.0 percentage points above the MSCI. We expect to do significantly better than that because we only invest in businesses with superior fundamentals.

**Quality & Analyzability:** We don't just buy cheap stocks; we buy high-quality, simple-to-understand, attractively valued stocks. In our hunting ground, most stocks are cheap for a reason. For that reason, we add two additional investment criteria to help sort the gems from the junk. We buy Quality businesses, producing at least 10% returns on tangible capital. We also purchase Analyzable businesses or those we can reasonably model on a long-term basis. Buying good and understandable businesses leads to stronger earnings growth at more predictable rates. The companies in GIVES have grown their EPS at a 8.6% rate from 2007-23, compared with the MSCI World at only 4.4%.

**Impact:** From this small universe of cheap, good, and simple businesses, we invest only in those companies that materially improve the world with their core businesses. Each company must possess four criteria to qualify as an Impact business: **Material, Measurable, Intentional, and Sustainable**.

First, the company's impact must be **Material**. This means at least 50% of the company's revenue must be directly tied to an SDG. We view the SDGs as significant problems the world needs to solve, and each of our companies must solve at least one problem with at least half its business.

GIVES focuses on SDG 7 (Affordable & Clean Energy) and SDG 12 (Responsible Consumption & Production) to create positive environmental change. The strategy also focuses on SDG 3 (Good Health & Wellbeing), SDG 8 (Decent Work & Economic Growth), and SDG 16 (Peace, Justice, & Strong Institution) to enable positive social change. Public equities and value investing are not well-placed to solve all 17 SDGs, and we recognize that philanthropic organizations and private equity play an equally important and complementary role.

Second, this impact must be **Measurable**; we must be able to quantify the positive change the company is making. Third, the company must be **Intentional** about its impact. Positive change must be deeply rooted in the company's culture and business. Finally, the company itself must be **Sustainable**, which means that bad things cannot offset the good things a company does. Every company has negative externalities, and we analyze them to determine if they are relatively small.

This report will show how we assess each company's four pillars.

# Investment Process & Screening for Impact

One of the reasons we believe we are the only true deep value-focused impact fund is that it is difficult to do. As true value investors, our investment approach begins by hunting for stocks in the cheapest quintile of the market. Of our 2,500 stock universe, we typically remove 2,000 stocks based on our Value criterion and focus on the cheapest 500. While this part of the market outperformed the MSCI World by 600 bps, annualized, since 1975, it is littered with weak business models. As a result, we apply our criteria of Quality and Analyzability and our ESG and impact exclusions. Our research-intensive process allows us to concentrate on approximately 70–80 stocks as potential investments.

How many of these candidates are impactful? That question leads to a new round of bottom-up research since impact cannot be easily screened. Let's look at some of the common ways one might think about screening for value:

- **Industry Selection:** According to the Global Industry Classification Standard (GICS), there are 158 sub-industries. Of these, only two obvious categories to look for impact are Renewable Electricity and Environmental Services. And, in those sub-industries, there are just 22 stocks, which trade at an average of 28x the next 12-month forward EPS.
- **ESG Scores:** Put simply, ESG scores are inconsistent and, in our view, less helpful in identifying impactful businesses. Take the scores from Refinitiv – a major ESG-rating provider – for example. We sorted our 2,500 stock universe by Refinitiv ESG score, from best to worst: #1 is a bank in France, #6 is a tobacco company in the UK, and #14 is one of the largest oil and gas producers in the world.
- **Other Sustainability Metrics:** Refinitiv also provides a “Renewable/Clean Energy Products Score,” but that's no more helpful. Two of the top five companies are commercial printing companies. And nine of the top 17 are in the oil and gas servicing business, none of which are clearly or predominantly tied to renewable energy.

What do you do if it's not easy to screen for impact? We believe this work needs to be done bottom-up at the company level. This is especially true for impact measurement, which is less standardized and, therefore, more complex than traditional financial performance measurement.

# Measurement & Engagement

To measure GIVES' contribution toward the SDGs, we use a logic framework to map a company's revenues and operating activities to its material impact on society. We do not rely on ESG ratings, proxy voting recommendations, or third-party data providers. Instead, the Investment Team and our Director of Sustainability use these resources to complement their internal analysis. We have developed company-specific quantitative metrics using the SDG sub-goals and their related indicators.

In addition, Lyrical engages with our portfolio companies on their business strategy, ESG risks, and impact opportunities. To guide this process, Lyrical designates the portfolio companies as ESG Leaders, Performers, and Laggards. These classifications are determined based on each company's level of disclosure, goal setting, and CDP (formerly the Carbon Disclosure Project), Refinitiv, and Sustainalytics ESG risk ratings. We maintain an engagement tracker to monitor our companies' progress on ESG and impact. The tracker also captures any proxy votes we change, our rationale, and our ESG and impact-related votes. In 2022, we engaged with all our GIVES companies at least once through in-person/virtual meetings, proxy voting, and/or by written communications. Please see [Page 98](#) for more information on our engagement goals and process.

One engagement we would like to highlight is with Elis SA. Elis is a circular economy business that provides rental services of flat linen, work clothes, and hygiene and wellbeing equipment. During our engagements with company management Elis shared a life cycle assessment it conducted on industrial washers; it found that Elis' washers use 48% less water and 29% less energy than commercial machines. We used this assessment in our impact measurement and found that the company can help its customers save 54 billion liters of water and 3.8 billion kWh of energy by 2025. Please see Elis' impact statement on [Page 44](#) for more information. Elis incorporated the results of our collaborative analysis in its 2021 UNGC Communication on Progress and, most recently, its 2022 Universal Registration. Elis also integrated our analysis into its CRS Roadmap, which links the company's goals to the SDGs.

To scale the impact of public equities, Lyrical also believes it is essential to collaborate with other stakeholders in the impact investing space. In 2022, we participated in 15 collaborations, including attending the UNPRI In-Person Conference in Barcelona meeting with non-profits, other investors, and policymakers from around the world to share knowledge and drive the global ESG and impact agenda. One discussion topic was measuring impact and aligning measurements to the SDGs. Lyrical's Director of Sustainability spoke with several data providers, investors, and regulators about our approach to impact measurement and where public equities can play the biggest role. He provided recommendations and shared our 2021 Impact Report. Since the conference, the Director of Sustainability has continued to collaborate with many of these stakeholders.

# GIVES Portfolio Themes

## ENVIRONMENTAL IMPACT

## SOCIAL IMPACT

THEME	Climate & Clean Energy Leaders	Resource Reducers	Health Improvers	Job Creators	Identity Protectors
SDG	 <p><b>SDG 7</b> Affordable &amp; Clean Energy</p>	 <p><b>SDG 12</b> Responsible Consumption &amp; Production</p>	 <p><b>SDG 3</b> Good Health &amp; Wellbeing</p>	 <p><b>SDG 8</b> Decent Work &amp; Economic Growth</p>	 <p><b>SDG 16</b> Peace, Justice &amp; Strong Institutions</p>
PORTFOLIO HOLDINGS	<p><a href="#">Flex</a></p> <p><a href="#">Hitachi</a></p> <p><a href="#">Kyudenko</a></p> <p><a href="#">Rexel</a></p> <p><a href="#">SPIE</a></p> <p><a href="#">Wesco</a></p>	<p><a href="#">Ardagh Metal &amp; Packaging</a></p> <p><a href="#">Ashtead</a></p> <p><a href="#">CHN Industrial</a></p> <p><a href="#">Crown Holdings</a></p> <p><a href="#">Elis</a></p> <p><a href="#">Hanesbrand</a></p> <p><a href="#">Konecranes</a></p> <p><a href="#">United Rentals</a></p> <p><a href="#">Whirlpool</a></p>	<p><a href="#">Centene</a></p> <p><a href="#">Cigna</a></p> <p><a href="#">HCA</a></p> <p><a href="#">NXP Semiconductors</a></p>	<p><a href="#">eBay</a></p> <p><a href="#">Grupo Catalana</a></p> <p><a href="#">Primerica</a></p>	<p><a href="#">Gen Digital</a></p>





# 2022-25 Impact Summary

## 2022-25 ESTIMATED POSITIVE IMPACT ON SOCIETY

### ENVIRONMENTAL IMPACT

### SOCIAL IMPACT



**SDG 7**  
CLIMATE & CLEAN ENERGY LEADERS

Clean Energy Installed

**1,169 MW**

Avoided Emissions

**14.0 mm tCO<sub>2</sub>e**

Avoided Cost to Society & Environment from Climate Change

**\$715.7mm**



**SDG 12**  
RESOURCE REDUCERS

Water Savings

**8.5 bn Liters**



**SDG 3**  
HEALTH IMPROVERS

Lives Saved

**3,848**

Healthcare Savings:

**\$3.9 bn**



**SDG 8**  
JOB CREATORS

Economic Impact

**\$6.7 bn**

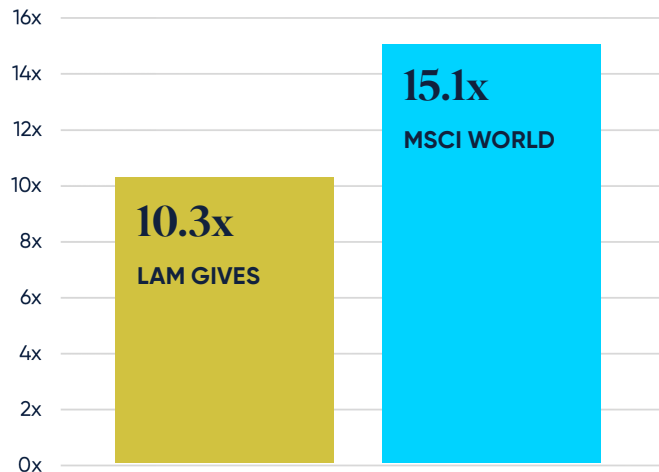


**SDG 16**  
IDENTITY PROTECTORS

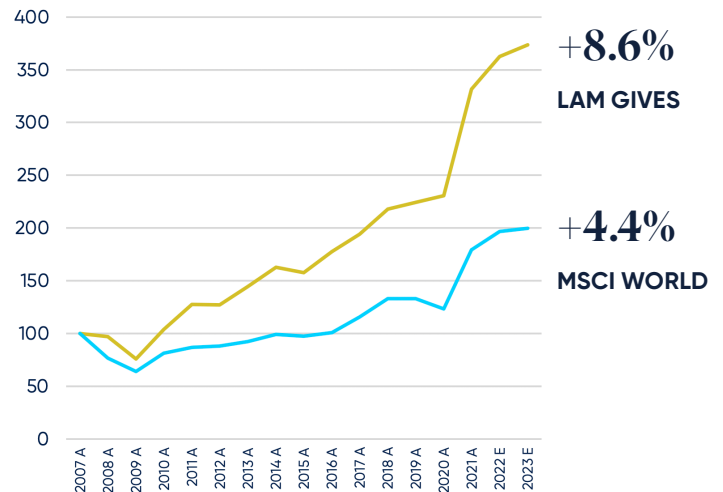
Economic Savings

**\$3.3 bn**

### FORWARD P/E RATIO



### INDEX EPS GROWTH



MtCO<sub>2</sub>e is a metric unit equal to 1 million tonnes of carbon dioxide equivalent emissions.

Megawatt (MW) is a unit of power equal to 1 million watts, which is typically used as a measure of the output of a power station.

All monetary figures are expressed in U.S. dollars.

This chart depicts the weighted average next twelve months P/E ratios for the LAM GIVES Portfolio and the MSCI World Index each as of February 28, 2022.

The MSCI World Index captures large and mid cap representation across 23 Developed Markets (DM) countries. With 1,601 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

# 2023 Progress & Expectations

Lyrical's approach to impact has evolved in several ways since our initial 2020 Impact Report, including:

## Improving the Quality of our Impact

**Measurements:** In the past, we used case studies and qualitative measurements for several companies whose impact was difficult to quantify. We now require all our portfolio companies to have a quantitative impact measurement. For example, we revised our methodology for Hitachi, for which we had previously used a case study due to the complexity and variety of the company's products and services. We now forecast Hitachi's avoided Scope 3 (Use of Sold Products) emissions to consider the company's diverse and impactful products, from efficient trains and smart grids to energy-saving digital systems and services.

Hitachi has exceeded our expectations and is a clear impact leader due to the company's best-in-class target of reducing its absolute Scope 3 emissions 40% by 2030 from a 2010 baseline. The company's commitment to reaching this target (such as increasing its R&D budget for its sustainable products 28% to \$8.24 billion) has led to meaningful results. In 2022, we estimated that Hitachi avoided approximately 26 million tCO<sub>2</sub>e, representing over 60% of the portfolio's total avoided emissions. For more information, please see Hitachi's impact statement on [Page 15](#).

## Adopting the GHG Protocol's & World Resource Institute's (WRI)

**recommendations:** Many companies have developed robust emissions reduction targets for their Scope 1-2

emissions. However, we do not consider this as impact since 1) Scope 1-2 reduction goals typically are not linked to revenue-generating opportunities<sup>1</sup> and 2) we typically consider Scope 1-2 reduction targets as a key component of ESG and risk mitigation. To overcome this challenge, we now use the GHG Protocol's and WRI's guidance to measure avoided emissions. Specifically, we apply the attributional methodology to measure avoided emissions and calculate the total life cycle GHG emissions difference between a company's products and alternative products that provides an equivalent function.

For example, Crown applies a circular economy, closed-loop approach that calls for reducing, reusing, and recycling aluminum. Unlike plastic and glass, aluminum can be recycled infinite times without degrading its performance, making it one of the most sustainable packaging materials available. In 2022, we estimate Crown avoided 85,000 tCO<sub>2</sub>e compared to plastic and 1.3 million tCO<sub>2</sub>e compared to glass. For more information, please see Crown's impact statement on [Page 41](#).

## Developing stricter guidelines for

**impact:** Lyrical no longer includes the Number of Employees Helped as a measurement of impact. In our 2020 and 2021 Impact Report, we used this metric for Concentrix. We determined that the company's policy to pay employees above minimum wage was an example of strong ESG practices but that those benefits did not count as impact. To qualify for GIVES, a

company's revenues or profit must directly align with positive impact. In this case, our measurement focused instead on expenses and internal operations. We continue to applaud the company's ESG efforts and see the stock having significant upside to intrinsic value, but we sold it from our GIVES portfolio.

## Improving the transparency of our impact measurements and progress:

While many of our companies have exceeded our expectations, some have underperformed. For example, weakened demand has lowered Whirlpool's revenue projections, decreasing both the total number of dishwashers we expect Whirlpool to sell and the company's overall impact. Last year, we estimated Whirlpool had sold 945,000 dishwashers in emerging markets in 2021, reducing water consumption by 4.0 billion liters and emissions by 186,000 tCO<sub>2</sub>e. We estimate Whirlpool actually sold 890,000 dishwashers in emerging markets that year, reducing water consumption by 3.6 billion liters and emissions by 185,000 tCO<sub>2</sub>e.

Please see [Annex 4: 2022 Impact Report Card](#) for a company-by-company review of their 2021 impacts and changes in methodologies.

<sup>1</sup>Scope 1 emissions are direct emissions from sources that are controlled or owned by an organization, like emissions from fuel used in factor boilers or vehicles. Scope 2 emissions are indirect emissions from purchased electricity.

# GIVES Leaders: Environmental Impact

## SDG 7 CLIMATE & CLEAN ENERGY LEADERS (MW INSTALLED)

### FLEX

Flex's contribution to SDG 7 comes from its NexTracker brand, the number one global producer of solar trackers. Solar trackers improve the capacity of solar panels by automatically positioning each panel, increasing production by 15-30%. For example, in the Northeastern US, the tilt of the panels must change by 30 degrees every six months to capture the maximum amount of sunlight. From 2022-25, we estimate that Flex will increase global solar output by 20,000 MW, raising global solar production by 1-2%. This additional solar output could power 3.9 million homes.

## SDG 7 CLIMATE & CLEAN ENERGY LEADERS (AVOIDED EMISSIONS)

### REXEL

Rexel contributes to SDG 7 by distributing and promoting solar, wind, and energy efficiency products, enabling customers to make positive environmental contributions. As part of the company's core business strategy, Rexel directly supports its 615,000 customers by using best-in-class sustainable products to achieve their objectives. The company trains its customers on new topics and more advanced solutions so they can capitalize on environmentally friendly business opportunities. In sum, Rexel offers the necessary products and solutions to facilitate the energy transition, i.e. avoid emissions from the use of products that the company sells.

From 2022-25, Rexel will avoid 42 million tCO<sub>2</sub>e from the use of its sold products. This should save society \$2.1 billion by mitigating the adverse effects of climate change and improving economic outcomes, including reducing changes in agricultural productivity, damages caused by sea level rise, and a decline in human health and labor productivity. Lyrical uses the US government's social cost of carbon of \$51 per tCO<sub>2</sub>e to measure the avoided cost to society and the environment from climate change.

## SDG 12 RESOURCE REDUCERS (WATER SAVINGS)

### ELIS

Elis' environmental impact is achieved by using industrial washers, which are highly resource efficient, and reusing linens as many times as possible before they are recycled. During the Investment Manager's engagements with company management, Elis shared an life cycle analysis (LCA) conducted on industrial washers, which found that its washers use 48% less water than commercial machines. From 2022-25, we expect Elis to save 54 billion liters of water. Outsourced cleaning services are more environmentally efficient, an increasingly important competitive advantage. We expect the industry to increase its market share from 40% outsourced currently. For every 1% increase in the company's market share, Elis can save an average of 202 million liters of water annually.

# GIVES Leaders: Social Impact

## SDG 3 HEALTH IMPROVERS (LIVES SAVED)

### NXP SEMICONDUCTORS

NXP's automotive radar solutions, through its advanced driver-assistance systems (ADAS) technology, make a meaningful contribution to SDG 3 by reducing the number of global deaths and injuries from road accidents. ADAS uses a human-machine interface to improve earlier detection and provide safety assistance through early warning and automated systems. The integration of ADAS in passenger vehicles can prevent 40% of all crashes and 29% of deaths in crashes. From 2022-25, we estimate that 100 million new cars with NXP ADAS technology will hit the road, resulting in about 88,400 fewer fatal car crashes. To put this in perspective, North America has about 50,000 fatal car collisions yearly.

## SDG 8 JOB CREATORS (ECONOMIC IMPACT)

### EBAY

eBay's marketplace provides a means for small businesses to earn money and helps consumers save money, as well as people in disadvantaged communities to become entrepreneurs. eBay provides buyers with information regarding each product's non-new/in-season cost savings compared to other products in their specific category, encouraging buyers to consider more sustainable options. Non-new/in-season make up approximately 50% of eBay's overall listings, providing a global platform where products can continuously find renewed life and value that otherwise might be wasted. In 2022, eBay had approximately 850 million listings, generating \$4 billion in economic impact. eBay also grows wealth generation and work opportunities in disadvantaged communities.

## SDG 16 IDENTITY PROTECTORS (ECONOMIC SAVINGS)

### GEN DIGITAL

Gen Digital contributes to SDG 16 through its best-in-class antivirus apps and software. While the company has about 80 million global users, approximately 70% of its customers use its products for free, providing a critical public good to people worldwide. The company's software effectiveness comes from its antivirus scans which help remove malware files that enter a device. Its antivirus technology uses machine learning to get online threats to reveal themselves in milliseconds. Gen Digital protection software is also optimized to improve the user experience, decreasing the chance an individual will mistakenly divulge sensitive personal information. From 2022-25, the Investment Manager expects the company to increase its contribution to society by averting 58 million identity theft cases in the US, saving users approximately \$82 billion. This savings is approximately 28x of the Department of Homeland Security's FY2023 budget (\$2.9 billion) for cybersecurity and infrastructure security.

# SDG 7

# Climate & Clean Energy Leaders



# Impact overview

We estimate that Flex, through its NexTracker business, will increase global solar output by 20,000 MW from 2022-25, which would raise global solar production by 1-2%. This additional solar output could power 3.9 million homes. Additionally, Flex helps solve SDG 8 through its best-in-class outsourced business model which decouples economic growth from environmental degradation because of its global scale, provision of real-time supply chain insight, and logistics services. To measure its sustainable impact we compared Flex’s carbon, waste, and water intensity to those of Jabil and Foxconn. Flex outperforms its peers in most categories.



## Company Description/Thesis

Through its NexTracker brand, Flex is the leading global producer of solar trackers which automatically tilt solar panels to follow the sun. With industry-leading technology and a trusted brand, NexTracker has a moat around its business that has helped garner a 30% market share.

Flex is the world’s second largest outsourced manufacturing company, with approximately 200,000 employees at 100 sites in 30 countries. Flex makes a wide variety of everyday products for well-known OEMs, such as desktop computers for Apple, wearable devices for Fitbit, in-car connectivity products for Ford, connected medical devices, and more.

## Environmental or Social Problem Addressed

Solar energy is critical to decreasing GHG emissions and reaching the Paris Agreement’s goal of limiting global warming to 1.5 degrees Celsius by 2050. The global energy mix needs to be 90% renewables, with 70% of that energy coming from solar and wind. Yet, since the United Nations Framework Convention on Climate Change (UNFCCC) entered into force thirty years ago, emissions from energy and industry have

<p><b>THEME</b></p> <p>Climate &amp; Clean Energy Leaders</p> <p><b>SUSTAINABLE REVENUE</b></p> <p>100%</p>	<p><b>SDG SUB-GOAL</b></p> <p><b>Goal 7.1</b> Ensure universal access to affordable, reliable and modern energy services</p> <p><b>Goal 8.4</b> Improve resource efficiency and decouple economic growth from environmental degradation</p>	
<p><b>ACTIVITY</b></p> <p><b>Goal 7.1</b> Nextracker – Smart solar trackers boost efficiency by 15-30%</p> <p><b>Goal 8.4</b> Outsource manufacturing company</p>	<p><b>OUTPUT</b></p> <p><b>Goal 7.1</b> From 2022-25, the company expects to improve installed solar capacity by shipping 350 million solar trackers</p> <p><b>Goal 8.4</b> Outsourced manufacturing provides real-time supply chain insight and logistics services that reduce emissions, waste, and water</p>	<p><b>OUTCOME</b></p> <p><b>Goal 7.1</b> From 2022-25, Flex aims to increase installed solar capacity output by 20,000 MW</p> <p><b>Goal 8.4</b> Flex outperforms its peers in carbon and water intensity, but Jabil’s and Foxconn’s waste intensity is slightly more efficient than Flex’s</p>
<p><b>IMPACT</b></p> <p><b>Goal 7.1</b> By 2025, we expect Flex to raise global installed solar capacity output by 1-2%, equivalent to powering 3.9 million homes</p> <p><b>Goal 12.2</b> Improve clients’ corporate resilience to climate risks by providing a flexible supply chain. Flex also measures environmental impact and helps improve the lifecycle of customer products, i.e., lowering carbon footprint by optimizing the supply chain</p>		

increased 60% from preindustrial levels. The world needs to add 496,000 MW of solar power over the next 30 years to mitigate the worst effects of climate change, and increasing the efficiency of solar panels is critical to achieving this goal.<sup>i</sup>

Additionally, the world needs to rapidly scale renewable energy deployment to help mitigate the environmental impact of the manufacturing sector. From 1995-16, GHG emissions from manufacturing increased by 120%, raising manufacturing’s share of global emissions from 15% to 23%. The growth of this sector’s emissions is primarily due to the dramatic increase in net investment within emerging markets.<sup>ii</sup> Unfortunately, improvements in the manufacturing sector’s environmental impact have not outweighed the negative impact of the industry’s growth. While many companies increasingly want and need to reduce the environmental impact of manufacturing products, they have limited experience and technical capacity to reduce and measure emissions effectively. Insourced manufacturing tends to be more wasteful than outsourced production.

**Impact: Deploys Solar Energy/ Decouples Economic Growth from Environmental Degradation**

Flex’s contribution to SDG 7 comes from its NexTracker brand, the number one global producer of solar trackers. Solar

trackers improve the capacity of solar panels by automatically positioning each panel, increasing production by 15-30%. For example, in the Northeastern US the tilt of the panels must change by 30 degrees every six months to capture the maximum amount of sunlight.<sup>iii</sup> In 2022, NexTracker shipped an estimated 70 million solar trackers, increasing solar output by 3,900 MW.

We expect Flex’s contribution to SDG 7 to grow over the next few years as the NexTracker business scales. From 2022-25, we estimate that Flex will increase global solar output by 20,000 MW, raising global solar production by 1-2%. This additional solar output could power 3.9 million homes. By producing solar trackers, Flex’s products enable the energy transition and support the growth of solar development worldwide, helping society achieve SDG 7.

Flex helps solve SDG 8 through its best-in-class outsourced business model, which decouples economic growth from environmental degradation because of its global scale, provision of real-time supply chain insight, and logistics services. To enable the sustainable growth of its clients’ services and products, Flex focuses on two key activities: 1) analysis and measurement and 2) product lifecycle services. Due to the company’s scale, Flex can gather data from 100 sites

and 1,000 customers. The company then disseminates the results to clients to improve their science-based approach to sustainability. This process also allows Flex to improve clients’ corporate resilience to climate risks, such as by identifying high-risk locations. Additionally, Flex’s ability to measure environmental impact has helped improve the lifecycle of its customers’ products. For example, Flex can minimize the carbon footprint of companies’ supply chains by assisting customers in regionalizing their distribution centers, depots, and modes of transportation.

To measure Flex’s contribution to SDG 8, we compared the carbon, waste, and water intensity to those of its largest competitors, Jabil, and Foxconn. Flex outperformed its peers in most categories. However, Jabil’s and Foxconn’s waste intensity is slightly more efficient than Flex’s (4.0 and 4.8, respectively vs. 5.6 tCO2e/\$mm Revenue).

Year	FLEX			FOXCONN (HON HAI)			JABIL		
	Carbon Intensity (tCO2e/\$mm Revenue)	Waste Intensity (t/\$mm Revenue)	Water Withdrawn Intensity (M3/\$mm Revenue)	Carbon Intensity (tCO2e/\$mm Revenue)	Waste Intensity (t/\$mm Revenue)	Water Withdrawn Intensity (M3/\$mm Revenue)	Carbon Intensity (tCO2e/\$mm Revenue)	Waste Intensity (t/\$mm Revenue)	Water Withdrawn Intensity (M3/\$mm Revenue)
2018	35.6	5.6	287.4			585.2	33.2	3.6	627.8
2019	31.4	5.2	271.9	47.8		552.7	31.6	3.4	520.9
2020	29.6	5.2	240.0	28.8		461.4	36.5	4.3	567.9
2021	30.7	6.4	241.9	29.5	4.8	416.1	27.5	5.6	598.7
<b>Average</b>	<b>33.7</b>	<b>5.6</b>	<b>280.6</b>	<b>35.4</b>	<b>4.8</b>	<b>503.9</b>	<b>45.9</b>	<b>4.0</b>	<b>602.2</b>

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

15% of Flex's operating profit comes from NexTracker's production of solar trackers (SDG 7), and 85% comes from the outsourcing business model which decouples economic growth from environmental degradation (SDG 8).

## Measurability

YEAR	SOLAR TRACKERS SHIPPED (MM)	SOLAR TRACKERS SHIPPED (MW)	LOW END INCREASED SOLAR OUTPUT	HIGH END INCREASED SOLAR OUTPUT	INCREASED PRODUCTION FROM NEXTRACKER (MW)
2022	70	17,000	15%	30%	3,900
2023	80	20,000	15%	30%	4,500
2024	90	23,000	15%	30%	5,200
2025	110	27,000	15%	30%	6,000
<b>Total</b>	<b>350</b>	<b>87,000</b>			<b>20,000</b>

## Intentionality

Flex's commitment to sustainability extends from the Board of Directors and C-Suite throughout the company. Its CEO, Revathi Advaiti, is a well-known sustainability advocate, who has continued to drive Flex to increase its positive impact, from diversity and inclusion to the company's environmental footprint. For example, the Board's Compensation and People Committee recently linked the CEO's compensation to ESG. Its Nominating and Corporate Sustainability Leadership Committee measures the company's sustainability practices using external benchmarks, including State Street's "R-Factor" score for responsibility and ISS's governance quality score. Additionally, Flex is well ahead of its peers in achieving the SDGs; the company's impact strategy has been aligned with the SDGs since they were launched in 2015.<sup>iv</sup>

## Sustainability

While the benefits of solar energy outweigh its negative externalities, the supply chain has material environmental impacts. Flex is developing a solid environmental ISO 14001 management system to mitigate negative impacts and has already implemented the program across 75% of its operations, a seven percentage point increase from 2021. From an upstream perspective, Flex requires its suppliers to undergo rigorous environmental and social impact assessment (ESIA) and Responsible Business Alliance (RBA) training. Flex has negligible ESG risks and controversies; its carbon intensity is 81% lower than the MSCI World average. Downstream impacts are decreasing since solar systems' lifespans have grown to 30 years and are now 80% recyclable. However, because something is recyclable doesn't mean it will be recycled. eWaste is a growing challenge for the industry since solar decommissioning won't happen at scale for 10-20 years due to solar's long lifespan. Over 90% of decommissioned US solar panels are in a landfill. Flex is working with customers and partners to minimize eWaste and the environmental impact of their products. We will continue to track the progress of these initiatives.

## ESG RISK RATING

Refinitiv

**A- (83.1)**

Sustainalytics

**Negligible (6.4)**

## CARBON INTENSITY

**29.7** (tCO<sub>2</sub>e/\$mm Revenue)  
81% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**27% Female**

**73% Male**

Executive Leadership:

**17% Female**

**83% Male**

<sup>i</sup>IEA. 2021. Net Zero by 2050: A Roadmap for the Global Energy Sector. IEA: <https://www.iea.org/reports/net-zero-by-2050>

<sup>ii</sup>Hertwich, E.G. 2021. Increased carbon footprint of materials production driven by rise in investments. Nature: <https://www.nature.com/articles/s41561-021-00690-8>

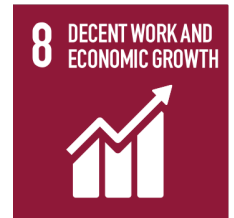
<sup>iii</sup>Unbound Solar. 2018. Tilt & Azimuth Angle: Finding the Optimal Angle to Mount Your Solar Panels. Unbound Solar: <https://unboundsolar.com/blog/solar-panel-azimuth-angle>

<sup>iv</sup>Flex. 2019. Flex 20 by 2020 Progress Report. Flex Ltd: [https://flex.com/-/media/Project/Flex/BrandSite/about/Sustainability/reporting-and-alignment/Flex-20-by-2020-Report\\_CY2018.pdf](https://flex.com/-/media/Project/Flex/BrandSite/about/Sustainability/reporting-and-alignment/Flex-20-by-2020-Report_CY2018.pdf)



# Impact overview

Hitachi helps solve SDG 7 and SDG 8 by developing, manufacturing, and selling sustainable products and services, enabling customers to make positive environmental contributions. To measure Hitachi’s impact, we used historical data and the company’s Scope 3 (Use of Product Sold) emissions reduction targets to model its projected avoided emissions from distributing modern clean energy solutions, compared to its 2021 baseline. From 2022-25, Hitachi is expected to substantially grow its positive impact, avoiding 182 million tCO2e from the use of its sold products. This would save society \$9.3 billion by mitigating the negative effects of climate change and improving economic outcomes, including reducing changes in agricultural productivity, damages caused by sea level rise, and a decline in human health and labor productivity.



## Company Description/Thesis

Hitachi is a technology-driven conglomerate with deep roots in manufacturing. The company has global leadership positions in eight segments, including Mobility, Energy, IT, and Smart Life. In its energy business, Hitachi is the world’s largest maker of smart grid technology. The company’s railcar business manufactures world-class trains incorporating predictive software for when preventative maintenance is needed. This “smart-train” solution leads to lower lifetime costs and emissions for Hitachi’s customers. Hitachi’s Smart Life segment handles eco-friendly home appliances, urban energy management, and more.

Hitachi is a collection of good businesses, each of which leverages Hitachi’s core expertise in technology and operational

<p><b>THEME</b></p> <p>Climate &amp; Clean Energy Leaders</p>	<p><b>SDG SUB-GOAL</b></p> <p><b>Goal 7.1</b> Ensure universal access to affordable, reliable and modern energy services</p>	
<p><b>SUSTAINABLE REVENUE</b></p> <p>100%</p>	<p><b>Goal 8.4</b> Improve resource efficiency and decouple economic growth from environmental degradation</p>	
<p><b>ACTIVITY</b></p> <p>Develops, manufactures, and sells best-in-class sustainable products and services</p>	<p><b>OUTPUT</b></p> <p>Enables Hitachi customers to make direct positive contributions to the environment while minimizing negative externalities</p>	<p><b>OUTCOME</b></p> <p>In 2022, it aimed to avoid 26 million tCO2e from the use of its sold products</p>
<p><b>IMPACT</b></p> <p>From 2022-25, Hitachi aims to avoid 182 million tCO2e from the use of its sold products and save society \$9.3 billion by mitigating the effects of climate change and improving economic outcomes</p>		

excellence. Hitachi competes only where it perceives distinct competitive advantages, which helps explain why the company earns a double-digit ROE. This focus comes after a significant transformation over the past ten years, which has seen Hitachi exit major, commodity-like manufacturing operations.

