Enterprise impact:

How our investments contribute to sustainability

Delivering a positive impact

WHEB's investments are made with the explicit intention of delivering a positive social or environmental impact. We assess and measure this impact and report this data back to clients and other interested stakeholders. Our assessment of the 'intensity' of the positive impact is captured in our Impact Engine. We provide further details on the impact score we ascribe to each portfolio holding and illustrate this graphically on our Impact Map (see Section 2).[1]

We also report annually on the total positive impact delivered by the strategy over the calendar year, as well as the impact per £1 million invested in the FP WHEB Sustainability Fund. We report these metrics on the following pages which consist of nine core metrics that capture the principal positive impacts of the strategy. These are selected based on the theory of change that we have identified for each investment and the relevant UN Sustainable Development Goal (SDG) that this is related to (see Figure 4). Each indicator is aligned with the relevant SDG as well as with other commonly used metrics such as IRIS+.[2]

In 2023 overall assets under management were down on the previous year but stronger company level impact meant that the overall positive impact associated with the strategy still improved year on year. Figure 9 provides details on the year-on-year comparison of the total impact of the strategy from 2022 to 2023.[3]

1. An interactive version of the impact map is available on our website at https://www.whebgroup.com/investing-for-impact/how-we-invest
2. IRIS+ is a set of indicator metrics developed by the Global Impact Investing Network (GIIN) (https://iris.thegiin.org/).
3. Year on year changes are complex and driven both by the underlying performance of the companies in terms of units of products/services sold and also by the position size held in WHEB's investment strategy.

‘WHEB's investments are made with the explicit intention of delivering a positive social or environmental impact.’

[4] This category includes people benefiting from preventative healthcare (eg vaccines), improved hearing, visual and oral health and improved workplace safety.
[5] This figure represents the money spent on products services used in R&D that is focused on positive impact and that are supplied by companies in the WHEB strategy that is associated with our level of ownership of these companies.

Figure 1: Impact associated with WHEB’s investment strategy in 2023

Indicator	2022	2023	Explanation
Assets under Management (AuM)	£1.4bn	£1.3bn	In spite of a lower AuM, overall impact numbers were typically stronger in 2023 driven by stock selection and company performance.
CO_2e avoided (tonnes)	271,000	355,000	Additional positive impact from Alfen and Enphase and growth from Aptiv, Soitec and SolarEdge.
Renewable electricity generated (MWh)	424,000	562,000	Additional positive impact from Alfen, Enphase, Infineon and SolarEdge and a reduction from Vestas.
Waste recycled (tonnes)	25,000	33,000	Additional positive impact from Smurfit Kappa.
Water treated (litres)	3.8bn	23bn	Dramatic increase due to new data from Veralto and a near trebling of impact from Xylem.
Water saved (litres)	1.5bn	2.3bn	Additional impact from Ecolab and Xylem.
No. of people benefiting from improved healthcare	50,000	49,000	Positive impact from inclusion of AstraZeneca and increased impact from Genmab but offset with reductions from Fisher & Paykel Healthcare, Globus Medical and Sonova.
No. of people with improved well-being[4]	80,000	185,000	Growth at CSL and improved data from Cooper Companies covering all of CooperVision and CooperSurgical.
Education (no. of days)	104,000	75,500	Reduction from last year due to the sale of Strategic Education and smaller position in Grand Canyon Education.
US$ of R&D enabled[5]	$29m	$43m	Additional positive impact from ICON, Lonza and Sartorius with reductions from Getinge and Hamamatsu.

The Impact Calculator

The extent of the positive impact of the strategy as a whole is of course shaped to a large degree by the amount of money that is invested. Alongside this we also provide normalised data per £1million invested in the FP WHEB Sustainability Fund. This data covers the same impact indicators that are reported for the strategy as a whole, but normalised for the amount of money that is invested. We also provide an interactive version of this calculator on our website, which allows clients to type in the precise amount that is invested in the fund in order to calculate the impact associated with their specific level of investment.[6]

We stress that these reported impacts are 'associated' with the investment, because they cannot be equated with the personal impacts that we all have through our own daily activities. You cannot, for example, offset the negative impacts associated with an airline flight with an investment in WHEB's strategy. This is because the positive impact that is reported here is ultimately owned by the end user of the product or service in question, not by the investor in WHEB's strategy. Even the companies we invest in do not themselves own this impact. Vestas, for example, does not 'own' the avoided carbon emissions associated with its wind turbines. Instead, the avoided emissions are correctly attributed to the end consumer of the renewable energy that is generated by the wind turbines. While the impact is not owned by the investor, by investing in Vestas, the WHEB strategy is clearly aligned with – and part of the supply chain that enables – this positive end impact. This is why we report this impact as 'associated' with the investment strategy.

6. https://www.whebgroup.com/reporting-impact-investment/impact-calculator
7. The average carbon footprint of a grid-connected household in Europe is c2tCO$_2$e (https://www.sciencedirect.com/science/article/abs/pii/S1364032123000102).
8. Based on an average global carbon price of US$46.78 per tonne.
9. Based on average electricity usage of 11.63MWh
10. Based on a landfill tax of £102.10 per tonne of waste, which is equivalent to the UK's landfill tax in 2023.
11. An average shower use assumed to use 62 litres of water.
12. An average European household uses 105,000 litres of water per year.

