ESG and Sustainability Report 2021

Snapshot

Contents

About Alphinity

Alphinity is an active equities investment manager based in Sydney. Our purpose is to always put clients' interests first by striving to deliver consistent outperformance. We do this through our philosophy of investing in quality, undervalued companies which our research concludes are in, or about to enter, a period of earnings upgrades.

Alphinity was established in 2010 by its four founders who had all worked together in Australian equities at a large global firm since the early 2000s. In 2015, Alphinity expanded to include a highly experienced global investment team applying the same philosophy and process to the much larger set of investment opportunities outside of Australia. We now have dedicated teams managing both Australian and global equity funds, supported by a range of specialist resources.

Our boutique ownership structure results in a powerful alignment between our fund managers and the objectives of investors in our funds. By outsourcing business management, distribution, administration and some compliance services to Fidante Partners, it allows us to focus solely on investing and adding value to our clients.

ESG Integration

We integrate environmental, social, and corporate governance (ESG) considerations across all portfolio's that we manage. We consider ESG as an essential part of our investment process and use our role as active investment managers to work with companies to improve overall ESG management and outcomes.

All members of the Alphinity investment team are responsible for integrating ESG considerations into investment decisions. Our ESG policy (available on our website) is applicable to all Alphinity funds and sets out the overarching principles and guidelines we apply to ensure that environmental, social and governance risks and opportunities are adequately considered as part of our investment processes.

The United Nations Sustainable Development Goals

We use the United Nations Sustainable Development Goals (SDGs) as a framework to construct the universes for our two dedicated sustainable funds; the Alphinity Sustainable Share Fund and the Alphinity Global Sustainable Equity Fund.

These two funds invest in listed Global and Australian equities that are 'doing good', by contributing towards the advancement of the SDGs, and 'doing it well', by having robust ESG management practices in place.

Responsible investment at a glance

Two distinct approaches to implementing our approach to responsible investment

Using the Responsible Investment Association of Australia's (RIAA) scale for responsible investment, we can group our responsible investment activities into two distinct buckets.

1. **Core and Concentrated funds:** Using active engagement and ESG integration to manage ESG-related risks and identify opportunities. These funds also apply negative exclusions (subject to a 10% revenue threshold) for producers of thermal coal, tobacco, and controversial weapons.
2. **Sustainable funds:** Sustainable themed investing using activity-based negative exclusions (for example, fossil fuels, alcohol, gambling), company engagement, ESG integration, and the SDGs as a way to identify and invest in companies that can deliver positive outcomes for society and the environment.

Five pillars of responsible investing

We are committed to investing responsibly because we believe that environmental, social and governance (ESG) factors can have a material impact on both the risk and the returns of investments.

Environment

- Climate change/emissions
- Pollution
- Biodiversity/deforestation
- Resource use (water, energy, waste)

Social

- Customer satisfaction
- Data protection & privacy
- Diversity
- Employee engagement
- Human rights & labour standards

Governance

- Board & executive composition
- Committee structure
- Bribery & corruption
- Lobbying
- Whistleblower schemes

ESG RISK INTEGRATION

We integrate ESG factors through investment decision making

STEWARDSHIP AND ACTIVE ENGAGEMENT

We are active managers and focus on using our influence to encourage better ESG outcomes and reduce risk

ADVOCACY

We consider, assess and advocate for further action on key sustainability thematics like climate change and modern slavery

SUSTAINABLE STRATEGIES USING THE UNSDGS

We have two dedicated sustainability strategies structured around the SDGs

TRANSPARENCY

We have a public ESG policy in place and disclose our proxy activities and portfolio holdings

Report highlights

About us

Alphinity

- Established in 2010
- 17 employees
- 29% female employees
- 5 strategies across Australian and Global equities
- 136 companies held in FY21

Sustainable funds

Two strategies that align with the United Nations Sustainable Development Goals (SDGs)

Sustainable Compliance Committees

- Sustainability specialists
- Elaine Prior – ESG expert
- Melissa Stewart – Human rights expert

Supporting investor-led change through collaborative engagements

FY21 ESG and sustainability enhancements

Two dedicated ESG and Sustainability resources join Alphinity

Jessica Cairns and Moana Nottage support the domestic and global investment teams

Proprietary ESG risk review framework

Introduced a materiality assessment tool that enables the investment team to consistently identify and assess material ESG issues for companies across our portfolios

Targeted company engagement on ESG and sustainability matters

Active ownership demonstrated in 76 tailored ESG and sustainability meetings

In-house sustainability assessment aligned to the UNSDGs

SDG analysis completed for 150 companies across domestic and global equities

SDG outcomes from our Domestic Sustainable and Global Sustainable strategies

Sustainable thematics

- Sustainable cities
- Inclusive economies
- Healthy lives
- Climate action

Strongest overall SDG alignment

Strongest sector alignment

- Industrials
- Health Care
- Financials
- Information Technology

Understanding our investment risks: A deep dive into two key sustainability areas

Climate change

Alphinity carbon exposure:

- Weighted average carbon intensity: 148 CO_2e/$USm revenue
- Total carbon emissions: 992 994 tonnes CO_2e
- Carbon footprint 69.3 CO_2e/ $AUDm invested

Key insights for FY21 holdings:

- 75% have a carbon policy
- 51% pledged to achieving net zero
- 56% disclosed interim targets
- 21% certified to the Science Based Targets Initiative

Modern slavery and human rights

Modern slavery risk areas:

- Upstream supply chain risks
- Downsteam product and service value chain risks
- Operational risks

Key insights for FY21 holdings:

- 24% present a high risk in at least one of the three risk areas. Of these, 82% have human rights policies and management systems in place
- Technology (including communications) and financial sectors are particularly exposed to downstream value chain risks
- Industrials, consumer discretionary, and consumer staples are the sectors most exposed to supply chain risks

ESG Integration – ESG materiality assessment tool

ESG Materialty Assessment Tool

Building on our existing ESG integration processes, we have introduced a materiality assessment tool that enables the investment team to consistently identify and assess material ESG issues for companies across our portfolios.