### **Environmental or Social Problem Addressed**

To reach the goals of the Paris Agreement and the SDGs, we must continue improving energy efficiency and “electrifying everything” by producing most of our electricity using renewable energy sources.<sup>i</sup> However, fossil fuels, including coal, oil, and natural gas, have been powering economies for over 150 years, and as of 2020, they supply about 80% of the world’s energy.<sup>ii</sup> Our reliance on a grid powered by fossil fuels is problematic because a lack of clean energy limits the impact of sustainable products. For example, the positive benefits of EVs rapidly diminish when the electricity used to charge them is made from highly pollutive energy sources like coal. While clean energy is critical to limiting the effects of climate change, the supply chain facilitating the energy transition must also balance economic opportunities with mitigating negative externalities, such as mitigating the impact of the products and services that make clean energy systems possible.

### **Impact: Deploys Clean Energy/ Decouples Economic Growth from Environmental Degradation**

Hitachi helps solve SDG 7 and SDG 8 by developing, manufacturing, and selling best-in-class sustainable products and services, enabling customers to make positive environmental contributions. For example, in 2022, Hitachi was selected to supply its cutting-edge high-voltage direct current converter station to support renewable energy

transmission between Canada and New York State. The project will enable New York to be powered by 70% renewable energy by 2030. The transmission solution is expected to decrease GHG emissions by an average of 3.9 million tCO<sub>2</sub>e per year, equivalent to removing 44% of passenger vehicles from New York City. Hitachi’s technology will support the transfer of up to 1,250 MW of electricity, enough to power 1 million New York households.<sup>iii</sup>

As of 2021, Hitachi surpassed its goal of lowering the carbon intensity of its products and services by seven percentage points, creating a 28% reduction compared to its 2010 baseline. To facilitate its shift toward more sustainable products and services, Hitachi will invest \$8.2 billion in research and development over the three years through FY2024, up 28% from the three years prior.<sup>iv</sup> To further its commitment toward solving SDG 7 and SDG 8, Hitachi

recently set an ambitious SBTi 1.5 degree C approved target to reduce absolute Scope 3 GHG emissions (Use of Sold Products) by 40% by 2030 from a 2010 baseline. ESG Book confirms that Hitachi is on track to achieve this goal.

We used historical data and the company’s Scope 3 emissions targets to measure Hitachi’s impact and model its projected avoided emissions from distributing modern, clean energy and grid solutions, compared to its 2021 baseline. From 2022–25, Hitachi will substantially grow its positive impact, avoiding 182 million tCO<sub>2</sub>e from the use of its products. The company’s avoided emissions save society \$9.3 billion<sup>1</sup> by mitigating the adverse effects of climate change and improving economic outcomes, including reducing changes in agricultural productivity, damages caused by a rising sea level, and the decline in human health and labor productivity.

**From 2022–25, Hitachi will substantially grow its positive impact, avoiding 182 million tCO<sub>2</sub>e from the use of its products. The company’s avoided emissions save society \$9.3 billion<sup>1</sup> by mitigating the adverse effects of climate change.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

100% of Hitachi's revenues contribute to SDG 7 and SDG 8 by developing, manufacturing, and selling best-in-class sustainable products and services.

## Measurability

YEAR	SCOPE 3 – USE OF SOLD PRODUCT (MM tCO2e)	SCOPE 3 INTENSITY – USE OF SOLD PRODUCT (tCO2e/¥MM)	2021 BASELINE SCOPE 3 EMISSIONS (MM tCO2e)	AVOIDED EMISSIONS W/ MODERN TECHNOLOGY (MM tCO2e)	AVOIDED COST TO SOCIETY FROM CLIMATE CHANGE (BN)
2022	121	12	147	26	\$1.3
2023	118	11	160	42	\$2.1
2024	114	10	167	53	\$2.7
2025	110	9	171	61	\$3.1
<b>Total</b>				<b>182</b>	<b>\$9.3</b>

As an example of Hitachi's work reducing emissions through its rail business, we measure the outcomes of Hitachi's Metro Rail Project in Lucknow, the capital of Uttar Pradesh, which will significantly reduce vehicle emissions.

## Intentionality

Sustainability and the SDGs are a core part of Hitachi's philosophy and business model. In 2022, Hitachi announced its new Green Strategy, which sets out two pillars for becoming a climate change innovator:

1. GX for Core: Continue investing in energy efficiency and renewable for its consumption and reducing Scope 3 emissions through increased value change management, product redesign, and engagement of key customers.
2. GX for Growth: Enable other companies to reduce GHG emissions through enhanced product offerings like i. shifting them toward a green product portfolio by reducing emissions during its product's operation, ii. providing E2E solutions such as developing carbon management platforms, and iii. investing in new green technologies to broaden Hitachi's products and services.

## Sustainability

Hitachi is a solid ESG Leader, though Sustainalytics rates the company as High Risk, mainly because of an anti-trust issue years ago at an automotive subsidiary that Sustainalytics now considers resolved. This development is reflected in Refinitiv's "A" ESG rating. Most recently, Hitachi settled one moderate controversy regarding anti-competitive practices (automotive price fixing) and faced another moderate controversy regarding a data breach. We expect Sustainalytics to improve the company's ESG risk rating now that it has adequately resolved both controversies and has not faced any other significant, high, or severe controversies in 2022. It is important to note that anti-competitive practices are common in the electrical and electronic equipment industry. Still, it is concerning that many of the lawsuits that Hitachi was involved in resulted in fines. Even though the penalties are insignificant thus far, the fines may pose a financial burden if Hitachi continues its involvement in anti-competitive behavior. We have found no concerning practices in Hitachi's other material ESG issue areas: energy management, waste, and hazardous materials, product quality and safety, product design and lifecycle management, and materials sourcing.

## ESG RISK RATING

Refinitiv

**A (89.0)**

Sustainalytics

**High Risk (31.3)**

## CARBON INTENSITY

**40.4** (tCO2e/\$mm Revenue)

74% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**15% Female**

**85% Male**

Executive Leadership:

**3% Female**

**97% Male**

<sup>1</sup>We use the US government's social cost of carbon of \$51 per tCO2e to measure our portfolio's avoided environmental impact on society.

<sup>2</sup>Thompson, Derek. 2022. Forget 'Reduce, Reuse, Recycle': A new book suggests that the best way to save the planet is through abundance. The Atlantic: <https://www.theatlantic.com/newsletters/archive/2022/02/saul-griffith-electrify-everything-solution-save-humanity/622911/>

<sup>3</sup>Environmental and Energy Study Institute. 2020. Fossil Fuels. EESI: <https://www.eesi.org/topics/fossil-fuels/description#:~:text=Fossil%20fuels%E2%80%94including%20coal%2C%20oil,percent%20of%20the%20world's%20energy.>

<sup>4</sup>Hitachi Energy. 2022. Hitachi Energy to support major renewable electricity transmission between Canada and New York City. Hitachi: <https://www.hitachienergy.com/us/en/news/press-releases/2022/09/hitachi-energy-to-support-major-renewable-electricity-transmission-between-canada-and-new-york-city>

<sup>5</sup>Yoichiro Hiroi. 2022. Hitachi bets big on environment, digital tech to buck downturn: CEO. Nikkei: <https://asia.nikkei.com/Editor-s-Picks/Interview/Hitachi-bets-big-on-environment-digital-tech-to-buck-downturn-CEO>

# Impact overview

Kyudenko makes a material contribution toward solving SDG 7 and SDG 9 by helping Japan accelerate the deployment of renewable energy, energy efficiency, and grid modernization technology. From 2022-25, we estimate that Kyudenko will increase its renewable energy capacity from 355 to 457 MW which could power over 91,400 homes. Kyudenko supports solving SDG 9 by retrofitting buildings and upgrading Japan's infrastructure. We found that Kyudenko's impact could avoid 270,000 tCO<sub>2</sub>e by deploying energy efficiency technology in buildings, equivalent to the annual emissions of nearly 90,000 Japanese homes.

**7** AFFORDABLE AND CLEAN ENERGY



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



## Company Description/Thesis

Kyudenko is an integrated electricity and facility engineering firm in Japan. The company leads the design, construction, and maintenance of electrical infrastructure and systems. Kyudenko's business activities include 1) developing and operating renewable energy facilities, such as solar and wind, 2) retrofitting residential and commercial buildings with new efficient energy management and HVAC systems (heating, ventilation, and air conditioning), 3) upgrading and installing energy infrastructure, such as overhead/underground transmission lines, distribution lines to homes, and battery storage systems for frequency and voltage support.

Kyudenko operates simple and predictable business models, with more than 40% of revenues coming from more recurring maintenance and renewal work. This is a structurally attractive, asset-light company with historical double-digit returns on capital.

### THEME

Climate & Clean Energy Leaders

### SUSTAINABLE REVENUE

95%

### ACTIVITY

Electrical engineering firm – Installs solar and wind

Electrical engineering firm – modernizes infrastructure, resulting in improved energy efficiency

Energy management solutions (EMS) – smart meters and data from energy storage units to balance demand and supply issues from intermittent energy sources

### IMPACT

Its new solar and wind projects alone could provide clean power to approximately 22,400 households in Japan

Kyudenko's energy efficiency projects avoid the equivalent of 90,000 Japanese homes

Kyudenko's installed sustainable energy system helped lower and stabilize energy costs in remote areas and created a strong business case to scale Samba's energy transition. The success of the pilot encouraged more projects abroad

### SDG SUB-GOAL

#### Goal 7.1

Ensure universal access to affordable, reliable and modern energy services

#### Goal 9.4

Upgrade infrastructure and increase clean energy technology

### OUTPUT

As of 2022, Kyudenko completed 87 MW of solar, 39 MW of wind, and 229 MW of renewable energy through equity investments, totaling 355 MW

Replacing outdated equipment in commercial and residential buildings, Kyudenko can reduce emissions by 12%

Case Study: In 2018, Kyudenko partnered with the Government of Indonesia to develop sustainable energy systems on Samba Island

### OUTCOME

By 2025, install an additional 112 MW of renewable energy through equity investments, raising installed capacity to 457 MW

Energy efficiency projects avoid 270,000 tCO<sub>2</sub>e

The Government of Indonesia used EMS technology to deploy renewable energy and battery storage systems

## Environmental or Social Problem Addressed

Island nations are disproportionately impacted by climate change, facing challenges such as growing deforestation/desertification, increasing frequency and intensity of storms, and rising sea levels and temperatures. Despite abundant natural resources for hydro, solar, and wind power, many islands have an overreliance on imported fossil fuels. 93% of Japan's energy supply is imported<sup>i</sup>, and the country has one of the world's highest carbon intensities from power generation.<sup>ii</sup> Japan is also the sixth largest GHG emitter behind China, the US, the European Union, India, and Russia.

To overcome these challenges, Japan committed to reaching net zero by 2050, with an interim goal of reaching a 46% emissions reduction by 2030, relative to 2013. Japan is focusing on the energy sector to reach its climate targets since that sector makes up 37% of emissions.<sup>iii</sup> The country is determined to shut down all unabated coal-fired power generation by 2030 and increase solar and wind power by 275 GW by 2050.<sup>iv</sup> Additionally, the government aims to improve energy efficiency by 35%.<sup>v</sup> While Japan's largest cities have adopted energy-efficient and grid modernization technology, there is room for improvement nationally.

### Impact: Affordable & Clean Energy/ Resilient Infrastructure

Kyudenko makes a material contribution toward solving SDG 7 and SDG 9 by helping Japan accelerate the deployment of renewable energy, energy efficiency, and grid modernization technology. The company builds and services technology that will enable the country to meet its long-term energy, resource reduction, and climate resilience goals. Kyudenko's dedicated renewable energy segment constructs and maintains solar power systems and wind turbines. The company's

commitment goes beyond being a supplier. For example, Kyudenko built and holds an equity interest in the Nanatsu Island Mega Solar Power Station, one of the largest in Japan.

To measure Kyudenko's contribution to SDG 7, we focus on Kyudenko's solar and wind generation from its projects and equity investments in renewables. From 2022-25 we expect Kyudenko to increase its renewable energy capacity from 355 MW to 457 MW. This increase in renewable energy capacity from new projects alone could power over 22,400 homes.

Kyudenko supports solving SDG 9 by retrofitting buildings and upgrading Japan's infrastructure to improve resource efficiency by adopting clean technology. Energy consumption from Japan's commercial and residential buildings makes up 10-11% of total emissions. Kyudenko has approximately a 5% market share in modernizing the built infrastructure through energy-efficient technology such as HVAC and exhaust heat recovery systems. Replacing outdated equipment in commercial and residential buildings can reduce emissions by 12%.<sup>vi</sup> Using these assumptions, we estimate that Kyudenko could avoid 270,000 tCO<sub>2</sub>e by deploying energy-efficient technology in buildings, equivalent to the annual emissions of 90,000 Japanese homes.

Additionally, Kyudenko's energy management solutions (EMS) further improve grid modernization and resource efficiency by using smart meters and data from energy storage units to balance demand and supply issues from intermittent energy sources like solar and wind power. The company aims to scale its EMS segment to developing countries, especially other island nations, to help with their specific energy and resource efficiency challenges.

For example, in 2018, Kyudenko partnered with Indonesia's Ministry of the Environment and Ministry of Economy, Trade, and Industry to develop sustainable energy systems on Sumba Island, which has a population of 600,000. Creating a financially attractive business case for upgrading energy infrastructure on islands can be challenging. The Indonesian government used Kyudenko's EMS technology to deploy renewable energy and battery storage systems to lower and stabilize the cost of energy and improve reliability in remote and under-populated areas, creating a solid business case to scale Sumba's energy transition. Kyudenko and the government were encouraged by the results of this pilot, and the company aims further to deploy its EMS technology abroad.<sup>vii</sup>

**From 2022-25 we expect Kyudenko to increase its renewable energy capacity from 355 MW to 457 MW. This increase in renewable energy capacity from new projects alone could power over 22,400 homes.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

15% of Kyudenko's revenue contributes to solving SDG 7 by developing and managing solar plants. 80% of Kyudenko's revenue supports SDG 9 by building and upgrading Japan's infrastructure.

## Measurability

YEAR	SOLAR POWER GENERATION (MW)	WIND POWER GENERATION (MW)	SOLAR/WIND POWER GENERATION THROUGH EQUITY INV (MW)	TOTAL RENEWABLE ENERGY OUTPUT (MW)	INCREMENTAL RENEWABLE ENERGY OUTPUT (MW)	AVOIDED EMISSIONS FROM ENERGY EFFICIENCY PROJECTS (tCO2e)
2022	87	39	229	355	10	69,000
2023	87	39	239	365	10	68,000
2024	87	39	249	375	10	67,000
2025	97	39	331	457	82	66,000
<b>Total</b>					<b>112</b>	<b>270,000</b>

## Intentionality

Kyudenko has a strong commitment to reducing Japan's environmental impact. The company's Mid-term Management Plan 2020-24 focuses on sustainable growth and details Kyudenko's new initiatives to achieve SDG 7 and SDG 9, such as expanding its renewable energy business. For example, one strategy is to develop solar and battery recycling technology. By the end of the decade, Japan will need to recycle solar panels in mass. Kyudenko aims to fully repair and reuse them, increasing their circularity and mitigating human rights issues around rare earth minerals mining. The technology is not fully available yet, but Kyudenko is developing a pilot to use recycled solar panels at its places of operation, which has the dual objective of helping the company achieve its net zero target.

## Sustainability

As an integrated electricity and facility engineering firm, Kyudenko faces several ESG risks related to biodiversity, employee/product safety, product circularity, and business ethics. During underwriting, we found no ESG risks that could negatively affect the company's long-term earnings power. For example, to improve employee safety, Kyudenko established the Kyudenko Academy, which trains employees at its Hazard Experience Training Facility to raise awareness and improve their ability to handle hazards in a controlled environment. It was difficult to quantitatively examine Kyudenko's negative externalities in the past due to a lack of transparency. We are happy to report that Kyudenko continues to improve its disclosures and goal-setting practices. During our annual engagement call in February 2023, the company said it published its first TCFD report and developed GHG emission reduction targets, including a commitment to become net zero by 2050. We will continue to engage the company regularly to improve its ESG practices, policies, and outcomes.

## ESG RISK RATING

Refinitiv

**NA**

Sustainalytics

**NA**

## CARBON INTENSITY

**3.6** (tCO2e/\$mm Revenue)  
98% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**8% Female**  
**92% Male**

Executive Leadership:

**NA**

<sup>1</sup>World Bank. 2014. Energy imports, net (% of energy use) - Japan. World Bank: <https://data.worldbank.org/indicator/EG.IMP.CON.S.ZS?locations=JP>

<sup>2</sup>IEA. 2021. Japan 2021 Energy Policy Review. IEA: <https://www.iea.org/reports/japan-2021>

<sup>3</sup>Kuwabara, T., Mohr, D., Sauer, B., et al. 2021. How Japan could reach carbon neutrality by 2050. McKinsey Sustainability: <https://www.mckinsey.com/business-functions/sustainability/our-insights/how-japan-could-reach-carbon-neutrality-by-2050>

<sup>4</sup>Kuwabara, et al., 2021.

<sup>5</sup>EU-Japan Centre. 2018. JAPAN'S NEW BASIC ENERGY PLAN UNTIL 2030 APPROVED. EU-Japan Centre for Industrial Cooperation: <https://www.eu-japan.eu/news/japans-new-basic-energy-plan-until-2030-approved>

<sup>6</sup>IEA. Multiple Benefits of Energy Efficiency - Energy Savings. IEA: <https://www.iea.org/reports/multiple-benefits-of-energy-efficiency/emissions-saving>

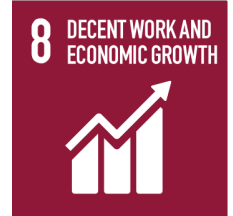
<sup>7</sup>Kyudenko. 2019. 2019 Integrated Report. Kyudenko: [https://www.kyudenko.co.jp/docs/20191213\\_integrated\\_report\\_EN.pdf](https://www.kyudenko.co.jp/docs/20191213_integrated_report_EN.pdf)





# Impact overview

Rexel helps solve SDG 7 and SDG 8 by distributing and promoting solar, wind, and energy efficiency products, enabling its customers to make direct, positive contributions to the environment. This also improves the sustainability of clean energy supply chains by offering sustainable inputs and monitoring systems. To measure Rexel's impact, we modeled projected avoided emissions from distributing modern clean energy solutions compared to the company's 2021 baseline. From 2022-25, Rexel is expected to substantially grow its positive impact, avoiding 42 million tCO<sub>2</sub>e from the use of its sold products. This would save society \$2.1 billion by mitigating the negative effects of climate change and improving economic outcomes, including reducing changes in agricultural productivity, damages caused by a rising sea level, and a decline in human health and labor productivity.



## Company Description/Thesis

Rexel is a French company engaged in distributing efficient and sustainable electrical products and solutions for residential and commercial buildings, industrial assets, and tertiary infrastructures. The company's product range includes electrical installation equipment, conversion systems, energy storage, conduits and cables, lighting, security, communication, measuring instruments, protective equipment, etc.

Rexel is a high-quality business that has generated an average return on capital of 20% over the past decade, helped by very low capital intensity of just 1% capex-to-revenue. Rexel sells low-voltage components critical to an electrician's work but represents a small portion of their total project cost. As such, Rexel customers are much more focused

<p><b>THEME</b></p> <p>Climate &amp; Clean Energy Leaders</p>	<p><b>SDG SUB-GOAL</b></p> <p><b>Goal 7.1</b> Ensure universal access to affordable, reliable and modern energy services</p> <p><b>Goal 8.4</b> Improve resource efficiency and decouple economic growth from environmental degradation</p>	
<p><b>SUSTAINABLE REVENUE</b></p> <p>50%</p>		
<p><b>ACTIVITY</b></p> <p>Sells and promotes best-in-class sustainable solar, wind, and energy efficiency products</p>	<p><b>OUTPUT</b></p> <p>Enables its customers to make direct positive contributions to the environment while minimizing negative externalities</p>	<p><b>OUTCOME</b></p> <p>In 2022, Rexel aims to avoid 8.6 million tCO<sub>2</sub>e from the use of its products</p>
<p><b>IMPACT</b></p> <p>From 2022-25, Rexel aims to avoid 42 million tCO<sub>2</sub>e from the use of its products and save society \$2.1 billion by mitigating the effects of climate change and improving economic outcomes</p>		

on good service and availability – getting the right products on time – than seeking the lowest price. Rexel's customers can have their orders delivered to their site within hours or immediately have access to a complete selection of products and expert assistance at a nearby branch. It would be extremely challenging to replicate profitably Rexel's service business because of its dense local scale. Rexel is the #1 or #2 player in segments comprising 60% of its revenue base.

### **Environmental or Social Problem Addressed**

To reach the goals of the Paris Agreement and the SDGs, we must continue improving energy efficiency and "electrifying everything" by producing most of our electricity using renewable energy sources.<sup>i</sup> However, many homes in the US and abroad use diesel, natural gas, and oil to power heating and cooking systems. Fossil fuels and coal power 60% of the electrical grid in the US.<sup>ii</sup> This is problematic because a lack of clean energy limits the impact of sustainable products. For example, the positive benefits of EVs rapidly diminish when the electricity used to charge them is made from highly pollutive energy sources like coal. Additionally, while clean energy is critical to limiting the effects of climate change, the supply chain that facilitates the energy transition must also balance economic opportunities with limiting negative externalities, such as mitigating the impact of the components that make clean energy systems possible.

### **Impact: Deploys Clean Energy/ Decouples Economic Growth from Environmental Degradation**

Rexel helps solve SDG 7 and SDG 8 by distributing and promoting solar, wind, and energy efficiency products, enabling customers to make positive environmental contributions. As part of the company's core business strategy it directly supports its 615,000 customers by using best-in-class sustainable products to achieve their objectives. It trains them on new topics and more advanced solutions so they can capitalize on environmentally friendly business opportunities. In sum, Rexel offers the necessary products and solutions to facilitate the energy transition, decouple economic growth from environmental degradation, and improve sustainability throughout the value chain, i.e. avoid emissions from the use of products that the company sells.

To further its commitment toward solving SDG 7 and SDG 8, Rexel set an ambitious impact goal to reduce absolute Scope 3 (Use of Product Sold) emissions per euro of revenue 60% by 2050 from its 2016 baseline. ESG Book confirms that Rexel is on track to reach the Paris Agreement's goal of limiting global warming to 2 degrees Celsius by 2050.

To measure Rexel's impact, we used historical data to model its projected avoided emissions from distributing modern, clean energy solutions compared to its 2021 baseline. From 2022-25, Rexel is expected to substantially grow its positive impact, avoiding 42 million tCO<sub>2e</sub> from the use of its sold products. This should save society \$2.1 billion<sup>1</sup> by mitigating the adverse effects of climate change and improving economic outcomes, including reducing changes in agricultural productivity, damages caused by sea level rise, and a decline in human health and labor productivity.

**From 2022-25, Rexel is expected to substantially grow its positive impact, avoiding 42 million tCO<sub>2e</sub> from the use of its sold products. This should save society \$2.1 billion by mitigating the adverse effects of climate change.**



# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

50% of Rexel's revenues impact SDG 7 and SDG 8 by promoting and selling best-in-class renewable energy and energy efficiency products.

## Measurability

YEAR	SCOPE 3 CARBON INTENSITY <sup>2</sup> (tCO <sub>2e</sub> /€MM)	2021 BASELINE SCOPE 3 EMISSIONS (MM TCO <sub>2E</sub> )	PROJECTED SCOPE 3 EMISSIONS (TCO <sub>2E</sub> )	AVOIDED EMISSIONS W/ MODERN TECHNOLOGY (MM TCO <sub>2E</sub> )	AVOIDED COST TO SOCIETY FROM CLIMATE CHANGE (MM)
2022	1,640	39.3	30.7	8.6	\$440
2023	1,600	39.9	30.4	9.4	\$480
2024	1,540	41.2	30.2	11.0	\$560
2025	1,470	42.9	30.0	12.9	\$660
<b>Total</b>		<b>163.3</b>	<b>121.4</b>	<b>42.0</b>	<b>\$2,140</b>

## Intentionality

ESG is firmly embedded in the company's DNA, as demonstrated by the work of The Rexel Foundation. The Foundation is committed to fighting fuel poverty, which affects over 12 million people in France alone. Fuel poverty exists when a household cannot afford adequate energy services.<sup>iii</sup> For example, there is a very tight housing market in the Provence Côte d'Azur region of France. This has pushed poorer households into energy-consuming accommodations with non-existent or inefficient, poorly insulated, and poorly maintained heating and cooling systems. To reduce fuel poverty in the region, the Rexel Foundation conducts, among other activities, at-home visits allowing the NGO teams to identify the hurdles these households face, inform them of the available solutions and subsidies, help them renovate their homes, support them in their job-seeking initiatives, and more.

## Sustainability

Rexel is a clear ESG Leader whose negative externalities do not outweigh its positive impact. This is due to the low direct impact of its operations on the environment, as demonstrated by its negligible carbon intensity and solid ESG policies and practices. For example, Rexel ensures the responsible sourcing of materials by working with its suppliers to ensure that the provided products comply with its Conflict Minerals Policy aligned with the 10 Principles of the UNGC. Rexel assesses its suppliers' sustainability performance using EcoVadis to anticipate and mitigate the environmental, social, and ethical risks specific to their activities. 350 suppliers, representing 77% of the company's direct purchases, have received an EcoVadis questionnaire. Rexel is ranked "Gold" on the same platform.

## ESG RISK RATING

Refinitiv

**A- (79.2)**

Sustainalytics

**Low (15.4)**

## CARBON INTENSITY

**5.3** (tCO<sub>2e</sub>/\$mm Revenue)

97% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**50% Female**

**50% Male**

Executive Leadership:

**18% Female**

**82% Male**

<sup>1</sup>We use the US government's social cost of carbon of \$51 per tCO<sub>2e</sub> to measure our portfolio's avoided environmental impact on society.

<sup>2</sup>Scope 3 (Use of Sold Products)

<sup>3</sup>Thompson, Derek. 2022. Forget 'Reduce, Reuse, Recycle': A new book suggests that the best way to save the planet is through abundance. The Atlantic: <https://www.theatlantic.com/newsletters/archive/2022/02/saul-griffith-electrify-everything-solution-save-humanity/622911/>

<sup>4</sup>EIA. 2022. What is U.S. electricity generation by energy source? U.S. Energy Information Agency: <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3#:-:text=In%202021%2C%20about%204%2C16%20billion,facilities%20in%20the%20United%20States.&text=About%2061%25%20of%20this%20electricity,%2C%20petroleum%2C%20and%20other%20gases.>

<sup>5</sup>Boardman, B. 2012. International Encyclopedia of Housing and Home: Fuel Poverty. Science Direct: <https://www.sciencedirect.com/topics/social-sciences/fuel-poverty#:~:text=Fuel%20poverty%20exists%20when%20a,This%20is%20a%20normative%20definition.>



# Impact overview

SPIE makes a strong contribution to SDGs 7, 9, and 11. The company helps solve SDG 7 and SDG 11 through the promotion of electric vehicles (EVs) and installation of sustainable charging infrastructure. From 2022–25, we believe SPIE will install a total of 63,000 charging stations, which should service 620,000 EVs. This creates a meaningful contribution to society by generating an economic impact of \$560 million and avoiding 2.2 million tCO<sub>2</sub>e. SPIE contributes to SDG 9 by designing, operating, and maintaining modern and resilient electricity grids.



## Company Description/Thesis

SPIE provides mission-critical outsourced multi-technical services and engineering, primarily within Europe's energy, mechanical, HVAC, and communication industries. It develops sustainable solutions within these four strategic markets. SPIE's Smart City services cover the development of communication and mobility infrastructure. Its Energies segment includes installing transmission and distribution (T&D) infrastructure, nuclear, oil, and gas facilities, and engineering renewable energy power plants. SPIE's Industry Services cover solutions such as refrigeration, wine production processes, and ICT/IT services. Lastly, its E-efficient buildings solutions include various energy performance services such as designing, operating, and maintaining low-energy buildings.

SPIE operates a recurring business model with 80% of revenue tied to asset maintenance support services. The company is capital-light with negative working capital, high ROIC, and strong cash generation. SPIE has an excellent track record of M&A, a strong balance sheet, and an opportunity to continue taking share in a fragmented market.

### THEME

Climate & Clean Energy Leaders

### SUSTAINABLE REVENUE

58%

### SDG SUB-GOAL

#### Goal 7.3

Improve the energy efficiency of automobiles

#### Goal 9.4

Upgrade infrastructure and increase clean energy technology

#### Goal 11.2

Provide access to affordable, accessible, and sustainable transport systems

### ACTIVITY

#### Goal 7.3 & 11.2

Promotes use of EVs and installs EV charging infrastructure

#### Goal 9.4

Designs, operates, and maintains modern and resilient electricity grids

### OUTPUT

#### Goal 7.3 & 11.2

From 2022–25, it's estimated to install 63,000 charging stations

#### Goal 9.4

Case study: In November 2020, completed a grid stabilization project for TransnetBW, the grid operator for the Stuttgart region in Germany

### OUTCOME

#### Goal 7.3 & 11.2

From 2022–25, it charges approximately 620,000 EVs and electric hybrids

#### Goal 9.4

Ensures reliable power supply as the country shuts down conventional power plants, increases the supply of intermittent renewable energy, and adapts to extreme weather events

### IMPACT

#### Goal 7.3 & 11.2

From 2022–25, we expect the company to create an economic impact of \$560 million and avoid 2.2 million tCO<sub>2</sub>e

#### Goal 9.4

The project creates a resilient and modern energy system for the Stuttgart region, home to 5.3 million people

## Environmental or Social Problem Addressed

To reach the Paris Agreement's goal of limiting global warming to 1.5- to 2.0-degrees Celsius, there is an urgent need to promote electric mobility solutions, install EV charging infrastructure,<sup>1</sup> and modernize electrical grids.

One of the most significant challenges to this ambition is the lack of public charging stations and the uncertain business case due to the small scale of EV markets today and high initial costs (that are typically passed onto consumers).<sup>1</sup> The current philosophy is: if you build it, they will come. But, for the EU to achieve its 2025 charging infrastructure target, approximately 150,000 new charging stations will be needed each year (3,000 per week).<sup>ii</sup> Also, there are concerns that EVs will grow energy consumption at peak times of day and increase grid volatility. If cities are slow to implement the necessary grid and infrastructure upgrades, the cumulative grid investment could rise to several hundred euros per EV.<sup>iii</sup>

Europe needs more EV charging stations but must also upgrade its outdated energy infrastructure to handle increased sustainable energy, including intermittent renewable energy and EVs. Old electrical grids increase volatility and prevent the efficient transportation of energy, with legacy T&D systems losing 4% to 17% of electricity during transmission, depending on the country.<sup>iv</sup> Combined with extreme weather, these factors can cause large blackouts across Europe since its member states' grids are interconnected.<sup>v</sup>

### Impact: Deploys Clean Energy/Builds Resilient Infrastructure/Creates Sustainable Communities

SPIE supports SDGs 7, 9, and 11 by installing and servicing the EU's infrastructure needed to encourage EV deployment, create sustainable infrastructure, and limit the effects of climate change. This report will focus on SPIE's Smart Cities and Energies solutions.

The company's Smart Cities segment helps solve SDG 7 and SDG 11 by

promoting electric vehicles and installing charging infrastructure. From 2022-25, SPIE will install 63,000 charging stations, which we expect to service 620,000 EVs, creating an economic impact of \$560 million and avoiding 2.2 million tCO<sub>2</sub>e.

SPIE contributes to SDG 9 through its Energies solutions, including designing, operating, and maintaining modern and resilient electricity grids. For example, in November 2020 it completed a grid stabilization project for TransnetBW, the grid operator for the Stuttgart region in Germany, home to 5.3 million people.<sup>vi</sup> By upgrading the region's T&D systems, SPIE should help ensure a reliable power supply as the country shuts down conventional power plants, increases the supply of intermittent renewable energy, and adapts to extreme weather events.<sup>2</sup> Grid stabilization is also essential because T&D systems can become overloaded and shut down if too many power plants generate energy at once. An unreliable grid can lead to power plants dumping energy and/or curtailing output. This wastes energy and increases emissions since conventional power plants are less efficient when running below optimal production levels.

