

Responsible Investment Service (RIS) Bi-annual Report *Spring / Summer 2025*

*Realising Ambitions.
Securing Futures.
We are Brooks Macdonald.*





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Foreword

Welcome to the latest edition of the Responsible Investment Service report – Spring/Summer 2025.

The political climate today poses real questions for sustainability-focused investors. With US President Donald Trump championing increased oil drilling, withdrawing from the Paris Agreement, and signalling plans to dismantle diversity, equity, and inclusion (DEI) efforts, headlines warn of a retreat from corporate sustainability commitments and a faltering growth path for renewables. For those committed to aligning their investments with environmental and social progress, this backdrop can feel unsettling.

In this report, we invite you to look beyond the turbulence. Are the challenges to sustainable investing as daunting as they seem, or might the narrative of decline be overstated? We believe signals of resilience and opportunity persist—market forces, technological breakthroughs, and global momentum that transcend any single administration’s agenda.

At the Responsible Investment Service (RIS), we remain steadfast in our conviction: businesses that address environmental, social, and governance (ESG) priorities responsibly are poised for structural growth, offering investors both resilience and reward. Such companies are likely to better manage risks and be more productive.

In addition to these enduring market forces, regulatory developments are also shaping the sustainability landscape in meaningful ways. In the UK, we are encouraged by the growing momentum

behind the Sustainability Disclosure Requirements (SDR). Since December 2024, an increasing number of funds have obtained SDR labels, primarily designed to help retail investors identify sustainable investments that meet their preferences. While the final tally was unavailable at the time of writing, projections indicate that over 100 funds may achieve a label, following approval from the regulator—including the majority of funds within RIS portfolios that are in scope of the regulations (UK domiciled).

In this report, we invite you to look beyond the turbulence. Are the challenges to sustainable investing as daunting as they seem, or might the narrative of decline be overstated? We believe signals of resilience and opportunity persist.

Discretionary Fund Managers (DFMs) are still awaiting clarification on how sustainability labelling rules will apply to a Managed Portfolio Service (MPS), with timelines yet to be confirmed.



Based on previous Financial Conduct Authority (FCA) communications, however, we understand that labels should not be the key driver of a DFM’s fund selection process, and additional due diligence is required. This is a sensible approach, as labels—while a helpful indicator—do not provide the complete picture for investors.

For example, within RIS portfolios, some funds in scope of Sustainability Disclosure Requirements (SDR) have opted for ‘unlabelled with sustainability characteristics.’ In our view, these funds are comparable to labelled options, but their decision has been influenced by a regulatory environment that favours quantitative approaches over qualitative processes and prioritises product sustainability over operational sustainability. Additionally, the significant costs associated with obtaining a label can penalise smaller asset managers.

As the landscape evolves, we maintain conviction that the funds we invest in have robust sustainability processes which align with our sustainability objectives. We will continue to monitor industry developments and engage with both the FCA and wider stakeholders to help shape future expectations for DFMs. As more concrete guidance becomes available, we look forward to keeping our advisers informed.

We hope you enjoy this report, and if you would like any more information on RIS, then please do get in touch.



Mariella Rice-Jones
Responsible Investment Lead

The eight sustainability themes

Our Advance strategies aim to gain investment exposure to businesses that directly contribute to creating a more sustainable future.

This can be delivered either through the provision of products and services that have a tangible positive environmental or social benefit, or through responsible business practices where management teams are displaying credible commitments to minimise negative externalities, and proactively increasing the positive impacts of their operations, products and services.

We have identified eight core sustainability themes where we believe businesses can make a meaningful positive contribution, providing an important framework for our research. We also undertake a detailed assessment of how the products and services of the underlying investments in our portfolios align with these themes, in order to help our clients understand how their money is being invested.

Examples of the types of investments that may be included in each theme can be found in our thematic framework key on page 9.

Our mapping of underlying portfolio investments to the eight sustainability themes is based on a careful, case-by-case assessment of each company's business activities, where the threshold for inclusion requires a clear alignment of products and services.

