Douglass Winthrop Advisors
Sustainable Equity Strategy

2023 Impact Report

May 30, 2024

Contents

Executive Summary

The Douglass Winthrop Advisors (DWA) Sustainable Equity Strategy Impact Report provides portfolio statistics, company-specific impact highlights, and shareholder engagement efforts that are relevant to the environmental impact associated with portfolio holdings in 2023. This annual report covers ownership positions across that year, at their average weightings, and does not reflect the effect of portfolio changes made in 2024.

At Douglass Winthrop, we integrate environmental factors into the fundamental analysis and investment process of our Sustainable Equity Strategy. We believe that financial outperformance and favorable impact on the environment are often compatible and mutually reinforcing – and both are important to us. As such, we take a "double materiality" approach. In cases where we believe financial vs. environmental tradeoffs are unavoidable, our model allows us to simply avoid investing. This selectivity is one of the benefits of high conviction, high concentration investing.

In this report, we first provide an overview of policy change and implementation in 2023, in the U.S. and globally, including boldface reference to portfolio companies we expect to be affected and those we expect to be beneficiaries. This section further covers how policy and cost reductions boosted rates of clean energy deployment, as well as evidence of the rising costs of inadequate action.

We then proceed to discuss our "active ownership" efforts to engage our portfolio companies through letters, dialogue and proxy voting. Our engagement efforts arise from the conviction that stronger environmental performance is systemically important for human and ecosystem thriving, and will translate into better financial and shareholder performance for our portfolio companies. In 2023, we engaged Waste Management and Autodesk.

Next we provide sustainability highlights for an illustrative selection of our companies. This year, we highlight Airbus, Amazon, Aon, Deere and ThermoFisher. Following these highlights, we provide links to the sustainability assessment reports of all of our portfolio companies across 2023. These reports have tended to become more detailed and sophisticated with each passing year, as management teams have embraced and tackled the sustainability challenge and as scrutiny by customers, NGOs and regulators has grown. We commend them to you as compelling further reading.

Finally, we offer a range of impact statistics on our portfolio produced mostly in accordance with MSCI ESG's methodologies and tools. While we believe such data aggregators often miss important factors that we consider in our proprietary investment and stewardship work, we also recognize that many clients value an independent third-party assessment. Here are some highlights from those statistics:

- Based on MSCI's ESG ratings, the DWA Sustainable Equity Strategy's weighted **E score was 6.8 out of 10, higher than S&P 500** and tied with the MSCI World and MSCI SRI's Environment Score.

- Consistent with our fossil fuel policy, MSCI ESG's ratings confirm that **our portfolio held 0% fossil fuel reserves, lower than all the three reference indexes** including MSCI SRI. Our Strategy also held zero high-impact fossil fuel reserves, whereas even MSCI SRI has a small amount.

- Our companies withdrew less water from the communities in which they operate per unit of sales (i.e., water withdrawal intensity, measured in cubic meters per million in sales). Our water intensity was just over one-third of S&P 500 average, and less than half of MSCI SRI and MSCI World.

- Out **of our 37 companies held for some or all of 2023, 29 (or 78%) were aligned or strongly aligned to at least one of the nine Sustainable Development Goals** (SDGs) that are most relevant to our Strategy because of their principally environmental content, in the estimation of MSCI. Our three highest exposures were as follows:

    - 56.9% of our companies were aligned to SDG 12 – Responsible Consumption & Production
    - 39.6% of our companies were aligned to SDG 13 – Climate Action
    - 36.8% of our companies were aligned to SDG 7 -- Affordable and Clean Energy

- MSCI's six categories of positive impact on the environment are: (1) alternative energy; (2) energy efficiency; (3) green building; (4) sustainable water; (5) pollution prevention; and (6) sustainable agriculture. Overall, **4.9% of revenue from our portfolio companies contributed to one of MSCI's six categories, higher than all three of our reference benchmarks**. However, applying our own proprietary framework to adjust the share of revenues we deem as aligned to MSCIs six categories, as well as adding "climate adaptation" as an eligible solution (in this, we align with the EU, which counts adaptation as one of the six categories in its EU Taxonomy for Sustainable Finance), our **environmental impact solutions revenue rose to 18.6%.**

- **Our Climate Value at Risk (cVaR) was -4.9%, indicating lower climate risk exposure than all three of our reference indexes**, which range from -10.0% to -13.1% depending on the index.

- Using MSCI's analytic tool, our portfolio is associated with an **Implied Temperature Rise of 2.13°C, a slight worsening from last year's ITR of 2.0°C.** This indicates that, based on MSCI's tool, our portfolio is not contributing its proportional share of the global carbon budget, and if everyone exceeded their fair shares by a similar proportion, the result would be a global temperature increase of ~2.13°C by 2100 as sought in the Paris Agreement.

    - 43.2% of our companies within the portfolio align with the goal of limiting temperature increase to below 2.0°C, again using MSCI's tool.
    - 19.4% of our companies align with limiting temperature increase to below 1.5°C, which the UN's Intergovernmental Panel on Climate Change (IPCC) has deemed necessary to limiting risks of severe climate change impacts.

We hope that clients enjoy this report, and if you are not currently invested with us and would like more information, please do not hesitate to reach out.

Policy Change in 2023

U.S. Policy

In the United States, the implementation of the Inflation Reduction Act (IRA), passed in August 2022, began to be translated into actionable rules and incentives, and to show tangible effects in 2023.The landmark legislation represented the largest ever U.S. investment in climate action, allocating a projected $369 billion for clean energy and climate initiatives. Public and private sector investments driven by the Inflation Reduction Act and the Bipartisan Infrastructure Law together are expected to reduce greenhouse gas emissions by approximately 1 billion tons in 2030.

In terms of implementation progress in 2023, the Treasury Department and IRS guidance on more than 50 IRA provisions, including:

- Proposed guidance on the Section 30D Clean Vehicle Credit
- Guidance on Section 45X Advanced Manufacturing Production Tax Credit
- Guidance on direct pay provisions (a provision that allows certain tax-exempt entities to receive a direct payment from the IRS equal to the amount of specific clean energy tax credits, regarded as a game-changing feature of the IRA because it enables entities that previously couldn't benefit from tax credits to participate in and drive clean energy initiatives)

By August 16, 2023, on the one-year anniversary of the signing of the IRA into law, the Biden Administration announced that the private sector has announced more than $110 billion in new clean energy manufacturing investments, including more than $70 billion in the electric vehicle (EV) supply chain and more than $10 billion in solar manufacturing.[1] Portfolio beneficiaries: **Aptiv**, **Siemens**, **Schneider Electric**, **United Rentals**. Outside groups estimated that investments in clean energy and climate since the Inflation Reduction Act was signed into law had already created more than 170,000 jobs.[2] The Administration had awarded over one billion dollars to help communities become more resilient to climate change impacts, including drought, heat, and extreme weather. Portfolio beneficiaries: **United Rentals, Carrier, Trane**.

The Biden Administration continued to push for achieving a carbon pollution-free power sector by 2035 and a net-zero emissions economy by 2050. Portfolio beneficiaries: **SolarEdge**, **NextEra Energy**, **Brookfield Asset Management**. It released a National Innovation Pathway Report, outlining strategies for accelerating key clean energy technology innovations, including increasing R&D on advanced nuclear reactors, green hydrogen production, and long-duration energy storage.[3]

Other Administration initiatives were supportive of climate mitigation.

- Permitting reforms: In April 2023, the Biden Administration announced new permitting reforms aimed at accelerating clean energy projects and transmission lines, including setting firm timelines for environmental reviews. Portfolio beneficiaries: **NextEra Energy**, **Brookfield Asset Management**.

- Methane Emissions Reduction: The Biden administration launched initiatives in 2023 to cut methane emissions, a potent greenhouse gas, from the oil and gas industry as well as agriculture.

This included proposing stronger regulations on methane leaks.

- Amazon Forest Protection: At the Major Economies Forum in April 2023, the U.S. joined the Forest and Climate Leaders' Partnership to mobilize support for protecting the Amazon rainforest and other critical forests from deforestation.

- Increased Climate Finance
    - The U.S. provided $1 billion to the Green Climate Fund in 2023, bringing its contributions to $2 billion to help developing countries mitigate and adapt to climate change.

- High profile setbacks also occurred in 2023 slowing the pivot to clean energy, such as approval of the Willow oil drilling project in Alaska in March 2023, despite Biden campaign promises to halt new drilling on federal lands.

The Bipartisan Infrastructure Law, enacted in 2021, continued its implementation in 2023. Portfolio beneficiaries: **Autodesk**, **United Rentals**, **Trimble**, **Brookfield Asset Management**. It provided $50 billion for climate resilience, including significant investments in wildfire risk reduction, ecosystem restoration, and the establishment of regional hubs for direct air capture of carbon dioxide.

The Securities and Exchange Commission (SEC) made progress on finalizing rules requiring companies to disclose their climate-related risks and greenhouse gas emissions, signaling a shift towards greater transparency and accountability in corporate climate action.

However, despite these efforts, projections indicated that the U.S. would need to implement additional policies to reach its 2030 and long-term targets. U.S. greenhouse gas emissions declined by 1.9% in 2023 compared to 2022 levels.[4] This decline occurred despite economic growth of 2.4% over the same period. Key factors contributing to the emissions reduction in 2023 were:

- An 8% drop in emissions from the power sector, driven by a continued transition away from coal towards natural gas and renewable energy sources.[4]

- A 4% decrease in emissions from residential and commercial buildings, due in part to a relatively mild winter requiring less heating.[4]

- However, emissions increased in some sectors:
    - Transportation emissions rose by 1.6%, primarily due to an increase in air travel.[4]
    - Industrial emissions increased by 1% as a result of higher domestic oil and gas production.[4]

While the 1.9% emissions decline in 2023 is directionally correct, it was far from adequate, speaking to the need for much more substantial reallocation of investment and effort toward climate change mitigation. We will need steep annual emissions reductions, averaging around 6.9%, from 2024-2030 for the U.S. to meet its Nationally Determined Contribution (NDC) target of reducing emissions 50-52% below 2005 levels by 2030.

The Climate Action Tracker projected that U.S. greenhouse gas emissions were on track to reach

between 4.6–5.4 Gt CO2e in 2030 (29%–39% below 2005 levels). This is based on a projected annual, average decline of 1.7%–3.9% per year, excluding emissions from land use, land use change and forestry (LULUCF).[5]

The stakes are high and the impacts increasingly evident to Americans, creating the potential for policy and corporate action to intensify. In 2023, the United States experienced a record-breaking 28 separate weather and climate disasters costing at least $1 billion each, with a total price tag of at least $93 billion. These events included severe storms, floods, droughts, and wildfires, affecting millions of Americans and causing significant economic disruption.

Global Policy

On the global stage, 2023 saw several significant developments. The European Union officially started enforcing its Carbon Border Adjustment Mechanism (CBAM) on October 1, 2023. This groundbreaking policy aimed to harmonize EU imports with its domestic carbon pricing system, effectively putting a price on the carbon emissions associated with imported goods. The CBAM entered into its transitional phase on October 1, 2023, which will run until December 31, 2025. During this transitional phase, importers are subject to reporting obligations but not yet to financial obligations. The full implementation of CBAM, including financial obligations, is set to begin on January 1, 2026. The CBAM sparked discussions in other countries, including the U.S., about the relationship between trade systems and decarbonization efforts, potentially paving the way for similar measures globally. Portfolio beneficiaries: **L'Oreal**, **Airbus**, **Siemens**, **Schneider Electric**.