Resource Efficiency

Avoiding

211 tonnes

of CO_2e emissions.

Equivalent to the electricity use of 106 average European European homes for one year[7] and saving £7,072 in avoided carbon costs.[8]

Cleaner Energy

Generating

322 MWh

of renewable energy.

Equivalent to the annual electricity use of 28 European households.[9]

Education

Students receiving

62 days

of tertiary and vocational education.

Figure 2: Positive impact associated with owning £1m in the FP WHEB Sustainability Fund in 2023*

Environmental Services

Recycling

19 tonnes

of waste materials.

Equivalent to the annual waste produced by 17 European households, saving £1,939 in reduced landfill costs.[10]

Water Management

Treating

15.4 million

litres of wastewater.

Equivalent to the total annual wastewater of 147 European households.[12]

Water Management

Saving

1.5million

litres of water.

Equivalent to the water used by 24,500 showers.[11]

R&D

£28,000

spent on products and services supplied by companies in the WHEB strategy and used in positive impact R&D.

Well-being

Providing

131 people

healthier lives and improved well-being.

Health

Providing

19 people

with improved healthcare treatment.

* The impact data provided in this report can be susceptible to potential inconsistencies due to lack of precise information. Companies do not always measure or report in a consistent or uniform way. Where information is not available either from the company of from Net Purpose (https://www.netpurpose.com/) then we have not included that company's contribution within the impact data. This means that these estimates may actually be conservative. Individual company results may vary significantly and may not achieve the same level of impact in the future.

Negative product impacts and ESG screens

The positive impact associated with the products and services of investee companies is a critical focus of our impact reporting. It is central to the investment case for each holding in the WHEB strategy and is the focus of our Impact Engine.

However, this is only a partial picture. Almost all products and services also have some negative impacts that need to be acknowledged and mitigated. As part of our impact analysis, we capture information on the key negative impacts associated with products and services supplied by investee companies. In many cases, these impacts are not routinely acknowledged by the companies themselves. Where they are acknowledged, they are typically described qualitatively. It is rare for companies to have developed clear management plans and targets on the negative impacts associated with their products and services.

These impacts are a core focus of our engagement with portfolio companies. We want to support investee companies in maximising the positive impact of the products and services that they sell. This includes supporting growth and innovation in products and services that help to increase overall positive impact. It also includes working to mitigate and reduce any negative impacts.

In addition, we also actively avoid companies involved in activities that we believe undermine the overall positive impact of that business. As a result, we have never invested in any company with substantial activities (defined as more than 5% of revenues) related to products and services that we consider have a significant negative impact. We would not consider such companies to have an overall positive impact and they would therefore be ineligible for investment. These activities include for example the production or sale of alcohol, cannabis for recreational use or pornography; the provision of gambling services; and the exploration or production of fossil fuels.[13] We apply a 0% revenue threshold to companies involved in the production of tobacco; in the development, production and maintenance of nuclear weapons; and in the development and production of certain types of controversial weapons.[14]

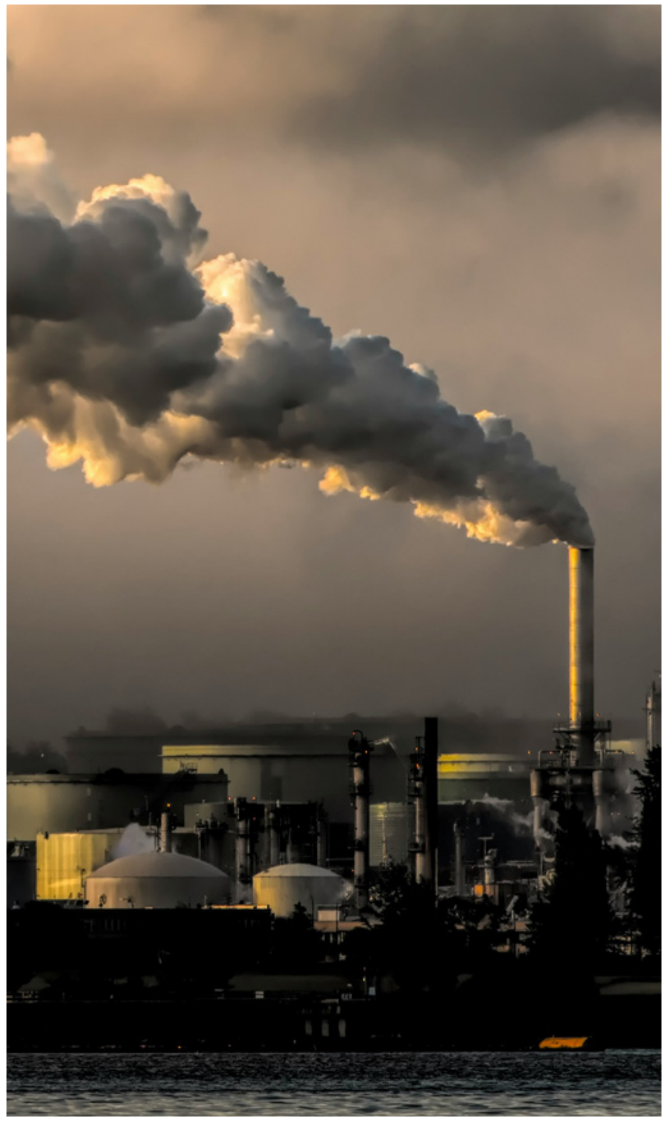
ESG and minimum quality standards

Our investment process actively reviews the ESG quality of a business. Companies with persistently poor practices regarding equal employment opportunities, human rights and environmental management are highly unlikely to be selected for investment. If a company is considered particularly weak (scoring a zero) on any single metric in our fundamental analysis profile, or scores less than 50% overall, it will not be qualified for investment.

