Douglass Winthrop Advisors
Sustainable Equity Strategy

2024 Impact Report

June 15, 2025

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 2024. This annual report covers ownership positions across that year, at their average weightings, and does not reflect the effect of portfolio changes made in 2025.

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 2024 and into 2025 until the date of publication, in the U.S. and globally, including reference to portfolio companies we expect to be affected and those we expect to be beneficiaries.

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 2024, we engaged **Aon**, **Ball, Core & Main, Coupang, Aon, S&P Global, Coupang, MercadoLibre and Waste Management**.

Next, we provide sustainability highlights for an illustrative selection of our companies. In 2022, we covered holdings Alphabet, Ball Corporation, Canadian National Railway, Schneider Electric and Trimble. In 2023, we covered Airbus, Amazon, Aon, Deere and ThermoFisher. This year, we highlight **Intuit, Siemens, Trane, United Rentals** and **Verisk**. Following these highlights, we provide links to the 2024 sustainability assessment reports of all our portfolio companies that were available as of the date of publication. 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 MSCI and other data aggregators often miss important factors that we consider in our proprietary investment and stewardship work, we also recognize that many clients value a periodic assessment by third parties. Here are some highlights from those statistics, and more follow in the body of the report.

- Based on MSCI's ESG ratings, the DWA Sustainable Equity Strategy's weighted **E score was 6.7 out of 10, higher than the scores attained by S&P 500, MSCI World and MSCI SRI's**.

- 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 water intensity (i.e., water withdrawal intensity, measured in cubic meters per million in sales) in 2024 was **16,265 cubic meters per million dollars in sales, unfavorably higher than both S&P Global and MSCI World, but favorably lower than the MSCI World Socially Responsible Index**.

- Out **of our 40 companies held for some or all of 2024, 32 (or 80%) 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:

    - **57%** of our companies were aligned to SDG 12 – Responsible Consumption & Production
    - **50%** of our companies were aligned to SDG 13 – Climate Action
    - **33%** 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, **2.5% of revenue from our portfolio companies contributed to one or more of MSCI's six categories.** When we consider only the DWA companies that fall into the E-Solutions side of our dual analytic framework, using the same MSCI methodology, our E-Revenue and to **10.8% or 2-4x** higher than our benchmarks. 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), aligned revenue from our **Environmental Solutions Providers rose to 29.7%**.

- **Our Climate Value at Risk (cVaR) was -5.5%, indicating lower climate risk exposure than all three of our reference indexes**, which range from -10.2% to -13% depending on the index.

- Using MSCI's analytic tool, our portfolio is associated with an **Implied Temperature Rise of 2.30°C, a slight worsening from last year's ITR of 2.13°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 ~2.30°C by 2100 as sought in the Paris Agreement.

    - **57.5%** of our companies within the portfolio align with the goal of limiting temperature increase to below 2.0°C, again using MSCI's tool.
    - **30%** 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 you enjoy this report, and if you would like more information please do not hesitate to reach out.

Thank you,

The Douglass Winthrop Sustainable Equity Strategy team

Policy Change in 2024 and Major Changes in Early 2025

U.S. Policy Tightening in 2024

In 2024, the last full year of the Biden Administration, we saw continued advancement in environmental and climate policies aimed at reducing greenhouse gases and supporting sustainable agriculture. Examples follow.

EPA power plant standards

On April 25, 2024, the EPA finalized a suite of greenhouse gas (GHG) standards applicable to existing coal-fired power plants and new natural gas-fired power plants. These standards are part of the Section 111 framework—establishing performance-based rules for new, modified, and existing sources. The regulations required coal plants to align with emissions levels consistent with 90% carbon capture by 2032, or risk retirement beyond 2038. New gas plants were required to achieve 90% capture by 2035 or operate below a 40% capacity factor.

On the same day, April 25, 2024, the EPA also finalized three complementary rules for coal-fired power plants:

- The Mercury and Air Toxics Standards (MATS) tightened emissions limits for toxic metals such as mercury—reducing emissions by 67% for certain pollutants and 70% specifically from lignite-fired units.
- The Wastewater Pollution Rul aimed to cut coal plant discharges by over 660 million pounds annually, benefiting environmental justice communities.
- The Coal Ash Management rule would implement new federal requirements for coal ash disposal, including previously unregulated legacy sites.

Regulators and analysts project significant benefits: modeling suggests the new power plant CO_2 standards could reduce sector emissions by 51% below 2022 levels by 2040 (versus just 26% without the rules). If fully implemented, the rules could prevent billions of tons of carbon emissions by 2047 (e.g., 1.38 billion metric tons), while also delivering public health and ecosystem gains. These April 2024 actions signaled a robust climate ambition under the Biden EPA—tightly fitting Section 111 authority while pushing for real emissions cuts. They also set the stage for a potential and anticipated legal pushback. While not a court decision in 2024, the West Virginia v. EPA (2022) ruling by the Supreme Court was to expected to constrain the EPA's ability to mandate generation shifting under the "major questions" doctrine. These standards were expected to be significant for holdings like **NextEra** and **Constellation Energy**, as well as our more energy and electricity-intensive companies, such as those driving major datacenter buildouts such as **Microsoft**, **Amazon** and **Alphabet**. The latter faced a more challenging electricity demand and pricing environment, while being advantaged in their financial strength and ability to directly underwrite renewables development to support their joint ambitions for accelerated growth and decarbonization.

AIM Act

In 2024, the Biden Administration continued steady implementation and fine-tuning of regulations laid out by the AIM Act (American Innovation and Manufacturing Act), which had been enacted in December 2020 as part of the COVID relief package. It had passed with bipartisan support in Congress and included provisions giving the EPA authority to phase down hydrofluorocarbons (HFCs), setting the schedule for an 85% reduction in production and consumption by 2036, aligned with the international Kigali Amendment to the Montreal Protocol.

It also gave EPA tools to manage sector-based transitions, reclamation / reuse programs, and technology adoption to help U.S. companies innovate in low-GWP alternatives (i.e., alternatives to HFCs that have lower Global Warming Potential or GWP), with significant relevance for **Trane** and **Carrier**.

The law also directed EPA to establish a cap-and-trade program for phasing out HFCs. It set a declining cap on HFC production and consumption, with an 85% reduction by 2036 compared to a 2011-2013 baseline. Each year, EPA sets the total "allowance budget" for HFCs (tons CO_2-equivalent). EPA issues allowances to producers and importers, based on historical market share and other factors. These allowances are tradable rights: one allowance equals authorization to produce or import a fixed amount of HFCs. Companies can buy, sell, or transfer allowances to one another, just like emissions permits in other cap-and-trade programs. This creates flexibility: firms that can reduce HFC use quickly may sell allowances to those facing higher transition costs. Importers and producers must hold allowances equal to their actual HFC volumes. EPA can revoke or retire allowances for violations for failure to comply.

In September 30, 2024, the EPA finalized administrative penalties regarding 2025 allowance allocations. Several companies (e.g., **ASML US**, Proteng Distribution, Wolfspeed, Solvay Fluorides, Wilhelmsen Ships Service, AFK & Co., AutoZone Parts, and Wesco HMB) had allowances withheld, retired, or revoked due to failures in audit reporting or non-compliance with import requirements

Draft Farm Bill – Potential Rollback of IRA Climate–Smart Provisions

The sustainability-related provisions in the 2024 Farm Bill draft (the Farm, Food, and National Security Act of 2024, H.R. 8467), as released by the House Agriculture Committee in May 2024, proposed redirecting $14.4 billion previously designated for climate-friendly agricultural practices under the 2022 Inflation Reduction Act (IRA). Instead of narrowly funding eco-focused conservation approaches, the funds would be available for a broader swath of existing USDA conservation activities — effectively eliminating required "climate-smart" parameters. This rollback sparked concern from environmental advocates, who viewed it as a dilution of climate accountability in agriculture.

According to analyses by the National Sustainable Agriculture Coalition and others, the new draft was light on measures to advance climate resilience, agroecological diversity, or farmer-led conservation innovation. However, it was credited for reallocating some funding toward precision agriculture technologies, which could benefit **Deere**'s precision agriculture offerings. It was criticized for neglecting investments in resilient, small-scale farming systems, having instead favoring monoculture and industrial operations.

The draft reauthorizes bioenergy-related programs, including the Bioenergy Program for Advanced Biofuels and the Biomass Crop Assistance Program. These align with energy and sustainability goals, but their net environmental impact varies based on feedstock and management. It also formally recognizes Sustainable Aviation Fuels (SAF) as an advanced biofuel, further supporting renewable energy transitions, favoring **Airbus**' work on ensuring that aircraft accommodate Sustainable Aviation Fuels.

As of this publication, the status of the Draft Farm Bill was as follows: introduced May 21, 2024, and reported out of the House Agriculture Committee (markup) on May 23, 2024. H.R. 8467 has not been taken up by the full House, nor has it progressed further toward final passage. The Senate introduced its own version of the bill, commonly referred to as the "Rural Prosperity and Food Security Act", around November 18, 2024. However, no further action has been taken by the Senate Agriculture Committee: there's been no markup, vote, or advancement to the floor. In lieu of new legislation, Congress passed extensions to maintain current programs instituted in the 2018 Farm Bill. A 1-year extension was passed in December 2023, covering through September 30, 2024.

Climate Provision of the Inflation Reduction Act

IRA funding was ramping up in 2024: by late in the year, more than $61 billion had been committed to over 6,100 projects in clean energy, manufacturing, and agriculture, supported by Treasury guidance on Investment and Production Tax Credits and new DOE and USDA awards.

Portfolio implications:

This trajectory of policy tightening was mostly favorable for the SES portfolio, though our base case financial projections did not depend on its continuation. Extending examples cited above, we note:

- **Constellation Energy** benefits directly from power plant rules, as its nuclear fleet is already carbon-free, increasing its advantage relative to fossil generators.
- **NextEra Energy** gains from demand for renewable replacement capacity, further strengthening its market-leading pipeline.
- **Brookfield Asset Management** is an extensive investor in investment in clean energy infrastructure.
- **Schneider Electric** and **Siemens** provide the grid modernization technologies essential to implementing these rules.
- **Deere** and **United Rentals** stand to benefit long-term as electrification expands.
- **Ball Corporation** experiences indirect exposure through higher energy costs in aluminum smelting.
- **Carrier** and **Trane Technologies** benefit directly from the AIM Act and its HFC phase-downs, aligning with their refrigerant strategies.
- **ThermoFisher** has responded to lab customer demand for sustainable cooling, offering a comprehensive line of lab refrigerators and freezers that are ENERGY STAR®-certified, ACT®-labeled, and utilizing natural refrigerants with extremely low Global Warming Potential (GWP < 10) — significantly below regulatory norms. The company was the first in the industry to bring

ENERGY STAR-certified ultra-low temperature (ULT) freezers and ACT-labeled equipment to market. Their catalog includes hundreds of models aimed at reducing both energy usage and environmental impact. ACT stands for Accountability, Consistency, Transparency.
It's an eco-label for laboratory products (like cold storage, pipette tips, consumables) that provides a standardized, third-party verified scorecard of the product's environmental footprint.
Developed by My Green Lab, a nonprofit, it's sometimes referred to as the "nutrition label for lab sustainability."

- **Deere, Trimble,** and **Core & Main** capitalize on IRA-linked climate-smart agriculture support.
- **Costco, Chipotle,** and **Nestlé** were to face higher scrutiny of methane and regenerative sourcing.
- **Aon, Moody's**, **S&P Global**, and **Verisk** monetize increased demand for methane and climate risk analysis.

Dramatic Change in U.S. Policy in 2025

With the Trump administration's inauguration in January 2025, policy shifted decisively toward deregulation:

- Executive Order 14162, issued on January 20, 2025, formally withdrew the United States from the Paris Agreement and terminated associated financial commitments, signaling a decisive retreat from international climate diplomacy.
- Executive Order 14148 rescinded numerous Biden-era directives aimed at embedding climate considerations into federal policy—dismantling structures like environmental justice offices and federal procurement standards designed to account for greenhouse gas emissions.

Together, these and other actions — dismantling international commitments and the domestic administrative mechanisms of climate integration — represented a major rollback of climate policy executed immediately upon Trump's return to office.

In July 2025, the Environmental Protection Agency issued a proposal to repeal the 2009 Endangerment Finding, the scientific and legal determination that greenhouse gas emissions pose a threat to public health and welfare. That finding has served as the cornerstone of federal climate regulation under the Clean Air Act, underpinning standards for vehicles, power plants, and industrial sources. By seeking to revoke it, the EPA aims to strip away the legal foundation that obligates the agency to regulate carbon dioxide and other greenhouse gases. If finalized, the repeal would dramatically weaken the government's ability to impose future climate rules, transfer the regulatory burden back to Congress, and undermine precedent affirming the EPA's duty to act on climate pollution.

In July 2025, the One Big Beautiful Bill Act (OBBBA) further altered clean-energy economics by accelerating the phase-out of the Investment Tax Credit and the Production Tax Credit, restricting transferability, and imposing near-term construction deadlines. Analysts projected it could stall hundreds of billions in clean-energy investment and cancel gigawatts of renewable capacity, including projects in Texas.

At the same time, the OBBBA also allowed immediate expensing of both capital expenditures (Capex) and research & development (R&D) outlays, allowing companies to deduct the full cost of new equipment, facilities, and innovation spending in the year incurred rather than depreciating or amortizing them over

time. This accelerates cash flow benefits, lowers effective tax rates on new investment, and is designed to catalyze rapid re-tooling of U.S. manufacturing, (clean) energy deployment, and technology development, while also encouraging firms to scale R&D domestically rather than abroad. Given our emphasis on identifying and owning companies that allocate a significant share of sales to R&D or sell innovative hardware to large companies, we see these investment-friendly provisions as a material positive for many companies in our portfolio.

So far, we've seen no effort to repeal or delay the AIM Act. In July 2025, the EPA under Trump proposed rescinding the 2009 CO_2 Endangerment Finding, which underpins much of the Clean Air Act climate regulation — but explicitly, this rollback does not affect the AIM Act or the HFC phase-down schedule. The AIM Act's mandates remain statutory, untouched by this policy shift.

Other major changes were made in the first half of 2025 across the Executive branch. Scientific integrity policies and health research funding were rolled back. Industrial facilities received broader pollution exemptions. Federal support for renewables was curtailed, with offshore wind leasing halted. Enforcement budgets and staff were reduced at EPA. A major tariff regime was instituted starting in April 2025, then paused and adjusted through the first half of the year, when this report was published.

Portfolio implications of these major policy changes include:

- **Microsoft, Alphabet, and Amazon** maintain ambitious carbon-free and carbon-negative pledges. With federal withdrawal from Paris and reduced support for renewables, these firms may face higher costs and complexity in securing clean power to meet goals.
- **NextEra and Brookfield** see headwinds as renewable project economics are undermined by OBBBA, though state and corporate demand remains.
- **Constellation Energy** benefits from nuclear 's position as a clean capacity provider with bipartisan support, and whose tax credits survived in the OBBBA.
- **Carrier and Trane** maintain global refrigerant opportunities, though domestic uptake slows.
- **Deere, United Rentals, Ball, and Airbus** face higher input costs from tariffs on metals and autos.
- **Canadian National Railway** is exposed to disrupted trade flows due to tariffs.
- **Waste Management** may see reduced landfill methane enforcement federally, but investors and customers could still sustain pressure.
- **Aon, Moody's, S&P Global,** and **Verisk** may experience less domestic regulatory demand for climate-related analytics in the short term, but continue strong growth internationally as well as an eventual revival when climate-related mitigation and adaptation needs re-accelerates due in part to slower emissions reduction from the policy changes.

Global Policy Developments

Outside the United States, climate and biodiversity policy continued to advance in 2024–2025, often with striking speed and breadth.

In Europe, the Carbon Border Adjustment Mechanism (CBAM) moved from a conceptual framework into its transition phase. While tariffs on embedded emissions will not formally begin until 2026, companies exporting steel, cement, fertilizers, aluminum, and electricity into the EU are already required to disclose

detailed emissions data. This reporting obligation is re-shaping supply chains, as foreign producers adjust processes and documentation systems to preserve market access.

In parallel, the EU formally adopted the Nature Restoration Law, a landmark regulation that mandates restoration of at least 20 percent of degraded ecosystems by 2030. This includes rewetting drained peatlands, rewilding degraded forests, and reviving pollinator habitats—an ambitious biodiversity agenda designed to bolster carbon sinks and improve ecological resilience.