The year also witnessed promising advances in global environmental multilateralism. At the UN Environment Assembly in 2022, countries had agreed to tackle the triple planetary crisis of climate change, nature and biodiversity loss, and pollution and waste.[6] On September 30, 2023, the Global Framework on Chemicals was agreed. It set out 28 targets aimed at improving the sound management of chemicals and waste. Portfolio beneficiaries: **Waste Management**. Governments committed to creating, by 2030, a regulatory environment to reduce chemical pollution and implement policies to promote safer alternatives. The framework calls for, by 2035, a phase-out of highly hazardous pesticides in agriculture where risks have not been managed and safer alternatives are available. Portfolio impacts: **Deere**, **Waste Management**, **Trimble**. The Global Plastics Treaty negotiations also made significant progress in 2023, with countries agreeing on the need for a legally binding instrument to address plastic pollution. Portfolio beneficiaries: **Ball Corp**., **L'Orea**l.

With respect to biodiversity, the implementation of the Kunming-Montreal Global Biodiversity Framework, adopted in December 2022, began in earnest in 2023. This framework set ambitious targets for biodiversity conservation, including protecting 30% of the planet's lands and oceans by 2030. Throughout 2023, countries worked on developing national biodiversity strategies and action plans aligned with these global goals. Portfolio impacts: **Nestle**, **L'Oreal**, **Deere**.

The 2023 United Nations Climate Change Conference (COP28) was held in Dubai, United Arab Emirates from November 30 to December 12, 2023. While headlines suggested progress was made, sophisticated long-time climate observers felt the outcomes did not go far enough to catalyze the transformative action needed. Tensions remained over issues like climate finance, fossil fuel phase-down timelines, and equity in sharing the mitigation burden. There were several key outcomes from the COP:

- First Global Stocktake Concluded: COP28 concluded the first “Global Stocktake”, a two-year process to assess the world's collective, updated progress towards the goals of the Paris Agreement. The Stocktake found generally that mitigation progress has been insufficient, noting a significant "emissions gap" between current national climate plans (NDCs) and the pathways needed to limit global temperature rise to 1.5°C above pre-industrial levels.
    - Not on track: Specifically, global greenhouse gas emissions in 2030 are projected to be 20.3-23.9 billion tons, higher than the level required for a 1.5°C pathway. To align with 1.5°C, emissions will need to be reduced by 43% from 2019 levels by 2030, 60% by 2035, and 84% by 2050.
    - Transformational Solutions Needed: The Stocktake noted that urgent system-wide transformations need to be taken without any further delay, including rapidly phasing out unabated fossil fuels, scaling up renewable energy, transforming transport and industry, and reducing non-CO2 emissions like methane.
    - Fossil Fuels Explicitly Addressed for First Time in COP statement: For the first time in COP history, the final decision text explicitly mentioned fossil fuels, calling for accelerated efforts to phase down unabated fossil fuel use. Some regarded this as a significant breakthrough after years of opposition from major oil and gas producers, though others noted it was egregiously belated.
    - Loss and Damage Fund: One of the major achievements was the operationalization of the Loss and Damage Fund, which was established at COP27 in 2022 to provide financial assistance to vulnerable countries dealing with the impacts of climate change. Details were agreed upon for the fund's governance structure, operating modalities, and funding arrangements.
    - Climate Finance: No new quantified climate finance goals were set, though COP28 reaffirmed the $100 billion annual target for 2024-2025 and urged developed countries to meet the shortfall in previous years. Discussions also began on setting a new collective quantified goal post-2025.
    - Mitigation Work Program Launched: A two-year Mitigation Work Program was established to identify ways to rapidly scale up emissions reduction efforts by 2030 to align with the 1.5°C pathway. This aims to strengthen national climate plans (NDCs).

Globally, climate change indicators were flashing alarm bells throughout 2023. It was confirmed as the hottest year on record by a clear margin. The global average temperature was 1.48°C above the pre-industrial baseline, dangerously close to the 1.5°C threshold that scientists warn could lead to catastrophic and irreversible climate impacts. This record-breaking heat was accompanied by unprecedented wildfires in Canada, severe droughts in East Africa, and devastating floods in various parts of the world.

These events highlighted the increasing need to focus on climate-resilient infrastructure and adaptation

strategies. The rising costs of billion-dollar disasters likely reflect the influence of human-caused climate change on the frequency and intensity of extreme weather events. In response, many countries, including the U.S., began to prioritize adaptation measures in their climate policies, recognizing that some degree of climate change is now unavoidable. Portfolio impacts due to climate adaptation: **Carrier**, **Trane** in relation to extreme heat; **Danaher**, **ThermoFisher** in relation to climate-sensitive disease; **United Rentals, Generac** in relation to post-disaster recovery and reconstruction; and **Intuit**, in relation to decentralization / localization initiatives (see Jeremy Rifkin's Age of Resilience and shift to a glocalization paradigm with decentralization progressing beyond the internet and renewable distributed generation to other sectors, as well as bio-regional governance augmenting nation-state sovereignty

At the same time, the renewable energy transition continued to gain momentum, with global renewable energy capacity growing dramatically. Total global renewable energy capacity reached approximately 3,870 gigawatts (GW) in 2023, an increase of ~14% compared to 2022.[7] The world added 507 GW of renewable capacity in 2023, which is almost 50% higher than in 2022.[8] This included:

- Solar photovoltaics (PV): increased by 346 GW globally in 2023. In the United States, a record 31 GW of solar energy capacity was installed, a 55% increase from 2022.
- Wind Energy: Global wind capacity grew by 13%, reaching 1,017 GW by the end of 2023. In the U.S., wind had more modest growth of about 8 GW in 2023.

Perhaps most significant as an indicator of the accelerating energy transition, renewable energy accounted for 86% of all new power capacity additions globally in 2023.[9] In the U.S., clean power (including renewables and storage) added 33.8 GW of new utility-scale projects, surpassing the previous record by 12.5%. Portfolio beneficiaries: **SolarEdge**, **NextEra Energy**, **Trimble**, **Brookfield Asset Management.**

Nonetheless, China demonstrated its continued strategic determination to dominate the global renewable industry, scaling up its manufacturing base and leading the world in deployment. In 2023, China added around 266 GW of renewable capacity in 2023 (200 GW solar + 60 GW onshore wind + 6 GW offshore wind). This means that China accounted for approximately 52% of the world's new renewable capacity of 507 GW in 2023.

How We Map the Investable Solutions

The DWA E-Map is our proprietary tool for mapping the investable universe for the Sustainable Equity Strategy. It comprises our Strategic Roadmaps for the nine investable categories below, including for each: Total Addressable Market, profitability levels across the value chain, category leaders and disruptors, forecasts of changing axes of competition (drawing on key experts, futurists, and our own assessments), quality and defensibility of technology IP in each vs. commoditization pressures, level of capital formation, regulatory progression and changing consumer/customer expectations. The E-Map includes narrative and spreadsheet maps of the categories and are continuously updated as we reassess each category based on new information and insights. Note that we make no internal or external commitments to include or maintain exposure to all nine of the categories of the E-Map through our holdings at any given time. We have thematic flexibility to vary our portfolio exposure based on our integrated assessments of the economic fundamentals and the E-thesis for our current and prospective

holdings. The nine categories are:

1. Sustainable Transport: Vehicles are being electrified, enabling lower emissions and digital business models from sharing to autonomy.
2. Renewables: A multi-decade shift from fossil fuels to renewables + storage is still "early innings" from utility-scale to distributed generation.
3. Food, Fisheries & Sustainable Ag: Precision agriculture will reduce input and regenerate soils, sequestering carbon and boosting food security, as consumer dietary expectations also evolve.
4. Smart Buildings & Cities: Net zero buildings & factories feature IoT intelligence, lighting, HVAC and motors, renewable materials and on-site power, while cities are digitalized for low-carbon efficiency and quality of life.
5. Water Quality & Efficiency: Water stress is driving investments in water technology and infrastructure.
6. Waste, Materials & Industrial Decarbonization: Materials innovation and circular design of products & packaging are changing waste flows & management.
7. Environmentally Related Human Health: Natural, low-toxicity personal care & home care products gain share while the healthcare system prepares for climate-induced increases in vector-borne disease.
8. Sustainable Finance: Ratings firms and ESG indices are crucial referees of climate-induced asset re-pricings, risk transfers and sustainable investment flows to a low-carbon economy.
9. Sustainable Data: AI is boosting eco-efficiency by enabling dematerialization, modeling, transparency & embedded intelligence.

DWA E-Map vs. the UN Sustainable Development Goals

Source: https://sdgs.un.org/goals

The UN Sustainable Development Goals (SDGs), adopted in 2015, include 17 goals, each supported by specific targets and indicators, that constitute one of the most influential and widely referenced strategic roadmaps for the planet's joint developmental and environmental future.[10] Companies and investment managers often use the SDG framework to categorize the impact of their portfolios, and sometimes to quantify it. The nine categories in our DWA E-Map broadly align with nine of the SDG goals: 3, 6, 7, 9, 11, 12, 13, 14, 15. See below for a diagram of their cross-mapping. Some companies' products and services apply to multiple SDGs and multiple DWA E- Map categories.

	1. Sustainable Transport	2. Renewables, Storage & Grid 2.0	3. Food, Fisheries & Sustainable Ag	4. Smart Buildings & Cities	5.Water Quality and Efficiency	6. Waste, Materials Circularity & Industrial Decarbonization	7. Environmentally Related Human Health	8. Sustainable Finance	9. Sustainable Data
SDG 3	√		√		√		√	√	√
SDG 6					√		√	√	√
SDG 7		√						√	√
SDG 9		√		√		√		√	√
SDG 11				√				√	√
SDG 12			√			√		√	√
SDG 13	√	√		√				√	√
SDG 14			√					√	√
SDG 15			√	√		√	√	√	√

DWA E-Map vs. Our 2023 Holdings

	E-Solution or E-Advantag	1. Sustainable Transport	2. Renewables, Storage & Grid 2.0	3. Food, Fisheries & Sustainable Ag	4. Smart Buildings & Cities	5.Water Quality and Efficiency	6. Waste, Materials Circularity & Industrial Decarbonizati	7. Environmentally Related Human	8. Sustainable Finance	9. Sustainable Data
Airbus	EA	√								
Alphabet	EA	√	√	√	√			√		√
Amazon	EA	√								
AON Plc	EA								√	
Apple	EA						√	√		
Aptiv PLC	ESP	√								
ASML	EA									√
Autodesk	EA				√	√	√			
Ball	EA						√			
Brookfield Asset Management	ESP	√	√							
Carrier	ESP				√					
Costco	EA			√						
Danaher	EA			√		√		√		
Deere	ESP	√		√						
Generac	ESP		√							
Goldman Sachs	EA								√	
Intuit	EA									√
L'Oreal	EA						√	√		
Microsoft	EA		√	√						√
Moody's	EA								√	
Nestle	EA			√						
NextEra Energy	ESP		√							
Nike	EA						√			
S&P Global	EA								√	
Salesforce	EA									√
Schneider Electric	ESP				√		√			
Siemens	ESP	√			√		√			
SolarEdge	ESP		√							
Starbucks	EA				√		√			
Taiwan Semi	EA									√
Thermo Fisher	EA			√		√		√		
Trane Technologies	ESP			√	√					
Trimble	ESP	√		√	√	√				
Uber	EA	√								
United Rentals	EA						√			
Veralto	ESP					√				
Waste Management	ESP						√			

Portfolio Impact Statistics

We now move to the portfolio statistics section of this impact report. Here our proprietary views take a back seat, because we want to offer clients statistics based on an independent source, a "referee" of sorts. We subscribe to MSCI's ESG data services. We have found their coverage of our investable universe to be robust, their data often illuminating and well organized, and their tools useful. We know and value the MSCI analysts and interact with them regularly as their methodologies continue to evolve. We use MSCI's service for ongoing research support and "sanity checks" and to provide tools for efficiently informing portfolio watchlists in our investment funnel and for producing statistics such as those we share below.

