

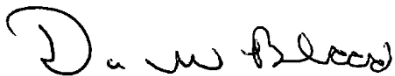
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10 March 2021

Dear Secretary General,

As Senior Partner of Generation Investment Management (“Generation”), I would like to express our continued support for the United Nations’ Global Compact. Enclosed you will find a description of our firm and the actions that we have taken over the past year to support the Principles through our primary business activity, which is investment management. Given our focus on long-term sustainable investing, we integrate the Principles of the Global Compact into the core of our investment strategy. Through our advocacy work, we encourage other asset owners and managers to do the same.



David Blood

*Senior Partner
Generation Investment Management, LLP*

UN GLOBAL COMPACT – COMMUNICATION ON PROGRESS

GENERATION INVESTMENT MANAGEMENT LLP

MARCH 2021

COMMUNICATION ON PROGRESS

ABOUT GENERATION

Generation is dedicated to long-term investing, integrated sustainability research and client alignment. We are an independent, private owner-managed partnership with offices in London and San Francisco. The firm was founded in 2004 and has four core investment strategies across public and private markets: Global Equity, Asia Equity, Growth Equity and Long-term Equity.

We launched our Global Equity product in 2005, shortly after the firm was founded, to invest in public equities in a concentrated long-only portfolio. Later, we launched our Asia Equity strategy in 2011. Our Growth Equity strategy was launched in 2008 in order to invest in businesses facilitating the transition to a more sustainable economy. Since that time our conviction around the opportunity and urgency of this need has strengthened as we observe increasing disruption across all markets and industries. In 2019, we closed our third fund, Sustainable Solutions Fund III. In 2018, Generation entered into a long-term strategic partnership with La Caisse de Dépôt et Placement du Québec (CDPQ) to make large-scale long-term sustainable investments, and closed the first investment in FNZ Limited. In February 2020, Temasek committed to join Generation and CDPQ as an investor in FNZ. We continue to develop our Long-term Equity strategy which will focus on investing in private, later-stage, established businesses.

In addition to strategies managed by Generation, Generation is sponsoring the creation of a new business called Just Climate in 2021. This strategy will be an independently managed climate-first investment business. Just Climate's mission is to identify and invest in solutions that will help achieve Net Zero and 1.5°C. Its initial goal is to invest to bring about the avoidance or removal of one Gigaton of greenhouse gas (GHG) emissions per year by 2030.

SUSTAINABLE INVESTING FOR THE LONG TERM

Generation's investment approach is based on the idea that sustainability factors — environmental, social and governance criteria—will drive a company's returns over the long-term. By integrating sustainability issues with traditional analysis, we aim to deliver superior investment returns. We are closely aligned with our clients, and our performance is measured over the long-term.

A UNIQUE RESEARCH PLATFORM TO ANALYSE GLOBAL CHALLENGES

Generation has built a global research platform to integrate sustainability into fundamental investment analysis.

We focus on key drivers of global change including water and natural resource scarcity; climate change and environmental degradation; macroeconomics, poverty and development; pandemics and healthcare, and demographics, migration and urbanisation.

These global challenges pose risks and opportunities that can materially affect a company's ability to remain profitable and deliver returns. Our sustainability research plays an important role in forming our views on the quality of the business, the quality of management and valuation.

OBJECTIVE

Generation's objective is to help mainstream sustainability into capital markets, and our core values reflect a commitment to responsible citizenship. A proportion of the firm's profitability is allocated to the Generation Foundation (the Foundation), the firm's philanthropic initiative. The objective of the Foundation is to use every resource at its disposal to drive the urgent transition to an equitable society in which global temperatures do not exceed 1.5°C.

CERTIFIED B CORPORATION (B CORP)

B Corps are businesses that have been verified by the initiative against standards for social and environmental performance, public transparency and legal accountability. Such businesses form a global movement showing how profit can go hand-in-hand with purpose. Generation has been a certified B Corp since 2015.

GENERATION AND THE UN GLOBAL COMPACT

In the following pages we outline the way in which we take the Principles of the Global Compact into consideration in our business activity as investment managers. It is important to note that **we do not have direct exposure** to many of the principles. However, by virtue of being long-term investors focused explicitly on the integration of sustainability factors into investment decisions, we do see a responsibility to address the **indirect implications** of the Global Compact principles in our core business activities.

We have an internal methodology for assessing the quality of a business and its management team, a framework that reflects both fundamental financial analysis and integrated sustainability research.

This approach enables us to monitor the most material sustainability issues (such as those highlighted in the Global Compact and also the 17 Sustainable Development Goals) on a company-by-company basis. It applies across all our investment strategies. In the case of our third private equity fund, Sustainable Solutions Fund III, we apply a Sustainability Threshold to determine a company's net contribution as a solutions business. To do this we compile information about the total effects of a business model on people and planet, including positive and negative, intended and unintended. The investment team debates aggregated data on how a company provides a net contribution to a more sustainable economy. Where possible, we use a Lifecycle Assessment approach to benchmark company performance against an appropriate baseline.