Together, CBAM and the Nature Restoration Law underscore Europe's dual commitment to hard-edged climate economics and broad ecological recovery.

Conference of the Parties - COP29 in Baku

Held from November 11 to 22, 2024 in Baku, Azerbaijan, COP 29 marked a significant and controversial moment in global climate diplomacy. With nearly 200 countries in attendance, the summit was nicknamed the "Finance COP", spotlighting climate finance as its central focus. Negotiators agreed to a new global climate finance target: developed nations committed to mobilizing at least $300 billion per year by 2035, with contributions from both public and private, bilateral and multilateral sources. This aim—to triple the existing $100 billion goal from previous years—was encapsulated in the "Baku to Belém Roadmap to $1.3 Trillion", which calls on all stakeholders to work toward a broader mobilization of $1.3 trillion annually toward climate action in developing countries.

COP29 also delivered a long-awaited rulebook for international carbon credit trading under Article 6 of the Paris Agreement, establishing registries and governance structures to facilitate transparent and effective carbon markets.

However, the summit was not without controversy and criticism. Many developing countries considered the $300 billion pledge grossly inadequate compared to the estimated needs—some experts cite up to $1.3 trillion annually—to meet climate adaptation and mitigation goals. Negotiations were frequently tense, with objections from India and others over the perceived low ambition and delayed timelines.

The heavy representation of fossil fuel interests—over 1,700 industry lobbyists attended—fueled concerns that fossilization rather than decarbonization would dominate the process. Observers also criticized Baku as an ironic venue, given Azerbaijan's autocratic governance, fossil fuel dependence, and contentious human rights record, which some saw as undermining the summit's credibility.

The COP 29 Global Methane Pledge Ministerial, co-hosted by the COP Presidency, the U.S., and China, brought together ministers and stakeholders to showcase progress and spur further ambition across energy, agriculture, and waste sectors. One significant advance was a declaration focused on reducing methane emissions from organic waste. Over 30 countries signed the COP29 "Declaration on Reducing Methane from Organic Waste", representing nearly half of global methane emissions from this source. The declaration outlines collaborative intent to accelerate actions across eight priority areas—ranging from food waste prevention and circular economy integration to financing solutions and capacity building.

However, the COP29 summit also strengthened the global framework by launching the EU-led Methane Abatement Partnership Roadmap. Designed to bridge fossil fuel importing and exporting countries, this

roadmap promotes robust Monitoring, Reporting, and Verification (MRV) systems, grounded in the OGMP 2.0 principles, and outlines timelines, investment needs, and human resource strategies to eliminate methane leaks across supply chains

Despite these commitments, implementation gaps were apparent. The initiative to monitor methane leaks from oil and gas infrastructure—implemented prior to COP29—had issued over 1,200 alerts, yet only 1% prompted substantive responses from companies or governments. This highlighted a significant shortfall in translating monitoring into action, even among pledged signatories of the Global Methane Pledge

In sum, COP29 in Baku delivered concrete financial pledges and strategic declarations aimed at reinforcing the Global Methane Pledge. While monitoring mechanisms and new policies like the Methane Abatement Roadmap added vital structure, gaps in responsiveness underscore the need for stronger implementation and accountability moving forward.

Asia offered its own examples of policy innovation. Taiwan raised renewable procurement standards in ways that directly impact its semiconductor sector, one of the world's most energy-intensive industries. By mandating higher shares of green electricity in corporate power purchase agreements, Taiwan is forcing global chipmakers to accelerate renewable integration, with ripple effects across electronics supply chains. Taiwan Semiconductor is, we believe, well positioned

South Korea, meanwhile, advanced policies to electrify logistics, offering subsidies and infrastructure investment to shift freight from diesel trucks toward battery-electric and hydrogen fuel cell alternatives.

China reinforced its industrial decarbonization push, tightening efficiency standards in steel and cement, while expanding pilot carbon markets into new provinces. These measures highlight Asia's blend of industrial competitiveness and environmental obligation, signaling that global clean-energy leadership is no longer confined to the West.

Finally, biodiversity and water finance gained new traction across the Global South. Under UN frameworks, development banks and sovereign issuers in Latin America and Africa began expanding portfolios of green and blue bonds, channeling capital into watershed restoration, coastal resilience, and biodiversity protection. These financing instruments not only align with global sustainability goals but also provide emerging markets with access to relatively low-cost capital tied to conservation outcomes. Taken together, these international advances—from European regulatory muscle to Asian industrial transitions and Southern Hemisphere biodiversity finance—illustrate that the global climate and ecological agenda is moving forward even as U.S. policy remains contested.

Portfolio Implications

- **Airbus and Ball** must secure low-carbon metals to avoid CBAM penalties.
- **L'Oréal and Nestlé** will be pressed to show regenerative sourcing under biodiversity rules.
- **S&P Global, Moody's, and Verisk** benefit from demand for carbon and biodiversity risk data.
- **Siemens and Schneider Electric** gain from EU electrification mandates and Chinese policies, boosting demand for their grid and industrial solutions.
- **Brookfield, Danaher, Veralto, and Core & Main** are positioned to support blue-bond funded water and restoration projects.

- **TSMC, ASML, Synopsys, and NVIDIA** face renewable and circularity obligations in Asia, shaping operational choices.
- **Coupang** must electrify logistics fleets.
- **MercadoLibre** can gain market share by expanding sustainable packaging and delivery in Latin America.
- **Nike** is increasingly expected to ensure regenerative cotton sourcing to meet EU biodiversity mandates.

Navigating Policy Divergence

The combined trajectory of tightening in 2024 and reversals in 2025 leaves U.S. companies in an environment of rapid regulatory change as well as divergence between their obligations in the U.S. versus non-U.S. footprints. While domestic policy is less supportive, global standards in climate and biodiversity are becoming more stringent in many places, and increasingly binding. Multinational companies with exposure to Europe and Asia will need to align to expectations abroad to maintain competitiveness.

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.[1] 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.

- SDG 3 – Good Health and Well-being: Ensure healthy lives and promote well-being for all at all ages.
- SDG 6 – Clean Water and Sanitation: Ensure availability and sustainable management of water and sanitation for all.
- SDG 7 – Affordable and Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all.
- SDG 9 – Industry, Innovation and Infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

- SDG 11 – Sustainable Cities and Communities: Make cities and human settlements inclusive, safe, resilient and sustainable.
- SDG 12 – Responsible Consumption and Production: Ensure sustainable consumption and production patterns.
- SDG 13 – Climate Action: Take urgent action to combat climate change and its impacts.
- SDG 14 – Life Below Water: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
- SDG 15 – Life on Land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

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 2024 Holdings

	E-Solution or E-Advantaged	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
Airbus	EA	√								
Alphabet	EA	√	√	√	√			√		√
Amazon	EA	√								
AON Plc	EA								√	
ASML	EA									√
Autodesk	EA				√	√	√			
Ball	EA						√			
Brookfield Asset Management	ESP	√	√							
Canadian National	EA	√								
Carrier	ESP	√			√					
Chipotle	EA			√						
Constellation Energy	ESP		√							
Core and Main	ESP					√				
Costco	EA			√						
Coupang	EA	√					√			
Danaher	EA			√		√		√		
Deere	ESP	√		√						
Intuit	EA									√
L'Oreal	EA						√	√		
Mercado Libre	EA	√					√			
Microsoft	EA		√	√						√
Moody's	EA								√	
Nestle	EA			√						
NextEra Energy	ESP		√							
Nike	EA						√			
Nvidia	EA									√
S&P Global	EA								√	
Schneider Electric	ESP				√		√			
Siemens	ESP	√			√		√			
Synopsys	EA									√
Taiwan Semi	EA									√
Thermo Fisher	EA			√		√		√		
Trane Technologies	ESP			√	√					
Trimble	ESP	√		√	√	√				
Uber	EA	√								
United Rentals	EA						√			
Veralto	ESP					√				
Verisk	ESP									√
Waste Management	ESP						√			
WillScot	EA						√			

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)	6.7	6.0	6.6	6.0
Social Score (0-10)	5.3	4.9	5.6	5.0
Governance Score (0-10)	6.1	5.4	6.4	5.7
Weighted Average Carbon Intensity (t CO2e/$M sales)	109	93	55	99
Weighted Average Carbon Intensity (t CO2e/$M sales) ex. NextEra Inc.	64	93	55	99
Fossil Fuel Reserves (%)	0.0%	5.3%	1.4%	6.3%
High Impact Fossil Fuel Reserves (%)	0.0%	5.2%	1.3%	5.9%
Exposure to High Water Risk (%)	5.7%	7.2%	8.9%	7.5%
Total Water Withdrawal Intensity (m3/$M sales)	16,265	10,555	21,607	15,256

**Weighted average holdings from 01.01.2024 to 12.31.2024*

***holdings as of 12.31.2024*

- 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 6.7/10, higher than S&P500, MSCI World and MSCI's SRI.
- 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. Note that we sold NextEra in Q4 of 2024. 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 66% of FPL's generation by fuel type in 2014 and as of 2024 natural gas represented 71% 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 15% of FPL's generating capacity by fuel type in 2024. In its 2024 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[2]. NextEra's renewable energy development arm, NextEra Energy Resources ("NEER"), remains the largest non-utility renewable energy generator with 31 GWs in generation capacity as of 2024.
- **Waste Management** operated 258 active solid waste landfills and 5 hazardous waste landfills, converting 45% of the landfill gas into electricity or renewable natural gas (RNG), which contributed to a 12% reduction in Scope 1 and 2 GHG emissions from the 2021 baseline. RNG was allocated to 47% of the total truck fleet in 2024, reflecting continued progress in fleet decarbonization. Installed equipment capacity for landfill gas-to-energy increased to 395 MW, maintaining the upward trend from prior years. Circularity remains a core pillar of Waste Management's investment thesis, with the company recovering more than 15 million tons of material in 2023 and remaining on track to meet its 2030 goal of 25 million tons recovered annually. Reinforcing its commitment, Waste Management announced $1.3 billion in planned recycling infrastructure investments through 2026, supporting new and

upgraded facilities to drive recovery and reuse of valuable materials.

- Our weighted portfolio exposure to high water risk was 5.7%
    - The top contributor to our portfolio water risk score in 2024 remained Waste Management, primarily due to its industry classification in solid waste management and the ongoing limitations in disclosed water risk mitigation measures. MSCI continues to rate WM as high risk in this category. While there has been some progress, Waste Management's net freshwater consumption per dollar of sales remained elevated through 2023, though growth has moderated compared to prior years. The company continues to utilize recycled water in several operational areas: recycled water is used in hauling operations for truck cleaning, in landfill operations for soil stabilization and dust suppression, and in renewable energy facilities to support steam turbine systems. We are closely monitoring Waste Management's evolving water management strategy and are currently evaluating this as an active engagement topic within our "active ownership" program.
    - As highlighted in our prior report, Taiwan Semiconductor Manufacturing Company (TSMC) remains identified by MSCI as a high water risk exposure due to the water-intensive nature of semiconductor manufacturing and the geographic concentration of facilities in regions with stressed water resources. However, TSMC continues to make measurable progress in water stewardship. As of 2024, the company reported a water recycling rate of 86.4%, up slightly from the prior year, and remains on track to achieve its target of reducing cumulative water consumption by 35 million metric tons by 2030, based on a 2020 baseline. In the U.S., TSMC has advanced the design of an on-site industrial water reclamation plant at its Arizona campus, which is part of its $65 billion investment in the region. The Arizona fabs are being constructed with the goal of achieving 90% water recycling and near-zero liquid discharge, enabling nearly all water used in manufacturing to be recaptured and reused. We continue to monitor TSMC's water risk profile and recognize these initiatives as key milestones in their water management strategy.

UN Sustainable Development Goals

See section above for discussion of the UN Sustainable Development Goals and how these map to our DWA E-Map. The nine categories we focus on are: 3, 6, 7, 9, 11, 12, 13, 14, 15.

- SDG 3 – Good Health and Well-being: Ensure healthy lives and promote well-being for all at all ages.
- SDG 6 – Clean Water and Sanitation: Ensure availability and sustainable management of water and sanitation for all.
- SDG 7 – Affordable and Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all.
- SDG 9 – Industry, Innovation and Infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

- SDG 11 – Sustainable Cities and Communities: Make cities and human settlements inclusive, safe, resilient and sustainable.
- SDG 12 – Responsible Consumption and Production: Ensure sustainable consumption and production patterns.
- SDG 13 – Climate Action: Take urgent action to combat climate change and its impacts.
- SDG 14 – Life Below Water: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
- SDG 15 – Life on Land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

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 40 companies held for some or all of 2023, 32 (**80%**) 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 (**57%**), SDG 13 (**50%**), and SDG 7 (**33%**);
- We were relatively under-exposed to SDGs 3, 11, 14, 15;
- 2 of 40 companies were "Strongly Aligned" with the nine referenced SDGs: **Canadian National Railway** and **Nvidia;**
- 0 of 40 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	0.3%	0.2%	0.7%	0.3%
Energy Efficiency	1.5%	3.3%	0.8%	2.5%
Green Building	0.0%	0.2%	0.3%	0.3%
Sustainable Water	0.4%	0.1%	0.2%	0.1%
Pollution Prevention	0.3%	0.2%	0.3%	0.2%
Sustainable Agriculture	0.0%	0.0%	0.1%	0.1%
Total	**2.5%**	**3.9%**	**2.4%**	**3.5%**
E-Solution Only	**10.8%**	**3.9%**	**2.4%**	**3.5%**

**Weighted average holdings from 01.01.2024 to 12.31.2024*

***holdings as of 12.31.2024*

Source: MSCI

Overall, **2.5%** of revenue from DWA SES portfolio companies was contributing to one of MSCI's six categories, higher than the MSCI Socially Responsible Index, but lower than the S&P 500 and MSCI World indexes. This contrasts with last year, when SES was higher on this metric than all indexes. We attributed this reversal to all 3 indexes having an especially high weighting in Nvidia due to its

rapid equity price appreciation in recent years, and to Nvidia's 88.3% E-Revenue score per MSCI. MSCI defines energy efficiency broadly to cover products and services that improve energy performance across industries, not just in buildings or utilities. Categories include: Semiconductors enabling lower-power computing; GPUs/accelerators that increase performance per watt; and Chips for electric vehicles, data centers, AI, and automation that reduce overall energy consumption. SES does hold a position in Nvidia but it is underweight relative to the indexes, hence this weighting effect in driving down our E-Revenue score.

When we consider only the DWA companies that fall into the E-Solutions side of our dual analytic framework, using the same MSCI methodology, our E-Revenue and to **10.8%** or **2-4x** higher than our benchmarks. Standouts included:

- **Core and Main**, one of North America's largest distributors of waterworks equipment, was **38%** aligned.

- **Schneider Electric**, a French multinational providing energy management and industrial automation solutions, was assessed as **21%** aligned.

We often vary from the assessments provided by MSCI and other data providers, and have 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. For E-Solution providers only, our adjusted figure rose to **29.7%**, while for E-Advantaged companies only it remained at **3.4%** 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**, **Constellation Energy**, **Core and Main**, **Verisk** for which we offer brief rationales below:

- Carrier: We revised the aligned revenue from 5% to 50% based on the company's impact report stating, "~50% of revenue was from products and services that support energy efficiency and reduce greenhouse gas emissions."

- Constellation Energy: We revised the aligned revenue up from 0% to 89% based on nuclear + renewable generation and capacity payments, which provide a low-carbon source of power.

- Core and Main: We revised higher from 38% to 92%, thereby including all of its water business lines but excluding its fire protection business which represents 8% of revenue.

- Deere: We continued to count all of its precision agriculture sales as E-Solutions, adjust its revenue up from MSCI's 0.6% to 8%.

- NextEra Energy: We pro-rated FPL and NEE revenues by generation type by removing fossil fuel generation and counting renewable generation, resulting in an uplift to 28% for FY '24 assuming constant electricity prices.