It is important to note upfront that while we use MSCI as an originator and aggregator of relevant insights, we never rely on its final ratings to drive our investment decisions. Instead, we use our own proprietary E-Assess tool, which imports information from MSCI ESG and a diverse set of third-party data sources, including "watchdog NGOs" operating largely outside of the financial markets, and then elicits and structures our own qualitative and quantitative judgments on various dimensions of a company's environmental performance, and the materiality of that performance for its operating and financial results. Importantly, this also produces an independent view of a given company that will typically vary from MSCI ESG's scores and grades, as well as from the thousands of other investment professionals using those MSCI outputs.

Some of the limitations we see in MSCI ESG data are:

- MSCI's top-level grades combine Environmental, Social and Governance factors in varying weights (though they do allow the user to also see the E scores in isolation (as you'll see in the portfolio statistics below)). We focus primarily on the E, which is where our differentiated expertise lies, and our own qualitative judgment on the materiality and investment relevance of any particular E factor often varies from MSCI's.

- MSCI data is especially focused on providing a snapshot of a company's current environmental metrics, though it also compiles and assesses forward-looking data on corporate policies, targets, scenarios, opportunities and risk exposures. Our MSCI-derived statistics primarily reflect the former (e.g., carbon intensity), but our investing is informed more by the latter, including proprietary insights we develop about where we believe a company is heading in the short-, medium- and long-term. Relatedly, we often find investment opportunity in "improver" companies that are commencing a credible improvement trajectory on environmental performance that has yet to be realized in their current environmental metrics (or their financial performance or equity prices)

- MSCI data regarding a company's environmentally relevant opportunity set typically focuses on direct opportunities, whereas some of our most creative investment theses arise from considering the first and second derivative opportunities, or the indirect but crucial enablers of the transition to a low-carbon economy. Our investments in such companies, typically in the E-advantaged portion of our dual analytical model, are not always thematically obvious, and the company's sustainability contributions are not always evident in the statistics compiled by MSCI.

MSCI ESG Portfolio Results

Metric	DWA SES*	S&P500**	MSCI SRI**	MSCI World**
MSCI ESG Rating	AA	A	AA	A
Environment Score (0-10)	6.8	6.2	6.8	6.8
Social Score (0-10)	5.1	4.9	5.1	5.1
Governance Score (0-10)	6	5.5	6	6
Weighted Average Carbon Intensity (t CO2e/$M sales)	120	96	52	98
Weighted Average Carbon Intensity (t CO2e/$M sales) ex. NextEra Inc.	64	96	52	98
Fossil Fuel Reserves (%)	0.0%	5.7%	0.9%	6.3%
High Impact Fossil Fuel Reserves (%)	0.0%	5.5%	0.9%	6.3%
Exposure to High Water Risk (%)	4.7%	6.4%	9.3%	7.6%
Total Water Withdrawal Intensity (m3/$M sales)	282	27,593	29,485	29,844

**Weighted average holdings from 01.01.2023 to 12.31.2023*

***holdings as of 12.31.2023*

- Recognizing the issue of confounding tradeoffs across the E, S and G, as discussed above, the Sustainable Equity Strategy's MSCI ESG rating in 2023 was AA, which matches reference index MSCI SRI and is one notch below the MSCI World and S&P500 rating of A. However, the DWA Sustainable Equity Strategy intentionally focuses on the E pillar within ESG, and on this pillar of MSCI's three-party scoring system, MSCI awards the Sustainable Equity Strategy a 6.8/10, higher than S&P500 and in line with MSCI World and MSCI's SRI. Although SES is on par with MSCI World and SRI's Environment Score, it has a much higher Environment Impact Exposure as a percent of revenue, which we discuss below.
- As shown above, the Sustainable Equity Strategy had a weighted carbon intensity (i.e., tons of carbon dioxide equivalent per dollar of sales) that is higher than the three reference benchmarks; however, this is driven principally by one outlier, **NextEra Energy**, without which our portfolio's carbon intensity is substantially lower than the S&P 500 and MSCI World and somewhat higher than the MSCI SRI index. NextEra's regulated utilities arm, Florida Power & Light (FPL), has significant natural gas-fired capacity, however it is rapidly growing utility-scale solar installations in its service areas. Natural gas represented 67% of FPL's generation by fuel type in 2013 and as of 2023 natural gas represented 73% of generation by fuel type. However, FPL has seen rapid growth of solar generation where solar represented less than 1% of generation in 2013 and represented 14% of FPL's generating capacity by fuel type in 2023. In its 2023 10-year site plan, FPL outlined its ambitions to add 21 GWs of new solar capacity and increase its battery storage capacity by 4 GWs through 2033[11]. NextEra's renewable energy development arm, NextEra Energy Resources ("NEER"), remains the largest non-utility renewable energy generator with 30.6 GWs in generation capacity as of 2023[12].[13]
- **Waste Management** was the second largest driver of carbon intensity in our 2023 portfolio. With 258 active solid waste landfills and 5 hazardous waste landfills, converting 45% of the landfill gas into electricity or renewable natural gas (RNG) which resulted in a 10% reduction from baseline due to the decrease in emissions[14].[15] In 2022, RNG was used to power more than 61% of Waste Management's total truck fleet. Waste Management's installed equipment capacity for Landfill Gas-to-Electricity measured in megawatts grew from 377 MW to 395 MW

from ’21 to ’22. Circularity is core our Waste Management investment thesis and the company recovered over 14.8 mm tons of material in 2022 and remains on track to achieve its 2030 target to recover 25 mm tons. Waste Management continues to look for innovative solutions to repurpose materials and announced $1 bn of planned recycling infrastructure growth investments through 2026.

- Our weighted portfolio exposure to high water risk was 4.7%
    - The top contributor to our portfolio water risk score was **Waste Management**. Due to the industry it is in (solid waste management) and its limited water exposure mitigation measures, MSCI deems it at high risk. We agree that there is room for improvement: WM’s net freshwater consumption per dollar of sales increased three years in a row from 2020-2022. WM does utilize recycled water through its direction operations: hauling operations uses recycled water for truck maintenance; landfill operations use recycled water for soil stabilization and fugitive dust emission control; renewables energy projects used recycled water for steam turbines. We are watching their water management strategy closely and evaluating this currently as an engagement topic in our “active ownership” program.
    - As highlighted in our report last year, **Taiwan Semiconductor** was identified by MSCI as another high-water risk. It is true that high proportion of TSM’s operations that are in industrial segments prone to high water intensity, and its facility footprint is situated in regions affected by oversubscribed water resources. However, TSM has an 85.7% water recycling rate, and is targeting to reduce water consumption by a cumulative total of 35 mm metric tons on a 2020 base year by 2030.[16] Furthermore, the company has announced an on-site industrial water reclamation plant as part of the $55 bn investment in Arizona. TSMC’s Arizona fabs are designed to achieve a 90% water recycling rate and has started the design phase of building its water reclamation plant with the goal of achieving “near zero liquid discharge” which would bring nearly every drop of water back into TSMC’s fabs. [17]

UN Sustainable Development Goals

See section above for discussion of the UN Sustainable Development Goals and how these map to our DWA E-Map. MSCI ESG’s data service provides an SDG Alignment Methodology that independently evaluates the alignment of individual companies through their products, services and operations. For our portfolio, this evaluation yielded the following data:

- Out of our 37 companies held for some or all of 2023, 29 (**78%**) were aligned or strongly aligned to at least one of the nine referenced SDGs, in the estimation of MSCI;
- Our three highest exposures were to SDG 12 (**56.9%**), SDG 13 (**39.6%**), and SDG 7 (**36.8%**);
- We were relatively under-exposed to SDGs 3, 11, 14, 15;
- 2 of 37 companies were “Strongly Aligned” with the nine referenced SDGs: **SolarEdge** and **Canadian National Railway;**
- 0 of 37 companies were “Strongly Misaligned” with the nine referenced SDGs.

MSCI Sustainable Impact Metrics

MSCI also uses a proprietary methodology for estimating the percentage of a company's products and services that map to its six categories of positive impact on the environment: (1) alternative energy; (2) energy efficiency; (3) green building; (4) sustainable water; (5) pollution prevention; and (6) sustainable agriculture.

MSCI Environment Impact Exposure (% of revenue)

Metric	DWA SES*	S&P500**	MSCI SRI**	MSCI World**
Alternative Energy	2.2%	0.2%	0.7%	0.3%
Energy Efficiency	2.3%	2.0%	0.9%	1.7%
Green Building	0.0%	0.2%	0.4%	0.4%
Sustainable Water	0.0%	0.1%	0.2%	0.1%
Pollution Prevention	0.4%	0.2%	0.3%	0.2%
Sustainable Agriculture	0.0%	0.0%	0.1%	0.1%
Total	**4.9%**	**2.7%**	**2.6%**	**2.8%**
E-Solution Only	**18.6%**	**2.7%**	**2.6%**	**2.8%**

**Weighted average holdings from 01.01.2023 to 12.31.2023*

***holdings as of 12.31.2023*

Source: MSCI

Overall, **4.9%** of revenue from DWA ES portfolio companies was contributing to one of MSCI's six categories, higher than all three of our reference benchmarks. When we consider only the DWA companies that fall into the E-Solutions side of our dual analytic framework, that figure rises to **18.6%** or **4-6x** higher than our benchmarks.

Standouts included:

- **SolarEdge**, one of the world's largest sellers of inverters for residential and commercial solar systems, was **89%** aligned.

- **Schneider Electric**, a French multinational providing energy management and industrial automation solutions, was assessed as **28%** aligned.

Again, recognizing that we often vary from the assessments provided by MSCI and other data providers, we applied our own proprietary framework to adjust the share of revenues we deem as aligned to MSCIs six categories, as well as adding "climate adaptation" as an eligible solution (in this, we align with the EU, which counts adaptation as one of the six categories in its EU Taxonomy for Sustainable Finance). The materiality threshold for inclusion in our E-Solution category is 15% of revenue, as of today or in the coming five years per our growth projections. The headline is that the environmental impact solutions revenue rose from 4.9% using MSCI's method to **18.6% using our proprietary method** for our Sustainable Equity Strategy portfolio as a whole across 2023. For E-Solution providers only, this adjusted figure rose to **35.6%**, while for E-Advantaged companies only it remained at **4.9%** on a weighted basis, even after proprietary adjustments for two E-Advantaged companies. Within the E-Solutions group, we made proprietary upward adjustments to: **Carrier**, **Deere, NextEra Energy, Schneider Electric, Siemens, Trane Technologies, Trimble, Waste Management**, for which we offer brief rationales:

- **Deere** was added to our portfolio in 2022 as an E-Solution provider due its precision agriculture offerings, which boost crop protection yield, drive planting efficiency and reduce emissions. One

example is the See & Spray Ultimate: by utilizing computer vision and machine learning, See & Spray Ultimate identifies weeds and healthy crops separately, allowing the ExactApply nozzle to apply herbicide accurately. It can reduce non-residual herbicide use by more than two thirds, generating significant savings for farmers and limits damage to the soil. In 2022, Deere has serviced ~160mn of Sustainably Engaged Acres (incorporated 2 or more technology solutions and sustainable process over 12 months), with ambitious to reach 375mn or ensure 75% of engaged acres are sustainably engaged acres by 2030[18].[19] Incorporating our estimates for precision agriculture sales, we adjust its revenue upward from MSCI's 0.6% to **5.7%.** This is expected to grow to 15% within the next 5 years with rising adoption and new product launches (zero emissions tractors, spraying drones, autonomous tractors etc.).