Where investments have exposure to more than one theme, we have made a judgement on which area it has greatest exposure to. Investments that have a looser thematic alignment but are making their business models more sustainable are assigned to our 'Responsible Businesses' category. Our methodology is under constant review.



Cleaner Energy

To slow down and eventually halt the progress of global warming and its devastating effects on the planet and society, carbon emissions must be drastically reduced across the economy. Re-orientating the world's energy sources towards cleaner alternatives to fossil fuels, such as wind, hydro and solar power, is a key part of this endeavour. We have mapped our portfolios' exposure to this theme across three areas; cleaner energy generation, cleaner energy distribution and cleaner energy storage.



Resource Efficiency

The planet has a finite supply of raw materials. The efficient management of those resources is becoming increasingly important as the world's population continues to grow, and developing economies industrialise and urbanise. We have mapped our portfolios' exposure to this theme across four areas; efficient products and services, efficient manufacturing, efficient buildings and sustainable food production.



Water & Waste Management

Water is essential to sustain life on earth, creating a clear imperative to ensure the effective management, treatment and provision of this vital resource. A range of factors including rapid population growth, rising living standards, globalisation and industrialisation has driven exponential growth in waste volumes over time. This, in turn, has caused material negative impacts on the natural environment. In order to minimise and reverse these harmful trends, the world needs to transition to a new model whereby we 'close the loop' and create a 'circular economy' where waste products are turned into a resource that can be re-used or re-purposed. We have mapped our portfolios' exposure to this theme across three activities; efficient water use, water treatment and provision, and the circular economy.





Sustainable Transport

Moving people and products around the world is a key enabler of economic and social development, however, our current methods for doing this have been to the detriment of the environment. To protect our planet, we need to change both what powers our transport networks, and how we move from place to place. We have mapped our portfolios' exposure to this theme across two areas; alternatives to road transport and less polluting road transport.



Health & Wellbeing

Looking after our physical and mental health is of paramount importance both at an individual and a societal level. This theme covers how we maintain our health and wellbeing from having access to nutritious food, shelter, digital connectivity, and fitness, to how we recover when our health deteriorates. We have mapped our portfolios exposure to this theme across five areas covering: healthcare provision, diagnostics and research, healthier lifestyles, nutrition, and social infrastructure.



Safety

People are exposed to safety risks in several ways and as technology and Generative Artificial Intelligence (GenAI) advances the range of risks continues to grow, for example the increasing likelihood of identity theft and cybersecurity breaches. Finding solutions to keep individuals physically and digitally safe is central to a functioning society. We have mapped our portfolios exposure to this theme across two areas; making people safer and making products safer.



Education

Enabling access to primary, secondary and tertiary education across all sections of society is a central building block of sustainable economic and social development. Within the workplace it continues to be important to offer education and training opportunities to allow individuals to develop their knowledge, skills and meet their full potential. We have mapped our portfolios exposure to this theme across two areas; education services and education content.



Financial Inclusion

To fuel economic and societal development there needs to be an inclusive financial system that provides support across society. Whether that is empowering individuals to purchase their homes, providing corporate facilities to entrepreneurial businesses around the world, or removing barriers to pensions and savings products allowing people to plan for their futures. We have mapped our portfolios exposure to this theme across two areas; access to finance and pensions and savings.



Responsible Businesses

There is inherently a lot of subjectivity when it comes to defining a Responsible Business. We consider these to be companies making clear and tangible efforts to systematically improve the environmental and social impacts of their operations, products, and services. These businesses are often characterised by strong management teams and corporate cultures. They still positively contribute to several of the identified Advance themes, but this is primarily through improvement of their corporate, environmental, and social footprint, and a looser connection of their products and services. For inclusion as a responsible business, a company's products and services must be deemed to have at least a neutral impact on the environment and society.