The below graphic illustrates this process for two company examples: one consumer company and one materials company. This assessment covers around 30 material issues and assigns one of six materiality indicators to those that are relevant to the company and/or sector. This list is dynamic and reviewed on an ongoing basis, by the relevant analyst in collaboration with the ESG specialists, to ensure completeness over a range of ESG issues and maintain relevance across all sectors.

Completing this process using a consistent set of material issues helps to ensure we are considering a full range of ESG topics and not just focusing on what ismost topical at a point in time. The same approach is applied to all stocks across all funds.

Insights gained through this process are used to identify the most material and relevant ESG risks and, where necessary, develop appropriate management strategies that inform our engagement agenda, financial modelling and investment decision making.

Material ESG issues

Environment	Carbon (direct)
	Carbon (indirect)
	Water
	Waste
	Packaging
	Pollution
	Biodiversity
	Raw materials sourcing
	Green products
	Carbon neutrality
	Animal welfare
	Land use
	Climate change vulnerability (physical)
Social	Labor management
	OH&S
	Human capital development
	Supply chain labor / human rights
	Diversity & inclusion
	Product safety & quality
	Privacy and data
	Indigenous participation
	Nutrition and health
	Customer support
	Community impact
Governance	Corporate governance
	Ethics and corruption
	Board composition & effectiveness
	Remuneration
	Competitive behaviour
	Leadership & partnerships

Analysis

Company specific analysis using **third party data**, **team insights**, outcomes of **engagements**, and company **disclosure**

O+	High opportunity
O	Opportunity
T/O	Threat/Opportunity
T	Threat
T+	High threat
r	Relevant

Company specific opportunities and risks

	Example industry company:	Consumer	Materials
Environment	Carbon (direct)	T	r
	Carbon (indirect)	r	O
	Water		T+
	Waste	T	
	Packaging	T	
	Pollution		T
	Biodiversity		T
	Raw materials sourcing	T+	
	Green products	O	O
	Carbon neutrality	O+	
	Animal welfare	T	
	Land use		T+
	Climate change vulnerability (physical)		T
Social	Labor management	T+	T+
	OH&S	T	T
	Human capital development	O+	T+
	Supply chain labor / human rights	T+	r
	Product safety & quality	T	
	Privacy and data	T	
	Indigenous participation	O	T/O
	Customer support	O+	
	Community impact		T/O
Governance	Corporate governance	O	
	Ethics and corruption		T+
	Remuneration		T/O
	Competitive behaviour		T

Active ownership

As investors, we have the ability to influence the behavior and actions of companies we are invested in. We take this responsibility very seriously and, where possible, aim to use this **influence to create positive outcome**s for the business, shareholders, and society more broadly.

Proxy voting

We vote all resolutions put to shareholders (where we vote on behalf of our clients)

We actively engage with companies we are invested in on an ongoing basis

We seek to manage controversies and issues with clear engagement objectives and actions

We collaborate with other investors where possible to achieve greater impact

We believe the right to vote as a proxy for our investors is a valuable asset. We intend, wherever possible and practical, to vote on every resolution put to shareholders.

Our primary objective when voting is to maximise the value of our unit holders' investments. We will comply with a mandate client's instruction to vote in a particular manner; however, any such instruction will not bind the votes we exercise on behalf of any other clients. Where we vote against the recommendation of the board, we aim to engage with the company, before and after the vote, to explain the reasoning and hopefully encourage change. In FY21 we voted on all resolutions where we have voting rights. Actual votes exercised in calendar 2020 are available here and 2021's votes will be published in January.

Company engagement

We aim wherever possible to engage with all the companies in which we have invested, as well as those we are considering investing, as we believe this is the most effective way to gain a detailed understanding of the ESG risks and opportunities they are facing.

In FY21 we conducted 76 company engagements with a specific focus on ESG and sustainability across our global and domestic funds. This does not include general investment meetings held throughout the year, for example during reporting season, where the primary focus is around financial performance, although material ESG matters are also frequently raised in these meetings.

A full list of ESG engagements for FY21, and further information on specific engagement outcomes are available in the full report.

NUMBER OF COMPANY ENGAGEMENTS:

76

64%

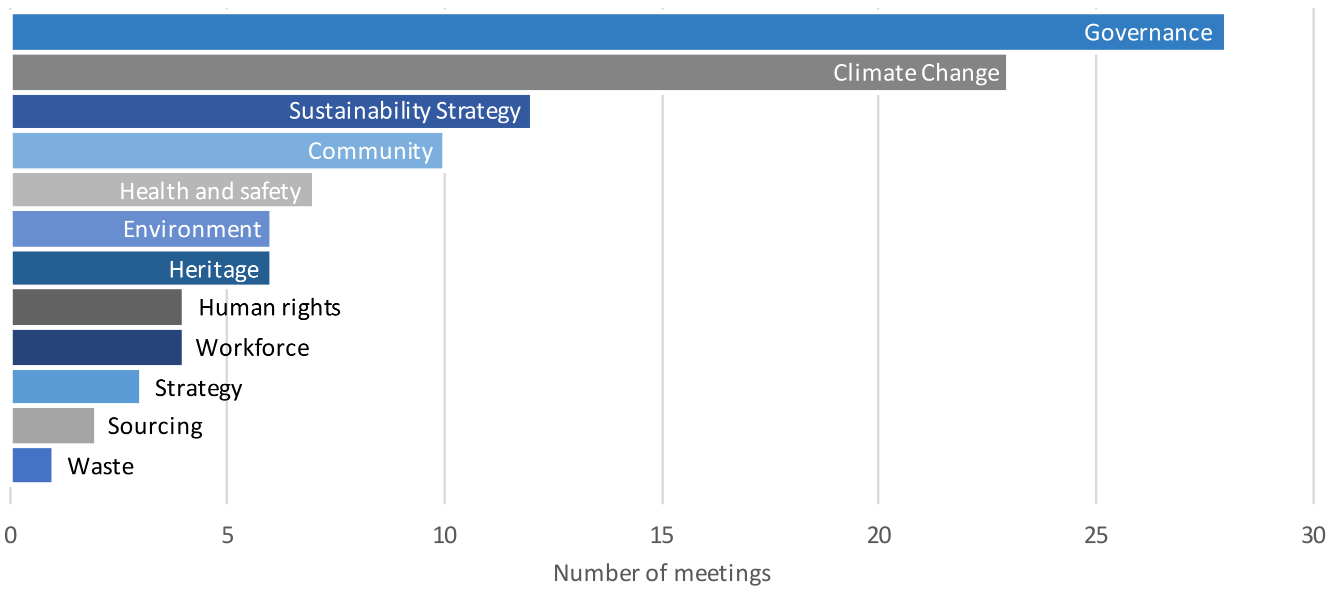
of meetings included a discussion on governance

33%

of meetings were organised to discuss active controversies

63%

63% of meetings included a discussion on climate change and carbon emissions



Climate change

Alphinity acknowledges the findings of the Intergovernmental Panel on Climate Change and supports the United Nations Paris Agreement to limit global warming to well below 2°C, compared to pre-industrial levels. We believe that a global challenge such as this needs to be addressed by coordinated action from all parties, including investors, private business, and government.

Managing climate change in our investments

As a key investment thematic, climate change presents a range of material social and economic threats and opportunities to investee companies.

These risks vary by sector and depend significantly on each company's operating model, operational or asset locations, and appetite to transition towards more resilient business practices. They could be driven by the physical impacts of climate change (for example, increased average temperatures) or by the transition to a low carbon economy (for example, changes in local and global carbon policies as well as changes in demand and supply dynamics).

To enable greater transparency and clarity around risks to individual companies and to financial markets more generally, we support and encourage disclosures in line with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).

Governance

The Alphinity Board is responsible for approving the firm's ESG policy and any associated disclosures, including our commitments to climate change. The day-to-day management of climate-related threats and opportunities is the responsibility of all members of the Alphinity investment team.

Actions to address climate change

Risk analysis	Benchmarking	Exclusion criteria	Carbon footprints	Company engagement	Investment case considerations
We consider climate change-related risks as part of our fundamental approach to ESG management	We use the CA100+ indicators to assess company specific performance	We exclude thermal coal producers from all portfolios	We measure the carbon intensity and absolute carbon footprints of our portfolios	We participate in collaborative engagements (for example, CA100+)	We invest in companies supporting the low carbon transition
This risk analysis includes transition and physical risks	We complete portfolio wide assessments on climate risk and opportunity to compare and benchmark	For our Sustainable funds we exclude all fossil fuel producers	We report regularly to our clients on portfolio emissions	We encourage companies through engagement to reduce their emissions footprints and set clear targets	We consider climate change factors in our investment case considerations when relevant

Carbon exposure metrics

Weighted Average Carbon Intensity: Portfolio's exposure to carbon intensive companies, expressed in tonnes of CO2 equivalent emissions per $US million revenue (CO2e/$USm)

Total Carbon Emissions: The absolute greenhouse gas emissions associated with a portfolio, expressed in tonnes of CO2e

Carbon Footprint: Total carbon emissions for a portfolio normalised by portfolio market value, expressed in tonnes of CO2e per $AUD million invested (CO2e/$AUDm)

FY21 Emissions intensity metrics and performance

We use a range of carbon-related metrics across our portfolios to help assess overall carbon exposure, sector or company level risks, and progress towards net zero.

Unless specifically requested by an investor we do not manage our portfolios with an upper carbon limit in place. The purpose of measuring and tracking carbon emissions for each fund, and then at an aggregate across all portfolios, is to identify and manage companies with high emissions intensity and therefore high exposure to emissions-related risks like carbon pricing or policy and shareholder intervention.

Across the FY21 period, we held a total of 136 individual companies (78 domestic equities and 58 global equities) within our five core and sustainable portfolios.

Carbon exposure and emissions management metrics

Comparing the carbon exposure of our domestic and global funds there is a clear difference in outcomes across all metrics.[1] The weighted average carbon intensities of our domestic funds are notably higher than for our global funds. This is mainly because of the higher overall exposure to the materials and energy sector in the domestic context and the higher level of climate action in the global context.

Domestic	Global
Emissions management (% of total companies held in FY21)	
64% have a carbon policy in place	**90%** have a carbon policy in place
44% have made a net zero pledge	**60%** have made a net zero pledge
17% are certified as carbon neutral	**12%** are certified as carbon neutral
40% disclose scope 3 emissions	**67%** disclose scope 3 emissions

Carbon exposure metrics (fund specific)

	Aust Share Fund	Concentrated Share Fund	Sustainable Share Fund	Combined
Weighted average carbon intensity (CO2e/ $USm revenue)	195	198	125	192
Carbon footprint (tonnes/ $AUDm invested)	93	95	65	92

	Global Equity Share Fund	Sustainable Share Fund	Combined
Weighted average carbon intensity (CO2e/$USm revenue)	81	22	30
Carbon footprint (tonnes/ $AUDm invested)	14	7	8

Note: The Weighted Average Carbon Intensity (tCO2e/$M sales) measures a fund's exposure to carbon intensive companies. It is calculated as the sum of security weight multiplied by the security Carbon Intensity (MSCI Monthly Data). This allows for comparisons between funds of different sizes.