**From 2022-25, SPIE will install 63,000 charging stations, which we expect to service 620,000 EVs, creating an economic impact of \$560 million and avoiding 2.2 million tCO<sub>2</sub>e.**

## LYRICAL'S FOUR PILLARS OF IMPACT

### Materiality

58% of SPIE's revenue contributes to SDGs 7, 9, and 11. 42% of SPIE's revenue is aligned with the EU Taxonomy, and 16% is taxonomy eligible but not aligned.<sup>3</sup>

### Measurability

YEAR	EV CHARGING STATIONS INSTALLED	EVS PER CHARGING STATION	EVS CHARGED BY SPIE STATIONS	ECONOMIC IMPACT (\$M)	EMISSION REDUCTIONS (tCO <sub>2</sub> e)
2022	9,000	8	78,000	\$70	275,000
2023	13,000	9	116,000	\$110	410,000
2024	17,000	10	171,000	\$160	600,000
2025	23,000	11	252,000	\$230	880,000
<b>Total</b>	<b>63,000</b>		<b>620,000</b>	<b>\$560</b>	<b>2,200,000</b>

We define economic impact as the potential revenues available to charging companies. Strong potential revenues, as shown above, have helped garner broad interest in the European EV market, accelerating the speed with which chargers are installed.

### Intentionality

SPIE's core business and leadership team are committed to sustainability and have a track record of increasing effort. In its 2021 Universal Registration Document, SPIE clearly describes how its growth opportunities (energy and digital transition) will create a business model focused on impactful solutions (modern electrical services and resilient infrastructure). The document outlines a transition plan to mobilize SPIE's resources and strategic segments to improve value creation and achieve its sustainability goals. For example, SPIE's EV charging stations solutions are expected to grow at 35.5% (CAGR). The company recently developed 1.5-degree Celsius SBTi-approved targets for Scope 1-3 emissions and joined the European Alliance for a Green Recovery.

### Sustainability

SPIE contributes to society, and its positive impact outweighs its negative externalities. The company's material ESG issues include ecological impacts, product quality and safety, employee health and safety, product design and lifecycle management, and business ethics. SPIE has not had any material significant, high, or severe controversies in these areas, though we closely monitor its oil and gas activities. SPIE's Scope 1-2 carbon intensity is 90% below the MSCI World benchmark and is on track to reach its 1.5-degree Celsius aligned emissions targets. SPIE acknowledges that Scope 3 comprises 80% of its overall emissions and has worked to decrease these over the last few years. For example, to reduce the company's Scope 3 emissions, its plans to source 67% of purchases from suppliers who have set ambitious targets for reducing their carbon footprint.

## ESG RISK RATING

Refinitiv

**A- (79.3)**

Sustainalytics

**Low (11.4)**

## CARBON INTENSITY

**16.3** (tCO<sub>2</sub>e/\$mm Revenue)  
90% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**36% Female**

**64% Male**

Executive Leadership:

**NA**

<sup>1</sup>When we refer to EV charging stations and EV vehicles, we are including battery electric vehicles (BEV) and plug-in hybrids (PHEV).

<sup>2</sup>Both extreme cold/heat can cause power lines to sag and potentially come in contact with trees which can cause power outages. For example, in 2008, a large ice storm in the Northeast US collapsed power lines from Maine to Pennsylvania due to ice buildup on wires and trees and branches falling on power lines. About 1.5 million people lost power and it took two weeks to restore the system.

<sup>3</sup>Taxonomy eligibility is an assessment of whether an economic activity is in the scope of the Taxonomy to begin. Taxonomy alignment is the positive assessment that an eligible activity meets the applicable Taxonomy criteria to substantially contribute to at least one of the Taxonomy's six objectives, does no significant harm to any other objective, and meets the minimum safeguards.

<sup>4</sup>Eberhart, D. 2020. If You Build It: Challenges Facing Electric Vehicle Infrastructure. Forbes: <https://www.forbes.com/sites/daneberhart/2020/11/05/if-you-build-it-challenges-facing-electric-vehicle-infrastructure/?sh=703855a76dda>

<sup>5</sup>Eberhart, 2020.

<sup>6</sup>Engel, H., Hensley, R., Knupfer, S., et al. 2018. The potential impact of electric vehicles on global energy systems. McKinsey & Company: <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/the-potential-impact-of-electric-vehicles-on-global-energy-systems>

<sup>7</sup>T&D Europe. No Date. Innovation & Policy. T&D Europe: <https://www.tdeurope.eu/grid-innovation-policy/better-grids.html#:~:text=Energy%20efficiency&text=In%20the%20European%20Union%2C%20losses,of%20optimization%20of%20the%20network>

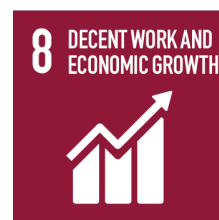
<sup>8</sup>Stam, J., Parkin, B., & Vilcu, I. 2021. Green Shift Brings Blackout Risk to World's Biggest Power Grid. BNN Bloomberg: <https://www.bnnbloomberg.ca/green-shift-brings-blackout-risk-to-world-s-biggest-power-grid-1.1554580>

<sup>9</sup>SPIE. 2020. New solution for stabilising power grids : SPIE is installing an innovative new 380-kV shunt reactor for TransnetBW. SPIE SA: <https://www.spie.com/en/new-solution-stabilising-power-grids-spie-installing-innovative-new-380-kv-shunt-reactor-transnetbw>



# Impact overview

Wesco helps solve SDG 7 and SDG 8 by distributing and promoting solar, wind, and energy efficiency products, enabling its customers to make direct, positive contributions to the environment. This also improves the sustainability of clean energy supply chains by offering sustainable inputs and monitoring systems. To measure Wesco's impact, we used comparative data to model its projected avoided emissions from distributing modern clean energy solutions compared to its 2021 baseline. From 2022-25, Wesco is expected to substantially grow its positive impact, avoiding 30.8 million tCO<sub>2</sub>e from the use of its sold products. This would save society \$1.6 billion by mitigating the negative effects of climate change and improving economic outcomes, including reducing changes in agricultural productivity, damages caused by a rising sea level, and a decline in human health and labor productivity.



## Company Description/Thesis

Wesco is the largest global distributor of electrical products, selling about 1.5 million items to 140,000 active customers through 800 branches. 88% of sales come from the US and Canada, with the remainder split between Asia and Europe. Wesco is a high-quality business that has generated an average return on capital of 20% over the past decade, aided by an asset-light business model with capex requirements of just 0.5% of revenue. As the largest scale player in electrical distribution, Wesco spends more than \$14 billion acquiring products each year, making it one of its suppliers' largest customers and a preferred partner. Wesco's scale also allows it to offer more breadth of products to its customers on a timelier basis. Wesco is widening its moat by building industry-leading digital capabilities

### THEME

Climate & Clean Energy Leaders

### SUSTAINABLE REVENUE

70%

### ACTIVITY

Sells and promotes best-in-class solar, wind, energy efficiency, and modern grid technology

### IMPACT

From 2022-25, Wesco seeks to avoid 30.8 million tCO<sub>2</sub>e from the use of its sold products and save society \$1.6 billion by mitigating the effects of climate change and improving economic outcomes

### SDG SUB-GOAL

#### Goal 7.1

Ensure universal access to affordable, reliable and modern energy services

#### Goal 8.4

Improve resource efficiency and decouple economic growth from environmental degradation

### OUTPUT

Enables its customers to make direct positive contributions to the environment while minimizing negative externalities

### OUTCOME

In 2022, Wesco aims to avoid over 6.1 million tCO<sub>2</sub>e from the use of its sold products

and value-add services, which accompany more than 65% of sales. These scale advantages are significant in a highly fragmented distributor market, where the top four companies capture just 30% of revenues.

### **Environmental or Social Problem Addressed**

To reach the goals of the Paris Agreement and the SDGs, we must continue to improve energy efficiency, "electrify everything," and modernize the grid.<sup>i</sup> However, many homes in the US and abroad use diesel, natural gas, and oil to power our heating and cooking systems, and 60% of the electrical grid in the US is powered by fossil fuels and coal.<sup>ii</sup> On top of this, fragile power grids can compound issues for renewables because of aging legacy assets and the threats posed by extreme weather events. For example, in 2022, California issued a state of emergency and asked residents to conserve energy since the state experienced a record-breaking heat wave. Residents must save two to three times more energy to avoid blackouts that have affected millions.<sup>iii</sup>

### **Impact: Deploys Clean Energy/ Decouples Economic Growth from Environmental Degradation**

Wesco helps solve SDG 7 and SDG 9 by distributing and promoting solar, wind, energy efficiency, and modern grid technology, enabling customers to make positive environmental contributions. The company accomplishes this through its Electrical & Electronic Solutions (EES) and Utility & Broadband Solutions (UBS) segments. Wesco's EES segment is a one-stop shop for its customers who aim to deploy renewable energy and energy efficiency products. Beyond providing the products, the company further expedites and simplifies customers' energy transition strategies by developing a detailed financial

analysis, calculating expected GHG emission reductions, and offering project management services.

Similarly, its UBS segment supplies utility companies with electrical products for their grid infrastructure, such as substation components, underground distribution lines, and more. The segment also helps customers build, power, and protect critical infrastructure. To further its impact, Wesco releases case studies sharing best practices for pre-planning and response to better prepare communities for natural disasters.

To measure Wesco's impact, we used comparative Scope 3 emissions data from a similar business (Rexel, in France) to model its projected avoided emissions from distributing modern, clean energy solutions compared to its 2021 baseline. Due to the breadth of Wesco's products and services, measuring Scope 3 emissions is a difficult task. We have engaged with the company and shared best practices used by Rexel to help Wesco measure and report its Scope 3 emissions in future years. From 2022-25, Wesco will substantially grow its impact, avoiding emissions from the use of its sold products by 30.8 million tCO<sub>2e</sub>. This would save society \$1.6 billion by mitigating the adverse effects of climate change and improving economic outcomes, including reducing changes in agricultural productivity, damages caused by a rising sea level, and a decline in human health and labor productivity.

**From 2022-25, Wesco will substantially grow its impact, avoiding emissions from the use of its sold products by 30.8 million tCO<sub>2e</sub>.**



# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

70% of Wesco’s revenues positively impact SDG 8 and SDG 9 by promoting and selling best-in-class renewable energy and energy efficiency products

## Measurability

YEAR	2021 BASELINE SCOPE 3 EMISSIONS (MM tCO2e)	PROJECTED SCOPE 3 EMISSIONS (TCO2e)	AVOIDED EMISSIONS W/ MODERN TECHNOLOGY (MM tCO2e)	AVOIDED COST TO SOCIETY FROM CLIMATE CHANGE (MM)
2022	27.7	21.6	6.1	\$310
2023	29.4	22.4	6.9	\$350
2024	30.5	22.4	8.2	\$420
2025	32.0	22.4	9.6	\$490
<b>Total</b>	<b>119.5</b>	<b>88.8</b>	<b>30.8</b>	<b>\$1,570</b>

## Intentionality

Impact and sustainability have been firmly incorporated into Wesco’s business model for almost 15 years. In 2020, the Board of Directors developed four SDG-aligned goals which it hopes to achieve by 2030: 1) reduce Scope 1-2 emissions 30% from a 2019 baseline, 2) reduce landfill waste intensity 15% across US and Canadian locations from a 2020 baseline, 3) reduce Total Recordable Incident Rate (TRIR) 15% from a 2020 baseline, and 4) provide 425,000 hours of safety training and development to employees. In addition to this top-down approach, the company has grassroots initiatives like its partnership with Arizona State University’s Thunderbird School of Global Management to promote the Young SDG Innovators Program. This nine-month program helps participants develop concrete SDG-aligned impact projects. The session builds participants’ expertise, capabilities, and visibility within Wesco and helps connect with other ESG professionals.

## Sustainability

Wesco’s negative impacts do not outweigh its contributions to SDG 7 and SDG 9. We consider Wesco an ESG Performer with a negligible environmental impact, as demonstrated by its low carbon intensity, which is 96% less than the MSCI World benchmark. The company adequately mitigates ESG risks regarding data security (zero breaches in 2021), labor practices (no material controversies over the last five years), employee safety (TRIR is also 65% lower than the industry average), and its supply chain. Wesco certifies its supply chain practices through EcoVadis and has implemented solid policies and practices to mitigate its associated risks. For example, the company conducts a supplier sustainability survey to rank and judge performance. In its 2021 survey, Wesco found that 72% publicly report their GHG emissions via CDP, and 94% provide employee diversity training. The company engages its low-scoring suppliers to improve their performance. Lastly, Wesco developed its Tele-Tip Hotline, which is available for all employees and stakeholders to report suspected human rights violations within Wesco’s and its suppliers operations. Since the company’s impact comes from enabling its customers to become more sustainable, we encourage it to report Scope 3 emissions to give stakeholders a better sense of its supply chain’s impact.

## ESG RISK RATING

Refinitiv

**B (60.3)**

Sustainalytics

**Medium (22.1)**

## CARBON INTENSITY

**6.9** (tCO2e/\$mm Revenue)

96% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**22% Female**

**78% Male**

Executive Leadership:

**20% Female**

**80% Male**

<sup>1</sup>Thompson, Derek. 2022. Forget 'Reduce, Reuse, Recycle': A new book suggests that the best way to save the planet is through abundance. The Atlantic: <https://www.theatlantic.com/newsletters/archive/2022/02/saul-griffith-electrify-everything-solution-save-humanity/622911/>  
<sup>2</sup>EIA. 2022. What is U.S. electricity generation by energy source? U.S. Energy Information Agency: <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3#:~:text=In%202021%2C%20about%204%2C16%20billion,ilities%20in%20the%20United%20States.&text=About%2061%25%20of%20this%20electricity,%2C%20petroleum%2C%20and%20other%20gases.>  
<sup>3</sup>Lukpat, A. 2022. California Power Grid Faces Biggest Blackout Risk of Year as Heat Wave Intensifies. Wall Street Journal: <https://www.wsj.com/articles/california-faces-threat-of-rolling-blackouts-as-heat-wave-persists-11662473810>



# SDG 12

# Resource Reducers

# Impact overview

From 2022–25, Ardagh Metal Packaging is estimated to avoid lifetime emissions of 350,000 tCO<sub>2</sub>e compared to plastic and 5.1 million tCO<sub>2</sub>e compared to glass from incremental growth, as aluminum beverage can market share gains continue. Over the same period, for each percentage point of additional volume growth that Ardagh realizes and replaces plastic or glass containers, we estimate Ardagh generates an additional positive impact of 52,000 tCO<sub>2</sub>e and 760,000 tCO<sub>2</sub>e of avoided lifetime emissions, compared to plastics and glass, respectively. Additionally, the resale value of Ardagh’s aluminum is \$1.2 billion compared to \$110 million for plastics, highlighting why aluminum’s recycling rate is more than twice that of plastics and why recycling aluminum is an essential component of solving SDG 12.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



## Company Description/Thesis

Ardagh is the third-largest global producer of beverage cans. The company operates 24 plants in nine countries and holds 28% market share in Europe and 15% in North America and Brazil. Driven by the consumption of consumer staples like beer and soft drinks, growth in the can business is steady with limited economic sensitivity. Ardagh is a high-quality business with steady returns on tangible capital above 20%. Can volumes are expected to grow faster than the historical growth rate of 1–2% for the foreseeable future, driven by a secular shift to environmentally-friendly substrates. Ardagh is expanding its capacity—primarily via low-risk, long-term contracted, 20%+ IRR brownfield additions—and we estimate EPS can grow at a mid-teens rate through our investment period.

### THEME

Resource Reducers

### SUSTAINABLE REVENUE

100%

### ACTIVITY

Applies a circular economy, closed-loop approach that calls for the reduction, reuse, and recycling of aluminum

### IMPACT

For each percentage point of additional volume growth realized, Ardagh further generates 52,000 tCO<sub>2</sub>e and 760,000 tCO<sub>2</sub>e of avoided lifetime emissions, compared to plastics and glass, respectively

### SDG SUB-GOAL

#### Goal 12.2

Sustainable management and efficient use of natural resources

### OUTPUT

In 2022, it produced approximately 46 billion containers, avoided 130,000 tCO<sub>2</sub>e compared to plastic and 1.9 million tCO<sub>2</sub>e compared to glass

### OUTCOME

From 2022–25, produce 205 billion containers, avoid 350,000 tCO<sub>2</sub>e compared to plastic and 5.2 million tCO<sub>2</sub>e compared to glass

## Environmental or Social Problem Addressed

The global packaging market reached ~\$1 trillion in 2020 and is expected to grow by 7.5% (CAGR) through 2027, driven by rising global incomes and increasing demand for delivery.<sup>i</sup> Plastics are the most-used form of packaging, representing 45% of the market, and are expected to grow at 7.5% by 2027.<sup>ii</sup> Compared to aluminum cans, plastic and glass packaging have a larger environmental footprint. The lifecycle of a plastic product is highly wasteful, with plastic typically ending up in landfills or water systems. Plastic packaging has become lighter to improve efficiency and lower costs. However, this lightweight plastic can only be recycled two-to-three times,<sup>iii</sup> which has made newer plastics less profitable for recycling companies, further contributing to waste.

Considering the beverage market alone, about 60 million plastic bottles end up in landfills and incinerators daily. On an annual basis, this is equivalent to the number of bottles used at 29,300 sporting events.<sup>iv</sup>

### Impact: Enables the Responsible Consumption & Production of Aluminum Cans

Ardagh applies a circular economy, closed-loop approach that calls for the reduction, reuse, and recycling of aluminum. Unlike plastic and glass, aluminum can be recycled an infinite number of times without degrading its performance, making it one of the most sustainable packaging materials available. The aluminum production process emits 23% less lifetime (cradle-to-grave) GHG emissions than plastic and 82% less than glass.<sup>v</sup> In 2022, we estimate Ardagh's incremental growth

avoided 130,000 tCO<sub>2</sub>e compared to plastic and 1.9 million tCO<sub>2</sub>e compared to glass. Aluminum resale is more profitable than other materials, incentivizing higher recycling rates. The resale value of Ardagh's aluminum was \$270 million in 2022, while the same amount of glass would cost \$5.5 million to be recycled or thrown away.

From 2022-25, Ardagh is estimated to avoid lifetime emissions of 350,000 tCO<sub>2</sub>e compared to plastic and 5.1 million tCO<sub>2</sub>e compared to glass from incremental growth, as the aluminum beverage can market share gains accelerate. For each percentage point of additional volume growth that Ardagh realizes and replaces plastic or glass containers, we estimate Ardagh generates an additional positive impact of 52,000 tCO<sub>2</sub>e and 760,000 tCO<sub>2</sub>e of avoided lifetime emissions, respectively.

**From 2022-25, Ardagh is estimated to avoid lifetime emissions of 350,000 tCO<sub>2</sub>e compared to plastic and 5.1 million tCO<sub>2</sub>e compared to glass from incremental growth, as the aluminum beverage can market share gains accelerate.**

## LYRICAL'S FOUR PILLARS OF IMPACT

### Materiality

100% of Ardagh's revenue comes from the circular production of aluminum, contributing to SDG 12: Responsible Consumption & Production.

### Measurability

YEAR	TOTAL CAN PRODUCTION (BN)	VOLUME OF GROWTH (YoY)	ALUMINUM-TO-PLASTIC INCREMENTAL AVOIDED EMISSIONS (tCO2e)	ALUMINUM-TO-GLASS INCREMENTAL AVOIDED EMISSIONS (tCO2e)	RESALE VALUE OF ALUMINUM (MM)
2022	46	13%	130,000	1,900,000	\$270
2023	49	7%	80,000	1,200,000	\$290
2024	54	10%	120,000	1,700,000	\$315
2025	55	1%	20,000	300,000	\$320
<b>Total</b>	<b>204</b>		<b>350,000</b>	<b>5,100,000</b>	<b>\$1,200</b>

### Intentionality

Ardagh's commitment to impact is evident through its Recan subsidiary, a packaging recovery organization in Poland. The company operates four recycling centers focusing on collecting used beverage cans. Its goal is to maximize the can recycle rate to ensure a circular economy and deliver Poland's best sustainable packaging recovery system. In addition, Recan collaborates with the Recal Foundation to promote recycling awareness. Established in 1995, The Recal Foundation's sponsors include Ardagh, CANPACK, and European aluminum suppliers. Due in part to Recan and the Recal Foundation's efforts, Poland's recycling rate grew from 2% in 1995 to 80%, compared to the average European rate of 70%.

### Sustainability

Ardagh's positive contribution to SDG 12 outweighs the negative externalities from its aluminum canning production. Ardagh is considered an ESG Performer by Lyrical. The company follows GRI reporting recommendations, is committed to developing near-term SBTi targets to help mitigate climate risks and lower its carbon footprint, and adheres to the UNGC and UN Universal Declaration of Human Rights. In 2021, EcoVadis awarded Ardagh with its fifth gold certification for sustainability performance. We are proud to report that in 2022, the CDP awarded Ardagh its Leadership Class ratings for sustainability performance – scoring B for Climate Change, A- for Water Management, and an A for Supplier Engagement. Ardagh's strong CDP Supplier Engagement rating further demonstrates that the company is on track to meet its sustainability commitments. Additionally, this score reflects the company's excellence in support of the end-to-end beverage can value chain. To become an ESG Leader, we recommend Ardagh follows SASB and TCFD recommendations and discloses its DEI information in line with the SEC's EEO-1 form. Additionally, we encourage Ardagh to work with ESG data providers like Refinitiv and Sustainalytics as they do not have the company's data since it spun off from Ardagh Group SA.

### ESG RISK RATING

CDP Climate Change

**B**

CDP Water

**A-**

### CARBON INTENSITY

**84.5** (tCO2e/\$mm Revenue)  
46% lower than the MSCI World

### DIVERSITY & INCLUSION

Board of Directors:

**7% Female**  
**93% Male**

Executive Leadership:

**13% Female**  
**87% Male**

<sup>1</sup>ResearchAndMarkets.com. 2021. Global Packaging Market Outlook to 2027 and the Impact of COVID-19. BusinessWire: <https://www.businesswire.com/news/home/2021011005470/en/Global-Packaging-Market-Outlook-to-2027-and-the-Impact-of-COVID-19---ResearchAndMarkets.com>

<sup>2</sup>ResearchAndMarkets.com. 2021.

<sup>3</sup>Sedaghat, L. 2018. 7 Things You Didn't Know About Plastic (and Recycling). National Geographic: <https://blog.nationalgeographic.org/2018/04/04/7-things-you-didnt-know-about-plastic-and-recycling/#:~:text=RECYCLING%20PLASTIC%20DOWNGRADES%20ITS%20QUALITY.&text=Every%20time%20plastic%20is%20recycled,can%20no%20longer%20be%20used.>

<sup>4</sup>UNEP. 2018. 10 ways the world of sport is tackling plastic pollution. UN EP: <https://www.unep.org/news-and-stories/story/10-ways-world-sport-tackling-plastic-pollution>

<sup>5</sup>Dodd, R., Horlacher, M., Matzke, I. 2020. Beverage packaging in the United States (US) – A Comparative Life Cycle Assessment. Sphera & Ball Corporation: <https://www.ball.com/getattachment/10ec5fe0-a7ba-4e95-b7b1-46dd4d614784/US-Regional-report-excerpt-of-Ball-Comparative-LCA-report.pdf>

# Impact overview



Ashtead contributes to solving SDG 12 by embracing the sharing economy for construction equipment. The company minimizes equipment needs and lowers emissions by optimizing the use of its products. Also, the company has a best-in-class fleet from an emissions perspective. In 2022, Ashtead added 100,000 net new units to its fleet. Those additional units will enable the company to avoid an estimated 360,000 tCO<sub>2</sub>e because rented equipment generates 30% less lifetime emissions than owned equipment. By 2025, we expect the company to increase its contribution to SDG 12 by adding 410,000 net new pieces of construction equipment to its fleet which, compared to non-rental equipment, will avoid lifetime emissions estimated at 1.5 million tCO<sub>2</sub>e, equivalent to the emissions of 98,000 Americans.

## Company Description/Thesis

Ashtead provides equipment rental services in the US, UK, and Canada. The company offers a full range of industrial equipment across various applications such as construction, infrastructure, facilities maintenance, special events, and emergency response.

Ashtead is a market leader in an industry where scale matters. As one of the largest purchasers of the equipment it rents, Ashtead benefits from a 15–20% cost advantage compared to smaller rental companies still comprising most of the market. Ashtead also boasts better technology than smaller players, allowing it to provide superior service, for example, by remotely monitoring equipment and delivering tools on a just-in-time basis. These competitive advantages have helped Ashtead generate 15%+ returns on capital.

## Environmental or Social Problem Addressed

GHG emissions from the construction industry account for 10% of global emissions, equivalent to the annual emissions of the US.<sup>1</sup> The industry faces a monumental challenge to achieve the

### THEME

Resource Reducers

### SUSTAINABLE REVENUE

100%

### ACTIVITY

Embraces the sharing economy for construction equipment

### IMPACT

By 2025, Ashtead aims to add 410,000 net new pieces of equipment to its fleet, which compared to non-rental equipment, avoids lifetime emissions by 1.5 million tCO<sub>2</sub>e

### SDG SUB-GOAL

#### Goal 12.2

Sustainable management and efficient use of natural resources

### OUTPUT

In 2022, it had 900,000 units of equipment for customers to rent

### OUTCOME

Renting lowers lifetime emissions from construction equipment by 30% on average

Paris Agreement targets: it must almost decarbonize entirely by 2050.<sup>ii</sup> Improving the environmental impact of construction equipment and lowering the distance necessary to transport equipment are essential to reaching this goal. However, a challenge for construction companies is that many have carbon-intensive fleets that are costly to upgrade.<sup>iii</sup>

**Impact: Enables the Responsible Consumption & Production of Construction Equipment**

Ashtead contributes toward solving SDG 12 by embracing the sharing economy for construction equipment. The company minimizes equipment needs, conserves resources, and lowers emissions by optimizing the use of its products. Ashtead has a younger, more efficient fleet because of its policy of renewing its assets regularly and taking advantage of the latest technology. It also conducts proactive maintenance to extend equipment lifespan and works

with suppliers to improve the end-of-life recyclability of its rentals. Overall, renting equipment lowers lifetime emissions from construction equipment by 30% on average.<sup>iv</sup>

To measure Ashtead's impact, we used a lifecycle analysis of the avoided emissions from eight common pieces of rental equipment, conducted by the European Rental Association (ERA) and Climate Neutral Group (CNG). In 2022, Ashtead added 100,000 net new units to its fleet. By optimizing the use of its best-in-class technology, the company will avoid an estimated 360,000 tCO<sub>2</sub>e of lifetime emissions from these new units. By 2025, we expect the company to increase its contribution to SDG 12 by adding 410,000 net new pieces of construction equipment to its fleet. Compared to non-rental equipment, the company will avoid lifetime emissions by an estimated 1.5 million tCO<sub>2</sub>e, equivalent to the emissions of 98,000 Americans.

**Compared to non-rental equipment, Ashtead will avoid lifetime emissions by an estimated 1.5 million tCO<sub>2</sub>e, equivalent to the emissions of 98,000 Americans.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

100% of Ashtead's business is from renting industrial equipment, a business model that directly lowers the carbon footprint of equipment in the range of 30% and sometimes over 50%.

## Measurability

YEAR	TOTAL UNITS OF EQUIPMENT	TOTAL UNITS OF NEW EQUIPMENT	AVOIDED EMISSIONS FROM RENTING (tCO2e)	NON-RENTAL (OWNED) LIFETIME EMISSIONS (tCO2e)	AVOIDED EMISSIONS FROM RENTING (tCO2e)
2022	900,000	100,000	30%	1,200,000	360,000
2023	990,000	90,000	30%	1,100,000	330,000
2024	1,090,000	100,000	30%	1,200,000	370,000
2025	1,210,000	110,000	30%	1,400,000	410,000
<b>Total</b>		<b>410,000</b>		<b>4,900,000</b>	<b>1,470,000</b>

## Intentionality

Ashtead has a clear commitment to impact, as demonstrated by its Sunbelt 3.0 strategic plan, which has set several sustainability-related objectives, including reducing carbon emissions by bringing greener technologies to market and delivering the benefits of a sharing economy. The company has demonstrated its commitment to sustainability in the following ways:

- Buying 100 (two-thirds of the first year's production) of the newly launched electric Bobcat compact track loader in North America and investing in 30% of all Wacker Neuson electric four-wheel drive dumpers in the UK, ensuring high levels of rental penetration and use for these new products.
- In the UK, ordering \$81 million of the latest JCB equipment, 92% of which is either electric or hybrid powered or meets the latest emissions standards for combustion engines.
- Working with and investing in innovative start-up manufacturers in portable battery power, design, and packaging.
- Approximately 20% of Ashtead's rentals are powered by alternatives to traditional diesel power, including battery, electric, and hybrid options. The company goes beyond purchasing sustainable equipment; it also wants to support its larger suppliers' shift to a low-carbon economy. Ashtead works closely with its suppliers to help them design, develop, trial, and bring to market innovative and sustainable equipment, including electric versions of the most widely-used pieces of rental equipment.

## Sustainability

Ashtead's positive impact on society is not outweighed by its negative externalities. The company has a relatively low Refinitiv because it does not disclose several specific environmental policies. The company adequately mitigates ESG-related risks such as legal/policy, technology, market, and reputational risk. For example, to reduce risks related to energy management, it has set a long-term commitment to reduce its carbon intensity 35% by 2030, with a near-term commitment to reduce its carbon intensity 15% by 2024. Over the last five years, Ashtead has reduced its carbon intensity by 7.4% (CAGR). To achieve this, Ashtead has implemented procurement policies that reflect the need for fuel-efficient tools in its fleet and monitors the carbon footprint of its fleet, and more. The company also has solid upstream supply chain policies and practices, which is essential given the inputs necessary to build industrial equipment.

## ESG RISK RATING

Refinitiv

**B (55.8)**

Sustainalytics

**Low (19.4)**

## CARBON INTENSITY

**41.4** (tCO2e/\$mm Revenue)  
73% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**44% Female**  
**56% Male**

Executive Leadership:

**NA**

<sup>1</sup>Newburger, E. 2021. SUSTAINABLE FUTURE China's greenhouse gas emissions exceed those of US and developed countries combined, report says. CNBC: <https://www.cnbc.com/2021/05/06/chinas-greenhouse-gas-emissions-exceed-us-developed-world-report.html>

<sup>2</sup>UNEP. 2021 Global Status Report for Buildings And Construction. UN Environmental Programme: [https://globalabc.org/sites/default/files/2021-10/GABC\\_Buildings-GSR-2021\\_BOOK.pdf](https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf)

<sup>3</sup>Blanco, J.L, Engel, H., Imhorst, F., et al. 2021. Call for action: Seizing the decarbonization opportunity in construction. McKinsey & Company: <https://www.mckinsey.com/industries/engineering-construction-and-building-materials/our-insights/call-for-action-seizing-the-decarbonization-opportunity-in-construction>

<sup>4</sup>ERA. 2019. Carbon Footprint of Construction Equipment. European Rental Association: <https://erarental.org/publications/carbon-footprint-of-construction-equipment/>



# Impact overview

CNH Industrial (“CNH”) makes a meaningful and substantial contribution to SDG 15: Life on Land and SDG 12: Sustainable Consumption and Production. To measure CNH’s contribution to the SDGs, we analyzed the positive impact of installing auto guidance on farm machinery such as harvesters and tractors. From 2022-25, we expect the company’s auto guidance technologies will increase agricultural productivity by 6% and decrease fuel use by 16%. We expect this increase in yield will avoid cultivating 4 million acres of agricultural land, which is equivalent to 1.8 Yellowstone National Parks. Additionally, we expect auto guidance to lower fuel use by 80 million gallons and avoid 740,000 tCO<sub>2e</sub>.



## Company Description/Thesis

CNH Industrial operates in the agriculture and construction industries, with over 90% of profits coming from its agriculture segment, where it is the #2 global player. CNH designs, manufactures, and distributes a full line of farm machinery, including tractors, combines, and harvesters. CNH is a high-quality business with a healthy balance sheet that generates a 20% return on capital.

CNH benefits from attractive secular farming trends, producing equipment with advanced precision agriculture technologies. These technologies have resulted in 1-2% annualized crop yield improvements over the past 20 years. These improving yields and high return on investment incentivize farmers to adopt new technologies, resulting in stable demand for CNH. The company is resilient in periods of weak demand because it is more of an assembly business than a manufacturing operation, with a capex-to-sales ratio below 3%.