We use a third-party screening tool to help us assess company compliance with international norms on human and labour rights, environmental standards and anti-corruption standards. The framework and process that we use explicitly consider the following general frameworks and principles:

- Principles of the UN Global Compact
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- UN SDGs

These frameworks in turn reference a variety of international agreements and conventions.[15]



13. For a full list of these activities please see https://www.whebgroup.com/assets/files/uploads/20240110-ethical-outcomes-final.pdf
14. Companies involved in the development and production of biological and chemical weapons, depleted uranium ammunition/armour, anti-personnel mines or cluster munitions/sub-munitions and their key components, in line with international regulations banning investment in these industries. While not specifically a banned weapon, we include white phosphorous in this definition in line with its status as a highly controversial weapon.
15. These include the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESR), International Labour Conventions, the Rio Declaration on Environment and Development, the Convention on Biological Diversity (CBD), the UN Framework Convention on Climate Change, the Paris Agreement and the UN Convention Against Corruption (UNAC).

Environmental, Social and Governance (ESG) performance

As in previous years, we also report on the ESG profile of our portfolio companies. The ESG issues documented here relate primarily to company operations rather than the products and services supplied by companies which are analysed in detail in the preceding Section 'Delivering a positive impact'.

We utilise our own research frameworks to analyse ESG performance and do not rely on any third-party ESG ratings. Over the past five years we have taken an ESG 'snapshot' of the overall strategy at the end of each year across 11 ESG factors and 4 product impact factors. We use data supplied by Impact Cubed for this purpose which is based on actual outcome data rather than on an assessment of company policies or declarations. The chart in Figure 3 compares the strategy's profile against that of the MSCI World, the strategy's principal benchmark. Stronger performance is shown as the lines reach closer to the outside of the diagram.

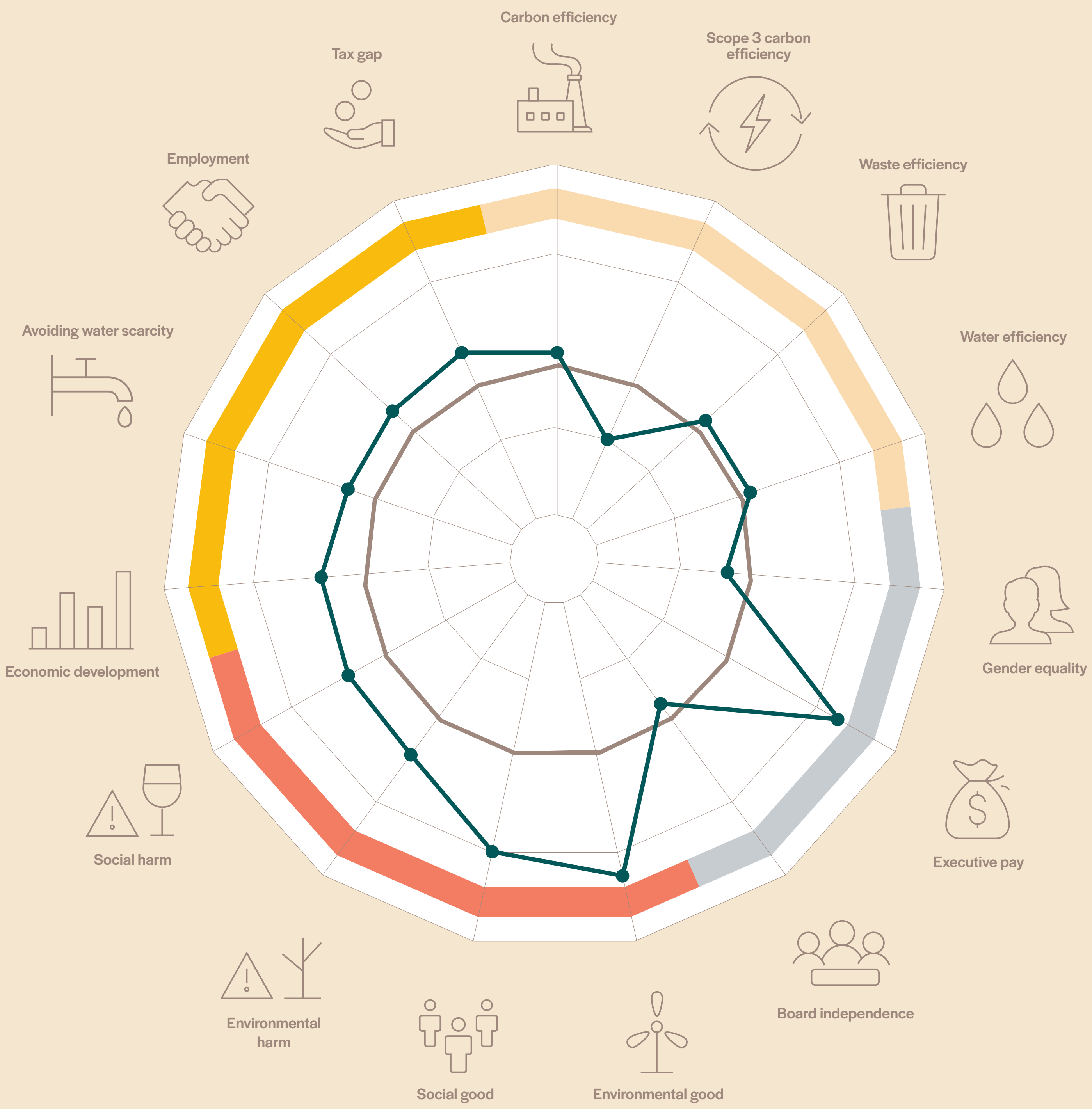
With an average holding period of four to seven years, the overall shape of the strategy does not change dramatically year-on-year. This remained the case in 2023 (see Figure 3 and 4). The proportion of the strategy invested in companies creating environmental good, according to Impact Cubed's definitions, has increased from 32% to 36%, although it is substantially below the levels we believe are contributing to these areas. For investments in social good, the proportion is down marginally from 30% to 29%. According to our own more detailed assessment, we believe that 100% of the strategy is invested in companies that deliver positive social or environmental impact.[16] The strategy's exposure to companies creating social or environmental harm has been entirely stable over the five years that we have done the analysis, at 0% in each category.