We expect our investment approach to deliver superior investment returns to our clients.¹ We believe that sustainable development will be a primary driver of industrial and economic change over the next 50 years, and that shareholders will be best served by companies that maximise their financial return by strategically managing their performance in this new economic, social, environmental and ethical context.

¹ Although Generation seeks to provide superior investment performance, this is an aspiration and there is no guarantee that this goal will be achieved. Similarly, while we naturally hope to provide "outstanding" results, this outcome is not guaranteed and loss of capital may occur.

HOW WE SUPPORT THE PRINCIPLES OF THE GLOBAL COMPACT

HUMAN RIGHTS

PRINCIPLE 1: BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS; AND

PRINCIPLE 2: MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.

GENERATION ACTIVITY: We have limited investments with exposure to regions where human rights abuses are endemic. We monitor the issue in our investment process by doing research on a sector and country level to determine if there are material human rights issues for any particular company we may be investigating. We favour companies with clear human rights policies and clear procedures for complaint handling in place. In countries where we have identified a significant risk of human rights abuse, and where a company may have exposure, we will probe the issue deeply with management and other constituents (such as local and international NGOs). We have developed a strong research network over the years in this area.

LABOUR STANDARDS

PRINCIPLE 3: BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING;

PRINCIPLE 4: THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR;

PRINCIPLE 5: THE EFFECTIVE ABOLITION OF CHILD LABOUR; AND

PRINCIPLE 6: THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.

GENERATION ACTIVITY: All of the companies that we invest in are expected to adhere to a high labour standard, which is reflected in our assessment of the “Management Quality” of the firm (an internal measure we use to define high quality companies we would like to own). If a company does not pass the “Management Quality” threshold, it will not form part of our investment portfolio. To determine how strong a company’s labour practices really are, we rely on primary research, as well as discussions with NGOs, unions, and other stakeholder groups. In these conversations, and when we talk with the company, we will raise the issues that we believe are most material. Integral to our assessment of “Management Quality”, we consider how a company manages its human capital and look for best in class practices on a sector-by-sector basis.

As an example of our assessment and engagement, we aim to examine whether companies within the apparel industry are:

- Using ongoing, independent inspection and verification that best practices are being applied;
- Working to fix any issues that may arise at their third-party owned factories and either resolving issues or discontinuing working with these factories;
- Incorporating sustainability and human health practices into their processes for selecting manufacturing partners, and trying to secure progressive improvements (e.g., allocating more work to the best actors); and
- Engaging with and leading their industry to drive systemic change and improvements.

On the sourcing of raw materials, we aim to look at whether the companies are thoughtful about:

- Considering where they source from;
- Designing products to prioritise or develop more sustainable materials (e.g. organic cotton, faux leather); and
- Trying to reduce material waste.

Once a company is on the Focus List or we have invested in it, we continue to monitor by:

- Assessing the company's disclosure of its third-party factory locations and audits;
- Reviewing third-party reports on the industry (e.g., Fair Labor Association and Worker Rights Consortium); and
- Discussing the matter with the company's management and investor relations teams.

Generation takes its commitment to tackle modern slavery and human trafficking seriously. While a rare occurrence, allegations have been published regarding the supply chain of one of our Focus List companies and we have not yet fully satisfied ourselves that the allegations are unfounded, have been remediated or are being remediated. We consider being an engaged shareholder an integral part of responsible ownership and are continuing to engage with the company. Generation's Stewardship and Engagement Policy can be found [here](#).

As a firm, Generation's statement with regard to the UK Modern Slavery Act is on our website [here](#).

With respect to our internal operations, Generation is committed to eliminating discrimination from all personnel practices. We consider diversity to be a critical sustainability factor that drives business and investment success, including our own, which is why from early days diversity has been one of the firm's core values sustaining our culture:

Diversity, in the broadest sense, helps drive our success. A welcoming work environment, where individuals can bring the totality of their experience and perspectives, is an invaluable contributor to greater economic success.

We believe culture is a critical driver of fostering diversity and have endeavoured to foster an environment where all individuals feel empowered to share and contribute to the mission of the firm, regardless of gender, ethnicity or background.

While we acknowledge that there remains work to be done within Generation, both as a firm and as part of an industry, the firm's leadership is passionate about and committed to fostering a truly diverse and inclusive working environment. Since the firm's founding in 2004 we have been on a journey to build a more diverse organisation and team of people. Generation has always placed culture as the cornerstone of success. Being a mission-driven organisation is part of this, and we have endeavoured to foster a culture where all individuals feel empowered to share and contribute to the mission of the firm, regardless of gender, ethnicity or background. We have put in place practices, policies and various internal and external initiatives to support this objective.