- **Trane's** revenue exposure was also adjusted upwards from **1.8%** to **38%.** As a market leader in commercial and residential heating, ventilation and air conditioning (HVAC) solutions, Trane's product portfolio tackles the issue of higher energy demands and need to lower emissions. Trane's product innovation, from its EcoWise HVAC products to ThermoKing's fully electric refrigeration units, are on track to help its customers reduce carbon emissions by one gigaton by 2030.

As for the ***E-Advantaged*** side of our dual analytical filter, we use **15%** as a general, not strict, figure of merit to validate that an E-Advantage meets a minimum materiality threshold across at least one of our five traditional DWA economic filters. Examples include:

- **Higher brand value: L'Oréal** was named the world's most valuable beauty brand, with a value of $13.4 billion - more than **80%** higher than second place Estee Lauder[20].[21] L'Oreal's proprietary SPOT tool for conducting life-cycle sustainability assessments on new and renovated products, which we highlighted in our report last year, is being released to the public. Starting with Garnier hair products in the US, L'Oreal is making environmental impact data for individual products available on the website, allowing customers to assess and compare the products they put on their skin. We believe this contributes to customer loyalty and enhance the company's moat in the long run. Surveys have shown that a growing portion of consumers (64% in 2022) consider product sustainability as an important factor in the purchase of beauty products.[22]

- **Higher willingness-to-pay: Nike**'s robust efforts to reduce the environmental impact of its manufacturing process are cited in a study by RunRepeat, which also found that of the 2,556 shoes in its database from 34 brands, the 89 shoes from Nike and others that it qualified as eco-sneakers commanded a **69%** price premium[23].[24] Additionally, in a 2022 study by CGS, **63%** of respondents stated they would be willing to pay more for sustainable products.[25]

- **Higher pricing power than peers: Taiwan Semiconductor's** gross margins were 53% in 2023, more than **10%** higher than other foundries. TSMC's peer Intel disclosed its foundry segment margins for the first time during Q1 of 2024. Intel generated a $7 bn operating loss in 2023 and operating margins of -57% in Q1 of 2024.[26] Furthermore, management has indicated that chips manufactured at their new Arizona facility would be

priced at a premium, allowing TSM to offset higher operational costs and maintain its industry-leading margin.

- **High R&D as % of sales: Autodesk** reinvested **24%** of sales into R&D in 2023, developing new functionalities to meet growing sustainability demands from customers. In 2021, Spacemaker, an ADSK product that supplies cloud-based AI software for urban development, introduced microclimate analysis. The tools enable architects and developers to mitigate urban heat island effects, which increase energy consumption for cooling purposes, by simulating more efficient design options for city layouts. ADSK is further developing new functionalities in total carbon management and stormwater management.[27]

- **Lower cost of capital:** Throughout 2023, **Taiwan Semiconductor issued NT$40 bn** or roughly $1.3 bn worth of green bonds which represented roughly 47% of the company's corporate bond issuance. TSM is driving sustainable solutions with proceeds of its green debt by securing LEED certifications for TSMC's 12-inch wafer fabs. TSMC's LEED certifications accounted for 43% of the total obtained by Taiwanese firms In Taiwan. [28].

MSCI Climate Value at Risk (cVAR)

As defined by the Task Force on Climate-related Financial Disclosures (TCFD), climate risk can be categorized into two categories:

1. Transition risk (Policy Risk + Tech Opportunities) how the transition towards a low carbon economy will impact a company's performance, through extensive policy, legal, technology and market changes; and

2. Physical risks: the risks associated with the direct impact of climate change on a company's operations, such as extreme temperatures, water availability, food security.

MSCI's Climate VAR framework is a method for quantifying the % impact on a portfolio's valuation from each type of risk under various transition and physical scenarios. MSCI's Low Carbon Transition Risk figures below include the aggregate policy costs and risks faced by our portfolio companies due to their emissions profile, and nets out positive green revenue and patent opportunities associated the companies' technologies. MSCI's scenarios vary by temperature targets and the "pathways" to achieve such temperature targets, and reflect assumptions and approaches employed in different Integrated Assessment Models (IAMs). For the figures reported below for the DWA Sustainable Equity Strategy portfolio, we use a 2°C scenario produced by the AIM/CGE 2.0 Integrated Assessment Model that is characterized by mitigation action starting in 2021. MSCI ESG Research's physical risk analysis assesses changes in global temperatures, precipitation levels as well as flooding and cyclones due to climate change by relying on the past 35 years of observed extreme weather to set a historical baseline. The numbers in the table illustrate the change in the physical risk exposure from today's climate until 2100. All figures below are for the

Sustainable Equity Strategy's Weighted Average 2023 portfolio holdings.

MSCI Climate VAR (Model: AIM CGE | 2°C | Advance, Aggressive)

Scenario	DWA SES	S&P500**	MSCI SRI**	MSCI World**
Policy Risk	-3.2%	-4.7%	-4.2%	-6.5%
+Technology Opportunities	2.7%	1.2%	2.5%	2.7%
=Low Carbon Transition Risk	-0.5%	-3.4%	-1.7%	-3.9%
Physical Climate Risk	-4.4%	-6.6%	-8.6%	-9.2%
Aggregate Climate VaR	**-4.9%**	**-10.0%**	**-10.3%**	**-13.1%**

**Weighted average holdings from 01.01.2023 to 12.31.2023*

***holdings as of 12.31.2023*

Source: MSCI

Per MSCI's methodology, the total impact on our portfolio from climate transition risk (policy risk offset by technology opportunities) is **-0.5%.** The largest contributor on a weighted basis was **Waste Management (WM).** The net transition VaR for WM was -34.5%, caused by their high Scope 1 emissions of 15.32mt CO2/year in 2023. To align with a 2ºC global emissions scenario, MSCI estimates that WM needs to reduce their scope one emissions by 14.98mt CO2/year (or 97.8%) by 2037, incurring a cost of 29.3mn/year by 2036.

The total impact on our portfolio from physical risk was -4.4%. On a weighted basis, the biggest driver was **NextEra (NEE)**, which operates two regulated utilities in the east and lower west costs of Florida. High exposure to tropical cyclones (-7.86%) and coastal flooding (--4.90%) in the region contribute to the physical climate VaR of -15.46. Since 2006, NEE has invested over $5bn in storm and flooding resilience measures, including: 1. hardening or undergrounding power lines 2. upgrading transmission line structures from wood to concrete/steel 3. installing pumps/flood control structures in high-risk flood zones 4. deploying mobile substations and transformers that can be used during flood[29]. These measures have created value for both NEE and their customers: in September 2022, Hurricane Ian became the 5th strongest hurricane to ever make landfall in the continental US, but NEE did not lose a single transmission pole or tower and was able to restore service to 2/3s of customers after the first full day of restoration[30].

As noted in the table above, our Aggregate Climate VaR is **-4.9%,** lower than all three of our reference indexes, meaning that, per MSCI's methodology, our 2023 portfolio was less exposed to climate risk than the constituents of those indexes as a whole, which range from **-10.0%** to **-13.1%** depending on the index.

Science Based Targets and Net Zero Commitments

The Science Based Targets Initiative (SBTi) — a partnership between CDP, the United Nations Global Compact, World Resources Institute and the Worldwide Fund for Nature — serves as a third-party assessor for validating whether a company's emissions reduction targets align with the Paris Agreement, meaning they are consistent with a pathway to maintaining warming below 2°C. In October 2021, SBTi further initiated the more stringent Net-Zero Standard. Findings on the target status of our portfolio companies follow:

Metric	DWA SES*	DWA SES by % of portfolio
# of companies with approved SBT	2.8%	7.7%
# of companies with committed SBT	58.3%	60.5%
# of companies with Net Zero Commitments according to SBTi	30.6%	32.5%

**Weighted average holdings from 01.01.2023 to 12.31.2023*

Source: https://sciencebasedtargets.org/

- Across 2023, 22 **(71.3%)** of the companies in the Sustainable Equity Strategy portfolio fulfilled at least one of the SBTi categories.

- 21 of our companies **(58%)** had "approved targets" (or 60% by weighting), meaning their targets were independently validated by the SBTi; As of March 2021, only 19% of S&P 500 companies that met a comparable standard, even though over two-thirds of S&P 500 companies were considered to have some form of emissions reduction targets. This is also an improvement upon our portfolio last year, where only 12 of our companies had their targets approved.

- 1 **(2.8%)** of our portfolio companies had "committed targets" (or 7.7% by weighting), meaning they had committed to setting a SBT within 24 months.

- 11 **(30.6%)** of our companies had committed to the more stringent Net Zero Standard (or 32.5% by weighting), which means that they had committed to reducing all their GHG emissions at a rate consistent with reaching net-zero emissions at the global or sector level in alignment with a 1.5°C pathway. This standard also covered Scope 3 emissions, which is often omitted from headline carbon neutral pledges. Scope 3 covers emissions in a company's full value chain, from its supplier base down to the post-sale phase when customers use their products. Many companies have resisted this extended responsibility for emissions reduction, which leads us to be especially appreciative that 11 of our companies have committed to this challenging standard.

Implied Temperature Rise

Using MSCI's Implied Temperature Rise Calculator[31] for portfolio assessment, the results are as follows:

- Using a Transient Response to Cumulative CO2 Emissions (TCRE) factor of 0.000545 °C/GtCO2e, which is the per unit increase in temperature over 2°C caused by each additional unit of additional emissions, our portfolio is associated with an Implied Temperature Rise of **2.13°C**, a slight worsening from last year's ITR of 2.0°C. 43.2% of the companies within the portfolio align with the goal of limiting temperature increase to

below 2.0°C as outline in the Paris Agreement, and 19.4% align with limiting temperature increase to below 1.5°C, which the UN's Intergovernmental Panel on Climate Change (IPCC) has deemed necessary to limiting risks of severe climate change impacts[32].

- A fund's Implied Temperature Rise measures, in aggregate, a fund's temperature alignment (in °C) to keeping the world's temperature rise to 2°C by 2100. Our Strategy's ITR of 2°C indicates that, based on MSCI's tool, our portfolio is contributing its proportional share of the global carbon budget, and if everyone exceeded their fair shares by a similar proportion, the result would be a global temperature increase of ~2.0°C by 2100.

EU Sustainable Finance Regulations

This section covers the EU Sustainable Finance Regulations, including the EU Taxonomy, the Corporate Sustainability Reporting Directive (CSRD), the Sustainable Finance Disclosure Regulation, and the Principal Adverse Indicators.

The Douglass Winthrop Sustainable Equity Strategy is not an EU-based asset manager and is not under legal mandate to comply with the SFDR. However, we are monitoring the EU's evolving program and considering voluntary disclosures aligned with it over time. This report makes informal disclosures but is not being formally submitted to any authorities.

The EU's Sustainable Finance Regulations have been advancing rapidly in recent years and implementation of its complementary parts are rolling out in stages. They are complex and voluminous so the following is only a brief overview:

1. **The EU Taxonomy:** A classification system for translating the EU's environmental goals, including 2050 carbon neutrality, into detailed sector-specific screening criteria that validate whether an activity is making a "substantial contribution" to one of six key objectives (including climate change mitigation and adaptation) while doing "no significant harm" to the others. The Taxonomy criteria are being cross-referenced by a set of rules being rolled out in stages to govern sustainability disclosures by both companies and asset managers as noted below.[33] **Based on MSCI's tools for estimating EU Taxonomy alignment at this preliminary stage, 7.9% of the revenue of the DWA Sustainable Equity Strategy's 2023 holdings were EU Taxonomy aligned.**

2. **Corporate Sustainability Reporting Directive (CSRD):** The European Union's Corporate Sustainability Reporting Directive (CSRD) was finalized in December 2022, with reporting obligations beginning in 2024-2025, depending on the entity. It requires detailed reporting by corporations with securities listed on an EU-regulated market, even if domiciled outside the EU. CSRD will impact many more entities than are reporting under current EU Non-Financial Reporting Directive (NFRD). It will require companies to disclose which of their activities are eligible for classification under the EU Taxonomy and furthermore what proportion of their sales and expenditures (operational and capital) meet

the relevant quantitative criteria.

