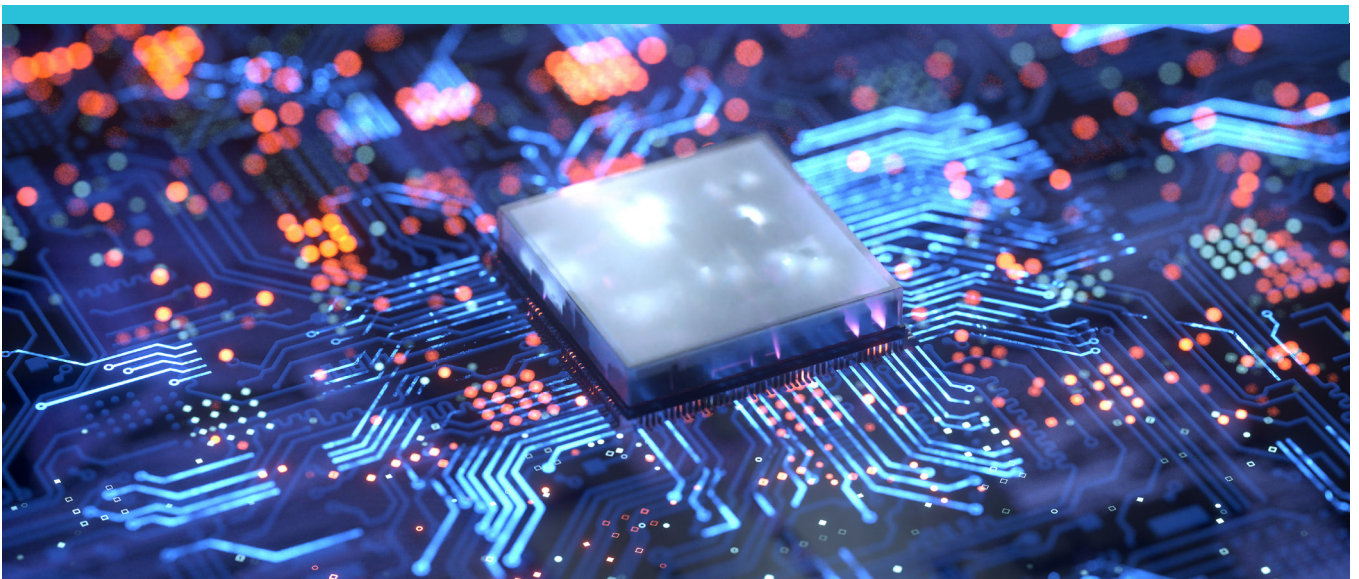




Case study

GLOBAL IMPACT CREDIT STRATEGY



Autodesk

The following case study is a selected example of a recent engagement with a company held in or considered for the portfolio. The example is not meant to be representative of every engagement held, but to illustrate the types of ESG engagements we are having with the managements of our investment companies.

SUSTAINABLE TECHNOLOGY

Autodesk

Pressure Points

In 2020, the building and construction sector accounted for 37% of global energy-related CO₂ emissions.¹ Global material use is expected to more than double by 2060, with one-third of expected growth driven by the construction sector.² The construction sector ranks as the second-least-digitalized industry after agriculture.³

Impact Thesis

Autodesk is a leading provider of computer-aided design software for 62 million professionals worldwide.⁴ The software helps generate improvements in industrial processes through digitalization, connectivity, and optimization of resource management. Proceeds from the sustainability bond are expected to enable efficiency gains (making machinery and construction more efficient by using technologies that reduce material and fuel usage), technological innovation (in manufacturing, building, and industrial processes), and better energy and material choices.

KPI: CO₂ emissions saved, annual energy savings

Five Dimensions of Impact

What: Investment in solutions that enable more sustainable design, engineering, and construction. The resulting enhancements to machine productivity and asset utilization facilitate efficiency gains and carbon emissions reductions.

Who: People: Customers in the architecture, engineering, construction, and automotive industries.

