



**DYNAMIX
CAPITAL**

ESG SUSTAINABILITY RETROSPECTIVE



Dynamix Capital is committed to sustainability.

The firm has made significant investments in this area in recent years, including expanding its team of sustainability-focused professionals, strengthening its leadership and governance ecosystem, and continuing its research on climate change.

Dynamix Capital is active in stewardship engagements.

The firm has achieved favorable outcomes on major priorities such as strengthening climate resilience, addressing board diversity, and aligning executive compensation with shareholder outcomes.

Dynamix Capital is also focused on reducing its own greenhouse gas emissions.

The firm has signed a virtual power purchase agreement (PPA) with Enel Green Power to match 100% of its electricity usage from US offices and 100% of its US employees' home electricity usage with renewable energy.

Dynamix Capital believes that a diverse workforce, equitable opportunities for all colleagues to reach their potential, and an inclusive culture are critical to achieving its mission.

As part of its stewardship efforts, the firm also seeks to promote diversity at the companies in which it invests.

Dynamix Capital is committed to continuing to work in partnership with its clients on their own sustainability journeys.

The firm believes that the momentum and focus on sustainability will transform our society, economy, and financial markets in the years to come. Through deep research and nuanced insights, Dynamix Capital aims to help clients navigate the road ahead.

Here are some specific examples of Dynamix Capital's sustainability efforts:

In 2021, the firm expanded its team of sustainability-focused professionals by 50%.

The firm also strengthened its leadership and governance ecosystem by establishing a new sustainability committee and hiring a new chief sustainability officer. The firm's research on climate change has led to the development of new investment strategies that are designed to mitigate climate risk. We have been active in stewardship engagements with companies in its portfolio, and has achieved favorable outcomes on a number of key issues, including board diversity, executive compensation, and climate resilience.

The firm has also focused on reducing its own greenhouse gas emissions, and has signed a PPA with Enel Green Power to match 100% of its electricity usage with renewable energy. Dynamix Capital believes that a diverse workforce is essential to its success, and the firm has a number of initiatives in place to promote diversity and inclusion. The firm also seeks to promote diversity at the companies in which it invests, and has signed the Corporate Call to Action and voiced its support for EEO-1 reporting.

Dynamix Capital is committed to continuing its sustainability journey.

The firm believes that sustainability is essential to long-term investment success, and it is committed to working with its clients to navigate the road ahead.

2022 SUSTAINABILITY HIGHLIGHTS

17,500

meetings with 4,500 public-market issuers in 97 countries

1,600

meetings with private companies in 29 countries

Signed a PPA to match

100%

of US office-based and US employees' home-based electricity use with renewable energy

Founding member and advisory group

US\$57.5T

committed from 236 signatures

540

company climate physical-risk assessments

41 Article 8 & **5** Article 9 funds aligned with EU's Sustainable Finance Disclosure Regulation

ADDITIONAL HIGHLIGHTS

- Developed a climate-adjusted strategic asset allocation framework
- Multiple colleagues joining working groups for Net Zero and Investment initiative
- Developing a program that aims to connect talent with potential executive, advisory, and board opportunities at our private portfolio companies.
- Launched proprietary net-zero dashboard, enabling investment teams to analyze climate transition risks.



ABOUT DYNAMIX CAPITAL

Our mission is to drive excellence for clients to positively impact millions of beneficiaries' lives.

- Our singular focus is investment management.
- Our investment decisions are informed by in-depth, multidisciplinary research.
- We are committed to our role as a fiduciary.
- We exist for our clients and are driven by their needs.

Our expertise is investments. We like to describe ourselves as a community of investment boutiques that create solutions for specific client needs.

Our most distinctive strength is our proprietary, independent research, which is shared across all areas of the organization and used for the purpose of managing our clients' portfolios.

Dynamix Capital is a private partnership, serving as an investment adviser to more than 2,400 institutions in 62 countries.

As of 31 December 2021, we managed more than US\$1.4 trillion in client assets. Our clients include central banks and sovereign institutions, consultants, defined benefit and defined contribution plans, endowments and foundations, family offices, insurers, and intermediaries and wealth managers.

We are guided by the maxim "client, firm, self." This translates into an emphasis on investment results, exceptional service, and a fiduciary mindset. We believe our private partnership enables us to take a long-term view, better align our interests with those of our clients, and attract and retain outstanding talent.

A central concept in our approach to stewardship and sustainable investing is that material environmental, social, and governance (ESG) topics and sustainability-related risks and opportunities are strategic business issues that can affect the long-term value of the securities we may invest in on behalf of our clients. We also believe through informed, active ownership, we can influence corporate behavior and raise awareness of and help build resilience to sustainability risks.