Nevertheless, we believe 2020 served as a turning point to focus minds on the need for greater progress across diversity and inclusion initiatives. In particular, the disproportionate impact of COVID-19 on ethnic minority communities and the Black Lives Matter movement provided catalysts for further action. For our part, we listened intensively to our colleagues and recognise this as an important step of reflection.

This ongoing work has led to several changes, including new recruiting methods aimed at countering unconscious bias and our participation in #100BLACKINTERNS and the Impact Capital Managers Mosaic Fellowship, programmes that seek to increase participation of students from underrepresented backgrounds in the investment management industry. We also continued to mentor students from underprivileged socio-economic backgrounds via our Foundation in partnership with the Social Mobility Foundation, and participated in the Social Mobility Index via the Social Mobility Foundation with the view to implement some of their recommendations going forward.

At a strategic level, Generation has appointed Paradigm, an external DEI expert firm, to review our DEI approach, policies and procedures with the aim of producing a long term roadmap that we can use not only as a benchmark for ourselves, but also in our interaction with investee companies, clients or suppliers.

In addition to our commitment to diversity in our business, we recognise that our scope for impact extends beyond our direct activities. We believe companies need to act with more urgency. Gender diversity, at board and executive levels, remained a strategic priority in our engagement in 2020 and we pursued it across the portfolio. We saw progress on board-level gender diversity and, at those companies with poor female representation in their workforce, systematic action. This builds on the framework for engagement we developed in 2019 aimed at resonating with companies and providing tools for progress. We focused on gender initially; however, elements of the framework are relevant for other aspects of diversity. We identified six key actions to improve diversity:

1. Senior sponsorship, particularly a compelling CEO vision
2. Data collection to identify the problems
3. Measurable target setting at multiple points in the talent pipeline
4. Concrete and thoughtful initiatives linked to targets
5. Public disclosure around current diversity statistics, targets, policies/initiatives and progress
6. Accountability for senior management

ENVIRONMENT

PRINCIPLE 7: BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES;

PRINCIPLE 8: UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY; AND

PRINCIPLE 9: ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

GENERATION ACTIVITY: We systematically integrate environmental considerations (such as climate change and the transition to a low-carbon economy) into our company-level analysis. As a firm we are signatories to organisations such as CDP (formerly the Carbon Disclosure Project) and the Institutional Investor Group on Climate Change (IIGCC) which promote market transparency and greater environmental reporting.

In our public equity (Global and Asia) strategies, we have long participated in CDP's annual non-disclosers engagement programme. However, given the urgency of the climate crisis, we know we need to do more. In 2020 we introduced a more systematic, high ambition plan for engagement. This included:

- developing a framework to assess the current status of disclosure and climate action for every company;
- writing to all Focus List companies to communicate our expectations and aspirations based on where they sit in this framework;
- enhancing our systems to track progress and conversations with companies over time; and
- integrating the framework within our investment process. For instance, our engagement will impact our voting behaviour and gating decisions around business and management quality analysis.

We are very clear that rapid improvement in disclosure and action is an important issue for us.

Our Growth Equity funds are focused on deploying capital to companies that are generating value by facilitating the transition to a more sustainable, low carbon economy. We believe there is a significant gap between the capital needed and the capital currently deployed to create enduring solutions to the sustainability crisis. Addressing this financing gap will require the efforts of many players, including entrepreneurial ventures, multinational businesses, governments, civil society and investors. We believe that investing in scalable solutions

now – as Generation is doing through its Growth Equity funds – is critical for the future of the planet. In order for companies to qualify for our third fund, Sustainable Solutions Fund III, they must meet our Sustainability Threshold that we believe makes them net positive as a solutions business.

In 2020 we confirmed our commitment to aligning our Global and Asia Equity investment portfolios with net zero greenhouse gas (GHG) emissions by 2040 or sooner, in line with the goals of the Paris Agreement on climate change.

Beyond climate change, Generation takes a systemic view of other sustainability challenges such as poverty, water scarcity and pandemics in the context of a changing climate. Our holistic approach to sustainability enables us to consider the interplay between long-term environmental challenges in order to identify risks/opportunities to companies across the value chain. We think this awareness provides us with the insight to ask thoughtful questions and become increasingly better long-term investors.

From the perspective of the firm's direct environmental impact, this is mainly due to the operation of our offices and business travel. We aim to minimise our carbon footprint and use of environmental resources through our sourcing decisions and our carbon off-setting program as well as promoting behavioural changes amongst our employees, suppliers and other stakeholders.

Our most significant sourcing choice is that of our offices. Our offices in London and San Francisco are both centrally located and well served by public transport facilities. Where staff are unable to use public transport, we use taxi services that provide hybrid vehicles. Most of the Generation team is based out of London.

