



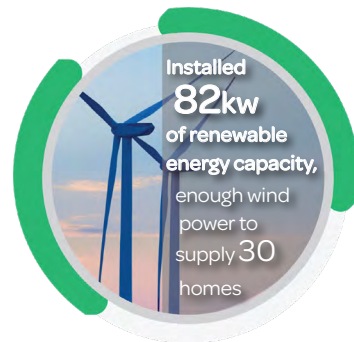
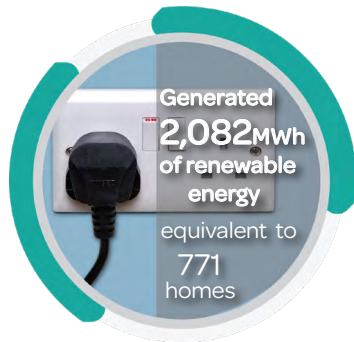
Foundation  
Scotland



# Positive Impact Report 2024

# Positive impact associated with owning £1 million of the Foundation Scotland EQ Impact portfolio in 2023:

## Environmental impact



## Social impact



Investing (e.g. buying shares in a company) does not create these outputs and outcomes: they are generated by the activities of our underlying portfolio holdings. An investment can be associated with these measures based on company disclosures and share of ownership. The Foundation Scotland EQ Impact portfolio are available in a range of risk profiles. The impact made is associated with the amount invested and portfolio invested in. Portfolio weightings as at 31 August 2024. For an in-depth explanation see: <https://eqinvestors.co.uk/impact-calculator-methodology>.

# Welcome

We are delighted to present EQ Investors (EQ's) eighth impact report, highlighting the considerable progress made since launching these portfolios twelve years ago. With the regulator now defining impact investing and establishing minimum requirements in-line with the core principles we have adhered to for many years, reporting on our long-established explicit sustainability goals and their impact has become the benchmark for sustainable wealth management.

Our stewardship strategy remains instrumental in promoting fund manager best practices and our engagement work across five key themes continues to affect change. In this report, we bring a fresh lens to this by sharing progress made across a broad set of key performance indicators (KPIs) developed internally.

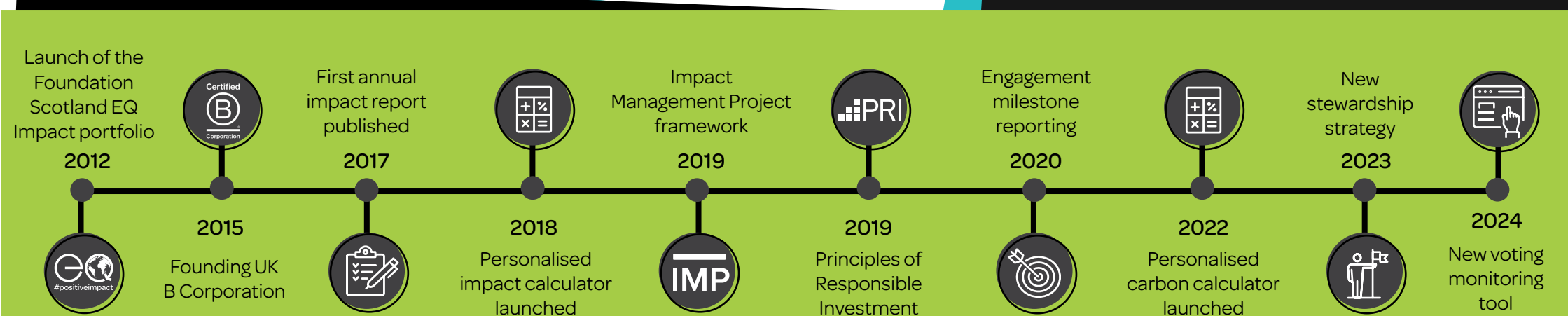
We also report on our recent AGM participation, using our voice and influence on behalf of shareholders to advocate for positive change within companies. More recently, we have placed a strong focus on shareholder voting, ensuring that our clients' interests are represented and that companies are held accountable for their actions, and we end our report with a debut analysis of the voting records across 600 shareholder resolutions.

As we continue to push the boundaries of impact investing, we remain committed to delivering long-term capital growth while investing in solutions to the world's major challenges and actively engaging for change.

**Sophie Kennedy**  
Joint Chief Executive

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# Our approach

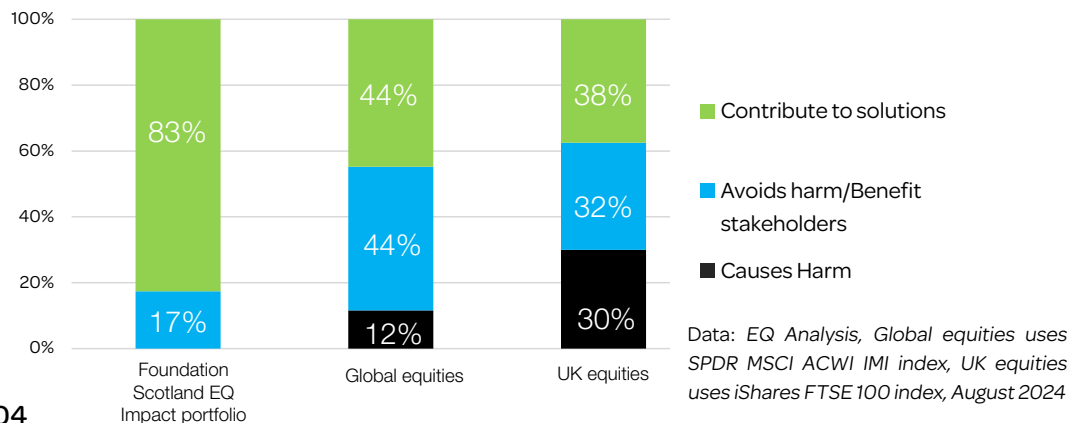
The Foundation Scotland EQ Impact portfolio have a dual mandate to achieve long-term capital growth, while investing with an impact lens. This means investing in solutions to the world’s major social and environmental challenges, and actively engaging for change.

## 1 Invest in Positive Impact solutions

The Foundation Scotland EQ Impact portfolios aim to invest in companies and projects whose core products and services provide solutions to address global sustainability challenges. To achieve this positive impact, we want companies and bond projects to:

- Have a clear **intention** to deliver the impact
- Have **material revenues** focused on delivering the solution(s)
- Address unmet needs through **innovative and additional** solutions
- **Be holistically well-run** in respect to all other stakeholders, shown by good environmental, social and governance (ESG) practices

### Portfolio impact comparison to Global equities & UK equities

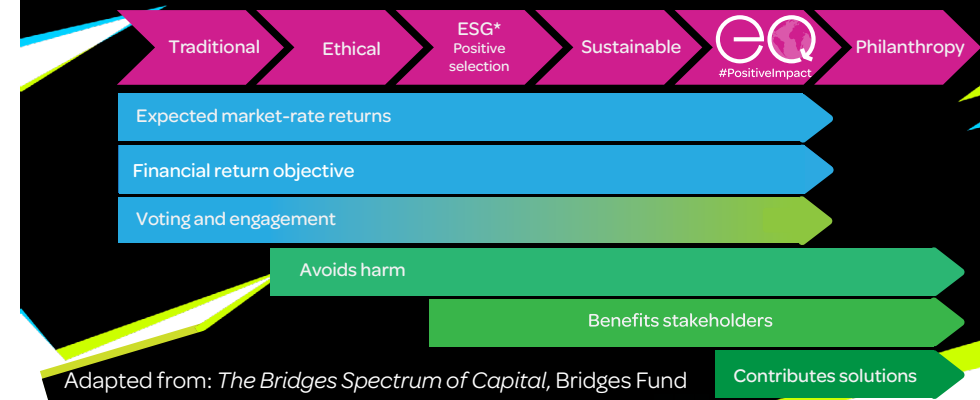


## 2 Stewards of sustainability

We actively engage for change, acknowledging the fact that there is no perfect company or asset manager. This way we continuously improve the positive impact of investments over time. We recognise that shareholders have significant influence, and we put this to work in our stewardship strategy (page 6).

