GIVES

Global Impact Value Equity Strategy

2024 IMPACT REPORT

LYRICAL

Contents

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 managements, 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.

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 help 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.

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

GIVES' Theory of Change

OBJECTIVE	INPUT/ACTIVITY	OUTPUT	OUTCOME	IMPACT
GIVES creates positive environmental and social change and good long-term returns by investing in companies that significantly contribute to the SDGs.	Lyrical invests in companies that create revenue-generating opportunities that improve the environment and/or society.	GIVES companies develop sustainable products and/or services that represent at least 50% of the company's core business.	Measurable short-to-medium-term environmental and social effects from GIVES companies' products and/or services.	Measurable medium-to-long-term contribution to the SDGs by GIVES companies: • Deploying renewable energy (MW) • Avoiding emission (tCO_2e) • Avoiding the cost to society and the environment from climate change ($) • Saving water (liters) • Saving lives • Generating healthcare savings • Creating economic growth ($) • Enabling economic savings ($)

[1] An investment in this strategy entails substantial risks. Please visit lyricalam.com/notes.

GIVES 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 11.4x forward earnings, a steep discount to the MSCI World at 17.9x and MSCI Sustainable Impact at 15.9x. 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 5.7 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 7.7% rate from 2007-24, compared with the MSCI World at only 5.1% and MSCI Sustainable at 4.7%.

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 impactful business: **Material, Measurable, Sustainable, and Intentional.**

First, the company's impact must be **Material.** This means at least 50% of the company's revenues 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 (Climate Change) and SDG 12 (Circular Economy) to create positive environmental change. The strategy also focuses on SDG 3 (Healthcare), SDG 8 (Economic Growth), and SDG 16 (Cybersecurity) 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 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 **Sustainable** and **Intentional** about its impact. Positive change must be deeply rooted in the company's culture and business. By 2030, 75% of the portfolio is intended to have a Science-Based Target Initiative (SBTi)-approved net zero target. The GIVES portfolio's weighted average carbon intensity (Scope 1 & 2) is 69% less than its benchmark.

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

Creating a Net Zero Future

Net Zero is Critical to Achieving the SDGs: Net zero is critical to solving not only climate-related SDGs but also those related to biodiversity, clean energy, economic growth, food security, and sustainable cities. Net zero is also essential to impact investing and ensuring that impactful companies do no significant harm (DNSH) to the environment and society from their negative externalities.

Lyrical's Approach to Net Zero: In 2023, Lyrical developed a net zero target for GIVES, with the goal of having 75% of GIVES' portfolio companies (other than those with immaterial GHG emissions) develop SBTi-approved net zero targets by 2030. Lyrical plans to achieve this target through stewardship.

We focus our engagement where it matters – on companies' decarbonization strategies using international best practices, such as the Institutional Investors Group on Climate Change. We help companies identify challenges to net zero, such as completing the cost of facility upgrades and understanding emissions hotspots in their supply chains. We also have developed several escalation measures, used proxy voting, and participated in industry collaborations to accelerate our companies' progress.

In 2023, we conducted our baseline assessment of our companies with material emissions (please see Annex 1). Challenging issues included sourcing renewable energy in regions such as Southeast Asia, the inability to electrify products like large pieces of equipment, concerns over green premiums, and a limited influence over Scope 3 emissions. In addition, several successful strategies used bonuses to encourage middle and senior management, developed net zero requirements for suppliers, and set achievable one to three-year targets. In 2024, we will use our lessons learned to create company-specific milestones.

High Priority Net Zero Companies

COMPANY	GICS SUB-INDUSTRY	SCOPE 1-3 EMISSIONS ($MtCO_2e$)	TOTAL EMISSIONS (%)	CDP SCORE	SBTI TARGET	MSCI 2050 IMPLIED TEMPERATURE RISE (°C)	REPORT IN ALIGNMENT WITH TCFD AND TNFD
Ashtead*	Trading Companies & Distributors	0.4	0.1%	B		2.3	TCFD Only
Flex	Manufacturing Services	137.5	28.5%	A-	Near-Term	2.4	TCFD Only
HCA*	Healthcare Services	2.1	0.4%			2.1	TCFD Only
Kyudenko*	Construction & Engineering	<0.1	<0.1%			2.8	TCFD Only
NXP Semiconductor	Semiconductors	1.2	0.2%	D	Target Removed	3.2	TCFD Only
United Rentals	Trading Companies & Distributors	13.7	2.8%	C		2.6	TCFD Only
Wesco**	Trading Companies & Distributors	25.1	5.2%	C		5.0	TCFD Only

Net Zero Stewardship: We would like to share a recent engagement with Wesco to demonstrate our approach to net zero stewardship. Lyrical identified Wesco as a high priority because the company does not have SBTi-approved targets, its Scope 1-2 emissions are not on track for net zero, and the company does not disclose all material Scope 3 emissions categories. Scope 3 emissions are critical for Wesco because we estimate it emitted 30 million tCO_2e in 2023.

During our first engagement in November 2023, the company said it aimed to lower Scope 1-2 emissions by upgrading buildings, installing onsite solar, purchasing EVs, and improving automation. However, they had no Scope 3 measurement. Wesco said it could not calculate Scope 3 without more information from its 30,000 suppliers. We were not satisfied with this answer, especially as a European competitor, Rexel, had been able to estimate this data. As such, we began our push to get Wesco to calculate and report Scope 3 emissions.

Our engagement ultimately took us to Wesco headquarters in Pittsburgh in May of 2024 to meet with Wesco's CEO, specifically to push him on Scope 3 emissions reporting. We were pleased to find the company had taken our feedback seriously. Wesco has hired Persefoni to begin a Scope 3 emissions inventory and seems likely to report Scope 3 emissions in the near future. Wesco has also developed an excellent strategy to engage with its suppliers regarding those companies' decarbonization plans. Wesco aims to submit its near-term strategy to SBTi in 2024 or 2025.

*Does not measure all material Scope 3 emissions categories
**Includes Lyrical estimates Scope 3 emissions.

Impact Stewardship

Industry Collaborations & Thought Leadership: To scale the impact of public equities, Lyrical also believes it is essential to collaborate with other stakeholders in the impact investing space. In 2023, we participated in over 20 collaborations, including attending ten Climate Week events in New York City and joining the Climate Action 100+ (CA100+) to further support the transition to net zero. In addition, Lyrical developed several thought pieces on how Lyrical has identified impact companies without splurging on high valuations and how impact and value investing can contribute to the SDGs and generate a good financial return.

Engagement: Lyrical also engages with our portfolio companies on their business strategies, 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, CDP grade, and ESG risk ratings. We maintain engagement trackers to monitor our companies' progress on ESG and impact. The trackers also capture any proxy votes we change, our rationale, and our ESG and impact-related votes. In 2023, we engaged with all our GIVES companies at least once through in-person/virtual meetings, proxy voting, and/or written communications. Please see Page 76 for more information on our engagement goals and process.

Another engagement we would like to highlight is with United Rentals. Lyrical had previously used third-party research to estimate the avoided emissions from renting versus owning equipment. During our engagement calls, we encouraged United Rentals to release its impact measurement and provided our GIVES impact measurement as an example. In 2023, United Rentals released its own impact measurement that found that by having a younger, greener fleet the company avoids between 600,000 and 675,000 tCO_2e annually. We spoke with the company about its new measurement. Management said its analysis factors in 1) low- and zero-emission share compared with the industry share by category and 2) United Rentals' average equipment age versus the private fleet's average equipment age and assumes an increase in fuel efficiency. We applaud United Rentals for its progress.

Proxy Voting: We receive third-party analysis and recommendations from Glass Lewis to help inform our decision-making. Lyrical typically follows Glass Lewis' recommendations, but we can override any such recommendation. We typically support proposals to improve company ESG and impact practices. In addition, Lyrical considers voting recommendations by the with CA100+ and strictly adheres to the guidance laid out in our ESG Policy, GIVES Decarbonization Strategy, and GIVES Stewardship Policy.

2023 Proxy Voting Summary

MEETINGS	PERCENT OF RESOLUTIONS VOTED	RESOLUTIONS VOTED WITH MANAGEMENT	RESOLUTIONS VOTED AGAINST MANAGEMENT	RESOLUTIONS ABSTAINED/ WITHHELD	MEETINGS VOTED AT LEAST ONCE AGAINST MANAGEMENT	RESOLUTIONS VOTED CONTRARY TO GLASS LEWIS
25	100%	95%	5%	0%	16%	2%

A significant vote for Lyrical was with eBay. Company management proposed to amend its certificate of incorporation to allow the exculpation of officers from personal liability for certain breaches of fiduciary duty to the extent permitted by Delaware law. Lyrical voted "Against" this proposal because we believe officers should be held to the highest standard when performing their duties. The proposed amendment essentially removes liability for an officer's breach of their duty of care. We think such protections are counter to the interests of investors and do not believe eBay's Board has persuasively demonstrated the need for the proposed amendment. 82% of shares (not including non-broker votes) voted in alignment with Lyrical and the proposal failed.

GIVES Impact Themes

	ENVIRONMENTAL IMPACT		SOCIAL IMPACT		
THEME	**Climate Change**	**Circular Economy**	**Healthcare**	**Economic Growth**	**Cybersecurity**
SDG	**SDG 7** Affordable & Clean Energy	**SDG 12** Responsible Consumption & Production	**SDG 3** Good Health & Wellbeing	**SDG 8** Decent Work & Economic Growth	**SDG 16** Peace, Justice & Strong Institutions
PORTFOLIO HOLDINGS	Ayvens Johnson Controls Kyudenko Rexel SPIE Veolia Wesco	Ashtead CHN Industrial Crown Holdings eBay Elis Konecranes Open Text United Rentals	Centene Cigna HCA NXP Semiconductors	Flex Grupo Catalana Primerica Vistry	F5 Gen Digital

2023-26 Impact Summary

2023-26 ESTIMATED POSITIVE IMPACT ON SOCIETY

ENVIRONMENTAL IMPACT

SDG 7
CLIMATE CHANGE

Clean Energy Installed

1 MW

Avoided Emissions

9.1 mm tCO_2e

Avoided Cost to Society & Environment from Climate Change

$470mm

SDG 12
CIRCULAR ECONOMY

Water Savings

54 bn Liters

SOCIAL IMPACT

SDG 3
HEALTHCARE

Lives Saved

4,700

Healthcare Savings:

$2 bn

SDG 8
ECONOMIC GROWTH

Economic Impact

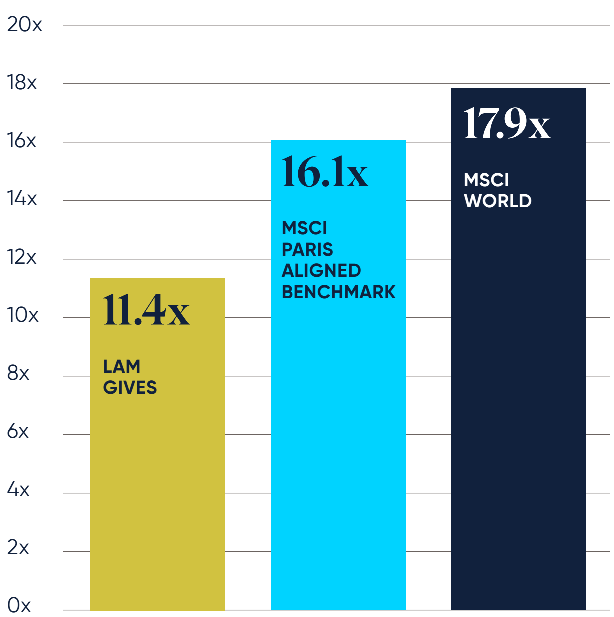
$4.6 bn

SDG 16
CYBERSECURITY

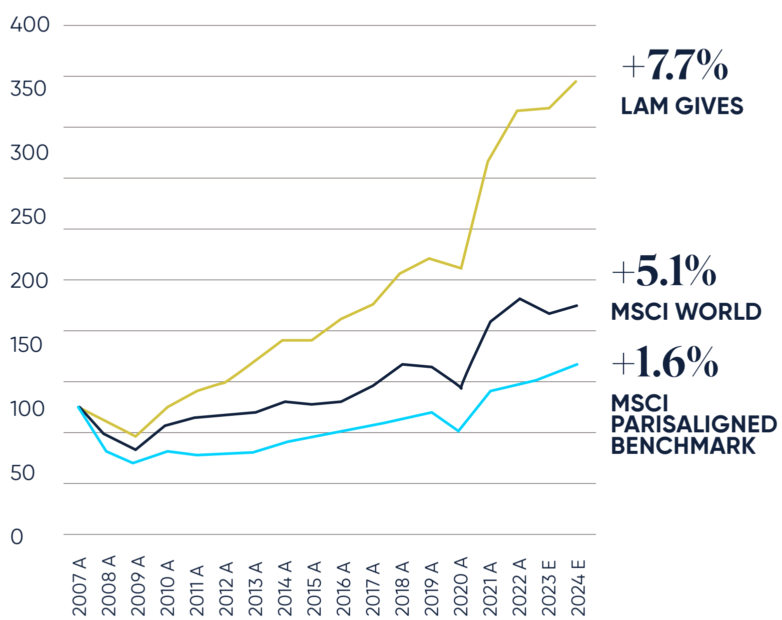
Economic Savings

$1.4 bn

FORWARD P/E RATIO



INDEX EPS GROWTH



GIVES Leaders: Environmental Impact

SDG 7
CLIMATE CHANGE
(AVOIDED EMISSIONS)

REXEL SA

Rexel contributes to SDG 7 by distributing and promoting solar, wind, and energy efficiency products, enabling customers to make positive environmental contributions. Rexel supports its 615,000 customers by using sustainable products to achieve their objectives. From 2023-26, Rexel will avoid approximately 39.3 million tCO_2e from the use of its sold products. This should save society $2 billion by mitigating the adverse effects of climate change and improving economic outcomes. Lyrical uses the US Government's social cost of carbon of $51 per tCO_2e to measure the Sub-Fund's avoided cost to society and the environment from climate change.

SDG 12
CIRCULAR ECONOMY
(WATER SAVINGS)

CNH INDUSTRIAL

CNH contributes to 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 resources needed, such as herbicide, fertilizer, and fuel. For example, auto guidance reduces water consumption by 20-40%. From 2023-26, we estimate CNH's PA technology will avoid consuming 1 million liters of water.

GIVES Leaders: Social Impact

SDG 3
HEALTHCARE
(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. The integration of ADAS in passenger vehicles can prevent 40% of all crashes and 29% of deaths in crashes through early warning and automated systems. From 2023-26, Lyrical estimates that 100 million new cars with NXP ADAS technology will hit the road, resulting in about 94,000 fewer fatal car crashes. For perspective, North America has about 50,000 fatal car collisions yearly.

SDG 8
ECONOMIC GROWTH
(ECONOMIC IMPACT)

VISTRY GROUP

Vistry contributes to SDG 11 by building affordable housing. From 2023-26, the company will make a meaningful contribution by building approximately 38,000 affordable homes, which will house 91,300 people. The company also supports SDG 8 by improving communities' social and economic value via placemaking, which creates quality places where people want to live, work, and learn. By 2026, we estimate that Vistry will create approximately $700 million in social and economic value by using local MSME suppliers, creating full-time jobs, and promoting local career development and employment opportunities through its skills academies.

SDG 16
CYBERSECURITY
(ECONOMIC SAVINGS)

F5, INC.

F5 contributes to SDG 16 by reducing illicit financial flows and strengthening the return of stolen assets. The company accomplishes this through its Application Delivery Controllers (ADC) services, which prevent bots from taking down applications and hackers from accessing sensitive data. F5's security solutions are becoming increasingly important. For example, organizations that deploy F5's Cloud Bot Defense product improved bot blocking by 80% and reduced fraudulent account creation by 92%. From 2023-26, we estimate that the company has the potential to save its customers $38.7 billion.

SDG 3
Healthcare

CENTENE Corporation

Impact overview

Centene's managed Medicaid business contributes to SDG 3 by providing a better service at a lower cost than traditional fee-for-service model. From 2023-26, we expect Centene's managed Medicaid services to generate about $40 billion in governmental healthcare savings, reducing individual annual member costs by $707 on average.

Centene's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Healthcare	Goal 3.8, achieve financial risk protection, access to quality essential health-care services, and access to safe and affordable essential medicines	56%	Managed Medicaid business provides better health outcomes to patients while reducing costs	In 2023, had 14.5 million Medicaid members	In 2023, created an average government savings of $690 per patient, totaling $10.0 billion in savings	By 2026, the aims to have 14.7 million Medicaid members, generating about $40.2 billion in governmental savings from 2023-26, and reducing individual annual member costs by $707 on average

Company Description

Centene is the largest provider of government-sponsored healthcare through Managed Medicaid, Medicare Advantage, and the Health Insurance Marketplace, helping states support more than 22 million patients. 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 beneficiaries, including 12 million dually eligible elderly or disabled individuals, who depend on the government for quality healthcare.[i] Medicaid coverage is at risk because it represents a large portion of state spending, and state budgets are increasingly under pressure to reduce costs.[ii]

Impact: Provides Good Healthcare to Disadvantaged Populations

Centene's managed Medicaid business provides better health outcomes to patients while reducing costs by 8% to 15%, contributing to SDG 3 by providing a better service at a lower cost than traditional fee-for-service model. Centene's cost savings come from coordinating fragmented services and providing preventive care by addressing the social determinants of health, such as housing conditions and access to healthful food.[iii] For example, Centene assigns case workers to help ensure that patients have adequate housing and nutrition. From 2023-26, we expect Centene's managed Medicaid services to generate $40.2 billion in government healthcare savings, reducing individual annual member costs by $707 on average.

Please note that our estimated government healthcare savings decreased from 48.5 billion from 2022-25 to $40.2 billion from 2023-26 due to Medicaid "unwinding." During COVID-19, US states could not remove patients from Medicaid, which was called "continuous enrollment." Now, US states are "unwinding" continuous enrollment and are reviewing patient eligibility, which has led to a precipitous decrease in enrollment across the industry.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

56% 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.

Measurability

YEAR	MEDICAID MEMBERSHIP (MM)	MEDICAID REVENUE (BN)	9-YEAR COMPOUND SAVINGS	TOTAL SAVINGS (BN)	AVERAGE SAVINGS PER MEMBER
2023	14.5	$86.6	11.5%	$10.0	$690
2024	13.6	$85.5	11.5%	$9.8	$723
2025	14.1	$86.2	11.5%	$9.9	$701
2026	14.7	$91.4	11.5%	$10.5	$715
TOTAL				**$40.2**	**$707**

Intentionality

Centene's intentionality is demonstrated by its focus on improving health equity. For example, in Arizona, Centene has case management teams directly integrated with the state's Homeless Management Information System, allowing for quick identification of housing and services for homeless individuals and families, as well as people at risk of homelessness. The health plan has also implemented a centralized referral process which prioritizes available state funding for housing according to medical necessity and risk.

Sustainability

Organizations in the US healthcare system often face controversies due to the nature of the system, which suffers from fragmentation, regualtory complexity, and more. Over the last several years, Centene has been involved in an ESG controversy where several US states allege 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 and it set aside a cash reserve of $1.1 billion to resolve any overbilling cases. The company proactively engaged with the states to clarify its practices and ensure that the states were adequately reimbursed. The company has already resolved over half of the cases and has not been accused of any wrongdoing. In October 2023, Centene shifted its PBM contract from CVS to Cigna's Express Scripts. Since resolving this issue, the company's overall MSCI rating has improved from BBB to A. In addition, after conducting our bottom-up due diligence and applying the SFDR's PAIs, we can confirm the company has not violated the UNGC and remains aligned with the OECD Guidelines for Multinational Enterprises.

SUSTAINABILITY RISK

MSCI Rating
A

Implied Temperature Rise
1.5 °C

CARBON INTENSITY

<1 (tCO_2e/$mm Revenue)

NET ZERO TARGETS

SBTi: NA
Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
30% Female
70% Male

[i] Medicaid.Gov. 2023. Seniors & Medicare and Medicaid Enrollees. Medicaid.gov: https://www.medicaid.gov/medicaid/eligibility/seniors-medicare-and-medicaid-enrollees/index.html#:~:text=Related%20 Resources&text=Medicaid%20provides%20health%20coverage%20to,who%20are%20enrolled%20in%20Medicare.

[ii] MACStats. 2020. Medicaid Enrollment and Total Spending Levels and Annual Growth. Medicaid and CHIP Payment and Access Commission: https://www.macpac.gov/publication/medicaid-enrollment-and-total-spending-levels-and-annual-growth/

[iii] AHIP. 2020. The Value of Medicaid Managed Care. AHIP: https://www.ahip.org/documents/The-Value-of-Medicaid_Report.pdf

3 GOOD HEALTH AND WELL BEING

Impact overview

Cigna makes a material contribution to SDG 3 by lowering healthcare costs through the company's pharmacy benefit management (PBM) services. This report focuses on cost savings from biosimilars, which will play a critical role in lowering future drug costs. From 2023-26, we expect Cigna to create $42.9 billion in savings to consumers by promoting and increasing access to biosimilar prescription drugs.

Cigna's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Healthcare	Goal 3.8, achieve financial risk protection, access to quality essential health-care services, and access to safe and affordable essential medicines	79%	Provides PBM services for generic and biosimilar prescription drugs	Supports over 100 million customers	In 2023, created $7.9 billion in savings for its customers	From 2023-26, aims to save its customers $42.9 billion

Company Description

Cigna is a leading provider of managed healthcare in the US, providing medical coverage to 18 million people and pharmacy services to over 100 million people. In each of its businesses, Cigna benefits from the advantages of superior scale, data, and service. We believe, going forward, the company will grow its topline in the mid-to-high single digits and grow its earnings by 10-14% per year.

Environmental or Social Problem Addressed

One significant challenge facing the US healthcare system is the cost of prescription drugs, which is 2.6x that seen in 32 other OECD countries, according to a RAND Corporation report. The report also found that brand-name drugs are the primary driver of high US prescription drug prices.[i] In particular, branded specialty drugs are a major problem since they can cost thousands of dollars per treatment.