- Schneider Electric: We revised up from 21% to 78%, counting its entire energy management segment as an E-Solution.
- Siemens: We revised higher from 15% to 20% based on EU taxonomy sustainably aligned revenue.
- Trane: We revised higher from 2% to 38%, based on explicit revenue disclosures from the company's sustainability report.
- Trimble: We revised higher from 4% to 6% based on our proprietary estimates around Trimble's agriculture business.
- Waste Management: We pro-rated revenue from 10% to 14% based on recycling + Renewable Natural Gas revenue.
- Verisk: We revised from 0% to 13% based on Verisk's extreme event solutions business which includes it catastrophe modelling / bond issuance platforms, associated with risk identification, quantification and transfer to help enterprises cope with intensifying climate change risk.

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:** In 2024, **L'Oréal** was once again named the world's most valuable beauty brand, with a brand valuation of $13.7 billion, maintaining a lead of over 75% ahead of second-place Estée Lauder. A key contributor to L'Oréal's continued leadership is its commitment to sustainability innovation. The company's proprietary SPOT (Sustainable Product Optimization Tool), previously used internally for life-cycle sustainability assessments, is now being made publicly accessible across a broader range of product lines. Following the successful U.S. rollout on Garnier haircare products, L'Oréal has expanded online environmental impact disclosures to additional brands, including L'Oréal Paris and La Roche-Posay, allowing consumers to evaluate individual product sustainability profiles directly on product pages. This transparency initiative not only strengthens customer trust and brand loyalty but also reinforces L'Oréal's competitive moat in an increasingly values-driven consumer landscape. Supporting this shift, a 2024 survey indicates that 68% of global beauty consumers now consider sustainability an important purchase factor, up from 64% in 2022.
- **Higher willingness-to-pay: Nike's** continued investment in sustainable manufacturing was once again recognized in a 2024 study by RunRepeat, which analyzed over 3,000 shoes from 40 global brands. The study found that the eco-sneakers from Nike and peer brands—totaling 112 models—commanded a 71% price premium on average compared

to non-sustainable counterparts. This premium reflects not only increased production costs associated with environmentally conscious materials and processes, but also growing consumer willingness to pay for sustainability. In support of this trend, a 2024 survey by CGS revealed that 67% of global respondents now say they are willing to pay more for sustainable products, up from 63% in 2022. These insights underscore the alignment between Nike's environmental initiatives and evolving consumer values, enhancing both brand equity and pricing power.

- **Higher pricing power than peers: Taiwan Semiconductor's** gross margins were 56% in 2024, more than **1000 bp** 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. [3] 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 2024, developing new functionalities to meet growing sustainability demands from customers. In 2024, Autodesk introduced Forma, a next-generation cloud-based AI platform building on its earlier Spacemaker technology, to further advance sustainable urban design. The new platform includes enhanced microclimate analysis tools, allowing architects and developers to simulate and mitigate urban heat island effects with greater accuracy. Additionally, Forma integrates total carbon management and stormwater impact assessment within early-stage design workflows, empowering users to optimize building orientation, materials, and site layout for reduced energy consumption and environmental impact. These expanded capabilities reflect Autodesk's commitment to embedding sustainability into the built environment through intelligent, cloud-driven design tools.

- **Lower cost of capital:** In 2024, **Brookfield Asset Management** issued approximately $7.6 billion in green bonds, sustainability-linked debt, and green preferred securities, supporting investments in clean energy technologies and decarbonization solutions. This issuance reflects Brookfield's growing emphasis on sustainable finance and its alignment with the International Capital Markets Association (ICMA) Green Bond Principles. The proceeds are being used to fund projects across renewable energy, energy efficiency, and other eligible green infrastructure initiatives. The capital markets and treasury teams, along with senior financial leadership, oversee the selection and evaluation of these projects under Brookfield's Green Bond Framework

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 2024 portfolio holdings.

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

Scenario	DWA SES	S&P500**	MSCI SRI**	MSCI World**
Policy Risk	-3.1%	-4.9%	-4.6%	-6.7%
+Technology Opportunities	1.4%	1.0%	2.1%	2.1%
=Low Carbon Transition Risk	-1.7%	-3.9%	-2.5%	-4.6%
Physical Climate Risk	-3.8%	-6.4%	-7.9%	-8.4%
Aggregate Climate VaR	**-5.5%**	**-10.2%**	**-10.4%**	**-13.0%**

**Weighted average holdings from 01.01.2024 to 12.31.2024*

***holdings as of 12.31.2024*

Source: MSCI

Per MSCI's methodology, the total impact on our portfolio from climate transition risk (policy risk offset by technology opportunities) is **-1.7%.** The largest contributor on a weighted basis was **Waste Management (WM).** The net transition VaR for WM was -33.6%, caused by their high Scope 1 emissions of 15mt CO2/year in 2024. To align with a 2ºC global emissions scenario, MSCI estimates that WM needs to reduce their scope one emissions by 15mt CO2/year (or 98%) by 2037, incurring a cost of $30mn/year by 2036.

The total impact on our portfolio from physical risk was -3.8%. 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 (-14.64%) and coastal flooding (-1.30%) in the region contribute to the physical climate VaR of -19.58. 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[4].

As noted in the table above, our Aggregate Climate VaR is **-5.5%,** 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 **-10.2%** to **-13.0%** 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	42.5%	41.3%
# of companies with committed SBT	7.5%	9.3%
# of companies with Net Zero Commitments according to SBTi	20.0%	21.4%

**Weighted average holdings from 01.01.2024 to 12.31.2024*

Source: https://sciencebasedtargets.org/

- Across 2024, 25 **(63%)** of the companies in the Sustainable Equity Strategy portfolio fulfilled at least one of the SBTi categories.
- 17 of our companies (**42.5%)** had "approved targets" (or 41.3% 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.
- 3 of our portfolio companies (**7.5%)** had "committed targets" (or 9.3% by weighting), meaning they had committed to setting a SBT within 24 months.
- 8 **(20%)** of our companies had committed to the more stringent Net Zero Standard (or 21.4% 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[5] 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[6].

- 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.[7] **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.**

Our Portfolio Companies' Climate Targets

Company	Scope 1 Target	Scope 2 Target	Scope 3 Target	Other Targets
Amazon	Net-zero (100% reduction) by 2040 (base 2019); Scope 1 emissions increased 2019–2024.	Net-zero by 2040 (base 2019); Scope 2 emissions reduced ~49% 2019–2024.	Net-zero by 2040 (base 2019); Scope 3 emissions up ~26% 2019–2024.	100% renewable electricity by 2025 (achieved 2023). EV fleet target: 100k by 2030; ~31,400 deployed by 2024.
Coupang	No public Scope 1 target; electrification of fleet, EV logistics centers grew 2.6× since 2022.	No public Scope 2 target; >85% deliveries without extra packaging.	No public Scope 3 target; hydrogen and EV adoption; packaging savings equivalent to 12 million trees.	Packaging innovations; rapid EV adoption with logistics center expansion.
Mercado Libre	No finalized Scope 1 target; 2023 emissions ~7,112 tCO_2e, slightly down from 2022.	No finalized Scope 2 target; 2023 emissions ~28,866 tCO_2e; renewables ~43.9% by 2024.	No specific Scope 3 target; 2023 emissions ~2.3 Mt. Offset program protecting >15k ha of forest.	>3,600 EVs in logistics fleet; 43.9% renewable energy in 2024.
Chipotle	50% absolute	Included in	50% reduction by	Reduce landfill waste to

Company	Scope 1 Target	Scope 2 Target	Scope 3 Target	Other Targets
	reduction across Scopes 1, 2, 3 by 2030 (base 2019). Scope 1 in 2024: 158.5 kt.	combined 50% reduction target.	2030 (base 2019); Scope 3 in 2024: ~4.9 Mt vs 1.4 Mt in 2019 (increase).	15% of total by 2025 (from 22% in 2018).
L'Oréal	Carbon-neutral operations by 2025; 57% reduction by 2030 (base 2019).	Combined with Scope 1; already achieved deep cuts (>80% vs 2005).	28% reduction by 2030 (base 2019); 25% cut in value chain by 2030; 50% per-product cut in use-phase.	100% recycled or bio-based packaging by 2030; 150 sites carbon neutral by 2025 (on track).
Alphabet (Google)	Net-zero operations by 2030; cut 50% vs 2019. Scope 1+2 down 11% in 2024 but total emissions +51%.	Net-zero operations by 2030; 66% of operations carbon-free in 2024.	Net-zero value chain by 2030; Scope 3 grew due to cloud demand (+22% in 2024).	100% zero-emission rides by 2030 in US/EU; plastic-free packaging achieved in hardware by 2022.
Danaher	Reduce Scope 1+2 emissions 50.4% by 2032 (base 2021); 31% cut achieved by 2024.	Combined with Scope 1; same target and progress.	Net-zero by 2050; Scope 3 target under development.	Focus on supplier engagement and lab efficiency.
Thermo Fisher	Reduce Scope 1+2 emissions 50% by 2030 (base 2018); ~29% cut achieved by 2024.	Combined with Scope 1; same target and progress.	90% of suppliers (by spend) to have science-based targets by 2027.	80% renewable electricity by 2030; net-zero by 2050.
Trane Technologies	Reduce Scope 1+2 emissions 50% by 2030 (base 2019); 44% cut achieved by 2023.	Combined with Scope 1; same target and progress.	55% reduction per product capacity by 2030 (base 2019); "Gigaton Challenge" with 15.7% achieved.	100% electrified fleet by 2030; water use cut 33% at stressed sites (2019–2023).
Schneider Electric	Carbon-neutral operations by 2025; 90% cut by 2030 (base 2017); ~67% cut achieved by 2023.	Combined with Scope 1; 90% renewable by 2025, 100% by 2030.	25% absolute reduction by 2030 (base 2021); supplier Zero Carbon Project targeting 1,000 suppliers.	EV fleet fully electric by 2030; circularity goal of zero landfill waste by 2030.
Waste	Reduce Scope 1+2 emissions 42% by	Combined with Scope 1; 100%	No explicit Scope 3 target; offset 4×	Renewable natural gas; fleet emissions cut 45%

Company	Scope 1 Target	Scope 2 Target	Scope 3 Target	Other Targets
Management	2031 (base 2021); ~22% cut achieved by 2024.	renewable electricity by 2025.	emissions by 2038.	by 2038.
John Deere	Reduce Scope 1+2 emissions 50% by 2030 (base 2021); ~15% cut achieved by 2023.	Combined with Scope 1; same target and progress.	Reduce Scope 3 30% by 2030 (base 2021); no large reduction yet.	Wind PPA for 20% of electricity; development of electric/autonomous farm equipment.
United Rentals	35% GHG intensity reduction by 2030 (base 2018); ~9% achieved by 2021.	Combined with Scope 1; covers fleet fuel and facilities.	Third-party hauling included in 35% intensity goal.	Waste diversion 70% by 2025; expanding EV/hybrid fleet.
WillScot Mobile Mini	No quantified Scope 1 target. Tracking fleet fuel efficiency.	No specific Scope 2 target. Energy efficiency upgrades ongoing.	No Scope 3 target disclosed. Circularity from modular reuse.	Circular economy model; waste reduction and recycling at refurbishment centers.
Canadian National (CN)	43% GHG intensity reduction by 2030 (base 2019); ~17% achieved by 2024.	Scope 2 minor; focus on fuel efficiency.	Engaging suppliers; net-zero 2050 goal.	Testing biofuels and battery-electric locomotives.
Airbus	Net-zero manufacturing by 2030; 63% cut vs 2015.	Same as Scope 1 target.	46% cut per passenger-km by 2035; –31% achieved by 2024.	100% SAF capability by 2030; hydrogen aircraft by 2035.
Carrier	Reduce Scope 1+2 emissions 42% by 2030 (base 2021).	Same as Scope 1 target.	Reduce Scope 3 emissions 25% by 2030 (base 2021).	Gigaton Goal: 1 Gt CO_2 avoided at customers by 2030; low-GWP refrigerant transition.
Uber	100% zero-emission rides by 2030 in US/EU; 2040 globally.	Scope 2 minimal.	Net-zero across rides/deliveries by 2040; ~230k EV drivers active by 2025.	Drivers adopting EVs faster than market average; $800M+ in EV incentives.
Veralto	Reduce Scope 1+2 emissions 54.6% by 2033 (base	Same as Scope 1 target.	Scope 3 assessment underway; supplier engagement target.	Sustainability governance and data systems established in

Company	Scope 1 Target	Scope 2 Target	Scope 3 Target	Other Targets
	2023).			2024.
Core & Main	No Scope 1 target. Efficiency measures ongoing.	No Scope 2 target. Facility upgrades ongoing.	No Scope 3 target. Main impact indirect through water systems.	Focus on water resilience; tracking intensity internally.
Verisk	Reduce Scope 1+2 emissions 21% by 2024 (base 2019); ~30% achieved by 2022.	Same as Scope 1 target; 100% renewable electricity achieved.	No absolute Scope 3 target; operations carbon neutral since 2019.	Carbon-neutral operations annually; SBTi targets under development.
Wabtec	Reduce Scope 1+2 emissions 50% by 2030 (base 2019); 38% achieved by 2023.	Same as Scope 1 target.	Majority emissions in product use; investing in low-carbon locomotives.	Developing battery and hydrogen locomotives; net-zero by 2050.
Microsoft	Carbon negative by 2030; cut ≥50% by 2030 vs 2020.	Combined with Scope 1; 100% renewable-powered operations.	Same as Scope 1; Scope 3 to be halved by 2030.	Water positive by 2030; zero waste by 2030.
Taiwan Semiconductor (TSMC)	Peak by 2025; return to 2020 levels by 2030.	60% renewable electricity by 2030; 100% by 2040.	Supplier engagement; no quantified Scope 3 target.	Net-zero by 2050; accelerated renewable electricity targets.
ASML	Carbon neutral by 2025 (Scopes 1+2).	100% renewable electricity for offices and labs.	Net-zero supply chain by 2030 ambition.	Zero waste to landfill by 2030; net-zero full value chain by 2040.
Intuit	42% reduction by 2030 (base 2022).	100% renewable electricity achieved.	Enable 50× climate positive impact by 2030; supplier engagement.	“50× by 30” program; community solar and small business initiatives.
Synopsys	25% reduction by 2024 (base 2018); achieved early.	Same as Scope 1 target; carbon-neutral ops maintained annually.	Four SBTs in development for Scope 3 categories by 2032.	Offsetting 100% operational and travel emissions; renewable electricity transition.
Nvidia	Net-zero by 2030; new goal 50% cut by 2030 (base	Same as Scope 1 target; >85% renewable	30% cut by 2030; supplier engagement ongoing.	Net-zero 2050; 100% renewable data centers.

Company	Scope 1 Target	Scope 2 Target	Scope 3 Target	Other Targets
	FY2023).	power already.		
AON Plc	Net-zero by 2030; 55% cut by 2032 (base 2019).	Same as Scope 1 target.	Net-zero by 2030; Scope 3 goals in place for travel.	Carbon-neutral operations; exploring removals.
Moody's	Reduce 50% by 2030 (base 2019).	Same as Scope 1 target; carbon neutrality maintained since 2019.	Reduce 15% by 2030 (base 2019).	Investing in carbon removal projects; net-zero by 2040.
S&P Global	Reduce 25% by 2025 (base 2019).	Same as Scope 1 target; 100% renewable electricity achieved.	Reduce 25% by 2025 (travel, base 2019).	Carbon neutral since 2020; net-zero by 2040.
Brookfield Asset Mgmt	Net-zero by 2050 for operations and portfolio.	Same as Scope 1.	Net-zero financed emissions by 2050; interim 2030 portfolio targets in development.	Investing heavily in clean energy; $100B+ committed.
Ball Corp	Reduce Scope 1+2 emissions 55% by 2030 (base 2017).	Same as Scope 1 target.	Reduce Scope 3 emissions 16% by 2030 (base 2017).	Circularity: 90% recycling rate for aluminum cans by 2030.
Constellation Energy	95% carbon-free generation by 2030; 100% by 2040.	Same as Scope 1.	Customer decarbonization via clean electricity supply.	Net-zero by 2040; hydrogen blending and offsets.

Best in Class

Having reviewed their targets noted on the table above, we consider the following companies to have ambitious, science-based targets (Scopes 1–3), strong transparency, and measurable progress.

- **Microsoft** – Carbon negative by 2030, water positive / zero waste goals, extensive disclosure; though emissions rising, ambition and removals make them best-in-class.
- **Alphabet (Google)** – 24/7 carbon-free energy by 2030 (unique); full Scope 3 coverage; transparent about setbacks.
- **L'Oréal** – 1.5°C SBTi, absolute Scope 1+2 near net-zero by 2025, robust Scope 3 plans, packaging circularity.