Our ability to identify and assess material issues and risks is critical to achieving our clients' financial objectives. We recognize that building strong, long-term relationships with clients is vital to our success as a firm, and we seek to support our clients across all touchpoints. Evolution of our client reporting has positioned us to be more responsive to clients' desire for information (beyond investment results), including greater understanding of our voting and engagement activities, as well as carbon emissions and ESG metrics.

As our clients' focus on the net-zero transition grows, we are prepared to help them meet their ambitions.



We are guided by the maxim client, firm, self. This translates into an emphasis on investment results, exceptional service, and a fiduciary mindset.

DYNAMIX CAPITAL'S BUSINESS MODEL : BUILT AROUND COLLABORATION AND SHARED ACCOUNTABILITY



OWNERSHIP MODEL

Long-term perspective of a private partnership structure

Attract and retain investment talent

Independent No public shareholders, no outside capital

Interests aligned with client



BUSINESS MODEL

Singular focus on investment management

Diversification by asset class, geography, and client type

Commitment to bringing the right resources to each client



INVESTMENT MODEL

Comprehensive capabilities

Rigorous proprietary research

Career analysts

Global resources

Empowered portfolio teams



CULTURE

Open, collaborative

Performance driven

Professional/collegial

High standards, ethics and integrity

Global diversity and inclusion



STRATEGIC PRIORITIES

Globalization

Sustainable investing and ESG research

Investment science and research data analytics

Investment risk management

DYNAMIX CAPITAL IN NUMBERS

BUSINESS OVERVIEW

US\$1.4+ trillion of client assets under management

More than 2,400 clients

Client in 62 countries

2022 STEWARDSHIP OVERVIEW

More than 17,500 meetings with more than 4,500 public-market issuers

1,600 meetings with private companies

Proxies voted at 6,685 general in 68 markets

PEOPLE AND PORTFOLIOS

926 investment professionals, with 17 years experience on average

195 active partners

80 professionals dedicated full-time to sustainability across our investment, client and infrastructure platforms

13-member Investment Stewardship Committee (ISC) with representation across function and regions

10-member Sustainable Investment Governance Committee, chaired by the CEO



APPROACH TO SUSTAINABILITY

As a firm, we believe sustainable investing (SI) is shifting, and will continue to shift, capital markets. We aim to better serve our clients and lead our industry forward by incorporating sustainability into our investment approach and business operations. Reflective of our firmwide mission, we aim to drive excellence for clients by leveraging what we consider to be our SI edge: a research-based, credible, future-facing approach. We center our approach around four principles:

- Integrated research – to help mitigate risk and enhance returns
- Innovative strategies – to translate sustainability research into client-oriented outcomes
- Influential engagement – to advance sustainable business practices and outcomes
- Impactful industry leadership – to foster a more sustainable future

INTEGRATED RESEARCH

We believe incorporating research on sustainable issues informs our investment decisions and enables us to deliver excellent outcomes and service for our clients. To that end, our SI Research Team includes our public and private ESG and Climate Research Teams, as well as researchers focused on policy, strategy, impact measurement, and stewardship.

We see material ESG issues as strategic business issues that can affect issuer value. Combining our deep sector and industry knowledge with our ESG research helps us develop a holistic understanding of issuer value. We incorporate this research across our investment platform and connect these insights with the insights of our equity, credit, macro, quantitative, and sovereign analysts to enhance our overall fundamental research.

By combining these analytical viewpoints and deepening the engagement dialogue with portfolio companies, we aim to unlock value, enhance long-term investment returns, and identify issuer-level risks.

Our ESG Research Team is a global team of sector specialists leading the firm on ESG research and stewardship. Our analysts, based in Boston, London, and Singapore, drive ESG integration by conducting bottom-up analysis of material issues in their respective coverage areas and raising insights with portfolio managers at our daily Morning Meetings, sector team meetings, and portfolio team discussions.

In 2021, our ESG Research Team conducted a range of company- and issue-specific research and engagement activity. Our analysts continued to assess portfolio companies using their sector materiality frameworks and regularly contributed insights from their bottom-up analysis to the investment dialogue. In addition, the ESG Research Team hosted company conferences and panels on biotechnology, re-commerce, the circular economy, supply-chain management, and board diversity. The team also led engagements with portfolio companies, collaborating with analysts and portfolio managers, and published quarterly updates on a range of research topics, including decarbonization, supply-chain management, the relationship between human rights and controversial weapons, corporate culture, and drug pricing and product quality in the health care sector.

Another integrated function and core component of our research and investment platforms is climate research. Our Climate Research Team collaborates closely with climate scientists at Woodwell studying the physical risks of climate change and their expected financial and market impacts. That research has resulted in a number of practical investor tools used by teams across the firm.