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. Our analysis focused on measuring cost savings from biosimilars since they will play a critical role in lowering future prescription drug costs. Biosimilars are generic versions of branded specialty prescriptions, which become available once specialty patents expire. Biosimilars work the same as their branded counterparts, but typically cost more than 80% less. As a PBM, Cigna's controls a formulary, which tries to promote the use of the cheapest effective drugs in the market. By funneling more spend to biosimilars, Cigna helps lower overall drug spend. From 2023-26, we estimate that Cigna's PBM business will save its customers $42.9 billion by promoting biosimilars in the place of branded specialty drugs.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

79% of Cigna's revenues contributes to SDG 3 by lowering healthcare costs through the company's PBM services.

Measurability

YEAR	PERCENT OF BRANDED DRUGS DISPENSED IN THE US	BRANDED DRUGS PERCENT OF TOTAL MEDICINE SPEND	ANNUAL SAVINGS FROM BIOSIMILARS IN THE US (BN)	CIGNA'S PBM MARKET SHARE (%)	CIGNA'S BIOSIMILAR ANNUAL COST SAVINGS (BN)
2023			$25.5		$7.9
2024	9.7%	83%	$33.0	31%	$10.2
2025			$38.8		$12.0
2026			$41.0		$12.7
TOTAL					**$42.9**

Intentionality

Cigna's intentionality is demonstrated by its ESG targets, which include:

- Reducing Scope 1-2 emissions 50% by 2030.
- Achieving net zero by 2040.
- Increasing accessibility of behavioral health care. In 2022, Cigna's network of behavioral health providers grew by more than 30% to include more than 300,000 mental health and substance use providers.

Sustainability

We see the PBM business model as sustainable because it uses its scale to reduce drug costs. We acknowledge that others have criticized PBMs for prioritizing profits at the expense of the patient. Below are our responses to some typical complaints:

- **PBMs do not reduce drug prices:** PBMs deliver more than $1,000 in savings per patient and reduce costs by $1 for every $10 spent on PBM's services.[ii]
- **Pricing at PBMs is opaque –** Cigna makes the same profit whether or not it collects rebates. In fact, in 2023 Cigna introduced a fully transparent pricing model. In this model, there is no spread pricing or rebate retention.
- **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:** Based on a 2019 study, for Cigna's clients who participate in at least one of its Safeguard Rx programs, 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%.

SUSTAINABILITY RISK

MSCI Rating
AA

Implied Temperature Rise
1.8 °C

CARBON INTENSITY

<1 (tCO_2e/$mm Revenue)

NET ZERO TARGETS

SBTi: NA
Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:
33% Female
67% Male

[i] 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

[ii] Pharmaceutical Care Management Association. 2024. The Value of PBMs-PBMs are Committed to Helping Patients. PCMA: https://www.pcmanet.org/value-of-pbms/

HCA Healthcare℠

GOOD HEALTH AND WELL BEING

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. From 2023-26, we estimate that HCA's outpatient cost of care annualized increases will be 2.6 percentage points lower than those of the US hospital and related services Consumer Price Index (CPI).

HCA's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Healthcare	Goal 3.8, achieve financial risk protection, access to quality essential healthcare services, and access to safe, effective, quality, and affordable essential medicines	100%	Integrated model and locally optimized healthcare resources by directing patients requiring critical procedures to hospitals while sending patients with more routine problems to lower-cost outpatient facilities	In 2023, provided outpatient care to 1.7 million patients	In 2023, increased outpatient admissions by 7.9%, while lowering the outpatient cost of care per visit by an estimated 0.1%	From 2023-26, outpatient cost of care per admission is estimated to increase by 1.4% (CAGR), compared to the hospital and related services CPI which is estimated to grow by 4.0% (CAGR)

Company Description

HCA Healthcare is the largest healthcare services company in the US, with 185 hospitals and over 1,200 outpatient facilities. 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. 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.[i] By 2027, these costs are expected to rise to nearly $17,000 per capita.[ii]

Impact: Improves Good Health 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. HCA's outpatient facilities can conduct procedures at a cost savings of roughly 50% compared to inpatient.[iii] Most of these savings are passed on to HCA's patients. Our analysis is consistent with the literature we have reviewed, and we found that outpatient treatment is 47% less expensive on average than the same procedure in an inpatient setting. We found similar results when we compared several procedures – UKA and lumbar discectomy – which cost 44-53% less, on average.

We also compared HCA revenue per outpatient admission with the US hospital and related services CPI to measure how HCA's scale and systematic approach keep healthcare costs low. From 2023-26, we estimate that HCA's outpatient cost of care per admission will increase by 1.4% (CAGR), compared to the hospital and related services CPI which is estimated to grow by 4.0% (CAGR).

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

100% 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)	US HOSPITAL AND RELATED SERVICES CPI	HCA INPATIENT REVENUE PER VISIT	HCA OUTPATIENT REVENUE PER VISIT
2023	1.7	2.1	1,060	$18,900	$14,900
2024	1.7	2.2	1,100	$19,600	$15,200
2025	1.8	2.2	1,140	$20,000	$15,400
2026	1.9	2.3	1,190	$20,500	$15,500
CAGR	**4.5%**	**2.3%**	**4.0%**	**2.8%**	**1.4%**

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's 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.

Sustainability

Critical infrastructure like hospitals must operate 24 hours per day, thus consuming large amounts of energy. In addition, hospitals have embodied carbon from procured goods and services used in construction and operations. HCA is a high-priority engagement because it does not have SBTi targets, report to the CDP, or maintain emission reduction targets. The company is developing a decarbonization strategy to reduce its Scope 1 and 2 emissions by 2030 in line with a 1.5°C emissions scenario and reach net-zero (Scope 1-2) emissions by 2050. However, it has not released this strategy despite measuring Scope 1-3 emissions for about five years.

HCA has a high-level strategy for reducing Scope 1-2 emissions, which includes retrofitting hospitals, piloting onsite solar and storage, and installing smart energy efficiency systems to monitor and identify potential emissions and cost savings opportunities. For example, the company's HealthONE facilities have been replacing boilers, reducing the energy use of chillers, managing electricity usage, and adjusting variable frequency drives to help optimize the HVAC systems. This strategy has been ineffective. Since 2018, Scope 1-2 emissions have increased 6%, and its carbon intensity has stayed flat at ~34 tCO_2e/$mm Revenue. We are concerned that HCA's Scope 3 (Purchased Goods & Services) emissions are estimated to be ~10 million tCO_2e, 3% of the portfolio's total Scope 3 emissions, and that the company does not disclose a strategy.

When we meet with HCA, we aim to discuss when it plans to disclose its decarbonization strategy, report to the CDP, and set and verify its emissions reduction target with SBTi. We will use these objectives to establish key decarbonization milestones between 2024 and 2030 to hold the company accountable.

SUSTAINABILITY RISK

MSCI Rating
AA

Implied Temperature Rise
2.1°C

CARBON INTENSITY

34 (tCO_2e/$mm Revenue)
70% lower than the MSCI World

NET ZERO TARGETS

SBTi: No
Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
27% Female
73% Male

[i]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
[ii]Probasco, J. 2019. Why Do Healthcare Costs Keep Rising? Investopedia: https://www.investopedia.com/insurance/why-do-healthcare-costs-keep-rising/
[iii]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%2425%2C550.

Impact overview

NXP Semiconductors (NXP) supports SDG 3 and SDG 11 through its automotive radar technology by improving traffic safety and increasing access to safe forms of transportation. From 2023-26, we estimate that 100 million new cars with NXP ADAS technology will hit the road, resulting in about 94,000 fewer fatal car crashes. To put this in perspective, North America has about 50,000 fatal car collisions yearly.

NXP's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Healthcare	Goal 3.6, halve the number of global deaths and injuries from road accidents Goal 11.2, improve road safety	50%	Provides automotive solutions through ADAS technology	In 2023, installed ADAS units in 22 million cars	ADAS can prevent 40% of all crashes and 29% of deaths from car crashes	From 2023-26, expects to save approximately 94,000 lives

Company Description

NXP is a global semiconductor company focused on growing markets. The company develops specialized engineering solutions and is an outsourced R&D partner for its customers. 90% of its chips are sole-sourced design wins that cannot be replaced. NXP is a great business with historical returns-on-tangible capital of over 50%.

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 young adults aged 5-29. 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, such as wireless IoT chips and battery management systems. This report will focus on NXP's advanced driver-assistance systems (ADAS) technology. Through its ADAS technology, NXP's automotive radar solutions make a meaningful contribution to SDG 3 and SDG 11 by improving safety and increasing access to safe forms of transit. The integration of ADAS in passenger vehicles can prevent 40% of all crashes and 29% of deaths in crashes.[i] From 2023-26, we estimate that 100 million new cars with NXP ADAS technology will hit the road, resulting in about 94,000 fewer fatal car crashes. For perspective, North America has about 50,000 fatal car collisions yearly.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

Over our holding period, we expect 50% of NXP's revenues to contribute to SDG 3 and SDG 11.

Measurability

YEAR	GLOBAL AUTO PRODUCTION (MM)	RADAR PENETRATION RATE (NEW VEHICLES)	NXP MARKET SHARE	NEW CARS WITH NXP RADARS (MM)	CUMULATIVE LIVES SAVED
2023	90	60%	41%	22	9,000
2024	90	65%	41%	24	18,000
2025	92	70%	41%	26	28,000
2026	92	75%	41%	28	39,000
TOTAL				**100**	**94,000**

Intentionality

NXP's intentionality is demonstrated by its environmental targets, which include but are not limited to:

- Reducing carbon emissions 35% and achieving 50% renewable electricity by 2027.
- Lowering waste recycled 80% by 2027.
- Achieving net zero Scope 1-2 emissions by 2035.

Sustainability

With the growing importance of semiconductor businesses, there must be a reduction in emissions from manufacturing, assembly, and purchased goods/services. We classify NXP as a high-priority engagement. SBTi removed the company's commitment because it had not finalized standards for the industry, and therefore, NXP faced technical difficulties in developing a strategy. We immediately spoke with the company, and it informed us that it aims to resubmit its plan in 2025 and remains committed to net zero.

NXP has made progress but has faced challenges due to increased demand. From 2012-20, NXP lowered Scope 1-2 emissions 31%, but those emissions increased by 16% from 2021-22, primarily due to company growth. To decarbonize, NXP must 1) upgrade its four manufacturing and four assembly facilities via energy efficiency/renewables or 2) increase outsourcing. NXP will most likely decommission its two old fabrication plants due to the cost of constructing new facilities, which can be in the billions. The company plans to increase outsourcing and deploy energy efficiency/renewables at the company's other facilities. NXP launched a $3.7 million green bond to improve the energy efficiency of its products. Energy efficiency will be the primary solution in the near term since it is challenging to source renewable energy in many areas as most grids are powered by coal and fossil fuels.

NXP's Scope 3 emissions could grow disproportionally by increasing outsourcing. The company has a supply chain engagement program in place, but to reach net zero, it must require its largest suppliers to develop SBTi net zero targets and report to the CDP. This strategy has been effective for another portfolio company, SPIE, and 47% of the NXPI's suppliers made ambitious climate commitments. We are confident that NXP can become net zero and will continue to engage and support the company on its journey.

During our next meeting, we aim to discuss SBTi's feedback, the changes to the company's strategy so SBTi can approve it, and requiring suppliers to develop SBTi-approved net zero targets.

SUSTAINABILITY RISK

MSCI Rating
AAA

Implied Temperature Rise
3.2 °C

CARBON INTENSITY

87 (tCO_2e/$mm Revenue)
23% lower than the MSCI World

NET ZERO TARGETS

SBTi: No
Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:
40% Female
60% Male

[1]AAA FTS, 2018.

SDG 7
Climate Change

Impact overview

Ayvens supports SDG 7 and SDG 12 by affordably leasing electric vehicles (EVs) to corporate clients, small businesses, and individuals. Leasing can be a preferable option because of the financing advantage and its convenience. By 2030, Ayvens aims to have EVs constitute 80% of vehicles delivered and, by that time, we estimate that nearly 50% of Ayvens' fleet will be EVs, compared to just 7% for the global vehicle fleet. From 2023-26, we expect Ayvens will add a net 610,000 EVs to its fleet, which is expected to avoid 5 million tCO_2e compared to internal combustion engine (ICEs) vehicles.

Ayven's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Climate Change	Goal 7.3, improve the energy efficiency of automobiles Goal 12.2, sustainable management and efficient use of natural resources	50%	Promotes use of EVs through affordable leasing and fleet management	By 2026, estimated that EVs will comprise 30% of Ayvens' fleet	By 2026, expects EV fleet mix to be 25 percentage points higher than the global EV fleet	From 2023-26, aims to add a net 610,000 EVs to its fleet, which will avoid 5.1 million tCO_2e compared to ICEs

Company Description

Ayvens is Europe's leading EV vehicle fleet manager and provides financing and comprehensive servicing to its customers. The company is the product of ALD's acquisition of LeasePlan, and now has a combined fleet of 3.4 million vehicles, with 55% leased to corporate clients and the remaining to small businesses and individuals. Ayvens' competitive advantage is tied to its scale, which results in purchasing power, driving down the total cost of ownership for its clients, and helping it generate a durable ROE in the mid-teens.

Environmental or Social Problem Addressed

The transportation sector accounts for nearly one-quarter of global GHG emissions,[i] and the transportation sector's emissions are expected to grow exponentially as car ownership worldwide is set to triple to over two billion vehicles by 2050.[ii] There are multiple challenges to adopting EVs, but customers are primarily worried about price as many EV models cost above $30,000.[iii]

Impact: Accelerates Energy Transition/Enables the Circular Economy by Affordably Leasing EVs

Ayvens supports SDG 7 and SDG 12 by affordably leasing EVs to corporate clients, small businesses, and individuals. Not only does Ayvens use its scale to lease EVs to customers at lower prices, it also maintains and services these vehicles at lower costs, as well as helps customers manage the EV transition. For example, Ayvens' ALD Electric program installs charging stations at an employee's home, offers them a recharging card, and brings analytical tools to measure power consumption across a business customer. To measure Ayvens' contribution toward solving SDG 7 and SDG 12, we analyzed the life cycle avoided emissions from the company's transition to a fleet primarily comprised of battery electricity vehicles (BEVs) and plug-in-hybrids (PHEVs). Please note that Ayvens also offers fuel cell EVs and full hybrids, but we only included BEVs and PHEVs (collectively referred to as EVs) in our analysis. From 2023-26 we estimate that Ayvens will add a net 610,000 EVs to its fleet, which will avoid 5.1 million tCO_2e compared to ICEs.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

Currently 30% of Ayvens' car deliveries are EVs, contributing to SDG 7 and SDG 12 by affordably leasing EVs to corporate clients, small businesses, and individuals. We expect this number to be 50% within our investment horizon.

Measurability

YEAR	AYVENS' TOTAL FLEET	PERCENT OF EVS DELIVERED	PERCENT OF EVS IN AYVENS' FLEET	PERCENT OF EVS IN AYVENS' FLEET COMPARED TO GLOBAL EV FLEET	ADDITIONAL EVS IN AYVENS' FLEET	LIFE CYCLE EMISSIONS OF EVS VS. ICES	AVOIDED EMISSIONS (tCO_2e)
2022	3,400,000	35%	13%	11%	370,000		710,000
2023	3,500,000	40%	17%	15%	530,000	-34% PHEV	1,100,000
2024	3,600,000	45%	22%	19%	700,000	-53% BEV	1,400,000
2025	3,700,000	50%	28%	25%	940,000		1,900,000
TOTAL							**5,100,000**

Intentionality

Ayvens' intentionality is demonstrated by its ESG goals which include:

- Lowering Scope 1-3 emissions 30% by 2025.
- Reducing Scope 1-2 carbon intensity 30% by 2030.
- Achieving net zero Scope 1-3 emissions by 2050.

Sustainability

Companies involved in car leasing have high Scope 3 emissions from the use of their vehicles. We consider Ayvens' a low-priority engagement since it has committed to developing SBTi-approved near-term and net zero targets. As an EV fleet manager, Ayvens recognizes the importance of lowering the use phase emissions in its fleet and set a target to reduce its Scope 3 (Use of "Leased" Product) emissions 40% by 2025 compared to a 2019 baseline.

We disagree with MSCI's Implied Temperature Rise score, which estimates that Ayvens' Scope 3 emissions will plateau after 2025. Lyrical expects the company's emissions trend to continue downward. From 2019-23, Ayvens lowered its Scope 3 (Use of "Leased" Product) emissions by 460,000 tCO_2e. In addition, before ALD acquired LeasePlan in 2023 and became Ayvens, ALD already began incorporating LeasePlan into its PowerUp 2026 strategy. While Ayvens' overall emissions increased because of the merger, both companies' combined Scope 3 emissions have trended downward, decreasing 16% (CAGR) from 2019-23.

Ayvens aims to increase the uptake of EVs further through several offerings, including ALD Electric. The program is available in 34 countries and helps customers transition to EVs by 1) installing recharging terminals at homes and/or offices, 2) providing recharging cards giving customers access to public recharging terminals across Europe, and 3) offering dedicated reporting tools for fleet managers to track power consumption.

During our 2024 net zero engagement call, we aim to discuss 1) when the company expects SBTi to approve its targets, 2) the effect of tariffs on increasing the percent of EVs in its fleet, and 3) the challenge of electricity prices increasing faster than diesel, which could impact customer demand for EVs.

SUSTAINABILITY RISK

MSCI Rating
AA

Implied Temperature Rise
4.4 °C

CARBON INTENSITY

<1 (tCO_2e/$mm Revenue)

NET ZERO TARGETS

SBTi: Near-Term, Net Zero Committed

Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
50% Female
50% Male

[i] IEA. 2023. Transport. International Energy Agency: https://www.iea.org/energy-system/transport
[ii] Fuel Freedom Foundation. No Date. What cars will we be driving in 2050? Fuel Freedom Foundation: https://www.fuelfreedom.org/cars-in-2050/#toggle-id-1
[iii] EV Industry Blog. 2023. 10 Biggest Challenges Facing the EV Industry Today. EV Industry Blog: https://evchargingsummit.com/blog/challenges-facing-the-ev-industry-today/

Impact overview

Johnson Controls contributes to SDG 7 and SDG 9 through its smart building solutions like OpenBlue, which reduce building energy consumption, emissions, and costs. From 2023-26, we estimate Johnson Controls will help its customers avoid 8.4 million tCO_2e and save $2.5 billion.

Johnson Controls' Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Climate Change	Goal 7.3, Improve Energy Efficiency of Buildings Goal 9.4, upgrade infrastructure and retrofit industries	57%	Smart building solutions monitor and reduce energy use, emissions, and operational costs	Enables customers to lower emissions and operating costs in their buildings	In 2023, estimated to avoid 2.0 mm tCO_2e and save customers $600 million	From 2023-26, expected to avoid 8.4 million tCO_2e, save customers $2.5 billion, and save society $430 million by mitigating the effects of climate change and improving economic outcomes

Company Description

Johnson Controls is a smart building solutions provider, offering HVAC, fire, and security products, service, and monitoring. The company's tech platform, OpenBlue, allows customers to monitor and reduce energy consumption in their buildings.

Johnson Controls is a defensive industrial business where 70% of profit is generated from maintenance services and equipment replacement. It's also a high-quality business that generates >30% ROTIC.

Environmental or Social Problem Addressed

Buildings account for 30% of global energy consumption and 26% of emissions. Despite increased efficiencies, the buildings sector's energy use grew by 1% in 2022.[i] To lower energy use in buildings, we must make buildings smarter. For example, sensors should be used to only cool/heat rooms that are occupied.

Impact: Improves Energy Efficiency/Upgrades Infrastructure & Increases Clean Technology

Johnson Controls contributes to SDG 7 and SDG 9 through smart building solutions like its OpenBlue platform. OpenBlue is a suite of applications producing real-time data to analyze energy and GHG emissions. Many buildings have individual systems to save energy and emissions. But, OpenBlue connects all of them, using sensors, edge computing, cloud connectivity, and AI analytics to optimize the entire building – multiplying the savings in energy, emissions, and operational costs. From 2023-26, we estimate that Johnson Controls' solutions, like its OpenBlue platform, will help its customers avoid 8.4 million tCO_2e and save $2.5 billion. This would save society approximately $430 million by mitigating the negative effects of climate change and improving economic outcomes, including reducing the negative impacts on agricultural productivity, damages caused by a rising sea level, and a decline in human health and labor productivity.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

57% of Johnson Controls' revenues contribute to SDG 7 and SDG 9 by leveraging energy performance data and artificial intelligence to optimize building operations and subsequent carbon emissions.[1]

Measurability

YEAR	CUSTOMER AVOIDED EMISSIONS (MM tCO_2e)	COST SAVINGS (MM)	AVOIDED COST TO SOCIETY FROM CLIMATE CHANGE (MM)
2023	2.0	$600	$102
2024	2.1	$620	$105
2025	2.1	$640	$108
2026	2.2	$660	$111
TOTAL	**8.4**	**$2,500**	**$430**

Intentionality

Johnson Controls' intentionality is demonstrated by its emissions targets, which include but are not limited to:

- Purchasing 10% of near net-zero carbon steel by 2030.
- Double avoided emissions through OpenBlue by 2030.
- Lowering Scope 1-2 emissions 55% by 2030.
- Achieving net zero Scope 1-2 emissions by 2040.
- Achieving 100% renewable electricity usage by 2040.

Sustainability

Because Johnson Controls makes building products, like HVAC units, the company has high Scope 3 (Use of Sold Products) emissions of approximately 110 million tCO_2e (the second highest in the portfolio). Johnson Controls is a medium priority because it has an SBTi-approved target to reduce Scope 1-2 emissions 55% and lower Scope 3 (Use of Sold Products) emissions 16% by 2030. In addition, the company aims to have net zero Scope 1-2 emissions by 2040.

Johnson Controls has made good progress and reduced Scope 1-2 emissions ~44%. The company has a solid strategy to reduce Scope 3 emissions. In addition to its solutions like Open Blue, Johnson Controls aims to achieve its target by developing energy efficient and low-carbon products, reducing the embodied carbon of its products, and requiring suppliers representing 80 percent of procurement spend to undergo a third-party sustainability performance assessment by 2028. The company has accelerated progress by investing 90% of its new product R&D into sustainability-related innovation. Johnson Controls is also working to address hard-to-abate steel production and embodied carbon through low-carbon steel purchases, closed-loop steel recycling, and material recycling. These activities have led to tangible results and have reduced Scope 3 (Use of Sold Products) emissions 14%.

During our next engagement, we aim to encourage the company to increase the ambition of its Scope 1-2 emissions target, include Scope 3 emissions in its net zero commitment, and certify the company's net zero target with SBTi.