### Spectrum of capital

There are many ways to integrate sustainability objectives into investments. Here we position the Foundation Scotland EQ Impact portfolios’ objectives on the spectrum of capital. It has a high ambition compared to other approaches, while still seeking long-term capital growth.



Adapted from: *The Bridges Spectrum of Capital*, Bridges Fund Management (2013) and the Impact Management Project

## Contributing to solutions

The Foundation Scotland EQ Impact portfolio has 86% of its investments in companies whose core products and services contribute to solutions to different SDGs, shown on the right.

The UN Sustainable Development Goals (SDGs) form a globally recognised framework that defines the most pressing social and environmental issues we face.

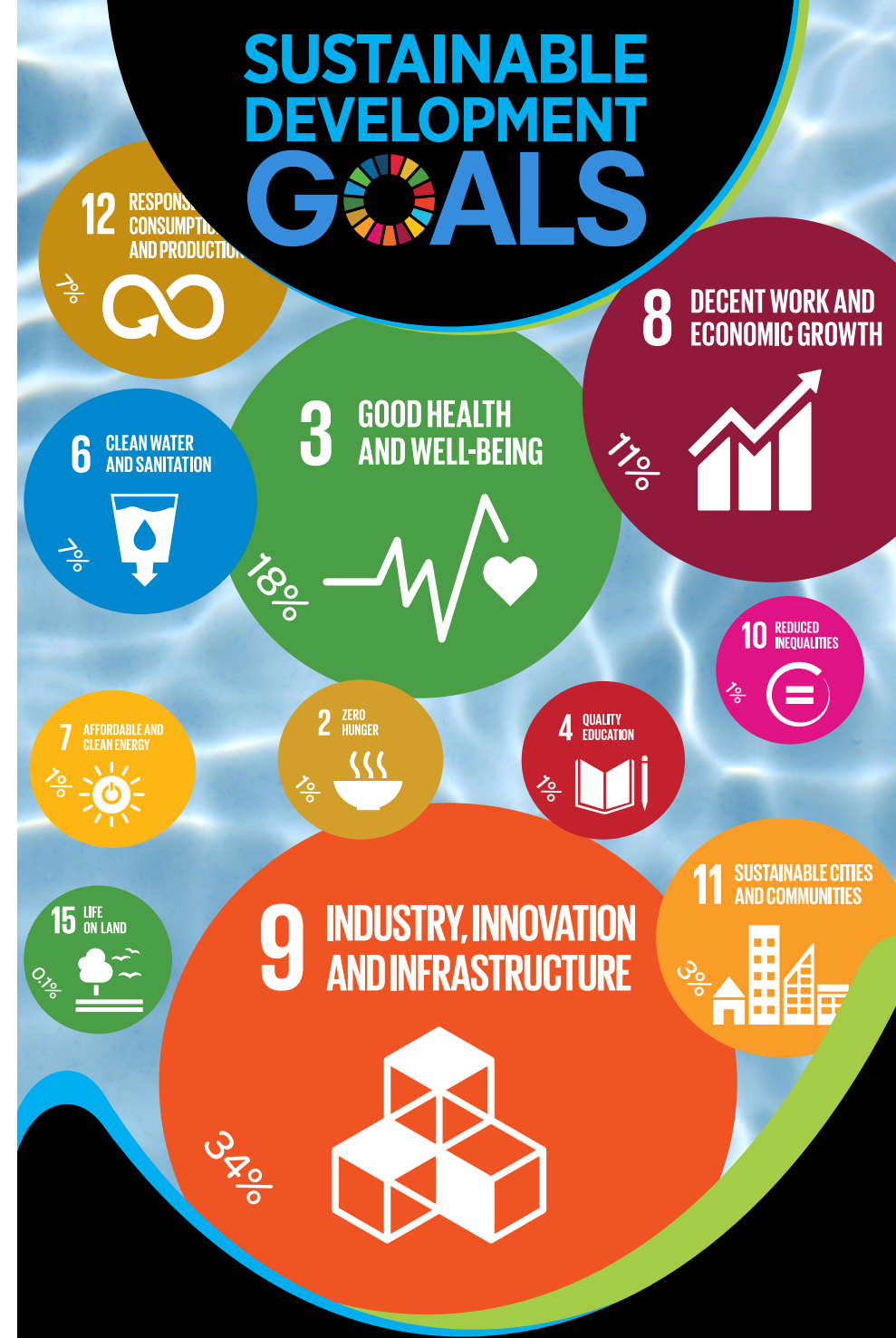
We use the SDGs, each with multiple underlying specific targets, to guide our investment selection towards solutions to unmet social and environmental needs, and away from those that cause harm. This

can be summarised into the activities we invest in and avoid, shown below.

For an extensive list of exclusions with associated minimum thresholds, please [consult our exclusion policy](#). There are zero investments in negative categories.

Invest	Avoid
✓ Financial inclusion	✗ Armaments
✓ Impact enablers	✗ Military contracting
✓ Sustainable infrastructure	✗ Gambling
✓ Healthcare provision	✗ Political corruption
✓ Medical research	✗ Poor governance
✓ Education technologies	✗ Human rights abuses
✓ Affordable housing	✗ Tobacco
✓ Social care	✗ Alcohol
✓ Sustainable food	✗ Adult entertainment
✓ Renewable energy	✗ Unhealthy foods
✓ Energy efficiency	✗ Air travel
✓ Green buildings	✗ Animal farming
✓ Circular economy	✗ Mining
✓ Natural resource conservation	✗ Coal
✓ Sustainable transport	✗ Fossil fuel extraction
	✗ Fossil fuel servicing
	✗ Palm oil

*The examples listed are not exhaustive.*



# How do we measure impact?

We measure real world impact associated with your investments towards the SDGs, and track EQ's impact made through engagement.

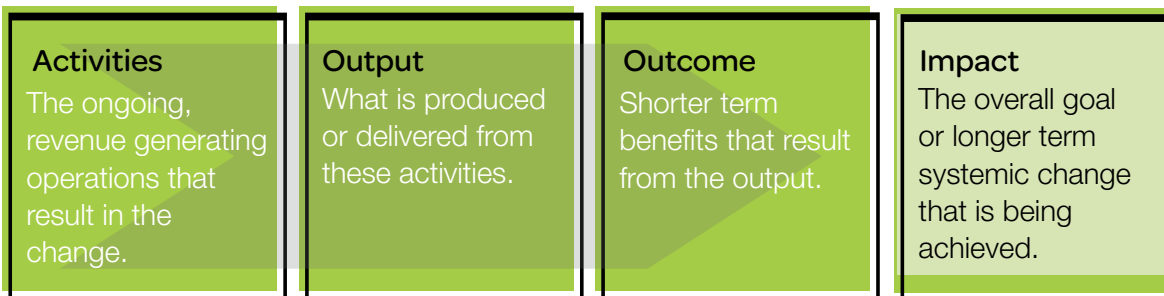
## Impact themes

In this report we explore five themes that bring together global challenges, and how we have an impact both through investment and engagement:

- Investing in **AI for good** (page 8)
- Investing in **health and well-being** (page 10)
- Investing in **social inclusion & empowerment** (page 13)
- Investing for **the climate** (page 16)
- Investing in **natural capital & biodiversity protection** (page 19)

## Impact associated with investments

We establish a “theory of change” for all solution companies, linking their core products and services to their impact on a SDG target. Every year we measure their contribution, some of which are aggregated in our overall impact metrics (page 2).



## Stewardship strategy

No company or fund manager is perfect. Our stewardship strategy is designed to utilise all levels of influence.