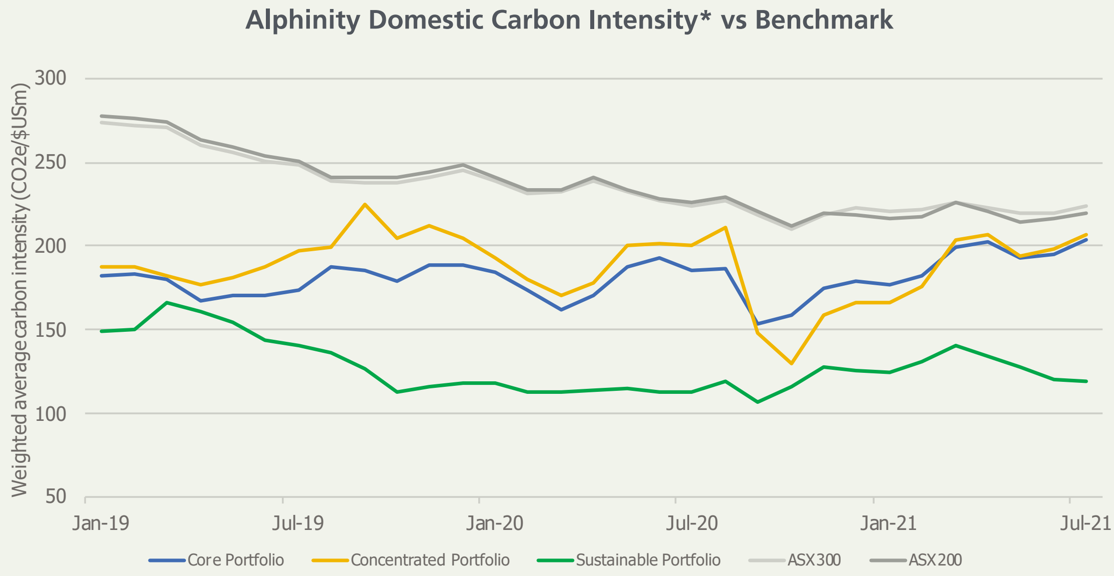
1 We follow the TCFD recommendations, calculating our carbon-related metrics using portfolio holding values, emissions data from MSCI and market capitalisation and revenue information from Bloomberg (see full report for Alphinity's total carbon exposure across all funds). Emissions management metrics are based on FY20/21 company disclosures and publications from SBTI. We remain cognisant of differences between a net zero target, compared to a goal or aspiration, and whether said target, goal, or aspiration includes all material Scope 3 emissions or not.

CARBON INTENSITY OVER TIME

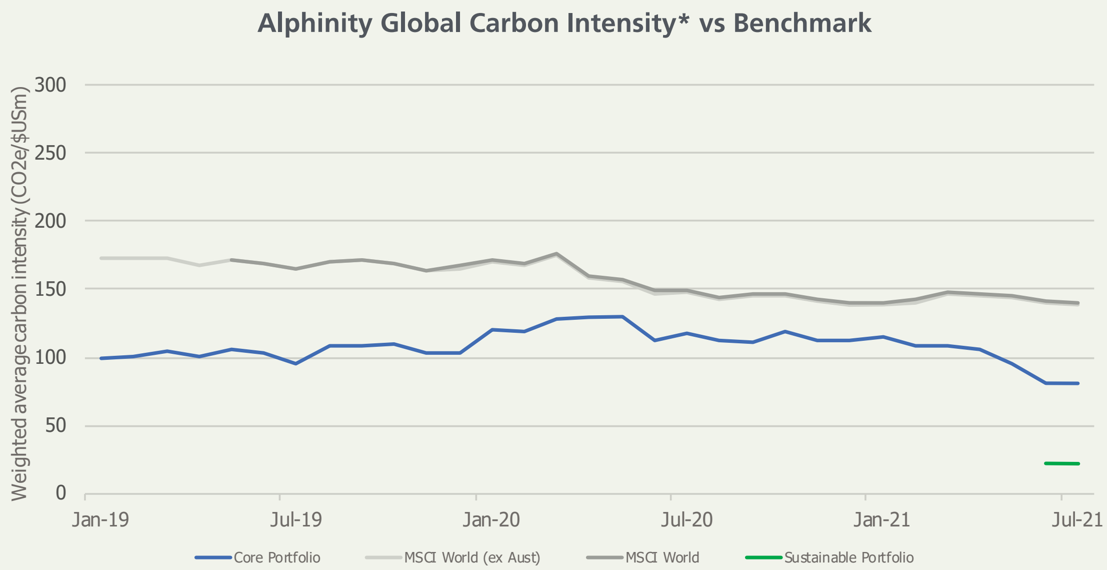
All Alphinity's strategies have consistently remained below the carbon intensity of the respective benchmarks since January 2019.

The exclusion of all fossil fuel producers (including those within the energy sector) from the domestic Alphinity Sustainable Share Fund, is the main reason that the emissions intensity is almost half that of its benchmark. The Alphinity Global Sustainable Equity Fund is about 85% lower than its benchmark.

Domestic weighted average carbon intensity compared to respective benchmarks over 18-month period



Global weighted average carbon intensity* compared to respective benchmarks over 18-month period



*Carbon intensity: Weighted average tonnes of CO_2e emissions per $USm revenue.