How much: Scope 3⁵ (customers' emissions) CO₂ emissions fell by 45% in 2021 to 125,000 tons, from 228,000 in 2020. The company is targeting a 25% minimum reduction in scope 3 emissions per dollar of gross profit by 2031 versus 2020. Autodesk expects bond proceeds to yield energy savings of at least 20% across production sites.⁴

Contribution: Research and development initiatives drive industrial innovation and technological advances. Software capabilities deliver insights that optimize energy, waste, and water efficiencies and improve the resilience of building, infrastructure, and industrial projects.

Risks: Autodesk's software products and solutions are not tailored to any specific industry. Products may be used by companies operating in industries associated with negative environmental and social impact. Data privacy and security breach risks are possible due to the large volumes of sensitive customer data being handled.

Progress Monitoring

We await the inaugural sustainability bond post-issuance allocation and impact report, which will provide impact metrics associated with funded projects. This will allow us to assess the scale of impact delivered both outright and relative to our expectations.

PRIMARY UN SDG



IMPACT PILLAR

Sustainable Innovation and Productivity

IMPACT SUB-PILLAR

Sustainable Technology

IMPACT JOURNEY

Input

USD 1 billion bond proceeds allocated to eligible environmental and social projects⁴

Output

Capital invested in research and development and technological innovation, enabling better energy and material choices

Outcome

Improvement in energy and resource efficiency of customers

Impact

Reduction in scope 3 emissions and energy cost savings⁴

¹ United Nations – Global Status Report for Buildings and Construction (2021)

² OECD – Global Material Resources Outlook (October 2018)

³ McKinsey – Imagining Construction's Digital Future (June 2016)

⁴ Autodesk Impact Report (2021)

⁵ Scope 1 (direct emissions from owned or controlled sources), scope 2 (indirect emissions from the generation of purchased electricity, steam, or cooling), scope 3 (all other indirect emissions).

GLOBAL IMPACT CREDIT STRATEGY Objective

The composite of the Global Impact Credit Strategy simultaneously seeks benchmark outperformance and positive environmental and social impact by investing in durable, growing businesses with measurable impact criteria.

Risks—the following risk is materially relevant to the portfolio:

ABS and MBS risk - Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS) may be subject to greater liquidity, credit, default and interest rate risk compared to other bonds. They are often exposed to extension and prepayment risk.

Contingent convertible Bonds risk - Contingent Convertible Bonds may be subject to additional risks linked to: capital structure inversion, trigger levels, coupon cancellations, call extensions, yield/valuation, conversions, write downs, industry concentration and liquidity, among others.

Convertible bonds risk - Convertible bonds contain an embedded equity option which exposes them to risks linked to equity as well as fixed income. They may be subject to higher market and liquidity risk.

Credit risk - Credit risk arises when an issuer's financial health deteriorates and/or it fails to fulfill its financial obligations to the portfolio.

Distressed or defaulted debt risk - Distressed or defaulted debt securities may bear substantially higher degree of risks linked to recovery, liquidity and valuation.

Default risk - Default risk may occur if the issuers of certain bonds become unable or unwilling to make payments on their bonds.

Derivatives risk - Derivatives may be used to create leverage which could expose the portfolio to higher volatility and/or losses that are significantly greater than the cost of the derivative.

Emerging markets risk - Emerging markets are less established than developed markets and therefore involve higher risks.

High yield debt risk - High yield debt securities are generally subject to greater risk of issuer debt restructuring or default, higher liquidity risk and greater sensitivity to market conditions.

Interest rate risk - Interest rate risk is the potential for losses in fixed-income investments as a result of unexpected changes in interest rates.

Liquidity risk - Liquidity risk may result in securities becoming hard to value or trade within a desired timeframe at a fair price.

Prepayment and extension risk - Mortgage and asset-backed securities could increase the fund's sensitivity to unexpected changes in interest rates.

General Portfolio Risks

Capital risk - the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the portfolio and the currency in which you subscribed, if different.

Counterparty risk - an entity with which the portfolio transacts may not meet its obligations to the portfolio.

ESG and Sustainability risk - may result in a material negative impact on the value of an investment and performance of the portfolio.

Geographic concentration risk - to the extent that a portfolio invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area.

Hedging risk - a portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Investment portfolio risk - investing in portfolios involves certain risks an investor would not face if investing in markets directly.

Management risk - the investment manager or its designees may at times find their obligations to a portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

Operational risk - operational failures could lead to disruptions of portfolio operations or financial losses.

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