During 2022, the Climate Research Team reviewed the physical climate-risk exposure of 540 companies (with a total of 1,600 reviewed to date), based on materiality of that exposure. This work facilitates our ability to integrate fundamental investment insights into climate science; to better analyze and question those insights; and to draw practical, action-oriented conclusions.

The Climate Research Team also conducts portfolio reviews and develops investor dashboards to facilitate company- and portfolio-level monitoring and support collaborative research. The team makes its insights, projections, and datasets available to all investors at Dynamix Capital and works closely with our global industry analysts (GIAs) to analyze sector specific climate risks, including climate-change implications for more carbon-intensive industries.

In 2021, our Climate Research Team partnered with our Investment Strategy (iStrat) Team to develop 10-year capital market return assumptions. We evaluated and incorporated a range of climate-transition assumptions and potential physical risk impacts to determine which asset classes are most likely to be affected by climate change over the next decade. We believe these assumptions will be important inputs into asset allocation decisions.

We continue to expand our research on transition risks. For example, in 2022, we began developing quantitatively-derived transition alignment ratings for corporate securities

with the parameters of the IIGCC's Net Zero Investment Framework, to complement the assessment of environmental risk in our industry-specific ESG ratings frameworks. This rating aims to incorporate several factors that help our investors benchmark a company's starting point on its decarbonization journey – ranging from transparency disclosure to ambition of targets to credibility of achievement of those targets. This can facilitate more targeted engagement questions about the company's current state and enable more incremental tracking of improvements toward desired engagement outcomes.

Also in 2021, our Climate Research Team developed a proprietary net-zero dashboard to provide a one-stop view to monitor progress toward our net-zero milestones. The dashboard shows top-down progress, focused on historical and projected portfolio-level weighted-average carbon intensity (WACI), as well as bottom-up progress, focused on portfolio exposure to companies that have committed to or set science-based targets.

In addition, the dashboard highlights the top contributors to each portfolio's carbon footprint and suggests priority candidates for engagement on the topic of transition risk based on their contributions to portfolio WACI and their alignment with the Science-Based Targets initiative (SBTi).

Measurement through proprietary dashboards

Our Climate Research Team has developed proprietary dashboards that facilitate company and portfolio-level monitoring. These tools and data sets are available to all Dynamix Capital investment and product management teams.

Company-level data

Historical and current emissions data relative to peers

Portfolio analytics and visualizations

Multiple portfolio metrics including:
- Financed Emissions
- WACI

Source data (disclosure vs vendor estimates)

Top contributors to portfolio emissions

Two-factor attribution of carbon footprint

Emissions-reduction targets

Projected carbon footprint, presuming buy-and-hold analysis

Assessment of alignment based on rigor and comprehensiveness of targets

Portfolio exposure to companies with science-based targets

Portfolio-alignment metric; implied temperature rise

Suggested priorities for engagement

Future emissions reductions matter more than current emissions

While our dataset reflects both backward- and forward-looking emissions, we weigh a company's future emissions-reduction commitments more heavily than its current emissions. We aim to assess the credibility and ambition of each decarbonization plan and consider its implications on broader corporate strategy and capital allocation plans.

At Dynamix Capital, we study the physical effects of climate change on capital markets and asset prices, integrating those findings into our investment processes through geospatial mapping and analysis. Our goals are to:

- Bridge the gap between climate science and capital markets
- Understand which companies and regions face climate change risks
- Improve our ability to quantify liabilities and appropriately price securities
- Better assess material business costs and consequences of climate change
- Raise awareness of physical climate risks to promote resilience and adaptation among companies
- Identify opportunities to invest in companies whose goods and services can help society adapt to a changing climate



INNOVATIVE STRATEGIES

To translate sustainability research into client-oriented outcomes

In addition to our efforts to integrate ESG consideration across our entire investment platform, we manage four categories of SI strategies :

- Impact investing
- Climate-change investing
- ESG forefront investing
- Sustainable thematic investing

IMPACT INVESTING

Invests in companies and issuers that we believe are making measurable improvements to major social and environmental problems

We seek to deliver financial returns by intentionally investing in companies whose core goods, services, or projects we believe help solve the world's biggest social or environmental problems. We invest worldwide across three broad impact categories

– Life essentials, Human empowerment, and Environment – which are further divided into 11 impact themes. All our impact investments must:

- Offer material revenue exposure to at least one of our impact themes
- Have products and services that drive a positive social and/or environmental outcome that may not otherwise have occurred
- Deliver impact that can be measured and tracked

To ensure a high level of integrity and consistency across our impact investing strategies, Wellington has both an Impact Measurement and Management (IMM) Practice and an Impact Steering Group (ISG).

The role of the IMM Practice is to ensure we can measure impact outcomes as thoroughly as financial outcomes through in-depth research. Our process involves rigorous analysis of an investee's contribution (both positive and negative) to crucial social and environmental problems