- **Trane Technologies** – Gigaton Challenge (Scope 3 customers), ambitious Scope 1+2 targets, strong progress.
- **Schneider Electric** – 90% Scope 1+2 cut by 2030, supplier decarbonization program, transparent progress.
- **Carrier** – Clear Scope 1–3 SBTi targets, "Gigaton Goal" for customer reductions, on-track progress.
- **Ball Corp** – SBTi validated, full Scope 1–3 coverage, renewable electricity already achieved.
- **Constellation Energy** – 90%+ zero-carbon generation today, 100% by 2040, net-zero electricity supply to customers.

Good but Needs Improvement

We consider the following companies to have ambitious or partial targets, but gaps in execution, Scope 3 coverage, or disclosure.

- **Amazon** – Net-zero 2040, strong renewables progress; but Scope 1+3 rising steeply.
- **Thermo Fisher** – Strong Scope 1+2 progress; Scope 3 engagement less developed.
- **Danaher** – SBTi validated Scope 1+2, progress strong, but Scope 3 targets missing.
- **Waste Management** – Ambitious avoided-emissions framework, but Scope 3 targets lacking.
- **John Deere** – Strong Scope 1+2 goals, but Scope 3 progress slow.
- **Canadian National** – Intensity-based targets, disclosure improving, but absolute reductions lag.
- **Airbus** – Ambitious use-phase targets, but 2035 / 2050 dependency on SAF/hydrogen uncertain.
- **Uber** – Ambitious zero-emission rides platform, but execution depends on driver adoption/policy.
- **Wabtec** – Clear Scope 1+2 targets and progress, but Scope 3 (locomotive use) remains unresolved.
- **TSMC** – Net-zero 2050, RE100 2040, but slow renewable uptake (14% by 2024).
- **ASML** – Net-zero supply chain ambition, but Scope 3 plan immature.
- **Intuit** – Small footprint, ambitious community targets, but Scope 3 disclosure less robust.

- **Synopsys** – Carbon-neutral ops, new SBTs pending; disclosure improving.
- **NVIDIA** – Net-zero 2030, 85% renewable power, but Scope 3 execution still early.
- **AON** – Net-zero 2030 ambition, but Scope 3 coverage light.
- **Moody's** – Carbon-neutral ops, Scope 3 reduction modest.
- **S&P Global** – Scope 1–3 reduction targets, but only near-term (2025); needs longer-term ambition.
- **Brookfield Asset Mgmt** – Portfolio net-zero 2050 commitment, but interim/Scope 3 financed-emissions targets missing.
- **Verisk** – Carbon-neutral since 2019, but lacks robust Scope 3 targets.
- **Veralto** – New spin-off; Scope 1+2 target set, but Scope 3 baseline just started.
- **United Rentals** – Intensity-based targets only; disclosure improving.

Laggards / Engagement Priorities

We consider the following companies to have either no meaningful targets, incomplete disclosure, or significant execution gap, and our engagements with them include a strong urging to remedy this.

- **Coupang** – No formal Scope 1–3 targets; disclosure minimal; focus only on packaging/EV fleet.
- **Mercado Libre** – SBTi commitment but no finalized Scope 1–3 targets; early-stage progress.
- **Chipotle** – Absolute 50% reduction target, but emissions (esp. Scope 3) rising sharply; off-track.
- **WillScot** – No Scope 1–3 targets; disclosures limited to operational efficiency/circularity.
- **Core & Main** – No Scope-level targets; disclosures minimal, focused on water system mission.

Expanding the Boundaries of Carbon Accounting: Why We Focus on Scope 4

A Foundation with Major Blindspots

Our investment approach begins with the established framework of greenhouse gas (GHG) accounting. We rigorously monitor Scope 1 (direct emissions from company operations), Scope 2 (indirect emissions from purchased energy), and Scope 3 (upstream and downstream value chain emissions). These three categories, codified by the Greenhouse Gas Protocol, provide the backbone of corporate climate reporting. They allow comparability across companies and sectors, and they make visible many of the hidden emissions embedded in supply chains and product use.

However, even the most thorough Scope 1–3 disclosures leave gaps. They tell us how much a company pollutes directly or indirectly, but they do not tell us how much a company helps others decarbonize, nor do they capture the counterfactual emissions averted when one solution replaces a dirtier incumbent. Nor do they adequately capture the ways companies influence the policy environment that shapes economy-wide decarbonization. In other words, they focus on the footprint of a company, but not its handprint on the wider system.

This is why we, as long-term investors in sustainability solutions, place particular emphasis on what has come to be called Scope 4 emissions.

What Do We Mean by Scope 4 and Why It Matters More than Ever

Scope 4 is not an official category under the Greenhouse Gas Protocol. Instead, it is a conceptual extension used by many companies, NGOs, and academics to capture avoided emissions or enabled emissions that fall outside of Scope 1–3. Increasingly we see the term “handprint” used to refer to a company’s Scope 4 emissions. This terminology came out of academic work (especially in Finland and the Nordics in the 2010s) and has since been adopted by corporates like DSM, Philips, and Schneider Electric in their sustainability narratives.

At its most widely accepted, Scope 4 refers to avoided emissions —the reductions that occur when a product, service, or technology displaces a more carbon-intensive alternative. For example, a heat pump may increase electricity demand (which shows up in Scope 3), but it simultaneously avoids the combustion of heating oil or gas. That avoided combustion never shows up in the manufacturer’s Scope 1–3 ledger, even though it represents the largest source of climate benefit.

But Scope 4 also has a negative interpretation, used by advocacy groups and stewardship-minded investors: the emissions a company enables through its financing, lobbying, or product design. A bank financing new coal capacity, a platform spurring rebound effects through increased consumption, or an oil company lobbying against methane regulation— all create emissions impacts well beyond their own footprint.

In our reporting, we use Scope 4 to mean the net systemic effect: the avoided emissions enabled by solutions providers, and the enabled emissions that extend fossil dependency or obstruct systemic change. Both matter if we are to understand a company’s true climate role.

The world’s climate challenge is not primarily about how companies manage their own energy bills or employee travel. It is about how quickly we replace entrenched, high-carbon systems —coal plants, combustion vehicles, leaky buildings—with clean alternatives. Traditional carbon accounting under-incentivizes this transition because:

- Scope 3 captures actual emissions, not counterfactuals: A heat pump manufacturer's Scope 3 increases as more units are sold, because electricity use grows. It does not record the oil or gas that was displaced, even though that is the point of the technology.

- Scope 1–3 reward footprint minimization, not systemic substitution: A company can shrink its Scopes by selling fewer products or outsourcing carbon-intensive activities. But the world is not decarbonized by companies shrinking; it is decarbonized by replacing fossil-based activity with low-carbon solutions.

- Policy and finance levers are largely invisible: The GHG Protocol does not count the avoided emissions from lobbying for stronger climate policy or from financing renewables instead of fossil fuels. Yet these interventions can have a greater systemic effect than any internal efficiency program.

By ignoring Scope 4, the GHG protocol may cause companies to under-invest in emissions mitigation since they won't get formal credit for it. Investors like the Douglass Winthrop Sustainable Equity Strategy can play a crucial role here by investing in companies that exert Scope 4 leverage on global decarbonization, e.g., our E-Solution Providers and our E-Advantaged companies whose incentives (brand moat widening or reinvestment) reduce systemic emissions even if they don't meet our Solution Provider revenue test. Perhaps a few examples from our portfolio will shed light:

- Autodesk's software allows architects and engineers to design lighter buildings, more efficient products, and optimized manufacturing processes. These design-stage improvements can reduce emissions across entire industries. Yet Autodesk's Scope 1–3 emissions reflect only its offices, data centers, suppliers, and the electricity used to run its software. The vast downstream savings in concrete, steel, or fuel use are invisible. We consider these Scope 4 benefits as central to Autodesk's impact.

- Schneider Electric, Carrier and Trane Technologies make efficiency and electrification technologies—smart grids, HVAC systems, building controls, and heat pumps. Their Scope 3 reporting shows electricity consumed during product use, which can look large and paradoxically even increase as more customers buy their products. But what matters to us, and the climate, is the avoided combustion of fossil fuels in buildings and vehicles that result from use of their products relative to the baseline. Put simply, when Carrier's Viessmann unit sells more heat pumps in Europe, its Scope 3 emissions go up (i.e., the electricity consumed in the use phase of the heat pump) but if this same heat pump will have displaced a natural gas boiler, or even a less efficient heat pump, it will have driven down emissions relative to the baseline. Those avoided emissions are Scope 4: the real measure of their climate relevance.

- Financial Institutions like Brookfield Asset Management are increasingly pressured to disclose financed emissions (Scope 3, Category 15). But Scope 3 does not include the avoided emissions from financing clean energy or efficiency. Nor do most account for the emissions enabled by fossil financing. A Scope 4 lens makes this contrast explicit, and rewards capital allocation aligned with a decarbonized economy.

- When companies lobby for or against climate legislation, the emissions implications can dwarf their operational footprint. For example, one large utility obstructing renewable portfolio standards could "enable" tens of millions of tons of emissions across its territory. Conversely, a company advocating for strong standards could help avoid them. These systemic effects rarely show up in disclosures, but they are real Scope 4 impacts. We use data from InfluenceMap to capture these Scope 4 emissions in our analysis, and partner with them in our engagements with companies.

Even with Scope 4, blind spots remain, including:

- Attribution and double counting. If Autodesk claims avoided emissions from lighter building design, should the building owner also count them? Current frameworks provide no reconciliation of this problem, but fortunately, our investment approach does NOT need to solve this particular problem and we can continue to invest in Autodesk because of its enabling function.

- Rebound effects. Efficiency can lower costs, which sometimes increases total consumption (e.g., cheaper flights spurring more travel). Most Scope 4 narratives ignore this.

- Enabling other companies. Many firms help entire ecosystems reduce emissions—through standards, open-source tools, or shared infrastructure—but these indirect catalytic effects are hard to quantify and capture.

Despite these limitations, Scope 4 thinking pushes us to ask bigger questions: not just "what is your footprint?" but "how does your existence accelerate or obstruct the global transition?"

We believe investors like us play a critical role in addressing this accounting inefficiency. By looking beyond Scopes 1–3, we identify and support companies whose solutions have transformative Scope 4 impacts. This perspective allows us to allocate capital where it matters most: to the technologies, platforms, and policy advocates that are decarbonizing entire systems.

Traditional ESG screening often penalizes high Scope 3 emissions without asking whether those emissions represent transition activities. A portfolio tilted toward Scope 4 recognizes that the real levers of change lie in enabling substitution and systemic reform. By highlighting Scope 4 impacts in our reporting, we aim to provide a truer picture of where progress is happening—and to encourage peers and policymakers to refine frameworks so that solution providers are properly recognized and rewarded.

Scope 1–3 accounting remains an important foundational tool that has helped move the world toward emissions accountability. It creates standardization, transparency, enforces accountability, and sets the floor for credible disclosure. But to mitigate climate change, we need more than footprints; we need to measure Scope 4 "handprints"— the positive and negative impacts companies have on the global carbon trajectory. Scope 4 impacts are susceptible to a story-telling approach rather than careful quantitative accounting, and this limitation must be recognized and, over time, addressed by careful academic work. But investors don't need to wait for this academic work. This is the role long-term, sustainability-focused investors can and must play: filling the gap left by current accounting, rewarding solution providers, and ensuring that our collective efforts drive not only better disclosures, but real decarbonization.

As we pursue this investment work, we are making use of academic and consulting work that is probing

along the same lines. For example, Harvard's SHINE / Center for Health & Global Environment has developed a handprint-based NetPositive Assessment. This work defines a "net positive" accounting system that includes both carbon footprint and "handprint" (i.e. positive / beneficial environmental effects) for entities. They explore how purchases and production can exert influence beyond negative impacts to produce positive environmental / health / social outcomes. This project also examines how product design innovations generate handprints — e.g. stepping beyond just measuring negative impacts (footprints) to measuring how product changes reduce emissions downstream.

While they don't always use "handprint" language explicitly, their work on "88 scalable, scientifically viable solutions" being pursued by U.S. public companies is aligned with valuing companies for their positive solution enabling rather than only for lowering their own emissions (see: https://www.hbs.edu/bigs/88-climate-solutions?utm). Their "climate solution measure" (based on disclosures in 10-K filings) is a kind of proxy for handprint — highlighting which firms are investing in or delivering climate-solutions. A 2023 article by Malabi Eberhardt et al. about how to include avoided emissions / handprint-type benefits in LCA work as applied to buildings specifically. They note that examples demonstrating the potential of building-related carbon handprints are still scarce. So they evaluate how to capture more expansive (Scope 4-like) climate benefits that should be considered in life-cycle assessment of buildings. Their case study of a wooden apartment building. They find that methodologically most mature handprints include carbon storage in bio-based products, avoided emissions from not using concrete, surplus energy produced and fed back to the grid, as well as reuse, recycling, and energy recovery. In their study, the relative size of the calculated (i.e., favorable) handprints varies considerably between 39% and 87% of the building's footprint, meaning that at the high end the negative emissions associated with the building may be nearly offset by its favorable impacts.

Summary of Scope 3 vs. Scope 4 Impact Framework

	Positive Impact (reduces emissions)	**Negative Impact (enables emissions)**
Scope 3 (Value Chain)	*Efficiency gains within the value chain* - Supplier energy reductions - Lower emissions in distribution - Cleaner inputs for product use	*Emissions embedded in value chain* - Fossil fuel combustion in product use (cars, furnaces) - High-carbon supplier footprints
Scope 4 (Systemic / Counterfactual)	*Avoided emissions enabled by products, finance, or policy* - Heat pumps displacing oil furnaces - Videoconferencing reducing flights - Bank financing solar instead of coal - Lobbying for carbon pricing	*Emissions enabled outside the value chain* - Bank financing coal or oil projects - Rebound effects from efficiency lowering costs - Lobbying against climate policy - Platforms spurring higher energy use

Active Ownership: Proxy Voting and Engagement Highlights

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

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 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 sustainable investing asset flows increase. 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.

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).

Highlights of our 2024 Proxy Voting on Behalf of Clients

The following statistics on our proxy voting come from our proxy advisory firm Institutional Shareholder Services[8]:

Overall Statistics

- 100% of votable meetings voted (91)
- 81.7% policy with majority, 18.3% against majority
- 13.1% Against Mgmt Votes, 86.89% For Mgmt Votes
- 1,556 votable proposals, 1,480 proposals voted (1,254 Mgmt, 226 Shareholder)

Management Proposals (Environmental)

- 0 votable proposals

Shareholder Proposals (Environmental)

- 36 votable proposals, 36 proposals voted (12 were E/S blended, 1 was E/S/G blended)
- DWA voted 100% in support of Environmental Shareholder Proposals, all of which opposed Mgmt
- All Environmental shareholder proposals Failed. Relatively high support was noted for the following: General Mills, Inc. had 40.1% support and Markel Group, Inc. had 37.9% support.

Highlights of our 2024 Dialogues with Management

Ball

Our investment thesis in Ball has centered on the projected shift in packaging substrates away from plastic and glass toward aluminum. We had expected aluminum's superiority as a sustainable packaging material would be increasingly understood and valued by beverage manufacturers, consumers, and regulators and to see this showing up in materially accelerating adoption during our holding period.

Yet the shift is happening more slowly than we would like, and far more slowly than the world deserves. Plastic continues to dominate beverage packaging despite its adverse ecological and human health impacts. Ball, as the global leader in aluminum packaging, stands to benefit disproportionately if this substrate shift to aluminum accelerates. In our view, Ball has not yet acted with the boldness, creativity, and courage that we believe is required to seize that opportunity, and we are engaging them to urge stronger action.

We were disappointed that Ball accepted — then declined — an invitation to be on the "substrate shift" panel we co-sponsored with Deloitte at ClimateWeek in September 2024. While Ball's rationale was not fully explained, we surmised from our calls related to the invitation that Ball hesitated out of concern for alienating its CPG customers by overtly highlighting aluminum's superiority over plastic. That decision reflects a larger pattern of what we might call unilateral disarmament.