Modern Slavery

We strongly support the United Nations Guiding Principles on Business and Human Rights and we expect our investee companies to do the same. We believe that instances of modern slavery exist extensively throughout global supply chains and require a concerted effort by all members of the global economy to eradicate this issue.

When considering the balance of risks between our operations and supply chains, we believe that addressing modern slavery and human rights issues within our investment practices is where we can use our leverage and deliver the biggest positive impact. We are also aware of these issues within our operations and supply chains and aim to manage them where relevant.

More information on how we manage modern slavery risks in our operations can be found in the full ESG and Sustainability Report.

Modern slavery risks in our investments

As investors, we have a responsibility to ensure, to the greatest extent possible, that modern slavery does not occur in the companies in which we invest, including in their supply chains. We measure a company's ability to manage modern slavery risks within their supply chains and operations based on governance and oversight, existing policies, and management strategies that enables them to identify and respond to incidences as they arise.

In FY21 we completed the following activities related to managing modern slavery in our investments:

Engagement: We engaged extensively on this issue with companies that we held during the year.

Investor collaboration: We became a signatory to the Investors Against Slavery and Trafficking (IAST) in October 2020.

Risk identification: We completed a risk assessment to identify companies in our portfolios that presented a high level of risk within their upstream supply chains, downstream value chains, and/or operations (see the case study below for outcomes and highlights).

Internal awareness raising: We participated in the United Nations Global Compact annual forum and the RIAA annual conference, which both included presentations on modern slavery. We also organised an internal training session to better understand the implications of the Australian Modern Slavery Act.

Expertise: Melissa Stewart joined the Sustainable Fund Compliance Committee in FY21. Melissa is a human rights lawyer, with past roles at the United Nations, NGOs, government, and private sector, and has specific expertise in modern slavery.

Looking ahead to FY22, we will continue to focus on modern slavery as a material risk to our investment practices, and develop specific actions plans for high-risk companies that we own.

FY21 enhancement – Understanding modern slavery risks in our investments

To understand the exposure to modern slavery and human rights risks across our investments, in FY21 we developed a bespoke modern slavery assessment methodology to analyse the risk exposure of our holdings across our domestic and global portfolios, addressing three key risk categories:

Upstream Supply Chain risks

Risks related to supply chain components, including key high-risk commodities, which support product development, manufacture, and company operations.

Downstream Value Chain risks

Risks related to the application and use of a company's products or services. For example, risks to the financial sector through lending practices.

Operational risks

Associated with employees and/or contract workforce, operational locations including factories and distribution centres, and overall working conditions.

Key insights and outcomes

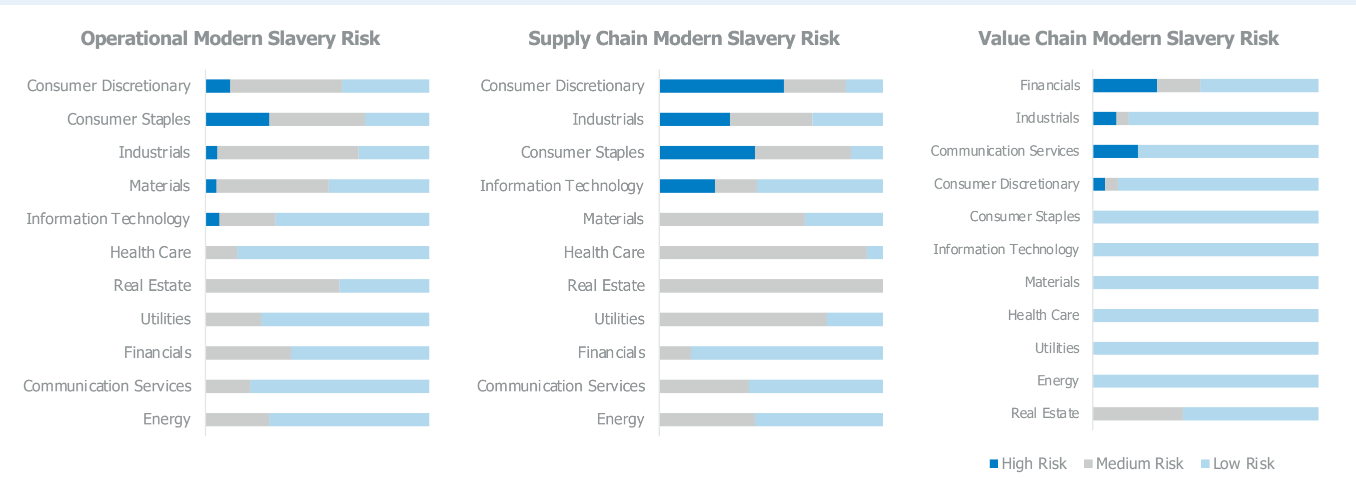
- The technology (including communications) and banking sectors are particularly exposed to downstream value chain risks through the possible use of their equipment and financial services to aid modern slavery or human rights violations.
- Industrials, consumer discretionary, and consumer staples are the sectors most exposed to supply chain risks. This is largely due to the extensive supply chains, high reliance on factories in regions of concern and use of high-risk commodities like cocoa, fish, rice, and cotton.
- Globally listed equities have a slightly elevated risk of human rights and modern slavery compared to Australian listed equities across all three risk categories.
- Australian equities generally produce more detailed disclosures on modern slavery and human rights risks and management than global equities. We attribute this to the very detailed requirements of the Australian Modern Slavery Act.

36% of companies present a high risk in at least one of the risk areas.

81% of companies with a high risk in at least on risk area have a modern slavery statement and/or policy in place.

40% Of companies are exposed to potential operational risks through contract or labour hire workforces.

78% Of companies have operational assets in a high risk region.