Compared to the MSCI World, the strategy performs dramatically better than the index on the product- and service-related measures in Impact Cubed's analysis. This is consistent with the objective of the strategy. In addition, we are pleased that the broader ESG profile is also ahead of the benchmark on 8 of the 11 other dimensions. Scope 3 GHG emissions are, as expected, behind the benchmark due to investments in companies that have high Scope 3 emissions but are delivering lower emissions compared to their competitors. This would apply to many of our investments in Resource Efficiency companies that are linked with the use of energy. Gender diversity is also behind, although again much improved year-on-year: from 19% of board and senior management positions filled by women in 2019 to 27% in 2023. Gender equality in the MSCI World has gone from 22% to 28% over the same period. Both of these dimensions reflect the strategy's sectoral biases towards industrial and technology businesses which typically employ fewer women.

'We utilise our own research frameworks to analyse ESG performance and do not rely on any third-party ESG ratings.'

16. Impact Cubed's definition of positive impact products and services is necessarily high-level and based on a company's aggregate revenue streams. In contrast, WHEB's analysis is more granular and based on an analysis of a company's actual activities.

Figure 3: ESG profile of WHEB's investment strategy



Key

MSCI World — WHEB Strategy — Society — Environment — Governance — Products & Services

[17] A lower figure is considered 'better' in that it shows that the strategy is more exposed to activities in lower-income communities.
[18] A lower figure is considered 'better' in that it shows that the strategy is less exposed to areas where water is scarce (based on the World Resources Institute scale of 0-5 from least to most water-scarce areas).
[19] A higher figure is considered 'better' in that it shows that the strategy is more exposed to activities in communities suffering from higher unemployment.

Figure 4: ESG performance

	WHEB strategy	Absolute change year on year*	Proportion of data reported	MSCI World
Carbon efficiency (scope 1 and 2)	86 tCO_2e/£1m of revenue	↓	**88%**	176 tCO_2e/£1m of revenue
Scope 3 carbon efficiency	2,359 tCO_2e/£1m of revenue	↑	**54%**	938 tCO_2e/£1m of revenue
Waste efficiency	8.2t/£1m of revenue	↓	**56%**	326t/£1m of revenue
Water efficiency	4,812 m^3 of fresh water/ £1m of revenue	↑	**63%**	13,736 m^3 of fresh water/ £1m of revenue
Gender equality	27% of board and top management positions are occupied by women	↑	**92%**	28% of board and top management positions are occupied by women
Executive pay	74x ratio of executive pay to employee pay	↑	**81%**	116x ratio of executive pay to employee pay
Board independence	78% of board members are independent	↓	**98%**	80% of board members are independent
Environmental good	36% of portfolio invested in environmental solutions	↑	**100%**	13% of portfolio invested in environmental solutions
Social good	29% of portfolio allocated to help alleviate social issues	↓	**100%**	12% of portfolio allocated to help alleviate social issues
Avoiding environmental harm	0% of portfolio in environmentally destructive industries	=	**100%**	7% of portfolio in environmentally destructive industries
Avoiding social harm	0% of portfolio in industries that aggravate social issues	=	**100%**	5% of portfolio in industries that aggravate social issues
Economic development[17]	US$52,000 - median income of portfolio-weighted geography of economic activity	↑	**100%**	$55,500 - median income of portfolio-weighted geography of economic activity
Avoiding water scarcity[18]	2.4 - geographic water use	↓	**100%**	2.4 - geographic water use
Employment[19]	4.5% unemployment in portfolio-weighted area of economic activity	↓	**100%**	4.35% unemployment in portfolio-weighted area of economic activity
Tax gap	2.9% estimated % of tax avoided by corporate tax mitigation schemes	↓	**100%**	3.5% estimated % of tax avoided by corporate tax mitigation schemes

* Better performance year on year varies by issue. In some cases a lower number is better and in others a lower number is worse. Improved performance year on year is indicated with a green icon and worse performance with a red icon.