SUSTAINABILITY RISK

MSCI Rating
AA

Implied Temperature Rise
1.8 °C

CARBON INTENSITY

29 (tCO_2e/$mm Revenue)
74% lower than the MSCI World

NET ZERO TARGETS

SBTi: Near-Term Approved

Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:

33% Female

67% Male

[1]Johnson Controls follows the Corporate Knights Sustainable Economy Taxonomy standard for defining sustainable products and calculating sustainable revenues.

[1]IEA. 2023. Buildings. International Energy Agency: https://www.iea.org/energy-system/buildings

Impact overview

Kyudenko contributes toward solving SDG 7 and SDG 9 by building and servicing renewable energy and energy efficiency technology. From 2023-26 we expect Kyudenko to increase its solar and wind capacity by 90 MW, avoiding 53,000 tCO_2e. By replacing outdated building technology with a more energy-efficient alternative, the company expects to avoid an additional 380,000 tCO_2e.[1] In total, Kyudenko's renewable energy and energy efficiency projects are expected to avoid 1.8 million tCO_2e[2] and save society $93 million by mitigating the negative effects of climate change and improving economic outcomes.

Kyudenko's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Climate Change	Goals 7.2 & 7.3, increase renewable energy and improve the energy efficiency of buildings Goal 9.4, upgrade infrastructure and retrofit industries	95%	Electrical engineering firm – Builds energy efficiency, infrastructure, solar, and wind projects	Solar and wind emit between 96-99% less emissions than fossil fuels and coal Replacing outdated equipment in commercial and residential buildings, Kyudenko can reduce emissions by 12%	In 2023, had an installed capacity of 350 MW of solar and wind, avoiding 330,000 tCO_2e In 2023, energy efficiency projects estimated to avoid 98,000 tCO_2e	From 2023-26, aims to: • Install an additional 90 MW of renewables, avoiding 53,000 tCO_2e • Avoid 380,000 tCO_2e through its energy efficiency projects In total, estimated to avoid 1.8 million tCO_2e and save society $93 million over this period

Company Description

Kyudenko leads the design, construction, and maintenance of electrical infrastructure and systems. The company 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.

Environmental or Social Problem Addressed

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,[i] and the country has one of the world's highest carbon intensities from power generation.[ii] Japan is also the sixth largest GHG emitter behind China, the US, the EU, India, and Russia.

Impact: Increases Renewable Energy & Improves Energy Efficiency/Upgrades Infrastructure

Kyudenko makes a material contribution toward solving SDG 7 and SDG 9 by building and servicing renewable energy and energy efficiency technology that will enable Japan to meet its long-term climate goals. From 2023-26, we expect Kyudenko to increase its solar and wind capacity by 90 MW, avoiding 53,000 tCO_2e. By replacing outdated building technology with a more energy-efficient alternative, the company expects to avoid an additional 380,000 tCO_2e. In total, Kyudenko's renewable energy and energy efficiency projects will avoid 1.8 million tCO_2e and save society $93 million by mitigating the adverse effects of climate change and improving economic outcomes.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

15% of Kyudenko's revenues contribute to solving SDG 7 by developing and managing solar plants. 80% of Kyudenko's revenues support SDG 9 by building and upgrading Japan's infrastructure.

Measurability

YEAR	TOTAL RENEWABLE ENERGY OUTPUT (MW)	TOTAL AVOIDED EMISSIONS FROM RENEWABLE ENERGY (tCO_2e)	INCREMENTAL RENEWABLE ENERGY OUTPUT (MW)	INCREMENTAL AVOIDED EMISSIONS FROM RENEWABLE ENERGY PROJECTS (tCO_2e)	AVOIDED EMISSIONS FROM ENERGY EFFICIENCY PROJECTS (tCO_2e)
2023	350	330,000	5	5,000	98,000
2024	390	360,000	40	23,000	96,000
2025	410	370,000	20	13,000	94,000
2026	430	380,000	20	13,000	91,000
TOTAL		**1,440,000**	**90**	**53,000**	**380,000**

Intentionality

Kyudenko's intentionality is demonstrated by its climate-related goals, which include:

- Supporting Japan in reaching its targets of reducing emissions 46% and achieving a renewable energy rate of 36-38% by 2030.
- Lowering carbon intensity by at least 50% by 2030.
- Achieving net zero by 2050.

In addition, Kyudenko is committed to leading a just transition and seeks to increase the number of female engineers and managers at the company. Specifically, the company aims to double the percentage of female employees in department manager positions to >3.6% and increase mid-career hiring >10.6% by 2026.

Sustainability

As an integrated electricity and facility engineering firm, Kyudenko must reduce its emissions in addition to helping society mitigate the effects of climate change. Kyudenko is a high-priority engagement since it has not developed SBTi-approved targets. The company has developed a good decarbonization plan, and Kyudenko has reduced its carbon intensity 4% from a 2013 baseline. However, its absolute Scope 1-2 emissions have only decreased 1% over the same period.

To become net zero by 2050, the company has adopted several strategies. For example, to lower Scope 1-2 emissions, Kyudenko plans to purchase EVs, install chargers at its facilities, replace existing equipment with high-efficiency/energy-saving products, and install on-site microgrids with battery storage. In addition, the company is also exploring ways to lower its Scope 3 (End-of-Life) emissions by repairing and reusing solar panels (the panels should be "as new") and piloting this technology at its facilities. The strategy will not only reduce Kyudenko's Scope 3 emissions but also lower its Scope 1-2 emissions.

During our next engagement, we plan to learn more about its decarbonization strategy, the challenges of installing solar and energy efficiency at over 100 plants, and its progress in SBTi certification of its targets.

SUSTAINABILITY RISK

MSCI Rating
BB

Implied Temperature Rise
2.8 °C

CARBON INTENSITY

4 (tCO_2e/$mm Revenue)
96% lower than the MSCI World

NET ZERO TARGETS

SBTi: No
Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:
8% Female
92% Male

[i]World Bank. 2014. Energy imports, net (% of energy use) - Japan. World Bank: https://data.worldbank.org/indicator/EG.IMP.CONS.ZS?locations=JP
[ii]IEA. 2021. Japan 2021 Energy Policy Review. IEA: https://www.iea.org/reports/japan-2021

Impact overview

Rexel helps solve SDG 7 and SDG 8 by distributing and promoting renewables and energy efficiency products, in addition to improving the sustainability of clean energy supply chains. From 2023-26, Rexel is expected to avoid 39.3 million tCO_2e, through emissions reductions of its use of sold products. This would save society $2 billion by mitigating the negative effects of climate change and improving economic outcomes.

Rexel's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Climate Change	Goal 7.2, increase renewable energy Goal 8.4, Improve resource efficiency and decouple economic growth from environmental degradation	50%	Sells and promotes sustainable solar, wind, and energy efficiency products	Enables customers to make direct positive contributions to the environment while minimizing negative externalities	In 2023, aims to avoid 5.9 million tCO_2e from the use of its products	From 2023-26, expected to avoid 39.3 million tCO_2e from the use of its products and save society $2 billion by mitigating the effects of climate change and improving economic outcomes

Company Description

Rexel is a French company engaged in distributing efficient and sustainable electrical products and solutions for residential and commercial buildings, industrial assets, and grid infrastructure. 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-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.[i] However, many homes in the US and abroad use diesel, natural gas, and oil to power our heating and cooking systems, and fossil fuels and coal power 60% of the electrical grid in the US.[ii]

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

Rexel helps solve SDG 7 and SDG 8 by distributing and promoting renewables and energy efficiency products, in addition to improving the sustainability of clean energy supply chains. As part of the company’s core business strategy it directly supports its 615,000 customers by using sustainable products to achieve their objectives. Rexel trains them on new topics and more advanced solutions so they can capitalize on environmentally friendly business opportunities. From 2023-26, the company is expected to avoid 39.3 million tCO_2e by promoting and distributing renewables and energy efficiency products. This should save society $2 billion by mitigating the adverse effects of climate change and improving economic outcomes.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

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

Measurability

YEAR	SCOPE 3 (USE OF SOLD PRODUCTS) CARBON INTENSITY (tCO_2e/€MM)	2022 BASELINE SCOPE 3 (USE OF SOLD PRODUCTS) EMISSIONS (MM tCO_2e)	PROJECTED SCOPE 3 (USE OF SOLD PRODUCTS) EMISSIONS (tCO_2e)	AVOIDED EMISSIONS W/ MODERN TECHNOLOGY (MM tCO_2e)	AVOIDED COST TO SOCIETY FROM CLIMATE CHANGE (MM)
2023	1,600	36.0	30.1	5.9	$300
2024	1,500	36.9	28.6	8.3	$420
2025	1,300	38.3	27.2	11.1	$570
2026	1,200	39.9	25.9	14.0	$710
TOTAL		**151.0**	**111.7**	**39.3**	**$2,000**

Intentionality

Rexel's intentionality is demonstrated by its emissions targets, which include but are not limited to:

- Reducing Scope 1-2 emissions 38% and Scope 3 (Use of Sold Products) carbon intensity 45% by 2025.
- Lowering Scoping 1-2 emissions 60% and Scope 3 (Use of Sold Products) emissions 45% by 2030.
- Achieving Scope 1-3 net zero emissions by 2050.

Sustainability

While distribution companies have low Scope 1-2 emissions, they have a responsibility to lower up-/downstream emissions, and improve their customers' environmental impact. Rexel is a low priority company since it has SBTi-appoved near-term and net zero targets. As a leader in the portfolio, we continue to engage the company to learn more about its policies and practices, and to share our lessons learned with other portfolio companies.

Rexel has made good progress in lowering its Scope 2 emissions, which have decreased by 10% (CAGR) from 2018-22. The company accomplished this, in part, by increasing the renewable energy ratio from approximately 5% to 39%. However, the company has not made meaningful progress on its Scope 1 emissions, which have stayed relatively flat over the last five years. In 2021, Rexel offered a $320 million sustainability-linked bond to emissions targets. MSCI estimates that Rexel's Scope 1-2 emissions are in line with reaching net zero.

Rexel's has been a leader at reducing Scope 3 (Use of Sold Products) emissions. As of 2023, this category of emissions is 17% lower than 2018. The company has experienced an 7% (CAGR) increase in revenues over this period, fueled by an increase in the sale of renewables and energy efficiency products. Rexel has a clear ambition to work with suppliers to find the most environmentally friendly products using its Carbon Tracker database which makes it possible to create reliable and accurate environmental data on nearly 200,000 products. Rexel has engaged with its top 25 suppliers (who provide 50% of products) to align their sustainability strategies. The company's strategy is effective, as indicated by a 7% (CAGR) decrease in Scope 3 carbon intensity over the last several years.

In 2024, we aim to speak with Rexel about its challenges to reducing Scope 1 emissions, when the company aims for its Carbon Tracker to include 100% of sold products, and take a deep dive into its supplier engagement strategy.

SUSTAINABILITY RISK

MSCI Rating
AAA

Implied Temperature Rise
3.1°C

CARBON INTENSITY

5 (tCO_2e/$mm Revenue)
96% lower than the MSCI World

NET ZERO TARGETS

SBTi: Near-Term, Net Zero Approved

Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:

50% Female
50% Male

[i]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/

[ii]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%2C116%20billion,facilities%20in%20the%20United%20States.&text=About%2061%25%20of%20this%20electricity,%2C%20petroleum%2C%20and%20other%20gases.

Impact overview

SPIE's Smart Cities solutions support SDG 7 and SDG 11 by promoting electric vehicles (EVs) and installing charging infrastructure. From 2023-26, we estimate SPIE will install nearly 50,000 charging stations, which we expect to service 590,000 EVs, creating an economic impact of $540 million and avoiding 2.4 million tCO_2e. SPIE contributes to SDG 9 by designing, operating, and maintaining modern and resilient electricity grids. For example, in Germany, SPIE is installing around 15 miles of extra-high voltage power to increase transmission capacity and make the grid more efficient and flexible for EV charging intermittent renewable energy sources.

SPIE's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Climate Change	Goal 7.3, improve the energy efficiency of automobiles Goal 9.4, upgrade infrastructure and retrofit industries Goal 11.2, provide access to affordable, accessible, and sustainable transport systems	75%	Promotes the use of EVs and installs EV charging infrastructure	From 2023-26, expects to install nearly 50,000 charging stations	From 2023-26, aims to charge approximately 590,000 EVs and electric hybrids	From 2023-26, estimated to create an economic impact of $540 million and avoid 2.4 million tCO_2e

Company Description

SPIE provides outsourced multi-technical engineering services, primarily within Europe's energy, mechanical, HVAC, and communication industries. The company is capital-light with negative working capital, high ROIC, and strong cash generation.

Environmental or Social Problem Addressed

Two of the most significant challenges for EVs are the lack of public charging stations and the uncertain business case due to the small scale of EV markets and high upfront costs.[i] To achieve the EU's 2025 charging infrastructure target, approximately 150,000 new charging stations will be needed each year.[ii]

Impact: Improves Energy Efficiency/Provides Modern Infrastructure/Creates Sustainable Communities

SPIE makes a significant and measurable contribution to the environment and society by installing and servicing the EU's infrastructure needed to encourage EV deployment (SDG 7), develop modern and resilient electricity grids (SDG 9), and create sustainable communities (SDG 11). The company's Smart Cities segment helps solve SDG 7 and SDG 11 by promoting electric vehicles and installing charging infrastructure. From 2023-26, SPIE will install nearly 50,000 charging stations, which we expect to service 590,000 EVs, creating an economic impact of $540 million and avoiding 2.4 million tCO_2e.

By upgrading our fragile grids, SPIE contributes to SDG 9 through its Energies segment. For example, SPIE is installing around 15 miles of extra-high voltage power in Germany to increase transmission capacity and make the grid more efficient and flexible for EV charging intermittent renewable energy sources.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

Approximately 50% of SPIE's revenues contribute to SDGs 7, 9, and 11.

Measurability

YEAR	EV CHARGING STATIONS INSTALLED	EVS PER CHARGING STATION	EVS CHARGED BY SPIE STATIONS	ECONOMIC IMPACT (MM)	AVOIDED EMISSIONS (tCO_2e)
2023	8,000	13	110,000	$100	440,000
2024	10,000	13	130,000	$120	530,000
2025	13,000	12	160,000	$150	640,000
2026	16,000	12	190,000	$180	770,000
TOTAL	**48,000**		**590,000**	**$540**	**2,400,000**

Intentionality

SPIE's intentionality is demonstrated by its 2025 ESG targets, which include but are not limited to:

- Achieving its SBTi-approved goal of reducing Scope 1-2 emissions 25%.
- Engaging with its supply chain and aiming to make 67% of purchases from suppliers with net zero targets.
- Enabling the just transition and increasing the percentage of female managers to 25%.

Sustainability

While engineering and construction companies are essential to accelerating the energy transition, they also have high emissions, especially Scope 3 emissions, due to the embodied carbon of the materials necessary to complete large infrastructure projects. We consider SPIE a medium priority because it has not developed SBTi-approved 2030 targets or a net zero commitment.

SPIE is well positioned for net zero, and SPIE's progress has been reflected in its 2.0°C implied temperature rise. The company has accelerated its progress by developing short-term 2025 roadmap and targets. During our last meeting, the company said a key feature of its Scope 1-2 emissions strategy has been linking its 2025 targets to the compensation packages of over 500 managers, incentivizing them to implement decarbonization projects rapidly. Next year, SPIE will release its 2030 strategy, submit new targets to SBTi, and begin developing a net zero roadmap.

Per SBTi, material Scope 3 emissions for SPIE include cradle-to-gate emissions, such as those from purchased goods and services. A challenge for SPIE is it has thousands of suppliers making it difficult to complete a Scope 3 emissions analysis. In addition, SMEs comprise the majority of SPIE's suppliers, and they lack the resources to reduce their emissions. To overcome this challenge, SPIE aims to purchase goods from suppliers with net zero targets. As of 2023, 47% of suppliers made ambitious climate commitments. SPIE also helps its customers, investors, and suppliers measure their carbon footprints. In addition, SPIE has developed a tool to help suppliers define their objectives and action plans. The company's Scope 3 strategy has been recognized by CDP, which awarded it an A rating for Scope 3 emissions, and EcoVadis, which ranked it in the top category for its carbon assessment.

In 2024, we aim to discuss if SPIE is on track to release its 2030 strategy and submit its targets, challenges to achieving its 2030 strategy including Scope 3 emissions, and if it will make a public net zero commitment.

SUSTAINABILITY RISK

MSCI Rating
BBB

Implied Temperature Rise
2.0 °C

CARBON INTENSITY

16 (tCO_2e/$mm Revenue)
86% lower than the MSCI World

NET ZERO TARGETS

SBTi: Near-Term Approved
Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
46% Female
54% Male

[i] 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=703855a76dd0
[ii] Eberhart, 2020.

VEOLIA

6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Impact overview

Veolia contributes to 1) SDG 6 by delivering an expected 8.1 trillion liters of clean water to 127.1 million people worldwide by 2026, 2) SDG 7 through its energy products and solutions which are estimated to avoid 65.8 million tCO_2e from 2023-26, and 3) SDG 12 by treating an expected 268 million tonnes of waste from 2023-26, equivalent to almost all of the waste produced in the US annually.

Veolia's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Climate Change	Goal 6.1, Ensure universal and equitable access to drinking water Goal 7.2 & 7.3, increase renewable energy and improve the energy efficiency of buildings Goal 12.4, Environmentally sound management of all waste	58%	Optimized resource group that designs and provides water, energy, and waste management solutions	In 2023, managed 3,800 drinking water plants In 2023, promoted energy efficiency and renewable energy at 51,600 sites In 2023, managed 865 waste processing facilities	In 2023, provided 113.0 million people with 7.2 trillion liters of clean drinking water In 2023, avoided 15.5 million tCO_2e In 2023, provided 43 million people and 563,000 businesses with collection services	By 2026, estimated to provide 127.1 million people with 8.1 trillion liters clean drinking water From 2023-26, expected to avoid 65.8 million tCO_2e From 2023-26, aims to treat 268 million tonnes of waste

Company Description

Veolia is the largest European-listed environmental company with revenues split roughly evenly between water, energy, and waste businesses. Over the next five years, we expect EPS to grow at a 14% annualized rate, supported by mid-single-digit top-line growth, margin expansion, and debt paydown.

Environmental or Social Problem Addressed

Climate change and increased consumption have caused society to face several issues related to water, energy, and waste. For example, in June 2023, the European Drought Agency reported that one third of Europe was in a drought.[i] In addition, waste management continues to be a challenge in developed and developing nations as they face several issues ranging from mismanaged collection systems to ineffective disposal, which can negatively affect human health and cause ecosystem degradation.[ii]

Impact: Provides Water, Energy, & Waste Management Solutions

The company contributes to SDG 6 through a wide variety of services, from improving water traceability and the efficiency of drinking systems to connecting underserved communities in developing nations. For example, in Bangladesh, the company partnered with Grameen and local stakeholders to provide 6,000 residents of the Goalmari and Padua districts with access to drinking water. By 2026, the company will deliver 8.1 trillion liters of clean water to 121.9 million people worldwide.

The company supports SDG 7 by providing various solutions, such as developing smart building systems to reduce energy consumption at industrial facilities. In addition, the company develops and manages waste-to-energy projects that effectively divert waste from landfills and avoid millions of tonnes of GHG emissions. We estimate that Veolia will avoid 65.8 million tCO_2e from 2023-26 through its energy solutions.

Veolia makes a meaningful contribution to SDG 12 by providing a wide variety of impactful services, such as treating forever chemicals like polychlorinated biphenyls (PCBs). PCBs were banned by the US Environmental Protection Agency in 1977 because they take a long time to break down and can cause harmful health effects, such as the impairment of children's cognitive abilities. However, many of these products have ended up in landfills and still require treatment. From 2023-26 Veolia aims to treat 267.5 million tonnes of waste, equivalent to almost all the waste produced in the US annually.[iii]

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

58% of Veolia's revenues come from water, energy, and waste management solutions, which promote SDG 6, 7, and 12.

Measurability

YEAR	NUMBER OF DRINKING WATER PLANTS	NUMBER OF PEOPLE PROVIDED WITH DRINKING WATER (MM)	TOTAL CLEAN WATER PRODUCED (TN L)	NUMBER OF SITES MANAGED PROMOTING ENERGY EFFICIENCY AND RENEWABLE ENERGY	AVOIDED EMISSIONS	NUMBER OF WASTE PROCESSING FACILITIES	WASTE TREATED (TONS)
2022	3,800	113.0	7.2	51,600	15.5	865	63.0
2023	4,000	117.5	7.5	53,600	16.1	900	65.5
2024	4,100	122.2	7.8	55,800	16.8	940	68.1
2025	4,300	127.1	8.1	58,000	17.4	970	70.9
TOTAL			**30.5**		**65.8**		**267.5**

Intentionality

Veolia's intentionality is demonstrated by its environmental targets, which include:

- Saving 120,000,000 cubic meters of water by 2027.
- Treating 2 million tonnes of hazardous waste by 2027.
- Phasing out coal in Europe by 2030.
- Reducing Scope 1-2 emissions 40% by 2034.
- Achieving net zero Scope 1-3 emissions by 2050.

Sustainability

Due to the nature of its business, Veolia has high Scope 1-3 emissions (63.1 million tCO_2e) from energy generation and waste processing. The company is a low priority engagement since it has SBTi-approved near-term targets and is net zero committed. While we classify Veolia as a low priority, we continue to regularly engage with the company to accelerate its transition to net zero since its implied temperature rise is not aligned with a 1.5°C scenario and its Scope 1 emissions make up 87% of the portfolio's total Scope 1 emissions and 6% of total Scope 1-3 emissions.

Lyrical and Veolia are confident that the company can achieve its near-term and net zero targets. In fact, Veolia recently announced new, ambitious targets and now aims to reduce Scope 1-2 emissions 50% by 2032. The company's strategy has been effective, we believe in part due to setting short-term 2027 targets and linking long-term executive compensation to avoided emissions. Together, this has encouraged management to focus on developing renewables such as biomass and solar. Veolia has made good progress. For example, while the company's absolute emissions have increased due to the acquisition of Suez, Veolia has reduced its carbon intensity 11% annualized from 2018-22. Veolia progress has been achieved by phasing out coal and setting aside $1.8 billion to invest in renewable energy, a 22-percentage point increase in funding since 2020. Veolia aims to rapidly scale its renewable energy generation; in January 2024 Veolia announced that it aims to increase its energy generation from renewables 50% by 2030, equivalent to the energy used by 1.6 million homes.