Sustainable Strategies

Through our two dedicated sustainable strategies, we aim to invest in listed global and Australian equities that have the capacity to make a positive impact on our society in areas of economic, environmental, and social development by contributing towards the advancement of at least one of the Sustainable Development Goals.

We use the SDGs as a framework for defining our sustainable universe. This includes assessing the positive and negative contribution of a company's products and services against each of the goals[2], and then determining if the company has an overall net positive or net negative alignment.

This process does not target a specific goal or set of goals, rather, the objective is to invest in companies that have an overall net positive benefit considering alignment across any of the goals.

Once the universe is constructed, we then apply the exact same disciplined investment philosophy of looking for earnings leadership in this focused sustainable investment universe. We also actively assess and manage ESG risks in line with our overall approach to ESG integration.

In 2021 we launched the Alphinity Global Sustainable Equity Fund. This strategy is consistent with the approach used by the domestic Alphinity Sustainable Share Fund since 2017.

Both strategies have a similar Charter and Sustainable Compliance Committee in place to oversee governance, universe construction, and help inform company engagement. The committees include two external highly reputable independent experts and ensure we stay true to our Charters.

SDG AND ESG ANALYSIS

Analysis of company ESG disclosures and financial information to confirm net positive alignment with the SDGs and strong ESG management practices

EXCLUSIONS

Exclusion criteria for activities that are incongruent with the SDGs including; fossil fuel production, addictions, controversial weapons, predatory lending & pornography

SUSTAINABLE COMPLIANCE COMMITEE

Sustainable Compliance Committees including two external experts in place to ensure compliance with the fund Charters and approve the sustainable universes

ALPHINITY INVESTMENT PROCESS

Once the sustainable universes are approved, the investment team constructs their portfolio using the Alphinity Investment Process

ACTIVE ENGAGEMENT

Ongoing company engagement is important to confirm ESG & SDG aspects which cannot be confirmed through reporting, manage controversies, and encourage better sustainability outcomes

2 The SDG analysis is completed by the internal ESG and Sustainability team, in consultation with the respective investment analyst, and is vetted by the appropriate Sustainability Committee. This analysis is informed by company disclosures (financial and ESG documents), insights gained through company engagement, and independent research.

FY21 SDG alignment key insights

Using the SDG alignment data for all companies held across our sustainable strategies during FY21, we have developed a range of insights related to:

- **Positive and negative SDG alignment:** Company revenues aligning positively or negatively to SDGs using our proprietary SDG analysis methodology
- **Net alignment to the SDGs:** Sum of all positive and negative SDG alignments to generate net scores.
- **Sector alignments:** SDG contribution of companies held in the portfolio by sector, calculated using average holding weights and company SDG alignment.

Full details of the analysis methodology, an SDG analysis worked example, and outcomes can be found within the ESG and Sustainability Report.

Positive SDG contribution

The below figure highlights ten SDGs and four key sustainability themes that our portfolios have contributed to most strongly over the year.

Sustainable Cities

Companies that transform our cities and deliver the infrastructure critical for a sustainable future.

Inclusive Economies

Companies that reduce poverty and improve overall inclusivity of economies through access to information, services and finance.

Healthy Lives

Companies that support the healthy lives of communities and provide healthcare systems that are fair and equal.

Climate Action

Companies that proactively reduce carbon emissions and address the impacts of climate change.

	Sustainable Cities			Inclusive Economies			Healthy Lives		Climate Action	
Industry alignment	Industrials, information technology, materials, resources			Financial services, information technology, communications, education			Agriculture, consumer staples, consumer discretionary, health care		Utilities, energy, resources, industrials, agriculture	
Relevant SDGs	9 Industry, innovation and infrastructure	11 Sustainable cities and communities	12 Responsible consumption and production	1 No poverty	8 Decent work and economic growth	10 Reduced inequalities	2 Zero hunger	3 Good health and well-being	7 Affordable and clean energy	13 Climate action
Portfolio weight contributing positively to relevant SDGs – Domestic	58%	37%	7%	32%	40%	17%	15%	22%	18%	18%
Portfolio weight contributing positively to relevant SDGs – Global	67%	13%	13%	10%	36%	19%	15%	34%	12%	6%
Example companies held in FY21	Trane Technologies, Schneider Electric, Lifestyle Communities, Ball, Otis, BlueScope, Infineon, Iluka			AIA, mercado libre, Microsoft, svb, QBE, Liberty, Qantas, Google			Sonic Healthcare, Daimler, HCA Healthcare, CSL, ResMed, DSM, Cochlear, United Healthcare		Lynas Rare Earths Ltd, FMG Fortescue, Vestas, Schneider Electric, John Deere, New Energy Solar, OZ Minerals, fluence	