### THEME

Resource Reducers

### SUSTAINABLE REVENUE

60% by 2025

### ACTIVITY

Manufacture farming equipment with precision agriculture technologies and implement digital agricultural solutions

### IMPACT

From 2022-25, we expect it to:  
Avoid cultivating 4 million acres of land through increased yield  
Reduce fossil fuel consumption by 80 million gallons and avoid 740,000 tCO<sub>2e</sub>

### SDG SUB-GOAL

#### Goal 15.3

Improved farming practices

#### Goal 12.2

Sustainable management and efficient use of natural resources

### OUTPUT

From 2022-25, guidance/autosteer technology adoption will increase from 82% to 100%

### OUTCOME

In 2022, it avoided cultivating 995,000 acres of land.  
In 2022, reduced fossil fuel consumption by 19.5 million gallons and avoided 186,000 tCO<sub>2e</sub>



## Environmental or Social Problem Addressed

Agriculture is central to several critical global challenges. First, ecological impacts from over-farming, pesticides, climate change, and other factors have a negative impact on the environment and have increased farmland degradation in the US. For example, a recent US Department of Agriculture report found that the country lost 1.3 million acres of farmland in 2021. Acreage has decreased by over 13.6 million since 2014, an average loss of over 1.9 million acres per year.<sup>i</sup> Second, agriculture consumes vast resources and is the leading source of pollution in many countries,<sup>ii</sup> including the US. Eric Schaeffer, Executive Director of the Environmental Integrity Project (EIP), recently said, "...we have to confront the fact that agricultural runoff is really the leading cause of water pollution in the US today."<sup>iii</sup>

### Impact: Improves Life on Land/ Resource Management through Precision Agriculture

CNH makes a meaningful contribution to SDG 15 and SDG 12 by improving farming practices and better managing natural resources through the manufacturing of precision agriculture (PA) equipment, such as autosteer/guidance, see and spray, autonomous tillage, GPS, and more. PA technologies improve farmland productivity and minimize the amount of land required for agriculture while reducing the resources needed, such as herbicide, fertilizer, and fuel.

To measure CNH's contribution to SDG 15 and SDG 12, we analyzed the positive impact of installing auto guidance on farm machinery such as combine harvesters and tractors. We focused on auto guidance because it improves agricultural yields and lowers the required farmland, which can help prevent the loss of native habitats and limit erosion. Auto guidance also mitigates the ecological impact of farming by avoiding excessive spraying that can harm the health of crops and degrade the soil and by lowering emissions by using the most fuel-efficient route. This technology has positive environmental impacts and good returns on investment for farmers, making it highly scalable. In 2021, 76% of the market used some form of auto guidance, and we expect to reach full adoption by 2025.<sup>iv</sup>

To determine the impact of auto guidance, we had several meetings with company management and consulted with industry experts.<sup>v</sup> From 2022-25, we expect the company's auto guidance technologies will increase agricultural productivity by 6% and decrease fuel use by 16%. We expect this increase in yield will avoid cultivating 4 million acres of agricultural land, equivalent to 1.8 Yellowstone National Parks. Additionally, we expect auto guidance to lower fuel use by 80 million gallons and avoid 740,000 tCO<sub>2</sub>e.

**From 2022-25, we expect the company's auto guidance technologies will increase agricultural productivity by 6% and decrease fuel use by 16%.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

By 2025, 60% of CNH's revenue will significantly contribute to SDG 15 and SDG 12.

## Measurability

YEAR	AUTO GUIDANCE ADOPTION	INCREASED CROP PRODUCTION (BN LBS)	ACRES AVOIDED	REDUCTION IN FOSSIL FUEL USE (MM GAL)	AVOIDED EMISSIONS (tCO2e)
2022	82%	5.9	995,000	20	186,000
2023	88%	5.8	995,000	20	186,000
2024	94%	5.9	995,000	20	186,000
2025	100%	5.8	995,000	20	186,000
<b>Total</b>		<b>23.4</b>	<b>4,000,000</b>	<b>80</b>	<b>744,000</b>

## Intentionality

CNH's intentionality is evident in its Sustainability Report, which shows how the company integrates ESG and impact into its operations and business strategy. In 2019, CNH's senior management set strategic sustainability targets aligned with the SDGs, such as 80% of total electricity consumption from renewable sources (SDG 7) and 100% of new products developed using sustainability/recyclability design criteria (SDG 12). Senior management defined these targets based on potential risks and opportunities relating to the company's 2024 Strategic Business Plan. Clear responsibilities are defined for each target to ensure they are consistently monitored and achieved. Also, executive compensation is linked to, among other things, achieving two strategic sustainability targets, specifically related to GHG emissions per production unit and the injury frequency rate.

## Sustainability

CNH is an ESG Leader whose negative externalities do not outweigh its positive impact. Refinitiv and Sustainalytics highly rate the company's sustainability policies and practices, and it is included in the Dow Jones Sustainability Indices (DJSI) Europe and World for the 11th consecutive year. CNH recently announced its commitment to SBTi, and we look forward to seeing its new climate-related goals, especially since ESG Book considers it off-track for a 1.5-degree Celsius pathway. We also encourage the company to calculate Scope 3 Emissions, in particular its Use of Product Sold due to the carbon footprint of agricultural and construction equipment. The company plans to reduce Scope 3 emissions by optimizing fuel use, switching to natural gas, and introducing hybrid drive chains. Lastly, every CNH manufacturing plant is covered by an ISO 14001 certification to help manage environmental risks, and the company applies ISO 45001 standards to improve worker safety.

## ESG RISK RATING

Refinitiv

**A- (80.0)**

Sustainalytics

**Low Risk (17.0)**

## CARBON INTENSITY

**17.1** (tCO2e/\$mm Revenue)

89% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**33% Female**

**67% Male**

Executive Leadership:

**20% Female**

**80% Male**

<sup>1</sup>USDA. 2022. Farms and Land in Farms. US Department of Agriculture: <https://usda.library.cornell.edu/concern/publications/5712m6524>

<sup>2</sup>WWF. No Date. Our Work: Sustainable Agriculture. World Wildlife Foundation: <https://www.worldwildlife.org/industries/sustainable-agriculture>

<sup>3</sup>Cotsirilos, T. 2022. Report: Agricultural Runoff is Leading Cause of Water Pollution in the U.S. Successful Farming: <https://www.agriculture.com/news/business/report-agriculture-runoff-is-leading-cause-of-water-pollution-in-the-us>

<sup>4</sup>Erickson, B. & Lowenberg-DeBoer, J. 2021. Precision Agriculture Dealership Survey. Purdue University, Departments of Agricultural Economics and Agronomy: [https://ag.purdue.edu/digitalag/\\_media/croplife-report-2021.pdf](https://ag.purdue.edu/digitalag/_media/croplife-report-2021.pdf)

<sup>5</sup>Association of Equipment Manufacturers. No Date. The Environmental Benefits of Precision Agriculture in the United States Executive summary and details. AEM: <https://newsroom.aem.org/download/977839/environmentalbenefitsofprecisionagriculture-2.pdf>



# Impact overview



From 2022-25, Crown is estimated to avoid lifetime emissions of 510,000 tCO<sub>2</sub>e compared to plastic and 7.4 million tCO<sub>2</sub>e compared to glass from incremental growth, as aluminum beverage can market share gains continue. For each percentage point of additional volume growth that CCK realizes and replaces plastic or glass containers, we estimate Crown generates an additional positive impact of 94,000 tCO<sub>2</sub>e and 1.4 million tCO<sub>2</sub>e of avoided lifetime emissions, compared to plastics and glass, respectively. Additionally, the resale value of Crown’s aluminum is \$2.2 billion compared to \$200 million for plastics, highlighting why aluminum’s recycling rate is more than twice that of plastics and why it is an essential component to solving SDG 12.

## Company Description/Thesis

Founded in 1892, Crown is a circular economy business and the second-largest global producer of beverage and food cans – the world’s most recyclable and recycled packaging material. The company operates 146 plants in 36 countries and derives 28% of sales from the United States/Canada, 34% from Western Europe, and 38% from developing markets.

Crown is a high-quality business with steady returns on tangible capital above 20%, driven by dominant local market shares. Demand is stable, and the company has secure margins because raw material inputs are passed through to customers under long-term contracts.

<p><b>THEME</b></p> <p>Resource Reducers</p> <p><b>SUSTAINABLE REVENUE</b></p> <p>70%</p>	<p><b>SDG SUB-GOAL</b></p> <p><b>Goal 12.2</b> Sustainable management and efficient use of natural resources</p>	
<p><b>ACTIVITY</b></p> <p>Applies a circular economy, closed-loop approach that calls for the reduction, reuse, and recycling of aluminum</p>	<p><b>OUTPUT</b></p> <p>In 2022, Crown produced approximately 83 billion containers, avoided 85,000 tCO<sub>2</sub>e compared to plastic and 1.3 million tCO<sub>2</sub>e compared to glass</p>	<p><b>OUTCOME</b></p> <p>From 2022-25, produce 370 billion containers, avoids 510,000 tCO<sub>2</sub>e compared to plastic and 7.4 million tCO<sub>2</sub>e compared to glass</p>
<p><b>IMPACT</b></p> <p>For each percentage point of additional volume, growth realized, Crown further generates 94,000 tCO<sub>2</sub>e and 1.4 million tCO<sub>2</sub>e of avoided lifetime emissions, compared to plastics and glass, respectively</p>		

### **Environmental or Social Problem Addressed**

The global packaging market reached ~\$1 trillion in 2020 and is expected to grow at a 7.5% (CAGR) through 2027, driven by rising global incomes and increasing demand for delivery.<sup>i</sup> Plastics are the most-used form of packaging, representing 45% of the market, and are expected to grow at 7.5% by 2027.<sup>ii</sup> Compared to aluminum cans, plastic and glass packaging have a larger environmental footprint. The lifecycle of a plastic product is highly wasteful, with plastic typically ending up in landfills or our water systems. Plastic packaging has become lighter to improve efficiency and lower costs. However, this lightweight plastic can only be recycled two-to-three times,<sup>iii</sup> which has made newer plastics less profitable for recycling companies, further contributing to waste. Considering the beverage market

alone, about 60 million plastic bottles are in landfills and incinerators daily. On an annual basis, this is equivalent to the number of bottles used at 29,300 sporting events.<sup>iv</sup>

### **Impact: Enables the Responsible Consumption & Production of Aluminum Cans**

Crown applies a circular economy, closed-loop approach that calls for reducing, reusing, and recycling aluminum. Unlike plastic and glass, aluminum can be recycled infinite times without degrading its performance, making it one of the most sustainable packaging materials available. The aluminum production process emits 23% less lifetime (cradle-to-grave) GHG emissions than plastic and 82% less than glass.<sup>v</sup> In 2022, we estimate Crown's incremental growth avoided 85,000 tCO<sub>2</sub>e compared to plastic and 1.3 million tCO<sub>2</sub>e compared to glass.

Aluminum resale is more profitable than other materials, incentivizing higher recycling rates. The resale value of Crown's aluminum was \$480 million in 2022, while the same amount of glass would cost \$10 million to be recycled or thrown away.

From 2022-25, Crown is estimated to avoid lifetime emissions of 510,000 tCO<sub>2</sub>e compared to plastic and 7.4 million tCO<sub>2</sub>e compared to glass from incremental growth, as the aluminum beverage can market share gains accelerate. For each percentage point of additional volume growth that Crown realizes and replaces plastic and glass containers, we estimate Crown generates an additional positive impact of 94,000 tCO<sub>2</sub>e and 1.4 million tCO<sub>2</sub>e of avoided lifetime emissions, respectively. Overall, Crown's circular production's positive environmental and economic impact highlights its contribution to solving SDG 12.

**For each percentage point of additional volume growth that Crown realizes and replaces plastic and glass containers, we estimate Crown generates an additional positive impact of 94,000 tCO<sub>2</sub>e and 1.4 million tCO<sub>2</sub>e of avoided lifetime emissions, respectively.**

## LYRICAL'S FOUR PILLARS OF IMPACT

### Materiality

70% of Crown's revenue comes from the circular production of aluminum, contributing to SDG 12: Responsible Consumption & Production.

### Measurability

YEAR	TOTAL CAN PRODUCTION (BN)	VOLUME OF GROWTH (YoY)	ALUMINUM-TO-PLASTIC INCREMENTAL AVOIDED EMISSIONS (tCO2e)	ALUMINUM-TO-GLASS INCREMENTAL AVOIDED EMISSIONS (tCO2e)	IMPACT OF A 1% INCREASE IN VOLUME OF CANS VS. PLASTIC (tCO2e)	IMPACT OF A 1% INCREASE IN VOLUME OF CANS VS. GLASS (tCO2e)
2022	83	4.3%	85,000	1,300,000	21,000	310,000
2023	92	10.5%	220,000	3,200,000	23,000	340,000
2024	98	6.7%	150,000	2,300,000	25,000	360,000
2025	100	1.8%	45,000	700,000	25,000	370,000
<b>Total</b>	<b>372</b>		<b>510,000</b>	<b>7,400,000</b>	<b>94,000</b>	<b>1,400,000</b>

### Intentionality

Crown is committed to responsible production and consumption, and it has delivered on these commitments. In 2021 and 2022, the company's plants in Brazil and Mexico were certified by the stringent Aluminum Stewardship Initiative (ASI). In 2022, Crown Brazil also achieved the ASI Chain of Custody certification, which complements the ASI Performance Standard and reinforces its compliance around responsible sourcing policies, anti-corruption, human rights due diligence, and conflict-affected and high-risk areas. In addition, the company joined RE100 and SBTi, committed to its stringent Twentyby30 goals, and aligned its sustainability priorities with the SDGs.

### Sustainability

Crown's positive contribution to SDG 12 outweighs the negative externalities from its aluminum canning production. As with most companies that require environmentally intense inputs, the sustainable sourcing and production of raw materials is a primary concern. In response, Crown has a two-pronged approach defined by its Twentyby30 program. First, Crown is focusing on identifying all high-risk suppliers by 2025. By 2030, 100% of Crown's core raw materials and service suppliers must comply with Crown's Responsible and Ethical Sourcing policies. While Crown acknowledges there is room for improvement in its supply chain, the CDP awarded it an "A" Supplier Engagement Rating in 2021. Second, to lower the environmental footprint of its production process and aluminum products, Crown has dedicated 50% of its R&D investment to improving sustainability, which has improved its ESG performance. Over the last five years, Crown has reduced its carbon intensity by 2.1% (CAGR), and its carbon intensity is now 36% less than that of the MSCI World. Lastly, the company has not faced significant, high, or severe controversies in its material ESG topic areas.

## ESG RISK RATING

Refinitiv

**B+ (71.1)**

Sustainalytics

**Low (10.4)**

## CARBON INTENSITY

**100.3** (tCO2e/\$mm Revenue)

36% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**15% Female**

**85% Male**

Executive Leadership:

**NA**

<sup>1</sup>ResearchAndMarkets.com. 2021. Global Packaging Market Outlook to 2027 and the Impact of COVID-19. BusinessWire: <https://www.businesswire.com/news/home/2021011005470/en/Global-Packaging-Market-Outlook-to-2027-and-the-Impact-of-COVID-19---ResearchAndMarkets.com>

<sup>2</sup>ResearchAndMarkets.com. 2021.

<sup>3</sup>Sedaghat, L. 2018. 7 Things You Didn't Know About Plastic (and Recycling). National Geographic: <https://blog.nationalgeographic.org/2018/04/04/7-things-you-didnt-know-about-plastic-and-recycling/#:~:text=RECYCLING%20PLASTIC%20DOWNGRADES%20ITS%20QUALITY.&text=Every%20time%20plastic%20is%20recycled,can%20no%20longer%20be%20used.>

<sup>4</sup>UNEP. 2018. 10 ways the world of sport is tackling plastic pollution. UN EP: <https://www.unep.org/news-and-stories/story/10-ways-world-sport-tackling-plastic-pollution>

<sup>5</sup>Dodd, R., Horlacher, M., Matzke, I. 2020. Beverage packaging in the United States (US) – A Comparative Life Cycle Assessment. Sphera & Ball Corporation: <https://www.ball.com/getattachment/10ec5fe0-a7ba-4e95-b7b1-46dd4d614784/US-Regional-report-excerpt-of-Ball-Comparative-LCA-report.pdf>

# Impact overview

From 2022–25, we expect Elis to save 54 billion liters of water and 3.8 billion kWh of energy. This creates \$560 million of savings for its customers. Elis mitigates the environmental impact for its customers by providing more efficient laundry services. For every 1% increase in their market share, Elis can save on average an additional 202 million liters of water and 14.2 million kWh of energy per year. Circular businesses like Elis exemplify how for-profit institutions can play an important role in achieving SDG 12.

**12** RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



## Company Description/Thesis

Elis is a circular economy business that provides rental services of flat linen, work clothes, and hygiene and well-being equipment. The company serves a diversified client base of 400,000 customers from 420 facilities across 28 countries. 31% of revenues are from general industry end-markets, 16% from hospitality, 31% from healthcare, and 22% from other trade & services.

Elis is a high-quality business that has generated a 15%+ return-on-tangible capital. The company is also durable, with four-year contracts and a 94% customer retention rate. The foundation of Elis' competitive advantage is its scale. Local market density allows Elis to leverage its fixed expense base, leading to a cost advantage over competitors.

## Environmental or Social Problem Addressed

Washing linens and uniforms is critical for happiness and good health, but it also consumes a significant number of resources.

### THEME

Resource Reducers

### SUSTAINABLE REVENUE

100%

### ACTIVITY

Outsourced linens and uniforms washing

### IMPACT

For every 1% increase in their market share, Elis can save on average an additional 202 million liters of water and 14.2 million kWh per year

### SDG SUB-GOAL

#### Goal 12.2

Sustainable management and efficient use of natural resources

### OUTPUT

In 2022, Elis washed 1.8 million tonnes of linens, saved 13.6 billion liters of water and 960 million kWh of energy

### OUTCOME

From 2022–25, Elis should wash 7.8 million tonnes of linens, saves 54 billion liters of water and 3.8 billion kWh of energy

50% of linens and 70% of uniforms are still cleaned in-house.<sup>i</sup> In-house cleaning is typically inefficient and wasteful, leading to significant water and energy use. These services can also face supply-chain risks, such as purchasing hazardous chemicals or using low-pay or unsafe labor practices.

**Impact: Improves Circularity of Laundry Services**

Elis' environmental impact is achieved by using industrial washers, which are highly resource efficient, and reusing linens as many times as possible before they are recycled. During our engagements with company management, Elis shared a life cycle assessment it conducted on industrial washers, which found that its washers use 48% less water and 29% less energy than commercial machines. In 2022, we estimated that Elis saved approximately 13.6 billion liters of water and 960 million kWh of energy. This is equivalent to \$142 million in water and

energy savings for its clients. Additionally, taking proper care of linens can give them a longer life, extending the lifespan of linens by up to four times the average.<sup>ii</sup>

Elis' business contributes meaningfully to solving SDG 12, and we expect the impact to grow over time. From 2022-25, we expect Elis to save 54 billion liters of water and 3.8 billion kWh of energy. Additionally, this creates \$560 million of financial savings for its customers. Outsourced cleaning services are more environmentally efficient, an increasingly important competitive advantage. We expect the industry to increase its market share from 40% outsourced currently. For every 1% increase in the company's market share, Elis can save, on average, an additional 202 million liters of water and 14.2 million kWh per year. Circular businesses like Elis exemplify how for-profit institutions can play an essential role in achieving SDG 12.

YEAR	ELIS' WATER EFFICIENCY (L/KG)	ANNUAL LAUNDRY WASHED MM TONNES	TOTAL WATER CONSUMPTION (BN L)	AVERAGE COMMERCIAL WASHER WATER EFFICIENCY	ESTIMATED COMMERCIAL WATER CONSUMPTION (BN L)	ESTIMATED WATER SAVINGS (BN L)
2022	8.1	1.8	14.8	48%	28.4	13.6
2023	7.7	1.9	14.7	48%	28.2	13.6
2024	7.4	2.0	14.6	48%	28.0	13.5
2025	7.0	2.1	14.4	48%	27.8	13.3
<b>Total</b>		<b>7.8</b>	<b>58.5</b>		<b>112.4</b>	<b>54.0</b>



# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

100% of Elis revenue comes from more efficient and sustainable outsourced cleaning services that promote SDG 12: Responsible Consumption & Production.

## Measurability

YEAR	ELIS' OVERALL ENERGY EFFICIENCY (KWH/KG)	ANNUAL LAUNDRY WASHED (MM TONNES)	TOTAL ENERGY CONSUMPTION (BN KWH)	AVERAGE COMMERCIAL WASHER ENERGY EFFICIENCY	ESTIMATED COMMERCIAL ENERGY CONSUMPTION (BN KWH)	ESTIMATED ENERGY SAVINGS (BN KWH)
2022	1.3	1.8	2.3	29%	3.3	0.96
2023	1.2	1.9	2.3	29%	3.3	0.95
2024	1.2	2.0	2.3	29%	3.3	0.95
2025	1.1	2.1	2.3	29%	3.2	0.94
<b>Total</b>		<b>7.8</b>			<b>13.1</b>	<b>3.8</b>

## Intentionality

Elis makes its commitment to impact clear through several actions, including having board and executive level members on the company's CSR Committee and linking CSR goals to compensation. To ascertain Elis' intentionality beyond management, we closely reviewed their sourcing and recycling practices and found a clear commitment to sustainability. 70% of linens are purchased from direct European suppliers, and 94% are purchased from firms covered by CSR assessments. The company also utilizes RFID chips to track linens and ensure they are reused as often as possible before recycling. Lastly, we have been engaging with Elis to improve our impact measurements. The company used the results of our collaborative analysis in its 2021 UNGC Communication on Progress and 2022 Universal Registration. Elis also included our measurements in its CRS Roadmap which links the company's goals to the SDGs.

## Sustainability

Over the last year, Elis has improved its Sustainalytics ESG risk rating from Medium to Low, which signifies that the company continues to manage the negative externalities from its operations adequately. One concern with Elis' business model is emissions from transporting and delivering linens. However, the company's carbon intensity is 13% lower than the MSCI World benchmark. Elis is working to decrease emissions by only collecting linens and uniforms within a small radius of its large cleaning centers and deploying "eco-driving" software that guides drivers to the most fuel-efficient route. Elis has also set ambitious sustainability targets and plans to reduce the company's European water consumption by 50% and energy 35% by 2025 from a 2010 baseline. As of 2022, Elis has reduced its water consumption by 43% and energy use 26%.

## ESG RISK RATING

Refinitiv

**A- (81.0)**

Sustainalytics

**Low Risk (14.8)**

## CARBON INTENSITY

**135.1** (tCO<sub>2</sub>e/\$mm Revenue)

Outperformed MSCI World by 13%

## DIVERSITY & INCLUSION

Board of Directors:

**55% Female**

**45% Male**

Executive Leadership:

**18% Female**

**82% Male**

Elis Investor Relations. 2020. ESG and Impact Company Interview.

©Crowe, A. 2016. Six easy ways to make your clothes last longer. CS Monitor: <https://www.csmonitor.com/Business/Saving-Money/2016/0811/Six-easy-ways-to-make-your-clothes-last-longer>





# Impact overview

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Hanes' responsible consumption and production of sustainable cotton makes a meaningful positive impact on society. From 2022-25, Hanesbrands ("Hanes") will source, on average, 37% more sustainable cotton than the global average, using an additional 183,000 tonnes of sustainable cotton. This will increase Hanes' contribution to SDG 12 by saving 350 billion liters of water, avoiding 150,000 tCO<sub>2</sub>e, and reducing energy use by 470,000 MWh. Hanes' water savings are equivalent to the annual water consumption of 3.0 million Americans. Additionally, we estimate the company will use 145 million pounds of biodegradable polyester, equivalent to 3.5 billion 16-ounce water bottles.

## Company Description/Thesis

Hanes is the world's largest producer of basic apparel, including activewear, intimates, and shapewear. Unlike most apparel companies, Hanes primarily self-manufactures its products from field to fabric, which creates a competitive advantage through responsible consumption and production. Owning and operating 70% of its supply chain improves business adaptability, decreases costs, and allows for implementing best-in-class environmental practices.

Hanes is an attractive business with leading brands and scale. In the US, Hanesbrands maintains more than double the market share of its nearest competitor, creating a significant cost advantage. These characteristics have enabled Hanesbrands to deliver 20%+ returns on capital over the past decade.

### THEME

Resource Reducers

### SUSTAINABLE REVENUE

70%

### ACTIVITY

World's largest maker of basic apparel, including activewear, intimates, and shapewear

### IMPACT

From 2022-25, we expect Hanes to save 350 billion liters of water, avoid 150,000 tCO<sub>2</sub>e, and reduce energy use by 470 GWh. The company will use 145 million pounds of recycled/biodegradable polyester

### SDG SUB-GOAL

#### Goal 12.2

Sustainable management and efficient use of natural resources

### OUTPUT

As of 2022, Hanes uses 70% sustainable cotton and 16% recycled/biodegradable polyester

### OUTCOME

In 2022, the company's use of sustainable cotton was estimated to save 100 billion liters of water, avoid 43,000 tCO<sub>2</sub>e, and reduce energy use by 133, GWh. It used 18 million tonnes of recycled biodegradable polyester

## Environmental or Social Problem Addressed

Cotton is one of the most profitable crops in the world, and its supply chain is sprawling; it employs 250 million people and ~7% of all labor in developing countries. The fashion sector relies on the cotton industry, but its production has several negative environmental impacts.<sup>i</sup> In 2020, the sector was responsible for 2% of all freshwater extraction<sup>ii</sup> and 4% of global emissions.<sup>iii</sup> These are growing challenges – the global apparel market is expected to increase at 5.5% (CAGR) from 2020–25, driven by rising per capita income, favorable demographics, and a shift in preference to branded products.<sup>iv</sup>

In addition to cotton, the global apparel market used 61 million tonnes of polyester in 2021, a 45% increase from 2012.<sup>v</sup> Polyester is the most widely used material for clothing and an essential component for many products due to its affordability, durability, and ability to repel water. However, polyester is primarily produced from petroleum

and requires a lot of energy and water to manufacture. While polyester lasts for years, longevity has a downside since it doesn't biodegrade. Polyester can be a highly circular product, but only 14% is produced from recycled fibers.<sup>vi</sup>

### Impact: Enables the Responsible Consumption & Production of Cotton & Polyester

Hanes is a leader in the sustainable consumption and production of cotton and polyester. Sustainable cotton is grown in a way that can maintain production levels with minimal environmental impact, support viable producer livelihoods and communities, and do so in the face of long-term ecological constraints and socioeconomic pressures.<sup>vii</sup> In 2022, 70% of Hanes' total cotton consumption was sustainably sourced from US and Australian growers,<sup>viii</sup> up from 61% in 2021. Hanes is a leader in sustainability because of its responsible consumption and production of cotton. Hanes' vertical business model has increased historical

cotton yields, improved supply chain efficiencies by decreasing the price of inputs,<sup>ix</sup> and amplified Hanes' societal impact as its products' market share grows.

From 2022–25, we expect Hanes will on average source 37% more sustainable cotton than the global average, using an additional 183,000 tonnes of sustainable cotton. This should increase Hanes' contribution to SDG 12 by saving 350 billion liters of water, avoiding 150,000 tCO<sub>2</sub>e, and reducing energy use by 470,000 MWh. Hanes' water savings are equivalent to the annual water consumption of 3.0 million Americans.

Additionally, as of 2022, 16% of Hanes' polyester is from recycled/biodegradable materials, a 1% decrease from 2021. From 2022–25, we estimate the company will use 145 million pounds of recycled/biodegradable polyester, equivalent to 3.5 billion 16-ounce water bottles. We applaud Hanes for its practices and look forward to seeing how the company's impact grows.

**Hanes contributes to SDG 12 by saving 350 billion liters of water, avoiding 150,000 tCO<sub>2</sub>e, and reducing energy use by 470,000 MWh. Hanes' water savings are equivalent to the annual water consumption of 3.0 million Americans.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

70% of Hanes's revenues are directly tied to SDG 12 and improving the sustainable consumption and production of cotton and polyester.

## Measurability

YEAR	HBI SUSTAINABLE COTTON CONSUMPTION PERCENTAGE VS. GLOBAL	SUSTAINABLE COTTON CONSUMPTION V. INDUSTRY (t)	WATER SAVINGS (MM L)	AVOIDED EMISSIONS (tCO2e)	ENERGY SAVINGS (MWh)
2022	70% vs. 28%	52,000	101,000	43,000	133,000
2023	74% vs. 35%	47,000	92,000	39,000	121,000
2024	78% vs. 43%	44,000	84,000	36,000	111,000
2025	81% vs. 50%	40,000	77,000	33,000	101,000
<b>Total</b>		<b>183,000</b>	<b>354,000</b>	<b>152,000</b>	<b>470,000</b>

## Intentionality

Hanes' commitment to sustainability is embedded within the company's operations, from the Board of Directors to the farmers in the fields. The Board oversees Enterprise Risk Management, and the CEO is responsible for incorporating ESG into the company's overall business strategy. To mainstream sustainability across the organization, Hanes created a Global Sustainability Consortium to execute its sustainability initiatives and a Global Environmental Management System (GEMS) to provide facility managers with best-in-class processes to guide business activities with material environmental impacts. In 2021, Hanes announced its 2030 Global Sustainability Goals and launched a new sustainability website to improve accountability and transparency. In 2022, the company was recognized for its efforts and earned an A- CDP score for both Climate Change and Water Security Reports. Hanes is only one of two peer apparel companies to achieve this score for both climate change and water security.

## Sustainability

While cotton and polyester production and consumption face several ESG challenges, the impact of Hanes' sustainable business practices outweighs the company's negative externalities. The primary challenge for Hanes is supply chain traceability for its outsourced activities, which make up 30% of its business. Most countries' cotton industries have insufficient policies and regulations, so Hanes sources most of its cotton from the US and Australia. Hanes is working with the Better Cotton Initiative to improve the accountability of its outsourced suppliers. Additionally, Hanes is increasing its sustainability ambition and has committing by 2030 to using 100% sustainable cotton and recycled polyester, implementing circular production or significant circularity for all brands, and sourcing products from facilities that have completed the Higg Facility Environmental Module. Hanes has made good progress on its targets, and one of its product lines, Alternative Apparel, has already replaced all virgin polyester with 100% recycled materials.

## ESG RISK RATING

Refinitiv

**A- (76.7)**

Sustainalytics

**Low (14.3)**

## CARBON INTENSITY

**28.4** (tCO2e/\$mm Revenue)

82% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**33% Female**

**67% Male**

Executive Leadership:

**22% Female**

**78% Male**

<sup>1</sup>The Higgs Facility FEM is a best-in-class assessment tool to provide a standardized measurement of the social and environmental performance of the value chain and the environmental impacts of products. The FEM assessment and score is used to help improve a company's sustainability strategies and drive collective industry transformation. To learn more, please visit: <https://apparelcoalition.org/higg-facility-tools/> WWF. 2021. Sustainable Agriculture: Cotton. World Wildlife Foundation: <https://www.worldwildlife.org/industries/cotton>

<sup>2</sup>Common Objective. 2018. The Issues: Water. Common Objective: <https://www.commonobjective.co/article/the-issues-water>

<sup>3</sup>Berg, K., Mangus, K.H., Kappelmark, S., et al. 2020. Fashion on Climate: How the Fashion Industry Can Urgently Act to Reduce its Greenhouse Gas Emissions. McKinsey & Company: <https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/fashion%20on%20climate/fashion-on-climate-full-report.pdf>

<sup>4</sup>Mordor Intelligence. 2021. Apparel Market – Growth, Trends, and Forecasts. Mordor Intelligence: <https://www.mordorintelligence.com/industry-reports/apparel-market>

<sup>5</sup>Statista. 2022. Production of polyester fibers worldwide from 1975 to 2021. Statista: <https://www.statista.com/statistics/912301/polyester-fiber-production-worldwide/#:~:text=In%202021%2C%20global%20polyester%20fiber,of%20polyester%20fibers%20produced%20worldwide>

<sup>6</sup>Handley, Lucy. 2021. Polyester is one of the biggest polluters in fashion – here's what one CEO wants to do about it. CNBC: <https://www.cnbc.com/2021/05/31/sustainability-in-fashion-why-polyester-is-a-problem-for-the-industry.html>

<sup>7</sup>CottonUP. 2018. What is sustainable cotton? CottonUP: <http://cottonupguide.org/why-source-sustainable-cotton/what-is-sustainable-cotton/>

<sup>8</sup>Fox, C. 2021. Stifel Sustainable Lifestyle Brands Conference.