During our next engagement meeting, we aim to receive an update on SBTi approving Veolia's net zero target, discuss barriers to increase renewable energy generation and retiring pollutive assets, and how it works with customers to reduce their energy use.

SUSTAINABILITY RISK

MSCI Rating
A

Implied Temperature Rise
2.6°C

CARBON INTENSITY

734 (tCO_2e/$mm Revenue)
550% lower than the MSCI World

NET ZERO TARGETS

SBTi: Near-Term Approved
Net Zero Committed

Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:

50% Female
50% Male

[i]Wybrew, A. 2023. 30,000 residents left without reliable water sources as drought ravages southern France. euronews: https://www.euronews.com/green/2023/08/14/300000-residents-left-without-reliable-water-sources-as-drought-ravages-southern-france#:~:text=In%20June%2C%20the%20European%20Drought,month%20ever%20recorded%20on%20Earth.

[ii]UNEP. No Date. Solid waste management. United Nations Environmental Program: https://www.unep.org/explore-topics/resource-efficiency/what-we-do/cities/solid-waste-management

[iii]McDonald, J. (2023). Curbing America's Trash Production: Statistics and Solutions. Dumpsters.com: https://www.dumpsters.com/blog/us-trash-production

Impact overview

Wesco helps solve SDG 7 and SDG 8 by distributing and promoting renewables and energy efficiency products, in addition to improving the sustainability of clean energy supply chains. From 2023-26, Wesco is expected to avoid 30.3 million tCO_2e, through emissions reductions of its use of sold products. This would save society $1.6 billion by mitigating the negative effects of climate change and improving economic outcomes.

Wesco's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Climate Change	Goal 7.2, increase renewable energy Goal 8.4, improve resource efficiency and decouple economic growth from environmental degradation	70%	Sells and promotes solar, wind, energy efficiency, and modern grid technology	Enables its customers to make direct positive contributions to the environment while minimizing negative externalities	In 2023, avoided over 4.6 million tCO_2e from the use of its sold products	From 2023-26, seeks to avoid 30.3 million tCO_2e from the use of its sold products and save society $1.6 billion by mitigating the effects of climate change and improving economic outcomes

Company Description

Wesco is the largest global distributor of electrical products, selling about 1.5 million items to 140,000 active customers through 800 branches. Wesco is a high-quality business that has generated an average return on capital of 20% over the past decade.

Environmental or Social Problem Addressed

To reach the goals of the Paris Agreement and the SDGs, Wesco must continue to improve energy efficiency, "electrify everything," and modernize the grid.[i] However, many homes in the US and abroad use diesel, natural gas, and oil to power the company's heating and cooking systems, and fossil fuels and coal power 60% of the electrical grid in the US.[ii]

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

Wesco helps solve SDG 7 and SDG 8 by distributing and promoting renewables and energy efficiency products, in addition to improving the sustainability of clean energy supply chains. Beyond providing the products, the company develops a detailed financial analysis, calculates expected GHG emission reductions, and offers project management services. From 2023-24, Wesco is expected to avoid 30.3 million tCO_2e. This would save society $1.6 billion by mitigating the adverse effects of climate change and improving economic outcomes.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

70% of Wesco's revenues positively contribute to SDG 8 and SDG 9 by promoting and selling renewable energy and energy efficiency products.

Measurability

YEAR	2022 BASELINE SCOPE 3: USE OF SOLD PRODUCTS EMISSIONS (MM tCO_2e)	PROJECTED SCOPE 3 EMISSIONS (tCO_2e)	AVOIDED EMISSIONS W/ MODERN TECHNOLOGY (MM tCO_2e)	AVOIDED COST TO SOCIETY FROM CLIMATE CHANGE (MM)
2023	26.8	22.2	4.6	$232
2024	27.6	21.2	6.4	$326
2025	29.0	20.4	8.6	$440
2026	30.1	19.4	10.8	$550
TOTAL	**113.5**	**83.2**	**30.3**	**$1,550**

Intentionality

Wesco's intentionality is demonstrated by its 2030 SDG-aligned targets, which include:

- Achieving a 30% reduction in Scope 1-2 emissions.
- Reducing landfill waste intensity 15% across US and Canadian locations.
- Lowering total Recordable Incident Rate (TRIR) 15%.
- Providing 425,000 hours of safety training and development to employees.

Sustainability

While distribution companies have low Scope 1-2 emissions, they have a responsibility to lower up-/downstream emissions, and improve their customers' environmental impact. Wesco is a high priority engagement since 1) the company does not have SBTi-approved targets, 2) absolute Scope 1-2 emissions are not on track for net zero, and 3) Wesco does not report Scope 3 (Use of Sold Products) emissions. Scope 3 emissions are critical for Wesco to reach net zero because we estimate the company emitted 25 million tCO_2e in 2023, putting it in our portfolio's highest Scope 3 emitters.

Wesco has made progress and hired Persefoni to help calculate its Scope 1-2 emissions. The company hopes to submit its near-term Scope 1-2 targets to SBTi in 2024 or 2025. However, the company is behind its peers with Scope 3 emissions since Wesco would perfer to use SKU-level data from suppliers. While this is more accurate, the company has 30,000 suppliers and sells ~1.5 million products. Out of all its suppliers, only one provides SKU-level data. In May 2024, GIVES team members met in person with senior management to discuss Wesco's Scope 3 strategy. Wesco has taken Lyrical's net zero feedback earnestly and has asked Persefoni also to begin a Scope 3 emissions inventory. The company is lagging on measurement, but Wesco has engaged with its suppliers for over five years, in collaboration with the National Electrical Manufacturers Association (NEMA), on their decarbonization plans. The company has reached 70% of suppliers (by spend) and aims to get to 80% in the near future. During our next meeting with Wesco, we aim to discuss the results of Persefoni's Scope 3 emissions analysis and potential Scope 3 emissions strategies and their tradeoffs, and set interm milestones to support and hold the company accountable for reaching its 2030 goal, including submitting its targets by 2025 at the latest.

SUSTAINABILITY RISK

MSCI Rating
AA

Implied Temperature Rise
5.0 °C

CARBON INTENSITY

4 (tCO_2e/$mm Revenue)
96% lower than the MSCI World

NET ZERO TARGETS

SBTi: No
Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
30% Female
70% Male

[i] 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/

[ii] 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%2C116%20billion,facilities%20in%20the%20United%20States.&text=About%2061%25%20of%20this%20electricity,%2C%20petroleum%2C%20and%20other%20gases.

SDG 8 Economic Growth

8 DECENT WORK AND ECONOMIC GROWTH

Impact overview

Flex helps solve SDG 8 through its outsourced manufacturing business model, which decouples economic growth from environmental degradation. Flex focuses on greening the manufacturing process and installing energy efficiency measures and renewables in its facilities. From 2023-26, Flex is expected to avoid 300,000 million tCO_2e by sustainably outsourcing manufacturing. This should save society $15.4 million by mitigating the adverse effects of climate change and improving economic outcomes.

Flex's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Economic Growth	Goal 8.4, Improve resource efficiency and decouple economic growth from environmental degradation	100%	Outsourced manufacturing	Outsourced manufacturing avoids emissions compared to insourced manufacturing	In 2023, avoided 30,000 tCO_2e by sustainably manufacturing goods, therefore reducing its Scope 1 and 2 emissions	From 2023-26, expected to avoid 300,000 million tCO_2e by sustainably outsourcing manufacturing. This should save society $15.4 million by mitigating the adverse effects of climate change and improving economic outcomes.

Company Description

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, such as insulin delivery pens, wearable devices, advanced automative parts. As a scale player, Flex is able to manufacture products at a cheaper cost relative to peers while generating mid-teens returns on capital.

Environmental or Social Problem Addressed

The world needs to rapidly scale renewable energy deployment to help mitigate the environmental impact of the manufacturing sector. From 1995-2016, GHG emissions from manufacturing increased by 120%, raising manufacturing's share of global emissions from 15% to 23%.[i]

Impact: Decouples Economic Growth from Environmental Degradation

Flex helps solve SDG 8 through its outsourced business model, which decouples economic growth from environmental degradation. Flex focuses on greening the manufacturing process and installing energy efficiency measures and renewables in its facilities. For example, 17% of electricity is produced by solar energy, and the company aims to reach 100% by 2040. Lyrical has been engaging with Flex to set a near-term 2030 solar energy target. From 2023-26, Flex is expected to avoid 300,000 million tCO_2e by sustainably outsourcing manufacturing. This should save society $15.4 million by mitigating the adverse effects of climate change and improving economic outcomes.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

Material 100% of revenues come from the outsourcing business model, which decouples economic growth from environmental degradation.

Measurability

YEAR	SCOPE 1-2 CARBON INTENSITY (tCO_2e/ $MM REVENUE)	2022 BASELINE SCOPE 1-2 EMISSIONS (tCO_2e)	PROJECTED SCOPE 1-2 EMISSIONS (tCO_2e)	AVOIDED EMISSIONS FROM MORE SUSTAINABLE MANUFACTURING (MM tCO_2e)	AVOIDED COST TO SOCIETY FROM CLIMATE CHANGE (MM)
2023	20	630,000	600,000	32,000	$1.6
2024	19	550,000	500,000	56,000	$2.9
2025	18	580,000	490,000	89,000	$4.5
2026	17	610,000	490,000	124,000	$6.3
TOTAL		**2,400,000**	**2,100,000**	**300,000**	**$15.4**

Intentionality

Flex's intentionality is demonstrated by its climate-related goals, which include:

- Reaching its SBTi target that 70% of its customers by emissions, covering purchased goods and services, capital goods, and use of sold products, will have science-based targets by 2025.
- Achieving its SBTi target to reduce Scope 1-2 emissions 50% by 2030.
- Becoming net zero by 2040.

Sustainability

Flex is a high-priority engagement because it has the highest absolute Scope 3 emissions in the portfolio, and these have increased from 107 million tCO_2e in 2019 to 137 million tCO_2e in 2022. Over the same period, its Scope 3 carbon intensity increased 28%, indicating that the company's initiatives were ineffective. The company has made good progress and has SBTi-approved near-term targets, though it does not have a quantitative Scope 3 target.

In 2022, Flex announced it aims to reach net zero Scope 1-3 emissions by 2040. However, we were concerned to learn that the company is lobbying SBTi not to count its Scope 3 (Use of Sold Products) emissions, as Flex claims it only manufactures products based on its customers' designs and is not responsible for the products' impact. Flex believes its Scope 3 emissions target should only include sustainable manufacturing (Scope 1-2) and buying low-carbon inputs (Scope 3: Purchased Goods & Services) for its Flex-specific products. If the company did not count the Scope 3 (Use of Sold Products) emissions, MSCI estimates that Flex's Scope 3 emissions would decrease 90% to 10.7 million tCO_2e.

Our team spoke with SBTi in January 2024, and the organization reaffirmed our belief that Flex should be responsible for all its Scope 3 (Use of Sold Products) emissions. SBTi suggested that Flex 1) require its suppliers to set net zero targets, 2) set an intensity-based target, and 3) purchase more sustainable inputs for all the products it manufactures. Flex already engages with preferred suppliers to measure and disclose their Scope 1-2 emissions to the CDP, develop emissions reduction, and create renewable energy targets. Flex could significantly progress toward reducing Scope 3 (Use of Sold Products) emissions by adding a net zero requirement for suppliers. During our next engagement, we aim to discuss the lessons learned from our meeting with SBTi, encourage the company to add a net zero requirement for its suppliers, and set interim milestone to hold the company accountable.

SUSTAINABILITY RISK

MSCI Rating
AA

Implied Temperature Rise
2.4 °C

CARBON INTENSITY

15 (tCO_2e/$mm Revenue)
78% lower than the MSCI World

NET ZERO TARGETS

SBTi: Near-Term Approved

Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:

30% Female
70% Male

[1] 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

Catalana Occidente
Insurance Group

8 DECENT WORK AND ECONOMIC GROWTH

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). SMEs make up 95% of OECD companies and account for 60%-70% of employment in most countries. From 2023-26, we expect the company to grow its contribution to SDG 8 by increasing global credit insurance by 5.6%. This will spur global trade by 0.6% or $162 billion.

Grupo Catalana's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Economic Growth	Goal 8.3, promote decent job creation and encourage the growth of SMEs through access to financial services	100%	Insures receivables on the balance sheet of SMEs around the world	Lowers the mistrust between buyers and sellers by providing trade insurance	In 2023, by providing this type of insurance, increased global trade by an estimated $13 billion	From 2023-26, estimated to increase global credit insurance by 5.6%, which has the potential to spur global trade by 0.6% or $162 billion

Company Description

Grupo Catalana is a multi-line insurance company headquartered in Spain. It operates through two segments: traditional insurance (auto, small commercial, and life) and credit insurance (accounts receivables protection). Grupo Catalana is a well-run, 65% family-owned insurance business that has compounded its equity at 13% per annum since 1999.

Environmental or Social Problem Addressed

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. 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.[i] About 60% of this lost revenue is borne by small businesses generating $20 million in revenues or less.[ii]

Impact: Promotes Inclusive & Sustainable Economic Growth

Through its Atradius business, Grupo Catalana helps solve SDG 8 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.[iii] 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. From 2023-26, we expect the company to grow its contribution to SDG 8 by increasing international credit insurance by 5.6%. This will spur global trade by 0.6% or $162 billion.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

45% of Grupo Catalana's profits come from its credit insurance division, which facilitates global trade and protects SMEs.

Measurability

YEAR	GLOBAL CREDIT INSURANCE MARKET (BN)	GCO CREDIT INSURANCE BUSINESS (BN)	GCO MARKET SHARE	GROWTH OF GLOBAL CREDIT INSURANCE FROM GCO	IMPACT ON GLOBAL TRADE FROM GCO	GLOBAL CROSS BORDER TRADE MARKET (TN)	INCREASE IN GLOBAL TRADE FROM GCO (BN)
2022	$13,300	$2,600	19%	0.5%	0.05%	$25	$13
2023	$14,500	$2,800	20%	1.8%	0.18%	$27	$50
2024	$15,800	$3,100	20%	1.6%	0.16%	$30	$48
2025	$17,200	$3,400	20%	1.6%	0.16%	$32	$52
TOTAL				**5.6%**	**0.56%**		**$162**

Intentionality

Grupo Catalana's intentionality is demonstrated by its ESG goals, which include:

- Calculating emissions associated with the Grupo Catalana's underwriting portfolio by 2026.
- Calculating financed emissions associated with the company's investment portfolio by 2026.
- Achieving zero net emissions in Grupo Catalana's insurance underwriting portfolio by 2050.

Sustainability

While SASB does not consider direct emissions a material risk for Grupo Catalana, we still evaluate the company's environmental impact and climate change's impact on its portfolios. As an insurer, the company is not a priority engagement on net zero and has few negative climate-related impacts. However, both Lyrical and the company recognize that climate change can impact the company in the future.

Grupo Catalana is a leader in its industry as demonstrated by its net zero-aligned implied temperature rise. To lower climate-related risks, it has also committed to becoming net zero by 2050 and seeks to develop SBTi-approved targets. The company is waiting to submit targets since SBTi has not finalized its sector-specific guidance. There has been some progress, and SBTi released an Insurance Industry Brief in December 2023. The document provides information on approaches and methods for setting targets to decarbonize underwriting portfolios.

The company has created a 2024-26 Master Sustainability Plan to lower the environmental-related risks of its investments. For example, it added new exclusion criteria such as not investing in companies where 10% of revenues are related to coal extraction/generation, oil and/or gas in Arctic offshore regions, and shale extraction. Over 50% of its investments are considered sustainable. One mitigating factor related to Grupo Catalana's climate-related risks, especially those related to natural disasters, is that Spain has a pooled insurance fund for climate-related incidents, which acts as reinsurance.

During our next engagement, we aim to engage the company on impact measurement, progress on submitting its emissions targets to SBTi, and receive updates on the impact of climate on its portfolios over the last year and an on the company's completion of a CDP report.

SUSTAINABILITY RISK

MSCI Rating
BB

Implied Temperature Rise
1.4 °C

CARBON INTENSITY

<1 (tCO_2e/$mm Revenue)

NET ZERO TARGETS

SBTi: NA
Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:
22% Female
78% Male

[i] 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
[ii] D'Innocenzio, 2020.
[iii] 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 and low-/middle-income households that have incomes between $30,000 and $100,000. These households represent almost 50% of US households. By 2026, we expect Primerica to insure over 3.2 million Americans and provide approximately $1 trillion in total life insurance coverage, or about $264,000 in benefits per client on average.

Primerica's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Economic Growth	Goal 8.10, strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all	100%	Supports the financial inclusion of low-and-middle-income Americans	Provide affordable term life insurance, starting at around $15 per month, about 50% less than the national average	In 2023, issued 360,000 new life insurance policies, raising the number of policies in force to 3 million	By 2026, estimated to insure 3.2 million low-and middle-income Americans and provide about $1 trillion in coverage, or about $264,000 in benefits per client on average

Company Description

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.

Environmental or Social Problem Addressed

The financial sector has struggled to improve financial inclusion for low- and middle-income Americans.[i] 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 U.S. need $25 trillion of additional life insurance to be adequately protected.[ii] However, only 52% of Americans have life insurance, down from 63% in 2011.[iii]

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 previously uninsured. 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.[iv] By 2026 we expect Primerica to insure over 3.2 million Americans and provide approximately $1 trillion in total life insurance coverage, or about $264,000 in benefits per client on average.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

100% of Primerica's revenues contribute to 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)
2023	$60,000	360,000	3.0	256,000	$120	$945
2024	$61,200	365,000	3.0	261,000	$125	$975
2025	$62,500	370,000	3.1	266,000	$130	$1,010
2026	$63,700	380,000	3.2	272,000	$135	$1,040
TOTAL		**1,475,000**			**$510**	

Intentionality

Primerica recognizes the importance of integrating sustainability throughout the company. The company has three third-party oversight advisors who support integrating ESG risks into its investment process. For example, Primerica's advisors report 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.

Sustainability

As a company that relies on an independent, commission-based, part-time workforce, Primerica can face risks related to the responsible behavior of sales representatives. In April 2024, The Bear Cave, which provides short selling research, published a newsletter claiming that the highest-producing Primerica agents are engaged in misleading, false, or deceptive conduct. Specifically, it said the company emphasizes recruiting over customer service and overpromises on the income potential of sales representatives. Lyrical immediately scheduled a call with Primerica's General Counsel and Chief Compliance Officer (COO).

The company's General Counsel and COO informed us that there are 300 people on the company's Legal and Compliance Teams, and the company regularly sends out a Field Audit Team to ensure that representatives act per Primerica's ethics policies. The company also uses the same tool as industry regulator, FieldWatch, to ensure its representatives act responsibly. Overall, Primerica's compliance structure has been effective, and its Financial Industry Regulatory Authority (FINRA) complaints are 0.05 per 100 representatives compared to the industry average of 4 per 100 representatives. Lastly, it is important to note that Primerica is not a pyramid scheme as representatives 1) are not paid to recruit, 2) do not buy insurance policies and resell them, 3) do not make a commission without selling a product, and 4) are made aware of the average income of a sales representative. Lyrical considers this a Low (Level 1) controversy, and we aim to speak with company management again after earnings season.

Lastly, while emissions are not material per SASB standards, we will continue to engage Primerica on how it incorporates climate-risk into its investments and on impact measurement.

SUSTAINABILITY RISK

MSCI Rating
BBB

Implied Temperature Rise
1.5 °C

CARBON INTENSITY

1.7 (tCO_2e/$mm Revenue)
99% lower than the MSCI World

NET ZERO TARGETS

SBTi: NA
Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
36% Female
64% Male

[i] World Bank. 2017. Financial Inclusion. World Bank Group: https://www.worldbank.org/en/topic/financialinclusion/overview#1

[ii] Abrokwah, S., Carrol, JJ, & 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-8562-9fafbb4b4d83/expertise_publication_life_underinsurance.pdf

[iii] LL Global. 2023. 2023 Life Insurance Factsheet. LL Global: https://www.limra.com/siteassets/newsroom/liam/2023/0859-2023-liam-fact-sheet-2023_final.pdf

[iv] Iervasi, K. 2022. Average Life Insurance Rates 2022. nerdwallet: https://www.nerdwallet.com/article/insurance/average-life-insurance-rates

Vistry Group

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

Impact overview

Vistry contributes to SDG 11 by building affordable housing through its partnership homebuilding model. From 2023-26, we estimate that the company will develop 38,000 affordable homes, which will house 91,300 people. The company also contributes to SDG 8 by supporting Micro-, Small-, and Medium-sized Enterprises (MSMEs), providing job training, and enabling economic growth in the communities it helps create. Over the same period, we expect Vistry to generate approximately $700 million in social and economic value.

Vistry Group's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Economic Growth	Goal 11.1, ensures access to adequate & affordable housing Goal 8.3, support job creation, entrepreneurship, & growth of MSMEs	50%	Builds affordable homes using a partnership model	In 2023, built 8,700 affordable homes	From 2023-26, aims to build 38,000 affordable homes	From 2023-26, estimated to provide homes for over 91,300 people The social and economic value created by these communities is expected to be $700 million

Company Description

Vistry is the largest partnership homebuilder in the UK. In a partnership model, the company works with government entities and large institutional investors to provide more affordable homes. We expect EPS to grow at a mid-teens rate, driven by high-single-digit revenue growth and capital allocation.

Environmental or Social Problem Addressed

The UK faces an affordable housing crisis. It is estimated that by 2030 nearly five million households will live in unaffordable homes, and 150,000 children will be homeless or living in emergency accommodations.[i] It is also critical that affordable housing is integrated into communities of mixed socioeconomic statuses. Without this, affordable housing communities can lead to ghettoization, limited access to good jobs and schools, as well as deepen ethnic and racial marginalization.[ii]

Impact: Develops Affordable Housing & Inclusive Communities/Enables Local Economic Growth

Vistry contributes to SDG 11 by building affordable housing. From 2023-26, the company will make a meaningful contribution by building approximately 38,000 affordable homes, which will house 91,300 people. The company also supports SDG 8 by improving communities' social and economic value via placemaking, which is the process of creating quality places where people want to live, work, and learn.[iii] By 2026, we estimate Vistry will create approximately $700 million in social and economic value by using local MSME suppliers, creating full-time jobs, and promoting local career development and employment opportunities through its skills academies (see below for more information).