Ball has in the past worked quietly and tentatively through industry groups like the Can Manufacturers Institute, while plastics producers saturate the airwaves with aggressive, and often deceptive, advertising about their substrate. America's Plastic Makers and allied groups have reportedly spent tens of millions of dollars since 2023 on advertising campaigns touting "advanced recycling" and parading colorful, dancing plastic packages that imply plastics can be endlessly remade: (see: https://www.youtube.com/watch?v=rewRKYlRew4) or deliriously happy delivery people wheeling around

dollies of recycled plastic: https://www.youtube.com/watch?v=SyFYxE8Cxp0.

But the underlying truth is dismal: in the United States, only 5–6% of plastic packaging is actually recycled, and most of that is downcycled into lower-value products, and too much of it decomposes and sheds into microplastics that persist in the environment. Meanwhile, the aluminum can remains the most recycled beverage container in the world — with about 43% of U.S. cans and over 70% globally collected and remade into new cans, saving up to 95% of the energy compared to virgin production. Yet the public hears far more from the plastics lobby than from Ball or its allies.

The Story Ball Should Tell, and Loudly: Plastic's Toxicity vs. Aluminum's Promise

We need Ball to invest in propagating the truth. Macroplastics choke oceans, rivers, and coasts. Microplastics infiltrate soils and marine food chains, and now appear in human lungs, blood, and even placentas. By some estimates, the average person ingests or inhales the equivalent of a credit card's worth of microplastics every week. This is a health crisis as well as an ecological one. By contrast, aluminum offers an available and compelling answer. Properly recycled, it returns to market in as little as 60 days. It can be remade infinitely with no loss of quality. Its collection and recycling infrastructure is already substantial, and its economics improve dramatically under modern policy regimes.

On a "first cost" basis, aluminum is more expensive than PET plastic. A 2021 Wood Mackenzie study commissioned by the International Aluminum Institute found that PET containers in the U.S. cost roughly $76 per 1,000 units, aluminum about $105–110 per 1,000, with glass far higher. But that narrow calculation ignores the costs of fossil extraction, waste management, ecosystem cleanup and health risks that society bears for plastics. Under Extended Producer Responsibility (EPR) schemes, deposit/return laws, and carbon pricing, the balance is further shifted through regulation in favor of aluminum. With high recycled content, aluminum becomes not only environmentally superior but economically competitive — and often cheaper on a total system cost basis.

What Ball has done so far in public messaging is deeply inadequate. Industry reports, technical white papers, and modest coalition-led campaigns do not capture public attention. They are overwhelmed by slick, emotionally manipulative storytelling of the plastics lobby. To win, Ball must embrace modern communications and engage not just minds but hearts, harnessing the storytelling arts associated with "emotional ecology" to make people feel, viscerally, both the peril of plastics and the promise of aluminum. Imagine a TikTok campaign juxtaposing the Great Pacific Garbage Patch with a clean, recyclable aluminum can; images of seabirds dying from plastic waste alongside thriving ecosystems supported by circular aluminum. Make people see their own health: microplastics in their bloodstream and organs contrasted with the safety of a clean and circular aluminum economy. People respond to stories and symbols, not technical charts. Ball has the resources, talent, and scale to craft stories that go viral, that move consumers, and that shift perceptions and behaviors.

We have had good productive discussions with Ball's Chief Sustainability Officer Ramon Arratia about the following asks to the company:

1. **Launch a bold consumer-facing campaign explicitly contrasting aluminum vs. plastic by Q2 2026 explicitly contrasting aluminum with plastic:** Highlight aluminum's infinite recyclability, higher actual recycling rates vs. plastic's ecological impacts and the health risks of

microplastics. Use modern media — TikTok, Instagram, YouTube — to engage emotionally, viscerally, and virally. Resist the temptation to ONLY call out aluminum's advantages. Instead include content that calls out plastics' deceptions and makes comparisons. Political advertisers learned long ago that negative advertising works: it captures attention, it is shared more frequently. Challenge false recyclability claims, highlight the real 5% recycling rate for plastics versus aluminum's 70%+, and frame aluminum as the superior, honest, scalable alternative. Consider satirical advertising that mock the plastic ads linked above, which have received massive airtime during major sporting events. Consider tying plastic ads more explicitly to the oil and petrochemical industry, which has made clear that it is betting its growth prospects on plastic as EVs and the secular electrification trend continues eroding demand for gasoline and other oil and gas products.

2. **Advocate forcefully for policy change:** Ball should be a vocal champion for EPR schemes, deposit/return systems, and diffusion of the most progressive recycling legislation worldwide. It should partner with NGOs and policymakers to ensure aluminum's advantages are recognized and plastics' risks confronted. This includes engagement in international deliberations. Just last month, negotiations toward a Global Plastics Treaty in Geneva adjourned without consensus—another missed chance to curb virgin plastic at the source. Given Ball's leadership in aluminum packaging and its public claims about circularity, we were surprised not to see Ball among the registered observers at these talks. According to the UN Environment Program's official list of participants for INC-5.2, Ball Corporation does not appear—raising a fair question: why wasn't Ball in the room, pressing for ambitious plastic reductions and advocating aluminum's role in a lower-waste system?

3. **Engage directly with CPG customers to mitigate the commercial risks:** Brief them on Ball's strategy, explain why stronger messaging is essential, and make the case that consumer education will help them too. Aluminum can unlock consumer goodwill and latent demand for sustainable packaging, increasing sales of their products, not just the cans.

4. **Track and disclose metrics:** Begin reporting quarterly on the substrate shift — how much plastic is being displaced by aluminum in Ball's markets. We have not been able to reliably obtain market information on this but surely Ball has access to much relevant data that should inform the market and the public. Set baseline data, short-term goals, and long-term targets. Transparently report cost comparisons (PET vs. aluminum) under various policy scenarios.

We have urged Ball to move beyond cautious coalition messaging and embrace a bold, unapologetic campaign of education, advocacy, and leadership. By doing so, Ball will not only defend its substrate, grow its business, and enhance shareholder value — it will also play a historic role in protecting ecosystems, species, and human health.

Core & Main

We have engaged the Core & Main head of Investor Relations Glenn Floyd, and had scheduled a visit to St. Louis to meet with the CEO and CFO at their corporate headquarters while in the Midwest visiting

satellite officers of various SES holdings. This was cancelled due to travel and we have not yet rescheduled but we have engaged them in the meantime through correspondence and calls, and are working to reschedule the meeting.

Our key engagement topic with Core & Main has been how it incorporates climate change-related water data and insights into its work. The company references climate change in their 2023 Sustainability report, including on page 10, where they specify the intent to "alleviate climate change impacts with solutions that counter the impact of extreme weather, including drought and flooding", which is further elaborated on page 23. We have asked Mr. Floyd how climate change data and insights are integrated into Core & Main's operations and acquisition roadmap. To date, we believe climate data and insights are not as integrated as they could be.

In terms of expertise and partnerships we are bringing to this engagement, SES Portfolio Manager Dan Abbasi previously served as an appointee at the U.S. EPA and later on the Advisory Committee to the U.S. National Climate Assessment. Dan also worked at World Resources Institute (WRI), and we are collaborating with WRI's Aqueduct Alliance Program in this shareholder engagement effort.

At a moment when climate change is reshaping patterns of hydrology, precipitation, and drought across the country, we believe Core & Main has a major opportunity to more proactively lead the water sector by embedding climate-related science and practical implications into its operations and customer advisory work, as well as into its acquisition targeting.

Our asks to the company have included:

1. **Develop In-House Climate Expertise and Embed it in Customer Value Proposition**

We ask Core & Main to invest in developing in-house climate change expertise and applying its insights into its daily operations and service model. This expertise should be institutionalized through:

- Formation of a Dedicated Climate, Hydrology & Water Resilience Team to provide guidance across Core & Main's business units and salesforce. We believe Core & Main should appoint a Chief Sustainability Officer, to oversee the company's work overall, including that of this team. The team should include a blend of in-house and outside expertise, including hydrologists, engineers, and climate policy experts. This would mirror best practice in other infrastructure sectors (e.g., energy utilities such as Puget Sound Energy with climate science advisory boards) and send a clear signal to investors that Core & Main is embedding science into its work.

- Development of training Programs for employees and branch managers so they can help customers identify products and solutions best suited for each region and locality's evolving climate risks and vulnerabilities.

- Provision of Customer Advisory Services that help utilities, contractors, and municipalities prepare for climate impacts and invest accordingly in Core & Main products. This will position Core & Main not only as a distributor but as a trusted resilience partner.

- As a key enabler of all of the above, we encouraged Core & Main to join WRI's Aqueduct Alliance

(see: www.wri.org/aqueduct/alliance) and harness the organization's expert advisory services and platform of tools such as the Aqueduct Water Atlas. WRI's expertise on hydrology, drought adaptation, and stormwater resilience will enable the company to advise municipal and private customers more effectively. The Alliance is a peer-to-peer, Chatham House rules environment, where partners network with other corporate partners to advance data, tools, and best practices around water stewardship. Alliance members convene both virtually and in-person throughout the year to discuss challenges, trends and priorities. In addition, the WRI Water team would provide Core & Main back-end technical data support related to the suite of Aqueduct tools and customized advisory services on priority water-related topics to strengthen Core & Main's positioning in the market. The Aqueduct platform helps companies map and analyze current and future water risks across its operations, supply chain and customer locations. Core & Main should be better able through this proposed partnership to advise customers on coastal and riverine flood risks and the costs and benefits of investing more in flood protection. The partnership would also help keep Core & Main team members up to speed on the latest water sector guidance, e.g., Volumetric Water Benefit Accounting (VWBA) 2.0 and Water Quality Benefit Accounting (WQBA) which could create future revenue opportunities for Core & Main as companies look for partners to implement and equip stronger water stewardship practices. Core & Main may also be able to generate new business with fellow Alliance members such as Accenture, Ansell, Cargill, Mas, McDonald's, Tyson, P&G, Unilever, 3M, as well as similarly situated corporations that are not yet members of the Alliance.

2. **Be a Forceful Corporate Advocate in High-Stakes Water Policy and Spending Decisions**

As of April 2025, FEMA announced that it is ending the FEMA's BRIC (Building Resilient Infrastructure & Communities) Grants program and cancelling all applications from Fiscal Years 2020-2023 that have not already resulted in obligated funding. Meanwhile, the appropriations process for FY 2026 for EPA's State Revolving Funds for Clean Water and for Drinking Water is underway and includes proposed budgets (notably the President's) that call for large reductions in SRF funding. But these are being contested by stakeholders, so there is lobbying and negotiation in Congress around what the final SRF authorization and appropriations will look like. All this is happening at a time when there is a documented gap in needed clean water infrastructure work: EPA's Clean Watersheds Needs Survey, released in April 2024 (first since 2016) estimates ~$630 billion of unfunded upgrades and repairs over the next 20 years to meet environmental & health standards. Against this backdrop, we asked Core & Main to engage policymakers and invest in advocating for better policy outcomes, through the following means:

- Publicly support – through CEO communications, press releases, and Op-Eds – the restoration or reauthorization of BRIC or equivalent hazard mitigation funds, citing how resilient infrastructure reduces long-term costs and risk for water systems, supply networks, and customers.

- Commission or publish case studies showing how BRIC grants or SRF funding helped improve infrastructure efficiency, reduce disaster risk, or improve service continuity; use these to show the return on investment to policymakers.

- Participate in or support trade associations, advocacy coalitions, or nonprofits that push for higher funding levels, especially for SRF programs and hazard mitigation.

- Provide technical assistance or resources (where possible) to local governments or tribal entities to help them prepare strong grant applications (for SRF or mitigation grants) — this helps ensure that more projects are "shovel-ready" and more funds are used efficiently.

- Engage federal, state and local legislators to promote reauthorization bills (for SRF) that include higher funding and better formulas to distribute based on need and risk.

- Emphasize to policy-makers how Core & Main is prepared to align private sector supply commitments with public funding: e.g. Core & Main can offer insight into supply chain or material cost constraints in building resilient water & infrastructure, helping to shape policies that are realistic and supported.

- Train the Core & Main workforce across corporate and field locations to ensure they have historical knowledge of programs like FEMA's BRIC grants and to the ongoing EPA SRF funding cycles, and of pending efforts to restore or reauthorize them, so that they can be informed and active members of the company's high-level engagement.

3. Use Climate Science to inform Core & Main's Acquisition Roadmap and Prioritization

Core & Main has grown through acquisitions, consolidating a fragmented industry and extending its geographic reach. We believe the next phase of this growth will increasingly be defined by how well the company anticipates climate-driven stresses on regional water systems. For example, storm drainage is a sizable and comparatively fast-growing segment of Core & Main's revenue. It seems sensible to focus acquisitions in regions and municipalities where climate science projections show hydrological intensification ahead, including but not limited to higher exposure to fast growing segments like storm drainage.

- We asked that Core & Main's acquisition screening processes incorporate insights from the proposed partnership with WRI and the Aqueduct Alliance, as well as metrics such as the U.S. Drought Monitor, NOAA precipitation projections, FEMA flood maps, and EPA's Climate Resilience Evaluation and Awareness Tool (CREAT). Embedding these indicators into target evaluations will highlight which local distributors are most exposed to growth opportunities from climate adaptation spending, and which may face structural demand declines. Hydrological science shows that drought intensity is deepening across the Southwest, flood risk is rising across the Midwest and Gulf regions, and aging stormwater systems in coastal cities are ill-equipped to handle sea-level rise and more extreme rainfall events. These dynamics will directly affect municipal capital spending, water utility priorities, and demand for distribution partners and services. An acquisition strategy that explicitly incorporates these regional climate projections will mitigate downside risk and capture upside in terms of future growth and profitability.

- Identify Valuable Adjacencies into which Core & Main can Acquire: Beyond geographic targeting based on climate projections, Core & Main should prioritize specific verticals in which it could acquire specialization that should grow faster, for example, companies with strong exposure to stormwater management, leak detection, water reuse, and green infrastructure products will become increasingly valuable. Flood mitigation, for instance, is projected to be among the fastest-growing categories of municipal water spending. A bias toward acquiring businesses with existing

technical expertise in these areas will both differentiate Core & Main and align the portfolio with long-term climate needs.

4. **<u>We have asked Core & Main's to publish its next Sustainability Report</u>**

Core & Main's last ESG report was published in 2022. We asked Core & Main to issue its next report by the end of 2025. We acknowledged to the company that the term ESG has become politicized and said we would welcome any terminology the company wishes to use to title its report and explain its activities. We asked that in future editions a clear discussion of performance on our asks above, including institutionalization and selling of climate expertise and products; advocacy for favorable water policy and incorporation of climate science into acquisition roadmap.

Why This Matters to Us Through Both an Impact and Shareholder Lens:

We believe climate-informed operations, customer support, advocacy and acquisitions will help Core & Main to:

- Capture Growth Opportunities in regions and product categories poised for climate-driven infrastructure investment.

- Differentiate Core & Main as the national distributor most aligned to address climate change and to support federal, state, and municipal resilience objectives.

- Enhance Core & Main's equity performance by demonstrating leadership on climate adaptation—an increasingly important criterion for institutional and high net worth investors, who will be more likely to maintain long-term positions in Core & Main's stock and increase demand for its equity.
- We believe that Core & Main is uniquely positioned to be the connective tissue between public resilience spending and the products and services communities need to withstand the effects of climate change. By integrating hydrological science into acquisition strategy and daily operations, and by leveraging federal and state resilience funding programs, you can accelerate growth while reinforcing your reputation as a trusted partner in building climate-resilient water infrastructure.

Coupang

Coupang has had a favorable impact on mitigating pressing environmental problems, for example by reducing greenhouse gas emissions when customers choose Coupang's efficient and increasingly electrified eco-logistics over individual passenger trips to procure their groceries and other goods. However, as with all our holdings, we believe there is always room for improvement on sustainability performance, and that acting on this will boost corporate and shareholder value, as well as impact on the world. Our engagement with Coupang, including on a call with Investor Relations and correspondence, have focused on two issues (both mirroring our ongoing engagement with MercadoLibre – see below): 1) how Coupang can further accelerate sustainable purchasing behaviors among its customer base; and 2) how Coupang can become a leader in sourcing sustainable fish, boosting the health of fisheries and assuring the company's long-term supply. Elaboration on our asks to the company follow:

1. Coupang's Enablement and Promotion of Sustainable Purchasing

Coupang's innovative logistical capabilities, customer reach, and growing commitments to sustainability provide a unique opportunity to shape more responsible consumption across millions of households in Korea and beyond. In particular, we see a powerful opportunity for Coupang to harness its platform dominance in South Korea (and increasingly Taiwan) to promote sustainable products and groceries by:

- **Algorithmic Nudges for Sustainable Products** – Adjusting recommendation systems and product displays to give greater visibility and placement to items with verified sustainability attributes (e.g., low-carbon footprint, eco-packaging, sustainably sourced food). Behavioral research shows that such nudges measurably increase consumer adoption of sustainable options, without restricting consumer choice.