<sup>9</sup>Textile Exchange. 2020. Organic Cotton Market Report. Textile Exchange: [https://textileexchange.org/wp-content/uploads/2021/06/Textile-Exchange\\_Organic-Cotton-Market-Report\\_2021.pdf](https://textileexchange.org/wp-content/uploads/2021/06/Textile-Exchange_Organic-Cotton-Market-Report_2021.pdf)

# Impact overview



From 2022-25, we estimate that Konecranes will grow its contribution toward solving SDG 12 by maintaining and servicing 2 million cranes, extending their lives by 5-20 years. These sustainable activities should reduce the number of cranes produced globally by 62,000 and thereby avoid 21 million tCO2e. This is equivalent to the GHG emissions of 5.2 million people around the world, or about the population of Finland, where the company is based.

## Company Description/Thesis

Konecranes is a global leader in crane service and assembly. More than 65% of profit is generated from servicing and maintaining crane systems, a mission-critical, local business with high margins and returns on capital. Konecranes provides cranes for both ports and industrial applications and acts more as an assembler than a manufacturer. Konecranes purchases commodity parts from third parties while focusing on research & development and advanced technologies to build the highly-technical, value-add portions of the cranes.

Konecranes believes that its competitive edge and positive impact are intertwined. The company has a 30% market share in Europe, competes at the high end of the market, and wins business based on environmental impact, reduced fuel consumption, and technology, not on price. The more Konecranes improves on circular economy and climate action, the more revenues it generates.

<p><b>THEME</b> Resource Reducers</p>	<p><b>SDG SUB-GOAL</b> <b>Goal 12.2</b> Sustainable management and efficient use of natural resources</p>	
<p><b>SUSTAINABLE REVENUE</b> 65%</p>		
<p><b>ACTIVITY</b> Maintains and services cranes</p>	<p><b>OUTPUT</b> From 2022-25, the company will service 2 million cranes</p>	<p><b>OUTCOME</b> Increases the lifetime of a crane by 12.5 years on average</p>
<p><b>IMPACT</b> From 2022-25, we expect Konecranes to reduce cranes manufactured by 62,000 and avoid 21 million tCO2e</p>		

### **Environmental or Social Problem Addressed**

Maritime shipping enables global commerce by transporting 90% of all goods worldwide by volume. However, the industry makes up 2-3% of global GHG emissions. A key enabler of these aspects of shipping is industrial and port cranes, but they also come at a cost to the environment.<sup>i</sup> Making a crane requires significant energy, and many cranes are powered exclusively by diesel, resulting in high emissions during use. A standard rubber-tired gantry (RTG) crane that lifts containers off a ship releases about 3 million pounds of CO<sub>2</sub> annually.<sup>ii</sup> With increasing global trade, more cranes are required at ports and warehouses – for example, from 1980 to 2006, in the US alone, the number of containers unloaded at ports quintupled.<sup>iii</sup>

### **Impact: Enables the Responsible Production & Maintenance of Cranes**

Konecranes' service business is a key enabler of the circular economy by extending the life of crane equipment.

Konecranes monitors its contracted cranes in real-time in its service business using technology and on-site inspections. The company anticipates and fixes breakdowns before they occur, significantly extending each product's life from a 10-20 year average life to a 15-40 year life.<sup>iv</sup> In 2022, Konecranes assembly and maintenance services reduced the annual RTG and heavy crane production by an estimated 14,800 and avoided an estimated 5 million tCO<sub>2</sub>e. To make this calculation, we use industry estimates of the emissions generated when producing an average diesel and electric RTG crane.

Konecranes makes a solid contribution to solving SDG 12, and we expect its impact to grow over time. We estimate that the number of cranes serviced will increase by 2% (CAGR) from 2022-25, totaling two million cranes. Our analysis found that Konecranes' maintenance activities should save 21 million tCO<sub>2</sub>e, equivalent to the emissions of 5.2 million people around the world or about the population of Finland,<sup>v</sup> where the company is based.

**Konecranes' maintenance activities should save 21 million tCO<sub>2</sub>e, equivalent to the emissions of 5.2 million people around the world or about the population of Finland, where the company is based.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

65% of Konecranes' profits come from servicing and maintaining cranes, which promotes SDG 12.

## Measurability

YEAR	NUMBER OF CRANES SERVICED	SERVICING LIFESPAN EXTENSION (YEARS)	REDUCTION IN CRANES MANUFACTURED	EMISSIONS PER MANUFACTURED CRANE (tCO2e)	AVOIDED EMISSIONS (MM tCO2e)
2022	490,000	12.5	14,800	Diesel: 336	5.0
2023	500,000		15,100		5.1
2024	520,000		15,700	Electric: 343	5.3
2025	530,000		16,200		5.5
<b>Total</b>	<b>2,040,000</b>			<b>62,000</b>	<b>5,100,000</b>

## Intentionality

Konecranes sees its sustainable business practices and risk management as critical approaches for creating long-term shareholder value. Sustainability is embedded into its governance processes from the Board of Directors and senior leadership to its Sustainability Council/Team. The Board oversees and annually reviews the company's long-term sustainability principles, roadmap, and performance. Konecranes' Leadership Team discusses sustainability metrics and topics monthly. The Sustainability Council implements the Leadership Team's guidance and reviews the company's operational best practices, while the Sustainability Team is tasked with executing these policies and practices across the company's main business areas.<sup>vi</sup> Overall, Konecranes' business is built on ethical and sustainable standards and extends these principles down its supply chain. By the end of 2022, approximately 1,700 suppliers (18 percent more than in 2021), representing approximately 52 percent of the company's total procurement spend, have committed to Konecranes' Supplier Code of Conduct or equivalent requirements.

## Sustainability

As with most industrial machinery companies, sustainability concerns include energy management, employee health and safety, raw materials sourcing, product design, and lifecycle management. We consider Konecranes an ESG Leader, and its Refinitiv ESG score (A-) reinforces our analysis. Konecranes adequately mitigates its ESG risks, and those risks do not threaten the company's impact or long-term earnings potential. For example, the company acknowledges employee health and safety as a high-risk area. The company implemented a campaign promoting general safety awareness and behavior in eight high-risk areas. KCR certifies its operations through OHSAS 18001/ISO 45001 standards and sets a target of a 20% year-on-year reduction of Serious Injury and Fatality (SIF) exposure for all employees by the end of 2025.<sup>vii</sup> In addition to lowering cranes' GHG emissions, Konecranes' circular business model decreases the need to manufacture and source electrical and steel components by extending the lifespan of cranes by 5-20 years.<sup>viii</sup>

## ESG RISK RATING

Refinitiv

**A- (77.3)**

Sustainalytics

**Medium (24.5)**

## CARBON INTENSITY

**18.9** (tCO2e/\$mm Revenue)  
88% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**40% Female**  
**60% Male**

Executive Leadership:

**18% Female**  
**82% Male**

<sup>1</sup>Whieldon, E. 2021. Your climate change goals may have a maritime shipping problem. S&P Global: <https://www.spglobal.com/esg/insights/your-climate-change-goals-may-have-a-maritime-shipping-problem>

<sup>2</sup>AECOM. 2019. Zero-Emission Cargo-Handling Equipment Feasibility Assessment. AECOM: <https://www.portfookland.com/files/PDF/AECOM%20Zero%20Emission%20CHE%20Feasibility%20Assessment%20Nov%202019.pdf>.

<sup>3</sup>Zmic, N. & Vujicic, A. 2020. Evaluation of the Environmental Benefits of CHE Emerging Technologies by Using LCA. MHI: <https://www.mhi.org/downloads/learning/cicmhe/colloquium/2012/zmic.pdf>.

<sup>4</sup>Konecranes. 2020. ESG and Impact Engagement Call.

<sup>5</sup>European Commission. 2021. Population: demographic situation, languages and religions. EURYDICE: [https://eacea.ec.europa.eu/national-policies/eurydice/finland/population-demographic-situation-languages-and-religions\\_en](https://eacea.ec.europa.eu/national-policies/eurydice/finland/population-demographic-situation-languages-and-religions_en)

<sup>6</sup>Konecranes. No Date. Sustainability at Konecranes. Konecranes: <https://www.konecranes.com/about/sustainability/the-strategic-role-of-sustainability>

<sup>7</sup>Konecranes. 2021. Sustainability Report 2020. Konecranes: [https://investors.konecranes.com/sites/default/files/AR2020/sustainability\\_report\\_2020.pdf#page=34&zoom=100,0,0](https://investors.konecranes.com/sites/default/files/AR2020/sustainability_report_2020.pdf#page=34&zoom=100,0,0)

<sup>8</sup>Konecranes, 2020.





# Impact overview

United Rentals contributes to solving SDG 12 by embracing the sharing economy for construction equipment. The company minimizes equipment needs and lowers emissions by optimizing the use of its products. Also, the company has a best-in-class fleet from an emissions perspective. In 2022, United Rentals added 240,000 units to its fleet. Those additional units will enable the company to avoid an estimated 870,000 tCO<sub>2</sub>e because rented equipment generates 30% less lifetime emissions than owned equipment. By 2025, we expect the company to increase its contribution to SDG 8 by adding 660,000 new pieces of construction equipment to its fleet which, compared to non-rental equipment, will avoid lifetime emissions by an estimated 2.4 million tCO<sub>2</sub>e, equivalent to the emissions of 160,000 Americans.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



## Company Description/Thesis

United Rentals is an equipment rental business for a wide range of customers, from construction and industrial companies, manufacturers, utilities, municipalities, homeowners, to government entities. The company rents construction, industrial, lighting equipment, and related services.

United Rentals is a good business with double-digit returns on tangible capital. As the #1 market participant, nearly equal in size to its next three competitors combined, United Rentals enjoys many competitive advantages. Its dense network provides a cost advantage over smaller regional players because the company can more efficiently spread overhead costs. It also has purchasing power, allowing it to obtain equipment at up to a 10% discount to peers.

### THEME

Resource Reducers

### SUSTAINABLE REVENUE

100%

### ACTIVITY

Embraces the sharing economy for construction equipment

### IMPACT

By 2025, United Rentals aims to add 660,000 new pieces of equipment to its fleet, which compared to non-rental equipment, avoids lifetime emissions of 2.4 million tCO<sub>2</sub>e

### SDG SUB-GOAL

#### Goal 12.2

Sustainable management and efficient use of natural resources

### OUTPUT

In 2022, has one million units of equipment for customers to rent

### OUTCOME

Renting lowers lifetime emissions from construction equipment by 30% on average

### **Environmental or Social Problem Addressed**

GHG emissions from the construction industry account for 10% of global emissions, which is equivalent to the annual emissions of the US.<sup>i</sup> The industry faces a monumental challenge to achieve the Paris Agreement targets: it must decarbonize almost entirely by 2050.<sup>ii</sup> Improving the environmental impact of construction equipment and lowering the distance necessary to transport equipment are essential to reaching this goal. However, a challenge for construction companies is that many have carbon-intensive fleets that are costly to upgrade.<sup>iii</sup>

### **Impact: Enables the Responsible Consumption & Production of Construction Equipment**

United Rentals contributes toward solving SDG 12 by embracing the sharing economy for construction equipment. The company minimizes equipment needs, conserves resources, and lowers emissions by optimizing the use of its products. Also, United

Rentals has a younger, more efficient fleet because of its policy of refurbishing and reselling equipment every seven to eight years. This allows it to use the latest models that have a lower environmental impact over the life of the equipment. Renting equipment lowers lifetime emissions from construction equipment by 30% on average.<sup>iv</sup>

To measure United Rentals' impact, we used a lifecycle analysis of the avoided emissions from eight common pieces of rental equipment, conducted by the European Rental Association (ERA) and Climate Neutral Group (CNG). In 2022, United Rentals added 240,000 units to its fleet. By optimizing the use of its best-in-class technology, the company will avoid an estimated 870,000 tCO<sub>2</sub>e of lifetime emissions from these new units. By 2025, we expect the company to increase its contribution to SDG 12 by adding 660,000 net new pieces of construction equipment to its fleet. Compared to non-rental equipment, they will avoid lifetime emissions of an estimated 2.4 million tCO<sub>2</sub>e, equivalent to the emissions of 160,000 Americans.

**In 2022, United Rentals added 240,000 units to its fleet. By optimizing the use of its best-in-class technology, the company will avoid an estimated 870,000 tCO<sub>2</sub>e of lifetime emissions from these new units.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

77% of United Rentals' revenues come from more efficient and sustainable construction equipment rentals that promote SDG 12: Responsible Consumption & Production.

## Measurability

YEAR	TOTAL UNITS OF EQUIPMENT	TOTAL UNITS OF NEW EQUIPMENT	AVOIDED EMISSIONS FROM RENTING (tCO <sub>2</sub> e)	NON-RENTAL (OWNED) LIFETIME EMISSIONS (tCO <sub>2</sub> e)	AVOIDED EMISSIONS FROM RENTING (tCO <sub>2</sub> e)
2022	1,020,000	240,000	30%	2,900,000	870,000
2023	1,140,000	120,000	30%	1,500,000	450,000
2024	1,280,000	140,000	30%	1,700,000	500,000
2025	1,440,000	160,000	30%	1,900,000	560,000
<b>Total</b>		<b>660,000</b>		<b>7,900,000</b>	<b>2,400,000</b>

## Intentionality

United Rentals' intentionality is demonstrated by its commitment to supporting communities' recovery after natural disasters. In 2019, the company formalized its Emergency Operations Center (EOC) to quickly coordinate and leverage United Rental's resources during an emergency. The company has 1,100 trained employees from locations across North America that act as an Emergency Response Team (ERT), helping affected branches and communities. The company's EOC and ERT team members are tactically deployed before and after emergencies to support local employees during recovery while ensuring customers and communities have uninterrupted access to United Rentals' personnel and equipment. In addition, United Rentals offers a Total Control Emissions Tracking feature that provides customers with an informational report on GHG and source pollutant emissions based on engine usage. These reports create a snapshot of current performance and help customers manage and work toward their sustainability goals. These reports can also be used to support compliance efforts so that customers can ensure their methodologies meets their requirements.

## Sustainability

Negative externalities do not outweigh United Rentals' positive impact, and the company is making solid improvements in its approach to climate change. It has a carbon intensity that is 73% less than the MSCI World benchmark, recently completed a Scope 3 inventory analysis, and is evaluating its participation in SBTi. To ensure regulatory compliance and transparency, United Rentals requires its major vendors to sign a Master Sourcing Code aligned with Occupational Safety and Health Administration, CSA Group, and American National Standards Institute standards. Also, United Rentals has a training center called the United Academy that has trained over 63,000 workers. The academy's curriculum focuses on topics like job site safety and environmental stewardship. The United Academy even offers virtual reality training so users can learn the equipment without the consequences of any real-world mistakes.

## ESG RISK RATING

Refinitiv

**A- (75.2)**

Sustainalytics

**Low Risk (18.5)**

## CARBON INTENSITY

**42.0** (tCO<sub>2</sub>e/\$mm Revenue)

73% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**27% Female**

**73% Male**

Executive Leadership:

**14% Female**

**86% Male**

<sup>1</sup>Newburger, E. 2021. SUSTAINABLE FUTURE China's greenhouse gas emissions exceed those of U.S. and developed countries combined, report says. CNBC: <https://www.cnbc.com/2021/05/06/chinas-greenhouse-gas-emissions-exceed-us-developed-world-report.html>

<sup>2</sup>UNEP. 2021 Global Status Report for Buildings And Construction. UN Environmental Programme: [https://globalabc.org/sites/default/files/2021-10/GABC\\_Buildings-GSR-2021\\_BOOK.pdf](https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf)

<sup>3</sup>Blanco, J.L, Engel, H., Imhorst, F., et al. 2021. Call for action: Seizing the decarbonization opportunity in construction. McKinsey & Company: <https://www.mckinsey.com/industries/engineering-construction-and-building-materials/our-insights/call-for-action-seizing-the-decarbonization-opportunity-in-construction>

<sup>4</sup>ERA. 2019. Carbon Footprint of Construction Equipment. European Rental Association: <https://erarental.org/publications/carbon-footprint-of-construction-equipment/>



# Impact overview

From 2022-25, we estimate that Whirlpool's dishwashers will contribute to solving SDG 12 in developing nations by avoiding 700,000 tCO<sub>2</sub>e and reducing water consumption by 13.5 billion liters. The water savings from Whirlpool's dishwashers are equivalent to the annual water consumption of over 100,000 Americans. Additionally, dishwashers sold in emerging markets that replace manual handwashing save over 230 million hours, in aggregate, or about five days per household per year, that can instead go to leisure and/or participating in the labor market.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



## Company Description/Thesis

Whirlpool is the leading global producer of home appliances, including refrigerators and freezers, home cooking appliances, and laundry machines. The company has 78,000 employees and generates \$20 billion in revenue from over 100 countries, including approximately 25% from developing markets.

As a global leader, Whirlpool's scale results in purchasing advantages that help its business generate a high teens return on capital. The company has a durable and predictable business, with more sales tied to replacement than to discretionary purchases.

## Environmental or Social Problem Addressed

In developed and emerging economies, too many households use older resource-intensive appliances or time-consuming manual methods for household chores.

### THEME

Resource Reducers

### SUSTAINABLE REVENUE

100%

### SDG SUB-GOAL

#### Goal 12.2

Sustainable management and efficient use of natural resources

#### Goal 12.8

Awareness for sustainable development and lifestyles in harmony with nature

### ACTIVITY

Manufactures efficient and time-saving products at a wide range of price points, from high-end appliances to affordable appliances sold to first-time users in emerging economies

### OUTPUT

In 2022, sold over 840,000 dishwashers in emerging markets

### OUTCOME

In 2022, saved 170,000 tCO<sub>2</sub>e, 3.3 billion liters of water, and 57 million hours of household work

### IMPACT

From 2022-25, Whirlpool aims to sell over 3.5 million dishwashers in emerging markets, which we expect to save 700,000 tCO<sub>2</sub>e, 13.5 billion liters of water, and over 230 million hours of household work, or about five days per household per year

Older appliances are massively inefficient, consuming twice as much water and energy compared to modern appliances. In emerging markets, many still wash clothes and dishes by hand (less than 3% of households in India own a dishwasher<sup>i</sup>), which is three times as resource-intensive and time-consuming and can limit workforce participation and time for leisure, especially for women.

Also, people use their appliances too frequently. For example, Whirlpool recently conducted a study that found that American families now wash more than 2,000 pounds of laundry per year, and 50% of respondents claim to do seven loads of laundry or more per week.<sup>ii</sup>

### **Impact: Enables the Responsible Consumption & Production of Household Appliances**

Whirlpool's appliances help solve SDG 12 by manufacturing efficient products at a wide range of prices, from high-end energy efficient appliances sold in developed economies to affordable appliances sold to first-time users in emerging economies. After working with Whirlpool to measure its impact, we focused on the impact of dishwashers in developing nations because of their unique role in freeing people from time-intensive manual household work.

In 2022, we estimate Whirlpool sold over 840,000 dishwashers in emerging markets, which avoided 170,000 tCO<sub>2</sub>e and 3.3 billion liters of water. As one of the largest appliance suppliers in emerging market countries like India and Brazil, Whirlpool's products reduce the time required for household work. Each dishwasher sold that replaces manual labor saves over 100 hours of household work per year, totaling 57 million hours in 2022 alone, that can instead go to leisure and work.<sup>iii</sup> The time saved on household work can significantly impact women's lives – one study found a 21% increase in women's workforce hours and a 50% decrease in hours worked at home during America's appliance boom in the mid-20th century.<sup>iv</sup>

Since appliance penetration remains low in many countries (less than 11% of households in Brazil owned a dishwasher as of 2017),<sup>v</sup> we estimate that Whirlpool's impact will continue to grow. From 2022–25, we estimate that Whirlpool will sell 3.5 million dishwashers in emerging markets, contributing to SDG 12. Over these years, we assume 57% of sales will be, on average, to first-time appliance owners. That would avoid total GHG emissions and water consumption by 700,000 tCO<sub>2</sub>e and 13.5 billion liters. Additionally, these dishwashers would create over 230 million additional hours, in aggregate, or about five days per household, per year to spend on other pursuits.

**From 2022–25, we estimate that Whirlpool's dishwashers will contribute to solving SDG 12 in developing nations by avoiding 700,000 tCO<sub>2</sub>e and reducing water consumption by 13.5 billion liters.**

## LYRICAL'S FOUR PILLARS OF IMPACT

### Materiality

100% of Whirlpool's revenues come from more efficient and sustainable appliance production that promotes SDG 12: Responsible Consumption & Production.

### Measurability

YEAR	DISHWASHERS SOLD IN EMERGING MARKETS	AVOIDED EMISSIONS (tCO <sub>2</sub> e)	WATER SAVED (BN LITERS)	HOURS SAVED (MM)
2022	840,000	172,000	3.3	57
2023	870,000	174,000	3.3	58
2024	890,000	176,000	3.4	58
2025	920,000	178,000	3.4	59
<b>Total</b>	<b>3,520,000</b>	<b>700,000</b>	<b>13.5</b>	<b>232</b>

### Intentionality

When Whirlpool released its 2021 Sustainability Report, the CEO said, "Beginning with our founders, to the everyday actions of our people, our resilience and agility are rooted in Our Enduring Values and an unwavering commitment to social and environmental sustainability while creating value for our shareholders."<sup>vi</sup> This commitment to impact is demonstrated internally through Whirlpool's Social and Governance Council, Environmental Sustainability Council, and ESG Task Force, which includes critical individuals and leaders from all areas of the corporation. Additionally, Whirlpool's sustainability-related policies, practices, and outcomes have received numerous awards, including its inclusion in the Dow Jones Sustainability Index and EPA SmartWay Excellence Awards, and Good Housekeeping's recognition of a company product as the Most Innovative Washing Machine.<sup>vii</sup>

### Sustainability

Whirlpool is an ESG Leader, and its positive impact outweighs its negative externalities. It improves the circularity of its products through three methods. First, Whirlpool conducts life cycle assessments to understand the environmental impact of its products and uses a Circular Transition Indicators tool to measure its performance versus its targets. Second, the company offers repairs/warranties, return centers, and rental options for its products to extend their useful life and ensure they are disposed of at their end of their use. Lastly, the company works with retailers and third parties to find better ways to reuse Whirlpool's products and recycle them at the end of life.

### ESG RISK RATING

Refinitiv

**A- (80.4)**

Sustainalytics

**Low Risk (15.8)**

### CARBON INTENSITY

**27.8** (tCO<sub>2</sub>e/\$mm Revenue)

82% lower than the MSCI World

### DIVERSITY & INCLUSION

Board of Directors:

**31% Female**

**69% Male**

Executive Leadership:

**NA**

<sup>i</sup>Bellman, E. 2020. Covid-19 Spurs Indians to Buy Vacuums and Dishwashers, Putting People Out of Work. Wall Street Journal: <https://www.wsj.com/articles/covid-19-spurs-indians-to-replace-their-household-help-with-appliances-11605096003>

<sup>ii</sup>Whirlpool. 2021. Whirlpool Brand Study Reveals American Families Claim to Wash More Than 2,000 Pounds Of Laundry Per Year. Whirlpool Corporation. <https://investors.whirlpoolcorp.com/news-and-events/news/news-details/2021/Whirlpool-Brand-Study-Reveals-American-Families-Claim-To-Wash-More-Than-2000-Pounds-Of-Laundry-Per-Year/default.aspx>

<sup>iii</sup>Dutta, S., Annemarije Kooijman, A., Cecelski, E., et al. 2017. Energy Access and Gender Getting The Right Balance. World Bank Group: <https://documents1.worldbank.org/curated/en/463071494925985630/pdf/115066-BRI-P148200-PUBLIC-FINALSEARSGenderweb.pdf>

<sup>iv</sup>Berger, M. 2019. How the appliance boom moved more women into the workforce. Penn Today: <https://penntoday.upenn.edu/news/how-appliance-boom-moved-more-women-workforce>

<sup>v</sup>Statista. 2017. Household penetration rate of selected home appliances and media devices in Brazil in 2017. Statista. <https://www.statista.com/statistics/1007404/household-penetration-appliances-brazil/#:~:text=Less%20than%20fourteen%20percent%20of,with%20a%20dishwasher%20in%202017>

<sup>vi</sup>Whirlpool. 2021. Sustainability Report. Whirlpool Corporation: [https://www.whirlpoolcorp.com/2021SustainabilityReport/downloads/whirlpool\\_2021\\_sr.pdf](https://www.whirlpoolcorp.com/2021SustainabilityReport/downloads/whirlpool_2021_sr.pdf)

<sup>vii</sup>Whirlpool, 2021.

# SDG 3

# Health

# Improvers

# Impact overview

From 2022-25, we expect Centene's managed Medicaid services to generate about \$12 billion in annual governmental savings, reducing individual member costs by \$695 on average. Medicaid provides a critical service to lower-income populations, and it represents a large portion of state budgets that are under pressure to reduce costs. Centene helps states reduce what is typically their largest budget item, while improving health outcomes.



## Company Description/Thesis

Centene is a leader in the healthcare industry with more than 25 million members, across all 50 states and internationally. The company's core competency is managing lower-income populations. Centene is the largest provider of government-sponsored healthcare through Managed Medicaid, helping states support more than 15.9 million patient lives. They are also a key player in Medicare Advantage, where they manage over four million lives, and on the Health Insurance Marketplace, where they cover over two million. Centene possesses a durable competitive advantage, driven by its strong provider networks, highly effective support services, and a proven ability to apply data and experience to improve health outcomes and lower costs.

## Environmental or Social Problem Addressed

Medicaid is a critical program that provides healthcare to lower-income populations without access to private health insurance. The Medicaid population includes a large portion of medically complex, high-need

### THEME

Health Improvers

### SUSTAINABLE REVENUE

65%

### ACTIVITY

Managed Medicaid business provides better health outcomes to patients while reducing costs

### IMPACT

From 2022-25, the company's Medicaid services aims to add 600,000 customers, totaling 15.6 million members, generating about \$12 billion in annual governmental savings and reducing individual member costs by \$695 on average

### SDG SUB-GOAL

#### Goal 3.8

Achieve financial risk protection, access to quality essential healthcare services, and access to safe, effective, quality and affordable essential medicines

### OUTPUT

In 2022, added 960,000 Medicaid members, expanding the total to 16.0 million

### OUTCOME

In 2022, created an average government savings of \$690 per patient, totaling \$12.1 billion in savings



beneficiaries, including 12 million dually eligible elderly or disabled individuals, who depend on the government for quality healthcare.<sup>i</sup> Medicaid coverage is at risk because it represents a large portion of state spending, and state budgets are increasingly under pressure to reduce costs. In 2021, Medicaid accounted for between 11 and 44% of all state budgets, with a national average of 27%.<sup>ii</sup> In order for Medicaid to be sustainable, states must lower the cost of Medicaid, but without sacrificing the quality of care for the people who need it most.

**Impact: Provides Good Health & Well-Being to Disadvantaged Populations**

Centene's managed Medicaid business provides better health outcomes to patients while reducing costs by 8 to 15% (11.5% mid-point), contributing to SDG 3 by providing a better service at a lower cost than traditional fee-for-service. Centene's cost savings comes from coordinating fragmented services and providing preventive care by addressing the social determinants

of health.<sup>iii</sup> For example, Centene works with its members to make sure they have access to adequate housing and nutrition. In 2022, Centene's approach lowered government healthcare costs by about \$12.1 billion, realizing a savings of \$690 per member. Lowering healthcare costs is even more critical going forward because COVID-19 has led to a cumulative state budget shortfall of \$555 billion for FY 2020-22.<sup>iv</sup> Centene is a key player in improving state budgets while also improving health outcomes for disadvantaged people, contributing significantly to SDG 3.

From 2022-25, we expect Centene's managed Medicaid services to generate an average of \$12 billion in annual governmental savings, reducing individual member costs by \$695 on average. Medicaid provides a critical service to lower-income populations, but it represents a large portion of state budgets that are under pressure to reduce costs. Centene helps states reduce what is typically their largest budget item, while improving health outcomes.

**Centene's managed Medicaid business provides better health outcomes to patients while reducing costs by 8 to 15% (11.5% mid-point), contributing to SDG 3 by providing a better service at a lower cost than traditional fee-for-service.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

65% of Centene's business comes from their managed Medicaid business, where they are focused on improving outcomes and lowering costs for disadvantaged people, contributing toward achieving SDG 3: Good Health & Wellbeing.

## Measurability

YEAR	MEDICAID MEMBERSHIP (MM)	MEDICAID REVENUE (\$BN)	9-YEAR COMPOUND SAVINGS	TOTAL SAVINGS (\$BN)	TOTAL SAVINGS PER MEMBER
2022	16.0	93	11.5%	12.1	\$690
2023	15.7	95	11.5%	12.4	\$690
2024	15.7	92	11.5%	11.9	\$690
2025	14.9	94	11.5%	12.2	\$705
<b>Average</b>				<b>12.1</b>	<b>\$695</b>

## Intentionality

Improving health outcomes and lowering costs are at the core of Centene's business model. Their intentionality is demonstrated both externally, through their collaboration with the World Economic Forum and UN, and internally with their two ESG committees at the Board and employee levels. The employee-level committee is represented by 16 of the largest business units to ensure coordination from the Board and the C-Suite throughout the entire organization, which spans all 50 states and internationally. Also, compensation is linked to environmental and social metrics.

## Sustainability

Centene's positive impact outweighs any negative externalities from its operations. It is important to note, that material ESG risks for managed care providers include access, affordability, and customer welfare. In 2022, faced two controversies regarding its Operose subsidiary and overcharged state governments for Medicaid. We consider these moderate controversies (Level 2) that were adequately resolved and these lawsuits will not affect the company's long-term earnings potential.

- The BBC alleged that its Operose subsidiary was replacing general practitioners (GPs) with less qualified physician associates (PAs) because they were "cheaper." Lyrical immediately contacted Centene to discuss the matter. The company informed us that it mitigated these concerns by hiring more GPs. The three sites highlighted in the BBC piece now have 1.0 GP working per 2,000 patients (compared with the 0.6 noted by the BBC). During our follow-up call, Centene stated it was training PAs so they could operate to the full extent of their licensure. This was something Lyrical had encouraged during our initial call. Overall, these actions have allowed Operose to treat more patients by hiring more GPs and training PAs.
- Several US states alleged that Centene overcharged for Medicaid services from 2016-19. The company sub-delegated its Medicaid Pharmacy Benefit Management (PBM) services to CVS and there were integration challenges. This was not properly disclosed to states, resulting in inaccurate reimbursement requests and a failure to disclose the cost of pharmacy services. In 2019, Centene became aware of these issues it set aside a cash reserve of \$1.1 billion to resolve any overbilling cases. The company proactively engaged with the states to clarify their practices and ensure that the states were adequately reimbursed. Centene also switched to a transparent pricing model, well before many of its peers and the US Governments Transparency in Coverage Rule. The company has already resolved over half of the cases and has not faced any criminal charges or been accused of any wrongdoing. In October 2022, Centene shifted its PBM contract from CVS to Cigna's Express Scripts.

## ESG RISK RATING

Refinitiv

**B+ (72.9)**

Sustainalytics

**Medium (20.6)**

## CARBON INTENSITY

**1.3** (tCO2e/\$mm Revenue)

## DIVERSITY & INCLUSION

Board of Directors:

**25% Female**

**75% Male**

Executive Leadership:

**36% Female**

**64% Male**

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<sup>1</sup>Medicaid.Gov. 2022. Seniors & Medicare and Medicaid Enrollees. Medicaid.gov: <https://www.medicaid.gov/medicaid/eligibility/seniors-medicare-and-medicaid-enrollees/index.html#:~:text=Related%20Resources&text=Medicaid%20provides%20health%20coverage%20to,who%20are%20enrolled%20in%20Medicare>.

<sup>2</sup>SHADAC. 2022. Medicaid expenses as a percent of state budgets. State Health Compare: <https://statehealthcompare.shadac.org/trend/103/medicaid-expenses-as-a-percent-of-state-budgets#0/1/a/19,20,9,10,11,12,13,14,1,2,3,4,5,6,7,8,15,24,25,27,32,37/140>

<sup>3</sup>AHIP. 2020. The Value of Medicaid Managed Care. AHIP: [https://www.ahip.org/documents/The-Value-of-Medicaid\\_Report.pdf](https://www.ahip.org/documents/The-Value-of-Medicaid_Report.pdf)

<sup>4</sup>McNichol, E. & Leachman, M. 2020. States Continue to Face Large Shortfalls Due to COVID-19 Effects. Center on Budget and Policy Priorities: <https://www.cbpp.org/research/state-budget-and-tax/states-continue-to-face-large-shortfalls-due-to-covid-19-effects>

<sup>5</sup>Sheikh, R., Mole, C. & Holder, S. 2022. UK's biggest GP chain replacing doctors with less qualified staff. BBC: <https://www.bbc.com/news/health-61759643>



# Impact overview

Cigna makes a material contribution to SDG 3.8: Access to Safe, Effective, Quality, and Affordable Essential Medicines by lowering healthcare costs through the company's pharmacy benefit management (PBM) services. Cigna's Evernorth subsidiary manages its National Preferred Formulary (a list of preferred prescription drugs), the largest formulary in the US. Overall, Cigna's PBM lowers the cost of healthcare for over 100 million Americans (one-third of the US population) by promoting generics and scaling the availability of biosimilars. This report focuses on cost savings from biosimilars, which will play a critical role in lowering future drug costs. From 2022-25, we expect Cigna to create \$29 billion in savings by promoting and increasing access to biosimilar prescription drugs.