Ensure fund managers have engagement and voting ambition

Use portfolio monitoring to engage on emerging flags

Engage proactively on strategic themes across all relevant fund managers

Collaboratively engage with other investors on companies

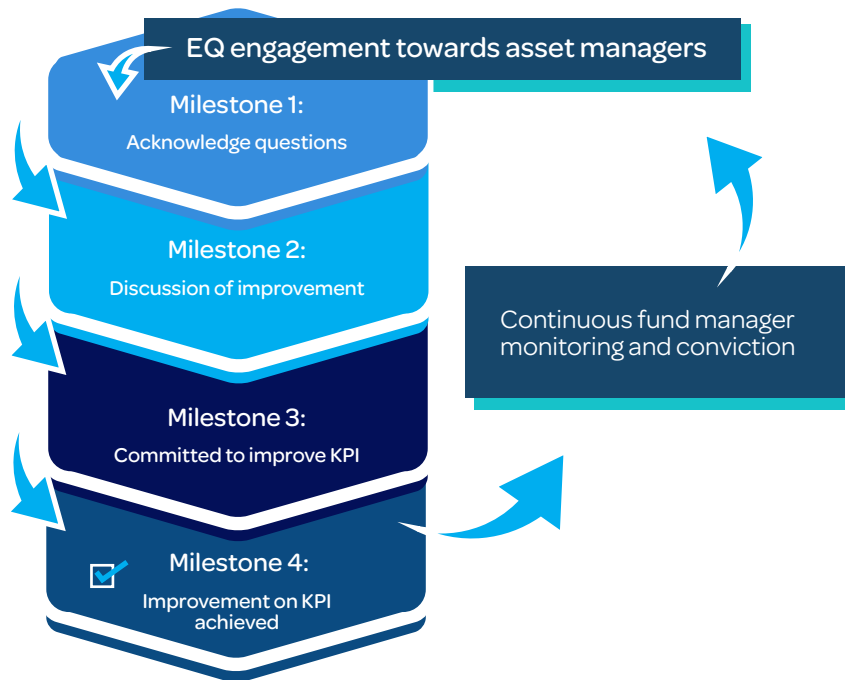
Practice AGM activism, asking questions directly to company boards

# How EQ reports on engagement progress

EQ's stewardship strategy contributes to impact directly, but measuring engagement impact can be challenging. This year, we focused on five engagements to support the financial and sustainability objectives of the portfolios.

In our reinforcing engagement cycle, we:

- Establish a checklist with key performance indicators (KPIs), highlighting best practice in each topic
- Conduct an initial assessment to baseline a fund across the checklist, and any weaknesses will then become engagement objectives
- Report successes in pushing for KPI improvements via progress milestones
- Reflect successful engagement in an updated KPIs and strengthened fund conviction

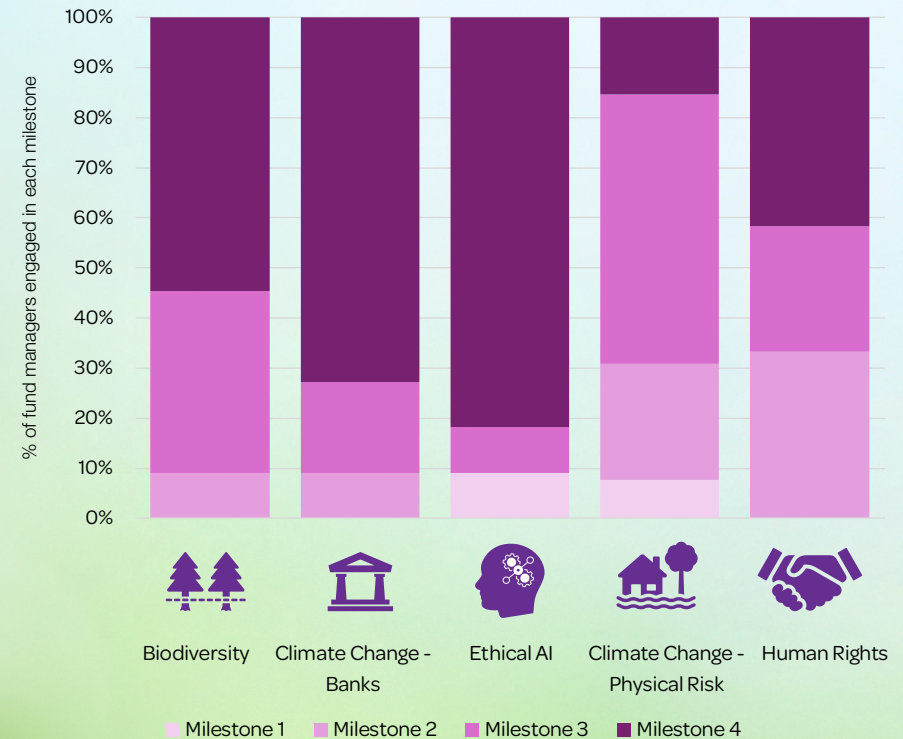


## Summary: Tracking our progress

Over the last year we engaged with relevant fund managers on the five topics.

Below we summarise how successful the 2024 engagement cycle was. In the engagement themes that have been running for more than one year, such as Ethical AI, Climate Change and Banks, we have seen the greatest improvements (Milestone 4).

On other topics, fund managers are in the early stages of embracing the best practices we shared, with more progress expected over the next year. This demonstrates that good engagement can take time to yield results.



# AI for good

## Applying Artificial Intelligence (AI) to social and environmental challenges.

The Foundation Scotland EQ Impact portfolios invest in companies that deliver AI-powered solutions to social and environmental challenges. AI is already used to enable faster, more efficient delivery of education and health treatments. Within manufacturing, its application is helping to negate impacts on the environment through waste optimisation and energy use.

Furthermore, investing in sustainability leaders in AI infrastructure (e.g. data centres) and its supply chain aligns with the SDGs, through enabling environmental efficiency savings or other beneficial aforementioned use-cases.



### Global progress:

AI uptake has continued to grow at an exponential rate. Like many breakthrough technologies, the extent to which it will impact global challenges for better or worse is dependent on how we use its potential and prevent unintended consequences.

Whilst AI doesn't target a specific SDG, it can have a meaningful impact across several SDG including 3, 4, 7, 9 and 11. AI is predicted to contribute meaningfully to economic growth by spurring innovation.

To prevent unequal wealth creation through leveraging AI, computing power and internet access equity is essential.

#### Share of population using the internet (SDG 9.C)

Year	Share of population
2000	0%
2021	76.2%
2030	100%

Data: <https://ourworldindata.org/grapher/share-of-individuals-using-the-internet>

## Delta Electronics

### Activities



Delta Electronics is a Taiwanese company that focuses on power management. It provides energy efficient products for industrial automation, renewable energy, data centres, and EV charging infrastructure.

### Output

Not only does Delta Electronics provide key components for AI data centres to help improve energy efficiency, the company also uses AI in its own operations. This enhances production quality and efficiency, automating quality control, and optimising its supply chain.

### Outcome

Delta Electronics is a key enabler of the AI value chain through the provision of automation infrastructure and the power cooling equipment needed for AI systems. Delta Electronics has helped customers avoid 24 million tonnes of CO<sub>2</sub>e since 2010.

Contributes towards carbon avoided impact metric.



### Impact

#### Progress towards SDG 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies, with all countries taking action in accordance with their respective capabilities.



# Engagement on Artificial Intelligence

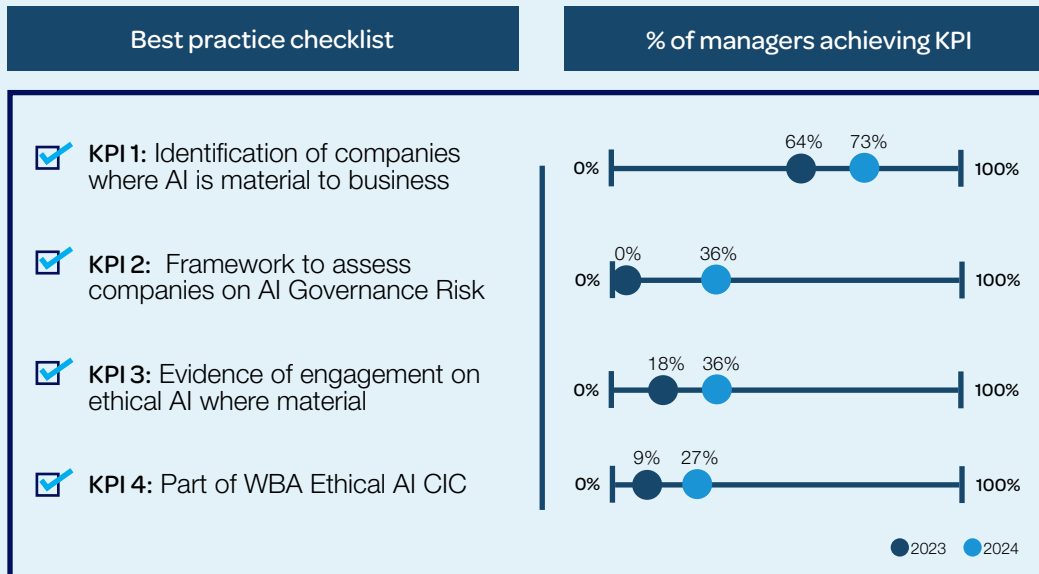
Both the risks and opportunities of AI have materialised at an astonishing rate over the past two years. Companies need to ensure they deploy AI tools in a responsible manner.