3. **Sustainable Finance Disclosure Regulation (SFDR):** This multi-faceted rule that began rolling out in stages beginning March 2021 and mandates that asset managers offering financial products make certain disclosures, including what portion of their underlying corporate holdings are EU Taxonomy-compliant, thereby enabling clients to make more informed sustainable investing choices. SFDR reporting obligations are to begin in June 2023. However, the ability of asset managers to comply with the SFDR depends on whether companies they hold in their portfolio comply with the NFRD and emerging CSRD, specifically whether they are disclosing their taxonomy-alignment. EU domiciled companies are still in the process of assessing and reporting their taxonomy aligned revenue, therefore many EU-based asset managers have stated that there is insufficient data to report taxonomy alignment.

   The SFDR also required managers self-categorize as one of the following:

   - Article 6 strategies: no sustainability objective
   - Article 8 "light green" strategies "promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices"
   - Article 9 "dark green" strategies: "have sustainable investment as its objective or a reduction in carbon emissions as its objective"

   As of January 2023, Article 8 and 9 funds were required to provide pre-contractual, periodic and website disclosures to substantiate their claims in each category. Article 6, 8, 9 funds are also required to report their portfolio's Sustainability Risks and Principle Adverse Impact Metrics (PAI's) by June 2023. To address Sustainability Risks, asset managers must establish a policy on the integration of sustainability risks. For PAIs, managers must consider their impact on investment decisions and report related indices. In addition, ESMA, the EU's financial markets regulator and supervisor, has implemented guidelines on use of ESG/Sustainability-related terms in an investment product's name. **While DWA is not a European investment manager and thus not under the regulation of SFDR, we intend to explore whether to characterize our offering as an Article 8 or 9 strategy in presenting our offering to potential European clients.**

4. **Principle Adverse Impact metrics (PAI):** Under SFDR, financial market participants (FMP) are required to disclose indicators that quantify sustainability risk at an entity and product level. Unlike the EU Taxonomy, which aim to promote positive environmental contributions, PAIs specifically focus on identifying whether and how certain investments may generate a negative impact. These 18 mandatory and 46 additional factors cover environmental, social, human rights, anti-corruption, and anti-bribery matters. Furthermore, FMPs are required to discuss how they consider PAIs in the investment process, state due diligence policies and outline targets to avoid or reduce PAIs identified. Currently, PAI reporting is still in its early stages and suffers from two main issues: 1. Lack of data availability on company level 2. Data is required to reported on an absolute level, rather than intensity figure, which makes it difficult to compare

funds of varying sizes. **On a voluntary basis, we have also internally calculated estimates of Principal Adverse Impact Indicators for DWA Sustainable Equity Strategy based on our understanding of the PAI formulas and the data reported for our companies by MSCI. Please see the Appendix for these PAI figures.**

Active Ownership: Proxy Voting and Engagement Highlights

Through our client-delegated use of shareholder proxy voting and through dialogue with management or our "active ownership" efforts entail encouraging portfolio companies to behave more sustainably.

Highlights of our 2023 Proxy Voting on Behalf of Clients

The following statistics on our proxy voting come from our proxy advisory firm Institutional Shareholder Services[34]:

Overall Statistics

- 100% of votable meetings voted (96)
- 85.6% policy with majority, 14.4% against majority
- 15.2% Against Mgmt Votes, 84.8% For Mgmt Votes
- 1,467 votable proposals, 1,467 proposals voted (1,277 Mgmt, 190 Shareholder)

Management Proposals (Environmental)

- 1 votable proposal, 1 proposal voted
- Canadian National Railway Company (CNI): DWA voted "For" proposal for Advisory Vote on Climate Change in support of Management (Passed)

Shareholder Proposals (Environmental)

- 30 votable proposals, 30 proposals voted (3 were E/S blended, 1 was E/S/G blended)
- DWA voted 100% in support of Environmental Shareholder Proposals, including 26 that were voted Against Management
- All Environmental shareholder proposals Failed. Relatively high support was noted for the following: JPM had 34.8% support and Martin Marietta Materials 32.8%

Highlights of our 2022 Dialogue with Management

Our "active ownership" efforts entail encouraging our portfolio companies to behave more sustainably through dialogue with management or use of the shareholder proxy vote. Because Douglass Winthrop's Environment Strategy considers the quality and E-orientation of management before investing, we tend to believe in our management teams. As such, we favor selective, private and constructive dialogue with them, through letters that clearly make our case, followed by discussions with the appropriate members of the management team. Consistent with our performance-first approach, we always formulate our case

urging stronger environmental performance through the lens of how doing so will ultimately translate into better financial and shareholder performance for the company, while also enhancing environmental well-being.

As to debates about the efficacy of engagement, we are clear-eyed in recognizing that this will vary and that we are one voice among many that management considers. What we have found so far is good receptivity by management to our engagement outreach, based less on the size and voting power of our holdings in a company, and more on the collective decades of environmental domain expertise residing in our team. This experience makes some management teams eager to hear us out as they chart their path on climate and other issues, both because of the substantive value of our input and because we are indicative of wider investor trends to which they want to be attuned as ESG asset flows intensify. Our typical approach is to partner with a leading Non-Governmental Organization (NGO) or other expert that specializes in the domain on which we're engaging a company.

One strand of the Douglass Winthrop Sustainability Strategy's "active ownership" work is proxy voting. For those clients who have authorized us to do so, we vote their proxies for all of our Sustainable Equity Strategy portfolio companies in line with strong climate action. We have subscribed to Institutional Shareholder Services' (ISS) Climate Proxy Voting Policy, and we use their infrastructure, ProxyExchange, to execute on these votes. Launched in March 2020, the ISS Climate Policy is based on principles developed from widely recognized international frameworks such as the Taskforce for Climate-related Financial Disclosures ("TCFD"), using a scorecard approach that reflects climate-related risk factors and performance indicators.

Also relevant to our proxy voting is that the Douglass Winthrop Sustainable Equity Strategy has joined Say on Climate[35], which uses engagement and shareholder resolutions to encourage companies to:

1. Disclose their emissions;
2. Present a credible, multi-stage plan to reduce them;
3. Submit their plans and progress to an annual shareholder vote (where appropriate, and note that it is not always appropriate given concerns that such votes can inadvertently rubber stamp inadequate plans, a matter of live discussion among collaborators in this initiative).

We believe the Say on Climate initiative is enhancing the drive for corporate accountability, and are encouraging all of our companies in the Sustainable Equity Strategy to meet its conditions, while we also vote in favor of shareholder resolutions to this end.

Our three priority areas for engaging our portfolio companies remain:

1. Climate Change: Full-scope (1,2,3) greenhouse gas emissions disclosure, emissions reduction targets and plans, often (but not always) submitted for annual shareholder review and approval as to sufficiency and progress (Key collaborators: Say on Climate, As You Sow, CERES).

2. Corporate Advocacy: Urging our companies to deploy their resources and influence to promote climate/environmental policy (Key collaborator: InfluenceMap).

3. Sustainable Use of Biological Resources: Avoiding deforestation, overfishing and other practices that undermine the biological integrity, biodiversity and the viability of resources on which we and future generations depend. (Key Collaborators: Sustainable Fisheries Partnership and Global Canopy).[36]

Examples of our engagements in 2023 follow.

Waste Management

We initiated an engagement with Waste Management in June 2023, following their compelling Sustainability Investor Day on April 5, 2023, which covered WM's efforts to invest in sustainability and its plans to tie key achievements to creation of shareholder value, including:

- Specification of WM's $2.2bn investment in expanding and automating Materials Recovery Facilities and scaling up Renewable Natural Gas operations, boosting WM's annual EBITDA by $740m after 2026;
- The ambitious target to increase recovery of materials by 60% by 2030, and to use this differentiated recycling proposition to build WM's National Account business;
- WM's commitment to capture, beneficially use and monetize more Landfill Gas, reducing absolute Scope 1 and 2 greenhouse gas emissions by 42%.

We had long valued WM's leadership on methane management, in particular, but also believed it could move more quickly and more substantially on this major challenge. We had monitored the Global Methane Pledge (GMP), which launched at the Glasgow Climate COP in 2021 and was subsequently enlarged at the Sharm El-Sheikh Climate COP in 2022. The GMP brings together 150+ countries in a commitment to reduce anthropogenic methane emissions by 30% by 2030 from 2020 levels, across the key sectors of oil and gas, agriculture, and waste.

Both the United States and Canada—signatories of the pledge and operating jurisdictions for WM—have released comprehensive methane reduction plans. These efforts are bolstered by domestic legislation, such as the Inflation Reduction Act (IRA) in the United States, which allocates $1.55 billion specifically for methane abatement and imposes fees on certain emitters for methane mitigation.

In our letter to WM, and subsequent discussions with the team, we discussed the sizable potential for methane emissions reduction in the waste sector. In Canada, landfills are responsible for ~23% of methane emissions. In the United States landfills are responsible for ~17% of methane emissions. Given that methane is ~86x more potent in trapping heat than CO2, reducing its emissions is of the most effective levers for slowing climate destabilization borne from man-made emissions.

In early 2023, we developed a relationship with Stephan Nicoleau, the Executive Director of the Global Methane Pledge 2.0 (GMP 2.0), a private sector corollary to the Global Methane Pledge that enables corporations, investors and asset managers to integrate with governmental action to reduce methane emissions across their key spheres of influence. The GMP 2.0 is designed to map cross-sectoral

commitments to a Methane Mitigation (M2) solutions framework that identifies the key mechanisms for methane reduction by sector and region. We agreed to partner with GMP 2.0 on shareholder engagement efforts, initially with respect to Waste Management.

Our joint ask to WM with GMP 2.0 followed three main pathways:

1. **WM should substantially accelerate its landfill gas beneficial use to reach 95% by 2026, instead of 65%**

   We recognize that the target to increase beneficial use of landfill gas from 45% today to 65% in 2026 is meaningful, but we urged WM to move faster, and should do so based on the economic and brand equity benefits this will offer, and the favorable impact on mitigating climate change. We noted that on page 35 of the Investor Day deck that WM aims to reach ~90% beneficial use in the future, but without a target date.

   Our request was to stretch this target from 90 to 95% and to accelerate this to 2026. We further requested that the additional LFG that would be beneficially used through achievement of the 95% target be **applied to electricity generation rather than CNG**, at both WM-owned and third-party sites. Accelerated electrification of transportation is preferable to extending the life of internal combustion vehicles and we believe WM's policies should align with this. WM on page 35 envisions development of e-RIN generation agreements with EV manufacturers in the future; given the increasing rate of EV launches by OEMs, we believe WM can accelerate this. Moreover, EPA's proposed SET rule released on December 30, 2022, demonstrates the Agency's readiness to establish electricity equivalence to CNG in the e-RIN program, and we encourage WM to advocate for this with EPA and others, and to position itself to lead monetization of e-RINs through this channel as it accelerates to 95% beneficial use by 2026. (See pages 80669-80770 at: https://www.govinfo.gov/content/pkg/FR-2022-12-30/pdf/2022-26499.pdf)

   We also asked WM to comprehensively assess, quantify and disclose all of WM's operational methane emissions from open and closed landfills, in part through work with data and monitoring facilities Carbon Mapper and Climate TRACE.