Theme	Sub-themes	Product and service examples
 Cleaner Energy	Cleaner energy generation	Renewable energy power generation
	Cleaner energy storage	Grid battery storage
	Cleaner energy distribution	Utilities (electricity network infrastructure)
 Resource Efficiency	Efficient products and services	Environmentally friendly materials, energy efficient products, energy smart metering, productivity enhancing software providers
	Efficient manufacturing	Precision manufacturing, robotics, providers of efficient manufacturing services, warehouse automation equipment
	Efficient buildings	Energy efficient construction materials, heating, ventilation and air conditioning (HVAC) systems, sustainable building planning software providers
	Sustainable food production	Precision agriculture, sustainable natural ingredients
 Water & Waste Management	Efficient water use	Smart metering technologies
	Water treatment and provision	Utilities (water and waste), drainage and urban planning, commercial and domestic water systems
	The circular economy	Waste management recycling operations, recyclable materials, energy from waste, sustainable timbe
 Sustainable transport	Alternatives to road transport	Rail networks/ servicing/ manufacturing, cycling supplies
	Less polluting road transport	Electric vehicle supply chains, multi-passenger services
 Health & Wellbeing	Healthcare provisions	Pharmaceuticals, medical supplies and devices, healthcare services, specialist health insurers, biotechnologies and life sciences
	Diagnostics and research	Diagnostic and research equipment and services
	Social infrastructure	Social housing, affordable housing, hospitals and medical centres, telecommunications infrastructure, charity bonds, developments bank bonds
	Healthier lifestyles	Ports and leisure, personal care products
	Nutrition	Food producers, food retailers
 Safety	Making people safer	Personal protection products, home safety, cyber security, commercial hygiene services, emission and air quality monitoring
	Making products safer	Product testing, transport safety products, equipment and product monitoring and servicing, safety component manufacturing
 Education	Education services	University bonds, professional training, e-learning platforms, learning disability support, student accommodation
	Education content	Education publishing
 Financial Inclusion	Access to finance	Building societies, retail banks, mortgage companies, emerging market banks, payment solutions and platforms, life and non- life insurances
	Pensions and savings	Accessible pension and saving specialists



Sovereign bond exposure

We are comfortable owning dedicated sovereign bond funds, currently UK Gilts and US Treasuries, if the underlying sovereign bond issuers meet the requirements of our dedicated framework.

Our requirement for inclusion is for the issuing government to have a net-zero target in a policy document, as identified by the Energy and Climate Intelligence Unit's net-zero emissions tracker, and for the country to be classified as 'Free' or 'Partly Free' by Freedom House, an independent source that rates people's access to political rights and civil liberties.

Whilst we are comfortable owning these funds, we do not include them in our thematic alignment process due to the difficulty aligning them to an individual theme given the broad use of the proceeds generated from these bonds, including transport, housing, health and education. Our portfolios will also have some indirect sovereign bond exposure through other fixed income holdings.

When researching these funds, we must be comfortable that they have a robust process for selecting sovereign issuers that are best managing their Environmental, social and governance (ESG) risks and opportunities, compared to the countries' respective peer groups.

GSS+ Bonds

Green, social and sustainability (GSS) bonds, as well as a number of emerging bonds including sustainability-linked, blue, and transition bonds (collectively known as GSS+ bonds), are one such set of evolving financial instruments.

Unlike traditional bonds, GSS+ bonds, also called 'use of proceeds' bonds, must be linked to projects that have positive environmental outcomes, social benefits, or a mixture of both. Organisations that issue GSS+ bonds typically publish frameworks outlining the types of projects that are eligible for funding, any exclusions and, in some cases, highlight

alignment to global initiatives, such as the United Nations Sustainable Development Goals (SDGs).

Many established issuers also publish comprehensive impact reports with details about the projects their bonds are financing globally, and the progress made, which provides greater transparency for investors.

We have separated out GSS+ in the thematic alignment exercise, based on data sourced from the third-party provider FactSet. In many cases, the projects funded span a number of our eight Advance themes.



Green bonds

Green bonds are issued by countries, renewable energy companies, and companies transitioning their operations. Money is raised for projects to improve energy efficiency, add renewable energy, reduce pollution, instil sustainable resource practices, develop technology, or protect ecosystems.



Social bonds

Social Bond proceeds are allocated to projects with clear social objectives, such as providing clean drinking water and affordable housing, funding education and healthcare initiatives, or promoting food security and job creation. These projects typically support more vulnerable segments of the population and provide much-needed financing to developing countries.