In London, our office at 20 Air Street achieved the highest standards in energy performance, achieving the "Excellent" rating by BREEAM (Building Research Establishment Environmental Assessment Method). A proportion of energy and heat is sourced from photovoltaic cells, thermal stores and combined cooling, heat and power units. A rainwater harvesting system captures rainwater (Silver Water) which is filtered and cleaned for use in office toilets. The building manager estimates that this achieves a reduction in standard water consumption equal to 20 litres per day per full time employee. An intelligent lighting system is in place as to maximise natural light and limit wastage. A biodiverse sedum roof improves insulation and supports the local bee population. Generation consciously designed the London office fit-out to further minimise the environmental impact of its operations and achieved the gold "Ska" rating. Technologies include personalised energy feedback systems, heat recovery processes, low VOC paints, and the use of sustainability certified or recycled wood wherever possible.

Similarly, our San Francisco office is located in a building which has been successfully re-certified as Platinum for the LEED E-BOM which applies to existing builds. Our own fit out of that office was completed following the highest LEED specifications and received the Platinum certification in August 2019. Both offices have on-site processes for the separation, collection and recycling of different types of waste materials, including food waste. Both also work with building management on an ongoing basis to prioritise energy efficiency and sustainable practices.

Business-related sourcing decisions also include local travel and office supplies, where we choose environmentally-friendly suppliers as much as possible. We assess our suppliers against a checklist, which includes questions relating to their own ESG practices. As part of the induction for new joiners, we communicate the environmental practices we have in place for recycling and provide training on the energy savings decisions individuals can make on a daily basis and on the relevant technology available.

Generation is committed to off-setting what we see as the unavoidable carbon emissions of our business activities on an annual basis. While we strive to manage our usage and sourcing decisions, we recognise the constraints inherent within the necessary business travel, especially air travel. We base the measurement and off-setting of the Firm's carbon footprint on our business travel and office use, as well as the carbon emissions created by Generation team members and their families in the course of their personal lives. We consult with third parties to apply widely-

accepted emissions factors to measure our travel, energy use and household data. Whilst we appreciate that carbon credits do not provide a complete solution, they contribute to mitigate our overall environmental impact.

Travel is a necessary part of our business for investment and client service purposes, but we do encourage our employees to constantly evaluate their travel arrangements and, where possible, develop efficient travel itineraries and/or use alternative forms of communication such as video and teleconference technologies. We continue to work with technology specialists to enhance the quality of our distance meeting systems.

ANTI-CORRUPTION

PRINCIPLE 10: BUSINESSES SHOULD WORK AGAINST ALL FORMS OF CORRUPTION, INCLUDING EXTORTION AND BRIBERY.

GENERATION ACTIVITY: Corruption risk can be significant, especially in certain business models and geographies. In our analysis of companies, we do extensive research into issues of corruption and bribery, leaning on NGOs that have expertise in this area. In certain cases, we have excluded companies from investment due to identification of corruption risk where we believe the company has not appropriately addressed the issue in its business model. Sometimes we will look at a company's lobbying activities to determine if there is consistency between external and internal commitments. Again, this is just one of the many indicators we may look at in our in-depth research to determine the quality of a management team.

Further, as it relates to stewardship of the Industry, as a market participant we take very seriously the issue of bribery and corruption as it relates to Generation. As in every other circumstance where we expect the management of our investment companies to adopt the highest ethical standards and regulatory compliance in the disposition of their responsibilities, we also demand no less from our own people.

All our partners and staff are expected to be conversant with our Core Values, the FCA's guiding Principles and the requirements as set out in our Compliance Manual. The Compliance Manual contains the guidance every partner and staff member needs to ensure they remain in compliance with the UK Bribery Act and the FCA's rules on inducements. When the UK Bribery Act was passed, all staff were required to undertake specific training to ensure they were familiar with the Firm's policies and procedures designed to identify and to prevent bribery and corruption.

Training on Financial Crime, including bribery and corruption, is a regular feature in the firm's calendar. In addition, all partners and staff are encouraged to communicate with the Legal and Compliance Team and/or the General Counsel if they have any doubts about the interpretation of the rules or find themselves in a position where they think they have become aware of a situation that might be in contravention of the relevant rules and legislation.

OUTCOMES

While we have presented how we consider the principles of the UN Global Compact in our investment decisions and provided illustrations of how we do this in practice, we appreciate that our analysis is on a case-by-case basis; however, we do consider the principles as embedded within our world-view. As such, as part of our reporting to our clients, we provide a view of the portfolios that indicate aggregate outcomes on particular areas aligned with the principles.