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

Approximately 50% of the housing Vistry delivers contributes to SDG 11 and SDG 8.

Measurability

YEAR	TOTAL HOUSING UNITS	AFFORDABLE HOUSING UNITS	AVERAGE NUMBER OF PEOPLE HOUSED	SOCIAL RETURN ON INVESTMENT
2023	16,100	8,700	20,900	$150
2024	17,700	8,900	21,300	$170
2025	19,500	9,800	23,400	$180
2026	21,500	10,700	25,700	$200
TOTAL	**74,800**	**38,000**	**91,300**	**$700**

Intentionality

Vistry's skills academies create opportunities for the local existing workforce, and training for those who are unemployed or looking to change their career. The company's academies are located across the UK and each academy provides training, mentoring and skills development, creating opportunities to gain work experience and vocational qualifications. The academies combine classroom and practical learning, allowing training to take place within one of Vistry's live sites. Participants can also engage and network with local subcontractors. The academies have supported more than 800 learners and Vistry recently developed an additional nine other academies, totaling 21 across the UK.

Sustainability

Homebuilders like Vistry face climate and ecologic risks due to the types of materials necessary to construct modern, livable dwellings. We classify the company as a low priority engagement since it has developed SBTi-approved near-term, long-term, and net zero targets. Vistry's ambitious net zero target is to reduce absolute Scope 1-2 emissions 90% by 2040 from a 2022 base year and decrease Scope 3 emissions 97% per square meter of completed housing. Lowering Scope 3 emissions is critical due to the embodied carbon of construction materials. Embodied emissions are those associated with upstream production (extraction, production, transportation, and manufacturing) of building materials.

To lower Scope 1-2 emissions, the company has developed an effective strategy to improve the efficiency of its fleet and purchase renewable energy. Vistry has an excellent Scope 3 emissions mitigation strategy, and this is the focus of its net zero commitment. Vistry has been piloting net zero developments by installing energy efficiency measures, EV charging stations, using sustainable construction materials, such as timber frames, and conducting lifecycle assessments. For example, using timber instead of climate-intensive materials like concrete or steel can significantly decrease embodied carbon emissions. Timber frame construction also enhances a building's insulation and reduces reliance on mechanical heating and cooling systems. In addition, sustainably sourced timber sequesters GHG emissions, effectively acting as a carbon sink.

During our next engagement meeting we aim to discuss challenges to purchasing EVs for its fleet, barriers to buying renewable energy, lessons learned from Vistry's net zero developments, and how it plans to keep these types of developments affordable.

SUSTAINABILITY RISK

MSCI Rating
AA

Implied Temperature Rise
2.6 °C

CARBON INTENSITY

734 (tCO_2e/$mm Revenue)
550% lower than the MSCI World

NET ZERO TARGETS

SBTi: Near-Term, Long-Term, Net Zero Approved

Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:

33% Female
67% Male

[i] UK National Housing Federation. 2023. Nearly five million households will live in unaffordable homes by 2030. UK National Housing Federation: https://www.housing.org.uk/news-and-blogs/news/nearly-five-million-households-will-live-in-unaffordable-homes-by-2030/

[ii] The New York Times Editorial Board. 2015. Affordable Housing, Racial Isolation. The New York Times: https://www.nytimes.com/2015/06/29/opinion/affordable-housing-racial-isolation.html#:~:text=Communities%20across%20the%20country%20have,such%20housing%20in%20existing%20ghettos

[iii] Wyckoff, M.A. 2013. Definition of Placemaking: Four Different Types. Michigan State University Land Policy Institute: https://www.canr.msu.edu/uploads/375/65824/4typesplacemaking_pzn_wyckoff_january2014.pdf

SDG 12
Circular Economy

Impact overview

Ashtead contributes to solving SDG 12 by embracing the sharing economy for construction equipment and optimizing the use of its products. By 2026, we expect the company to increase its contribution by adding 360,000 net new pieces of construction equipment to its fleet which, compared to non-rental equipment, is expected to avoid lifetime emissions estimated at 1.3 million tCO_2e, equivalent to the emissions of 81,000 Americans.

Ashtead Group's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Circular Economy	Goal 12.2, sustainable management and efficient use of natural resources	100%	Embraces the sharing economy for construction equipment	In 2023, had 1,000,000 units of equipment for customers to rent	In 2023, had 1,000,000 units of equipment for customers to rent	By 2026, aims to add 360,000 net new pieces of equipment to its fleet, which compared to non-rental equipment, is expected to avoid lifetime emissions of 1.3 million tCO_2e

Company Description

Ashtead offers a range of industrial equipment for construction, infrastructure, facilities maintenance, special events, and emergency response. As one of the largest purchasers of the equipment it rents, Ashtead benefits from a 15-20% cost advantage compared to smaller rental companies. 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.[i] However, a challenge for construction companies is that many have carbon-intensive fleets that are costly to upgrade.[ii]

Impact: Enables Responsible Consumption & Production of Construction Equipment

Ashtead contributes toward solving SDG 12 by embracing the sharing economy for construction equipment. The biggest source of lifetime emissions from industrial equipment is the manufacturing of that equipment. By renting, Ashtead increases equipment utilization, which reduces the need to manufacture equipment. Overall, renting equipment lowers lifetime emissions from construction equipment by 30% on average.[iii] By 2026, we expect the company to add 360,000 net new pieces of construction equipment to its fleet. Compared to non-rental equipment, that is expected to avoid lifetime emissions by an estimated 1.3 million tCO_2e, equivalent to the emissions of 81,000 Americans.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

100% of Ashtead's business is renting industrial equipment and contributes to SDG 12.

Measurability

YEAR	TOTAL UNITS OF EQUIPMENT	TOTAL UNITS OF NEW EQUIPMENT	NON-RENTAL (OWNED) LIFETIME EMISSIONS (tCO_2e)	PERCENT AVOIDED EMISSIONS FROM RENTING (tCO_2e)	AVOIDED EMISSIONS FROM RENTING (tCO_2e)
2023	1,000,000	100,000	1,200,000		360,000
2024	1,100,000	80,000	960,000	30%	290,000
2025	1,200,000	87,000	1,040,000		310,000
2026	1,300,000	94,000	1,130,000		340,000
TOTAL		**360,000**	**4,300,000**		**1,300,000**

Intentionality

Ashtead's intentionality is demonstrated by its best-in-class environmental targets, which include but are not limited to:

- Achieving Scope 1-2 carbon intensity of 38.4 tCO_2e/$mm Revenue.
- Migrating to alternative energy for HGVs/tractors and all new vehicles using alternative energy sources.
- Reducing water use at stores in areas facing high water stress (23% of stores are in these areas).

In addition, sustainability-related performance targets comprised 20% of Ashtead's 2023 incentive plan award, with 10% linked to environmental performance measured by achieving its Scope 1-2 carbon intensity target.

Sustainability

Renting construction equipment has high Scope 1 and Scope 3 emissions from transporting equipment and the use of large pieces such as excavators, which, over its lifecycle, emit 32 tCO_2e per unit. We consider Ashtead a high priority engagement since it has not set SBTi-approved targets. The company is developing an intensity-based net zero target but faces challenges since SBTi does not have sector specific guidance.

Ashtead is well placed for net zero as its circular business model lowers the emissions of the construction industry, which is a hard-to-abate sector. The company has set a shorter-term 2024 target and near-term 2030 to accelerate its transition to a more sustainable business. As of 2022, Ashtead has reduced its carbon intensity 30% and the company aims to announce more robust targets in April 2024 when it releases its new environmental strategy.

Ashtead's decarbonization strategy has been successful and as of 2023, 20% of its revenues are from electric products, and 30% of its fleet is electric. Also, the company is engaging in a new strategy of buying power banks to charge its equipment. Power banks are critical as construction zones can be in places with little to no basic infrastructure, let alone EV charging infrastructure. Combining power banks with diesel generators helps lower emissions because diesel generators pollute more when not used at full capacity, and its customers often do not need to use generators at 100%. Critically, power banks generate significant cost savings compared to purchasing diesel fuel.

During our next engagement we aim to discuss the progress on developing a net zero target and the company's plans for certification despite lack of sector-specific guidance, and take a deep dive into on possible strategies to decarbonize large pieces of equipment.

SUSTAINABILITY RISK

MSCI Rating
AA

Implied Temperature Rise
2.3 °C

CARBON INTENSITY

38 (tCO_2e/$mm Revenue)
66% lower than the MSCI World

NET ZERO TARGETS

SBTi: No
Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
44% Female
56% Male

[i] 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

[ii] 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

[iii] 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 material and substantial contribution to SDG 12 and SDG 15 through its precision agriculture (PA) technologies. From 2023-26, we estimate CNH's PA technology will avoid consuming 1 million liters of water, 35 million gallons of fuel, and 330,000 tCO_2e. We also expect the company to avoid cultivating 1.8 million acres of agricultural land and improve agricultural productivity by 10.4 billion pounds.

CNH Industrial's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Circular Economy	Goal 12.2, sustainable management and efficient use of natural resources Goal 15.3, improved farming practices	60% by 2025	Manufacture farming equipment with precision agriculture technologies and implement digital agricultural solutions	From 2023-26, guidance/autosteer technology adoption will increase from 77% to 87%	In 2023, avoided consuming 260,000 million liters of water, 8.7 million gallons of fuel, and 83,000 tCO_2e In 2023, avoided cultivating 440,000 acres of land and improved agricultural productivity by 2.6 billion pounds	By 2026, the aims to have 14.7 million Medicaid members, generating about $40.2 billion in governmental savings from 2023-26, and reducing individual annual member costs by $707 on average

Company Description

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.

Environmental or Social Problem Addressed

Agriculture is central to several critical global challenges. First, ecological impacts from over-farming, pesticides, and other factors negatively impact the environment and increase farmland degradation. Farmland has decreased by over 13.6 million acres since 2014.[i] Second, agriculture consumes vast resources and is the leading source of pollution in many countries.[ii]

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

CNH makes a meaningful contribution to SDG 12 and SDG 15 by better managing natural resources and improving farming practices by manufacturing PA equipment such as auto guidance. Auto guidance reduces water consumption by 20-40%, decreases fuel use by 16%, lowers emissions by 30%, and increases agricultural productivity by 20%. From 2023-26, we estimate CNH's PA technology will avoid consuming 1 million liters of water, 35 million gallons of fuel, and 330,000 tCO_2e. We also expect the company to avoid cultivating 1.8 million acres of agricultural land and improve agricultural productivity by 10.4 billion pounds.[1]

[1] We previously assumed auto guidance adoption would reach 100% by 2025, but as of 2023, the adoption rate was 77% (versus 76% in 2021). As a result, we have updated our measurement to assume auto guidance reaches full adoption by 2030.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

By 2025, 60% of CNH's revenues are expected to significantly contribute to SDG 12 and SDG 15.

Measurability

YEAR	AUTO GUIDANCE ADOPTION	AVOIDED WATER USE (MM L)	AVOIDED FOSSIL FUEL USE (MM G)	AVOIDED EMISSIONS	ACRES AVOIDED	INCREASED CROP PRODUCTION (BN LBS)
2023	77%	260,000	8.7	83,000	440,000	2.6
2024	80%	260,000	8.7	83,000	440,000	2.6
2025	84%	260,000	8.7	83,000	440,000	2.6
2026	87%	260,000	8.7	83,000	440,000	2.6
TOTAL		**1,000,000**	**34.7**	**330,000**	**1,800,000**	**10.4**

Intentionality

CNH's intentionality is demonstrated by its emissions practices and targets, which include:

- Using 60% renewable electricity.
- Recycling and reusing 96.5% of materials.
- Reusing 50% of water consumed.
- Setting a 2030 goal that 90% of its equipment will be recyclable.
- Developing near-term, long-term, and net zero targets such as reducing Scope 1-2 emissions 38% and lowering Scope 3 (Use of Sold Products) emissions 23% by 2030, and achieving net zero by 2050.

Sustainability

Mitigating the lifecycle emissions from agricultural equipment is essential, as shown by CNH's high Scope 1-2 emissions (250,000 tCO_2e) and Scope 3 emissions (47 million tCO_2e). CNH is a high-priority engagement because the company had its SBTi-certified near-term commitment removed. The company said it aims to resubmit new targets once SBTi develops sector-specific standards.

Decreasing Scope 3 emissions is critical as the company generates 10% of our portfolio's overall emissions. CHN has a two-pronged strategy to lower its environmental impact. First, the company is developing equipment that can use biofuels and electric farm equipment. Biofuels are the primary mechanism for CNHI to decarbonize, as they can develop large pieces of equipment that can efficiently be powered by the fuel. CNHI hopes to turn farms into carbon-neutral, circular businesses by capturing the biomethane emitted from manure and other organic waste pits and storing it so it can be used by farming machinery and the farm itself.

Second, CNHI has been developing new use cases to promote electric equipment and the new ways it can be used, to educate customers and staff. Large farm equipment cannot be 100% electric, but some key components can be, making them more sustainable. Biomethane is the most feasible and best option not only due to the environmental outcomes but also because it will be one of the lowest capital investments on the farm (electrified products cost 2-3x more than the alternative).

During our 2024 net zero engagement, we will discuss when CNH expects to resubmit its targets to SBTi, the progress of its pilot program to make farms carbon neutral, as well as set interim milestones including linking emissions targets to executives' short- and long-term incentive plans by 2025.

SUSTAINABILITY RISK

MSCI Rating
AAA

Implied Temperature Rise
1.9 °C

CARBON INTENSITY

11 (tCO_2e/$mm Revenue)
90% lower than the MSCI World

NET ZERO TARGETS

SBTi: No
Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:
44% Female
56% Male

[i] USDA. 2022. Farms and Land in Farms. US Department of Agriculture: https://usda.library.cornell.edu/concern/publications/5712m6524
[ii] WWF. No Date. Our Work: Sustainable Agriculture. World Wildlife Foundation: https://www.worldwildlife.org/industries/sustainable-agriculture

Impact overview

From 2023-26, Crown is estimated to avoid lifetime emissions of 70,000 tCO_2e compared to plastic and 1.1 million tCO_2e compared to glass from incremental growth, as aluminum beverage cans gain market share.

Crown's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Circular Economy	Goal 12.2, sustainable management and efficient use of natural resources	70%	Applies a circular economy, closed-loop approach that calls for the reduction, reuse, and recycling of aluminum	In 2024, will produce approximately 68 billion containers, avoiding 30,000 tCO_2e compared to plastic and 450,000 tCO_2e compared to glass	From 2023-26, estimated to produce 275 billion containers, avoiding 70,000 tCO_2e compared to plastic and 1.1 million tCO_2e compared to glass	For each percentage point of additional volume growth realized, Crown further generates 17,000 tCO_2e and 250,000 tCO_2e of avoided lifetime emissions, compared to plastics and glass, respectively

Company Description

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. Crown is a high-quality business with steady returns on tangible capital above 20%, driven by dominant local market shares.

Environmental or Social Problem Addressed

Plastics are the most-used form of packaging, representing 45% of the market, and are expected to grow at a 7.5% rate through 2027.[i] Compared to aluminum cans, plastic and glass packaging have a larger environmental footprint. The lifecycle of a plastic product is highly wasteful and pollutive since plastic can only be recycled two-to-three times.[ii] Considering the beverage market alone, about 60 million plastic bottles are in landfills and incinerators daily.

Impact: Improves the Responsible Consumption & Production of Beverage Contains

Crown applies a circular economy, closed-loop approach that calls for reducing, reusing, and recycling aluminum. Unlike plastic and glass, aluminum can be recycled infinitely 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.[iii] From 2023-26, Crown is estimated to avoid lifetime emissions of 70,000 tCO_2e compared to plastic and 1.1 million tCO_2e 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 17,000 tCO_2e and 250,000 tCO_2e of avoided lifetime emissions, respectively.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

70% of Crown's revenue comes from the circular production of aluminum cans, contributing to SDG 12.

Measurability

YEAR	TOTAL CAN PRODUCTION (BN)	VOLUME GROWTH (YOY)	ALUMINUM-TO-PLASTIC INCREMENTAL AVOIDED EMISSIONS (tCO_2e)	ALUMINUM-TO-GLASS INCREMENTAL AVOIDED EMISSIONS (tCO_2e)	IMPACT OF A 1% INCREASE IN VOLUME OF CANS VS. PLASTIC (tCO_2e)	IMPACT OF A 1% INCREASE IN VOLUME OF CANS VS. GLASS (tCO_2e)
2023	67	-2.0%	-35,000	-510,000	17,000	250,000
2024	68	1.8%	30,000	450,000	17,000	250,000
2025	70	2.4%	41,000	600,000	18,000	260,000
2026	71	2.0%	35,000	520,000	18,000	260,000
TOTAL	**275**		**70,000**	**1,100,000**	**70,000**	**1,000,000**

Intentionality

Crown Holdings' intentionality is demonstrated by its best-in-class emissions targets, which include but are not limited to:

- Lowering Scope 1-2 emissions 50% and decrease Scope 3 emissions 16% by 2030.
- Sourcing 75% renewable electricity by 2030 and 100% by 2040.
- Reducing Volatile Organic Compound (VOC) emissions by 10% per unit of product.

Sustainability

Until aluminum recycling rates improve, aluminum container manufacturing companies will have high Scope 3 (Purchased Goods & Services) emissions from mining and production. In addition, producing aluminum containers has high Scope 1-2 emissions. Crown Holdings is considered a medium-priority company since it has SBTi-approved near-term targets (see above) and consistently lowered its Scope 1-3 emissions.

Crown Holdings is taking significant actions to lower Scope 3 emissions, including working to increase access to recycling. The company's Scope 3 increased by 25% from 2019-22 due to global supply chain challenges and the expansion of its beverage can business. Crown Holdings is committed to working with its suppliers on their decarbonization strategies, so they align with the company's targets. The company achieved its first GHG emissions reduction goal ahead of schedule, which aimed at reducing emissions 10% per billion standard production units.

Crown also has an excellent Scope 1-2 emissions strategy and plans to deploy onsite solar and sign virtual power purchase agreements (VPPAs). In 2019, its Scope 1-2 emissions were approximately 1.3 million tCO_2e, and the company managed to reduce this figure to 1.2 million tCO_2e in 2022, a 12% (CAGR) decrease, despite growing revenues 4.5% (CAGR). However, the company faces challenges in sourcing renewable electricity in the Asia Pacific region, specifically in Vietnam, where no renewable electricity is on the grid.

During our 2024 net zero engagement meeting, we aim to discuss 1) whether the company is on track to submit its SBTi net zero target to SBTi, 2) learn more about Crown Holdings' supply chain engagement strategy, and 3) how it aims to source renewable energy in Asia, especially since onsite can be challenging due to land requirements.

SUSTAINABILITY RISK

MSCI Rating
A

Implied Temperature Rise
2.1°C

CARBON INTENSITY

109 (tCO_2e/$mm Revenue)
4% lower than the MSCI World

NET ZERO TARGETS

SBTi: Near-Term Approved

Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:

27% Female
73% Male

[i] ResarchAndMarkets.com, 2021.

[ii] 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.

[iii] 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

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

From 2023-26, we estimate that the number of eBay sellers will increase by approximately 2 million to 20 million and have a cumulative total of 4.2 billion non-new/in-season listings, avoiding 6.6 million tCO_2e and creating a cumulative economic impact of $17.3 billion. We also expect the company to grow its commercial sellers in less-advantaged communities annually by 24% compared to the US average of an estimated 0.6% annual decrease.

eBay's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Circular Economy	Goal 12.2, sustainable management and efficient use of natural resources Goal 8.5, By 2030, achieve full and productive employment and decent work for all	50% by 2025	Circular e-commerce platform: • Advances circular commerce through the sale of non-new/in-season (used, refurbished, vintage, etc.) products • Allows users to become entrepreneurs, including those in disadvantaged communities	In 2023, had 1 billion non-new/in-season live listings As of 2023, had an estimated 18 million sellers and increased the number of sellers in disadvantaged communities	In 2023, avoided 1.5 million tCO_2e From 2023-26, sellers are expected to grow at 3% per year, and users from disadvantaged communities are estimated to grow at 24% per year	From 2023-26, estimated to have a cumulative 4.2 billion non-new/in-season listings, avoiding 6.6 million tCO_2e Over the same period, aims to create a cumulative economic impact of $17.3 billion and increase the number of sellers in disadvantaged communities faster than the community's average

Company Description

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 marketplaces for discovering great value and unique selections. eBay is a high-quality business with a 25% return on capital that benefits from a strong network effect.

Environmental or Social Problem Addressed

The world economy is mainly linear and causes massive amounts of waste. For example, e-waste and apparel waste are responsible for 14.3% of global emissions.[i ii] Another critical challenge to economic growth is limited access and opportunity for self-employed entrepreneurs in disadvantaged communities. Closing the racial wealth gap through economic growth could increase the US GDP 4-6%.[iii]

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

eBay's circular e-commerce platform helps sell non-new/in-season (used, refurbished, vintage, etc.) products, a key enabler of responsible consumption and economic growth. By purchasing used products, consumers help avoid the production and emissions of manufacturing a new good. eBay provides buyers with information regarding each product's carbon footprint and cost savings, encouraging them to consider more sustainable options. From 2023-26, we estimate that the number of eBay sellers will increase by approximately 2 million to 20 million and have a cumulative total of 4.2 billion non-new/in-season listings, avoiding 6.6 million tCO_2e and creating a cumulative economic impact of $17.3 billion. eBay's circular e-commerce platforms allow people in disadvantaged communities to become entrepreneurs. We expect the company to grow its commercial sellers in less-advantaged communities annually by 24% compared to the US average of an estimated 0.6% decrease.[iv]

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

We estimate about 50% of eBay's revenues contribute to SDG 12 and SDG 8.