- **Clear Labeling and Consumer Education** – Enhancing product pages with intuitive sustainability labels (such as carbon footprint indicators, recyclability, or third-party eco-certifications) to empower customers with better information at the point of purchase.

- **Integration with Coupang Eats and Fresh** – Prioritizing sustainable groceries and household staples in Fresh and Eats offerings, supporting healthier diets and lower-impact supply chains, while also driving Coupang brand loyalty among increasingly eco-conscious customers.

We believe that these actions will boost Coupang's long-term shareholder value. They will advance South Korea's national climate and sustainability goals while positioning Coupang as a global leader in responsible e- commerce—similar to the way Amazon has used its Climate Pledge Friendly program curating and displaying sustainability certifications to expand its market advantage.

As long-term shareholders, we have encouraged Coupang to seize this opportunity to lead. Specifically, we have requested that the company:

- Publicly disclose a framework for how sustainable attributes will be integrated into product ranking and recommendation systems.

- Pilot enhanced sustainability nudges in Coupang Fresh and Coupang Eats, measuring uptake and customer satisfaction.

- Report annually on the share of GMV (gross merchandise value) linked to sustainable products, as part of Coupang's ESG reporting.

2. Coupang's Sustainable Fish Sourcing

As with Costco in the past, and MercadoLibre currently, we are working with Jim Cannon and his pioneering team at the Sustainable Fisheries Partnership (SFP at www.sustainablefish.org), which seeks

a world in which 100% of seafood worldwide is produced sustainably. We have asked Coupang to take the following actions to strengthen its due diligence, assure seafood supplies for the long term, and open new marketing opportunities:

- Be Comprehensive: Take a comprehensive approach to engaging 100% of your suppliers to improve all seafood sources, across wild stocks and aquaculture, whether for direct-sourcing or through third parties. Commitments should cover all the main categories where your company has influence and can engage suppliers, including fresh, frozen, and canned seafood, and ideally should eventually cover nutraceuticals, pet food, and other categories.

- Be Transparent: Make a public seafood improvement commitment, including what categories of seafood it covers and what your ambitions are, and regularly disclose your progress toward the commitment. We ask that you disclose your seafood sources and progress through the Ocean Disclosure Project (www.oceandisclosureproject.org).

- Use High-Quality Metrics: Use SFP's Seafood Metrics system to collect source fishery information and Key Data Elements of the seafood covered by your commitment, to monitor environmental impacts and to track the progress of improvements.

- Engaging Suppliers: Require suppliers to be engaged and active stakeholders in fisheries and aquaculture improvement. SFP can guide their participation, as appropriate, in Supply Chain Roundtables (SRs), Fishery and Aquaculture Improvement Projects (FIPs and AIPs), and other efforts. As a first step, you should ask your suppliers to identify and report to you the sources of their seafood products.

MercadoLibre

We have appreciated MercadoLibre's commitment to sustainability, ranging from eco-efficient logistics, including electrification of delivery fleets, to its Sustainable Products section and its selling of over 4.8 million "positive-impact" items, including curated products from specifically named Latin American biomes. We also note MercadoLibre's recurring EcoWeek campaign spotlighting products with reduced waste, lower emissions, and sustainable materials—and incentivizing buying by offering discounts up to 40% across 30+ categories.

As part of our active ownership program, we have asked MercadoLibre to go even further in using its algorithmic merchandising power to drive more sustainable consumer purchasing behavior. Specifically, as MercadoLibre expands its "Supermercado" grocery offering, which we understand to be the company's fastest-growing category (+65% YoY in items sold in Q1'25) we believe there is room for the company to extend its sustainability leadership by pioneering procurement from sustainable fisheries. Given MercadoLibre's leading and growing scale, we believe the company could have a profoundly important impact on the health of fisheries, while also achieving the economically important objective of assuring its long-term supply. Our asks to the company have included:

1. **<u>Go Further in Integrating, Boosting and Merchandising Sustainable Products</u>**

- **Algorithmic Nudges for Sustainable Products** – We appreciate that MercadoLibre curates and displays "Positive-impact" items in regular search and category results, with a visible attribute like "Con impacto positivo / Produto com impacto positivo" not just in the segregated Sustainable Products section. What we would like to discuss with you is how MercadoLibre's recommendation system and product displays to give even greater visibility and top placement to items with verified sustainability attributes (e.g., low-carbon footprint, eco-packaging, sustainably sourced food). This should include prioritizing sustainable groceries and household staples in Fresh and Eats offerings, supporting healthier diets and lower-impact supply chains. Behavioral research shows that such nudges measurably increase consumer adoption of sustainable options, without restricting consumer choice.

- **Harness Storytelling and Emotional Ecology to Boost Merchandising of Sustainable Products** – We request that MercadoLibre invest some of its Advertising & Promotion dollars to hiring the world's leading environmental storytellers and sustainability-oriented advertisers who would then assist the company in enhancing product pages with narrative and visual storytelling about how purchasing its curated Sustainable Products connects to doing tangible good in the real world of our ecosystems, including specifically the products sourced from identified biomes. More intuitive and graphical depictions of sustainability attributes (such as carbon footprint, recyclability) could be part of this, but we believe there is room to use the storytelling arts, and to use video to take people immersively into ecosystems affected or plant and animal species that could be saved through more responsible purchasing. In this request, we are informed by the work of Craig Foster, a leader in the field of emotional ecology, whose film My Octopus Teacher was a global blockbuster. He connected emotionally with hundreds of millions of people in a way that dry certifications never do, and we believe there is evidence and insight in his experience, and that of other environmental storytellers, that could: a) help drive up sustainable purchasing, displacing less sustainable purchases; b) help customers understand and emotionally experience the direct and indirect impacts between their purchasing behaviors and the ecosystems on which we and our fellow plant/animal species depend, while also boosting MercadoLibre's brand affinity and loyalty.

- Related to the above two asks, we have urged the company to take the following additional steps:

    - In order to continue and build on MercadoLibre's admirable tradition of transparency in how you curate sustainable products, we request that MercadoLibre publicly disclose a framework for how sustainable attributes will be integrated into its product ranking and recommendation systems.

    - Pilot other enhanced sustainability nudges beyond ranking/recommendation, and measure uptake and customer satisfaction.

    - Set and disclose ambitious goals to grow each of the metrics reported in the latest MercadoLibre Impact Report (2024 data): 17.1M+ positive-impact products sold, ~529k products available, ~64k brands/businesses, and 8.4M people who bought at least one such product. Report annually also on the share of GMV (gross merchandise value) linked to sustainable products.

2. **Become a Pioneering Leader in Sustainable Fish Sourcing**

As with our prior engagement with Costco, we have partnered with the Sustainable Fisheries Partnership to nudge MercadoLibre to become a global leader in advancing sustainable fish sourcing practices. Noting that Supermercado includes both fresh/frozen fish (where cold chain logistics allow) and shelf-stable products like canned tuna, we ask you to focus on establishing a market-moving leadership position in sustainable fish sourcing. Building on MercadoLibre's established sustainability leadership, we have asked MercadoLibre to take the following actions to protect your brand, fortify seller relationships, and create new marketing advantages:

- **Engage All Sellers, from Major Brands to Small Producers:** Implement a comprehensive program to engage 100% of your third-party seafood sellers. This protects your platform's integrity by ensuring that major brands, as well as smaller artisanal sellers, are aligned with global best practices for sourcing canned and non-perishable seafood.

- **Expand on MercadoLibre's "Sustainable Products" Success:** Leverage the success of the company's curated "Sustainable Products" section by making transparency the standard for all seafood sold on your platform. We ask you to disclose seafood sources and progress through the Ocean Disclosure Project (www.oceandisclosureproject.org), transforming a marketing feature into a platform-wide commitment to integrity.

- **Install a Risk-Management Engine for Supermercado :** Utilize SFP's Seafood Metrics system as a verification engine for your third-party sourcing. This system allows a participating company to collect source data directly from sellers and screen their products against key international sustainability benchmarks. It will provide MercadoLibre with a harmonized compliance framework for its entire Latin American operation.

- **Create a Clear Path to Compliance and Preference:** Call for your seafood sellers to become active stakeholders in improving seafood sources. We ask MercadoLibre to require its sellers to participate in SFP's pre-competitive initiatives like the Supply Chain Roundtables (SRs), Fishery/Aquaculture Improvement Projects (FIPs/AIPs), and other efforts. MercadoLibre could create an incentive for sellers to move quickly in joining these efforts by giving those who do preferential placement in SuperMercado and in the Sustainable Products session, as well as in EcoWeek promotions.

Other Engagements

During ClimateWeek 2024 in New York City, held annually alongside the UN General Assembly, Douglass Winthrop's Sustainable Equity Strategy co-sponsored two panels in partnership with Deloitte. In the course of preparing for these panels, one moderated by Deloitte and one by Douglass Winthrop, we engaged with several portfolio companies who were either on the panel or who had business exposure to the themes we discussed. See below for a brief description of each.

Panel 1: The Coming Re-Pricing of Assets: When, How Big and Who Will Be the Referees?

The repricing of assets due to climate change is underway but remains in early innings. Among the front-line "referees" of asset repricing are insurance companies and rating agencies. This panel included insurers and rating agencies that have played a role in working with operating companies and investors to begin to navigate this era of asset repricing, which is likely to accelerate.

- Welcome Remarks: John Mennel, Global Offerings Leader for Deloitte Sustainability
- Moderator: Dan Abbasi, Principal, Douglass Winthrop Advisors' Sustainable Equity Strategy
- Rahul Ghosh, Global Head of Sustainable Finance, Moody's Investors Service
- Michael Ferguson, Managing Director, S&P Global
- Witold Henisz, Vice Dean and Faculty Director, ESG Initiative, Wharton Management Initiative, University of Pennsylvania
- Bridget Gainer, Vice President of Global Public Affairs, Aon

Panel 2: Circularity: From Theory to Action: The value proposition of aluminum beverage packaging circularity

The transition towards a resource-efficient global economy is imperative. Circularity comprises different principles, business strategies and sustainability practices that lead to the reduction of natural resource consumption and GHG emissions, security of supply, and supply chain resilience while maintaining economic growth, necessitating alignment and cooperation of all stakeholders along the value chain. Beverage packaging represents up to 40% of beverage brand emissions, yet can be fully circular and has a central role to play in a circular economy. Aluminum's inherent properties (valuable, lightweight, infinitely recyclable with minimum losses and no loss of quality) make it integral both to circularity and decarbonization. Currently more than 70% of aluminum beverage cans are recycled globally into new products, but this figure falls short of making the complete contribution necessary for achieving the 1.5-degree climate target. The number of beverage cans is set to increase from 420 billion in 2020 to 630 billion by 2030 and data has revealed that recycling all cans globally in 2030 would save 60 million tons of greenhouse gas emissions per year. This session explored the drivers and challenges of making aluminum beverage packaging more circular, and how this might be accelerated through product and service design and use, supply chain management, manufacturing technologies, product treatment at end-of-life, and service-oriented business models and strategies.

- Moderator: John Mennel, Global Offerings Leader for Sustainability, Deloitte
- Dylan Tanner, Executive Director & Co-Founder, InfluenceMap
- Pierre Labat, Chief Strategy & Sustainability Officer, Novelis
- April Crow, Senior Advisor, Circulate Capital (formerly Coca Cola)

For this panel, we also engaged with portfolio companies Waste Management and with Ball Corp. Ball, as noted elsewhere in this report, accepted and then declined to participate, which prompted further engagement by us about its strategic reticence to more proactively make the case for aluminum's environmental superiority over plastics as a packaging substrate. This engagement remains ongoing.

Sustainability Illustrations from our 2024 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 Intuit, Siemens, Trane, United Rentals and Verisk.

Intuit

We believe accelerating climate change will drive a structural shift toward more decentralized and adaptive economic systems. For example, microgrids and on-site generation will gain share from centralized grids, agricultural supply chains will shorten as more growing is done locally, and 3D printing will localize certain categories and layers of production: spare parts, prototypes, specialized components, and customized goods. Instead of shipping physical goods across oceans, companies will transmit digital files and "print" products locally — reducing logistics costs and carbon emissions for everything from custom footwear/apparel to medical implants to industrial parts. Small and medium-sized enterprises (SMBs), already significant economic contributors today, will become even more central enablers of community-level resilience. Today there are over 33 million small businesses in the U.S. Defined as having fewer than 500 employees, small businesses make up 99.9% of all U.S. businesses and employ nearly 62 million people, or about 46% of the private-sector workforce, while accounting for ~44% of U.S. GDP.

Our impact thesis for Intuit was inspired by a range of literature on this secular decentralization trend. In *Deep Economy*, Bill McKibben makes the case for moving away from globalization and endless growth toward more localized economies focused on community resilience. He uses the example of honeybees and small-scale farming both as metaphors and as real-world cases: bees thrive in local, interdependent ecosystems, and their collapse under industrial agriculture illustrates the dangers of centralized, extractive systems. Similarly, Jeremy Rifkin's *Age of Resilience* argues that economies of the future will rely less on centralized, fossil-based infrastructures and more on distributed networks of production, finance, and innovation. As households and SMEs take on a greater role in shaping local economies, the tools that enable them to operate, manage finances, and grow sustainably will become even more indispensable and see a growing addressable market.

New SMB business structures may also increase, including community co-ops such as the Evergreen Cooperatives of Cleveland. Evergreen acquires or builds small businesses, often in low-income neighborhoods, converts them to cooperatives or develops new co-ops, gives workers ownership shares and shares profits. Key local institutions like hospitals and universities act as "anchors" by procuring goods and services from the cooperatives. This guarantees local demand and helps stabilize revenue, reducing the risks associated with relying on distant supply chains for essential services. We believe such trends and innovative business formats will accelerate over the coming years and decades as climate shocks, policy changes, and new technologies such as AI, promote decentralization.

Intuit is exceptionally well positioned to benefit from this decentralization. Its platforms—QuickBooks, Credit Karma, and Mailchimp— serve as digital infrastructure for millions of SMBs, especially micro-

enterprises and emerging entrepreneurs worldwide. As more economic activity shifts toward distributed businesses and community-based enterprises, we believe that demand for intuitive, affordable, and integrated financial management software will increase.

Intuit's cloud-based services allow businesses to manage payroll, accounting, compliance, and customer outreach seamlessly without requiring the scale of large corporate finance teams. In effect, Intuit functions as the "operating system" for decentralized economic actors, reducing friction in a world where local entrepreneurship and adaptability will be critical to resilience. Intuit is positioned as a beneficiary and enabler of this secular trend.

We were disappointed that Intuit quietly discontinued its Climate Action Marketplace, and we intend to engage the company on the rationale and whether it could re-launch a reinvigorated version of this platform. We believe such a Marketplace could offer: (1) turnkey financing programs for solar, battery storage, and energy efficiency upgrades tailored to SMBs; (2) resilience and adaptation tools, including climate-risk dashboards and insurance solutions; (3) integrated carbon tracking and high-quality offset marketplaces directly within QuickBooks; and (4) a curated marketplace of vetted providers for clean energy, sustainable packaging, and green building upgrades. These offerings would not only create value for SMBs but also expand Intuit's ecosystem, turning climate resilience into a growth lever.

In the meantime, Intuit does collaborate with various organizations to address climate change and other community needs. These include supporting community solar projects, providing workplace training, cutting food waste, and improving food access. Examples include: a) the Coalfield Solar Fund, which supports schools and communities in Virginia and West Virginia with solar installations, STEM education, and clean-energy career pathways; and b) the Farmlink Project Partnership, which redirects unsold fresh produce to underserved communities to cut food waste, fight hunger, and reduce emissions; c) QuickBooks' partnership with the SME Climate Hub in the UK to help 30,000 small businesses commit to climate action, providing access to carbon-emissions measurement tools and step-by-step support for setting targets.