Engaging on AI governance remains a key focus. A fast-evolving regulatory landscape includes the EU AI Act, which came into force in August 2024, to ensure greater transparency around AI end usage.

Companies that fail to adopt robust governance policies and disclosures around AI face potential reputational damage, fines, and loss of revenue.

This year we engaged with 11 fund managers on their approach to ethical AI. The checklist below shows a set of KPIs that we track and reflect what we consider best practice.

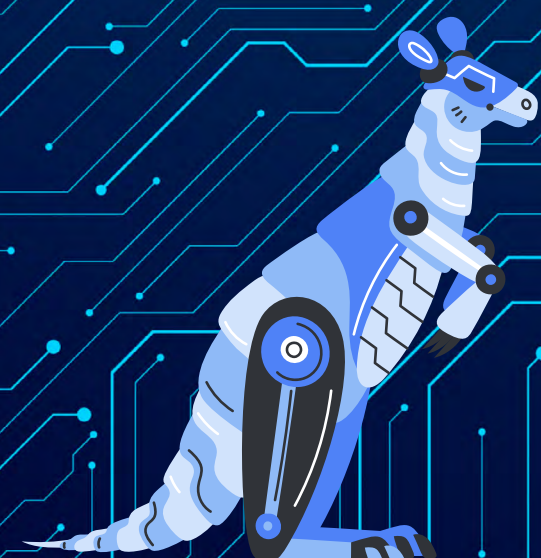
The bars show the year-on-year progress of achieving the KPIs for those 11 asset managers in focus.



## Pushing for ethical deployment of AI across the value chain

We have been part of the World Benchmarking Alliance's (WBA) Ethical AI CIC (formally digital inclusion) since 2022. Not only is the group looking at end users of AI but also those across the value chain to ensure those manufacturing the hardware are engaging with customers on proposed end users.

EQ is supporting investors in both the Intel and BT Group engagements. We have been pushing both companies on their AI governance structures and procedures, focusing on how impact assessment processes are applied to AI, particularly those that emphasise human rights.



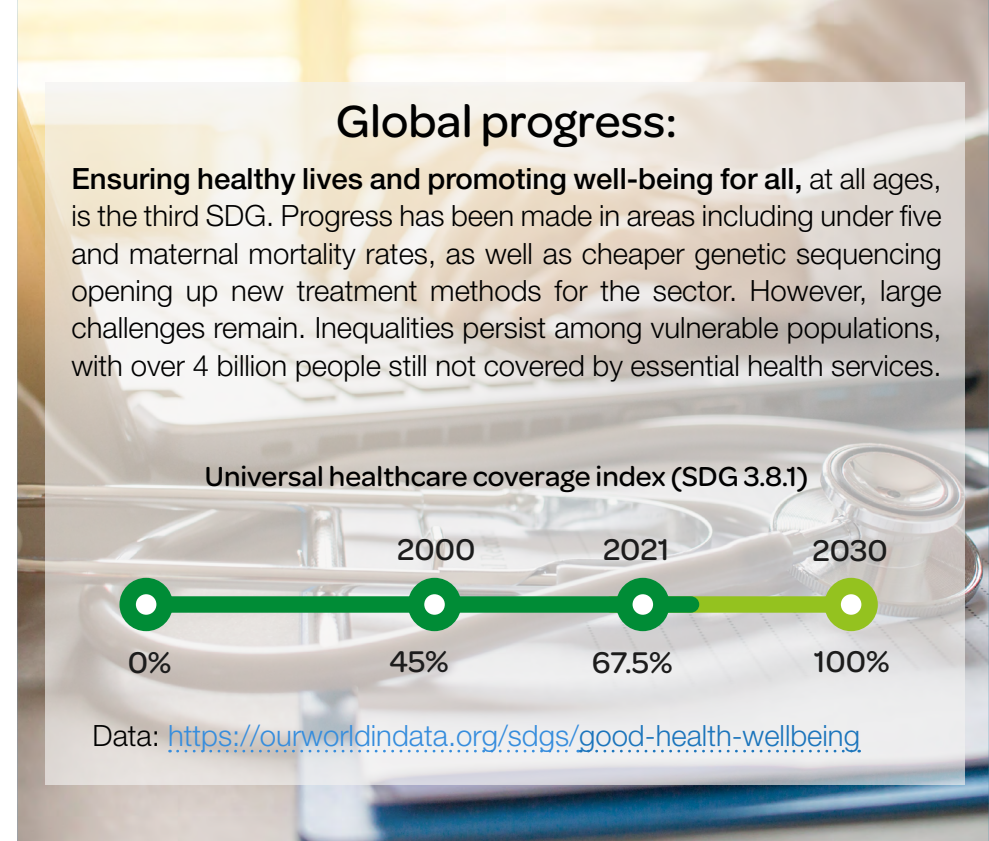
# Health & well-being



## Ensuring access to medicine

The Foundation Scotland EQ Impact portfolios invest across the healthcare treatment value chain, covering the full spectrum of preventative measures, healthcare innovations and treatments. Investments are made to hospitals and surgeries, drug manufacturers, diagnostics technology, biotech research and wellness programmes.

Our approach favours those that have fair access-to-medicine approaches to breach the access gaps, and are investing into innovative research & development to target WHO priority diseases.



## CVS Health

### Activities



**CVS Health** is a global leader in preventative care services. It offers pharmacy services, retail health products, health insurance, and health clinics. It improves health outcomes for customers through its leading care delivery, prescription and wellness services.

### Output

In 2023, CVS Health increased its health care benefits membership by 1.3 million. Its pharmacy and wellness segment filled more than 1.6 billion prescriptions and nearly 30 million vaccines, which is partly due to CVS investing significantly in improving its digital capabilities.

### Outcome

More than 40% of CVS Pharmacy customers are engaging digitally for their pharmacy and well-being needs. The improved accessibility has resulted in an increase in patient engagement to manage their own health.

### Impact

#### Progress towards SDG 3.8

Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Contributes to the preventative healthcare impact metric.



## Intuitive Surgical

### Activities

### INTUITIVE

Intuitive Surgical is a medical technology company specialising in robotic-assisted surgical systems, notably the *Da Vinci* system. It enables minimally invasive surgery, enhancing precision, control, and visualisation for surgeons across various specialities.

### Output

In 2023, over 2.2 million procedures were performed using *Da Vinci* systems, with 76,000 surgeons now trained to use the system. The use of the technology is rapidly increasing with a surgery started every 13.79 seconds.

### Outcome

Greater access to the minimally invasive *Da Vinci* surgery means that fewer open surgery procedures are done, and hospital stays are shorter, which can contribute to better outcomes for patients.

### Impact

#### Progress towards SDG 3.4

By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

Contributes towards medical intervention impact metric.



## Amgen

### Activities

### AMGEN

Amgen is a leading biotechnology company specialising in developing innovative medicines to treat serious illnesses, including cancer, cardiovascular disease, and autoimmune disorders. It focuses on advancing biologics and biosimilars to improve patient outcomes globally.

### Output

Through these activities, Amgen has developed a robust portfolio of over 25 approved medicines and therapies. In 2023 alone, Amgen spent \$4.8 billion on research and development with its treatments reaching over 10 million patients worldwide.

### Outcome

The company's therapies contribute to measurable health improvements. As of February 2023, over 1 million patients have received its drug Repatha, helping to treat high cholesterol and cardiovascular disease. Amgen's focus on precision medicine has led to effective treatment, reducing diseases burdens globally.

### Impact

#### Progress towards SDG 3.4

By 2030, reduce by one third premature mortality from noncommunicable diseases through prevention and treatment and promote mental health and wellbeing.