Net-zero carbon (NZC) report

Managing carbon-related risks and opportunities

WHEB's governance and strategy are fully engaged in helping the company address both the direct and indirect risks and opportunities that climate change, and wider sustainability issues present for our business (see Section 1).

Most directly, responding to the threat – and increasingly the reality – of climate change is a central feature of WHEB's investment strategy. Five of our investment themes are focused on companies that sell products or services enabling other parts of the economy to reduce GHG emissions and/or adapt to climate change. This includes companies that manufacture renewable energy equipment, components for battery electric vehicles, heat pumps and other technologies that improve energy efficiency and reduce resource use.

Together these investments are associated with a substantial positive impact in terms of reducing GHG emissions and helping the economy adapt to inevitable climate change. For example, in 2023, over 421 million tonnes of carbon emissions were avoided as a result of products and services sold by WHEB Portfolio companies. This is more than Spain's annual GHG emissions. WHEB strategies only 'own' a portion of this total in line with our proportionate shareholding in these businesses. A smaller proportion still is associated with each of WHEB's underlying investors. For example, a £1 million investment in the FP WHEB Sustainability Fund was associated with 211 tonnes of avoided carbon and 322MWhs of renewable energy.

The positive carbon impact associated with owning £1million in WHEB's investment strategy in 2023

Nonetheless, while WHEB's investments are in companies that help reduce GHG emissions, all of our investments generate their own emissions in their day-to-day operations. We work with the management of our investee companies to encourage them to set demanding targets to reduce these emissions as far as possible and as quickly as possible.

Many of WHEB's portfolio companies have announced a commitment to achieving net-zero carbon (NZC) emissions. Over 90% of portfolio companies with such targets have already had these approved – or are committed to having them approved – by the Science Based Targets initiative (SBTi).

Furthermore, the thematic structure of our strategy means that since the inception of the current investment strategy in 2012, we have been entirely absent from parts of the economy such as fossil fuel exploration and production that are most at risk from a transition to a zero-carbon economy.

Cleaner Energy

Generating

432 MWh

of renewable energy.

Equivalent to the annual electricity use of 38 European households.

Resource Efficiency

Avoiding

273 tonnes

of CO_2e emissions.

Equivalent to the electricity use of 136 average European European homes for one year and saving £10,025 in avoided carbon costs.[20]

[20] Op. cit. 28.

Portfolio GHG emission metrics

WHEB's approach to mitigating the emissions generated by portfolio companies is to encourage investee company management to set demanding NZC targets and then to assess these targets and monitor the absolute CO_2e reductions across the portfolio on an annual basis. The data over the past few years across Scopes 1 to 3 for the whole strategy is reported in the figure below.

Figure 5: GHG emissions for WHEB's investment strategy 2021–2023

Indicator	2021	2022	2023	Explanation
Scope 1 + 2 carbon total footprint (tCO_2e) Financed emissions	38,038	40,680	31,130	The sale of higher emitting companies Daikin and DSM helped reduce emissions along with lower overall AuM.
Carbon footprint (tCO_2e/£1m invested)	24	30	25	The sale of higher-emitting companies combined with lower emissions from big emitter Smurfit Kappa.
Carbon intensity (tCO_2e/£1m sales)	95	78	94	Over half the emissions come from Linde and L'Air Liquide somewhat offset by reductions from First Solar and others.
Weighted average carbon intensity (tCO_2e/£1m sales)	87	86	86	As above with year-on-year increases at Lonza and TE Connectivity, offset by Daifuku, Croda and Smurfit Kappa.
Scope 3 carbon emissions (tCO_2e/£1m sales)	991	1,833	2,359	Inclusion of L'Air Liquide and higher emissions from Trane Technologies, Spirax Sarco and Xylem offset reductions from sale of Daikin Industries.

Figure 6: Top five GHG emitting companies within the FP WHEB Sustainability Fund (financed emissions)