By embedding these choices in the same QuickBooks workflows that SMBs already use, Intuit could accelerate decarbonization. Intuit's AI expert strategy should also be harnessed since it will reduce the friction that tends to cause decarbonization to be only a peripheral concern for SMBs that are necessarily focused on their core business. We imagine Intuit's "done for you" experiences across the platform and access to more than twelve thousand human experts whose guidance is increasingly surfaced and routed by AI. In our view, that pairing of automation and human expertise is critical for smaller enterprises that lack internal sustainability staff or the time to research options.

Through the portfolio construction lens, Intuit plays an important role in balancing our large cap exposure. While Intuit itself is a large-cap exposure, it is a platform whose success (or failure) is driven by its targeted exposure to the SME segment.

Siemens

Siemens AG has positioned itself at the center of the global transition to a more sustainable, efficient,

and resilient economy. Through a portfolio spanning intelligent building systems, digitalized industry solutions, mobility, and energy infrastructure technologies, Siemens drives reduction of greenhouse gas emissions, the improvement of energy efficiency, and enables cleaner, smarter, and more resilient communities. Siemens AG has retained a 15% stake in Siemens Energy, which focuses on large-scale generation and grid equipment, but has cut this by more than half since spinning it off in 2020. Siemens AG drives sustainability through digitalization, electrification, and automation across the "demand side" of the economy—where efficiency gains and intelligent design can yield the largest long-term reductions in emissions.

- Buildings: Buildings account for nearly 40% of global energy consumption and approximately one-third of carbon emissions. Siemens' Smart Infrastructure segment addresses this challenge with integrated building management systems that combine automation, sensors, and AI-driven analytics to cut energy use while maintaining occupant comfort and safety. Siemens Desigo CC (for Command & Control) and related platforms allow facility managers to optimize lighting, HVAC, and security systems from a unified interface. The result is typically energy savings of 20–30% when deployed at scale. Siemens has expanded beyond simple building controls to full digital twins of structures, enabling continuous optimization over the building life cycle. By linking BIM (Building Information Modeling) data with real-time operating data, Siemens provides customers—from hospitals to universities to commercial office towers—the ability to benchmark, monitor, and continuously improve performance. This translates into lower energy bills, extended asset life, and significant carbon reductions.

- Microgrids and Distributed Energy Systems: As renewable energy penetration rises, resilience and flexibility become essential. Siemens is a leader in microgrid solutions that integrate solar, wind, energy storage, and backup generation into seamless, self-optimizing systems. These microgrids provide not only emissions reductions through the displacement of fossil fuels, but also resilience in the face of extreme weather events or grid disruptions. Universities, military bases, and industrial parks have implemented Siemens microgrids to achieve both sustainability and energy security objectives. For example, Siemens' microgrid controller platforms dynamically balance supply and demand, prioritize renewable sources, and island from the main grid during outages. This capability helps organizations meet net-zero commitments while protecting critical operations. Importantly, Siemens emphasizes open standards, enabling its microgrids to connect with electric vehicle (EV) charging networks, building management systems, and utility-scale assets.

- Electric Vehicle Charging and Mobility Integration: Transportation accounts for roughly one quarter of global emissions. Siemens addresses this sector by delivering smart EV charging infrastructure that integrates with grid management and building energy systems. Siemens' VersiCharge and Sicharge platforms cover both residential and commercial charging, from simple Level 2 stations to high-power DC fast chargers capable of serving fleets and public corridors. What distinguishes Siemens is the intelligence embedded in these chargers. Through software, Siemens enables demand-response capabilities, load balancing, and dynamic pricing integration. This ensures EV adoption does not stress the grid, but rather complements it by charging at optimal times, often when renewable generation is abundant. For commercial customers—such as logistics fleets or municipalities—this reduces both energy costs and emissions. By embedding EV charging within a broader system architecture, Siemens is not

only accelerating the adoption of zero-emission vehicles but also ensuring that adoption strengthens, rather than destabilizes, the energy system.

- Rail Electrification and Smart Mobility: Siemens Mobility plays a transformative role in decarbonizing transportation beyond passenger cars. Rail is already one of the most energy-efficient transportation modes, and Siemens enhances its advantages through advanced electrification and digital signaling technologies. Siemens develops and deploys catenary systems, power electronics, and rolling stock that enable high-speed passenger rail and low-carbon freight. By shifting both passengers and goods from trucks and planes to electrified trains, Siemens solutions significantly cut emissions per ton-mile or passenger-mile. Digital signaling and automation systems further increase efficiency by reducing congestion, optimizing timetables, and enabling higher throughput on existing infrastructure without the need for resource-intensive new construction. In addition, Siemens is investing in hybrid and battery-electric trains for regions where full electrification is not yet viable. These innovations ensure decarbonization is possible even on secondary or rural routes. The net effect is a reduction in transportation emissions while enhancing mobility, connectivity, and economic opportunity.

- Industrial Digitalization and Efficiency: Siemens' Digital Industries Division supports sustainability by making industrial production more efficient, flexible, and less resource-intensive. Siemens' automation hardware, industrial IoT platform (MindSphere), and digital twin technologies allow manufacturers to reduce energy use, minimize material waste, and accelerate innovation cycles. For example, by simulating and optimizing factory operations digitally before deploying in the real world, companies can cut commissioning time and avoid unnecessary energy use. Predictive maintenance powered by Siemens' data analytics reduces downtime and extends the lifespan of equipment, avoiding premature replacement and the embodied emissions that come with it. Moreover, Siemens is embedding sustainability metrics directly into its industrial software, giving manufacturers visibility into the carbon footprint of their operations in real time.

- Systemic Efficiency and Emissions Reduction: A unifying theme across Siemens' businesses is its ability to unlock systemic efficiency. Rather than offering isolated products, Siemens integrates hardware and software into coherent systems — whether an entire smart building, an industrial plant, or a regional mobility network. This integration enables optimizations across boundaries that typically separate energy, mobility, and infrastructure planning. For example, a university campus can use Siemens technologies to integrate its building energy management system with a local microgrid, charge electric buses with excess solar generation, and optimize class schedules and transit based on real-time occupancy data. The outcome is lower energy costs, reduced emissions, improved reliability, and enhanced user experience. Siemens' contributions are multiplicative given the systemic scale and scope of its offerings: every kilowatt-hour saved in a building, every ton of freight shifted to electric rail, every EV charged intelligently boosts progress toward a low-carbon economy.

- Commitment to Net Zero and Reporting Transparency: Siemens has pledged to achieve net-zero operations by 2030, with significant progress already achieved. By implementing its own building management systems, renewable sourcing strategies, and digital optimization tools

across its global footprint, Siemens demonstrates the same efficiency and emissions reductions it delivers to customers. Siemens is transparent in its reporting. Its annual Sustainability Report details both achievements and challenges, from Scope 1 and 2 reductions to Scope 3 supplier engagement. This transparency reinforces Siemens' credibility as both a solutions provider and a responsible corporate citizen.

Trane Technologies

Trane Technologies is a global climate innovator advancing the twin goals of carbon mitigation and climate adaptation. Through its leadership in the refrigerant transition, consistent gains in product efficiency, intelligent demand-side management, and its groundbreaking Gigaton Challenge, the company is reshaping how buildings, industries, and communities use energy for cooling and heating. As climate change intensifies, cooling demand will surge in both established and emerging markets, making Trane's strategy critical not only to reducing emissions but also to enabling societies to cope with rising heat.

- Refrigerant Innovation: Phasing Out High-GWP Legacy Systems: One of Trane's most important contributions has been accelerating the global transition away from high-GWP refrigerants, meaning refrigerants that have high Global Warming Potential. The last generation of HVAC and refrigeration systems relied on R-410A (GWP ≈ 2,088) or R-404A (GWP ≈ 3,922) — potent greenhouse gases thousands of times more potent than CO_2 on a per-molecule basis though emitted on a lower volume basis than CO_2. Trane has pioneered the use of R-454B (GWP ≈ 465) in its residential and light commercial HVAC portfolio, reducing direct refrigerant climate impact by about 78% compared to R-410A. In its flagship large chiller line, the CenTraVac® centrifugal chiller platform, Trane transitioned to R-1233zd(E) (GWP ≈ 1) and R-514A (GWP = 2), achieving ultra-low-GWP operation without sacrificing performance. Its Sintesis™ eXcellent chillers are optimized for R-1234ze(E) (GWP < 1), proving that efficiency and climate safety can coexist. In truck refrigeration, Trane's ThermoKing shifted its North American trailer portfolio from R-404A to R-452A (GWP ≈ 2,140), cutting warming potential by nearly 50%. These refrigerant transitions are not only regulatory compliance exercises — they represent leadership moves that ripple across supply chains, de-risk customer investments, and set precedents for global adoption under the Kigali Amendment to the Montreal Protocol.

- Energy Efficiency: Benchmarking at the Top of the Market: Efficiency is the second pillar of Trane's climate strategy, and the company has consistently engineered its products above regulatory baselines. In the U.S., the Department of Energy's 2023 standard set the minimum for residential split heat pumps at 14.3 SEER2 and 7.5 HSPF2. Trane's premium products exceed these thresholds substantially:

    - Air Conditioners: The XV20i TruComfort™ achieves up to 21.5 SEER2, nearly 50% higher than the DOE baseline. The XV18 delivers 18.0 SEER2, and the XR16 holds 16.2 SEER2 for mainstream affordability.

    - Heat Pumps: The XV20i provides up to 20.5 SEER2 and 8.7 HSPF2, while the XV18 reaches 18.0 SEER2 / 8.5 HSPF2. Even Trane's mid-tier XR16 achieves 16.2 SEER2 / 8.1 HSPF2, still above federal requirements.

- Next-generation R-454B systems: Trane's variable-speed outdoor units now achieve up to 18.1 SEER2 while pairing with low-GWP refrigerants — combining direct and indirect climate gains.

On the commercial side, Trane's systems demonstrate globally best efficiency:

- CenTraVac® centrifugal chillers achieve full-load efficiency of 0.45–0.49 kW/ton and IPLV values as low as 0.296 kW/ton — among the best in class worldwide.

- IntelliPak® 3 rooftop units reach up to 17.8 IEER with advanced Symbio® controls and variable-speed drives.

- Precedent® rooftop units with eFlex™ Ultra-High Efficiency options can perform up to 80% better than federal minimums, depending on the configuration.

By consistently delivering systems well above minimums, Trane secures a competitive advantage in both residential and commercial markets, offering customers lower utility bills and alignment to climate goals. While peers offer comparable high-end efficiency in select models, Trane's breadth across categories demonstrates its systemic commitment to pushing performance envelopes rather than treating efficiency as a niche feature.

- Demand-Side Management: Optimizing Load and Grid Interaction: Beyond product-level efficiency, Trane provides customers with solutions that optimize energy use dynamically, reducing costs and supporting decarbonization of the wider grid. Its Tracer® SC+ automation platform integrates advanced Demand Management and Demand Response functions, including OpenADR connectivity for utility load-curtailment programs. Trane has also pioneered Thermal Battery™ storage systems (formerly CALMAC ice storage), which shift cooling load to off-peak hours and increase the utilization of renewable energy. Real-world case studies show ~100 kW peak-demand reductions (≈15% load drop) and customer savings of ~$1,000 per month during summer peak seasons. At the building level, renewable utilization has been shown to increase by up to 50% when paired with these storage solutions. For example, at 11 Madison Avenue in New York City, Trane's demand-side technologies helped the iconic office building comply with Local Law 97, cut operating costs, and materially reduce emissions — proof that building optimization can deliver both compliance and value creation.

- The Gigaton Challenge: Scope 4 in Practice: The most ambitious element of Trane's climate agenda is its Gigaton Challenge: a pledge to help customers avoid 1 billion metric tons of CO_2e by 2030 relative to a 2019 baseline. Note that this is a cumulative not annual figure. As of 2024, Trane had already enabled ~237 million metric tons of avoided emissions and launched 190 new products in 2024 alone with low-GWP refrigerants and improved energy performance.

  This commitment exemplifies the logic of Scope 4, or handprint emissions discussed elsewhere in this impact report. While Trane continues to manage its own Scope 1–3 footprint, the overwhelming majority of its climate impact lies in how its products reduce emissions for its customers. By explicitly accounting for avoided emissions, Trane acknowledges that its core

contribution is enabling customers to decarbonize.

Trane has published a Gigaton Challenge Playbook, clarifying its methodology for avoided emissions. This transparency builds trust with investors, regulators, and customers, and positions Trane as one of the few industrial companies openly embracing Scope 4 logic. For sustainable investors, this framing is critical: it aligns portfolio exposure with real-world climate solutions that extend beyond traditional accounting boundaries.

R&D: Sustained Investment in Climate Innovation: Trane's climate leadership is underpinned by consistent R&D investment, something we weigh heavily in evaluating companies for the SES portfolio as it bears on the width and durability of a moat, as long as it correlates to high rates of new product introduction and product renovation. In 2024, Trane spent $310 million on research and development (≈2% of net revenues), with a focus on next-generation refrigerants, ultra-high-efficiency compressors, and integrated building intelligence. These dollars translated directly into tangible innovations, from cold-climate heat pumps capable of displacing fossil heating, to digital twins and predictive maintenance tools that extend system life while minimizing emissions. By coupling internal engineering with partnerships across academia and technology providers, Trane ensures it remains at the cutting edge of both product and system-level innovation. This R&D discipline is not a defensive posture — it is an offensive growth strategy aligned with the global imperative of decarbonization.

Adaptation: Meeting the Growing Need for Cooling: While Trane's strategies advance climate mitigation, its solutions are equally essential for adaptation. As global average temperatures rise, the International Energy Agency projects that the global stock of air conditioners will grow from ~2 billion units today to over 5.5 billion units by 2050. Without efficiency leadership, this surge in cooling demand risks overwhelming power grids and locking in emissions. Trane is well positioned to meet this demand responsibly. By providing systems that pair ultra-low-GWP refrigerants with top-tier energy efficiency and load flexibility, the company enables societies to cope with worsening heat without sacrificing decarbonization goals. Adaptation is also a growth vector: Trane's addressable market will expand geographically into regions historically unaccustomed to extreme heat — from Northern Europe to Canada — as well as into energy-intensive sectors like data centers, where cooling is mission-critical. Rising heat stress, urbanization, and resilience mandates ensure that Trane's offerings are not only climate solutions but also long-term enablers of economic productivity and human well-being.

United Rentals

United Rentals, which we affectionately refer to as the Uber of heavy machinery, is an industrial "sharing economy" company. United Rentals contributes to carbon efficiency because its business model revolves around maximizing equipment utilization. Customers who own their own fleets typically see low utilization rates: equipment sits idle for significant portions of time between jobs, which means the embedded carbon emissions from manufacturing, transporting, and maintaining that equipment are spread across fewer hours of actual productive use. By contrast, United Rentals aggregates demand across many customers and industries, keeping equipment in the field more consistently. This higher utilization translates to fewer total machines needed to serve the same amount of work, which reduces the carbon intensity per unit of output. According to the 2023 United Rentals Corporate Responsibility

Report, the rental model drives a roughly 20% higher utilization compared to privately owned fleets.

This comparative advantage also shows up in terms of avoided redundancy. When each contractor or industrial operator buys and maintains its own fleet, many machines are duplicated across the market and spend most of their lifecycle underused. United Rentals, by pooling access, enables companies to use a shared asset base. This not only saves capital costs for customers but reduces the number of machines manufactured overall, thereby avoiding the associated carbon emissions from production, transport, and eventual disposal.

The carbon efficiency benefits extend into maintenance and fuel performance. Because United Rentals operates at scale and higher utilization rates, it maintains rigorous service schedules and its ROI incentivizes it to invest sooner in upgrading to more modern and efficient fleets. Beyond utilization, United Rentals leverages telematics, digital tools (such as Total Control®), and fleet management platforms to monitor usage, reduce idle times, optimize scheduling and logistics, and ensure timely maintenance. These practices reduce wasted operational hours and fuel use, which further lowers emissions. Customers accessing these assets are therefore often using newer, better-maintained equipment than they would own themselves, further lowering fuel use and emissions per job.

In short, higher utilization at the fleet level, combined with efficient maintenance practices and a shared model, allows United Rentals to deliver the same functional outcomes with a lighter carbon footprint than a decentralized model of owned equipment.

In 2024 the company also expanded its one-stop solutions approach across more than 1,700 locations and advanced several technologies geared to customer outcomes. Inside its Total Control platform, United Rentals launched an Insight Center that lets customers track estimated emissions over time by jobsite and equipment category and benchmark utilization against peers.