Contributes to the preventative healthcare impact metric.



## Insight into accessing healthcare

While treating people for disease or offering preventative healthcare is inherently positive, companies' additional impact can be further enhanced.

Foundation Scotland EQ Impact portfolios invest in a number of healthcare companies that present innovative and proven solutions. All can improve the additionality of their positive impact through embracing

leading practices that address unmet needs more effectively. This year we established what "good" looks like.

### Leader examples:



## access to medicine FOUNDATION

The Access to Medicine Foundation is a philanthropically funded organisation that aims to use research and related shareholder engagement to guide the pharmaceutical industry to do more for people in low and middle income countries.

The foundation publishes its Access to Medicine Index every three years, with the next iteration launching at the end of 2024. These results and the ranking of healthcare companies will feature in EQ's next engagement cycle.

EQ has joined the [Access to Medicine Initiative](#) to collaboratively engage with companies on these best practices and continue to accelerate positive change.

## What does good look like?

### Governance of access:

- Board-level responsibility for access to medicine, with links to executive incentives as well as specific region with greatest unmet needs.
- Responsible promotional practices.
- Clear targets and transparent reporting on the access-to-medicine activities and repercussions if targets are not met.

### Research and development:

- Evidence of R&D focused on WHO's priority diseases which are of greatest public health concern.
- Access plans in place for the majority of late-stage pipeline candidates, meaning more people across the world can access clinical trials.
- R&D capacity building in lower income countries.

### Product delivery:

- Leading equitable access and pricing strategies across different countries with lower income classifications, tailored to local administration process
- Responsible intellectual property (IP) which are conducive to creating access to medicine, like non-exclusive voluntary licensing.
- Strong relationships with supranational bodies for in-need procurement and donations (e.g. WHO, UN)

# Social inclusion & empowerment

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

4 QUALITY EDUCATION

Improving access to finance, education and the digital world to reduce inequalities

The Foundation Scotland EQ Impact portfolios invest in education services, companies extending internet and digital access to the underserved, and responsible banks unlocking financial access to underserved customers and small businesses. Alongside this, we invest in social housing and development bank bonds to help address basic needs globally. All of these solutions pave part of the way to address the inequalities that still persist across and within countries.

## Global progress:

**Decent Work & Economic Growth** and **Quality Education** are the eighth and fourth SDGs respectively. Achieving these goals is crucial to achieving reduced inequalities (SDG 10) and empowering individuals to live better quality lives. Advances have been made globally in broadening access to education and financial services for all, and it's imperative to sustain this momentum to reach our 2030 targets.

Global financial account ownership 15+ year olds (SDG 8.10.2)



Data: <https://ourworldindata.org/sdgs/economic-growth>

## Mercado Libre

### Activities



MercadoLibre is Latin America's leading e-commerce and fintech platform. It provides an online marketplace for buyers and sellers of products. It also has its financial services arm Mercado Pago, which provides loans to SMEs and also has a payment platform and wallet solution that allows users to send, receive, and finance payments online.

### Output

In 2023, Mercado Libre provided 45 million loans to entrepreneurs and SMEs. It has grown its user base to 218 million users, a 70 million increase from 2022.

### Outcome

Through a survey conducted by a third party, MercadoLibre discovered that more than 1.8 million families rely on its services for their primary source of income. It contributed to the generation of 234,000 new jobs, and provided access to the first credit offer in more than half of the SMEs surveyed.

### Impact

#### Progress towards SDG 8.10

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

Contributes to the access to financial services metric



## Orange

### Activities



Orange is a global telecommunications provider offering mobile, internet, and data services. It operates across Europe, Africa, and the Middle East, servicing both individual consumers and businesses.

### Output

In 2023, Orange successfully connected a further 6 million people to mobile networks and 500,000 people to broadband services in Europe and the Middle East, ensuring greater access to communication and online services.

### Outcome

3.4 billion people in the world don't use mobile internet despite living in areas with coverage. Orange offers credit facilities in collaboration with financial partners in 6 African countries, to help customers buy mobile devices. In the Ivory Coast, 15% of smartphones purchased in Orange shops in 2023 were done so using this credit.

### Impact

#### Progress towards SDG 9.c

Significantly increase access to information and communications technology and strive to provide affordable access to the Internet in least developed countries.

Contributes to access to mobile networks impact metric



## HDFC Bank

### Activities



HDFC Bank is one of India's largest private-sector banks, offering a wide range of financial products and services. It provides retail and corporate banking, loans, credit cards, wealth management, and digital banking solutions to individuals and businesses.

### Output

HDFC Bank has established over 7,800 branches and 18,00 ATMs, serving more than 90 million customers across urban and rural areas. It has provided 15 million microloans to small businesses and supported financial inclusion by onboarding over 10 million unbanked individuals into the financial system through its literacy programs and products.

### Outcome

The bank's efforts have enabled increased access to credit, with 20% of its loan book dedicated to priority sectors like agriculture and small businesses. This has boosted rural economies, and improved financial security for millions. Enhanced digital adoption has made banking more convenient, with 95% of customer transactions occurring through digital platforms.

### Impact

#### Progress towards SDG 8.10

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

Contributes to the access to financial services metric



# Engagement on human rights in supply chains

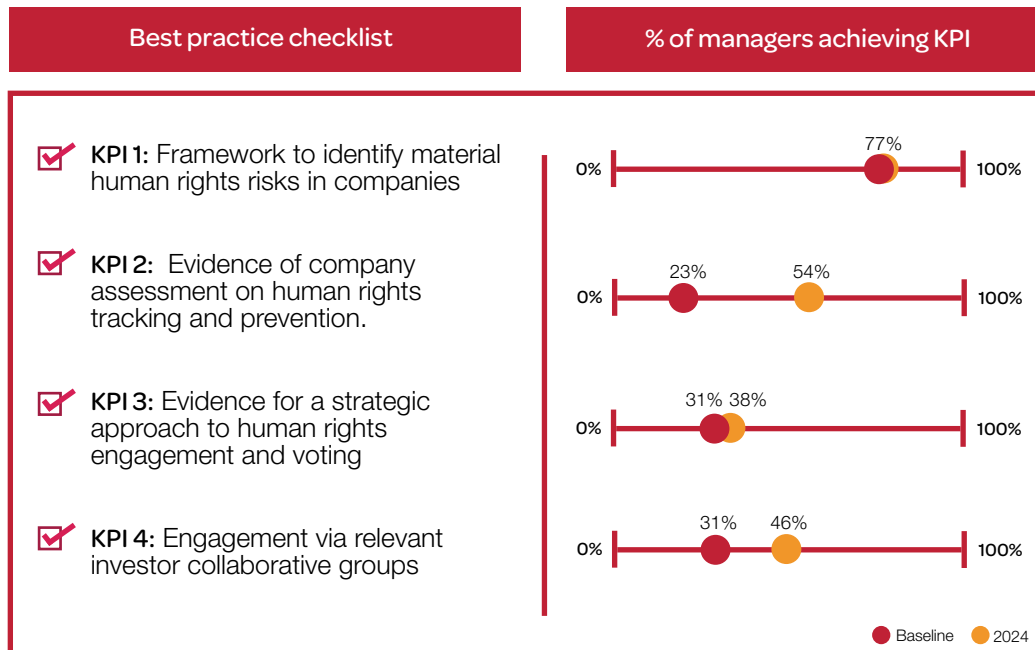
Human rights abuse prevention sounds like a fundamental requirement for sustainable investors, however, the state of the world makes this currently impossible to achieve.

An estimated 50 million people are living in situations of modern slavery, deep in complex supply chains or hidden by obscure labour management. Investors have a role to play to instil better practices and transparency.

This year we engaged with 13 managers on their approach to human rights risks. The

checklist below shows a set of KPIs and reflects what we consider best practice.

The bars show the year-on-year progress of achieving the KPIs for those 13 asset managers in focus.



## World Benchmarking Alliance

We formally support the work of the WBA through using their Corporate Human Rights Benchmark research covering companies' approaches to protecting human rights. This focuses away from simple controversy monitoring to ensuring there are strong prevention measures, transparency and grievance mechanisms in place.