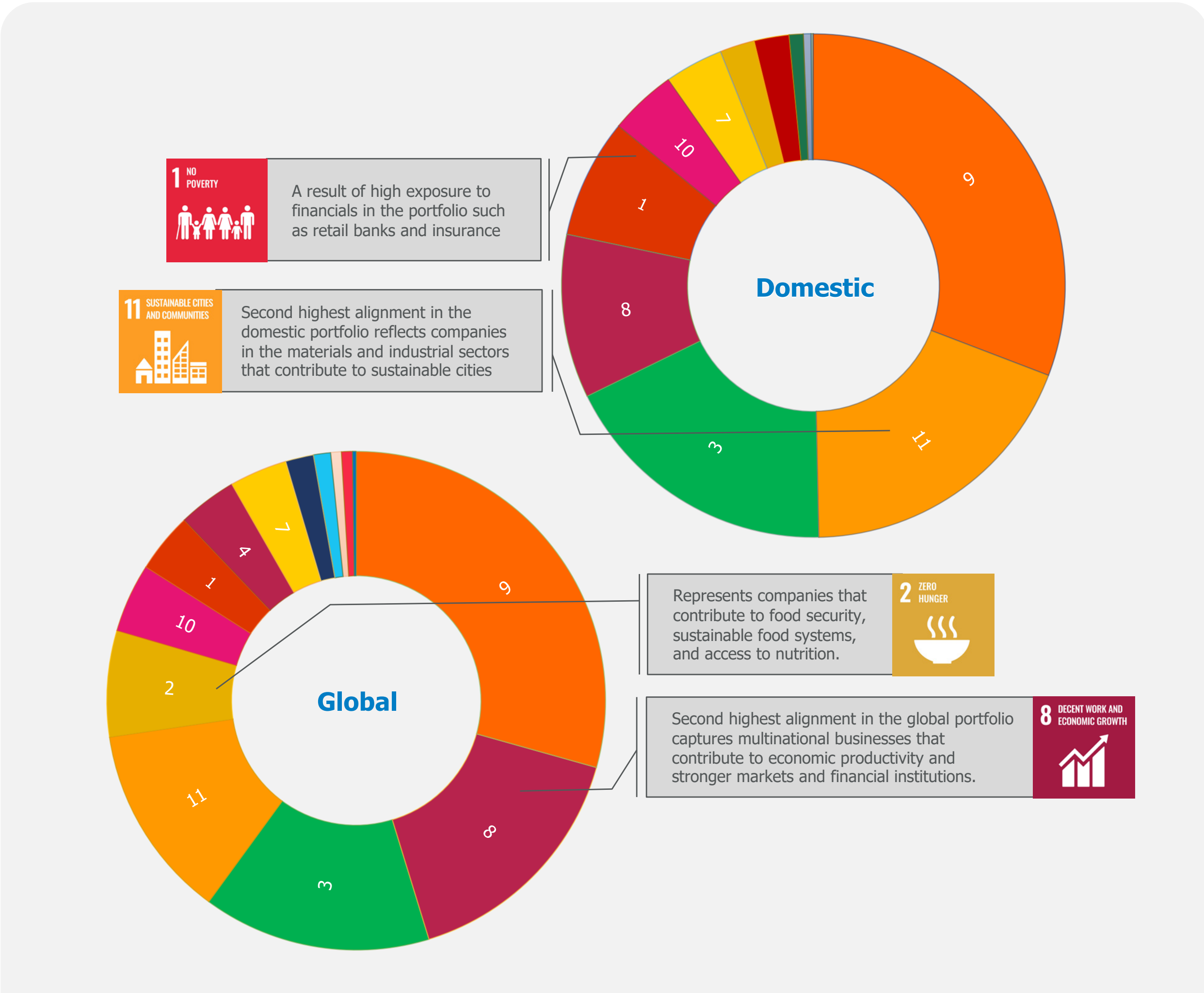
Note: The portfolio weighted contribution is calculated using the average monthly holding weights for each company across the year.

Net alignment to the SDGs

Across the domestic and global sustainable funds, there are four SDGs where the companies we held in FY21 had the highest overall contribution:

1. **SDG3 Good health and well-being:** Ensure healthy lives and promote well-being for all at all ages
2. **SDG8 Decent work and economic growth:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
3. **SDG9 Industry, innovation, and infrastructure:** Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
4. **SDG11 Sustainable cities and communities:** Make cities and human settlements inclusive, safe, resilient, and sustainable

98% of companies held during FY21 positively align to at least one of these four goals.



Key similarities in SDG alignment between domestic and global sustainable strategies:

3 GOOD HEALTH AND WELL-BEING Good health and well-being is a part of many company strategies, from food systems and nutrition, fitness and insurance services to health care services.

8 DECENT WORK AND ECONOMIC GROWTH Economic productivity and growth is a fundamental benefit of technology companies, diversified financials, investment managers, and companies that participate in e-commerce or logistics.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Many companies across sectors support SDG9, from the development of sustainable and resilient infrastructure, to innovation and research, to investment in clean, digital and efficient industrial processes.

11 SUSTAINABLE CITIES AND COMMUNITIES Companies support sustainable cities and communities through more efficient resources, sustainable infrastructure and materials, reduced pollution and sustainable transport systems.

Case studies

Sustainable Cities

Global Equities

Ball Corporation: Infinitely recyclable aluminium for a sustainable beverage package

Positive alignment	9 Industry, innovation and infrastructure; 12 Responsible consumption and production
Negative alignment	N/A

An American company enabling a truly circular economy, Ball Corp leads the way in the innovative recycling of aluminum packaging.

The aluminum that contains your beverage, personal care and household products today are close to 100% recycled. The metal holds the specialist properties to remain in the recycling system infinitely. Sourcing primary aluminum, on the other hand, is more energy-intensive and comes at a substantially higher cost. As such, aluminium is the superior material to recycle in contrast to glass and plastic and demonstrates clear sustainability benefit and alignment to **SDG9** and **SDG12**.

Ball was the first can maker to have had its GHG reduction plan approved by the SBTI in line with a 1.5-degree scenario, committing to 100% of North American operations to be addressed by renewable energy projects.

Domestic Equities

Lifestyle Communities: Supporting affordable housing and community living for an aging population

Positive alignment	3 Good health and well-being; 9 Industry, innovation and infrastructure; 10 Reduced inequalities; 11 Sustainable cities and communities
Negative alignment	N/A

Lifestyle Communities is a business for purpose. Its mission is to enable working, semi-retired and retired people to maintain independence, build social connections and feel content to downsize at an affordable price – a differentiated model to the stock standard retirement village.