Sustainability bonds

Some bonds finance or re-finance a combination of both green and social projects and these are known as Sustainability Bonds.



Transition bonds

These bonds are typically issued by companies operating in industries with high greenhouse gas emissions, which cannot issue bonds under the 'Green' label. Transition Bonds help corporates fund their transition towards a lower carbon future.

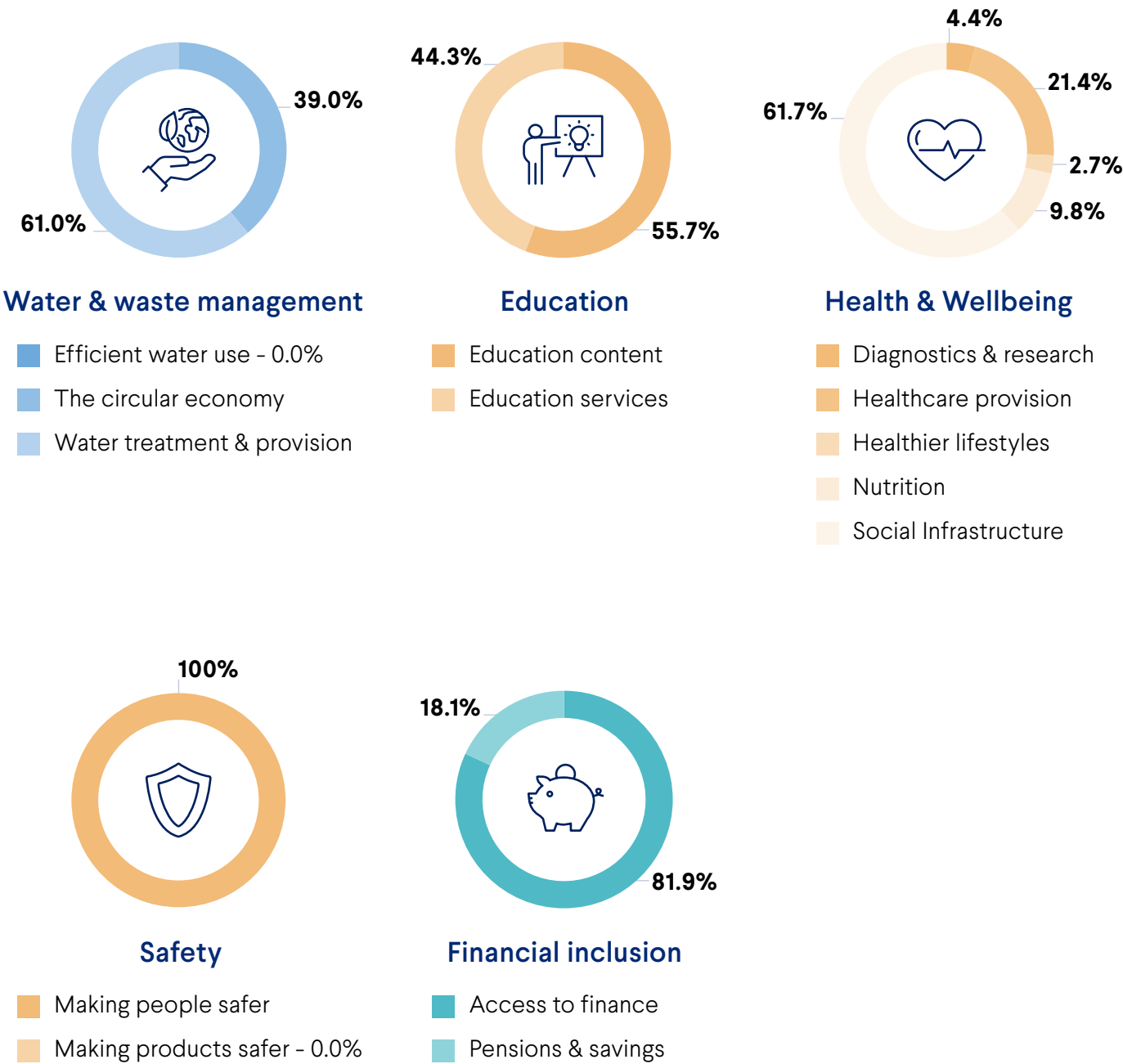
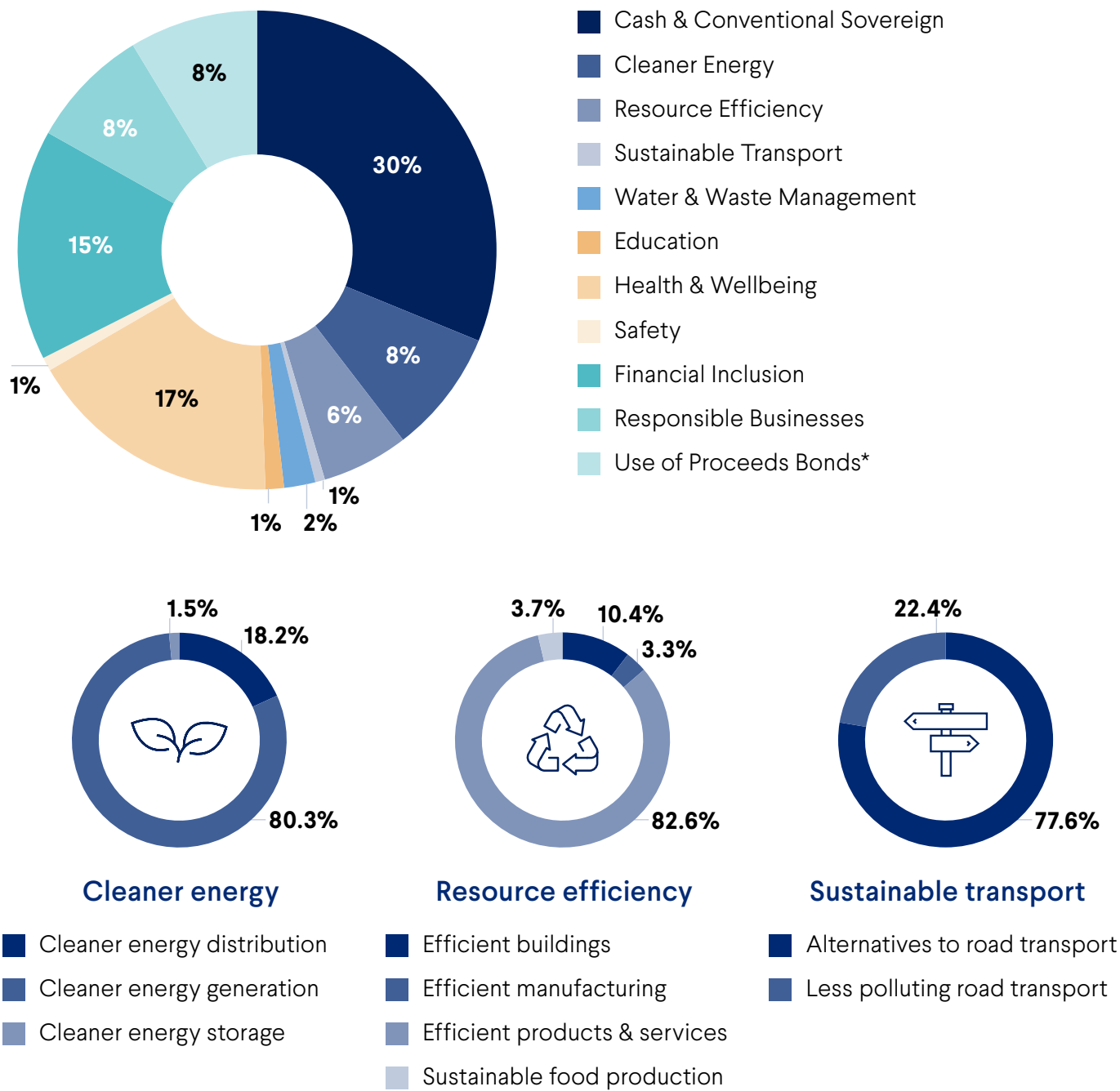