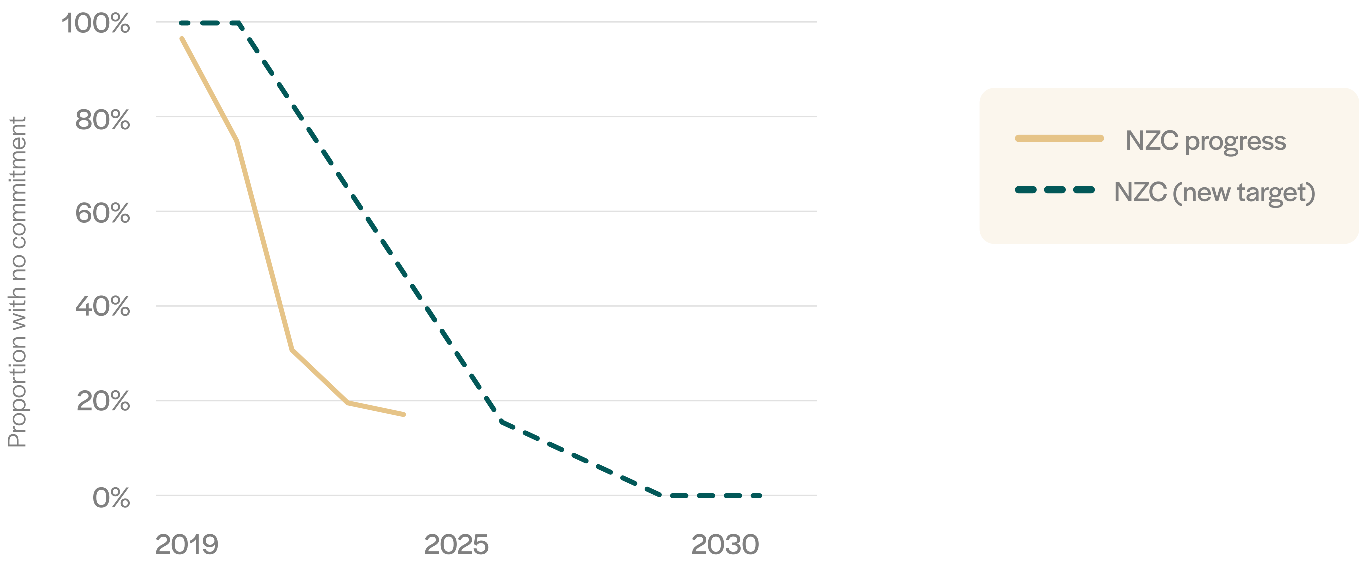
COMPANY	% OF SCOPE 1+2 FINANCED EMISSIONS	NZC TARGET DATE	SBTi VALIDATED
Linde	36%	Net zero by 2050	Yes
Smurfit Kappa	29%	Net zero by 2050	Yes
J.B. Hunt Transport Services	7%	No target set	N/A
Advanced Drainage Systems	4%	Net zero by 2050	No[21]
Infineon Technologies	3%	Net zero by 2030	No[22]

Portfolio Scope 1 and 2 emission targets and reductions

The Scope 1 and 2 emissions associated with WHEB's investments (known as financed emissions) can change in two ways. First, investing in and divesting from companies will change the total tonnes of CO_2e associated with our strategy. For example, in 2021 we sold China Everbright Environment Group, which dramatically reduced our financed emissions. The second way is through actual real-world changes in annual emissions from portfolio companies. Our reporting is intended to reveal each of these dynamics. We also disclose information on the extent to which portfolio companies have set and published NZC targets and/or absolute emission reduction targets.

In 2023 we saw continued, though slowing, progress from portfolio companies making net-zero carbon commitments (see Figure 7). By the end of 2023, 82% of the emissions associated with WHEB's strategy (financed emissions) were covered by net-zero carbon commitments. Our target is 85% by 2025 and 100% by 2028.