2. **Invest in Leak Detection and Repair (LDR) systems, drawing on GMP-allocated funding**

   We thanked WM for investing in improved leak detection and repair (LDR) systems to measure fugitive methane emissions from landfills, ready for bringing online by 2025, and for its work with Environment and Climate Change Canada (ECCC), the California Air Resources Board, and Carbon Mapper in this effort. We asked that WM fold these ongoing efforts into the GMP Waste Pathway (an initiative of the GMP) and reduce its methane emissions across the solid waste value chain, from upstream sources to downstream disposal sites. Initial components should include WM's support for enhanced measurement and tracking. Carbon Mapper is going to be developing a global waste sector methane baseline assessment of over 10,000 landfills and dumpsites. We ask that WM serve as a proxy/case study within this program for the triangulation of landfill-level methane emissions from Carbon Mapper (building on WM's existing relationship with Carbon Mapper).

Rocky Mountain Institute (RMI) and Clean Air Task Force are developing an open-source Waste Methane Assessment Platform with waste sector information to drive methane action. We asked that WM share its best practices and related information with RMI and the Clean Air Task Force for urgent and systematic dissemination among global waste management companies.

Relatedly, while we indicated our appreciation to WM for providing specialized environmental management and disposal services for fluids used and waste generated by its oil and gas customers, we asked WM to deploy its proprietary technologies more urgently (including those demonstrated in prototypes) to accelerate leak detection and repair for WM's Sustainability and Environmental Services customer.

3. **Expansion of CORe Program for organic waste-to-energy conversion**

   We appreciate WM's management of four operational CORe organic waste to energy plants in the United States providing energy and agricultural fertilizer to downstream customers. We asked WM to invest in expanding its CORe facilities across the U.S. and Canada, and to provide enhanced transparency about its current CORe operations, specifically including the amount of organic waste-to-energy converted on an annual basis and revenue from these operations. We further ask that WM align its investments in its CORe program expansion with all commercial partners, funds and EPCs in this sector to maximize overall benefits.

Following issuance of our letter to WM, we held two follow-up calls with Tara Hemmer, the Chief Sustainability Officer of WM, and three members of her team. WM explained its rationale for its time-bound commitments and how it would assess potential acceleration along the lines of our asks. The team was also in agreement with our approach to EPA's proposed SET rule released on December 30, 2022, namely that electricity should gain equivalence with Compressed Natural Gas (CNG) in the e-RIN program. WM had already been advocating for this outcome but had so far been unsuccessful. We agreed to use our potential influence with key legislators to support WM in these efforts. We mutually agreed to keep the lines open between DWA and WM in following up our 2023 engagement.

Autodesk

We initiated an engagement with Autodesk in September 2022 as part of a ClimateWeek convening at the Douglass Winthrop offices on the EU's pending revision to its Energy Performance in Buildings Directive (EPBD), including key provisions related to Minimum Energy Performance Standards (MEPS), Energy Performance Certificates (EPCs) and Mortgage Portfolio Standards (MPS). While Autodesk was unable to speak at our event due to the timing overlap with their annual Autodesk University event, we were able to organize a robust call that involved not only Autodesk Investor Relations but also three product leaders relevant to our "ask" and their head of policy engagement for all EU-related regulations.

On that initial call, we explored how Autodesk could both accelerate implementation of, and benefit from, the coming step-up in stringency for the EPBD. We found that Autodesk had been deeply engaged in the EPBD revision process in Brussels, building on Autodesk's founding and longstanding participation

as one of 14 members of the European Alliance of Companies for Energy Efficiency in Buildings (EuroACE). The EPBD regulatory cycle is long, but final issuance remains on track for the end of 2023.

After our October 2022 meeting, the regulatory process advanced meaningfully. The EU Parliament voted in March 2023 in favor of the EU Commission's December 2021 proposal to revise the Energy Performance of Buildings Directive. While the trilogue negotiations are on-going, we were pleased to see Mortgage Portfolio Standards defined and used in all three of the proposals by the Commission, the Council and the Parliament and are now poised for inclusion in the final revised directive.

Among the game-changing implications of the revised EPBD, as of 2030 all new buildings in the EU would be required to be zero-emission (2027 for all new public buildings). Our understanding is that there will also be a revised push to increase harmonization of EPC standards across Member States, including potentially setting MEPS threshold targets at the EU level.

In the EU's highly developed markets, however, we have believed that the primary opportunity from the rule would be to accelerate a renovation wave of the existing building stock and that the new Mortgage Portfolio Standards would be a crucial innovation to accelerate finance-led action from Member States. Details remain to be worked out about how stringent Member States will be in terms of trajectories, requiring a mortgage portfolio's holdings to elevate their EPC grades, but the direction of travel is now much clearer.

Given this progress, we re-engaged Autodesk in June-July 2023 with a letter and follow-up call, encouraging it to seize the opportunity to drive business results and wider impact. Our ask of Autodesk included 3 items:

1. We asked Autodesk to engage actively in this final stage of the regulatory process, promoting maximum stringency in its provisions requiring building renovations, and associated uplift in the EPC grades, of the EU building stock. We believed that the participants in the trilogues would be emboldened to make the EPBD rules, including those embedded in the Mortgage Portfolio Standards, even more stringent in terms of energy efficiency if they know that tools from Autodesk, the leading AEC tool provider, would be available to facilitate and enable easy fulfillment of the rules. Autodesk should be vocal and engaged in the process and should back this up by acting on point #2 below.

2. We asked that Autodesk create generative design capabilities, and other tools and workflows in its AEC suite (including Revit, Construction Cloud, EC3, etc.) to implement the EPBD's revised regulatory prescriptions as specified in MEPS, EPCs and MPS. We further asked that Autodesk go the extra mile and develop plug-ins to align with each Member State's pending implementation pathway, and 2023-revised National Energy and Climate Plans (NECPs).

3. We asked Autodesk to create new connectivity tools for financial institutions that will be obligated to act under the Mortgage Portfolio Standards; we believe this will meaningfully enlarge

Autodesk's Total Addressable Market and facilitating cross-collaboration with its existing customer sets.

On point 1, Autodesk asserted that they were already as engaged in the regulatory process around EPBD as they could be. They pointed us to a joint industry letter they signed, urging EU policymakers to adopt an ambitious and future-proof EPBD (and to page 81 of their Impact Report). They noted they were also engaging directly and through industry associations with the Council, the EU Parliament, and the European Commission's negotiators ahead of the upcoming "Trilogue" phase of the EPBD revision.

On point 2, Autodesk said they were already engaging with customers to build the tools they need to fulfill their obligations not just for EPBD but across the globe. They pointed us to their public roadmaps where customers prioritize what's most important for them. It's this process that leads to things like Autodesk's sustainability functionality in Forma, and embodied carbon calculations in Revit.

Further to point 2, however, Autodesk reiterated concerns they had shared with us on the prior October 2022 call, specifically around the expense of customizing their tools to meet the multi-country chessboard of implementing national regulations that will follow the revised EPBD and needs local partners to move this forward. Autodesk said third-party partners could harness Autodesk's form creation tool for the ADSK Construction Cloud to capture the current EPC grades and renovation pathways to improve them. We reiterated that we continued to believe that Autodesk's Insight energy efficiency toolkit, which is currently primarily manual, could be more effectively tied to EU's Energy Performance Certificates.

We did not find Autodesk to be especially responsive on this point, though we appreciated their inclusion of product designers on our call. Our ask was and remains for Autodesk to push further beyond its template-centric approach and into detailed design tools that are explicitly linked to EPC grades, and to do so on a state-by-state basis. We believe this will produce upside for Autodesk in terms of brand equity, widening its moat as the AEC software leader, and generating sales. Autodesk already cites how Insight ties to AIA 2030 Commitments and other green building initiatives. It's time for Autodesk to link to the most profound, game-changing law in the world to drive massive building renovations through Minimum Energy Performance Standards, Energy Performance Certificate grade levels and aggregate scores under Mortgage Portfolio Standards.

Autodesk also explained that Revit helps customers get to net zero for new construction, whereas streamlining it for retrofit is a task that remains to be developed, e.g., taking a science-based approach on what to renovate, then doing deep dives to reengineer the building design. We see opportunity for Autodesk here.

On point 3, we found Autodesk largely unwilling to broaden its addressable market to include financiers, which we regard as a missed opportunity given the potential to provide new dashboards as a lens onto data they already possess. We believe financial holders of mortgage portfolios are a diffuse part of its Autodesk's "asset owner" stakeholder segment, and that Autodesk is not really engaged directly in providing enabling tools for them to understand: 1) the energy efficiency performance (and associated EPCs) of the buildings in their portfolios; and 2) the specifications, costs and payback prioritizations of

potential renovations to elevate the EPC at the building level (nor, in aggregate, at the portfolio level that will be assessed in Mortgage Portfolio Standards).

Some banks recognize the physical and transition risk in their mortgage books and are leaning towards Artificial Intelligence/Machine Learning solutions to calculate their EPCs. We believe that this should be Autodesk's turf and that can and should provide these mortgage holders a plug-in and dashboard to help them understand the coming stranded asset risk they face under the MPS as well as the economic rationale to voluntarily upgrade their portfolios ahead of schedule for better economic and carbon performance. Again, we believe this will add a new segment of paid users for Autodesk tools, providing a revenue lift for Autodesk while supporting accelerated renovations for global impact. We further believe that asset owners and managers could use Autodesk software to collaborate on renovation workflows with contracting firms.

Sustainability Illustrations from our 2023 Portfolio Companies

In this section, we provide sustainability highlights from five of our holdings. These are selected not because they are the most sustainable of our holdings, but simply because they are diverse illustrations from a variety of sectors. Because we are a low-turnover strategy, the 2023 holdings not covered this year may well be covered next year, or the year after. This year, we highlight **Airbus, Amazon, Aon, Deere** and **ThermoFisher**.

Airbus

Our thesis for Airbus centers on its pioneering efforts to launch more fuel efficient and lower emitting aircraft, and its success in keeping its aircraft in operation relative to its troubled peer Boeing in the commercial aircraft maker duopoly.

The Airbus A320neo (new engine option) family was launched on December 1, 2010, in response to the increasing competition in the narrow-body aircraft market, particularly from the Bombardier CSeries (now known as the Airbus A220, following the 2017-2018 acquisition of a majority stake in the C-series by Airbus). Airbus aimed to improve fuel efficiency and maintain its market share against emerging competitors and succeeded in launching new aircraft that were 15-20% more fuel-efficient than the previous A320ceo models. Boeing's decision to develop the 737 MAX was largely reactive, prompted by Airbus' A320neo announcement and the potential loss of a major customer. In 2011, American Airlines, which had historically purchased from Boeing, informed the company that it intended to buy hundreds of A320neos from Airbus unless Boeing could offer a comparable aircraft. This pressure led Boeing to quickly develop and launch the 737 MAX program, an expedited effort that led to engineering shortcuts such as the Maneuvering Characteristics Augmentation System (MCAS) that was principally responsible for two tragic crashes (Lion Air Flight 610 on October 29, 2018, and Ethiopian Airlines Flight 302 on March 10, 2019).

Airbus has, we believe, continued to establish itself as a leader in the aviation industry's journey towards sustainability, with a comprehensive strategy focused on reducing carbon emissions, enhancing the use

of sustainable aviation fuels (SAF), and exploring innovative technologies. Central to Airbus' sustainability efforts is its commitment to achieving net-zero carbon emissions by 2050. This ambitious goal is underpinned by a multi-faceted approach that includes leveraging SAF, developing hydrogen-based propulsion systems, and optimizing operational efficiencies.

One of Airbus' significant strides in sustainability is its active promotion and usage of SAF. In 2023, Airbus used over 11 million liters of SAF in its operations, doubling the volume from the previous year and exceeding its target. This effort alone contributed to a reduction of 23,587 metric tons of CO2 emissions. Airbus has integrated SAF into various aspects of its operations, including the use of SAF in its Beluga transport aircraft for internal logistics and employee business travel. The company has also made SAF available for customer aircraft deliveries, offering up to 5% pure SAF at no extra cost to support airlines' decarbonization efforts.