Thematic alignment charts

31 December 2024

Responsible Investment Platform

MPS Low Advance



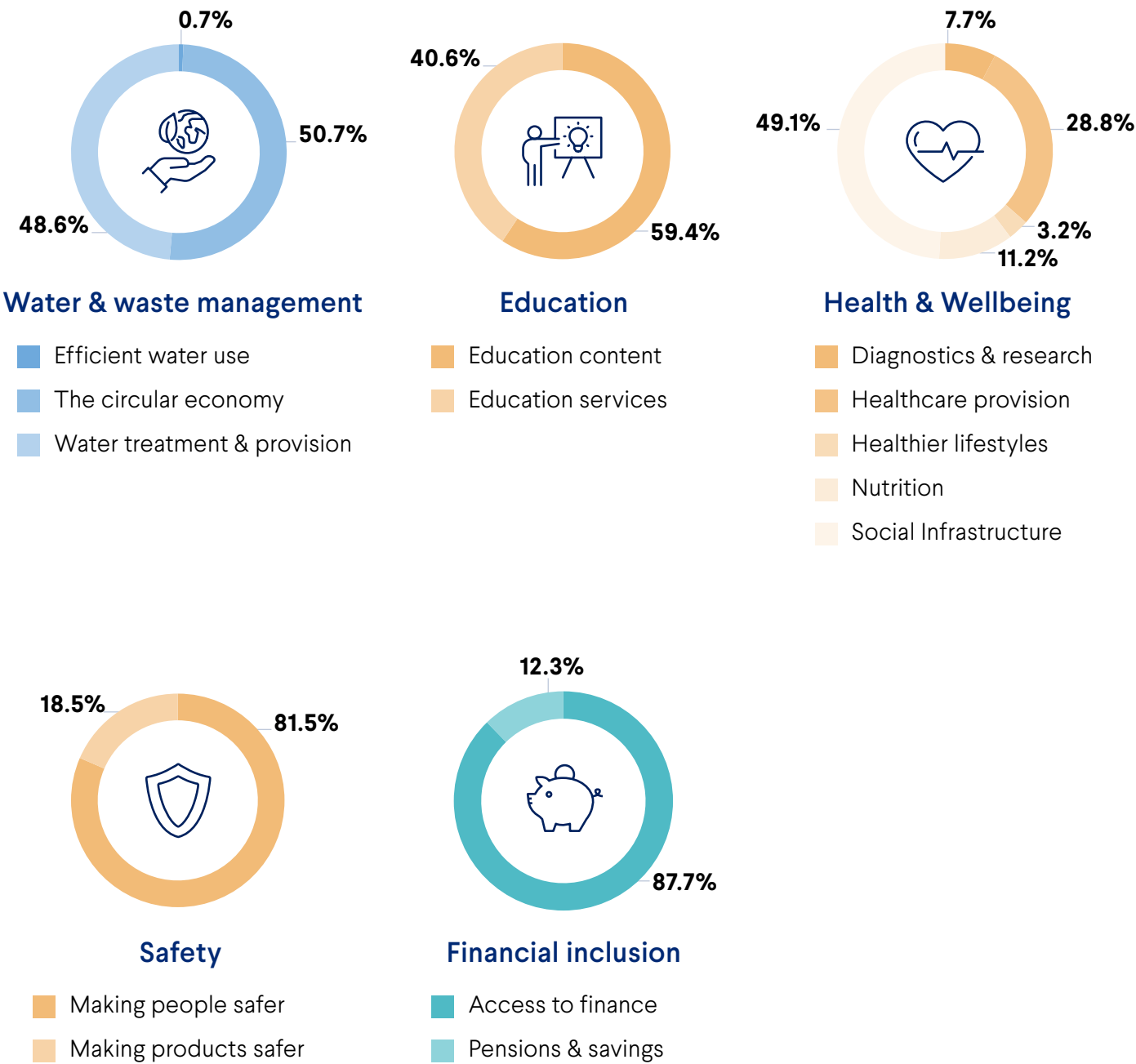