**Stewart Investors**  
Sustainable Funds Group

Our support for Stewart's semiconductor supply chain engagement project continued into another year, engaging with over ten companies and industry bodies. The focus of this collaboration is to engage on better supply chain due diligence and transparency to tackle conflict minerals. This ongoing work is an important lever to increase the positive impact of climate solutions we invest in.

# Solutions to the climate crisis



## Mitigating climate change

The Foundation Scotland EQ Impact portfolios invest in businesses that are actively helping to advance climate mitigation by providing products and services that avoid carbon emissions, and reduce society's dependency on fossil fuels.

This includes the production of renewable energy, grid infrastructure, cleaner methods of transportation and technologies that improve energy efficiency. The portfolios invest in businesses along the value chain, from semiconductors to the final installed product maintenance.

## Greencoat Renewables

### Activities



Greencoat Renewables invests in and manages renewable energy infrastructure, primarily wind and solar assets, across six European markets. Its portfolio currently consists of 39 renewable energy and storage assets.

### Output

In 2023, the company added 332 MW of new installed renewable capacity. This took its total capacity under management to 1.5 GW, which generated 3,754 GWh of renewable energy. Additionally, this year, the company allocated €1.3 million to a range of community fund and social projects.

### Outcome

In 2023, Greencoat Renewables' total installed capacity enabled it to power the approximately 750,000 homes with clean energy, which is equivalent to avoiding 1.3 million tonnes of CO<sub>2</sub> emissions by substituting fossil fuel-based energy sources.

### Impact

#### Progress towards SDG 7.2

By 2030, increase substantially the share of renewable energy in the global energy mix.

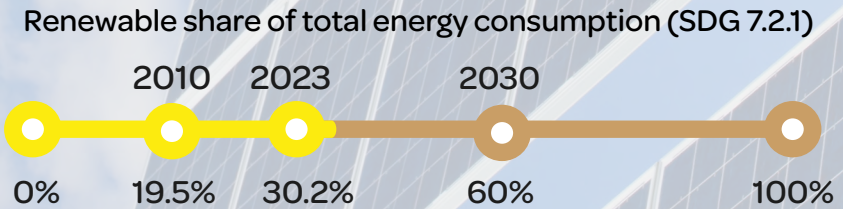


Contributes towards renewable energy capacity impact metric.



## Global progress:

**Ensuring access to affordable and clean energy** is the seventh SDG. While renewables' share in the global electricity mix has improved over the last decades, we still remain behind schedule in greening our grids and investing in the necessary infrastructure to substitute fossil fuel usage. Progressing clean energy capacity and improving energy efficiency are amongst the most proven technologies to mitigate climate change.



Data: [IEA.org](https://www.iea.org), 2024



# Avoiding emissions

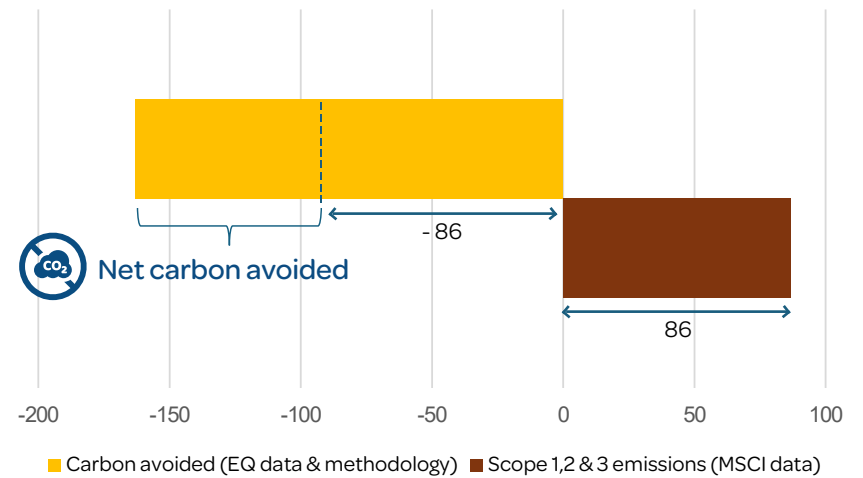
All companies are responsible for some carbon emissions. However, carbon footprinting does not paint the complete picture when assessing the climate contributions of investments.

The Foundation Scotland EQ Impact portfolios invest in businesses whose products and services help to avoid real world emissions, thereby helping to tackle the climate crisis.

Avoided emissions refer to the emissions saved by substituting a product for a greener or more efficient alternative.

The industrial sector represents the largest part of Foundation Scotland EQ Impact portfolios' carbon footprint. However, as shown on the graph, the emissions associated with the industrial companies held in portfolios are significantly outweighed by the emissions their products help avoid. In this case, the overall net climate impact of industrial companies' emissions is positive.

Avoided & emitted CO<sub>2</sub> in the industrial sector



Tonnes of CO<sub>2</sub> equivalent per £1m invested in EQ Positive Impact All Equity (Industrials only)

Source: MSCI, EQ investors

## Carrier Global

### Activities



Carrier Global is a US-based company that manufactures products for heating, ventilation, and air conditioning (HVAC), refrigeration, and fires and security. Its products are designed to improve buildings performance and energy efficiency.

### Output

Carrier Global manufactures heat pumps which can be used as alternatives to electrical heaters and gas boilers and are up to 5 times more energy efficient. It also offers sustainability as a service that helps customers lower their energy usage and achieve their decarbonisation goals.

### Outcome

Carrier Global's technology helped customers avoid 155 million tonnes of greenhouse gas emissions in 2023, highlighting the critical role the company plays in reducing the environmental impact of its buildings through innovative products and services.

Contributes towards carbon avoided impact metric.



### Impact

#### Progress towards SDG 9.4

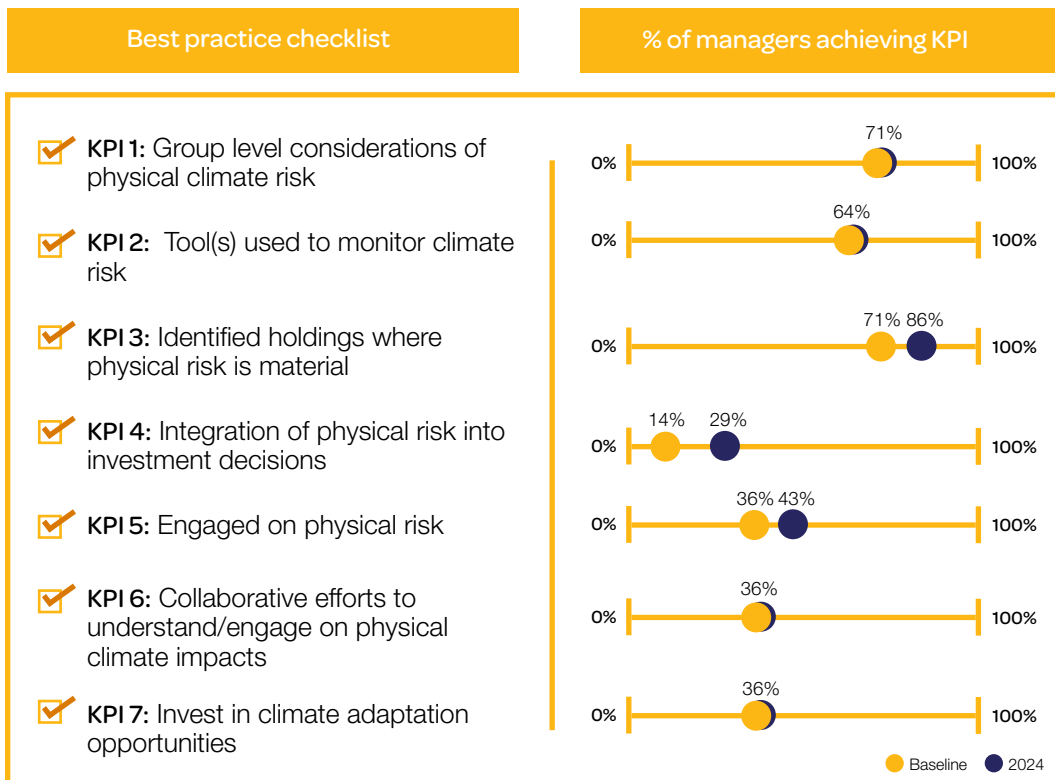
By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

# Engagement on climate risk

Whilst the Foundation Scotland EQ Impact portfolios avoid investing in the largest carbon polluters, we still engage on decarbonisation for specific industries and regions we think are most at risk.