Adoption of environmental monitoring such as temperature and humidity sensors grew materially, demonstrating customer willingness to add instrumentation that improves efficiency and safety. The firm also invested in field automation and notification tools to reduce downtime and incidents and strengthened emergency preparedness and response capabilities that support communities and customers during hurricanes, wildfires and floods.

United Rentals' Corporate Responsibility Report provides GRI, SASB and TCFD indices and devotes space to methodology and data quality constraints, given the complexity of estimating jobsite level emissions across mixed fleets from many original equipment manufacturers.

United Rentals (URI) also plays an important and underappreciated role in climate adaptation by acting as a rapid-response resource for businesses, municipalities, and utilities in the aftermath of major storms or extreme weather events. Its vast rental network and logistics capabilities allow it to provide equipment and infrastructure solutions that help communities and customers recover quickly and build resilience, including:

- Backup power: URI can and does reposition backup generation capacity. After hurricanes, floods, or wildfires, demand for mobile power surges as utilities work to restore the grid and businesses attempt to maintain continuity of operations. United Rentals can deploy fleets of

diesel and natural-gas generators, battery storage units from unaffected regions into disaster-hit zones. This flexibility shortens downtime, reduces economic losses, and supports essential services like hospitals, water treatment plants, and emergency shelters.

- Temporary Office Space and Operational Continuity: URI also supports adaptation by offering modular offices and portable workspace solutions. After a major storm damages facilities, companies and agencies often face weeks or months of building repair. United Rentals' modular units allow teams to re-establish safe, functional offices quickly, helping organizations sustain operations, maintain payrolls, and coordinate recovery activities. This capacity is increasingly relevant as more severe storms disrupt physical infrastructure with greater frequency.

- Rebuilding and Construction Equipment: URI's core equipment rental services—earthmovers, aerial lifts, pumps, and dewatering systems—are indispensable in the rebuilding process. Storms frequently leave behind debris, flooding, and structural damage. Having access to URI's large fleet of construction and remediation equipment allows contractors and municipalities to mobilize quickly without bearing the cost of owning large idle fleets for contingencies. Their scale also means equipment can be shifted across regions as climate disasters occur, which enhances efficiency compared to smaller local providers.

United Rentals is not just an efficiency play—it is also an adaptation enabler. URI helps customers and communities respond to and recover from climate shocks. In a world of increasing climate volatility, this logistical and operational flexibility is an essential layer of resilience. In the Douglass Winthrop Sustainable Equity Strategy, we avoid investments in REITs, which tend to hold valuable fixed assets such as trophy buildings at sea level in major cities. We believe the market has not adequately repriced such assets to account for their chronic exposure to long-term sea level rise or their acute exposure to short-term extreme climate events such as storm surges from hurricanes. By contrast, we favor companies like URI whose flexible and moveable assets will be increasingly valued in a world coping with the uncertainties and intensities of accelerating climate change.

We believe the market continues to undervalue United Rentals' role as a leading circular economy player.

Verisk

Verisk sits at the intersection of insurance, global capital markets and climate science. With climate change driving unprecedented volatility — from record hurricanes and floods to wildfires — Verisk's data and models provide the foundation for how risk is measured, priced, and transferred. By equipping insurers, reinsurers, and investors with robust catastrophe modeling and analytics, Verisk helps maintain the stability of insurance markets and channels capital toward adaptation and resilience, and indirectly toward mitigation since the rising cost of adaptation itself becomes a feedback loop incentivizing investment in mitigation.

Catastrophe Modeling and Underwriting: Verisk's Extreme Event Solutions business (formerly AIR Worldwide) is a leader in catastrophe models that simulate tens of thousands of plausible climate events — hurricanes, floods, wildfires — under present and projected climate conditions. Traditional

actuarial methods, built on historical averages, are no longer adequate in a rapidly warming world. Verisk's forward-looking stochastic models bridge this gap, incorporating IPCC scenarios, Representative Concentration Pathways (RCPs), and Shared Socioeconomic Pathways (SSPs). This enables insurers and reinsurers to understand how losses might unfold under different climate futures: higher sea levels, shifting hurricane tracks, or greater frequency of severe convective storms. Armed with this insight, insurers are increasingly adjusting underwriting, reinsurance purchases, and portfolio diversification to maintain solvency and service availability.

Rule 144A cat bonds are issued in U.S. capital markets to qualified institutional buyers (QIBs). The bonds typically need independent risk modeling to quantify the probability of loss (expected loss %, attachment probability, exhaustion probability, etc.). Verisk's Extreme Event Solutions has historically been the leading provider of catastrophe risk models used in structuring these bonds. Competitors to Verisk include RMS (now part of Moody's, which we also own in the Sustainable Equity Strategy), and CoreLogic, and more recently some open-cat platforms. But Verisk/AIR has been considered the gold standard and has the largest market share in catastrophe bond modeling. RMS does a substantial minority, and occasionally both are used side-by-side for "model blending."

Strengthening Claims Management and Event Response: As the frequency and severity of extreme events rise, claims management has become a pressure point for insurers. Verisk supports carriers with real-time event footprints, geospatial analytics, and weather forensics that streamline claims settlement. Event footprints are a high-resolution map showing which areas were affected, with modeled hazard intensity (e.g., wind speed, ground shaking, water depth), built from satellite data, radar, weather stations, IoT sensors, and catastrophe models. This lets the insurer estimate which policies are likely affected within hours of the event, instead of waiting for claims to come in individually. For policyholders, this means faster relief and greater confidence in coverage. For insurers, this reduces the administrative burden, regulatory scrutiny and fraud risk that can significantly increase loss adjustment expenses.

The Insurance-Linked Securities Market: Verisk is enabling the growth of the insurance-linked securities (ILS) market, particularly catastrophe bonds (cat bonds). These instruments allow institutional investors—pension funds, endowments, sovereign wealth funds—to assume catastrophe risk in exchange for attractive, non-correlated returns. The ILS market has grown into a crucial source of reinsurance capacity, with more than $40 billion of cat bonds outstanding and over $100 billion of total ILS capital deployed across cat bonds, collateralized reinsurance, sidecars, and industry loss warranties. This capital supplements the roughly $600–700 billion in global reinsurance capital, allowing the system to absorb losses from increasingly costly catastrophes.

Here Verisk's models are indispensable. Investors in cat bonds rely on independent, transparent models to quantify the probability of loss. For example, a Florida hurricane cat bond might carry a notional principal of $200 million. Investors commit that capital to a trust; if no major hurricane occurs during the bond term, investors collect both a risk premium from the insurer (say, 10–15% annually) and the interest earned on the collateral (often U.S. Treasuries at 4–5%). If a hurricane above the trigger threshold strikes, investors can lose part or all of their principal, which is then used to pay policyholder claims. Collateralized reinsurance works similarly, though in private contracts rather than tradeable securities. Sidecars allow reinsurers to share portfolios with outside investors, and Industry Loss Warranties pay out when total industry-wide losses exceed a set level (e.g., $20 billion). Across all

these structures, Verisk's models determine the probabilities of attachment and expected loss, forming the backbone of the market.

By facilitating the growth of these markets, Verisk enables the transfer of catastrophe risk to global capital markets, vastly expanding the pool of funds available to cover losses. This not only stabilizes the insurance industry's balance sheets but also ensures coverage remains available in high-risk regions. In turn, we expect the re-pricing of risk through higher, climate-adjusted insurance premiums and capital charges to translate into re-pricing of assets themselves, becoming a signal to the economy to invest more in mitigation and adaptation. Rising premiums in wildfire-prone California or hurricane-exposed Florida create financial incentives for asset owners to adapt: hardening infrastructure, elevating homes, installing fire breaks, or even relocating.

The market has scaled rapidly. As of 2025, more than $40 billion in cat bonds are outstanding, while total ILS capital—including collateralized reinsurance, sidecars, and industry loss warranties—exceeds $100 billion. These markets supplement the roughly $600–700 billion of global reinsurance capital and have become an essential "shock absorber" for the system.

Across all of these structures, Verisk's catastrophe models are the independent benchmark used to determine the probability of loss. Without this quantitative backbone, investors would not have the confidence to commit billions of dollars to climate-exposed risks.

Climate-Driven Asset Repricing and the Coming Paradigm Shift to Pre-Loss Solutions: By expanding reinsurance capacity through ILS and cat bonds, Verisk enables insurance to remain available in high-risk regions, even as losses escalate. But the impact goes further: insurance premiums act as one of the most visible signals of physical climate risk. Rising premiums in wildfire-prone California, or hurricane-exposed Florida, directly influence property values and investment flows. We believe this process will drive an increasing repricing of trillions of dollars of assets in response to climate risk. Higher insurance costs create powerful incentives for adaptation: elevating homes against flood risk, hardening roofs and windows against wind, installing fire breaks, or even relocating entirely. In this way, Verisk's analytics play a catalytic role, linking climate science to capital allocation and steering investment into both mitigation (emissions reduction) and adaptation (asset resilience).

Relatedly, we believe the insurance sector is just beginning to evolve from a model of post-loss indemnification (payment is made after a loss event has actually occurred and been verified) to pre-loss risk management, including: parametric insurance that pays off if a parameter like a specific hurricane wind speed > X mph is triggered; structuring of premiums and coverage to incentivize adaptation; or other resilience advisory & engineering services. Insurers are beginning to use Verisk's analytics to design and offer premium credits for flood-proofing, resilience discounts for hardened roofs, and requirements for fire-adaptation measures. Verisk's credibility in measuring actual risk reduction ensures that these incentives are tied to real resilience, not superficial measures. In this way, Verisk's data and modeling is poised to drive trends in the design and retrofitting of the built environment by aligning financial signals with real-world adaptation.

Over the next 10–20 years, our thesis is that insurers may evolve from pure risk-takers to resilience partners:

- Bundling coverage with resiliency services (e.g., roof reinforcement financed via policy).
- Using IoT, satellite, and climate analytics to monitor risk continuously and intervene before losses.
- Embedding capital markets (cat bonds, ILS) more tightly into resilience financing, so that money flows not only after disasters but into hardening assets ahead of time.

This paradigm shift is not guaranteed — it depends on climate severity, regulatory frameworks, and customer demand — but we believe the direction of travel is toward more pre-loss and resiliency solutions, because rising climate risks are making pure post-loss indemnification unsustainable in many markets (e.g., wildfire insurance in California, flood insurance in Florida) and the resulting re-pricing of assets will prove painful enough to trigger change.

Regulatory and Investor Demands: Regulators and investors increasingly demand robust, forward-looking climate risk disclosures. Stress tests like the Bank of England's Climate Biennial Exploratory Scenario (CBES) and frameworks like TCFD and ISSB require insurers and banks to show how their portfolios would perform under climate stress. Verisk's integration of IPCC research, Representative Concentration Pathways (RCPs), and Shared Socioeconomic Pathways (SSPs) directly addresses these requirements, providing insurers and investors with scientifically grounded scenarios. Verisk's integration of the latest climate science into its catastrophe models provides insurers with credible, regulator-ready scenarios, helping them maintain compliance and investor trust.

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 2024.

Airbus (May 2025)
- https://www.airbus.com/sites/g/files/jlcbta136/files/2025-04/2025_Airbus_Pioneering_sustainable_aerospace_publication.pdf

Alphabet (July 2024)
- https://www.gstatic.com/gumdrop/sustainability/google-2024-environmental-report.pdf

Amazon (July 2024)
- https://sustainability.aboutamazon.com/2023-amazon-sustainability-report.pdf

AON (March 2025)
- https://assets.aon.com/-/media/files/aon/about/impact/2024/aon-2024-full-impact-report.pdf

ASML (March 2025)
- https://ourbrand.asml.com/m/3035813cf1b8ea4f/original/2024-Annual-Report-based-on-IFRS-FINAL.pdf

Autodesk (May 2025)

- https://damassets.autodesk.net/content/dam/autodesk/www/pdfs/fy25-autodesk-impact-report.pdf

Ball (March 2025)
- https://www.ball.com/getmedia/d4338f57-a3bf-4d84-85c6-5fc40738b8fb/Combined-Report-2024-1-1_1.pdf

Brookfield Asset Management (March 2025)
- https://www.brookfield.com/sites/default/files/2025-05/BAM%20Ltd.%202024%20Sustainability%20Report.pdf

Canadian National (June 2024)
- https://www.cn.ca/en/news/2024/07/updated-2023-sustainability-data-supplement-report

Carrier (October 2024)
- https://www.corporate.carrier.com/Images/Corporate-Carrier-2024-SIR-0924-English_tcm558-236758.pdf

Costco (October 2024)
- https://mobilecontent.costco.com/staging/resource/img/25w03130/25w03130_sustainability_commitment_2023.pdf

Danaher (July 2024)
- https://filecache.investorroom.com/mr5ir_danaher/872/Danaher%202024%20Sustainability%20Report.pdf

Deere (January 2025)
- https://www.deere.com/assets/pdfs/common/our-company/sustainability/business-impact-report-2024.pdf

Intuit (April 2025)
- https://www.intuit.com/oidam/intuit/ic/en_us/content/intuit-stakeholder-impact-report-2024.pdf

L'Oreal (April 2025)
- https://www.loreal-finance.com/system/files/2025-03/2024_Universal_Registration_Document_LOREAL.pdf

Mercado Libre (April 2025)
- https://investor.mercadolibre.com/sites/mercadolibre/files/mercadolibre/impact/2024-impact-report-mercado-libre.pdf

Microsoft (April 2025)
- https://cdn-dynmedia-1.microsoft.com/is/content/microsoftcorp/microsoft/msc/documents/presentations/CSR/2025-Microsoft-Environmental-Sustainability-Report-PDF.pdf#page=01

Moody's (April 2025)
- https://www.moodys.com/web/en/us/hosted-assets/sustainability/Sustainability-related-metric-summary.pdf

Nestle (March 2025)
- https://www.nestle.com/sites/default/files/2025-02/non-financial-statement-2024.pdf

NextEra Energy (June 2024)
- https://www.nexteraenergyresources.com/content/dam/neer/us/en/pdf/NextEra-Energy-Sustainability-Report-2024.pdf

Nike (July 2024)
- https://about.nike.com/en/newsroom/releases/fy23-nike-inc-impact-report

S&P Global (May 2024)
- https://www.spglobal.com/content/dam/spglobal/corporate/en/documents/organization/who-we-are/sp-global-impact-report-2023.pdf

Schneider Electric (January 2025)
- https://www.se.com/ww/en/assets/564/document/513141/2024-sustainability-report.pdf?p_enDocType=EDMS&p_File_Name=2024%20Sustainable%20Development%20Report

Siemens (December 2024)
- https://assets.new.siemens.com/siemens/assets/api/uuid:32a7154d-edba-47bc-8e9b-9761617ba774/sustainability-report.pdf

Taiwan Semiconductor (July 2024)
- https://esg.tsmc.com/en-US/file/public/e-all_2023.pdf

Thermo Fisher (April 2025 – CDP)
- https://corporate.thermofisher.com/content/dam/tfcorpsite/documents/corporate-social-responsibility/Thermo-Fisher-Scientific-Inc-2024-FINAL-CDP-REPORT.pdf

Trane (February 2025)
- https://www.tranetechnologies.com/content/dam/cs-corporate/pdf/sustainability/annual/2024-Sustainability-Report.pdf

Trane (April 2025)
- https://s202.q4cdn.com/922416715/files/doc_financials/2024/ar/Trimble-2025-Annual-Report.pdf

Uber (March 2025)
- https://www.uber.com/us/en/about/

United Rentals (July 2024)

- https://www.unitedrentals.com/sites/default/files/press-releases/UnitedRentalsCRReport2023_0.pdf

Waste Management (April 2025)
- https://sustainability.wm.com/downloads/WM_2024_SR.pdf

Coupang (April 2024)
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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 SES.

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.	3,339	98%
	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.	572	98%
	Scope 3 GHG emissions (tCO2e): Measures the carbon emissions for which an investor is responsible for 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.	41,208	98%
	Total GHG emissions (tCO2e)	45,118	98%
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.	195	98%
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)	700	98%
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.	6.6%	98%

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	58.3%	98%
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	98%
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%	98%
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	3.2	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	9.7%	100%
13. Board gender diversity	Average ratio of female to male board members in investee companies	56.5%	99%
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*

[1] https://sdgs.un.org/goals
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