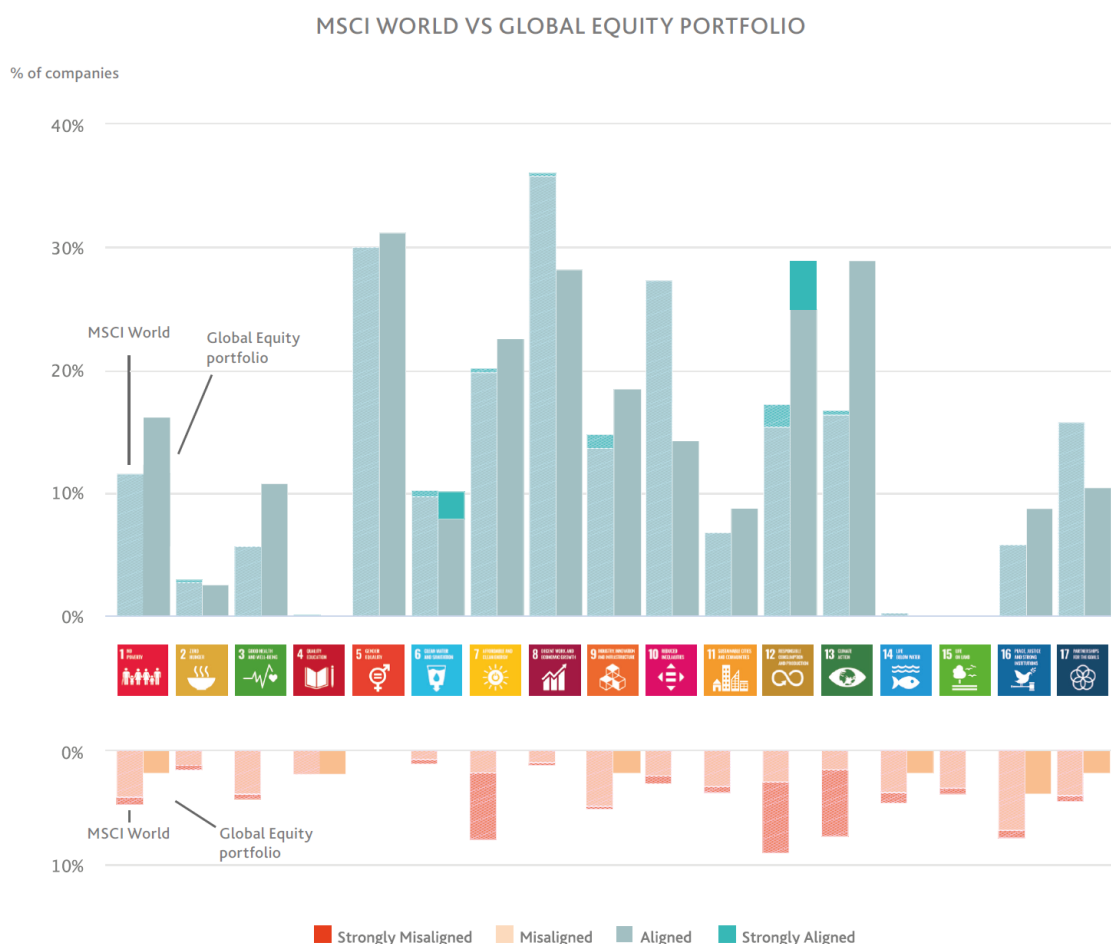
Among these is a mapping of the portfolio to the **UN Sustainable Development Goals (SDGs)** as follows:

MAPPING METHODOLOGY

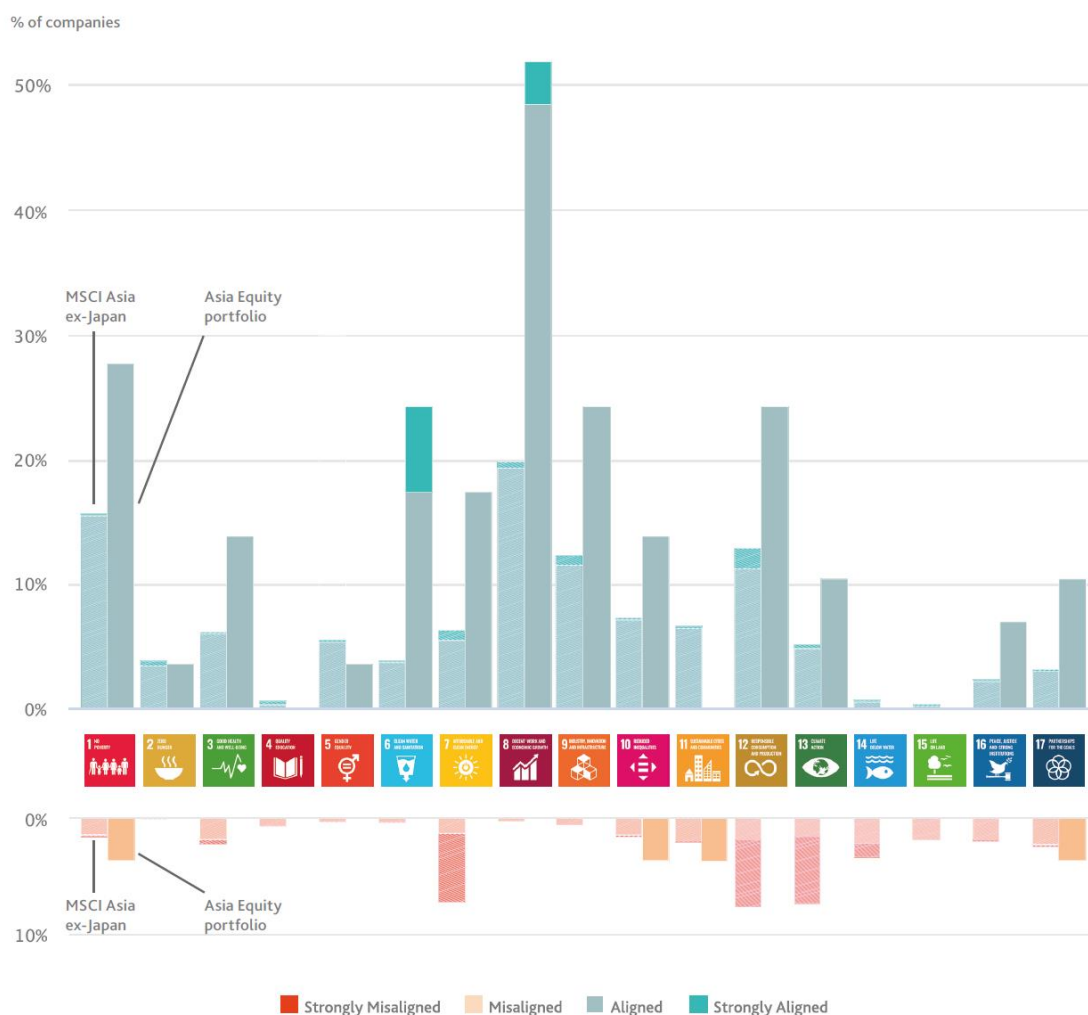
We began to use the MSCI SDG Alignment Tool in 2020 to undertake the mapping of the Global Equity and Asia Equity portfolios to the SDGs.² This tool takes account of all SDG-aligned revenues at a company, not just the main revenue streams, awarding scores for alignment of products and services according to revenue bands and takes account of the impact of companies' operations as well as their products and services. For each SDG, a company's contribution is weighed in the balance so that, based on its net scores, it can be assessed as Strongly Aligned, Aligned, Neutral, Misaligned or Strongly Misaligned.

MAPPING RESULTS

The charts below shows how the Global Equity and Asia Equity portfolios (as at 1 December 2020) come out using the tool relative to their benchmark, indicating the number of companies assessed by MSCI as Strongly Aligned, Aligned, Misaligned or Strongly Misaligned for each of the 17 SDGs (companies whose alignment with an SDG is assessed to be Neutral are not displayed).



ASIA EQUITY PORTFOLIO VS MSCI ASIA EX-JAPAN BENCHMARK



Within our Growth Equity strategy which invests in private equity, we apply an internal methodology to determine how the portfolios map to the UN SDGs. We focus on the primary activity of a company, as defined by it being an explicit part of our investment thesis and/or it being >35% of the company's revenues. There is no limit to the number of SDGs attributed for a given activity, but we don't credit second order impacts. Impacts are considered looking at the whole lifecycle of a product/service.

² Although Generation's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and /or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages.

MAPPING RESULTS

Our Growth Equity portfolios maps to SDGs:



1: No Poverty

2: Zero Hunger

3: Good Health & Well-Being

7: Affordable & Clean Energy

8: Decent Work & Education

9: Industry, Innovation & Infrastructure

10: Reduced Inequalities

11: Sustainable Cities & Communities

12: Responsible Consumption & Production

13. Climate Action

FURTHER INFORMATION

ADVOCACY AND ENGAGEMENT IN 2020

In a year defined by suffering and challenge, Generation's long-standing mission anchored us with direction and hope. We are now one year into what we believe will be the most important decade of our careers. Yet absent further transformative action, the Paris Agreement target of limiting warming to 1.5°C is unlikely to be achieved, as are the transitions needed to bring about further justice and equity to vulnerable populations.

While tested mightily in 2020, we reaffirm our optimism to meet these challenges. We believe that businesses, governments and investors have the potential, and obligation, to effect real change. At Generation, we redoubled our efforts to bring about transformative change by investing throughout 2020 in what we call our "impact initiatives."

Each of these initiatives, taken individually, has the potential to bring about needed change. Collectively, we believe they have the promise to lead the way in delivering profound impact. To date, our impact initiatives are comprised of ten distinct efforts, listed below.