Measurability

YEAR	EBAY SELLERS (MM)	NON-NEW/IN-SEASON LISTINGS (BN)	ECONOMIC IMPACT ($BN)	AVOIDED EMISSIONS (MM tCO_2E)
2023	18	1.0	4.1	1.5
2024	19	1.0	4.1	1.5
2025	19	1.1	4.1	1.5
2026	20	1.1	5.0	2.0
TOTAL		**4.2**	**17.3**	**6.6**

Intentionality

eBay's intentionality is demonstrated by its 2021-25 ESG targets, which include:

- Avoiding 8 million tCO_2e and 350,000 tonnes of waste by selling pre-owned and refurbished items
- Sourcing 100% of electricity supply from renewable energy sources
- Creating 22 billion in positive economic impacts by selling pre-owned and refurbished items
- Achieving a higher percentage of growth among eBay sellers in less-advantaged communities as compared with the average economic growth in the US

Sustainability

eBay enables the circular economy for goods that would likely be thrown out. As an e-commerce company, eBay's material emissions primarily are from the operation of its data centers and distribution sites and the downstream transport of products. The company is a medium priority company since it has developed SBTi-approved near-term target to reduce Scope 1-2 emissions 90% and Scope 3 emissions from downstream transportation 20% by 2030.

eBay is committed to net zero Scope 1-2 emissions however, its target is not certified by SBTi. The company has made excellent progress on lowering Scope 1-2 emissions by powering its operations through 97% renewable energy and using ENERGY STAR products in its servers. We disagree with MSCI's implied temperature rise analysis since the company has almost achieved its renewable energy target, lowered Scope 1-2 emissions 30%, and improved the climate throughits circular e-commerce platform.

eBay has paused its pursuit of SBTi certification for its Scope 1-3 net zero emissions target goal because it cannot use offsets to lower Scope 3 emissions. The company would prefer to use offsets for Scope 3 emissions since it does not have much influence on its downstream transportation, which makes up 84% of eBay's Scope 3 emissions. The company engages with vendors, suppliers, and customers to use more sustainable shipping methods. eBay has an entire team that works directly with carriers to collect data on packages' size and weight, shipment method, and location. In August 2023, GreenBiz published an article about how eBay is leading the way to lower its Scope 3 emissions from transportation.

During our next net zero engagement we aim to discuss if eBay has reengaged with SBTi since offsets can now be used for Scope 3 emissions, challenges to growing renewable energy use, and further plans to lower downstream emissions. We will use these objectives to set key decarbonization milestones from 2024 to 2030.

SUSTAINABILITY RISK

MSCI Rating
A

Implied Temperature Rise
3.8 °C

CARBON INTENSITY

13 (tCO_2e/$mm Revenue)
89% lower than the MSCI World

NET ZERO TARGETS

SBTi: Near-Term, Approved

Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
40% Female
60% Male

[i] UNFCCC. No Date. E-waste: From Toxic to Green | India. UNFCC. https://cop23.unfccc.int/climate-action/momentum-for-change/lighthouse-activities/e-waste-from-toxic-to-green

[ii] Beall, 2020.

[iii] 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

[iv] eBay. 2022. eBay Impact 2021 Report. eBay: https://static.ebayinc.com/assets/Uploads/Documents/eBay-Impact-2021-Report.pdf

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Impact overview

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Elis contributes to SDG 12 by providing more efficient, environmentally-friendly laundry services to its customers. From 2023-26, we expect Elis to save 44.1 billion liters of water and 2.8 million MWh, creating $425 million of financial savings for its customers. For every 1% increase in the company's market share, Elis can save, on average, an additional 160 million liters of water and 10,600 MWh per year.

Elis' Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Circular Economy	Goal 12.2, sustainable management and efficient use of natural resources	100%	Outsourced linens and uniforms washing	In 2023-26, estimated to wash 6.6 million tonnes of linens	From 2023-26, expected to save 44.1 billion liters of water and 2.8 million MWh.	For every 1% increase in the company's market share, Elis can save, on average, an additional 160 million liters of water and 10,600 MWh per year.

Company Description

Elis is a circular economy business that provides rental services of flat linen, work clothes, and hygiene equipment. 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.

Environmental or Social Problem Addressed

Washing linens and uniforms is critical for good health, but it also consumes a significant amount of resources. 50% of linens and 70% of uniforms are still cleaned in-house.[i] In-house cleaning is 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 the Responsible Consumption & Production 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. Elis conducted a life cycle analysis which found that its washers use 48% less water and 29% less energy than commercial machines. From 2023-26, we expect Elis to save 44.1 billion liters of water and 2.8 million MWh. This creates $425 million of financial savings for its customers. Outsourced cleaning services are more environmentally efficient, an increasingly important competitive advantage. For every 1% increase in the company's market share, Elis can save, on average, an additional 160 million liters of water and 10,600 MWh per year.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

100% of Elis' revenues comes from the outsourced washing of linens and uniforms, contributing to SDG 12.

Measurability

YEAR	ANNUAL LAUNDRY WASHED (MM T)	ELIS' OVERALL WATER EFFICIENCY (L/KG)	AVERAGE COMMERCIAL WASHER WATER EFFICIENCY	ESTIMATED WATER SAVINGS (BN L)	ELIS' OVERALL ENERGY EFFICIENCY (MWH/KG)	AVERAGE COMMERCIAL WASHER ENERGY EFFICIENCY	ESTIMATED ENERGY SAVINGS (MWH)
2022	1.6	7.6		10.9	1.1		710,000
2023	1.6	7.3	48%	10.9	1.1	29%	700,000
2024	1.7	7.0		10.9	1.0		690,000
2025	1.8	7.0		11.4	1.0		720,000
TOTAL	**6.6**			**44.1**			**2,800,000**

Intentionality

Elis' intentionality is demonstrated by its 2025 environmental targets, which include:

- 80% of textiles are reused or recycled.
- 20% reduction in Scope 1-2 carbon intensity in Europe.
- 50% less water consumption in Europe.
- 35% less thermal energy consumption in Europe.

Sustainability

Mitigating climate-related risks and becoming net zero is a material topic area for Elis due to the power necessary to wash linens and the fuel used in transportation (both representing 75% of Scope 1 emissions), as well as from purchased goods and services (71% of Scope 3 emissions). Elis is a medium priority company since it set an SBTi-approved near-term target to reduce Scope 1-2 emissions 47.7% and Scope 3 emissions 28% from purchased goods and services, fuel and energy-related activities, upstream transportation and distribution, employee commuting, and end-of-life treatment of sold products by 2030.

To lower its Scope 1 emissions, the company is switching to energy efficient washers, installing on-site solar and biomass on facilities, and aiming to have 1,000 EVs by 2030. Elis' practices have led to tangible outcomes. Since 2019, the company's absolute Scope 1-2 emissions have decreased 15% (CAGR,) and Scope 1-2 carbon intensity has decreased 22%.

Elis has not been as successful with its Scope 3 emissions, which have decreased 2% since 2019 to 1.4 million tCO_2e. In 2023, the company began to focus on several key initiatives to lower its Scope 3 emissions. To decrease emissions from purchased goods and services, Elis aims to focus on reducing linen loss, optimizing equipment maintenance to extend lifetime, and conducting frequent lifetime assessments to improve sustainability (e.g., collaborating with suppliers on product design, materials, origin, and recyclability).

Lyrical will reengage Elis in 2024 to discuss the progress of its initiatives and on setting an SBTi-approved net zero target.

SUSTAINABILITY RISK

MSCI Rating
A

Implied Temperature Rise
2.5 °C

CARBON INTENSITY

124 (tCO_2e/$mm Revenue)
10% lower than the MSCI World

NET ZERO TARGETS

SBTi: Near-Term Approved

Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:

42% Female

58% Male

[1] Elis Investor Relations. 2020. ESG and Impact Company Interview.

KONECRANES®

Impact overview

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Konecranes' service business is a key enabler of the circular economy and SDG 12 by extending the life of crane equipment by optimizing maintenance and remanufacturing key components. From 2023-26, we estimate that Konecranes will service 2.5 million cranes, reducing the number of cranes manufactured by 60,000, and avoiding 20 million tCO_2e.

Konecranes' Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Circular Economy	Goal 12.2, sustainable management and efficient use of natural resources	65%	Maintains and services cranes	From 2023-26, estimated to service 2.5 million cranes	Increases the lifetime of a crane by 12.5 years on average	From 2023-26, expect Konecranes to reduce the number of cranes manufactured by 60,000 and avoid 20 million tCO_2e

Company Description

Konecranes is a global leader in crane service and assembly. In service, it employs predictive maintenance, which helps extend the life of equipment. In assembly, the company focuses on R&D and advanced technologies to build the technical, value-added portions of the cranes. The company competes at the high end of the market, and wins business based on environmental impact, reduced fuel consumption, and technology, not on price.

Environmental or Social Problem Addressed

Industrial and port cranes are critical enablers of maritime commerce, transporting 90% of goods worldwide.[i] However, making a crane requires significant energy, and many cranes are powered by diesel. A standard rubber-tired gantry (RTG) crane that lifts containers off a ship release about 3 million pounds of CO_2 annually.[ii] With increasing global trade, more cranes are required at ports and warehouses, and the number of containers unloaded grew by 2.4% in 2023.[iii]

Impact: Enables Responsible Production & Maintenance of Industrial Machinery

Konecranes is an enabler of the circular economy and SDG 12 by extending the life of crane equipment by optimizing maintenance and remanufacturing key components. The remanufacturing process involves ensuring a comparable lifetime of old products and durability for new components, and the company anticipates and fixes breakdowns before they occur. These practices significantly extend each product's life from a 10-20 year average life to a 15-40 year average life.[iv] From 2023-26, we estimate that Konecranes will service 2.5 million cranes, reducing the number of cranes manufactured by 60,000, and avoiding 20 million tCO_2e.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

65% of Konecranes' profits come from servicing and maintaining cranes promoting SDG 12.

Measurability

YEAR	NUMBER OF CRANES SERVICED	SERVICING LIFESPAN EXTENSION (YEARS)	REDUCTION IN CRANES MANUFACTURED	EMISSIONS PER MANUFACTURED CRANE (tCO_2e)	AVOIDED EMISSIONS (MM tCO_2e)
2023	600,000	12.5	14,600	Diesel: 336 Electric: 343	4.9
2024	600,000		14,500		4.9
2025	620,000		14,900		5.1
2026	630,000		15,400		5.2
TOTAL	**2,500,000**		**60,000**		**20.2**

Intentionality

Konecranes's intentionality is demonstrated by its climate-related targets, which include but are not limited to:

- Creating a fully electric product portfolio by 2026.
- Certifying all manufacturing sites with ISO 14001:2015 by 2026.
- Achieving an SBTI-certified target to reduce Scope 1-2 emissions 50% and Scope 3 (Purchased Goods and Services and Use of Sold Products) emissions 50% by 2030.

Sustainability

Companies in the industrial machinery industry face high Scope 1 and Scope 3 (Purchased Goods and Services and Use of Sold Products) emissions. Konecranes is a medium priority company since it has a near-term SBTi approved target. Despite being in an emissions-intensive industry, Konecranes is well on its way to net zero, with an implied temperature rise on track for 1.3 °C. In fact, the company recently achieved its SBTi target and halved its Scope 1-2 emissions from 2019-22, primarily by powering all its facilities with 100% renewable energy. The company set new ambitious SBTi targets, and its Scope 3 emissions target covers over 70% of value chain emissions.

Konecranes' business model naturally reduces its upstream Scope 3 (Purchased Goods & Services) emissions by decreasing the need to manufacture and source electrical and steel components and extending the lifespan of cranes by 5-20 years.[v] As of 2023, the company has reduced its Scope 3 emissions 19% from its 2019 baseline. Konecranes' Port Solutions segment is the key to decarbonizing its supply chain. The company aims to electrify all product offerings, lowering Scope 3 (Use of Sold Products) emissions from diesel driven products, further accelerating the adoption of smart design principles and collaborating with steel providers who share the same climate ambition..

Our 2024 net zero engagement objectives include discussing its progress on certifying its net zero target with SBTi, and challenges to reducing the embodied carbon of cranes.

SUSTAINABILITY RISK

MSCI Rating
AAA

Implied Temperature Rise
1.3 °C

CARBON INTENSITY

17 (tCO_2e/$mm Revenue)
85% lower than the MSCI World

NET ZERO TARGETS

SBTi: Near-Term Approved

Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:
38% Female
62% Male

[i]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
[ii]AECOM. 2019. Zero-Emission Cargo-Handling Equipment Feasibility Assessment. AECOM: https://www.portofoakland.com/files/PDF/AECOM%20Zero%20emission%20CHE%20feasibility%20assessment%20Nov%202019.pdf.
[iii]UNCTAD. 2023. Review of Maritime Transport in 2023. UN Trade & Development: https://unctad.org/publication/review-maritime-transport-2023#:~:text=Maritime%20trade%20is%20expected%20to,resilient%20future%20for%20maritime%20transport
[iv]Konecranes. 2020. ESG and Impact Engagement Call.
[v]Konecranes, 2020.

opentext™

Impact overview

Open Text supports SDG 12 and SDG 15 through its innovative information management solutions, which enable cloud integration and document digitalization. From 2023-26, we estimate that the company's solutions will prevent the use of approximately 5 million tonnes of paper and protect over 132 million trees. By reducing paper consumption, we expect that Open Text will conserve over 884,000 acres of forest land and avoid 45 million tCO_2e.

Open Text's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Circular Economy	SDG 12.2, Sustainable Use of Natural Resources SDG 15.1, Sustainable Forest Management	50%	Develops innovative information management solutions, like Trading Grid™	Allows customers to digitize billions of transactions and lower paper use	From 2023-26, estimated to reduce paper consumption by 5 million tonnes and protect 132.6 million trees	From 2023-26, aims to preserve 884,000 acres of forest land and avoid 45 million tCO_2e

Company Description

OpenText is the largest independent provider of enterprise information management software and helps more than 900,000 customers across 180 countries manage and secure their data. Open Text's information management solutions decrease the business requirements for paper by making electronic documents readily available to people from anywhere on any device.

Environmental or Social Problem Addressed

Every year the global population uses about 400 million tonnes of paper, which is fed by chopping down almost 100 million acres of trees—approximately equal to the size of Egypt.[i] On top of the need to cut down trees, which naturally sequester GHG emissions, paper is also highly pollutive, and can emit 80% more emissions than plastic.[ii]

Impact: Promotes Sustainable Use of Natural Resources/Sustainable Forest Management

Open Text supports SDG 12 and SDG 15 through innovative information management solutions, like Trading Grid™. Trading Grid™ enables business-to-anything (B2A) integration on a single cloud platform, allowing customers to digitalize documents and collaborate virtually from any device. Over 33 billion transactions are digitized annually through Open Text's Trading Grid™ platform alone. From 2023-26, we estimate that the company's information management solutions avoid approximately 5 million tonnes of paper and protect over 132 trees. By reducing paper consumption, we expect Open Text to conserve over 884,000 acres of forest land and avoid 45 million tCO_2e. For perspective, the total land area conserved over this period is about four and a half times the size of New York City.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

Within the next 3-5 years, we estimate that over 50% of Open Text's revenues will contribute to SDG 12 and SDG 15 through its information management solutions, like Trading Grid™.

Measurability

YEAR	PAPER AVOIDED (T)	NUMBER OF TREES PROTECTED (MM)	AVOIDED EMISSIONS	AVOIDED EMISSIONS (MM tCO_2e)
2023	1,250,000	33.1	11.3	221,000
2024	1,270,000	33.6	11.4	224,000
2025	1,240,000	32.7	11.1	218,000
2026	1,260,000	33.3	11.3	222,000
TOTAL	**5,000,000**	**132.6**	**45.2**	**884,000**

Intentionality

Open Text's intentionality is best shown by its sustainability-related targets, which include:

- Achieving zero waste by 2030.
- Reducing Scope 1-3 emissions 50% by 2030.
- Achieving net-zero emissions by 2040.

Sustainability

While SASB does not consider direct emissions a material risk for Open Text, we still evaluate the company's environmental impact. Open Text is not a priority engagement on net zero and, as a technology company, has few negative climate-related impacts. This is demonstrated by its excellent ESG risk rating, low carbon intensity, and an implied temperature rise on track for net zero. However, there is growing concern about the energy use of data centers. Open Text uses energy-efficient servers in its data centers and routinely invests in high-density equipment that reduces energy consumption requirements by 10-20%.

Another material risk area concerns protecting customer privacy and data security since Open Text processes billions of transactions per year that contain confidential information. As a company that provides cybersecurity solutions to customers, it is well-placed to protect itself from an attack. For example, Open Text has servers around the world to help ensure data protection, conducts mock cyberattack drills, hosts regular trainings, and has received an ISO/IEC 27001:2013 certification for its Information Security Management System. Over the last year, Open Text has not faced any security breaches or cybersecurity-related controversies.

In 2024, we will continue to engage Open Text on its material risk areas, including energy use, and impact measurement.

SUSTAINABILITY RISK

MSCI Rating
AAA

Implied Temperature Rise
1.3°C

CARBON INTENSITY

6.3 (tCO_2e/$mm Revenue)
94% lower than the MSCI World

NET ZERO TARGETS

SBTi: NA
Net Zero: Yes

DIVERSITY & INCLUSION

Board of Directors:
33% Female
67% Male

[1]Gorvett, Z. No Date. How paper is making a comeback. BBC: https://www.bbc.com/future/bespoke/made-on-earth/how-paper-is-making-a-comeback/
[2]McGrath, J. 2023. Which Is More Environmentally Friendly: Paper or Plastic? HowStuffWorks: https://science.howstuffworks.com/environmental/green-science/paper-plastic1.htm

United Rentals

Impact overview

United Rentals contributes toward solving SDG 12 by embracing the sharing economy for construction equipment. Renting equipment lowers lifetime emissions from construction equipment by 30% on average. By 2026, we expect the company to add 250,000 net new pieces of construction equipment to its fleet. Compared to non-rental equipment, they are expected to avoid by an estimated 910,000 tCO_2e. Additionally, by having a younger, greener fleet, United Rentals is estimated to avoid an additional 2.7 million tCO_2e.

United Rentals' Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Circular Economy	Goal 12.2, sustainable management and efficient use of natural resources	100%	Embraces the sharing economy for construction equipment	In 2023, had 1 million units of equipment for customers to rent	Renting lowers lifetime emissions from construction equipment by 30% on average	By 2026, aims to add 250,000 new pieces of equipment to its fleet, which, compared to non-rental equipment, is expected to avoid lifetime emissions of 910,000 tCO_2e By having a younger, greener fleet, avoids an additional 2.7 million tCO_2e

Company Description

United Rentals is an equipment rental business for a wide range of customers, such as manufacturers, utilities, municipalities, and homeowners. The company is a good business with double-digit returns on tangible 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.[i] However, a challenge for construction companies is that many have carbon-intensive fleets that are costly to upgrade.[ii]

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. Overall, renting equipment lowers lifetime emissions from construction equipment by 30% on average.[iii] By 2026, we expect the company to add 250,000 new pieces of construction equipment to its fleet. Compared to non-rental equipment, they will avoid approximately 910,000 tCO_2e.[1]

[1]In 2023, Lyrical updated our methodology for United Rentals as the company now measures avoided emissions, a key focus area of our active stewardship. During our engagement call with management, we discussed the company's new impact measurement that states a younger, greener fleet is estimated to avoid 600,000-675,000 tCO_2e annually. We estimate this will have a cumulative impact of 2.7 million tCO_2e of avoided emissions from 2023-2026. To measure avoided emissions, United Rentals considered the impact of its 1) low- and zero-emission fleet share compared with the industry share, 2) average equipment age versus the private fleet average equipment age, and 3) increase in fuel efficiency due to technological advancements.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

100% of United Rentals' revenues promote SDG 12 from renting equipment.

Measurability

YEAR	TOTAL UNITS OF EQUIPMENT	TOTAL NET NEW EQUIPMENT UNITS	AVOIDED EMISSIONS FROM RENTING (tCO_2e)	AVOIDED EMISSIONS FROM RENTING (tCO_2e)	AVOIDED EMISSIONS FROM A YOUNGER, GREENER FLEET (tCO_2e)
2023	1,000,000	-25,000		-90,000	600,000
2024	1,100,000	85,000	30%	310,000	650,000
2025	1,200,000	90,000		330,000	710,000
2026	1,300,000	100,000		360,000	770,000
TOTAL		**250,000**		**910,000**	**2,700,000**

Intentionality

United Rentals' intentionality is demonstrated by its ESG targets, which include but are not limited to:

- Divert 70% of waste from landfills by 2025
- Retrofit 95% of North American operations to have energy-efficient lighting by 2025.
- Reduce Scope 1-2 carbon intensity, and Scope 3 third-party hauling emissions by 2030.

Sustainability

MSCI has flagged United Rentals for not satisfying the EU Taxonomy's DNSH principles. Lyrical disagrees with MSCI's analysis and believes this is an error. MSCI's and Lyrical's due diligence reveals that United Rentals satisfies the EU Taxonomy and SFDR DNSH requirements that a company is aligned with, monitors, and found not in violation of the principles set by the International Labor Organization, Organization for Economic Co-operation and Development (OECD), UN Global Compact (UNGC), and UN Guiding Principles (UNGP). Also, we conducted an in-depth, bottom-up analysis of the company's ESG polices, practices, and performance that found:

- United Rentals faced no ESG controversies in the last several years, corroborating Glass Lewis' and MSCI's reporting.
- United Rentals is on track for a 2.0°C scenario, despite not having SBTi-certified goals or a net zero target.
- The company's Scope 1 and Scope 3 emissions increased by 4.5% and 2.8% (CAGR) from 2018-22. This increase in emissions is primarily from nine acquisitions in 2022. To lower these emissions, the company aims to reduce the number of trips drivers make and transition to an EV fleet.
- United Rentals is well placed to minimize transition risks as sustainable equipment becomes readily available. We believe the company can overcome these as 1) medium and heavy-duty electric trucks and vans mature, 2) the components of large pieces of equipment can be further electrified, 3) sustainable fuel sources become widely available, and 4) the cost of environmentally friendly equipment decreases.
- The company has excellent social practices, as demonstrated by its board diversity and gender pay gap, which are 64% and 30% better than the MSCI Sustainable Impact benchmark, respectively.
- United Rentals practices good governance, such as not having a combined CEO/Board Chairperson, setting an age-based retirement policy for Board members, and incorporating environmental and social metrics in executive compensation.

SUSTAINABILITY RISK

MSCI Rating
AA

Implied Temperature Rise
2.0 °C

CARBON INTENSITY

16 (tCO_2e/$mm Revenue)
35% lower than the MSCI World

NET ZERO TARGETS

SBTi: No
Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
45% Female
55% Male

[i]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

[ii]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

[iii]ERA. 2019. Carbon Footprint of Construction Equipment. European Rental Association: https://erarental.org/publications/carbon-footprint-of-construction-equipment/

SDG 16
Cybersecurity

Impact overview

F5 contributes to SDG 16 through its industry-leading application delivery and security platform. F5 is a market share leader in Application Delivery Controllers (ADC), which sit between applications and users to manage the data flow across networks. F5's ADCs and security software prevent bots from taking down applications and hackers from accessing sensitive data. From 2023-26, we estimate that the company has the potential to save its customers $38.7 billion.