**3** GOOD HEALTH AND WELL BEING



## Company Description/Thesis

Cigna is a leading provider of managed healthcare in the US, providing medical coverage to 17 million people, pharmacy services to over 100 million people, and behavioral, dental, and other services to over 70 million people. Most of Cigna's medical coverage is for commercial clients, but Cigna's government business, which provides coverage through Medicare Advantage and the individual exchange markets, is a key long-term growth area.

Cigna's business model is capital-light and flexible, with consistent margins and returns on equity that have averaged 16% over the last ten years. During that period, the company generated average EPS growth of 15%. We believe that going forward, the company will grow its topline in the mid-to-high single digits and, with good capital allocation, grow its earnings by 10-13% per year.

### THEME

Health Improvers

### SUSTAINABLE REVENUE

70%

### ACTIVITY

Provides PBM services for generic and biosimilar prescription drugs

### IMPACT

From 2022-25, aims to save its customer \$29 billion

### SDG SUB-GOAL

#### Goal 3.8

Access to Safe, Effective, Quality, and Affordable Essential Medicines

### OUTPUT

Supports 100 million customers

### OUTCOME

In 2022, created \$4 billion in savings for its customers

## Environmental or Social Problem Addressed

According to the Health Care Index, which measures the overall quality of a country's healthcare system, the US ranks 30th out of 89 countries.<sup>i</sup> One of the significant challenges facing the US healthcare system is the cost of prescription drugs. According to a RAND Corporation report, prescription drug prices in the US are significantly higher than in other nations, with prices averaging 2.6x those seen in 32 other OECD countries. The report also found that brand-name drugs are the primary driver of high US prescription drug prices.<sup>ii</sup> Branded drug companies have long been opposed to generics, primarily for profit-related concerns, and recently these same companies have also pushed back against biosimilars for the same reason.<sup>iii</sup> In 2020, brand-name drugs represented less than 10% of prescriptions filled, yet they accounted for 82% of prescription drug spending.<sup>iv</sup>

### Impact: Lowers Healthcare Costs by Offering Pharmacy Benefit Management Services

Cigna makes a material contribution to SDG 3 by lowering healthcare costs for over 100 million Americans (one-third of the US population) through its PBM services. PBMs like Cigna have helped the US shift from branded prescription drugs to generics and now biosimilars, improving access to safe, effective, quality, and affordable essential medicines.

Cigna contributes to this process through its Evernorth subsidiary. Evernorth manages its National Preferred Formulary (a list of preferred prescription drugs) which transitions patients to equivalent medications at a lower cost. In 2021, Cigna saved its policyholders \$34 billion by recommending lower-cost generic or biosimilar medications.

Our analysis focused on measuring cost savings from biosimilars since they will play a critical role in lowering future prescription drug costs. Biosimilars

are new versions of branded specialty prescriptions, which work the same as their branded counterparts and are used for the same clinical conditions but are not chemically identical to the original products. In the US, biosimilars are relatively new, with the first biosimilar approved in 2015, and the share of these new drugs is expected to grow exponentially in the coming years, as popular brand-name drugs, such as Humira, come off patent creating an opportunity for biosimilars.

Cigna helps lower the costs of specialty prescriptions by supporting more biosimilars coming to market at lower prices than the branded options, thereby incentivizing pharmacists to select these lower-cost versions. This facilitates downward pressure on branded drugs as biosimilars create new competition. In 2022, 7% of branded prescription drug expenditures had biosimilar equivalents, and we expect that to increase to over 25% by 2026, scaling the impact of biosimilars. Despite this relatively low market penetration, biosimilars have substantial cost savings potential, and we estimate Cigna will save its customers \$4 billion in 2022. Over the next several years, we estimate that Cigna's PBM business will significantly contribute to SDG 3 by promoting and increasing access to biosimilar prescription drugs, saving its customers \$29 billion from 2022-25.

**Cigna makes a material contribution to SDG 3 by lowering healthcare costs for over 100 million Americans (one-third of the US population) through its PBM services.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

70% of Cigna's revenue contributes to SDG 3.8: Access to Safe, Effective, Quality, and Affordable Essential Medicine.

## Measurability

YEAR	PERCENT OF BRANDED DRUGS DISPENSED IN THE US	BRANDED DRUGS PER-CENT OF TOTAL MEDICINE SPEND	ANNUAL SAVINGS FROM BIOSIMILARS IN THE US (BN)	CIGNA'S PBM MARKET SHARE (%)	CIGNA'S BIOSIMILAR ANNUAL COST SAVINGS (BN)
2022	7.7%	84%	\$15	26%	\$4
2023	7.5%	84%	\$30	26%	\$8
2024	7.2%	85%	\$32	26%	\$8
2025	6.9%	86%	\$34	26%	\$9
<b>Average</b>					<b>\$29</b>

## Intentionality

Improving health outcomes and lowering costs are at the core of Cigna's intentionality can be seen through its suite of healthcare programs that lower prescription drug costs and provide additional support to patients, improving healthcare outcomes and reducing costs. For example, it offers complex psychiatric case management,<sup>v</sup> sending doctors a report that provides a detailed profile of the patient's six-month prescription history. The six-month report includes the psychotropic drugs the patient is taking and whether the patient has been complying. These reports are designed to help doctors improve patient treatment plans. The company also uses outcome-based contracting,<sup>vi</sup> an agreement between a payer and drug manufacturer wherein the payer pays different prices for the same prescriptions depending on how well the drug performs in real-world patients. This model allows providers to collaborate with manufacturers and community organizations to coordinate care better, decrease burden, and improve health outcomes across the US.

## Sustainability

Cigna is an ESG Leader, and the company's negative externalities do not outweigh its positive impact or affect its long-term earnings potential. PBMs are often criticized for prioritizing profits over the quality of care. Cigna mitigates these risks through its best-in-class policies and practices, and it has not faced any significant, high, or severe controversies. Our belief that these benefits are sustainable is based on the below rejoinders to typical pushbacks on the PBM business model:

- **Transparent pricing:** In 2023, Cigna introduced a fully transparent pricing model. In this model, there is no spread pricing or rebate retention. Clients instead pay a simple fee for PBM administration, product services, reporting, and analytics. Cigna notes this model would be fully auditable and provides guarantees around clinical and financial performance measures.
- **PBMs get rebates from drug manufacturers favoring high-priced drugs:** Nine out of ten drugs Cigna prescribes are generics and biosimilars, which are not rebated. Of the remaining 10%, many do not offer rebates because they are unique and single-sourced. Rebates are 7% of annual scripts Cigna manages. 95% of all discounts/rebates are passed through to clients, and half receive 100% of the rebates.
- **PBMs increase the cost of prescriptions:** For Cigna's clients who participate in at least one of its Safeguard Rx programs, 2019 prices increased by +1.2% (versus +2.3% overall for the industry). And for plans with at least three of the company's solutions, the cost change was -4.8%.

## ESG RISK RATING

Refinitiv

**A- (80.5)**

Sustainalytics

**Low (14.2)**

## CARBON INTENSITY

**<1** (tCO2e/\$mm Revenue)

## DIVERSITY & INCLUSION

Board of Directors:

**31% Female**

**69% Male**

Executive Leadership:

**18% Female**

**82% Male**

- PBMs promote expensive specialty drugs:** There is a high need for specialty drugs, but greater than 25% of specialty drugs will have a generic and biosimilar option by 2026, up from 7% in 2022. Cigna promotes generic and biosimilar prescriptions through its 1) strong negotiating position, 2) best-in-class supply chain management, and 3) efficient coordination of patients, physicians, and pharmacies. As of 2022, employers leveraging Cigna's Express Scripts and Accredo reduced specialty drug spend by 6.4%.

Ireland, Sophie. 2021. Revealed: Countries With The Best Health Care Systems, 2021. CEOWORLD Magazine: <https://ceoworld.biz/2021/04/27/revealed-countries-with-the-best-health-care-systems-2021/>

<sup>†</sup>Mulcahy, Andrew W., Whaley, Christopher M., et al. 2021. International Prescription Drug Price Comparisons: Current Empirical Estimates and Comparisons with Previous Studies. RAND Corporation: [https://www.rand.org/pubs/research\\_reports/RR2956.html](https://www.rand.org/pubs/research_reports/RR2956.html)

<sup>‡</sup>Niazi, Sarfaraz K. PhD. 2021. Opinion: A Short History of Biosimilars. The Center for Biosimilars: <https://www.centerforbiosimilars.com/view/opinion-a-short-history-of-biosimilars>

<sup>§</sup>Association for Accessible Medicines. 2021. The U.S. Generic & Biosimilar Medicines Savings Report. AAM: <https://accessiblemeds.org/sites/default/files/2021-10/AAM-2021-US-Generic-Biosimilar-Medicines-Savings-Report-web.pdf>

<sup>¶</sup>Cigna. No Date. Complex Psychiatric Case Management. Cigna Corporation: <https://static.cigna.com/assets/chcp/resourceLibrary/pharmacyResources/pharmPsychCaseManagement.html>

<sup>¶¶</sup>Cigna. 2022. CareAllies to Participate in the CMS Innovation Center's Global and Professional Direct Contracting Model. Cigna Corporation: <https://newsroom.cigna.com/careallies-to-participate-in-cms-innovation-centers-global-and-professional-direct-contracting-model>

# Impact overview

HCA makes an important contribution to SDG 3 because of its scale and hybrid inpatient/outpatient model for delivering quality care. HCA's integrated approach lowers overall healthcare costs and keeps those costs low. To measure how HCA decreases the cost of healthcare we analyzed cost data from comparable out-/inpatient procedures as a proxy to demonstrate HCA's outpatient cost reductions. We found that outpatient treatment costs 48% less on average than the same procedure in an inpatient setting. From 2022-25, we estimate that HCA's outpatient cost of care increases will be 4.5 percentage points lower than the US medical care Consumer Price Index (CPI), on an annualized basis.



## Company Description/Thesis

HCA Healthcare is the largest healthcare services company in the US, with 185 hospitals and over 1,200 outpatient facilities, totaling 44,000 beds in 20 states and England. With an out-/inpatient model at more than 2,000 sites, HCA has a dense and integrated network that yields superior operational efficiencies and exceptional utilization of critical resources.

HCA is a highly stable and growing business with sizeable local market shares. Most of its facilities are in the country's fastest-growing urban environments, where average population growth is ~50% faster than the national average. These attractive demographics, combined with an aging population in the US, have led to consistent volume gains at HCA facilities.

## Environmental or Social Problem Addressed

Two of the most pressing challenges to solving SDG 3 are the high cost and access to quality healthcare.

### THEME

Health Improvers

### SUSTAINABLE REVENUE

50%

### ACTIVITY

Integrated model that locally optimizes healthcare resources by directing patients requiring critical procedures to hospitals, while sending patients with more routine problems to lower cost outpatient facilities

### IMPACT

From 2022-25, we expect HCA's outpatient cost of care to decrease by 0.5% (CAGR) compared to the medical care CPI which is estimated to grow by 4.0% (CAGR)

### SDG SUB-GOAL

#### Goal 3.8

Achieve financial risk protection, access to quality essential healthcare services, and access to safe, effective, quality, and affordable essential medicines.

### OUTPUT

In 2022, provided outpatient care to 1.5 million patients

### OUTCOME

In 2022, increased outpatient admissions by 6.2%, while lowering the outpatient cost of care per visit by an estimated 0.8%



With healthcare costs increasing, it is increasingly difficult for many people to afford necessary, sometimes life-saving, healthcare services. A 2016 study from the University of Chicago revealed that 44% of Americans, including those insured, refused to go to a doctor because of cost concerns.<sup>i</sup> Rising healthcare costs are a significant problem, especially for lower and middle-income Americans who spent \$3.6 trillion on healthcare in 2018, or over \$11,000 per capita.<sup>ii</sup> By 2027, these costs are expected to rise to nearly \$17,000 per capita.<sup>iii</sup>

To overcome these issues, healthcare providers must take a systems approach and help patients get to the most appropriate facilities (outpatient vs. inpatient) quickly while maintaining the quality of care. Outpatient procedures are a necessary and effective way to improve healthcare delivery because comparable inpatient treatments are up to two times more expensive and drive up the overall cost of healthcare.<sup>iv</sup>

**Impact: Improves Good Health & Wellbeing through Affordable & High-Quality Care**

HCA's core business improves health outcomes and helps solve SDG 3 with its out-/inpatient model that reduces costs. About 40% of HCA revenues come from outpatient facilities, where similar procedures are done at a cost savings of roughly 50%.<sup>v</sup> Most of these savings are passed on to HCA's patients. HCA's integrated model and strong local market positions allow it to optimally utilize its resources by directing patients requiring critical procedures to hospitals while sending patients with more routine problems to lower-cost outpatient facilities.

To measure how HCA lowers the cost of healthcare, we compared cost data from similar out-/inpatient procedures. Our analysis is consistent with the literature we have reviewed, and we found that outpatient treatment is 48% less on average than the same procedure in an inpatient setting. We found similar results when we compared three procedures – UKA, lumbar discectomy, and COVID-19-related care – which cost 44-93% less, on average, when conducted at an outpatient facility.

**OUTPATIENT VS. INPATIENT HEALTHCARE COSTS**

	OUTPATIENT UKA	LUMBAR DISCECTOMY	COVID-19-RELATED MEDICAL CARE	AVERAGE
Avg. Outpatient Cost	\$26,000	\$11,000	\$164	\$13,000
Avg. Inpatient Cost	\$47,000	\$24,000	\$2,400	\$25,000
Percent Change	-44%	-53%	-93%	-48%

We also compared HCA revenue per outpatient admission with the US medical care CPI to measure how HCA's scale and systematic approach keep healthcare costs low. From 2022-25, we estimate that HCA's outpatient cost of care per admission will decrease by 0.5% (CAGR), compared to the medical care CPI which is estimated to grow by 4.0% (CAGR). Overall, HCA's scale and out-/inpatient model contribute to solving SDG 3 by improving health and wellbeing at a lower cost.

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

50% of HCA Healthcare's business is focused on solving SDG 3 and improving health outcomes through superior healthcare while lowering costs, making healthcare more affordable.

## Measurability

YEAR	OUTPATIENT ADMISSIONS (MM)	INPATIENT ADMISSIONS (MM)	MEDICAL CARE CPI	HCA INPATIENT REVENUE PER VISIT	HCA OUTPATIENT REVENUE PER VISIT
2022	1.5	2.1	547	\$18,000	\$14,900
2023	1.6	2.1	568	\$18,100	\$14,700
2024	1.7	2.2	591	\$18,500	\$14,600
2025	1.8	2.3	615	\$18,900	\$14,700
<b>CAGR</b>	<b>5.6%</b>	<b>3.3%</b>	<b>4.0%</b>	<b>1.7%</b>	<b>-0.5%</b>

## Intentionality

Sustainability is deeply rooted in HCA's culture. HCA is an active member of Practice Greenhealth, a founder of the Healthier Hospitals Initiative, and a founding sponsor of the Greening the Operating Room initiative. It also has a multi-disciplinary Sustainability Steering Committee, which governs four task forces on material environmental issues and its local sustainability coordinators. There is an HCA sustainability coordinator at each of its 185 hospitals who is responsible for implementing the company's ESG policies and best practices.<sup>vi</sup>

## Sustainability

HCA is a sustainability leader and its negative externalities do not outweigh its important contribution to SDG 3. The following examples shine light on HCA's high-quality care:

- Top hospital ratings: 81% of HCA's U.S. hospitals received a Hospital Safety Grade of A or B from the Leapfrog Group in 2019, compared with just 57% of non-HCA Healthcare U.S. hospitals.<sup>vii</sup>
- Better healthcare outcomes: In 2019, HCA delivered nearly 220,000 babies with a mortality rate of 4.3 per 100,000 deliveries, compared to 14.2 per 100,000 nationally.<sup>viii</sup>
- Proactive health management: HCA is a leader in combatting the opioid crisis. Data from more than 107,000 surgeries revealed that patients using HCA's Enhanced Surgical Recovery (ESR) approach can decrease opioid use by up to 50%.

Additionally, HCA has not faced any material controversies in the last five years and has implemented several policies and best practices to mitigate materials ESG issues, such as improved policies and practices for waste disposal, cybersecurity, employee health and safety, business ethics, and diversity and inclusion.

## ESG RISK RATING

Refinitiv

**B (63.2)**

Sustainalytics

**Medium (28.3)**

## CARBON INTENSITY

**17.7** (tCO<sub>2</sub>e/\$mm Revenue)

89% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**20% Female**

**80% Male**

Executive Leadership:

**28% Female**

**72% Male**

<sup>v</sup>Young, E. 2018. New Survey Finds Large Number of People Skipping Necessary Medical Care Because of Cost. NORC at the University of Chicago: <https://www.norc.org/NewsEventsPublications/PressReleases/Pages/survey-finds-large-number-of-people-skipping-necessary-medical-care-because-cost.aspx>

<sup>vi</sup>Rama, A. 2020. National Health Expenditures, 2018: Spending Growth Remains Steady Even With Increases in Private Health Insurance and Medicare Spending. American Medical Association: <https://www.ama-assn.org/about/research/trends-health-care-spending>

<sup>vii</sup>Probasco, J. 2019. Why Do Healthcare Costs Keep Rising? Investopedia: <https://www.investopedia.com/insurance/why-do-healthcare-costs-keep-rising/>

<sup>viii</sup>HCA Healthcare Investor Relations. 2021. ESG and Impact Engagement Call.

<sup>ix</sup>Richter, D. & Diduch, D. 2017. Cost Comparison of Outpatient Versus Inpatient Unicompartmental Knee Arthroplasty. National Library of Medicine: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5400228/#:~:text=The%20primary%20cost%20savings%20were,%25%20of%20charges%2C%20or%20%24%25%2C%550.>

<sup>x</sup>HCA Healthcare. 2021. 2020 Sustainability Report. HCA Healthcare <https://hcahealthcare.com/util/documents/2020/2020-Documents-HCA-Healthcare-2020-Sustainability-Report-a.pdf>

<sup>xi</sup>Trainer, D. 2020. HCA Healthcare Is Ready For The Future. Forbes: <https://www.forbes.com/sites/greatspeculations/2020/07/09/hca-healthcare-is-ready-for-the-future/?sh=6c4739a3280>

<sup>xii</sup>HCA Healthcare, 2020.



# Impact overview

NXP Semiconductors N.V. ("NXP") makes an important contribution to SDG 3 and SDG 11 through its automotive radar technology by improving traffic safety and increasing access to safe forms of transportation. From 2022–25, we estimate that 100 million new cars with NXP radar technology will hit the road globally resulting in about 88,400 fewer fatal car crashes. To put this in perspective, there are about 50,000 fatal car collisions per year in North America.

**3** GOOD HEALTH AND WELL BEING



**11** SUSTAINABLE CITIES AND COMMUNITIES



## Company Description/Thesis

NXP is a best-in-class global semiconductor company focused on growing markets, including Automotive (44%), Communications Infrastructure (22%), Industrials/IOT (21%), and Mobile (14%). Its product solutions include a range of applications, including 5G mobile infrastructure, automotive radar, EV battery efficiency, and industrial computing.

NXP is a great business with a return-on-tangible capital of over 50%. NXP develops specialized engineering solutions and is an outsourced research and development partner for its customers. 90% of its chips are sole-sourced design wins that cannot be replaced.

## Environmental or Social Problem Addressed

Globally, approximately 1.3 million people die yearly from traffic collisions, and 20–50 million are injured. Tragically, road traffic crashes are the leading cause of death and injuries of children and

### THEME

Health Improvers

### SUSTAINABLE REVENUE

50%

### ACTIVITY

Provides automotive solutions through ADAS technology

### IMPACT

From 2022–25, NXP expects to save approximately 88,400 lives

### SDG SUB-GOAL

#### Goal 3.6

Halve the number of global deaths and injuries from road accidents

#### Goal 11.2

Improve road safety

### OUTPUT

In 2022, installed ADAS units in 17 million cars

### OUTCOME

ADAS can prevent 40% of all crashes and 29% of deaths from car crashes

young adults aged 5–29. More than 50% of road traffic deaths affect the most vulnerable users: cyclists, pedestrians, and motorcyclists.<sup>i</sup> The public health challenge from road traffic collisions is at a crossroads. The number of cars on the road is expected to increase by 41% over the next 20 years, increasing accidents, while technology could minimize the collision rate.

### **Impact: Reduces Global Deaths & Injuries from Road Collisions**

NXP designs a wide range of sustainable products, which, as defined by the EU Taxonomy, should reach 50% of total revenue within the next 3–5 years.

These products include wireless IoT chips and battery management systems. This report will focus on NXP's advanced driver-assistance systems (ADAS) technology.

NXP's automotive radar solutions, through its ADAS technology, make a meaningful contribution to SDG 3 and SDG 11 by improving safety and increasing access to safe forms of transit. ADAS uses a human-machine interface to improve earlier detection and provide safety assistance through early warning and automated systems.<sup>ii</sup> Specifically, NXP is the leading designer of automotive radar systems, which is core to the operation of ADAS and allows for 360° perception, adaptive cruise control, front/rear cross-traffic functions,

lane change assistance, and more.

<sup>iii</sup> The integration of ADAS in passenger vehicles can prevent 40% of all crashes and 29% of deaths in crashes.<sup>iv</sup> In 2022, we estimated that 17 million new cars would be equipped with NXP's radar technology, potentially saving 6,800 lives. Over the next few years, we expect NXP's impact to increase substantially. From 2022–25, we estimate that 100 million new cars with NXP ADAS technology will hit the road, resulting in about 88,400 fewer fatal car crashes. To put this in perspective, North America has about 50,000 fatal car collisions yearly.

**From 2022–25, we estimate that 100 million new cars with NXP ADAS technology will hit the road, resulting in about 88,400 fewer fatal car crashes. To put this in perspective, North America has about 50,000 fatal car collisions yearly.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

NXP strongly contributes to SDG 3 and SDG 11 through its automotive technology, including ADAS and battery management systems (BMS). In 2020, these sustainable activities represented 20% of NXP's revenue. After speaking with the company, we anticipate NXP to reach 50% sustainable revenue as defined by the EU's SFDR within 3-5 years. Within these product lines, NXP is experiencing fast growth. For example, we expect its radar and BMS segments to grow 20%-25% and 60% (CAGR) over the next few years.

## Measurability

YEAR	GLOBAL AUTO PRODUCTION (MM)	RADAR PENETRATION RATE	NXPI MARKET SHARE	CARS WITH NXPI RADARS (MM)	LIVE SAVED PER YEAR TOTAL
2022	83	51%	41%	17	6,800
2023	92	60%	41%	23	15,600
2024	97	70%	41%	28	26,500
2025	99	82%	41%	33	39,500
<b>Total</b>	<b>348</b>			<b>100</b>	<b>88,400</b>

## Intentionality

NXP's Board of Directors and senior leadership are committed to making a positive impact since developing innovative and sustainable solutions is core to the company's business model. NXP's active engagement with internal and external stakeholders demonstrates leadership in sustainability. For example, in 2020, members of the Board of Directors, Investor Relations, Corporate Sustainability, and other business groups met to discuss ESG topics with shareholders, suppliers, and the communities in which the company operates. NXP incorporated their feedback in several ways, including establishing an ESG Management Board and holding direct meetings with major active shareholders (including Lyrical).

## Sustainability

NXP's negative externalities do not outweigh its positive impact on society. NXP has strong GHG emissions and energy reduction policies and practices. The company focuses on improving its product lifecycle management. NXP reached its 2020 target of reducing normalized Scope 1 & 2 emissions by 30%, decreased absolute energy consumption by 7%, increased renewable energy consumption by 27%, and launched a \$3.7 million green bond to improve energy efficiency in several products. Other material sustainability topics include intellectual property protection and competitive behavior, waste and water management, and materials sourcing. We did not identify any material controversies in these areas, e.g., NXP did not have any fines or settlements regarding anti-competitive behavior. Lastly, supply chain management and materials sourcing can challenge semiconductor companies. NXP suppliers certify using the Conflict Minerals Reporting Template (CMRT) and Responsible Minerals Assurance Process (RMAP), significantly reducing the chance of any issues through third-party verification.

## ESG RISK RATING

Refinitiv

**A- (78.5)**

Sustainalytics

**Medium (21.5)**

## CARBON INTENSITY

**94.5** (tCO<sub>2</sub>e/\$mm Revenue)  
39% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**36% Female**  
**64% Male**

Executive Leadership:

**17% Female**  
**83% Male**

<sup>1</sup>WHO, 2021. Road traffic injuries. World Health Organization: <https://www.who.int/news-room/fact-sheets/detail/road-traffic-injuries>

<sup>2</sup>AAA FTS, 2018. Potential Reduction in Crashes, Injuries and Deaths from Large-Scale Deployment of Advanced Driver Assistance Systems. AAA Foundation for Traffic Safety: <https://aaafoundation.org/potential-reduction-in-crashes-injuries-and-deaths-from-large-scale-deployment-of-advanced-driver-assistance-systems/>

<sup>3</sup>NXP. No date. Automotive Radar Systems. NXP: <https://www.nxp.com/applications/automotive/adas-and-highly-automated-driving/automotive-radar-systems:RADAR-SYSTEMS>

<sup>4</sup>AAA FTS, 2018.

# SDG 8

# Job Creators



# Impact overview

From 2022-25, we estimate that the number of eBay sellers will grow by 4% (CAGR) to 20 million and have a total of 3.8 billion non-new/in-season listings, creating a cumulative economic impact of \$16 billion and avoiding 5.5 million tCO<sub>2</sub>e. The avoided emissions from this circular business model are equivalent to the annual emissions of 1.4 million Americans. Also, eBay plans to deepen its efforts supporting decent work and economic growth in disadvantaged communities, and we expect the number of sellers in these areas to keep growing faster than the community average. Overall, eBay contributes to solving SDGs by creating decent work and economic growth through their circular e-commerce platform.



## Company Description/Thesis

eBay is a circular e-commerce leader connecting millions of buyers and sellers in 190 markets worldwide. eBay.com, its localized counterparts, and the eBay mobile apps are among the world's largest and most vibrant marketplaces for discovering great value and unique selections. The company generates 60% of its revenues from outside the US and 40% domestically.

eBay is a high-quality business with a 25% return on capital that benefits from a strong network effect. The company has the most sellers and buyers on its platform, which helps ensure its sellers get the most volume and its buyers get the best prices and selection. Despite its historical success, eBay still only has a 20% market share of the \$500 billion non-new/in-season merchandise sales, a market which is growing more than 10% per year.

### THEME

Resource Reducers

### SUSTAINABLE REVENUE

50%

### ACTIVITY

#### Goal 8.5

Circular ecommerce platform allows users to become entrepreneurs, including in disadvantaged communities

#### Goal 12.2

Circular ecommerce platform advances circular commerce through the sale of non-new / in-season (used, refurbished, vintage, etc.) products

### IMPACT

#### Goal 8.5

From 2022-25, the company aims to create a cumulative economic impact of \$16 billion and increase the number of sellers in disadvantaged communities faster than the community's average

#### Goal 12.2

From 2022-25, we estimate that eBay will create a cumulative economic impact of \$16 billion and avoid 5.5 million tCO<sub>2</sub>e.

### SDG SUB-GOAL

#### Goal 8.5

By 2030, achieve full and productive employment and decent work for all

#### Goal 12.2

Sustainable management and efficient use of natural resources

### OUTPUT

#### Goal 8.5

As of 2022, it has 18 billion sellers and an increased focus on sellers in disadvantaged communities

#### Goal 12.2

In 2022, it had 850 million non-new/in-season live listings

### OUTCOME

#### Goal 8.5

From 2022-25, sellers are expected to grow at 4% per year, and users from disadvantaged communities are estimated to grow at 23% per year

#### Goal 12.2

In 2022, avoids 1.4 million tCO<sub>2</sub>e

## Environmental or Social Problem Addressed

The world economy is mainly linear, meaning raw materials are used to produce goods, which are then consumed/used and thrown away, creating massive waste that continues to surge. For example, in 2020, global electronic waste (e-waste) weighed as much as 350 cruise ships placed end-to-end to form a line 125 km long (about the distance from New York City to Philadelphia).<sup>i</sup> In the US, 85% of textiles are either burned or taken to a landfill, equivalent to a garbage truck full of clothes being dumped in a landfill every second.<sup>ii</sup> Together, e-waste and apparel waste are responsible for 14.3% of global emissions, and the fashion industry alone is responsible for 20% of global wastewater.<sup>iii</sup>

The negative impact of our linear economy is expected to grow. In the last 15 years, e-waste has increased by 50%,<sup>iv</sup> and the world is buying 60% more clothing than it did 15 years ago.<sup>v</sup> While there have been improvements to global waste management practices, there is a long way to go. For example, refurbished goods comprise 6% of the global technology and electronics marketplace. Every year, \$500 billion in value is lost due to unworn and recycled clothing.<sup>vi</sup>

Another critical challenge linked to the linear economy is limited access to and opportunity for self-employed entrepreneurs in disadvantaged communities and emerging markets. According to the Organization for Economic Co-operation and Development (OECD), self-employed entrepreneurs in these areas face several barriers, such as distance to the physical location, fewer networks for business expansion, and discrimination against minorities

and women.<sup>vii</sup> Closing the racial wealth gap through economic growth in disadvantaged communities could increase the US GDP by 4-6%.<sup>viii</sup>

## Impact: Creates Decent Work & Economic Growth/Promotes Responsible Consumption & Production

eBay's circular e-commerce platform improves the environmental impact of consumption and production of goods. The company helps advance circular commerce by selling non-new/in-season (used, refurbished, vintage, etc.) products, a key enabler of responsible consumption. eBay provides buyers information regarding each product's non-new/in-season carbon footprint and cost savings compared to other products in their specific category, encouraging buyers to consider more sustainable options. Non-new/in-season make up approximately 50% of eBay's overall listings, providing a global platform where products can continuously find renewed life and value that otherwise might be wasted.

In last year's impact report, we only measured eBay's impact from sales of non-new products in apparel and electronics. We are now able to measure eBay's economic and environmental impact for all its non-new/in-season

listings. In 2022, eBay had approximately 850 million listings, generating \$4 billion in economic impact<sup>1</sup> and avoiding 1.4 million tCO<sub>2</sub>e.

eBay also grows wealth generation and work opportunities in disadvantaged communities. eBay's circular e-commerce platforms allow people in disadvantaged communities to become entrepreneurs. In 2022, the company increased its commercial sellers in less-advantaged communities by 23% compared to the US average of an estimated 1% decrease.

Over the next few years, we expect eBay's contributions to SDG 8 and SDG 12 to grow. From 2022-25, we estimate that the number of eBay sellers will increase by 4% (CAGR) to 20 million and have a total of 3.8 billion non-new/in-season listings, creating a cumulative economic impact of \$16 billion and avoiding 5.5 million tCO<sub>2</sub>e. The avoided emissions from this circular business model are equivalent to the emissions of 1.4 million Americans. Also, eBay plans to deepen its efforts in supporting decent work and economic growth in disadvantaged communities. We expect the number of sellers in these areas to grow faster than the community average.<sup>ix</sup>

**From 2022-25, we estimate that eBay will create a cumulative economic impact of \$16 billion and avoid 5.5 million tCO<sub>2</sub>e.**



## LYRICAL'S FOUR PILLARS OF IMPACT

### Materiality

100% of its business is aligned with SDG 8 creating decent work and economic growth and SDG 10 reducing inequalities for people both in developed and developing markets.

### Measurability

YEAR	EBAY SELLERS (MM)	NON-NEW/IN-SEASON LISTINGS (MM)	ECONOMIC IMPACT (\$BN)	AVOIDED EMISSIONS (MM tCO2e)
2022	18	850	4	1.4
2023	18	920	4	1.4
2024	19	990	4	1.4
2025	20	1,060	4	1.4
<b>Total Cumulative</b>		<b>3,800</b>	<b>16</b>	<b>5.5</b>

### Intentionality

eBay is deeply dedicated to bettering the world. The CEO and management team are committed to economic empowerment, especially for small businesses and less-advantaged communities, as well as sustainability and corporate responsibility. This can be highlighted by the eBay Foundation, which promotes entrepreneurship, and the \$1 billion-plus eBay for Charity has raised. Additionally, in 2021 eBay increased the ambition of its new impact targets for 2021-25. It now includes all non-new/in-season products, not just electronics and apparel, as the company did for its 2016-20 goals.