How companies manage physical climate risk is crucial to ensuring long-term value creation and resilience. Climate related disruptions such as extreme weather events are on the rise, and can lead to asset damage, and impacts on operational costs. Despite this relevance to costs and liabilities and thus financial returns, the level

of physical risk integration by investors is still in its infancy. This year we engaged with 14 asset managers on their approach to physical climate risk. The checklist below shows a set of KPIs and reflect what we consider best practice. The bars show the year-on-year progress of achieving the KPIs for those 14 asset managers in focus.



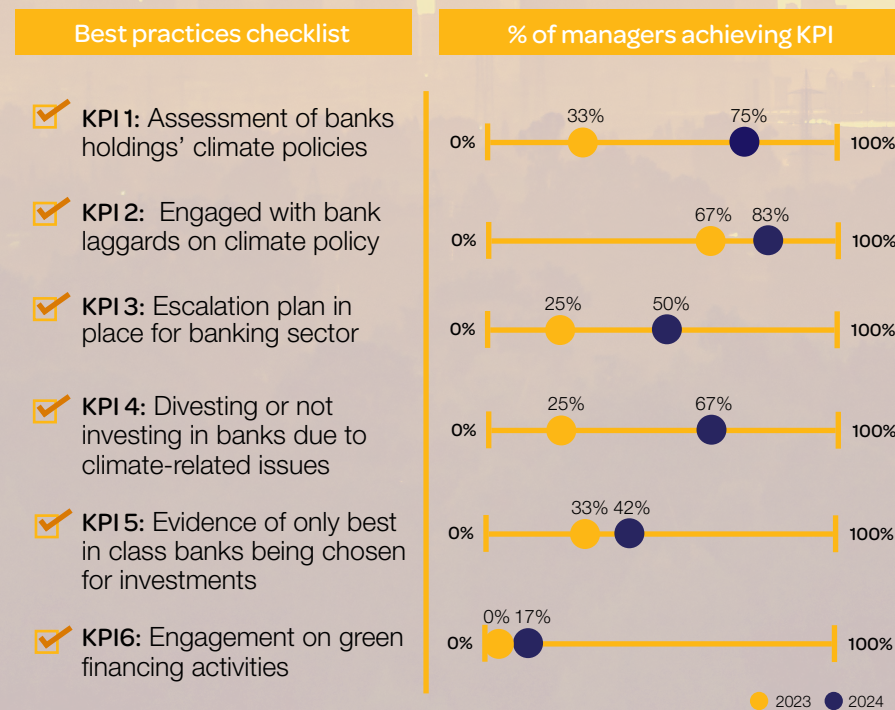
# Take that to the Bank

Banks and their role in climate change remain a key focus for EQ. This year we formally joined ShareAction's investor coalition on UK and European banks.



We directly engaged with HSBC's Head of Sustainability and pushed for greater transparency on emissions linked to the bank's underwriting activities at their AGM. At Standard Chartered AGM, EQ raised a question regarding the bank's green financing. While their disclosures on green financing are strong, they have yet to set a target for increasing this year on year.

This year we engaged with 12 managers on their approach to banks' climate policies. The checklist below shows a set of KPIs and reflect what we consider best practice. The bars show the year-on-year progress of achieving the KPIs for those 12 asset managers in focus.



# Biodiversity preservation



## Investing in natural capital protection

The Foundation Scotland EQ Impact portfolios invest in companies providing solutions that prevent pollution and that are involved in the circular economy. These activities help eliminate the need for new raw material extraction and associated environmental harms.

Some impact opportunities also exist in restorative conservation programmes, such as through green bonds.



## Veolia Environment

**Activities**



Veolia Environment provides solutions for sustainable resource management, including water treatment, waste recycling, and energy efficiency aiming to enhance environmental sustainability and reduce carbon footprints.

**Output**

In 2023, Veolia was active across the waste management hierarchy by safely collecting waste, while recycling 465,000 tonnes of it into new materials. The company also safely treated 4.6 trillion litres of water, preventing freshwater pollution.

**Outcome**

Veolia's waste management diverts landfill waste into energy generation and provides masses of uniform recycled material for circular product development. Notably, Veolia also invested in advanced recycling technologies, reducing contamination and improving the quality of recovered resources, enabling circular product design.


**Impact**

**Progress towards SDG 12.5**

By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.



Contributes towards recycled tonnes of waste metric.



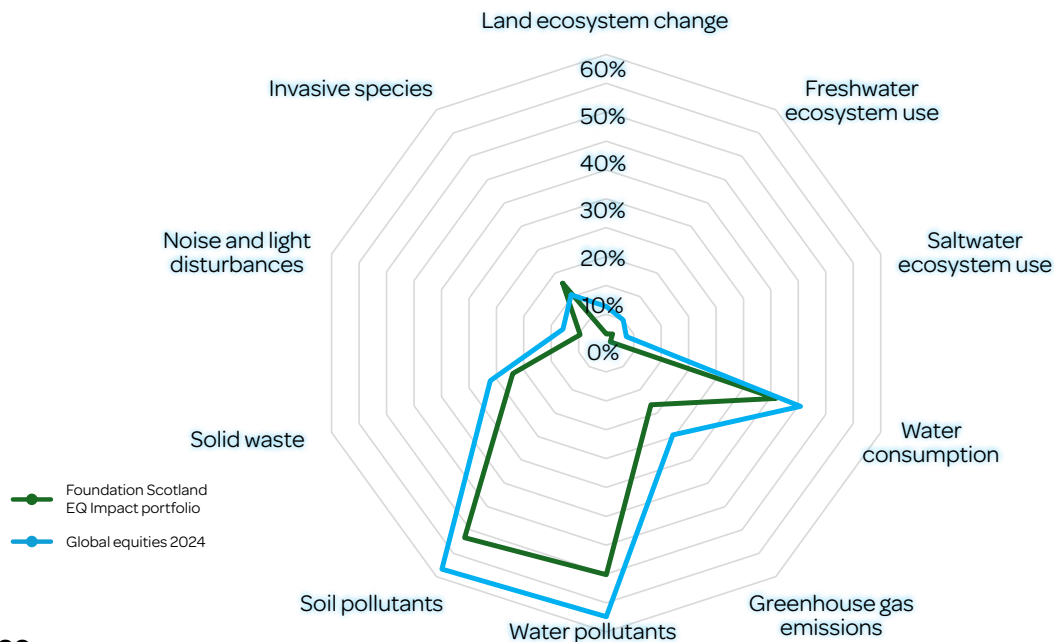
# Biodiversity risk management

While the Foundation Scotland EQ Impact portfolios avoid some of the greatest drivers of biodiversity, we recognise that biodiversity risk can be indirect.

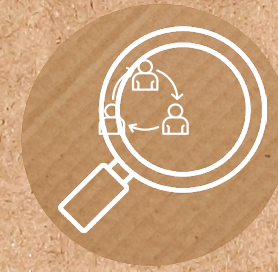
To understand and act on this risk we continue to assess holdings within the Foundation Scotland EQ Impact portfolios on their exposure to potential material biodiversity impacts. To do this, we use the ENCORE dataset, summarising hundreds of academic papers.

The Foundation Scotland EQ Impact portfolios exhibit lower exposure to

companies operating in industries with high biodiversity impact risks compared to global equities. This comes in part as a result of our avoidance of key drivers of biodiversity loss like mining, animal farming, and extractive activities. Where a high-impact risk is identified, it is crucial that the company manages this risk and minimises its contribution.



Graph source: ENCORE, SBTN 2024



## AGM attendance

EQ used AGM attendance to elevate findings of the biodiversity assessment for relevant companies.

# CRODA

At Croda, a UK based chemicals company with a focus on replacing fossil-fuel with bio-based inputs, EQ asked the company's board to commit to near-term responsible sourcing targets for key ingredients to prevent any potential deforestation or land risks.