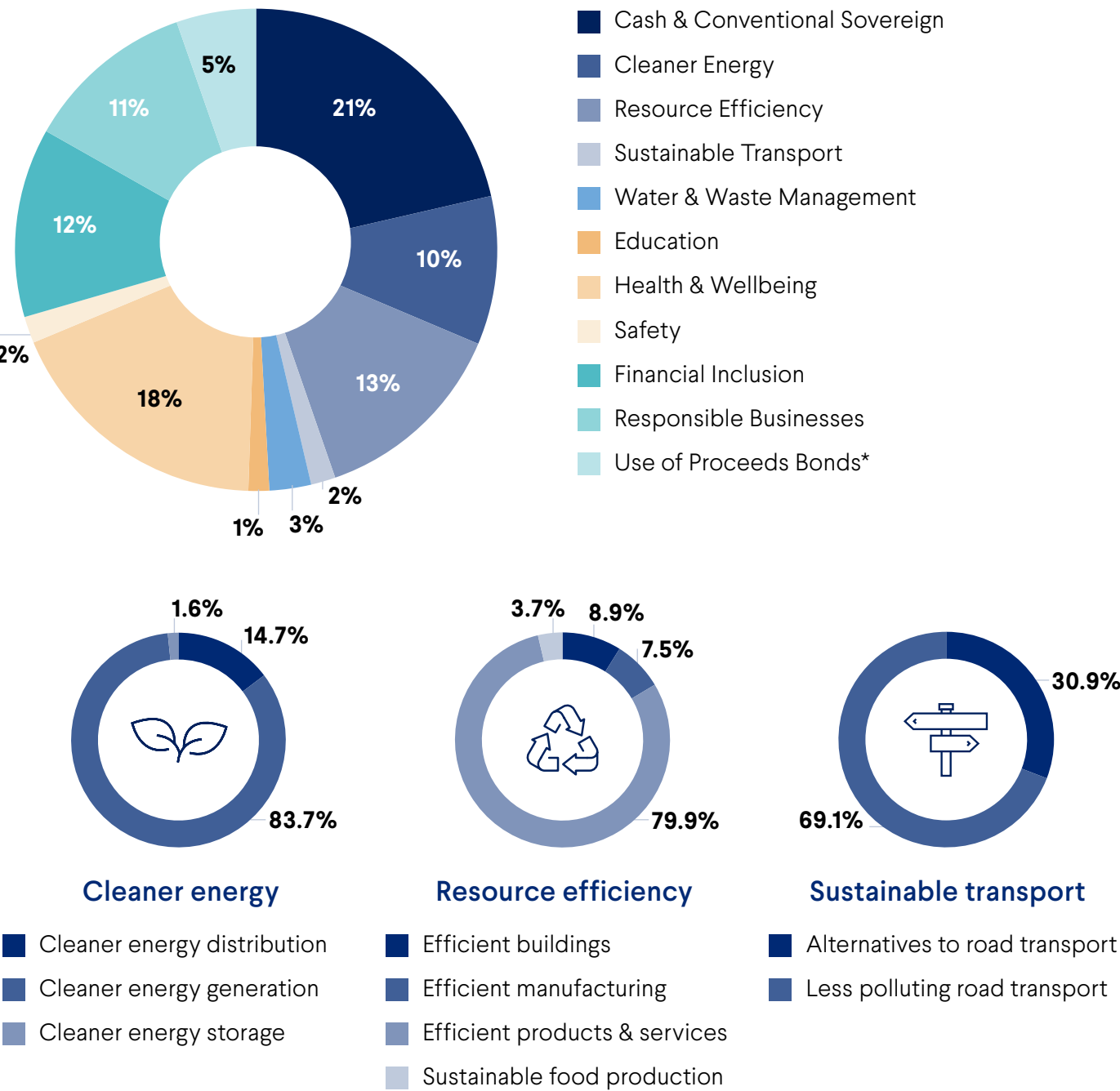
Data as at 31 December 2024. Themes and sub themes may not add up to 100% due to rounding.
 * See breakdown of Proceed Bonds on page 21.