### Sustainability

eBay is a clear ESG leader in sustainable commerce. Its carbon intensity is 97% less than the MSCI World average; 84% of its current electricity supply comes from renewable energy sources, and eBay has reduced its Scope 1 and 2 GHG by 26% from the 2019 baseline. eBay is well on its way to reaching its new SBTi-approved targets to reduce Scope 1-2 emissions by 90% and Scope 3 emissions by 20% by 2030 from a 2019 base year. eBay also announced its data centers would be carbon-neutral by the end of 2021. Additionally, eBay has not been the subject of any severe controversies in its material ESG topic areas, such as energy management, data privacy/security, DEI practices, or product circularity.

### ESG RISK RATING

Refinitiv

**B+ (69.4)**

Sustainalytics

**Low (17.4)**

### CARBON INTENSITY

**4.5** (tCO2e/\$mm Revenue)

97% lower than the MSCI World

### DIVERSITY & INCLUSION

Board of Directors:

**39% Female**

**61% Male**

Executive Leadership:

**33% Female**

**67% Male**

<sup>1</sup>eBay's economic impact is an estimate of both the profit earned by small businesses selling these used goods, as well as the savings earned by the buyer for purchasing a used product instead of new. eBay's marketplace provides a means for small businesses to earn money, and it also helps consumers save money, all while reducing global emissions.

<sup>2</sup>WHO. 2021. Soaring e-waste affects the health of millions of children, WHO warns. WHO: <https://www.who.int/news/item/15-06-2021-soaring-e-waste-affects-the-health-of-millions-of-children-who-warns>

<sup>3</sup>Beall, A. 2020. Why clothes are so hard to recycle. BBC: <https://www.bbc.com/future/article/20200710-why-clothes-are-so-hard-to-recycle>

<sup>4</sup>UNFCCC. No Date. E-waste: From Toxic to Green | India. UNFCCC: <https://cop23.unfccc.int/climate-action/momentum-for-change/lighthouse-activities/e-waste-from-toxic-to-green>

<sup>5</sup>UNU. 2020. Global E-Waste Surging: Up 21% in 5 Years. United Nations University: <https://unu.edu/media-relations/releases/global-e-waste-surging-up-21-in-5-years.html>

<sup>6</sup>Beall, 2020.

<sup>7</sup>Botting, N. 2020. Circular e-commerce | Embracing a new model to stay relevant. Lengow Blog: <https://blog.lengow.com/circular-e-commerce-embracing-a-new-model-to-stay-relevant/>

<sup>8</sup>Blackburn, R. & Smallbone, D. 2020. Sustaining self-employment for disadvantaged entrepreneurs. OECD: <https://www.oecd.org/cfe/leed/Background%20paper%20for%20sustainability%20policy%20brief%20rev.pdf>

<sup>9</sup>Noel, N., Wright, J., Pinder, D., and Steward III, S. 2019. The economic impact of closing the racial wealth gap. McKinsey & Company: <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap>

<sup>10</sup>eBay. 2022. eBay Impact 2021 Report. eBay: <https://static.ebayinc.com/assets/Uploads/Documents/eBay-Impact-2021-Report.pdf>

# Impact overview



Grupo Catalana Occidente's credit insurance solutions make a meaningful contribution to SDG 8 by promoting international trade and supporting small and medium enterprises (SMEs) which make up 95% of OECD companies and account for 60%-70% of employment in most countries. We estimate that the company increased global trade by providing this type of insurance by \$36 billion in 2022. From 2022-25, we expect the company to grow its contribution to SDG 8 by increasing global credit insurance by 6.3%. This will spur global trade by 0.6% or \$165 billion.

## Company Description/Thesis

Grupo Catalana is a multi-line insurance company headquartered in Spain. It operates through two segments: traditional insurance and credit insurance. Traditional insurance (auto, small commercial, and life) accounts for 40% of profit, and credit insurance (accounts receivables protection) generates 60% of revenue. Atradius, its credit insurance business, is the second largest globally, with broad European exposure and operations in the Americas and Asia-Pacific.

Grupo Catalana is a highly well-run, 65% family-owned insurance business that has compounded its equity at 13% per annum since 1999. The company is laser-focused on growing the bottom line instead of focusing on the top line. This discipline comes from a deep alignment of interests with shareholders, given the founders' ownership stake.

### THEME

Job Creators

### SUSTAINABLE REVENUE

60%

### ACTIVITY

Insures receivables on the balance sheet of SMEs around the world

### IMPACT

From 2022-25, we expect the company to grow its contribution to SDG 8 by increasing global credit insurance by 6.3%. This can spur global trade by 0.6% or \$165 billion

### SDG SUB-GOAL

#### Goal 8.3

Promote decent job creation and encourage growth of SMEs through access to financial services

### OUTPUT

Lowers the mistrust between buyers and sellers by providing trade insurance

### OUTCOME

In 2022, by providing this type of insurance, the company increased global trade by an estimated \$36 billion

## Environmental or Social Problem Addressed

Trade has been a critical driver of social and economic change for thousands of years. Businesses that provide the goods and services to facilitate trade face many challenges, such as sellers' reluctance to purchase goods because of the creditworthiness of buyers and customers' inability to pay because of bankruptcy or even war. For example, in the U.S. alone, it is estimated that around \$50 billion of orders each year are not fulfilled because sellers are reluctant about buyers' creditworthiness.<sup>i</sup> About 60% of this lost revenue is borne by small businesses generating \$20 million in revenue or less.<sup>ii</sup> During the most challenging economic times, like in the pandemic, SMEs need revenues the most, and yet these are the times they are also less likely to trust buyers.

### Impact: Promotes Inclusive & Sustainable Economic Growth

Through its Atradius business, Grupo Catalana helps solve SDG 8 by insuring the receivables on the balance sheet of SMEs worldwide, lowering the mistrust between buyers and sellers. The company's trade insurance and credit insurance solutions make a meaningful contribution by promoting international trade and supporting SMEs, which comprise 95% of OECD enterprises and account for between

60 to 70% of employment in most countries.<sup>iii</sup> For approximately 25 to 35 basis points, Atradius will insure up to 90% of a firm's receivables, allowing trust between counterparties and for global trade to function even in challenging times.

In 2022, Grupo Catalana's credit insurance business had revenues of \$2.3 billion, representing 19.2% of the global credit insurance market. By providing this type of insurance, we estimate the company will increase global trade by \$36 billion in 2022. From 2022-25, we expect the company to grow its contribution to SDG 8 by increasing international credit insurance by 6.3%. This will spur global trade by 0.6% or \$165 billion

**From 2022-25, we expect the company to grow its contribution to SDG 8 by increasing international credit insurance by 6.3%. This will spur global trade by 0.6% or \$165 billion**

## LYRICAL'S FOUR PILLARS OF IMPACT

### Materiality

60% of Grupo Catalana's profit comes from its credit insurance division, which facilitates global trade and protects SMEs.

### Measurability

YEAR	GLOBAL CREDIT INSURANCE MARKET (BN)	GCO CREDIT INSURANC BUSINESS (BN)	GCO MARKET SHARE	GROWTH OF GLOBAL CREDIT INSURANCE FROM GCO	IMPACT ON GLOBAL TRADE FROM GCO	GLOBAL CROSS BORDER TRADE (TN)	INCREASE IN GLOBAL TRADE FROM GCO (BN)
2022	\$12,200	\$2,300	19%	1.6%	0.16%	\$23	\$36
2023	\$13,300	\$2,500	19%	1.6%	0.16%	\$25	\$39
2024	\$14,500	\$2,800	19%	1.6%	0.16%	\$27	\$43
2025	\$15,800	\$3,000	19%	1.6%	0.16%	\$30	\$47
<b>Total</b>				<b>6.3%</b>	<b>0.6%</b>		<b>\$165</b>

### Intentionality

Grupo Catalana has been committed to sustainability for over 100 years. Spain's Serra family controls the company and prides themselves on being strong humanitarian leaders. The family started the Jesus Serra Foundation in 1998, now a cornerstone of Grupo Catalana, bringing together employees across business lines to contribute to causes in research, teaching, social action, and more. The Board of Directors recently approved the company's new Sustainability Policy. The policy outlines its strategy to create long-term sustainable social value, manage ESG risks, create a Sustainability Committee, and develop a 2020-23 Sustainability Master Plan. Externally, the company demonstrates its commitment to sustainability by applying the principles of the UNGC, UNPRI, UNPSI, and SDGs, which have been incorporated into its policies and practices.

### Sustainability

The company has not experienced any negative controversies in its material ESG issues areas: selling practices, design of financial products, physical impacts of climate change, and system risk management. Also, Grupo Catalana is committed to responsible investment, with over 50% of its total assets represented by sustainable companies. It implements negative and norms-based screens and has integrated ESG through thematic investing and investing in line with the SDGs. Lastly, Grupo Catalana practices preventative insurance to help ensure its customers are financially and personally supported. For example, the company provides free car maintenance and services in its automotive insurance segment.

## ESG RISK RATING

Refinitiv

**B- (57.2)**

Sustainalytics

**NA**

## CARBON INTENSITY

**<1** (tCO<sub>2</sub>e/\$mm Revenue)

## DIVERSITY & INCLUSION

Board of Directors:

**6% Female**

**94% Male**

Executive Leadership:

**NA**

<sup>1</sup>D'Innocenzio, A. 2020. Suppliers reluctant to ship goods without credit insurance. AP News: <https://apnews.com/article/virus-outbreak-ap-top-news-financial-markets-business-us-news-5298671099cfadcb9896c660d863dc23>

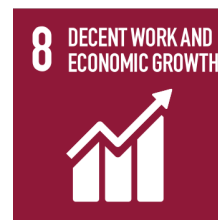
<sup>2</sup>D'Innocenzio, 2020.

<sup>3</sup>OECD. 2000. Small and Medium-sized Enterprises: Local Strength, Global Reach. OECD: <https://www.oecd.org/cfe/leed/1918307.pdf>



# Impact overview

Primerica contributes to SDG 8 by promoting the financial inclusion of underserved, low- and middle-income households that have incomes between \$30,000 and \$100,000, which represent almost 50% of US households. The company accomplishes this by underwriting affordable term life insurance, starting around \$15 per month, about 50% less than the national average. By 2025 we expect the company to insure over 3.3 million Americans and provide about \$1.1 trillion in total life insurance coverage, or about \$280,000 in death benefits per client on average.



## Company Description/Thesis

Primerica is a leading provider of financial products to middle-income households in the United States and Canada. It has insured over 5.5 million lives and managed 2.7 million client investment accounts. The Company's segments include Term Life Insurance and Investment and Savings Products.

Primerica is a good business that has generated a 20% return-on-equity over the past decade, even though it sells lower-priced policies. Unlike most financial institutions, Primerica focuses on underserved consumers. The company's clients are generally households with less than \$100,000 of annual income that have inadequate or no life insurance coverage and often need help with retirement goals. Primerica relies on a unique distribution model to effectively address this population. The commissions or fees earned on this business are not enough to support a traditional branch network, a marketing budget, or a fixed salary employee base. As a result, Primerica uses a grassroots, commission-based, part-time salesforce that would be difficult and costly for a potential competitor to replicate.

### THEME

Job Creators

### SUSTAINABLE REVENUE

100%

### ACTIVITY

#### Goal 8.10

Supports the financial inclusion of low- and middle-income Americans

### IMPACT

By 2025, Primerica aims to insure over 3.3 million low- and middle-income Americans and provide about \$1.1 trillion in coverage, or about \$280,000 in benefits per client on average

### SDG SUB-GOAL

#### Goal 8.10

strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all

### OUTPUT

#### Goal 8.10

Provide affordable term life insurance, starting around \$15 per month, about 50% less than the national average

### OUTCOME

#### Goal 8.10

In 2022, the company issued 330,000 new life insurance policies, raising the number of policies in force to 3 million

## Environmental or Social Problem Addressed

The financial sector has struggled to improve financial inclusion, i.e. many low- and middle-income Americans and businesses lack access to useful and affordable financial products and services that meet their needs and are delivered responsibly and sustainably.<sup>ii</sup> For example, life insurance can provide complete protection against death risks and partial insurance against other needs/risks during a person's life. A recent report from Swiss Re notes that families in the US need \$25 trillion of additional life insurance to be adequately protected.<sup>ii</sup> However, individual life insurance sales in the U.S. declined from 12.5 million policies sold in 1975 to 9.4 million in 2019.<sup>iii</sup>

## Impact: Improves Financial Inclusion for Low- & Middle-Income Americans

Primerica contributes to SDG 8 through the financial inclusion of clients with incomes between \$30,000 and \$100,000, representing almost 50% of U.S. households. Many of the company's clients were uninsured but are no longer due to Primerica's affordable insurance offerings. Primerica provides insurance policies as low as \$15,000 for around \$15 per month, about 50% less than the national average for the same coverage.<sup>iv</sup> In 2022, the company issued 330,000 new life insurance policies, raising the number of policies in force to 3.0 million. By 2025 we expect Primerica to insure over 3.3 million Americans and provide approximately \$1.1 trillion in total life insurance coverage, or about \$280,000 in benefits per client on average.

**Primerica provides insurance policies as low as \$15,000 for around \$15 per month, about 50% less than the national average for the same coverage.**

## LYRICAL'S FOUR PILLARS OF IMPACT

### Materiality

100% of Primerica's revenues contribute to SDG 5 by increasing the number of women in finance and SDG 8 by supporting the financial inclusion of low- and middle-income Americans.

### Measurability

YEAR	AVERAGE INCOME OF CLIENTS	NEW LIFE INSURANCE POLICIES ISSUED	CUMULATIVE LIFE INSURANCE POLICIES IN FORCE (MM)	AVERAGE VALUE OF LIFE INSURANCE POLICY	NEW TERM LIFE INSURANCE ISSUED (BN)	TERM LIFE INSURANCE IN FORCE (BN)
2022	\$60,700	330,000	3.0	259,000	\$113	\$940
2023	\$62,500	335,000	3.1	267,000	\$117	\$980
2024	\$64,400	340,000	3.2	275,000	\$122	\$1,030
2025	\$66,400	345,000	3.3	283,000	\$126	\$1,070
<b>Total</b>		<b>1,350,000</b>			<b>\$480</b>	

### Intentionality

Primerica recognizes the importance of integrating sustainability throughout the company, including its investment management process and strategies. The company has three third-party oversight advisors, including Conning Inc., who support integrating ESG risks into its investment process. For example, Conning reports to the investment committee and regularly updates senior management on ESG factors. Material ESG topics are integrated into the target rating and outlook for issuers to understand creditworthiness better. Primerica also offers 591 socially responsible and sustainable investment funds. The company's managed accounts, through its Lifetime Advisory Platform, offer a variety of fixed-income and global equity strategies that fully incorporate ESG factors into the analysis, selection, portfolio construction, and management of investments. Both independent investment managers are signatories to UNPRI and apply ESG factors that map to the SDGs.

### Sustainability

In 2022, Primerica did not experience any controversies in its material ESG issue areas: selling practices and product labeling, product design, physical impacts of climate change, and systematic risk management. To help mitigate these risks, the company provides compliance training to sales personnel, issues an Insurance and Securities Compliance Manual, and regularly runs surveillance reports. Primerica's Field Audit Department conducts audits of its sales representatives. Lastly, the Board of Directors' Audit Committee is tasked with developing policies, controls, and processes to limit systematic risks, and the company has a heatmap/watchlist for material risks. In 2022, the company conducted a climate risk materiality assessment by a third-party consultant. Primerica determined that its business model is resilient to climate risk, and climate issues currently do not present a material risk.

## ESG RISK RATING

Refinitiv

**B (60.5)**

Sustainalytics

**Low (19.1)**

## CARBON INTENSITY

**1.7** (tCO<sub>2</sub>e/\$mm Revenue)

## DIVERSITY & INCLUSION

Board of Directors:

**27% Female**

**73% Male**

Executive Leadership:

**29% Female**

**71% Male**

<sup>1</sup>World Bank. 2017. Financial Inclusion. World Bank Group: <https://www.worldbank.org/en/topic/financialinclusion/overview#1>

<sup>2</sup>Abrokwah, S., Carrol, J.J., & Habecker, S., et al. 2018. Life underinsurance in the US: bridging the USD 25 trillion mortality protection gap. Swiss Re Institute: [https://www.swissre.com/dam/jcr:e8ea66fe-cc60-426f-8562-9fafb4b4d83/expertise\\_publication\\_life\\_underinsurance.pdf](https://www.swissre.com/dam/jcr:e8ea66fe-cc60-426f-8562-9fafb4b4d83/expertise_publication_life_underinsurance.pdf)

<sup>3</sup>2021. Facts + Statistics: Life insurance. Insurance Information Institute: <https://www.iii.org/fact-statistic/facts-statistics-life-insurance>

<sup>4</sup>lervasi, K. 2022. Average Life Insurance Rates 2022. nerdwallet: <https://www.nerdwallet.com/article/insurance/average-life-insurance-rates>



# SDG 16

# Identity

# Protectors



# Impact overview

Gen Digital protects the identity, privacy, and security of over 80 million customers in 150 countries, contributing to SDG 16. In 2022, we estimate that the company's software protected 9 million Americans from identity theft, preventing \$12 billion in stolen personal information. As the need for cyber safety grows, so will Gen Digital's positive impact. From 2022-25, we expect the company to increase its contribution to society by averting 58 million cases of identity theft in the US, saving users an estimated \$82 billion. This is approximately 28x the Department of Homeland Security's FY2023 budget (\$2.9 billion) for cybersecurity and infrastructure security.,



## Company Description/Thesis

Gen Digital is a leading global consumer cyber safety provider, offering solutions to protect consumer safety and privacy online, from antivirus and anti-malware software to identity protection and restoration services, credit monitoring, and parental controls. As people continue to spend more of their lives online across many devices, and as cyber threats have expanded beyond basic computer viruses, Gen Digital's importance continues to grow. Given the growth and low penetration of the cyber safety market, we believe the company can increase its topline at a ~10% rate and earnings per share in the mid-teens.

Gen Digital's subscription software business is highly attractive, with 50%+ operating margins and little capital employed, resulting in extraordinary returns on invested capital and abundant free cash flow.

### THEME

Identity Protectors

### SUSTAINABLE REVENUE

100%

### ACTIVITY

Offers a portfolio of solutions to protect consumer safety and privacy online, from anti-virus and anti-malware software, to identity protection and restoration services, credit monitoring, and parental controls

### IMPACT

From 2022-25, we expect Gen Digital to prevent 58 million cases of cybercrimes and save its customers a total of \$82 billion

### SDG SUB-GOAL

#### Goal 16.4

Significantly reduce illicit financial flows, and strengthen the recovery and return of stolen assets

### OUTPUT

As of 2022, Gen Digital protects 80 million users worldwide

### OUTCOME

In 2022, the company averted 9 million potential US victims of identity theft

## Environmental or Social Problem Addressed

Cybercrime is a significant global challenge. Costs from cybercrime are expected to grow by 15%, to \$10.5 trillion annually by 2025.<sup>i</sup> For comparison, the global economic cost of natural disasters in 2022 was \$313 billion.<sup>ii</sup> Identity theft is one of the fastest-growing cybercrimes in the world<sup>iii</sup>, and in 2022, we estimate 16.5% of American adults were victims of identity theft. Identity theft is particularly scary because it can occur from regular daily activities, such as carrying your driver's license in your pocket, paying for lunch with friends, or storing your personal information online. The personal loss from identity theft seems small, nearly \$1,300 on average compared to \$4.24 million for an average corporate data breach.<sup>iv</sup> However, the impact on people's daily lives can be more significant – 73% of all identity theft victims reported difficulties paying their rent and utilities or buying necessities like groceries. Personal identity theft also affects state and local government budgets by defrauding billions of dollars. In 2020, government agencies lost \$200–500 billion in funding.<sup>v</sup>

### Impact: Creates a Safe & Secure Digital Ecosystem for Everyone

Gen Digital contributes to SDG 16 through its best-in-class antivirus apps and software. While the company has about 80 million global users, approximately 70% of its customers use its products for free, providing a critical public good to people worldwide. The company's software effectiveness comes from its antivirus scans which help remove malware files that enter a device. Its antivirus

technology uses machine learning to get online threats to reveal themselves in milliseconds. Gen Digital protection software is also optimized to improve the user experience, decreasing the chance an individual will mistakenly divulge sensitive personal information. In 2022, we estimate that the company's software protected 9 million Americans from identity theft, preventing \$12 billion of losses from stolen personal information.

Gen Digital's positive impact should increase as the need for cyber safety grows. From 2022–25, we expect the company to increase its contribution to society by averting 58 million identity theft cases in the US, saving users approximately \$82 billion. This savings is approximately 28x of the Department of Homeland Security's FY2023 budget (\$2.9 billion) for cybersecurity and infrastructure security.<sup>vi</sup>

**From 2022–25, we expect Gen Digital to avert 58 million identity theft cases in the US, saving users approximately \$82 billion. This savings is approximately 28x of the Department of Homeland Security's FY2023 cybersecurity and infrastructure security budget.**

# LYRICAL'S FOUR PILLARS OF IMPACT

## Materiality

100% of Norton's revenues contribute to SDG 16 by protecting the identity, privacy, and security of over 80 million customers in 150 countries.

## Measurability

YEAR	TOTAL GLOBAL USERS (MM)	TOTAL US USERS (MM)	PERCENT OF AMERICANS WHO EXPERIENCED FINANCIAL IDENTITY THEFT	ESTIMATED US USER PROTECTED FROM IDENTITY THEFT (MM)	ESTIMATED SAVINGS (BN)
2022	82	54	16.5%	9	\$12
2023	134	86	17.2%	15	\$20
2024	143	92	17.8%	16	\$23
2025	150	96	18.5%	18	\$27
<b>Total</b>				<b>58</b>	<b>\$82</b>

## Intentionality

Gen Digital's commitment to corporate responsibility is critical to its philosophy. The company's approach focuses on its expertise and cybersecurity technology to create a more secure, sustainable digital space. Gen Digital is a recognized global leader in security and sustainability and is recognized as the "Best for Single-Desktop Protection" provider by PCMag.<sup>vii</sup> As part of its renewed commitment to corporate responsibility, Gen Digital signed the UNGC in 2020. Gen Digital also developed a new Human Rights Policy statement to uphold the ten principles of the UNGC and the principles of the Universal Declaration of Human Rights. Its Code of Conduct and Global Supplier Code of Conduct also incorporate these commitments.

## Sustainability

Gen Digital has few negative environmental impacts as a technology company, as demonstrated by its low ESG risk rating and carbon intensity. To protect customer privacy and data security, the company maintains a comprehensive cybersecurity program to support its systems and prepare for information security risks, including regular monitoring for internal and external threats and implementation ISO 27001-certified security management system. Norton's Virus Protection Promise includes a 100% guarantee for its users, and the company also offers a Million Dollar Protection Package. The protection package covers personal expenses from identity theft, including lawyers and experts, for up to \$1 million. In 2022, an unauthorized third-party accessed 6,450 Gen Digital accounts.<sup>viii</sup> The attack was not from a data breach but rather a credential stuffing attack where criminals collect and use an extensive collection of stolen email addresses, passwords, and usernames. The company quickly reached out to the affected customers encouraging them to use Gen Digital's two-factor authentication solutions and is providing free credit monitoring services to those customers.<sup>ix</sup> Sustainalytics and Lyrical consider this a low (Level-1) controversy that does not require escalation.

## ESG RISK RATING

Refinitiv

**A- (78.8)**

Sustainalytics

**Low (16.6)**

## CARBON INTENSITY

**4.5** (tCO2e/\$mm Revenue)  
97% lower than the MSCI World

## DIVERSITY & INCLUSION

Board of Directors:

**44% Female**  
**36% Male**

Executive Leadership:

**25% Female**  
**75% Male**

<sup>1</sup>WEF. 2023. Why we need global rules to crack down on cybercrime. World Economic Forum: <https://www.weforum.org/agenda/2023/01/global-rules-crack-down-cybercrime/>

<sup>2</sup>Urso, Federica. 2023. Natural disasters caused \$313 bln economic loss in 2022 – Aon: Reuters: [https://www.reuters.com/business/environment/natural-disasters-caused-313-bln-economic-loss-2022-aon-2023-01-25/#:~:text=Jan%2025%20\(Reuters\)%20%2D%20Natural,%2C%20insurance%20broker%20Aon%20\(AON](https://www.reuters.com/business/environment/natural-disasters-caused-313-bln-economic-loss-2022-aon-2023-01-25/#:~:text=Jan%2025%20(Reuters)%20%2D%20Natural,%2C%20insurance%20broker%20Aon%20(AON)

<sup>3</sup>Reed, B. 2012. 5 Terrifying Things You Should Know About Identity Theft. Business Insider: <https://www.businessinsider.com/five-terrifying-things-you-should-know-about-identity-theft-2012-2>

<sup>4</sup>IBM. 2021. Cost of a Data Breach Report 2021. IBM Security: <https://www.ibm.com/downloads/cas/OJDVQGRY>

<sup>5</sup>Schulte, T. 2022. Identity Theft and Credit Card Fraud Statistics 2022. Define Financial: <https://www.definefinancial.com/blog/identity-theft-credit-card-fraud-statistics/>

<sup>6</sup>US House of Representatives. 2022. Homeland Security Chairwomen Lucille Roybal-Allard Fiscal Year 2023 Appropriations Bill Summary. US House of Representatives, House Committee on Appropriations: <https://appropriations.house.gov/sites/democrats.appropriations.house.gov/files/Homeland%20Security%20FY23%20Summary.pdf>

<sup>7</sup>Rubenking, Neil J. 2023. The Best Antivirus Software for 2023. PCMag: <https://www.pcmag.com/picks/the-best-antivirus-protection>

<sup>8</sup>Whittaker, Z. 2023. Norton LifeLock says thousands of customer accounts breached. TechCrunch: <https://techcrunch.com/2023/01/15/norton-lifelock-password-manager-data/>

<sup>9</sup>Maruccia, A. 2023. NortonLifeLock warns of password manager breach after failing to reject mass login attempts. TechSpot: <https://www.techspot.com/news/97278-nortonlifelock-warns-password-manager-breach-after-failing-reject.html>

# ANNEX 1 | 2022-25 IMPACT SUMMARY

SDG 7:

## Climate & Clean Energy Leaders

7 AFFORDABLE AND CLEAN ENERGY



### Clean Energy Installed (MW)

FLEX	19,555	Increasing solar output from NexTracker solar trackers.
KYUDENKO	112	Developing solar/wind energy projects via equity investment.
<b>TOTAL (MW)</b>	19,667	

### AVOIDED EMISSIONS (tCO2e)

AHT	1,470,889	Avoided emissions from renting construction equipment versus owning.
AMBP	346,781	Avoided emissions from the added capacity of aluminum containers versus PET.
CCK	506,250	Avoided emissions from the added capacity of aluminum containers versus PET.
CNHI	743,613	Avoided emissions from full adoption of auto-guidance precision agricultural technology versus traditional agricultural technology.
EBAY	5,500,000	Avoided emissions from selling non-new and refurbished items versus new items.
HBI	151,518	Avoided emissions from sourcing more sustainable cotton versus conventional cotton.
HITACHI	182,058,499	Avoided emissions from the new, innovative, and sustainable products versus outdated, less efficient technology.
KCR	20,959,426	Avoided emissions from servicing cranes and extending their life, reducing the number of new cranes manufactured.
KYUDENKO	269,448	Avoided emissions in Japan from deploying energy-efficient technology in commercial/residential housing.
RXL	41,957,153	Avoided emissions from the new, innovative, and sustainable clean energy/modern infrastructure products versus outdated, less efficient technology.
SPIE	2,169,422	Avoided emissions from EVs serviced by SPIE charging points versus fossil-fuel powered automobiles.
URI	2,375,532	Avoided emissions from renting construction equipment versus owning.
WCC	30,774,885	Avoided emissions from the new, innovative, and sustainable clean energy products versus outdated, less efficient technology.
WHR	701,187	Avoided emissions from dishwashers sold to first-time appliance buyers in emerging markets who used to wash dishes by hand.
<b>TOTAL (tCO2e)</b>	290.0 mm	
<b>SOCIAL COST OF CARBON</b>	14,789.2 mm	

## SDG 12:

## Resource Reducers

12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION

## Water Savings (Liters)

ELIS	53,957,534,275	Water savings from outsourced laundering versus traditional laundering.
HBI	353,785,231,841	Water savings from sourcing more sustainable cotton versus traditional cotton.
WHR	13,459,387,144	Water savings from dishwashers sold to first-time appliance buyers in emerging markets who used to wash dishes by hand.
<b>TOTAL (LITERS)</b>	421.2 bn	

## SDG 3:

## Health Improvers

3 GOOD HEALTH  
AND WELL BEING

## Lives Saved

NXPI	88,418	Potential lives saved from improving safety features of ADAS technology in passenger vehicles.
<b>TOTAL (LIVES)</b>	88,418	

## Healthcare Savings

CI	\$28,860,000,000	Customer savings from more biosimilars coming to market versus branded drugs.
CNC	\$12,138,296,931	Managed Medicaid business provides better health outcomes to patients while reducing costs.
<b>TOTAL (BN)</b>	\$41.0	

SDG 8:

## Job Creators

SDG 16:

## Identity Protectors

8 DECENT WORK AND ECONOMIC GROWTH



## Economic Impact

EBAY	\$15,800,000,000	Positive economic impact from selling non-new and refurbished items.
GCO	\$165,266,051,897	Increased global trade from credit/trade insurance.
PRI	\$7,323,205,177	Promoted the financial inclusion of low-/middle-income Americans by providing affordable insurance offerings.
SPIE	\$562,447,419	Positive economic impact of installing EV charging stations.
<b>TOTAL (BN)</b>	\$189.0 bn	

SDG 16:

## Identity Protectors

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



## Economic Savings

GEN	\$81,560,183,046	Savings from preventing cases of identity theft/cybercrimes.
<b>TOTAL (BN)</b>	\$81.6 bn	



## ANNEX 2 | 2023 ESG SUMMARY

ENVIRONMENTAL			
CATEGORY	METRIC	GIVES	MSCI WORLD
Absolute Emissions	Average Scope 1 (tCO <sub>2</sub> e)	195,524	4,316,133
	Average Scope 2 (tCO <sub>2</sub> e)	245,757	1,264,172
	Average Scope 3 (tCO <sub>2</sub> e)	9,762,719	49,086,323
	Average Scope 1-3 (tCO <sub>2</sub> e)	10,204,000	54,666,628
Carbon Footprint	Scope 1-3 (tCO <sub>2</sub> e/\$mm Portfolio Value)	657	NA
Carbon Intensity	Weighted Average Scope 1-2 Carbon Intensity (tCO <sub>2</sub> e/\$mm Revenue)	30	191
	Weighted Average Scope 3 Carbon Intensity (tCO <sub>2</sub> e/\$mm Revenue)	507	NA
	Energy-Fossil Fuels (TRBC Business Sector)	0%	NA
Exposure to Fossil Fuels	Renewable Energy Use	91%	NA
Energy	Average Renewable Energy Ratio	24%	36%
	Average Energy Use (GJ)	5,994,165	62,081,290
	Average Energy Intensity (GJ/\$mm Revenue)	505	1,144
Bio-diversity	Biodiversity Impact Reduction Score (0-100)	26	51
	SDG 14 (Life Below Water)	4%	NA
	SDG 15 (Life On Land)	4%	NA
Water	Average Water Withdrawal (Cubic Meters)	5,950,274	190,877,719
	Average Water Intensity (Cubic Meters/\$mm Revenue)	391	10,639
Waste	Average Waste Recycling Ratio	73%	63%
	Average Hazardous Waste (t)	15,137	490,862
Environmental Management	ISO 14000 or Environmental Management System	57%	NA

SOCIAL			
CATEGORY	METRIC	GIVES	MSCI WORLD
Violations of International Norms-Based Frameworks	Average Number of Controversies	1	2
	Companies with a Sustainability Severe (Level 5) Controversy	0	NA
	Average Number of Critical Countries Controversies	0	1
	Average Number of Recent Critical Countries Controversies	0	1
Compliance with International Norms-Based Frameworks	OECD Guidelines for Multinational Enterprises	22%	NA
	Global Compact Signatory	65%	NA
	Fundamental Human Rights ILO UN	65%	NA
	UNPRI Signatory	4%	NA
Diversity, Equity, & Inclusion	Average Gender Pay Gap	89%	96%
	Employee Resource Groups	70%	NA
	Average Turnover of Employees	15%	13%
	Targets Diversity and Opportunity	48%	NA
Management Diversity	Average Women Managers	30%	33%
	Average Executive Members Gender Diversity	16%	23%
	Average Board Gender Diversity	30%	32%
Exposure to Controversial Weapons	Cluster Munitions	0%	NA
	Anti-Personnel Landmines	0%	NA

### ESG SCORES & ALIGNMENT WITH THE PARIS AGREEMENT

CATEGORY	METRIC	GIVES	BENCHMARK
Refinitiv	ESG Score (0-100)	B+ (74)	B+ (74)
Sustainalytics	ESG Risk Rating	Low	Medium
ESG Book	2030 Temperature Score (1.5 & 2.0 degree C Trajectory)	81%	40%
	2050 Temperature Score (1.5 & 2.0 degree C Trajectory)	71%	32%

## ANNEX 3

# TCFD Report

## GOVERNANCE

Lyrical sees climate change and environmental issues as essential components of our risk management. In 2018, we formed an ESG Committee, which meets biannually, to govern the implementation of our ESG Policy and ESG best practices across the firm. The Director of Sustainability, [Kyle B. Coulam](#), reports to the ESG Committee and spearheads the implementation of the ESG Policy.