The company is responsible for owning and operating these residential communities for Australians over 50 (**SDG9** and **SDG11**). The focus is on health and wellness, providing facilities such as club houses, pools, gardens and outdoor recreation that homeowners can enjoy and socialise over. The mental and physical developments from such participation are key to a strong, happy and healthy aging population (**SDG3**).

Inclusive Economies

Global Equities

MercadoLibre: Democratising consumption and finance in Latin America

Positive alignment	1 No poverty; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 10 Reduced inequalities; 17 Partnerships for the goals
Negative alignment	11 Sustainable cities and communities; 12 Responsible consumption and production

Born with the purpose to democratise commerce and equalise the opportunities between large companies and small entrepreneurs, MercadoLibre (MELI) has built the largest e-commerce and payments eco-system in Latin America.

By facilitating e-commerce and fintech services, MELI is reducing poverty and supporting digital and financial inclusion for individuals and small businesses in a somewhat underserved market (**SDG1**, **SDG8** and **SDG10**).

MELI has a number of initiatives in place to manage the negative consumption impacts of the e-commerce business (**SDG11** and **SDG12**). The company uses 100% FSC certified cardboard made up of at least 40% recycled content and committed in 2021 to purchase 100% renewable energy for its largest distribution centres in Brazil and Mexico.

It is clear that the financial inclusion and social benefits MELI provides for small scale sellers and the Latin American economy, outweigh the negative impacts of packaging and waste inherent in such a business.

Domestic Equities

Liberty Financial Group: Access to finance through responsible lending

Positive alignment	1 No poverty; 8 Decent work and economic growth; 10 Reduced inequalities
Negative alignment	N/A

Liberty Financial Group are advocating that individuals and small businesses can access capital in a responsible manner, yet through a quick turnaround time.

A leading non-bank lender, Liberty provide home, car, business, and personal finance paired with free-thinking solutions at competitive prices to provide customers with greater choice in the financials space.

Its innovative technology and data-driven approach to financing supports quicker turn-around times and sustainable access to finance for members of the community who might otherwise struggle to access these services (**SDG1**, **SDG8** and **SDG10**).

Liberty is the first financial organisation in Australia to be certified by B Corporation. This certification demonstrates it is a business that meets the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

Healthy Lives

Global Equities

DSM: Driving a sustainable future through science and research

Positive alignment

Negative alignment

DSM is a global purpose-led, science-based company researching and investing in solutions tackling global challenges such as climate change, food quality and shortages and restoring a biobased circular economy. It has three core businesses: nutrition and health (**SDG2** and **SDG3**), climate and energy solutions (**SDG9** and **SDG7**), and resources and circularity Solutions (**SDG12**).

The nutrition and health business are the largest by revenue and develops vitamins, nutrition supplements, and innovative animal feed and nutrition solutions to reduce the negative impacts of farming. This includes an algae-based Omega 3 for sustainable aquaculture practices (**SDG14**)

Vitamin production requires fermentation and as such, DSMs operational carbon emissions are relatively high (**SDG13**).

Domestic Equities

Cochlear: Connecting hearing experts around the world and leveraging customer referrals to improve health outcomes

Positive alignment

Negative alignment N/A

Cochlear are the global leader in implantable hearing solutions and changing, through technology and industry collaborations, the way we understand and treat hearing loss. It has provided more than 600,000 implantable devices, helping people of all ages to lead full and active lives (**SDG3**, **SDG4** and **SDG10**) including those in developing countries.

Leaning on the front foot in terms of customer advocacy, Cochlear have changed the way people view hearing implants. Employing the reach and engagement of social media, the company has joined people with hearing loss and worldwide hearing care experts. This has instigated a positive referral channel that has made a substantial change in many lives.

Climate Action

Global Equities

Schneider Electric: Digital products that support new energy systems

Positive alignment

Negative alignment N/A

Schneider is a global leader in energy management and industrial automation. It provides a range of services that support the low carbon transition including, solar and energy storage, microgrids, software supporting energy efficiency, and sustainability consultancy (**SDG7, SDG9, SDG11** and **SDG13**). Schneider is driving expansion into Southeast Asia and has since established a strong business foundation in Singapore.

The company has ESG management strategies, covering six thematic commitments which include aspects such as climate change, resource use, trust and equal opportunity. All are underpinned by short-term targets, quarterly reporting and strong governance tied to employee compensation for close to 60 000 employees.

By 2025 Schneider have set targets for 80% of revenues to be from green activities, 1000 top suppliers to reduce their operational emissions by 50%, 100% of packaging to be plastic-free, 1 million underprivileged people to be trained in energy management, and the achievement of gender equality across all levels of the business.

Domestic Equities

Fluence Corporation: Equal access to drinking water and reducing marine pollution

Positive alignment

Negative alignment N/A

Around the world, 80% of wastewater is released into oceans without treatment and 75% of populations experience water shortages.

Fluence provides water solutions across 70 countries including Africa, South East Asia and South America. It makes affordable, energy-efficient, containerised, decentralised wastewater treatment and desalination systems which provide remote communities with limited access to water, access to potable and non-potable water systems (**SDG6**). This supports sustainable cities and greater climate resilience in periods of extreme weather and drought (**SDG13** and **SDG11**).

Fluence treats 58.8 billion gallons (222.7 billion litres) of wastewater annually, and removes dangerous contaminants from the environment (**SDG6**). Its systems are also generally more energy efficiency than competitors (**SDG11**). For example, the advanced MABR wastewater treatment technology has potential savings of more than 1 million GWh of electricity, the equivalent of more than 700 million metric tons of carbon dioxide.

Find out more

For more information, please contact your financial adviser, or call the Fidante Partners Investor Services team on **1800 195 853** or visit us at **www.alphinity.com.au**

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