F5's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Cybersecurity	Goal 16.4, significantly reduce illicit financial flows	100%	Provides security services to protect customers from cybercrime	More than 10,000 customers have at least one security offering	Reduces the risk of an enterprise security breach (e.g. F5's Cloud Bot Defense product reduced fraudulent account creation 92%)	From 2023-26, has the potential to save its customers $38.7 billion

Company Description

F5 is a network infrastructure vendor specializing in ADCs and security services. ADCs are key components within data centers that ensure applications are secure and always available to users, capable of handling millions of simultaneous customer requests. F5 offers a wide suite of security solutions that work well with their ADC products. F5 has grown its EPS at a 17% annualized rate over the past 15 years, and we forecast low teen EPS growth going forward.

Environmental or Social Problem Addressed

More than 9% of the 3,700 US publicly traded companies issued a data breach notice in 2023, impacting approximately 143 million victims.[i] The growing cost of cyber threats has made enterprise security risk management a primary concern for corporations and consumers. For example, the finance sector faces attacks geared toward banking fraud and credit card theft, and healthcare is often a prime target due to its vast amount of sensitive personal data, including medical records and social security numbers.

Impact: Creates a Safe & Secure Digital Ecosystem for Everyone

F5 contributes to SDG 16 by reducing illicit financial flows. It accomplishes this through its security services, which are tied to ADCs that sit directly in front of many applications users interact with, preventing bots from taking down applications and hackers from accessing sensitive data. F5's software protects more than 10,000 companies, including most of the Fortune 500.

F5's enterprise security solutions deliver measurable impact. For example, organizations that deployed the company's Cloud Bot Defense product improved bot blocking by 80% and reduced fraudulent account creation by 92%.[ii] From 2023-26, we estimate the company has the potential to save its customers $38.7 billion through its vast enterprise security offerings, making a significant contribution to SDG 16.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

Today, 40% of F5's revenues come from enterprise security and contribute to SDG 16 by protecting over 10,000 corporations, including most of the Fortune 500. Security is outgrowing the rest of the business and should be 50% of revenues by 2030.

Measurability

YEAR	CUSTOMERS WITH >1 SECURITY SOLUTIONS	GLOBAL AVG. COST OF SECURITY BREACH ($MM)	US AVG. COST OF SECURITY BREACH ($MM)	PROBABILITY OF A DATA BREACH IN A YEAR[1]	POTENTIAL SAVINGS TO CUSTOMERS ($MM)
2023	11,000	$4.5	$9.5	10%	$7,700
2024	12,100	$4.7	$10.0	10%	$8,900
2025	13,400	$4.9	$10.5	10%	$10,300
2026	14,700	$5.2	$11.0	10%	$11,800
TOTAL					**$38,700**

Intentionality

The company demonstrates intentionality through F5 Labs, the company's think tank, which processes application threat data into actionable intelligence and analyzes and shares information with the wider information security community. For example, F5 Labs publishes an Application Protection Report for DDoS Attack Trends. Major corporations such as Forbes, SecurityWeek, and VentureBeat feature F5's research and insights to educate vulnerable companies on improving their resilience to cyber threats.

Sustainability

While SASB does not consider direct emissions a material risk for F5, we still evaluate the company's environmental impact. F5 is not a priority engagement on net zero and has few negative climate-related impacts as a technology company. This is demonstrated by its good ESG risk rating, low carbon intensity, and an implied temperature rise on track for a well-below 2 °C scenario. However, there is growing concern about the energy use of data centers.

F5's data servers are critical to its operations and the company incorporates environment factors in its decision-making regarding data center planning and operations. The company primarily uses third-party data centers and colocation providers that integrate sustainable design and operational practices into their facilities to maximize energy efficiency, leverage renewable energy, reduce water consumption, and minimize waste. Over 80% of F5's offsite data center needs are fulfilled by a third-party provider committed to developing an SBTi-approved target and 100% renewable energy by 2030.

In 2024, we will continue to engage F5 on its material risk areas, including energy use, and impact measurement.

SUSTAINABILITY RISK

MSCI Rating
A

Implied Temperature Rise
1.7 °C

CARBON INTENSITY

2.5 (tCO_2e/$mm Revenue)
98% lower than the MSCI World

NET ZERO TARGETS

SBTi: NA
Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
27% Female
73% Male

[1] Lyrical based this assumption on a 2024 report from the Identify Theft Resource Center, which found that over 9% of the 3,700 US publicly traded companies issued a data breach notice in 2023.
[i] ITRC. 2024. 2023 Data Breach Report. Identity Theft Resource Center: https://www.idtheftcenter.org/wp-content/uploads/2024/01/ITRC_2023-Annual-Data-Breach-Report.pdf
[ii] Davison, D., Mayberry, N., & Corey, B. 2022. The Total Economic Impact™ Of F5® Distributed Cloud Bot Defense Cost Savings & Business Benefits Enabled By Distributed Cloud Bot Defense (formerly Shape Enterprise Defense). Forrester: https://www.f5.com/go/report/stop-online-fraud-forrester-tei-study

Gen™

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Impact overview

Gen Digital protects the identity, privacy, and security of over 500 million users in 150 countries, contributing to SDG 16. From 2023-26, we expect the company to increase its contribution to society by averting 24 million cases of identity theft for its 35 million direct paying customers, saving them an estimated $27 billion.

Gen Digital's Theory of Change

THEME	SDG SUB-GOAL	SUSTAINABLE REVENUE	ACTIVITY	OUTPUT	OUTCOME	IMPACT
Cybersecurity	Goal 16.4, significantly reduce illicit financial flows, and strengthen the recovery and return of stolen assets	100%	Offers a portfolio of 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 of 2023, Gen Digital protects 500 million users worldwide	In 2023, the company averted 5 million potential cases of identity theft	From 2023-26, we expect Gen Digital to prevent 24 million cases of cybercrimes and save its customers a total of $27 billion

Company Description

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. 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.

Environmental or Social Problem Addressed

Identity theft is one of the fastest-growing cybercrimes in the world[i], and in 2023, we estimate 15.5% of American adults were victims of identity theft. The personal loss from identity theft seems small, nearly $1,300 on average compared to $4.24 million for an average corporate data breach.[ii] 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.

Impact: Creates a Safe & Secure Digital Ecosystem for Everyone

Gen Digital contributes to SDG 16 through its antivirus apps and software. While the company has about 500 million global users, over 90% 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's positive impact should increase as the need for cyber safety grows. From 2023-26, we expect the company to increase its contribution to society by averting 24 million identity theft cases for its 35 million direct paying customers, saving them approximately $27 billion.

LYRICAL'S FOUR PILLARS OF IMPACT

Materiality

Material 100% of revenues come from the outsourcing business model, which decouples economic growth from environmental degradation.

Measurability

YEAR	TOTAL GLOBAL USERS (MM)	TOTAL DIRECT CUSTOMERS (MM)	PERCENT OF AMERICANS WHO EXPERIENCED FINANCIAL IDENTITY THEFT	ESTIMATED DIRECT CUSTOMERS PROTECTED FROM IDENTITY THEFT (MM)	ESTIMATED SAVINGS (BN)
2023	500	35	15.5%	5	$6
2024	500	39	15.7%	6	$7
2025	520	40	15.8%	6	$7
2026	540	42	16.0%	7	$8
TOTAL				**24**	**$27**

Intentionality

Gen Digital's intentionality is demonstrated by the outcomes of ESG policies and practices in 2023, which include:

- Training over 5.3 million people through its Cyber Education Program.
- Reducing Scope 1-2 emissions 22% compared to 2022.
- Lowering carbon intensity 8% compared to 2022.

Sustainability

While SASB does not consider direct emissions a material risk for Gen Digital, we still evaluate the company's environmental impact. Gen Digital is not a priority engagement on net zero and has few negative climate-related impacts as a technology company. This is demonstrated by its excellent ESG risk rating, low carbon intensity, and an implied temperature rise on track for well below 2 °C. There is growing concern about the energy use of data centers. Gen Digital mitigates this risk by using third-party cloud data centers, which are estimated to be 4.7x more carbon efficient than enterprise data centers in 2023. This gap is expected to widen to 7x by 2027. In addition, cloud data centers can result in 34-37% less embodied carbon annually compared to enterprise data centers.[iii]

Another material risk area concerns protecting customer privacy and data security. The company maintains a comprehensive cybersecurity program to support its systems and prepare for information security risks, including regularly monitoring internal and external threats and implementing an 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 2024, we will continue to engage Gen Digital on its material risk areas, including energy use and impact measurement.

SUSTAINABILITY RISK

MSCI Rating
AA

Implied Temperature Rise
1.6 °C

CARBON INTENSITY

4.5 (tCO_2e/$mm Revenue)
96% lower than the MSCI World

NET ZERO TARGETS

SBTi: NA
Net Zero: No

DIVERSITY & INCLUSION

Board of Directors:
40% Female
60% Male

[i]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
[ii]IBM. 2021. Cost of a Data Breach Report 2021. IBM Security: https://www.ibm.com/downloads/cas/OJDVQGRY
[iii]Leiner, J. 2024. Tips from IDC to improve the environmental sustainability of your IT workloads. AWS Insights: https://aws.amazon.com/blogs/aws-insights/tips-from-idc-to-improve-the-environmental-sustainability-of-your-it-workloads/

High Priority Net Zero Engagements

COMPANY	NET ZERO ASSESSMENT	LESSONS LEARNED	2024 FOCUS AREAS
FLEX *Near Term Approved*	Flex is a high-priority Scope 3 engagement because it has the highest absolute Scope 3 emissions in the portfolio, and these have increased from 107 million tCO_2e in 2019 to 137 million tCO_2e in 2022. Over the same period, its Scope 3 carbon intensity increased 28%, indicating that the company's initiatives were ineffective.	In 2022, Flex announced it intends to reach net zero Scope 1-3 emissions by 2040. However, we were concerned to learn that the company is lobbying SBTi not to count its Scope 3 (Use of Sold Products) emissions, as Flex claims it only manufactures products based on its customers' designs and is not responsible for the product's impact. Flex believes its Scope 3 emissions target should only include sustainable manufacturing (Scope 1-2) and buying low-carbon inputs (Scope 3: Purchased Goods & Services) for its Flex-specific products. If the company did not count the Scope 3 (Use of Sold Product) emissions, MSCI estimates that Flex's Scope 3 emissions would decrease 90% to 10.7 million tCO_2e.	We aim to discuss with Flex the lessons learned from our meeting with SBTi, encourage the company to add a net zero requirement for its suppliers, and set interim milestones to hold the company accountable.
ASHTEAD GROUP	Renting construction equipment has high Scope 1 and Scope 3 emissions from transporting equipment and the use of large pieces such as excavators, which, over its lifecycle, emit 32 tCO_2e per unit. Ashtead is a high-priority engagement since it has not set SBTi-approved targets. The company is developing an intensity-based net zero target but faces challenges since SBTi does not have sector-specific standards.	Ashtead is well placed for net zero as its circular business model lowers the emissions of the construction industry, which is a hard-to-abate sector. Ashtead's decarbonization strategy has been successful, and as of 2023, 20% of its revenues are from electric products, and 30% of its fleet is electric. At this time, it is not possible to fully electrify large pieces of equipment.	Speak with Ashtead about its progress in developing a net zero target, plans for certification despite a lack of sector-specific guidance, and deeply investigate possible strategies to decarbonize large pieces of equipment.
CNH INDUSTRIAL *Target Removed*	Mitigating the lifecycle emissions from agricultural equipment is essential, as shown by CNH's high Scope 1-2 emissions (250,000 tCO_2e) and Scope 3 emissions (47 million tCO_2e). CNH is a high-priority engagement because the company had its SBTi-certified near-term commitment removed. The company aims to resubmit new targets once SBTi develops sector-specific standards.	CHN has a two-pronged strategy to lower its environmental impact. First, the company is developing equipment that can use biofuels and electric farm equipment. Second, to promote electric equipment and the new ways it can be used. CNHI has been developing new use cases to educate customers and staff.	Discuss when CNH expects to resubmit its targets to SBTi, the progress of its pilot program to make farms carbon neutral, and set interim milestones, including linking emissions targets to executives' short- and long-term incentive plans by 2025.
HCA HEALTHCARE	HCA is a high-priority engagement because it does not have SBTi targets, report to the CDP, or have emission reduction targets. The company is developing a decarbonization strategy to reduce its Scope 1 and 2 emissions by 2030 in line with a 1.5˚C emissions scenario and reach net-zero (Scope 1-2) emissions by 2050. However, it has not released this strategy.	HCA has a high-level strategy for reducing Scope 1-2 emissions, which includes retrofitting hospitals, piloting onsite solar and storage, and installing smart energy systems to monitor and identify potential emissions and cost savings opportunities. This strategy has been ineffective. Since 2018, Scope 1-2 emissions have increased 6%, and its carbon intensity has stayed flat at ~34 tCO_2e /$mm Revenue. We are concerned that HCA's emissions from Scope 3 (Purchased Goods & Services) are estimated to be ~10 million tCO2e, 3% of the portfolio's total Scope 3 emissions.	We aim to discuss HCA's plans to disclose its decarbonization strategy, report to the CDP, and set and verify its emissions reduction target with SBTi. We will use these objectives to set key decarbonization milestones between 2024 and 2030 to hold the company accountable.

ANNEX 1 | NET ZERO STEWARDSHIP OUTCOMES

COMPANY	NET ZERO ASSESSMENT	LESSONS LEARNED	2024 FOCUS AREAS
KYUDENKO	Kyudenko is a high-priority engagement since it has not developed SBTi-approved targets. The company has developed a good decarbonization plan, and Kyudenko has reduced its carbon intensity 4% from a 2013 baseline. However, its absolute Scope 1-2 emissions have only decreased 1% over the same period.	To become net zero by 2050, the company has adopted several strategies. For example, to lower Scope 1-2 emissions, Kyudenko plans to purchase EVs, install chargers at its facilities, replace existing equipment with high-efficiency/energy-saving products, and install onsite microgrids with battery storage. In addition, the company is also exploring ways to lower its Scope 3 (End-of-Life) emissions by repairing and reusing solar panels (the panels should be as new) and piloting this technology at its facilities.	We plan to schedule a follow-up call in mid-2024 to learn more about its decarbonization strategy and the challenges of installing solar and energy efficiency at over 100 plants.
UNITED RENTALS	Renting construction equipment has high Scope 1 and Scope 3 emissions from transporting equipment and the use of large pieces such as excavators, which, over its lifecycle, emit 32 tCO_2e per unit. United Rentals is a high-priority engagement since it has not set SBTi-approved targets. The company is developing an intensity-based net zero target but faces challenges since SBTi does not have sector-specific standards.	United Rentals is on track for a 2.0 °C scenario despite not having SBTi-certified goals or a net zero target. The company faces challenges similar to Ashtead's, such as procuring sustainable pieces of equipment such as excavators. Therefore, it has not pursued SBTi-certified targets. The company's Scope 1 and Scope 3 emissions have increased by 4.5% and 2.8% (CAGR) from 2018-22. This increase in emissions is primarily from nine acquisitions in 2022. To lower these emissions categories, the company aims to reduce the number of trips drivers make and transition to an EV fleet.	Speak with United Rentals about its progress on developing a net zero target, plans for certification despite a lack of sector-specific guidance, and deeply investigate possible strategies to decarbonize large pieces of equipment.
WESCO	Wesco is a high-priority engagement since the company 1) does not have SBTi-approved targets, 2) absolute Scope 1-2 emissions are not on track for net zero, and 3) does not report Scope 3 (Use of Sold Products) emissions. Scope 3 is critical for Wesco to reach net zero because we estimate the company emitted 25 million tCO_2e in 2023, putting it in the portfolio's highest Scope 3 emitters.	Wesco has hired Persefoni to help calculate its Scope 1-2 emissions. The company hopes to submit its near-term Scope 1-2 emissions targets to SBTi in 2024 or 2025. However, the company is behind its peers with Scope 3 emissions since it wants SKU-level data from suppliers. While this is more accurate, the company has 30,000 suppliers and sells ~1.5 million products. Out of all its suppliers, only one provides SKU-level data. In May 2024, GIVES Team members met in person with senior management to discuss its Scope 3 emissions strategy. Wesco has taken Lyrical's net zero feedback earnestly and asked Persefoni to begin a Scope 3 inventory.	We aim to discuss the results of Persefoni's Scope 3 emissions analysis, potential Scope 3 emissions strategies and their tradeoffs, and set interim milestones to support and hold the company accountable for reaching its 2030 goal, including submitting its targets by 2025 at the latest.

ANNEX 1 | NET ZERO STEWARDSHIP OUTCOMES

Medium Priority Net Zero Engagements

COMPANY	NET ZERO ASSESSMENT	LESSONS LEARNED	2024 FOCUS AREAS
CROWN HOLDINGS *Near Term Approved*	Until aluminum recycling rates improve, aluminum container manufacturing companies will have high Scope 3 (Purchased Goods & Services) emissions from mining and production.	To reduce Scope 3 emissions, Crown Holdings is working to increase access to recycling. The company's Scope 3 emissions increased by 25% from 2019-22 due to global supply chain challenges and the expansion of its beverage can business. Crown Holdings is committed to working with its suppliers on their decarbonization strategies. Crown also has an excellent Scope 1-2 emissions strategy and plans to deploy onsite solar and sign virtual power purchase agreements (VPPAs). Between 2019-222, the company reduced its Scope 1-2 emissions 12% (CAGR), despite growing revenues 4.5% (CAGR).	Engage Crown on 1) whether the company is on track to submit its SBTi net zero target, 2) learn more about Crown Holdings' supply chain engagement strategy, and 3) how it aims to source renewable energy in Asia, especially since onsite can be challenging due to land requirements
EBAY *Near Term Approved*	As an e-commerce company, eBay's material emissions primarily are from the operation of its data centers and distribution sites and the downstream transport of products. The company is a medium-priority since it has developed an SBTi-approved near-term target to reduce Scope 1-2 emissions 90% and Scope 3 emissions from downstream transportation 20% by 2030.	eBay is committed to net zero Scope 1-2 emissions. The company has made excellent progress on lowering Scope 1-2 emissions by powering its operations through 97% renewable energy and using ENERGY STAR products in its servers. eBay has paused its pursuit of SBTi certification for its Scope 1-3 net zero emissions goal because it cannot use offsets to lower Scope 3 emissions. The company would prefer to use offsets for Scope 3 since it does not have much influence on its downstream transportation, which makes up 84% of eBay's Scope 3 emissions.	Speak with eBay about whether it has re-engaged with SBTi since offsets can now be used for Scope 3 emissions, the challenges of growing renewable energy use, and further plans to lower downstream emissions. We will use these objectives to set key decarbonization milestones between 2024 and 2030.
ELIS *Near Term Approved*	Elis is a medium-priority company since it set an SBTi-approved near-term target to reduce Scope 1-2 emissions 47.7% and Scope 3 emissions 28% from purchased goods and services, fuel and energy-related activities, upstream transportation and distribution, employee commuting, and end-of-life treatment of sold products by 2030.	To lower Scope 1 emissions, the company is switching to energy efficient washers, installing onsite solar and biomass in facilities, and aiming to have 1,000 EVs by 2030. Since 2019, the company's absolute Scope 1-2 emissions have decreased 15% (CAGR). Elis has not been as successful with its Scope 3 emissions, which have decreased 2% since 2019 to 1.4 million tCO_2e. To lower emissions from purchased goods and services, Elis aims to reduce linen loss, optimize equipment maintenance to extend lifetime, and conduct frequent lifetime assessments to improve sustainability.	Engage Elis in 2024 to discuss the progress of its initiatives and on setting an SBTi-approved net zero target.
JOHNSON CONTROLS *Near Term Approved*	Because Johnson Controls makes building products, like HVAC units, the company has high Scope 3 (Use of Sold Product) emissions of approximately 110 million tCO_2e. Johnson Control's is a medium priority because it has an SBTi-approved target to reduce Scope 1-2 emissions 55% by 2030 and lower Scope 3 (Use of Sold Products) emissions 16% by 2030.	Johnson Controls has made good progress and reduced Scope 1-2 emissions ~44%. The company has a solid strategy to reduce Scope 3 emissions. In addition to its solutions like Open Blue, Johnson Controls aims to achieve its target by developing energy efficient and low-carbon products, reducing the embodied carbon of its products, and requiring suppliers representing 80 percent of procurement spend to undergo a third-party sustainability performance assessment by 2028. The company has accelerated progress by investing 90% of its new product R&D into sustainability-related innovation.	We aim to encourage Johnson Controls to increase the ambition of its Scope 1-2 target emissions, include Scope 3 emissions in its net zero commitment, and certify the company's net zero target with SBTi.