In addition to SAF, Airbus is pioneering the development of hydrogen as a sustainable aviation fuel. This involves not only modifying aircraft designs to accommodate hydrogen propulsion but also building the necessary infrastructure for hydrogen production, storage, and distribution. Airbus has formed partnerships with various stakeholders, including energy producers and airlines, to create a robust hydrogen ecosystem. These collaborative efforts are crucial for the commercial viability of hydrogen as a sustainable aviation fuel and demonstrate Airbus' commitment to exploring all potential pathways to decarbonization.

We are, however, much more interested in its CityAirbus NextGen prototype, which is an electric vertical takeoff and landing (eVTOL) aircraft designed for urban air mobility, which is slated for prototype release in 2024. It is a zero-emission, all-electric propulsion system that will enable practical intra-city and inter-city travel with safe/redundant systems, low noise pollution and no fossil fuel use. Initially, the aircraft will be piloted, but it's equipped with an automated flight mode for potential future autonomous operations. Airbus is working on partnerships and ecosystem development to foster a viable advanced air mobility market. The company aims for certification around 2025.

Airbus' sustainability strategy also emphasizes transparency and accountability in reporting its progress. The company aligns its sustainability reporting with globally recognized standards such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Airbus was the first aircraft manufacturer to disclose Scope 3 emissions for the aircraft it delivers, showcasing its commitment to comprehensive environmental accountability. The company's near-term greenhouse gas emissions targets have been validated by the Science Based Targets initiative (SBTi), further solidifying its dedication to rigorous and transparent sustainability practices.

Moreover, Airbus is actively involved in various international initiatives and partnerships aimed at scaling up the production and use of SAF. For instance, Airbus has joined the French "SAF in Occitanie" initiative and the Japanese "Act for Sky" program to anticipate and project future SAF volumes. In collaboration with Qantas and the Queensland Government, Airbus is contributing to the development of local SAF production in Australia. These efforts are part of Airbus' broader strategy to meet the aviation industry's goal of 17.5 billion liters of SAF by 2030.

Sources for the Airbus sustainability highlights above can be found in the endnotes.[37]

Amazon

Our thesis on Amazon centers on the ability of e-commerce, a category in which it leads in scale and scope, to enable broad emissions reductions based on several factors:

- Avoidance of retail storefronts and associated energy use for lighting, heating, ventilation and air conditioning;
- Centralized leverage to boost logistics efficiency in transporting goods from manufacturer to end user, including route optimization and electrification of the last mile;
- Often overlooked benefits from a reduction in trips and vehicle miles traveled (VMT) as consumers shift their buying behavior from individual procurement in their own passenger cars to shared delivery by vans (a feature that improves with scale as goods can be consolidated into fewer packages and more customers can be served by each truck roll);
- Nudges to consumers to make more sustainable choices, driven by pass-through certification visibility (as in the Climate Pledge Friendly designation that covers a growing number of third-party certifications) and embedded if not yet fully harnessed, leverage for algorithmic prioritization of more sustainable products, whether based on centralized criteria or customer specifications.

As carbon is priced in its markets, some of these advantages (in logistical and fuel efficiency, for example) grow more material, creating a flywheel that favors a scaled leader like Amazon, and giving it crucial ability to support society-wide decarbonization.

Amazon has introduced over 9,000 electric delivery vehicles (EVs) in its global fleet, with a goal to have 100,000 EVs from Rivian on the road by 2030. These EVs delivered 145 million packages in the U.S. and Europe in 2022. Additionally, Amazon has made substantial progress in reducing packaging waste. Since 2015, the company has avoided using 2 million tons of packaging materials and has reduced per-shipment packaging weight by 41% on average. In 2022, Amazon also decreased single-use plastic by 11.6% across its global operations by expanding paper-based packaging and continuing to use lighter and more flexible packaging options.

Amazon has committed to achieving net-zero carbon emissions by 2040, a goal that is ten years ahead of the Paris Agreement's target. This ambitious pledge, known as The Climate Pledge, was co-founded by Amazon and Global Optimism in 2019 and has since garnered the support of over 450 other organizations worldwide. To reach this target, Amazon has invested heavily in renewable energy projects, including the development of 479 solar and wind projects globally. In 2022, 90% of the electricity consumed by Amazon was supplied by renewable energy sources. Since Amazon’s emissions reduction goal was set in 2019, however, its emissions climbed from ~51 million metric tons of CO2 in 2019 to more than 71 million metric tons in 2021. Emissions decreased 3% in 2023 to just under 69 million metric tons of CO2 – or 34% more than when it made its Climate Pledge. That said, it’s notable that Amazon’s emissions fell slightly in a year when other tech giants increased due largely to AI. Google and Microsoft, both of which we also own in the Sustainable Equity Strategy, saw their greenhouse gas emissions climb ~ 13 and 20 percent, respectively, in 2023.

Amazon also announced that it reached its goal of matching 100 percent of its electricity consumption with renewable energy in 2023, seven years ahead of its 2030 deadline.

Amazon also pledged to become water positive by 2030, meaning it would return more water to communities than it consumes in its direct operations. Amazon has developed new recyclable packaging materials and has implemented machine learning to optimize packaging processes, further reducing waste.

Amazon's supply chain sustainability practices have faced increasing scrutiny. Although the company has implemented sustainable sourcing practices, such as sourcing 100% of cotton used in Amazon Private Brands apparel from sustainable sources by the end of 2022, there are concerns about the traceability and environmental impact of other raw materials, such as palm oil.

Amazon's approach to sustainability also includes significant investments in technology and innovation to drive efficiency and reduce environmental impact. For example, Amazon Web Services (AWS) is designed to be highly energy-efficient, with data centers that utilize renewable energy sources. AWS aims to help customers reduce their carbon footprints by nearly 80% compared to traditional on-premises data centers.

Sources for Amazon's sustainability highlights above can be found in the endnotes.[38]

Aon

Our E-thesis for Aon is that its robust suite of advisory services is going to see additional growth as it strives to meet growing demand for disaster insurance and other innovations for risk management in the face of intensifying climate change. Aon uses advanced physical risk modeling tools to assess insurance and corporate client assets' exposure to climate change impacts. The company quantifies the value at risk under different warming scenarios and helps to evaluates portfolio vulnerabilities. Aon's has decades of valuable experience in catastrophe and climate modeling. Aon's tools and methodologies also assist clients in meeting climate-related disclosure requirements. Aon designs innovative insurance and risk transfer solutions for climate-related volatility. Aon provides access to 135 proprietary Impact Forecasting models across 12 perils and 90 territories. Aon launched a Climate Risk Monitor tool that helps clients visualize and understand their exposures to physical climate risks.

Aon is poised to provide crucial support to the economy in narrowing "protection gaps" (gaps between climate exposures and insurance coverage) and supporting a more orderly repricing of assets as climate risks are identified and internalized.

Aon also continues to make strides in its own internal sustainability efforts, including pursuit of net-zero carbon emissions by 2030, a goal validated by the Science-Based Targets initiative. This involves managing and reducing emissions across its supply chain, real estate, and travel activities. Aon has already reduced emissions by 16% from 2019 levels by 2022. The company is also involved in innovative projects such as the Avelia Sustainable Aviation Fuel (SAF) pilot, which aims to reduce the impact of air travel emissions.

Aon's Board of Directors regularly review ESG risks. Aon's governance framework includes an AI Governance team that assesses opportunities and risks associated with artificial intelligence, ensuring that technological advancements align with the company's ethical standards. Furthermore, Aon

participates in global sustainability initiatives, such as the UN Principles for Sustainable Insurance and the UN Principles for Responsible Investing, to foster industry-wide collaboration on ESG issues.

Aon's future goals include continuing to drive down its carbon emissions and expanding its sustainability initiatives. The company aims to enhance its global and regional climate disclosures and further centralize its ESG policies. By leveraging its data and analytics capabilities, Aon plans to develop more sophisticated climate risk models and solutions to help clients navigate the complexities of climate change. The firm's proactive approach to sustainability not only addresses immediate environmental challenges but also positions it as a leader in promoting long-term resilience and growth for its clients and the broader community.

Sources for Aon's sustainability highlights above can be found in the endnotes.[39]

Deere

Deere has set ambitious goals and established innovative practices aimed at reducing agriculture's environmental impact. The company has embedded sustainability into its operations and products. Its Leap Ambitions, which it aims to achieve by 2030, include reducing greenhouse gas emissions, increasing the use of sustainable materials, and improving the efficiency of its products and operations.

John Deere's 2022 Sustainability Report (the 2023 report was not available as of the time of writing) highlights several key achievements and future goals. The company made significant strides in reducing operational greenhouse gas emissions, achieving a 29% reduction since 2017, which surpasses their original goal of 15%. This reduction was primarily driven by improvements in energy efficiency and the increased use of renewable energy sources. Additionally, Deere has made strides in waste management, achieving an 84% waste recycling rate, just shy of their 85% goal. The company also introduced water best management practices at all water-scarce manufacturing locations, demonstrating a comprehensive approach to resource conservation.

In terms of product development, Deere has set validated Science Based Targets to reduce Scope 3 greenhouse gas emissions by 30% by 2030. The company is focusing on developing battery-electric and hybrid-electric equipment, with plans to introduce over 20 electric/hybrid models by 2026. Deere is also exploring the use of renewable fuels such as ethanol, renewable diesel, and biodiesel to further reduce emissions from its products. The introduction of technologies like the See & Spray Ultimate, which can reduce herbicide use by up to two-thirds, exemplifies Deere's efforts in precision agriculture, a key element of our investment thesis. Deere's Leap Ambitions also include connecting 1.5 million machines to enable data-driven decision-making and sustainable practices, as well as reaching 500 million engaged acres by 2026.

Deere has established a robust governance structure with Board oversight and cross-functional teams driving the execution of sustainability initiatives. Deere has also updated its Supplier Code of Conduct to incorporate sustainability.

Sources for Deere's sustainability highlights above can be found in the endnotes. [40]

ThermoFisher

Our E-thesis for ThermoFisher centers on its offering of diagnostics, therapies, and vaccines to address intensifying infectious disease risks that are spreading to new geographies, e.g., mosquito-borne tropical diseases shifting to higher latitudes in the U.S. and Europe. Research suggests that 385-725 million more people than today may be exposed to a range of tropical infectious diseases, including dengue, Zika, chickungunya, and yellow fever, by 2050 — and up to 1 billion more than today by 2080. The vaccine market is accordingly expected to grow by $50 -125 billion, or as much as ~$200 billion with branded pricing of more complicated vaccines, on top of its existing $500bn addressable market.[41] TMO has a wide product offering across infectious disease discovery, testing, treatment, and epidemiology, as well as contract vaccine manufacturing. It has strong relationships with the world's largest biopharma companies; and has high impact leverage through the huge expansion in the installed base of qPCRs and vaccine dev/production capabilities due to COVID. We believe this will position TMO to benefit the world, while widening its competitive moat in the infectious diseases segment. TMO also offers environmental (water, soil, air) testing and food quality/safety testing, which is set to accelerate as environmental contaminants become more prevalent and government regulation becomes more comprehensive, e.g., PFAS regulatory workflow.

ThermoFisher Scientific has emphasized its goal to achieve net-zero emissions by 2050. The company has made substantial progress towards this objective, including a 25% reduction in Scope 1, 2, and 3 emissions, as approved by the Science Based Targets initiative (SBTi). This commitment is part of a broader strategy to integrate sustainability into their business model, ensuring that their operations, supply chains, and products contribute to a healthier, cleaner, and safer world. Chris Shanahan, Vice President of Global Sustainability Supply Chain at ThermoFisher, highlights the importance of procurement and sourcing in driving sustainable practices, emphasizing the need for education, collaboration, and transparency to overcome adoption challenges.