At DS Smith, a UK based cardboard packaging company with in-house recycling but also dependent on certified paper pulp, EQ asked the company's board to commit to more specific biodiversity regeneration targets.

# Engagement on biodiversity risk

Biodiversity and nature impacts are no longer separate to the investment case.

These are becoming more financially material based on reputational damage and regulatory pressures on assuring deforestation-free supply chains.

This is the third year EQ has engaged on biodiversity with managers.

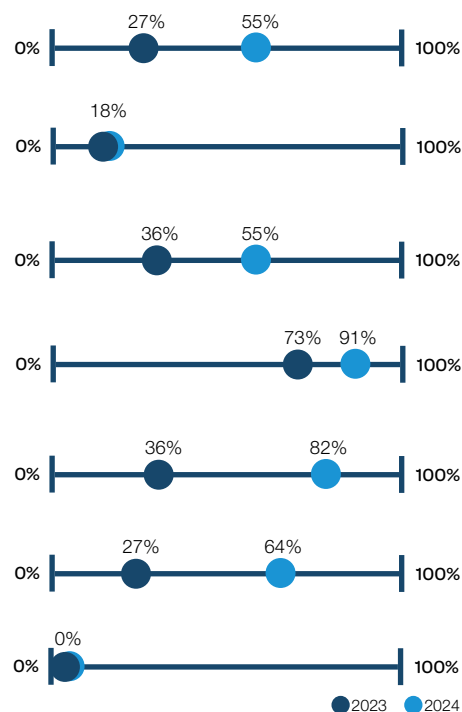
This year we engaged with 11 managers on their approach to biodiversity risk. The checklist below shows a set of KPIs and reflects what we consider best practice. The bars show the year-on-year progress of achieving the KPIs of those 11 asset managers in focus.



## Best practice checklist

- KPI 1:** High level deforestation/ biodiversity policy at company level
- KPI 2:** Reporting in line with Taskforce for Nature-related Financial Disclosures (TNFD)
- KPI 3:** Evidence of top-down company biodiversity risk assessment using ENCORE academic framework
- KPI 4:** Evidence for biodiversity integration in fund stock assessment and subsequent engagement
- KPI 5:** Engagement via relevant investor collaborative groups
- KPI 6:** Dedicated strategic biodiversity risk engagement theme and reporting
- KPI 7:** Positive biodiversity impact measurement and targets

## % of managers achieving KPI



### Collaborative engagement: Spring

This year, EQ joined a new collaborative engagement group, Spring, with the aim to help halt and reverse global biodiversity loss by 2030 in line with international commitments. We actively support the engagement with two companies, Reckitt Benckiser (their products include key deforestation risk ingredients like palm, and paper pulp) and Banco Bradesco (largest private bank funding Brazilian agri-business linked to deforestation risk).




In the coming months our groups will engage with the companies with the objective to instil strong biodiversity risk strategies, including across their supply chains, and to engage to align their political association and lobbying activities with the aim to halt biodiversity loss.

# Monitoring shareholder voting ambitions

Every shareholder gets the power to attend and to vote at the annual general meetings (AGMs) for the companies they own. AGMs can provide a window for activism, and one for very direct impact.

EQ invests in funds managed by asset managers that have specific pockets of expertise in their field. We believe it is important to monitor and encourage ambitious stewardship. Despite the importance of proxy voting data, EQ has found that it is difficult to obtain and unstandardised.

EQ has now obtained and assessed the voting records of over 20 asset managers across 600 social and environmental shareholder resolutions between 2023 and 2024.

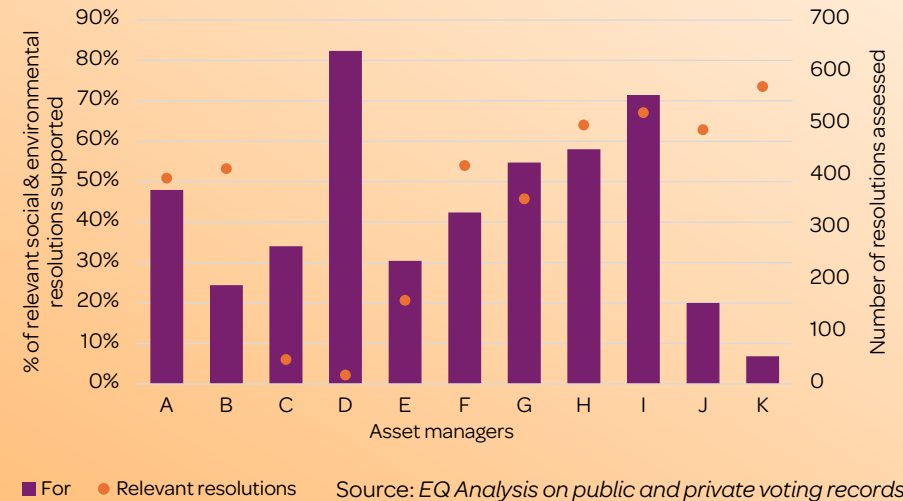
We believe EQ are amongst the first in the market to do this extensive analysis to hold asset managers to account.

These shareholder resolutions ranged from gender pay gap reporting, to requesting climate strategies, to disclosing plastic pollution or sales of unhealthy food. The aim of most is to improve the material ESG practices of companies and protect them from risks ahead, although the quality of the resolutions do vary.

Our assessment goes beyond the specific fund we support, to look at the entire company's impact through their voting activity.

## The findings

Overall, looking at the asset managers in the Foundation Scotland EQ Impact portfolios, their average rate of support for social and environmental shareholder resolutions has reduced year-on-year, from 57% to 43% (22-23 vs 23-24 season).



While disappointing to see, this is in line with a general trend of reduced shareholder resolution support but still well above the market average: the [UN PRI](#) estimates 21.6% average support rate only. Resolution support has dropped as they are more prescriptive, and US-based managers are facing litigation cases based on wrongly politicised ESG. We believe this trend needs to reverse.



### Conclusion

EQ is now using these detailed records and our assessments to engage strongly with managers on their voting, with the ambition to lift standards across the industry. Voting can move companies' ESG improvement forward rapidly, and we want to have a direct impact on using this lever of change.

# About EQ

EQ Investors was set up as a values-led investment management company, being one of the UK's first Certified B Corporations and owned by The EQ Foundation, our registered charity, and our staff. This means we can manage our business for all stakeholders, and this is locked into our constitutional articles.

## Verified sustainability leadership

As a Certified B Corporation we undertake a regular, in-depth assessment of our company's impact on all our key stakeholders – including our clients, employees, local community and our impact on the environment. This is verified and audited by the independent B lab.

We are currently among the highest scoring B Corp's in the UK. To learn more about the B Impact Assessment and to view ours online, visit [bcorporation.uk](https://bcorporation.uk).



## Designed to give

EQ Investors is 20% owned by our sister charity, the EQ Foundation. Being part owned by a charity means that a proportion of our profits will always go towards supporting good causes.



The EQ Foundation is transforming giving in the UK by making grants to impact focused charities and by creating new initiatives for the charitable sector such as Giving is Great.

Visit [eqfoundation.org.uk](https://eqfoundation.org.uk) to learn more.

## Climate action

[EQ has a net-zero commitment](#) by 2030 across its business operations, aligned with the SME Climate Hub and UN Race to Zero standards.

We measure our own Scope 1, 2 and 3 emissions footprint every year, and our EQ Net-zero working group implements reduction strategies over time. We have committed to purchase carbon credits to cover any residual emissions annually.



## Our employees

As a staff-owned business, creating an inclusive culture is paramount to our success. We are an accredited Living Wage employer, we continue to embrace new employee benefits, and our Diversity, Equity and Inclusion working group seeks regular feedback.



Furthermore, in 2023 we re-committed to a higher target through the Women in Finance Charter, targeting 40% female representation in senior management by 2026.



We continue to attract diverse talent through our partnerships with 10,000 Black interns programme, and Resurgo Spear programme.



*"Invest to make a positive impact on the world."*

*Louisiana Salge, Head of Sustainability*



# Foundation Scotland

**Certified**



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Past performance is not a guide to future performance. The value of investments and the income derived from them may go down as well as up, so you could get back less than you originally invested.

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