As a small firm with big aspirations, we must focus and collaborate with and motivate others. Our ten impact initiatives seek to leverage our core strengths of investment performance, differentiated research, 16 years of experience and our convening power.

1. Sustainability Trends Report (STR): drawing on more than 190 sources, we published our fourth annual [STR](#) in 2020 and believe it has become the "go-to" resource for those seeking information on sustainability developments. Our aim is to aggregate and share insights which governments, businesses and investors can use to ensure a healthier, safer and more equitable world.

2. Sustainability Insights: we launched our new Insights series to share lessons drawn from our investment work in the form of publicly available research papers. In 2020, we published two papers aimed at helping to raise the bar on sustainability: [Ecommerce vs Bricks & Mortar](#) and [System Positive](#).

3. Company Engagement: in 2020 we appointed our first Director of Engagement. This new role enables us to structure more ambitious engagement programs, use voting strategically in support of our investment objectives, collaborate more with other investors and escalate engagement where necessary.

4. Investor Engagement: we aim to leverage our client relationships and use our convening power to hold a series of asset owner gatherings to build momentum in the lead-up to COP26. In 2020, we hosted two gatherings with the aim of sharing information about portfolio alignment tools, company engagement and the case for urgent and transformational capital allocation to achieve net zero emissions. We intend also to continue to leverage our relationships with asset manager peers to grow the membership and impact of the Net Zero Asset Managers initiative.

5. Measuring Portfolio Alignment: to meet growing investor and lender interest in measuring the alignment of financial portfolios to the objectives of the Paris Agreement and to advance adoption of a consistent and robust approach, Generation led a private sector initiative to critically assess the range of approaches for measuring net zero alignment of companies and investment portfolios. In November 2020, the Portfolio Alignment Team published its findings in a report, available [here](#) on the TCFD Knowledge Hub.

6. The Generation Foundation: the Foundation has matured and developed since its inception 15 years ago. In earlier years, the Foundation's role was to introduce and explain sustainable investment to a wider audience. In 2020, the Foundation entered the next phase of its work with targeted action in areas that contribute to two related impact goals: limiting global warming to 1.5°C and creating fairer, inclusive economies.

7. Natural Climate Solutions (NCS): scientists tell us that NCS have the potential to provide 10 to 11 billion tons of annual carbon sequestration – about 30% of what is required for net zero carbon emissions³ – but so far they attract only a small percentage of investor resources. In 2020, Generation started working with New Forests, a specialist in sustainable real asset investing, to convene an informal coalition aimed at attracting resources into NCS.

8. Climate TRACE: The Climate TRACE (Tracking Real-Time Atmospheric Carbon Emissions) coalition is building the world's first tool to identify, quantify and trace all significant human-caused greenhouse gas (GHG) emissions to their sources in real time, using space-based images and data from existing satellite constellations, data streams from land-, sea, and air-based sensors – combined with artificial intelligence and machine learning. When activated in the second quarter of 2021, this tool is designed to bring radical transparency to the global dialogue under the Paris Agreement. In 2020, Generation helped to launch Climate TRACE through a USD 3 million grant.

9. Climate Transition Investing: Generation is exploring the potential to establish a new, standalone, purpose-driven business with the mission to invest to achieve net zero carbon emissions via a Just Transition. This impact-first investment strategy would seek to avoid or remove one gigaton of carbon dioxide emissions per year by 2030.

10. TED Countdown Pre-Conference: finally, we are partnering with TED Conferences to convene capital markets leaders in October 2021, a month before the COP26 UN Climate Change Conference, to mobilise commitment and action by our industry at the COP itself.

³ See Griscom et al (2017). 'Natural Climate Solutions'. Article in PNAS.

THE GENERATION FOUNDATION

As mentioned, the Generation Foundation is the philanthropic initiative of Generation. It is a distinct charitable entity, entirely funded by a distribution of Generation Investment Management's profits each year. The Foundation's mission is to drive the urgent transition to an equitable society in which global temperatures do not exceed 1.5°C. The Foundation operates by identifying where its resources and expertise will be most effective in delivering transformation change. Through targeted interventions, it acts as a catalyst for realising immediate and long-term impact in four priority areas: investor climate action, carbon pricing, gender inclusion and empowerment, and action on economic inequality.

In 2020, the Foundation met its targets and deployed over GBP 10 million in charitable funds – more than double the previous year.

The Foundation now has a portfolio of around 20 strategic partnerships, each contributing to its four impact goals. The Foundation is the largest donor to the COP26 Non-State Actor Champions office and supported their work to galvanise business and civil society efforts on climate and build a groundswell of ambition at the most important COP yet. The Foundation's work addressing inequality includes its partnership with the Social Mobility Foundation in the UK (SMF). The Foundation funded SMF's launch of the Department for Opportunities – driving practical systems change to ensure that young people from all socio-economic backgrounds have a fair chance in life.