ANNEX 1 | NET ZERO STEWARDSHIP OUTCOMES

COMPANY	NET ZERO ASSESSMENT	LESSONS LEARNED	2024 FOCUS AREAS
KONECRANES *Near Term Approved*	Companies in the industrial machinery industry face high Scope 1 and Scope 3 (Use of Sold Products and Purchased Goods & Services) emissions. Konecranes is a medium-priority company since it has a near-term SBTi-approved target. Despite being in an emissions-intensive industry, Konecranes is well on its way to net zero, with an implied temperature rise on track for 1.3 °C.	Konecranes' Port Solutions segment is the key to decarbonizing its supply chain. The company aims to electrify all product offerings, lowering Scope 3 (Use of Sold Product) emissions from diesel-driven products and collaborating with steel providers with the same climate ambition. Konecranes' business model naturally reduces its upstream emissions Scope 3 (Purchased Goods & Services) emissions by decreasing the need to manufacture and source electrical and steel components and extending the lifespan of cranes by 5-20 years.	Discussing Konecranes' progress on certifying its net zero target with SBTi and challenges to reducing the embodied carbon of cranes
NXP *Near Term Approved*	NXPI is a medium priority since it has yet to receive SBTi approval for its near-term targets, does not include Scope 3 emissions in its carbon-neutral targets, and has not submitted its net zero targets to SBTi. In addition, the company has struggled to lower its absolute and intensity-based Scope 1-2 emissions due to its growth, so we learned more about how it plans to decarbonize its facilities	To lower Scope 1-2 emissions, NXPI will decommission its two old plants, increase outsourcing, and deploy energy efficiency/ renewables. To reach net zero, its largest suppliers need to set SBTi net zero targets and report to the CDP. Lastly, NXPI said its near-term SBTi targets will include Scope 1-3 emissions. The company will begin developing a net zero target once its near-term targets are certified (2024) and releases its decarbonization strategy.	Speak with NXPI about SBTi's feedback, the changes to the company's strategy so SBTi can approve it, and requiring suppliers to develop SBTi-approved net zero targets.
SPIE *Near Term Approved*	While engineering and construction companies are essential to accelerating the energy transition, they also have high emissions, especially Scope 3, due to the embodied carbon of the materials necessary to complete large infrastructure projects. We consider SPIE a medium priority because it has not developed SBTi-approved 2030 targets or a net zero commitment.	SPIE is well positioned for net zero, and SPIE's progress has been reflected in its 2.0 °C implied temperature rise. The company has accelerated progress by developing a short-term 2025 roadmap and targets. Next year, SPIE will release its 2030 strategy, submit new targets to SBTi, and begin developing a net zero roadmap. A challenge for SPIE is that it has thousands of suppliers; therefore, it is tricky to complete a Scope 3 emissions analysis. In addition, SMEs comprise most of SPIE's suppliers, and they lack the resources to reduce their emissions. To overcome this challenge, SPIE aims to purchase goods from suppliers with net zero targets. As of 2023, 47% of suppliers made ambitious climate commitments.	Discuss whether SPIE is on track to release its 2030 strategy and submit its targets, challenges to achieving its 2030 strategy, including Scope 3 emissions, and whether it will make a public net zero commitment.

ANNEX 1 | NET ZERO STEWARDSHIP OUTCOMES

Low Priority Net Zero Engagements

COMPANY	NET ZERO ASSESSMENT	LESSONS LEARNED	2024 FOCUS AREAS
AYVENS *Near Term Approved* *Net Zero Committed*	Companies involved in car leasing have high Scope 3 emissions from the use of their vehicles. We consider Ayvens a low-priority engagement since it has committed to developing SBTi-approved near-term and net zero targets.	Ayvens aims to increase the uptake of EVs further through several offerings, including ALD Electric. The program is available in 34 countries and helps customers transition to EVs by 1) installing recharging terminals at homes and/or offices, 2) providing recharging cards giving customers access to public recharging terminals across Europe, and 3) offering dedicated reporting tools for fleet managers to track power consumption.	Engage Ayvens on 1) when it expects SBTi to approve its targets, 2) the effect of tariffs on increasing the percent of EVs in its fleet, and 3) the challenge of electricity prices increasing faster than diesel, which could impact customer demand for EVs.
REXEL *Near Term Approved* *Long-Term Approved* *Net Zero Approved*	Rexel is a low-priority company since it has SBTi-approved near-term, long-term, and net zero targets. As leaders in the portfolio, we continue to engage the company to learn more about its policies and practices and share the lessons we have learned with other portfolio companies.	Rexel has made good progress in lowering its Scope 2 emissions, which have decreased by 10% (CAGR) from 2018-22. The company accomplished this, in part, by increasing the renewable energy ratio from approximately 5% to 39%. However, the company has not made meaningful progress on its Scope 1 emissions, which have stayed relatively flat over the last five years. Rexel has been a leader in reducing Scope 3 (Use of Sold Products) emissions. As of 2023, this emissions category is 17% lower than 2018.	Speak with Rexel about its challenges to reducing Scope 1 emissions, when the company aims for its Carbon Tracker to include 100% of sold products, and take a deep dive into its supplier engagement strategy
VEOLIA *Near Term Approved* *Net Zero Committed*	Due to the nature of its business, Veolia has high Scope 1-3 emissions (63.1 million tCO_2e) from energy generation and waste processing. The company is a low priority since it has SBTi-approved near-term targets and is net zero committed. While Veolia is a low priority, we continue regularly engaging with the company to accelerate its transition to net zero since its implied temperature rise is not aligned with a 1.5°C scenario.	Veolia recently announced new, ambitious targets and now aims to reduce Scope 1-2 emissions 50% by 2032. Veolia has made good progress. For example, while the company's absolute emissions have increased due to the acquisition of Suez, Veolia has reduced its carbon intensity 11% (CAGR) from 2018-22. Veolia's progress has been achieved by phasing out coal and setting aside $1.8 billion to invest in renewable energy, a 22-percentage point increase in funding since 2020. Veolia aims to scale its renewable energy generation rapidly, and in January 2024, Veolia announced that it seeks to increase its energy generation from renewables 50% by 2030,	Receive an update on SBTi approving Veolia's net zero target, discuss barriers to increasing renewable energy generation and retiring pollutive assets, and how it works with customers to reduce their energy use.
VISTRY GROUP *Near Term Approved* *Long-Term Approved* *Net Zero Approved*	Homebuilders like Vistry face climate and ecologic risks due to the types of materials necessary to construct modern, livable dwellings. The company is a low-priority since it has developed SBTi-approved near-term, long-term, and net zero targets. Vistry's ambitious net zero target is to reduce absolute Scope 1-2 emissions 90% by 2040 from a 2022 base year and decrease Scope 3 emissions 97% per square meter of completed housing.	To lower Scope 1-2 emissions, the company has developed an effective strategy to improve the efficiency of its fleet and purchase renewable energy. Vistry has an excellent Scope 3 emissions mitigation strategy, which is the focus of its net zero commitment. Vistry has been piloting net zero developments by installing energy efficiency measures, EV charging stations, using sustainable construction materials like timber frames, and conducting lifecycle assessments. For example, using timber instead of climate-intensive materials like concrete or steel can significantly decrease embodied carbon emissions.	Discuss challenges to purchasing EVs for Vistry's fleet, barriers to buying renewable energy, lessons learned from Vistry's net zero developments, and how it plans to keep these types of developments affordable.

ANNEX 2 | 2023-26 COMPANT IMPACT METRICS

SDG 3:

Healthcare

Lives Saved

NXPI	94,272	Potential lives saved from improving safety features of ADAS technology in passenger vehicles.
TOTAL (LIVES)	94,272	

Healthcare Savings

CI	$42,873,000,000	Customer savings from increased biosimilar penetration.
CNC	$40,247,406,592	Savings to state governments from Managed Medicaid.
TOTAL (BN)	$83,120,406,592	

SDG 7:

Climate Change

7 AFFORDABLE AND CLEAN ENERGY

Clean Energy Installed (MW)

KYUDENKO	89	Solar/wind energy projects that Kyudenko is involved in via equity investment.
TOTAL (MW)	89	

AVOIDED EMISSIONS (tCO_2e)

AYV	$1,300,810	Avoided emissions from renting construction equipment versus owning.
ALD	$5,122,706	Avoided emissions from increased EV penetration in rental fleet.
CCK	$71,735	Avoided emissions from the added capacity of aluminum containers versus PET.
CNHI	$330,495	Avoided emissions from increased adoption of auto-guidance precision agricultural technology versus traditional agricultural technology.
EBAY	$6,600,000	Avoided emissions from selling non-new and refurbished items versus new items.
FLEX	$301,039	Avoided emissions from lower Scope 1 and 2 emissions via more renewable energy use.
JCI	$8,367,254	Avoided emissions from innovative solutions.
KCR	$20,155,514	Avoided emissions from servicing cranes and extending their life, reducing the number of new cranes manufactured.
KYUDENKO	$1,819,783	Avoided emissions in Japan from developing solar/wind projectives and deploying energy-efficient technology in commercial/residential housing.
OTEX	$45,164,932	Avoided emissions from content management and business network solutions.
RXL	$39,281,833	Avoided emissions from the new, innovative, and sustainable clean energy/modern infrastructure products versus outdated, less efficient technology.
SPIE	$2,371,200	Avoided emissions from EVs serviced by SPIE charging points versus fossil-fuel powered automobiles.
URI	$2,725,981	Avoided emissions from having a younger and greener fleet.
VIE	$65,820,192	Avoided emissions from sites promoting energy efficiency.
WCC	$30,344,867	Avoided emissions from the new, innovative, and sustainable clean energy products versus outdated, less efficient technology.
TOTAL (MM tCO_2e)	$229,778,340	

SDG 8:

Economic Growth

DECENT WORK AND ECONOMIC GROWTH

Economic Impact

EBAY	$17,300,000,000	Positive economic impact from selling non-new and refurbished items.
GCO	$162,427,322,532	Increased global trade from credit/trade insurance.
PRI	$7,707,594,877	Death claims paid to low-/middle-income Americans by providing affordable insurance offerings.
VTY	$698,494,243	Economic value provided from developing affordable housing and mixed income communities.
TOTAL (BN)	$188,133,411,652	

SDG 12:

Circular Economy

RESPONSIBLE CONSUMPTION AND PRODUCTION

Water Savings (Liters)

CNHI	1,049,820,373,333	Water savings from increased adoption of auto-guidance precision agricultural technology versus traditional agricultural technology.
ELIS	44,132,233,400	Water savings from outsourced laundering versus traditional laundering.
TOTAL (LITERS)	1,093,952,606,733	

SDG 16:

Cybersecurity

PEACE, JUSTICE AND STRONG INSTITUTIONS

Economic Savings

FFIV	$38,651,951,473	Potential savings from reducing enterprise security breaches.
GEN	$27,358,801,523	Potential savings from preventing cases of identity theft/cybercrimes.
TOTAL (BN)	$66,010,752,995	

ANNEX 3

TCFD Report

GOVERNANCE

Governance: Lyrical sees climate change and environmental issues as essential components of our risk management strategy. 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.

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. In addition, Lyrical has developed a net zero target for GIVES with the objective of engaging with our companies to develop feasible and robust decarbonization strategies, overcome near-/long-term challenges, and create a roadmap to net zero.

As part of pre-/post-trade investment due diligence, Lyrical analyzes all investments against material ESG metrics and 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. Specific metrics we use to evaluate our companies' climate-related risks and opportunities include but are not limited to absolute and intensity-based emissions, energy use, renewable energy, implied temperature rise (ITR), climate value-at-risk (CVaR), climate-related controversies, exposure to physical risks, avoided emissions, and avoided cost to society. We use our quantitative ESG tracker, which primarily relies upon data from MSCI[1], to streamline our pre-investment due diligence and post-investment compliance checks. Where data is limited or unavailable, we supplement it with the best available proxy indicators or qualitative analysis.

Please see Lyrical's PAI Statement for more information.

CLIMATE-RELATED OPPORTUNITIES

GIVES seeks to invest in and support companies that help mitigate the adverse effects of climate change and improve economic outcomes, including reducing changes in agricultural productivity, damages caused by rising sea levels, and the decline in human health and labor productivity. The companies in our SDG 7: Climate Change and SDG 12: Circular Economy themes create climate-related opportunities and develop products and services that improve the environment.

Using our four impact criteria, we have identified 15 companies (over 60% of the portfolio) that positively contribute to the environment, and seven (43% of the portfolio) directly support climate mitigation and adaptation. For example, Rexel helps solve SDG 7 and SDG 8 by distributing and promoting renewables and energy efficiency products, in addition to improving the sustainability of clean energy supply chains. From 2023-26, Rexel is expected to avoid 39.3 million tCO2e through emissions reductions of its use of sold products. This would save society $2 billion[2] by mitigating the adverse effects of climate change and improving economic outcomes.

[1] In May 2024, Lyrical partnered with MSCI as our primary data provider.

[2] We use the US government's social cost of carbon of $51 per tCO2e to measure our portfolio's avoided environmental impact on society.

ANNEX 3 | TCFD REPORT

CLIMATE-RELATED RISKS

Key components of our Decarbonization Strategy and pre-/post-investment due diligence process are regularly reviewing (at least quarterly) our companies' climate-related risks. We also receive daily controversy updates from the Wall Street Journal, and biweekly MSCI controversy reports.

Lyrical approaches short-term risks as those that can pose an immediate impact on a company, such as legal (fines), market (green premium), regulatory (lack of renewable energy on the grid), acute physical risk (flooding), and reputational (lack of progress on climate targets) risks. We analyze companies' decarbonization disclosures and strategies, SBTi alignment, absolute-/intensity-based emissions, near-term emissions trends, and climate-related controversies.

We consider long-term risks as those that are emerging and, if not addressed in the near term, can continue to grow, like policy (carbon tax), market (change in consumer preference), technology (stranded assets), and chronic physical (increase in the number of natural disasters) risks. Long-term risk metrics include CVaR, ITR, and if a company has set an SBTi-approved net zero target.

NEAR-TERM RISKS

We consider the portfolio's near-term risk profile to be low. For example, the average absolute and intensity-based Scope 1-2 emissions are 43% and 63% below the MSCI World, respectively. Also, GIVES' Scope 3 intensity is 90% lower than the MSCI World. Many companies in high-emitting sectors, like NXP, have made progress but face near-term policy risks, such as a lack of SBTi-sector-specific guidance. For example, from 2012-20, NXP lowered Scope 1-2 emissions 31%, but those emissions increased by 16% from 2021-22, primarily due to company growth. We classify NXP as a high-priority engagement. SBTi removed the company's commitment because it had not finalized standards for the industry, and therefore, NXP faced technical difficulties in developing a strategy. We immediately spoke with the company, and it informed us that it aims to resubmit its plan in 2025 and remains committed to net zero.

Some companies face other near-term risks, such as market-related risks (green premiums). For example, CNH generates 10% of our portfolio's total emissions and has identified electric agricultural machinery as its primary near-term solution. This strategy has been successful for small pieces of equipment. However, electric agricultural equipment costs 2-3x more than the alternative. We expect these market risks to decrease over time as the technology matures and becomes widely available at scale.

Overall, GIVES adequately mitigates near-term risks. We have included several metrics below to demonstrate the portfolio's performance. As of April 30, 2024:

- 84% of GIVES' portfolio companies disclosed their decarbonization strategy to the CDP.
- 44% of the portfolio companies have committed to or set an SBTi-approved target.
- GIVES' average absolute Scope 1-3 emissions are 27% below the MSCI World.
- The portfolio's weighted average carbon intensity (WACI) is 50% below the MSCI World.
- Zero GIVES companies have experienced a Very Severe (Level 5) MSCI Environmental Controversy rating.

ANNEX 3 | TCFD REPORT

LONG-TERM RISKS

GIVES faces low-/medium-level risks in the long term. For example, the portfolio's ITR is 2.4 °C, and 16% of companies have committed to or set an SBTi-approved net zero target. When using the NGFS REMIND 1.5 °C (Orderly Net Zero 2050, Aggressive Physical Risk) scenario to analyze the portfolio's CVaR, we found that it is 33% better than the MSCI World (-9.5% vs -14.1%), but 64% worse than the MSCI Sustainable Impact (-9.5% vs -5.8%). We also analyze the NGFS 2 °C (Orderly Below 2 °C, Aggressive Physical Risk) and NGFS 3 °C (Orderly NDC, Aggressive Physical Risk) scenarios. When looking at the portfolio across all three NGSF scenarios, four companies disproportionality contribute to the portfolio's CVaR - Kyudenko, Veolia, Crown Holdings, and Flex.

We would briefly like to highlight Kyudenko as its CVaR (-58%) is the highest across all three NGSF scenarios due to coastal flooding risks (-89% CVaR).[3] The company has developed several climate adaptation plans to minimize coastal flooding risks, such as implementing disaster prevention measures at sites with hazardous materials and risk reduction measures at facilities in flood-prone areas. In addition, the Government of Japan is proactively developing policies to help the country be more resilient to physical risks, such as the Climate Change Adaptation Act (2018) and Japan's Climate Change Adaptation Plan. As part of these policies, the country has committed to becoming net zero by 2050, doubling adaptation finance to approximately $14.8 billion from public and private sources from 2021-25.[i] We expect Kyudenko's coastal flooding risk to decrease steadily as the company implements its adaptation policies and the Government of Japan continues to scale its already impressive climate and disaster relief policies.

In addition, Veolia faces the greatest long-term policy risks, especially those related to Scope 1 emissions (-100% CVaR) and transitioning its business to generate energy using sustainable sources.[4] Lyrical and Veolia are confident that the company can achieve its near-term and net zero targets. In fact, Veolia recently announced new, ambitious targets and now aims to reduce Scope 1-2 emissions 50% by 2032. We believe that the company's strategy has been effective in part due to setting short-term 2027 targets and linking long-term executive compensation to avoided emissions. Together, this has encouraged management to focus on developing renewables such as biomass and solar. Veolia has made good progress. For example, while the company's absolute emissions have increased due to the acquisition of Suez, Veolia has reduced its carbon intensity 11% annualized from 2018-22.

Please see Crown Holdings and Flex's company impact reports for more information on their climate risk mitigation strategies.

RISK MANAGEMENT

To identify, monitor, and mitigate adverse impacts on GIVES' sustainable objective, we rely on our risk management strategy, which has three key pillars: 1) VQA+I, 2) ESG integration, and 3) Stewardship.

[3]Kyudenko's technological climate-related opportunities from solar and energy efficiency improve its overall CVaR by 32 percentage points.

[4]Veolia's overall CVaR is -47%. The company's climate opportunities from renewable energy improve its CVaR by 63 percentage points.

ANNEX 3 | TCFD REPORT

VQA+I

To lower ESG-related risks, make a meaningful contribution to the SDGs, and maximize long-term investment returns, we first apply our ESG Policy and VQA+I criteria to avoid investing in companies whose environmental and social practices pose unmanageable risks. As part of our pillars of Quality, Analyzability, and Impact, Lyrical applies exclusions across our portfolios. 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 impact-related selectivity. It excludes businesses operating in the fossil fuels, chemical/plastics, and fossil fuel-powered automobile industries.

As part of our Impact investment criteria, we developed a Decarbonization Strategy for GIVES in 2023. We plan to invest in alignment with the global target of net zero emissions by 2050 or sooner. We aim to 1) ensure that companies in our portfolio have net zero goals and/or 2) support companies that are developing climate-related solutions. By 2030, Lyrical aims to have 75% of GIVES' portfolio companies (other than those with immaterial GHG emissions) develop SBTi-approved net zero targets

ESG INTEGRATION

Current and potential portfolio companies undergo an extensive research process. 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 risk factors, including PAIs, to determine whether they may be causing significant environmental- or social-related risk or harm by reviewing available documents and speaking directly with the companies. ESG factors are considered when they are material to the investment case. Lyrical's ESG materiality assessment is viewed in the context of SASB standards and also considers a company's broader impact on the economy, environment, and society. Material ESG issues are integrated quantitatively and qualitatively as part of our DNSH assessment and analysis of the long-term sustainability of our companies' earnings.

Specifically, Lyrical performs two types of due diligence on the material ESG factors to determine if the investment is causing significant harm or risk:

- For quantitative indicators with sufficient availability, comparability, and quality, part of Lyrical's assessment is whether the adverse impact was significant based on the company's performance against the MSCI World benchmark. This research is complemented by a bottom-up analysis of the company's policies and practices, as the benchmark does not account for a company's industry or size.
- For qualitative indicators, such as violations of the UNGC, Lyrical assesses significant harm using bottom-up analysis to verify that negative impacts do not compromise the company's sustainable objective to support the SDGs.

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 (see below for information). 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 Very Severe (Level 5) MSCI controversy score then it is not causing significant harm.

ANNEX 3 | TCFD REPORT

STEWARDSHIP

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, CDP, and MSCI 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.

For our GIVES portfolio, we have refined our risk management strategy to focus on our third engagement goal for our companies to develop SBTi-approved net zero targets. To prioritize our net zero engagements, we use an SBTi alignment framework, considering whether each company has approved near- and long-term net-zero SBTi targets and assessing the company's emission levels. We focus our engagement where it matters: on companies that don't have SBTi-approved targets or have high emissions. Specifically, we concentrate on a company's:

1. Decarbonization Strategy: Lyrical applies industry best practices to assess a company's actions and detect gaps in its strategies.
2. Near-/Long-Term Challenges: We identify obstacles, such as completing GHG emissions inventory analyses, supply chain issues, and a lack of available technology substitutes.
3. Roadmap to Net Zero: We work with each company to develop priority action items to help accelerate its strategy and hold it accountable.

IMMATERIAL EMISSIONS	**HIGH PRIORITY (NO COMMITMENT)**	**MEDIUM PRIORITY (NEAR-TERM SBTI TARGET)**	**LOW PRIORITY (NET ZERO SBTI TARGET)**
Centene (SDG 3)	Ashtead	eBay	
Cigna (SDG 3)	CNH Industrial*	Crown Holdings	Ayvens
F5 (SDG 16)	HCA	Elis	Vistry
Gen Digital (SDG 16)	Kyudenko	Johnson Controls	Rexel
Grupo Catalana (SDG 8)	Wesco	Konecranes	Veolia Environment
Open Text (SDG 16)	Flex**	SPIE	
Primerica (SDG 8)	United Rentals	NXP Semiconductor	
28%	**28%**	**28%**	**16%**

Please see our Impact Stewardship section for more information on our approach to proxy voting and collaborations.

ALD, CHN Industrial, NXP, and Veolia's targets are pending SBTi-approval.
Companies in red collectively comprise approximately 89% of the portfolio's reported Scope 1-3 emissions (on an unweighted basis).
*CNH is a high-priority engagement since SBTi removed its net zero commitment.

ANNEX 3 | TCFD REPORT

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, ITR, CVaR, and the number and severity of environmental controversies. Please see Lyrical's PAI Statement for a list of our climate-related indicators.

CLIMATE-RISK INDICATOR	**2023 TOTAL[7]**
SCOPE 1	4,316.4
SCOPE 2	1,515.9
SCOPE 3	125,259.1
WACI (tCO_2e/$MM REVENUE)	57.1
ITR (°C)	2.4
CVAR (1.5°C)	-9.5%
PERCENT OF COMPANIES WITH SBTI NET ZERO TARGET	16%
NUMBER OF VERY SEVERE CONTROVERSIES	0
MSCI CARBON RISK	LOW

[5]Zoysa, K. 2022. Profiles of Adaptation: Japan. World Resource Institute: https://www.wri.org/update/profiles-adaptation-japan

[7]Data as of April 30, 2024. To align with PAI indicators set out in the SFDR, we use enterprise value and not market capitalization as part of our attribution factor. Please note that the increase in emissions is primarily due an increase in AUM from $4.7 million to $153.9 million.

Bios & Contact Information

For more information please reach out to info@lyricalpartners.com.

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.