Please see our ESG Policy for more information: [https://lyricalam.com/wp-content/uploads/dlm\\_uploads/2022/12/2022-LAM-ESG-Policy.pdf](https://lyricalam.com/wp-content/uploads/dlm_uploads/2022/12/2022-LAM-ESG-Policy.pdf)

## STRATEGY

Lyrical recognizes that climate change is one of the most pressing challenges of our time. Climate change can create risks that negatively affect our portfolios' long-term earnings potential but also give rise to business opportunities that can positively impact the environment and society. Lyrical actively incorporates climate-related risks and opportunities in our investment process. We are committed to supporting our companies as they make their just transition to a low-carbon future. Lyrical proactively engages, measures, monitors, and verifies our companies' progress on their climate-related policies, practices, and targets.

Our current and potential portfolio companies undergo extensive research integrating ESG risks and opportunities into investment decision-making. The Investment Team seeks to develop an in-depth understanding of each business, including drivers of growth and profitability. Concurrently, the Director of Sustainability identifies material ESG risks and opportunities by reviewing available documents and speaking directly with portfolio companies. ESG factors, including physical and transition risks, are considered when material to the investment case. Lyrical's ESG materiality assessment is viewed in the context of SASB standards. We complement our internal analysis with independent third-party research provided by Glass Lewis, Refinitiv, and Sustainalytics, as well as by other organizations. The results of our due diligence are captured in our pre-/post-trade summaries, qualitative and quantitative ESG trackers, quantitative impact tracker, and impact statements.

Where there are climate-related risks, the Investment Team considers a range of likely outcomes and conducts sensitivity analyses when relevant. Changes in physical and transition risks these can spur re-evaluation or exit of a name. We also proactively engage with companies to encourage them to improve their ESG practices steadily. Our long-term holding period and material stakes in our companies afford us a receptive audience with company management, and we have been encouraged by the results of our engagement.

## RESPONDING TO CLIMATE RISKS AND OPPORTUNITIES FOR EACH IMPACT THEME

	<b>SDG 3</b> Health Improvers	<b>SDG 7</b> Climate & Clean Energy Leaders	<b>SDG 8</b> Job Creators	<b>SDG 12</b> Resource Reducers	<b>SDG 16</b> Identity Protectors
<b>Percent of Portfolio</b>	<b>20.0%</b>	<b>25.6%</b>	<b>8.4%</b>	<b>40.1%</b>	<b>5.0%</b>
<b>Opportunities</b>	There is an urgent need to address the social determinants of health and use preventative measures to treat illness and mitigate the health effects of climate change. For example, by 2030, more than 35 million people worldwide may die from air pollution-related health effects resulting from fossil fuel combustion.	To meet global emission-reduction goals, countries' will need to undergo an energy transition and switch energy generation to low emission alternatives. Clean energy companies can also benefit by developing new low-emission products, and services may improve their competitive position and open new markets. Lastly, these products can improve physical and financial resilience.	To create decent work and economic growth there needs to be an acceleration in green jobs to help provide work for the 470 million people who will be entering the labor market by 2030. Also, companies that help improve ecosystems and biodiversity can open new markets and careers.	There is growing evidence that companies have reduced operating costs by improving resource efficiency (energy, water, and waste). Also, new markets are opening for innovative circular technology supporting the climate transition, such as improving the carbon footprint of the clothing industry. Also, these products can improve physical and financial resilience.	Computing and cybersecurity require vast amounts of energy (data centers alone account for 1% of global energy consumption). Companies must construct efficient cooling and heating to lower environmental impacts and ensure resilience. This has led to the creation of new products and markets for secure and sustainable technology.
<b>Risks</b>	<b>Acute/Chronic</b> Environmental and social determinants of health, such as clean air, safe drinking water, sufficient food, and secure shelter.	<b>Acute/Chronic</b> Effect of severe weather events and sustained cold/heat waves on energy systems. <b>Reputational</b> Not contributing to the climate transition. <b>Legal</b> Fines for failure to comply with local laws, such as negative impacts on biodiversity. <b>Market</b> Increases in commodity prices such as silicon and rare earth metals.	<b>Acute/Chronic &amp; Market</b> Directly affects inputs to sustain economic growth, such as the availability of timber and minerals. Climate change can also affect services provided by ecosystems like clean water. <b>Reputational</b> Dissuade workers from joining a company.	<b>Acute/Chronic</b> Impact of severe weather events and sea level rise on facilities/supply chain. <b>Reputational</b> Not contributing to the climate transition. <b>Policy</b> Carbon taxes or fines for failure to comply. <b>Technology</b> Increased costs from switching energy sources or implementing energy efficiency policies.	<b>Acute/Chronic</b> Effect of severe weather events on energy delivery and sustained cold/heat waves on servers. <b>Reputational</b> Not contributing to the climate transition. <b>Technology</b> Increased costs from switching energy sources or implementing energy efficiency policies.

## RISK MANAGEMENT

To minimize climate-related risks and promote good environmental outcomes we first avoid investing in companies whose environmental practices pose unmanageable risks by applying our exclusions. Lyrical applies exclusions across our portfolios, not only due to our strict adherence to our criteria of Value, Quality, and Analyzability but also due to ESG and Impact considerations. In fact, these factors may at times overlap.

Based on our Quality and Analyzability criteria we generally exclude banks, pharma, biotech, airlines, and direct metals/mining businesses, and due to ESG considerations, we exclude other industries such as coal mining, tobacco companies, factory farms, for-profit prisons, small arms producers, adult entertainment, and opioid drug producers. Also, Lyrical applies legally required exclusions and certain international norms, such as the UNGC and UN Security Council Sanctions. Our GIVES strategy imposes additional ESG-related selectivity. It excludes businesses operating in the fossil fuels, chemical/plastics, and fossil fuel-powered automobile industries.

Second, Lyrical analyzes all investments against the mandatory Principal Adverse Impact (PAI) indicators under the Sustainable Finance Disclosure Regulation (SFDR) to understand if investments may be causing significant climate-related risk or harm. We use our quantitative ESG tracker, which primarily relies upon data from Refinitiv, to streamline our pre-trade due diligence and post-trade compliance checks. Where data is limited or unavailable, we supplement it with the best available proxy indicators or with qualitative analysis.

In cases where the due diligence suggests an investment may be causing significant climate-related risk or harm, we conduct additional bottom-up research and engagement. We determine a company is not causing significant harm or risk if:

- Lyrical's bottom-up research demonstrates that the company was most likely not causing significant harm to the environment.
- The company has taken steps to address the potentially significant risk, such as developing GHG emission reduction targets.
- The company received below a Severe (Level 5) Sustainalytics controversy score then it is not causing significant harm.

Third, we actively engage with the portfolio companies to improve their environmental policies, practices, and outcomes. To guide this process, Lyrical designates the portfolio companies as ESG Leaders, Performers, and Laggards. These classifications are determined based on each company's level of disclosure, goal setting, and CDP, Refinitiv, and Sustainalytics ESG risk ratings. Our engagement goals include encouraging portfolio companies to:

1. Incorporate ESG best practices into company reporting and goal setting to improve ESG ratings.
2. Report to the CDP and disclose sustainability practices and outcomes in alignment with GRI, SASB, and/or TCFD standards.
3. Develop science-based targets in alignment with the Paris Agreement and verify these targets with SBTi.
4. Commit to the UNGC or other internationally recognized norms-based frameworks.
5. Report DEI statistics in line with the US SEC's EEO-1 form and offer DEI training, resource groups, and/or support programs.

## METRICS & TARGETS

Lyrical's ESG trackers use a variety of metrics to measure, monitor, and verify relevant climate-related risks and outcomes. Indicators include but are not limited to Scope 1-3 emissions, WACI, the number and severity of environmental controversies, and if a company has environmental management systems. Please see [Annex 2](#) for a list of our climate-related indicators.

CLIMATE-RISK INDICATOR	TOTAL <sup>2</sup>
SCOPE 1	42.8 tCO <sub>2</sub> e
SCOPE 2	49.7 tCO <sub>2</sub> e
SCOPE 3	3,051.4 tCO <sub>2</sub> e

Additionally, please see below for our companies' progress toward our engagement goals. We will use these goals to prioritize our 2023 impact engagement calls.

ENGAGEMENT GOALS	2022	2021
REFINITIV	B+ (74)	B (66)
SUSTAINALYTICS	LOW RISK	MEDIUM RISK
PORTFOLIO LAM ESG SCORE (MEDIAN)	ESG LEADER	ESG PERFORMER
CDP, GRI, SASB, & TCFD	96%	81%
SBTI	57%	48%
UNGC & NORMS-BASED FRAMEWORKS	70%	43%
DEI	100%	95%

<sup>2</sup>To align with PAI indicators set out in the SFDR, we use enterprise value and not market capitalization as part of our attribution factor.

## ANNEX 4

# 2022 Impact Report Card

## ENVIRONMENTAL IMPACT



## Climate & Clean Energy Leaders

### FLEX

**Changes:** We previously used Array Technologies' revenue estimates to forecast NexTracker's (a subsidiary of Flex) MW shipped, as revenue estimates for NexTracker were not publicly disclosed. Please note that Array's historical MW shipped grew almost in line with NexTracker's, so this was the best available proxy at the time. Now that NexTracker estimates are publicly available, we used NexTracker's actual revenue growth and consensus estimates to forecast the company's MW shipped. NexTracker has increased its annual MW shipped every year, and as a result, the company's 2022-25 solar output is expected to be greater than its 2021-24 output.

**2022 Impact:** From 2022-25, we estimate Flex will increase global solar output by 20,000 MW through its NexTracker brand.

**2021 Impact:** From 2021-24, we estimated Flex would increase global solar output by 18,100 MW through its NexTracker brand.

**2021E v 2021A:** Last year we estimated Flex would increase solar output by 2,850 MW in 2021. Flex actually increased solar output by 3,360 MW.

## HITACHI

**Changes:** We revised our measurement from using a case study to analyzing Hitachi's avoided Scope 3 (Use of Sold Products) emissions, similar to our approach for Rexel and Wesco. Given the complexity and breadth of Hitachi's products, we believe measuring the company's avoided Scope 3 emissions is the most accurate methodology to calculate its impact. It is important to note that Hitachi's impact seems like an outlier compared to our other avoided emissions measurements, as it gives Hitachi credit for the reduction in lifetime emissions from all its products. For example, in 2022 Hitachi avoided approximately 26 million tCO<sub>2</sub>e, over 60% of our portfolio's total avoided emissions.

**2022 Impact:** From 2022-25, we estimate Hitachi will avoid 182 million tCO<sub>2</sub>e of Scope 3 (Use of Sold Product) emissions due to the company's progress toward its SBTi-aligned goal of reducing absolute Scope 3 emissions 40% by 2030, compared to a 2010 baseline.

**2021 Impact (Case Study):** From 2021-24, we estimated Hitachi would mitigate 60,300 tCO<sub>2</sub>e through its Lucknow Metro Rail Project, which should mitigate the impact of 124,000 cars annually by 2024.

**2021E v 2021A:** Not applicable.

## KYUDENKO

**Changes:** While we did not change our methodology for renewable energy deployed, we did revise our 2021 estimate as the company completed a new equity investment that we did not expect to happen until 2022. Also, the significant increase in renewable output from 2024-25 is from a mega solar plant expected to be completed by the end of 2024. Kyudenko has a 15% stake in the 480 MW plant.

For energy efficiency, we previously included Kyudenko's "Industry" business segment along with its "Residential" and "Commercial" activities. This was partly informed by data from the International Energy Agency (IEA), which included "Industrial" emissions estimates. Upon further investigation, we found that the IEA's definition of "Industrial" emissions did not align with Kyudenko's. We modified our measurement and revised it downward since only "Residential" and "Commercial" should be used to capture Kyudenko's impact from energy efficiency technologies.

**2022 Impact:** From 2022-25, we estimate Kyudenko will increase its renewable energy capacity from 355 MW to 457 MW, which could power 90,000 homes. Also, Kyudenko could reduce Japan's emissions by 270,000 tCO<sub>2</sub>e by deploying energy efficient technologies in residential and commercial buildings.

**2021 Impact:** From 2021-24, we estimated Kyudenko would increase its renewable energy capacity from 331 MW to 384 MW, which could power 77,000 homes. Also, Kyudenko could reduce Japan's emissions by 625,000 tCO<sub>2</sub>e in 2022 by deploying energy efficient technologies in residential and commercial buildings.

**2021E v 2021A:** We estimated Kyudenko would have 331 MW of renewable energy capacity in 2021, and the company actually deployed 345 MW of renewable energy capacity.

## REXEL

**Changes:** Not applicable, we purchased Rexel in March 2022.

**2022 Impact:** From 2022-25, we estimate Rexel will avoid 42 million tCO<sub>2</sub>e of Scope 3 (Use of Sold Product) emissions versus a 2021 scenario. Rexel would accomplish this by distributing and promoting solar, wind, and energy efficiency products, enabling customers to make positive environmental contributions.

## SPIE

Changes: In 2021, SPIE installed fewer EV charging points than expected, which lowered the company's overall impact. However, the annual growth rate of EV charging points in the EU is now expected to increase to 35.5% (CAGR) from 2022-29. This is higher than the 29.4% (CAGR) expected last year, increasing our forecast of the company's impact. Our methodology did not change, but we updated data where relevant (e.g. the percentage of DCFC chargers in the EU increased from 11.1% to 13.6%).

2022 Impact: From 2022-25, we estimate SPIE will install 63,000 charging stations, which could service 620,000 EVs, reduce emissions by 2.2 million tCO<sub>2</sub>e, and generate a positive economic impact of \$560 million.

2021 Impact: From 2021-24, we estimated SPIE would install 56,000 charging stations, which would service 528,000 EVs, avoid 1.6 million tCO<sub>2</sub>e, and generate a positive economic impact of \$490 million.

2021E v 2021A: Last year we estimated SPIE would install over 9,000 EV charging points, service 77,000 EVs, and avoid 230,000 tCO<sub>2</sub>e in 2021. We revised this number as SPIE installed 6,500 EV charging points, serviced 49,000 EVs, and avoided 171,000 tCO<sub>2</sub>e.

## WESCO

Changes: Not applicable, we purchased Wesco in May 2022.

2022 Impact: From 2022-25, we expect Wesco will substantially grow its impact, avoiding emissions from the use of its sold products by 30.8 million tCO<sub>2</sub>e, compared to a 2021 baseline. The company would accomplish this by distributing and promoting solar, wind, energy efficiency, and modern grid technology, enabling customers to make positive environmental contributions.



## ENVIRONMENTAL IMPACT



### Resource Reducers

#### ASHTEAD GROUP

Changes: Not applicable, we purchased Ashtead in May 2022.

2022 Impact: From 2022-25, we expect the company to increase its contribution to SDG 12 by adding 410,000 net new pieces of construction equipment to its fleet which, compared to non-rental equipment, would avoid lifetime emissions estimated at 1.5 million tCO<sub>2</sub>e.

#### ARDAGH METAL PACKAGING

Changes: Not applicable, we purchased Ardagh in March 2023.

2022 Impact: From 2022-25, Ardagh is estimated to avoid lifetime emissions of 350,000 tCO<sub>2</sub>e compared to plastic and 5.1 million tCO<sub>2</sub>e compared to glass from incremental growth as aluminum beverage can market share gains continue.

#### CROWN HOLDINGS

Changes: We revised Crown's beverage can capacity estimates, affecting the incremental emissions reduction figures. From 2021-24, the incremental growth was 5 billion greater than our estimate last year, as the company plans to add significant capacity in 2023 and 2024. As a result, the avoided emissions over this period are expected to be greater than estimated last year.

Our 2022-25, capacity estimates have been revised lower than 2021-24 because the company has no expansion plans beyond 2024.

Please note that we continue to use an LCA produced by Sphera on behalf of Ball that provides emissions per substrate. Please click the following link to view Sphera's analysis: <https://www.ball.com/getattachment/10ec5fe0-a7ba-4e95-b7b1-46dd4d614784/US-Regional-report-excerpt-of-Ball-Comparative-LCA-report.pdf>

2022 Impact: From 2022-25, we estimate Crown could add an incremental 20 billion cans of capacity, saving lifetime emissions of 510,000 tCO<sub>2</sub>e compared to plastic and 7.4 million tCO<sub>2</sub>e compared to glass.

2021 Impact: From 2021-24, we estimated Crown would add an incremental 20 billion cans of capacity, saving lifetime emissions of 510,000 tCO<sub>2</sub>e compared to plastic and 7.5 million tCO<sub>2</sub>e compared to glass.

2021E v 2021A: We estimated Crown would add 4.7 billion in incremental capacity in 2021; however, the company added 6.7 billion. As a result, our 2021 impact measurement is higher – 170,000 versus 118,000 tCO<sub>2</sub>e compared to plastic and 2.5 million versus 1.7 million tCO<sub>2</sub>e compared to glass.

## CNH INDUSTRIAL

Changes: Not applicable, we purchased CNH Industrial in March 2022.

2022 Impact: From 2022-25, we expect CNH's auto guidance technologies will increase agricultural productivity by 6% and decrease fuel use by 16%. We expect this increase in yield will avoid cultivating 4 million acres of agricultural land. Additionally, we expect auto guidance to lower fuel use by 78 million gallons and avoid 740,000 tCO<sub>2</sub>e.

## ELIS

Changes: In 2021, we used research by Danamark as the basis for many of our assumptions. The Danamark report found the water efficiency of traditional laundering is approximately 25 L/kg, which makes Elis nearly 3 times more efficient. After we engaged with the company in 2022, Elis' head of sustainability informed us of a circular economy study the company produced. This new study by Elis found that its water usage is 48% more efficient and its energy use is 29% more efficient than traditional laundering. As a result, our water savings figures were materially reduced and we added energy savings to our measurement. The company also shared its water and energy efficiency reduction targets, which we added to our model.

2022 Impact: From 2022-25, we estimate Elis will wash 7.8 million tonnes of laundry, saving 54 billion liters of water and 3.8 billion kWh of energy versus traditional laundering.

2021 Impact: From 2021-24, we estimated Elis would wash 6.8 million tonnes of laundry, saving 113 billion liters of water versus traditional laundering.

2021E v 2021A: We estimated Elis would wash 1.5 million tonnes of laundry in 2021 at an efficiency of 8.6 L/kg, saving 25 billion liters of water. After speaking with the company, we discovered we overestimated the water savings versus traditional laundering. Elis actually washed 1.4 million tonnes of laundry at an efficiency of 8.4 L/kg, saving 11 billion liters of water.

## HANESBRANDS

Changes: There were negligible changes in our estimates since there was an increase in cotton consumption and a decrease in expected sustainable cotton consumption for both Hanes and other companies around the world due to supply-chain issues. The two variables netted each other out.

2022 Impact: From 2022-25, we estimate Hanes will produce 183,000 more tonnes of sustainable cotton than the global average. This should save 350 billion liters of water, avoid 150,000 tCO<sub>2</sub>e, and reduce energy use by 470,000 MWh.

2021 Impact: From 2021-24, we estimated Hanes would produce 206,000 more tonnes of sustainable cotton than the global average. This could generate savings of 171,000 tCO<sub>2</sub>e, 399 billion liters of water, and 527,000 MWh of energy.

2021E v 2021A: In our 2021 Impact Report we estimated Hanes' use of sustainable cotton would generate savings of 38,000 tCO<sub>2</sub>e, 89 billion liters of water, and 118,000 MWh of energy. In 2021 HBI actually used more cotton than expected, but sustainable cotton consumption stayed flat at 61% due to supply-chain issues. Additionally, global sustainable cotton consumption decreased from 23% to 20%. This led to a savings of 46,000 tCO<sub>2</sub>e, 107 billion liters of water, and 141,000 MWh of energy.

## KONECRANES

Changes: None, our methodology remained the same as last year. We are actively engaging with the company to get an updated number of cranes serviced annually, a metric they do not disclose in their filings.

2022 Impact: From 2022-25, we estimate Konecranes will service over 2 million cranes, reducing the number of cranes manufactured globally by 62,000 and saving 21 million tCO<sub>2</sub>e.

2021 Impact: From 2021-24, we estimated Konecranes will service nearly 2 million cranes, reducing the number of cranes manufactured globally by 60,000 and saving 20.4 million tCO<sub>2</sub>e.

2021E v 2021A: Lyrical contacted Konecrane's Investor Relations and Sustainability Teams to see if they can provide updated data on the number of cranes serviced yearly. In 2022, it told us the company serviced ~600,000 cranes the previous year, with 80% being heavy cranes/RTGs. We await a reply, as this could change our impact estimate.

## UNITED RENTALS

Changes: In 2022, United Rentals added considerably more rental assets to its fleet than expected. As a result, the expected 2022-25 impact increased substantially.

2022 Impact: From 2022-25, we expect the company to add 660,000 new pieces of construction equipment to its fleet which, compared to non-rental equipment, would avoid lifetime emissions by an estimated 2.4 million tCO<sub>2</sub>e.

2021 Impact: From 2021-24, we estimated United Rentals would add 375,000 rental assets which, compared to non-rental equipment, would avoid lifetime emissions by nearly 1.4 million tCO<sub>2</sub>e.

2021E v 2021A: We estimated that United Rentals would add 155,000 units to its fleet in 2021, avoiding lifetime emissions of 560,000 tCO<sub>2</sub>e. We revised our estimate as United Rentals added 165,000 units to its fleet, avoiding lifetime emissions of 600,000 tCO<sub>2</sub>e in 2021.

## WHIRLPOOL

Changes: Weakened demand has lowered Whirlpool's revenue projections, decreasing both the total number of dishwashers we expect Whirlpool to sell and the company's overall impact. We also previously assumed the cost per dishwasher was flat at \$500, but we now assume the costs grow with GDP at 2%.

2022 Impact: From 2022-25, we estimate Whirlpool will sell over 3.5 million dishwashers in emerging markets, avoiding 700,000 tCO<sub>2</sub>e and reducing water consumption by 13.5 billion liters compared to washing dishes by hand.

2021 Impact: From 2021-24, we estimated Whirlpool would sell nearly 4 million dishwashers in emerging markets, avoiding 781,000 tCO<sub>2</sub>e and reducing water consumption by 16.7 billion liters compared to washing dishes by hand.

2021E v 2021A: Last year we estimated Whirlpool would sell 945,000 dishwashers in emerging markets in 2021, reducing water consumption by 4.0 billion liters and emissions by 186,000 tCO<sub>2</sub>e. Whirlpool actually sold 890,000 dishwashers in emerging markets, reducing water consumption by 3.6 billion liters and emissions by 185,000 tCO<sub>2</sub>e.

## SOCIAL IMPACT



### Health Improvers

#### CENTENE

Changes: The drivers of the total savings and savings per member are Medicaid membership, Medicaid premiums, and savings to the individual after 9 years. Our assumption of 11.5% total savings is unchanged. Based upon our engagement with management and the company's reporting, we increased the membership and premium growth rates from 4% to 6% to 5% to 7%, which has slightly increased the future savings estimate.

2022 Impact: From 2022-25, we estimate Centene's managed Medicaid services will generate \$12 billion in annual government savings, reducing individual member costs by \$695 on average.

2021 Impact: From 2021-24, we estimated Centene's managed Medicaid services would generate \$12 billion in annual government savings, reducing individual member costs by \$681 on average.

2021E v 2021A: We used Centene's 2021 Form 10-K for our 2021 Impact Report, so we knew the Medicaid premiums for 2021. However, Medicaid premiums grew 13% (YoY) and our model forecasts 7% (YoY) growth. Given this assumption, we would have estimated \$10.3 billion in 2021 savings versus \$10.9 billion.

#### CIGNA

Changes: Not applicable, we purchased Cigna in December 2022.

2022 Impact: From 2022-25, we estimate Cigna will create \$29 billion in savings by promoting and increasing access to biosimilar prescription drugs as specialty drugs come off patent and more biosimilars come to market.

## HCA HEALTHCARE

Changes: In 2022, there was an increase in the consensus revenue estimate for 2025. The outpatient revenue per patient is estimated to slow -0.5% (CAGR) from 2022-25 versus -0.9% (CAGR) from 2021-24. We consider this an immaterial change within the margin of error. We also increased our U.S. medical care CPI growth estimate from 2.8% to 4.0% to account for increased inflation.

2022 Impact: From 2022-25, we estimate HCA's cost of outpatient care will be 4.5% lower than the medical care CPI on an annualized basis.

2021 Impact: From 2021-24, we estimated HCA's cost of outpatient care will be 3.6% lower than the medical care CPI on an annualized basis.

2021E v 2021A: There was no change in the outpatient revenue per visit because we could use HCA's 2021 Form 10-K for our 2021 Impact Report, so we already knew HCA's admission numbers and revenue.

## NXP SEMICONDUCTORS

Changes: At the Nasdaq Investor Conference in December 2022 the CEO of NXP provided new data on the size of the company's radar business, which was at \$600 million in revenue in 2021 (we forecasted \$490 million) and is growing at 20-25% (CAGR) and should be approximately \$1.1 billion by 2024.

2022 Impact: From 2022-25, we estimate that 100 million new cars with NXPI radar technology will hit the road globally, resulting in about 88,400 fewer fatal car crashes.

2021 Impact: From 2021-24, we estimated 73 million new cars with NXP's radar technology would hit the road, resulting in 74,400 fewer fatal car crashes.

2021E v 2021A: We estimated that 11.3 million new cars would have NXP's radar technology in 2021, preventing 4,400 fatal car crashes. Based upon the latest data provided by NXP, 13.6 million new vehicles had NXP's radar technology in 2021, preventing 5,309 fatal car crashes.

## SOCIAL IMPACT



### Job Creators

#### EBAY

Changes: eBay recently released its new 2021-25 impact targets expanding the company's impact measurement to include all non-new and refurbished listings. As part of its 2016-2020 targets, eBay only measured the impact of its non-new and refurbished electronics and apparel. eBay's new targets and progress over the last year increased the company's expected 2022-25 impact.

2022 Impact: From 2022-25, we estimate eBay will post 3.8 billion non-new/in-season listings, creating a cumulative economic impact of \$16 billion and avoiding 5.5 million tCO<sub>2e</sub>.

2021 Impact: From 2021-24, we estimated eBay would post 3.8 billion non-new/in-season listings, creating a total economic impact of \$4.25 billion and reducing emissions by 3.3 million tCO<sub>2e</sub>, specifically from non-new and refurbished electronics and apparel.

2021E v 2021A: Last year we estimated eBay would create \$960 million in economic impact and reduce emissions by 750,000 tCO<sub>2e</sub> in 2021. Due to a change in scope, the company actually created \$4.2 billion in economic impact and reduced emissions by 1.5 million tCO<sub>2e</sub>.

#### GRUPO CATALANA

Changes: While our methodology did not change, our team further investigated the size of the global credit insurance market, which varies dramatically by source. Upon additional analysis of the global credit insurance market, the most consistent growth data we found was that the credit insurance market is roughly \$11 billion and growing at 9% (CAGR). This differs from last year's findings that the market is \$6.5 billion and growing at 3% (CAGR). As a result, the company's market share is lower, but the overall market is growing faster, and the two variables netted each other out.

2022 Impact: From 2022-25, we expect the company to grow its contribution to SDG 8 by increasing global credit insurance by 6.3%. This would spur global trade by 0.6% or \$165 billion.

2021 Impact: From 2021-24, we estimated Grupo Catalana would increase global credit insurance by 6.9%, increasing global trade by \$141.8 billion.

2021E v 2021A: We estimated Grupo Catalana would increase global trade by \$57.4 billion in 2021. Grupo Catalana actually increased global trade by \$49.5 billion.

## PRIMERICA

**Changes:** Upon further investigation, we found that we underestimated the claims that would be paid in 2021, as the company continued to experience elevated claims volumes due to the pandemic. We modified our impact measurement by capturing the average policy amount of approximately \$250k, highlighting that Primerica primarily serves low- and middle-income families.

**2022 Impact:** By 2025, we expect the company to insure over 3.3 million Americans and provide about \$1.1 trillion in total life insurance coverage.

**2021 Impact:** By 2024, we expected Primerica to provide term life insurance for over 3.1 million low to middle-income Americans and over \$1 trillion in total coverage.

**2021E v 2021A:** Last year we estimated Primerica would pay \$1.5 billion in claims to low- and middle-income families. In 2021, Primerica actually paid \$2.2 billion in claims to low- and middle-income families.

## SOCIAL IMPACT



### Identity Protectors

## GEN DIGITAL

**Changes:** There was an increase in identity theft victims in 2020, growing from 13 million to 49 million due to the transition to working from home. In our 2021 Impact Report, we projected that this trend would continue and grow at 5% (CAGR) from its 2020 baseline. Due to newly-reported data, we found there were 42 million cases of identity theft in 2021, still high versus historical numbers but not as elevated as in 2020.

**2022 Impact:** From 2022-25, we expect Gen Digital to increase its contribution to society by averting 58 million identity theft cases in the US, saving users an estimated \$82 billion.

**2021 Impact:** From 2021-24, we estimated Gen Digital will prevent 52 million identity theft cases in the US, saving users \$67.4 billion.

**2021E v 2021A:** Last year we estimated Gen Digital would prevent 10.7 million identity theft cases in the US, saving users \$12.8 billion. In 2021, Gen Digital actually prevented 8.7 million identity theft cases in the US, saving users \$10.8 billion.

# Bios & Contact Information

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## Dan Kaskawits

**Portfolio Manager – U.S. Value Equity,  
International Value Equity, Global Value Equity  
& Global Impact Value Equity**

Dan Kaskawits joined Lyrical in January 2018 as a Senior Research Analyst. Dan has over 15 years of experience investing in public equities. Prior to Lyrical, he served as an Analyst at Elm Ridge Capital from January 2011 to December 2017 and as an Associate at Citi Investment Research from October 2003 to June 2009. Dan graduated from Tulane University and received an MBA from Columbia Business School. Dan has earned the right to use the Chartered Financial Analyst designation.

## John Mullins

**Portfolio Manager – U.S. Value Equity,  
International Value Equity, Global Value Equity  
& Global Impact Value Equity**

John Mullins joined Lyrical in February 2017. He has more than 15 years of experience investing across public and private markets. Prior to Lyrical, he served as a Senior Analyst at Clearfield Capital Management from May 2016 to January 2017 and as an Analyst at Elm Ridge Capital from September 2014 to April 2016. He worked as an investment analyst in the San Francisco office of Orbis Investment Management from 2011 to 2014. Before attending business school, John evaluated early-stage investment managers and financial services businesses as an analyst at MD Sass Macquarie Financial Strategies. John graduated cum laude with distinction from Yale University and received an MBA from the Stanford Graduate School of Business.

## Kyle Coulam

**MPL, MPP, Director of Sustainability**

Kyle Coulam is Lyrical's Director of Sustainability since joining in March 2021. Prior to Lyrical, he worked on the frontlines of climate change as a Project Manager at the Clinton Foundation from August 2016 to January 2021. Mr. Coulam graduated with honors from the University of Vermont and received a Master of Public Policy and Master of Planning from the University of Southern California. He also earned professional certificates in Homeland Security and Public Policy from the University of Southern California and in Municipal Finance from the University of Chicago.

## Matt Stevens

**Investment Analyst**

Matt Stevens joined Lyrical in 2016 and served various roles across operations, analytics, and sustainability. After working closely with the investment team on several projects during 2022, Matt joined the investment team as an analyst in 2023. Prior to Lyrical, he served as a member of the financial product analytics team at Bloomberg. Matt graduated with a BS in Mechanical Engineering from Bucknell University.

### Disclaimer

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