Figure 7: WHEB strategy NZC targets

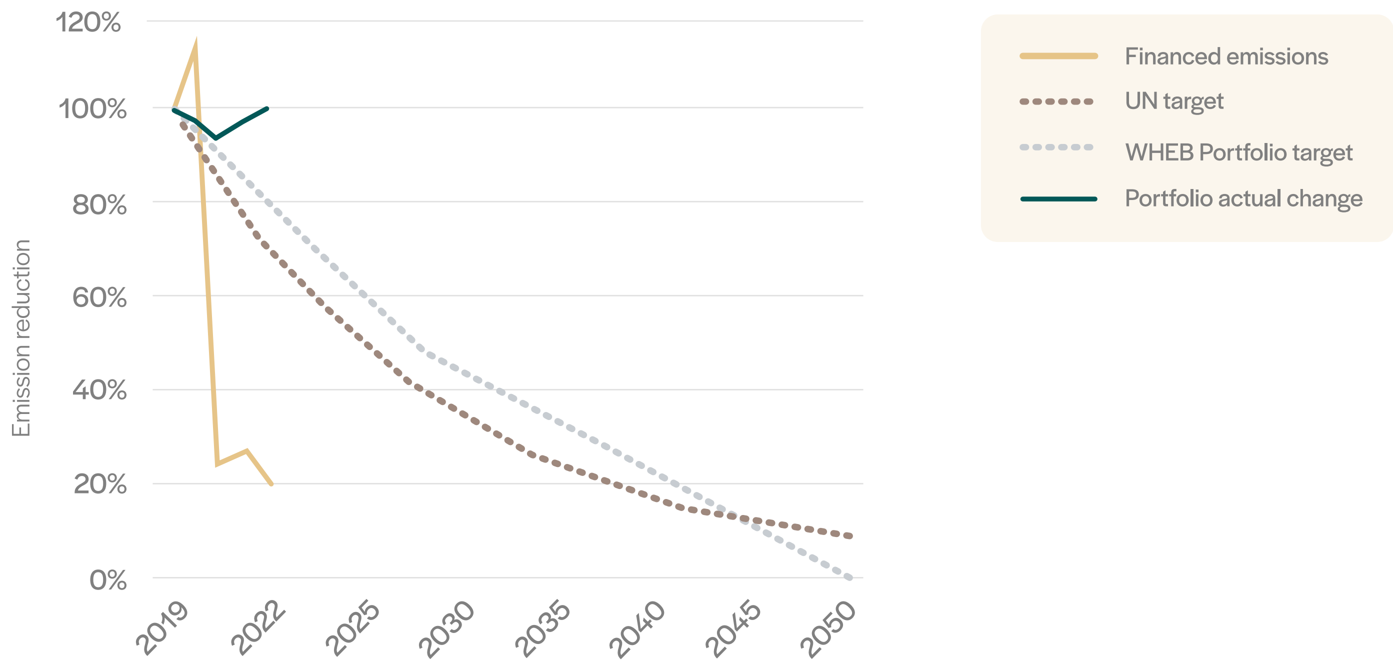


[21] Advanced Drainage Systems has committed to having its 1.5°C aligned target approved by the SBTi.
[22] Infineon has committed to having a near term target approved by the SBTi.

In terms of emission reductions, 2023 saw a reduction in financed emissions of 6% compared with 2022. The strategy has now reduced financed emissions by 79% compared with 2019. This is well ahead of the 18% reduction that we had originally targeted for 2023. The vast majority of this reduction is due to the sale in 2021 of China Everbright Environment Group. The sale of Daikin Industries and DSM in 2023 helped to reduce financed emissions in 2023.

Less positively, we did see another annual increase in the emissions from companies that have remained in the strategy over the period. In 2023 these ongoing emissions were +3.6%. This is at least a smaller increase than the +4.4% increase that we saw in 2022. It is also much better than the +8.3% increase in emissions from the MSCI World. In large part the growth in the emissions from companies in WHEB's strategy is coming from fast-growing businesses that are ramping production of low and zero carbon technologies. Vestas Wind Systems for example saw its emissions grow +16% in 2023, and SolarEdge's emissions were +30%. Nonetheless, all portfolio companies do need to reduce their emissions, and the annual increase is far behind the –7.6% annual reduction in GHG emissions that the United Nations says is necessary to maintain global temperatures at no more than 1.5°C above the pre-industrial average and the –5.5% annual reduction that we are targeting.

Figure 8: WHEB strategy emission targets and reductions



‘WHEB works with several investor coalitions to collaboratively engage companies, policymakers and standard setters to accelerate progress on decarbonisation.’

Figure 9: WHEB’s GHG reduction targets

TARGET	TARGET YEAR	PROGRESS
85% of financed Scope 1+2 emissions covered by a NZC target of 2050 or sooner	2025	On track
100% of financed Scope 1+2 emissions covered by a NZC target of 2050 or sooner	2028	On track
15% reduction in absolute portfolio emissions (compared to a 2019 baseline)	2025	Ahead of target
7.6% portfolio company level absolute reductions year-on-year	2030	Well behind target
50% reduction in portfolio carbon emissions (compared to a 2019 baseline)	2030	Ahead of target
100% reduction in portfolio carbon emissions (compared to a 2019 baseline)	2050	Ahead of target

Memberships and affiliations

WHEB works with several investor coalitions to collaboratively engage companies, policymakers and standard setters to accelerate progress on decarbonisation. For example, WHEB was a founder member of the Net Zero Asset Managers initiative and has been a long-term supporter of the Institutional Investors Group on Climate Change.

net zero carbon

IIGCC

Climate Action 100+

The Net Zero Asset Managers initiative

NZEI

Guest interview: how companies measure the positive impact of their products and services

Companies' reporting of the positive sustainability impacts of products and services has improved dramatically since WHEB produced its first impact report in 2014. We spoke to five portfolio companies about the evolution of impact reporting in their own organisations.

Karen Drozdiak
Head of ESG and Sustainability, First Solar

Daniel Adlolph
Senior Communications and IR Manager, Fisher & Paykel Healthcare

Andrew Carlsen
Vice President Head of Investor Relations, Genmab A/S

Tamara Brown
Vice President Sustainability ESG, Linde PLC

Juan Pelaez
Vice President Investor Relations, Linde PLC

Amit Bhalla
Head of Investor Relations, Schneider Electric

Distinguishing between manufacturing and product impacts

In planning these interviews, we had not intended to talk about the ESG credentials of companies' manufacturing processes. Nonetheless, it became clear that several of our interviewees had come prepared to talk primarily about this, with the actual product impact somewhat of an afterthought. For many, the distinction between manufacturing and product impact is not a clear one. For example, First Solar are rightly proud of their Series 6+ Plus panels receiving the EPEAT ecolabel. The label applies to the product, but also the entire lifecycle including manufacturing criteria like the carbon footprint, use of recycled materials and hazardous chemicals.[23] The same is also true for many of Schneider Electric's product certifications. These products are bought, in part, because of the positive characteristics of the manufacturing process.

For most companies, measuring and reporting ESG has been the overwhelming focus of the sustainability team. In several cases, the positive impact of the product or service is often just a given. This is certainly true in healthcare but also in areas like renewable energy. Consequently measurement and reporting of the positive impact generated by the use of the product is not something that has received much attention at these companies.