ThermoFisher is actively working on renewable energy initiatives, aiming to use 80% renewable electricity globally by 2030. This includes installing solar power at multiple sites and entering agreements to power their European operations with 100% renewable energy by 2025 and their U.S. sites by 2026. These initiatives reflect ThermoFisher's dedication to reducing their environmental footprint and supporting their customers' climate goals. ThermoFisher says it will increase the number of certified zero-waste sites from 14 in 2022 to 21 in 2023, with plans for further expansion.

ThermoFisher conducts supplier days to educate their supply base on sustainability practices and gather feedback on the support needed for their journey towards net-zero emissions. The company is also focused on designing, producing, packaging, and shipping products in ways that minimize environmental impact, thereby helping their customers achieve similar sustainability objectives.

Sources for ThermoFisher sustainability highlights above can be found in the endnotes.[42]

Links to Sustainability Reports for All of Our Holdings

In this section, we have provided links to the most recent sustainability reports of each of our portfolio holdings in 2023.

Alphabet (GOOGL)

https://sustainability.google/reports/google-2023-environmental-report/

Airbus (AIR) – no formal sustainability report, but short powerpoint

https://www.airbus.com/sites/g/files/jlcbta136/files/2024-04/Presentation%20AGM%202024%20-%20Sustainability%20%281%29.pdf

Amazon (AMZN)

https://sustainability.aboutamazon.com/2023-sustainability-report.pdf

AON (AON)

https://assets.aon.com/-/media/files/aon/about/impact/2023/aon-2023-impact-report.pdf

Apple (AAPL)

https://www.apple.com/environment/pdf/Apple_Environmental_Progress_Report_2024.pdf

Aptiv (APTV)

https://www.aptiv.com/docs/default-source/sustainability-report/2023_Aptiv_SustainabilityReport.pdf

ASML (ASML)

https://www.asml.com/en/company/sustainability

Autodesk (ADSK)

https://damassets.autodesk.net/content/dam/autodesk/www/pdfs/autodesk-fy2023-impact-report-rollout-final-160523.pdf

Ball Corp (BALL)

https://www.ball.com/getattachment/834325bd-2fa6-4612-bcf8-3ad844a28349/combined-report-04-02.pdf

Brookfield Asset Management (BAM)

www.brookfield.com/responsibility/2023-sustainability-report

Carrier (CARR)

www.corporate.carrier.com/Images/Corporate-Carrier-2023-ESG-Report-0723-English_tcm558-205336.pdf

Canadian National Railway (CNI)

https://www.cn.ca/en/delivering-responsibly

https://www.cn.ca/en/news/2024/07/updated-2023-sustainability-data-supplement-report

Costco (COST)

https://mobilecontent.costco.com/live/resource/img/23w10059/5a-ClimateActionPlan_2023.pdf

Danaher (DHR)

https://filecache.investorroom.com/mr5ir_danaher/872/Danaher%202024%20Sustainability%20Report.pdf

Deere (DE) – Business Impact Report – not sustainability report in '23

https://www.deere.com/assets/pdfs/common/our-company/sustainability/business-impact-report-2023.pdf?adobe_mc=TS%3D1717695776%7CMCMID%3D66723080820117991480449434355058556183%7CMCORGID%3D8CC867C25245ADC30A490D4C%2540AdobeOrg

Generac (GNRC)

https://www.generac.com/globalassets/residential/company/esg/generac_esg_report_2023-2_compressed-1.pdf

Goldman Sachs (GS)

https://www.goldmansachs.com/our-commitments/sustainability/2023-sustainability-report/multimedia/report.pdf

L'Oreal (OR)

https://www.loreal-finance.com/en/annual-report-2023/social-environmental-performance/

Microsoft (MSFT)

https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RW1lMjE

Moody's (MCO) did not publish yet

https://www.moodys.com/sites/products/ProductAttachments/Sustainability/2022-tcfd-report.pdf

NextEra Energy (NEE)

www.nexteraenergy.com/content/dam/nee/us/en/pdf/2023_NEE_Sustainability_Report_Final.pdf

Nestle (NSRGY)

https://www.nestle.com/sites/default/files/2024-02/creating-shared-value-sustainability-report-2023-en.pdf

Nike (NKE)

https://media.about.nike.com/files/9e0cc4dd-8d70-4476-964b
dc8fef9bb636/FY23_Nike_Impact_Report.pdf?download=inline

S&P Global (SPGI)

https://www.spglobal.com/en/who-we-are/corporate-responsibility/reports-commitments/sp-global-impact-report-2023.pdf

Siemens (SIEGY)

https://assets.new.siemens.com/siemens/assets/api/uuid:00095b96-4712-4cd1-b045-19d5df704358/sustainability-report-fy2023.pdf

SolarEdge (SEDG)

https://knowledge-center.solaredge.com/sites/kc/files/se-2023-sustainability-report-nam.pdf

Starbucks (SBUX)

https://stories.starbucks.com/uploads/2024/02/2023-Starbucks-Global-Impact-Report.pdf

Schneider Electric (SBSGY)

https://www.se.com/ww/en/assets/564/document/466155/2023-sustainability-report.pdf

Taiwan Semiconductor (TSM)

https://esg.tsmc.com/en-US/file/public/e-all_2023.pdf

Thermo Fisher (TMO)

https://corporate.thermofisher.com/content/dam/tfcorpsite/documents/corporate-social-responsibility/annual-reports/2023-CSR-Report.pdf

Trane Technologies (TT)

https://www.tranetechnologies.com/content/dam/cs-corporate/pdf/sustainability/annual/2023-ESG-Report.pdf

Trimble (TRMB) did not publish 2023 report yet

https://www.trimble.com/downloads/4K6TJvfQn5fT6yn253RiEK/0c3ad99e7eb9457eebd5237b09a745b7/trimble-sustainability-report-2022.pdf

Uber (UBER)

https://s23.q4cdn.com/407969754/files/doc_downloads/2024/04/Uber-2024-Environmental-Social-and-Governance-Report.pdf

United Rentals (URI) did not publish yet ’23 numbers yet

https://s21.q4cdn.com/336331232/files/doc_downloads/2024/09/corporate-responsibility-report-2023.pdf

Veralto (VLTO) did not publish yet ’23 numbers yet

https://filecache.investorroom.com/mr5ir_veralto/189/Veralto_2023_Sustainability_Report.pdf

Waste Management (WM) did not publish yet ’23 numbers yet

https://sustainability.wm.com/downloads/WM_2023_SR.pdf

Appendix

Principal Adverse Impact (PAI) Indicators for DWA SES

Below are the estimates of Principal Adverse Impact Indicators that we have estimated for the DWA ES.

Environmental **EU SFDR Adverse Impact Indicators and reporting metrics**		**DWA SES**	**Coverage Ratio**
1. GHG Emissions	Scope 1 GHG emissions (tCO2e): Measures the carbon emissions for which an investor is responsible by their equity ownership: calculated by taking portfolio market value (EUR) of each company, dividing by company's enterprise value, then multiplying by the company's latest emissions data (tCO2e). Sum the total for all companies to get the portfolio wide financed emissions.	2,985	100%
	Scope 2 GHG emissions (tCO2e):Measures the carbon emissions for which an investor is responsible by their equity ownership: calculated by taking portfolio market value (EUR) of each company, dividing by company's enterprise value, then multiplying by the company's latest emissions data (tCO2e). Sum the total for all companies to get the portfolio wide financed emissions.	614	100%
	Scope 3 GHG emissions (tCO2e):Measures the carbon emissions for which an investor is responsible by their equity ownership: calculated by taking portfolio market value (EUR) of each company, dividing by company's enterprise value, then multiplying by the company's latest emissions data (tCO2e). Sum the total for all companies to get the portfolio wide financed emissions.	34,446	100%
	Total GHG emissions (tCO2e)	38,044	100%
2. Carbon Footprint	Sum of portfolio companies' Total GHG Emissions (Scopes 1, 2 and 3) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash, adjusted to show the emissions associated with 1 million EUR invested in the portfolio.	204	100%
3. GHG Intensity of investee companies	GHG Intensity of investee companies (t/EUR million sales): Measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' carbon intensity (Total GHG emissions/EUR million sales)	713	100%
4. Exposure to companies active in the fossil fuel sector	Portfolio exposure to companies engaged in fossil fuel-related activities, including exploration, extraction, mining, storage, distribution and trading of oil and gas, production and distribution of thermal coal, and production, distribution, storage, and reserves of metallurgical coal.	8.6%	100%

Environmental - continued EU SFDR Adverse Impact Indicators and reporting metrics		DWA ES	Coverage Ratio
5. Share of non-renewable energy consumption and production	The company's energy consumption and/or production from non-renewable sources as a percentage of total energy use and/or generation	54.7%	97%
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector based on the European Nomenclature of Economic Activities (NACE)	See last table below	100%
7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas , and have been implicated in controversies with severe or very severe adverse impact on the environment.	0%	100%
8. Emissions to water	Tonnes of direct emissions of priority substances and populants which were discharged into bodies of water generated by investee companies per million EUR invested, expressed as a weighted average	0	0%
9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	3.0	73%

Social EU SFDR Adverse Impact Indicators and reporting Metrics		DWA ES	Coverage Ratio
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of Investments in investee companies that have been involved in violations of the UNGC principles for OECD Guidelines for Multinational Enterprises	0	100%
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handing mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	100%
12. Unadjusted gender pay gap	The difference between the average gross hourly earnings of male and female employees as a percentage of male gross earnings	14.0%	90%
13. Board gender diversity	Average ratio of female to male board members in investee companies	60.5%	100%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in landmines, cluster munitions, chemical weapons or biological weapons. Note: Industry tie includes ownership, manufacture or investment. Landmines do not include related safety products	0	100%

Sovereign EU SFDR Adverse Impact Indicators and reporting Metrics			
15. GHG intensity	GHG Intensity of investee countries: tons of CO2e emissions per EUR million GDP of the country	No data	NA
16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0	100%

Real Estate EU SFDR Adverse Impact Indicators and reporting Metrics			
17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	No data	NA
18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	No data	NA

Source: MSCI

6. Energy consumption intensity per high impact climate sector (GWh per million EUR)

A - Agriculture, forestry and fishing	0
B - Mining and quarrying	0
C - Manufacturing	0.033
D - Electricity, gas, steam and air conditioning supply	0.029
E - Water supply; sewerage; waste management and remediation activities	0.037
F - Construction	0
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.032
H - Transporting and storage	0.029
L - Real estate activities	0

MSCI EU Taxonomy Methodology

Exhibit 1: EU Taxonomy Environmental Objectives v. MSCI Sustainable Impact Metrics Environmental Impact Themes

EU Taxonomy Environmental Objectives	MSCI Sustainable Impact Metrics: Environmental Impact Solutions
Climate Change Mitigation	• Alternative Energy • Carbon Energy and Efficiency • Green Building • Sustainable Agriculture (e.g. forest management, no-deforestation provisions)
Climate Change Adaptation	• Alternative Energy • Carbon Energy and Efficiency • Green Building • Sustainable Water (e.g. drought resistant seeds)
Sustainable Use and Protection of Water and Marine Resources	• Sustainable Water • Pollution Prevention & Control
Transition to a Circular Economy	• Sustainable Water • Pollution Prevention & Control (e.g. recycling)
Pollution Prevention and Control	• Pollution Prevention & Control • Sustainable Water
Protection and Restoration of Biodiversity and Ecosystems	• Sustainable Water • Sustainable Agriculture • Pollution Prevention & Control

**Source: MSCI*

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