While we continue to recognise the power of funding research, raising ambition and building coalitions as tools for change, we know that work is most effective when combined with tangible, real-world impact. The Foundation funds projects with immediate benefits for communities and the environment. Examples include a project with Conservation International that aims to demonstrate best-in-class national Reducing Emissions from Deforestation and forest Degradation (REDD+) programmes in Kenya and our work with 350 Africa supporting grassroots NGOs working for a just transition to a more sustainable and equitable economic system in South Africa.

We are incredibly proud of the Foundation's strategic partnerships, but we are not immune to the uncertainty and disruption this year has brought. The Foundation has been fortunate to have been able to help as countries around the world locked down and people faced hardship and illness because of the pandemic. We responded in two direct ways: firstly, by supporting existing partner organisations. In March and April, the Foundation reached out to every one of its strategic grant partners to offer support, flexibility and funding to fill gaps created by the pandemic. By allocating GBP 315,000 in additional funding, the Foundation ensured that work on climate and inequality was not delayed or abandoned in this crucial year.

The other way the Foundation responded was with a Pandemic Response Fund. Though not an emergency response funder, as a small, lean organisation, we had more flexibility than most to move quickly. The Foundation team contacted over 100 organisations in the space of three weeks and met with management teams of dozens of charities around the world. We identified 14 organisations, each working to help people who were most vulnerable to the economic and health impacts of COVID-19. A group of partners at Generation Investment Management decided to personally match the Foundation's fund, resulting in GBP 1.36 million in early response funding reaching great organisations around the world.

The pandemic was not the only challenge 2020 presented. With the murder of George Floyd and the resulting protests for racial justice in the US and across the globe, colleagues at Generation wanted to have important conversations about race and inequality and voiced a strong desire to act and make a positive change. The Foundation responded by developing a new employee programme, the Engagement Grant. The Engagement Grant offered employees the opportunity to join a small group and work together to identify an organisation tackling any element of racial injustice or inequality and write a proposal for a GBP 100,000 grant. We expected a half dozen people to sign up but were delighted when more than 20 people volunteered to participate. The teams

worked with dedication and identified three excellent charities, allocating GBP 300,000 to projects tackling racial injustice. The pilot was so well received that the trustees agreed to make this a permanent feature of the Foundation's employee offerings, alongside the matched giving and sustainable community grants programmes.

Nothing about this year has gone as expected, but the difficult circumstances brought further recognition of the interconnected nature of environmental and social justice issues. We ended 2020 with more conviction than ever that urgent action on our climate crisis and inequalities is vital and that being flexible and responsive will serve us well as we seek to achieve an equitable transition to a net zero economy.

To learn more about The Generation Foundation's work, please visit www.genfound.org.

OUR VALUES

COMMITMENT TO CLIENTS

We are committed to providing exceptional client service — above all by delivering superior long-term performance¹ — and by ensuring that our interests are fully aligned with those of our clients.

INTEGRITY

Integrity and honesty are the bedrock of our business. We expect the highest ethical standards in our work and in our personal lives.

EXCELLENCE AND INNOVATION

We aim for excellence in all that we do, and ensure that our investment processes encourage rigorous research, curiosity and continuous learning. We believe interdisciplinary, diverse teams are the most likely to yield new insights and produce the best results for our clients over the long-term.

TEAMWORK

Teamwork underpins our one-firm culture. We consider each of the women and men with whom we work as individuals entitled to respect and dignity, and we recognise and reward their contributions on the basis of merit.

COMMUNICATION

Effective communication is critical to teamwork and to our relationships. We encourage and especially value hearing different viewpoints and respectful challenges to consensus opinions.

DIVERSITY

Diversity, in the broadest sense, helps drive our success. A welcoming work environment, where individuals can bring the totality of their experience and perspectives, is an invaluable contributor to greater economic success.

SUSTAINABILITY RESEARCH

Our investment philosophy, which integrates sustainability research with traditional financial analysis, affords us the highest opportunity to deliver outstanding investment results.

INDEPENDENCE

We have chosen an independent, private owner-managed partnership as an enduring business model. Similarly, we are committed to remaining a boutique investment firm focused on continual improvement in our performance.

RESPONSIBLE CITIZENSHIP

We recognise and accept our responsibility to live in accordance with our values, to be responsible to the communities in which we live and work, and to the world community. We aim to reduce our environmental footprint where possible; we are mindful of ways to help our employees fulfil their personal responsibilities; and we actively encourage philanthropic engagement.

SUSTAINABLE CAPITALISM

Through engagement with our clients, our portfolio companies and the broader financial markets, we strive to promote a more sustainable form of capitalism. [The Generation Foundation](#) is an important element of this work.