Current approaches to measuring and reporting product and service impacts

It was also clear from the interviews that the companies are all at very different stages of their product impact-reporting journey. Some of the companies we spoke to have only a very basic level of impact data, and some none at all. Fisher & Paykel Healthcare is a manufacturer of respiratory care systems for use in home and healthcare settings. They report on the overall number of people that receive their 'Optiflow nasal high flow' oxygen therapy. Genmab, a pharmaceutical therapies business, have yet to report any product impact data. This is in large part due to the company's business model. Genmab focuses on the R&D of pharmaceutical products relying then on other companies to lead the commercial development of the products. Quite often they do not have any visibility into the number of people receiving their treatment.

Other companies that we spoke to have a long history of reporting on the positive impact of their products and services. Linde, an industrial gases business, has for some years reported on the proportion of the company's revenues coming from products that generate a clear social or environmental benefit. They also report specific impact data in terms of, for example, the amount of avoided carbon emissions and the number of people benefiting from safer and clean water.

Schneider Electric is probably the most advanced of the companies we spoke to when it comes to product impact reporting. They have developed a suite of 32 indicators to cover different aspects of product impact. First and foremost is the energy (and CO_2e) that is saved by their products. But this information is supplemented by other data covering, among other things, the percentage of recycled content and the presence of hazardous substances, as well as third-party product certifications.

[23] https://www.epeat.net/search-climate-plus

Who is this information intended for?

Perhaps not surprisingly, investors were not the primary audience for product impact information. Instead, customers – and to a less degree regulators – were typically seen as a more obvious audience. For Fisher & Paykel Healthcare, the product's role in supporting better healthcare outcomes is a key focus for customers. 'Our sales team use clinical studies and clinical practice guidelines to demonstrate that Optiflow is a better technology than incumbent technologies', said Daniel Adolph the company's Head of Investor Relations. Investors can access much of this information themselves, but the company is increasingly keen to help investors understand how the company's products deliver better health outcomes'.

While this type of product impact data is clearly important to investors,[24] impact investors also want aggregated impact data across a company's product portfolio. This type of information is not typically of interest to customers and so relies on other stakeholders to encourage corporate reporting. Companies see impact investors, particularly in the EU, as one audience, but regulatory initiatives are also becoming important. The EU Taxonomy, while not requiring actual impact data, requires European companies to report the amount of product/service revenues that are taxonomy eligible and aligned. Equally, while not a regulation, the UN's Sustainable Development Goals (SDGs) also encourage companies to assess how their products and services support certain social and environmental targets.

How do you quantify positive impact?

The companies tend to see investors as the primary recipients for aggregated company-wide performance data. The process for providing these numbers varies dramatically across different companies. For example, high-level estimates of market size and market share are still used for estimating overall patient numbers. At the other end of the spectrum, the process for quantifying individual product-level environmental impacts is often subject to lengthy methodology development and testing. This is then aggregated to provide overall company-level data. Linde, for example, collect and publish data internally for a couple of years before releasing it externally. Where revenues are directly related to product sales, they are also often used as a way of generating aggregate impact data. Where companies sell to distributors or other third parties in the value-chain they may not have visibility to the end consumer. In these cases proxies or estimates may need to be used in place of revenues.

A key question to answer is also to establish what the correct performance baseline is to compare a specific product or service against. Both Linde and Schneider Electric pointed to the importance of having good-quality baseline data, usually derived from life-cycle analysis studies, as a key foundation for calculating product impact.

Genmab however cautioned on some of the dangers of quantification. Some medical interventions save people's lives, while others enable a more comfortable lifestyle. Just measuring 'numbers of patients' does not capture the difference in these outcomes, they argued.[25]

So what is the future of product impact reporting?

Some of the more experienced impact reporters expressed some frustration at the urgent need for standardisation. Schneider Electric think investors should help 'fight for transparency and standardisation across the industry'. For them, the lack of a global framework on how to measure and report product environmental impact is already 'creating a lot of confusion in [their] customers' minds'.

First Solar too, highlighted the importance of using a well-recognised methodology (like EPEAT) for quantifying product impact metrics. Too often however ESG ratings focus exclusively on manufacturing and don't consider the positive impact from the use of products. At one point (now thankfully rectified) First Solar's CDP climate change score did not take account of the fact that the company's products help to dramatically reduce greenhouse gas emissions.

But overall, most were upbeat about the future of impact reporting. The measurement of avoided emissions was seen as being the closest to becoming standardised. Several companies see this as an opportunity to show the positive impact of their products and balancing the more negative aspects of the ESG agenda. Everyone we spoke to believed that product impact reporting will become more important.

A final cautionary word from Juan Pelaez, Linde's Vice President of Investor Relations: 'There is a danger that our sustainability report is going to be the length of a bible before too long because everyone has their own issue that they want us to focus on.' We also see this danger but would argue that often the largest impact that a company has is through the impacts of its products and services. In our view this data is crucial – not just to investors, but for other stakeholders too.

24. For example, WHEB utilises this type of information in our impact engine analysis.
25. These distinctions are also captured in WHEB's impact engine.

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