Thematic alignment charts

31 December 2024

Responsible Investment Platform

MPS Low-Medium Advance



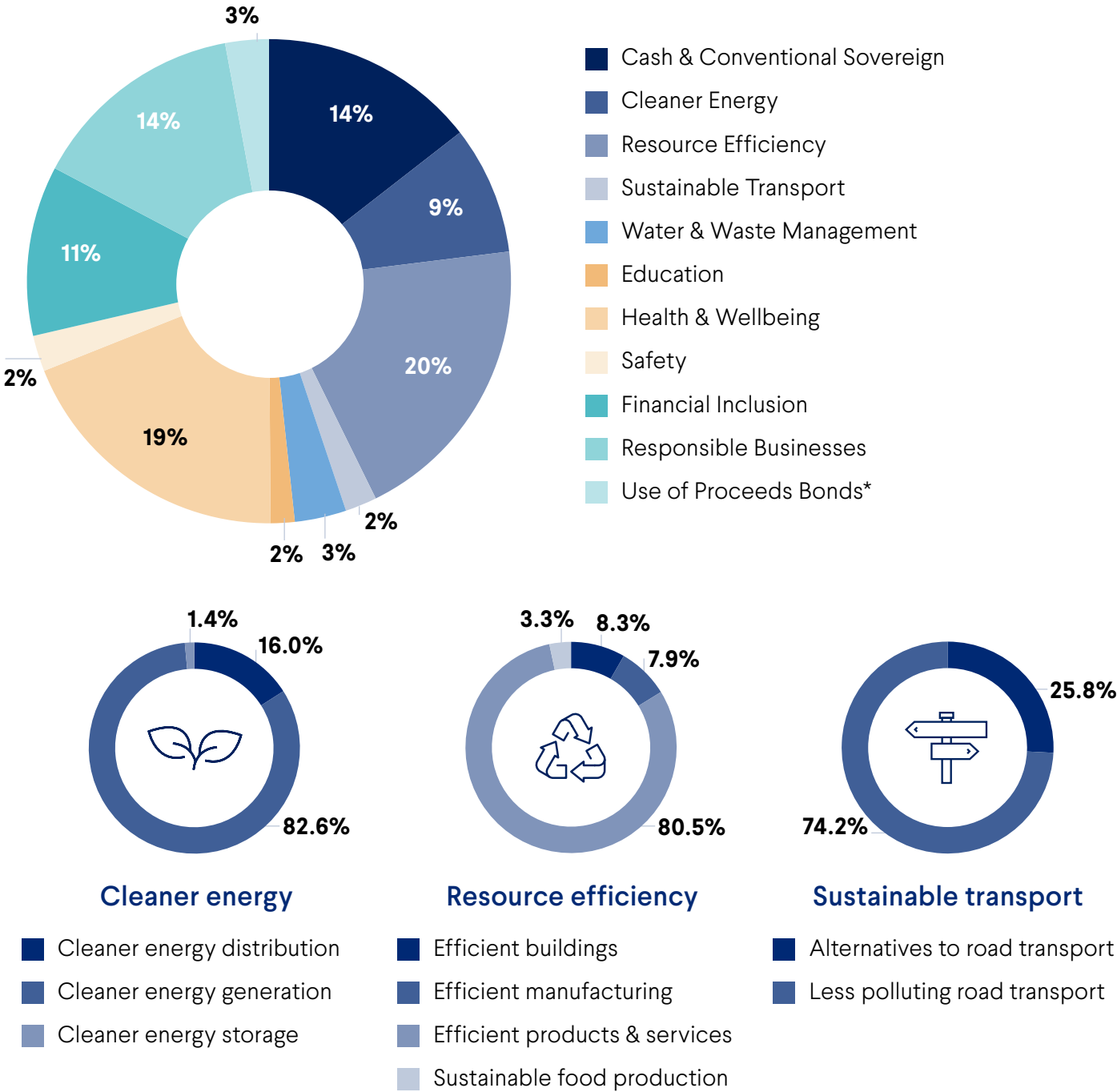
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 * See breakdown of Proceed Bonds on page 21.

Thematic alignment charts

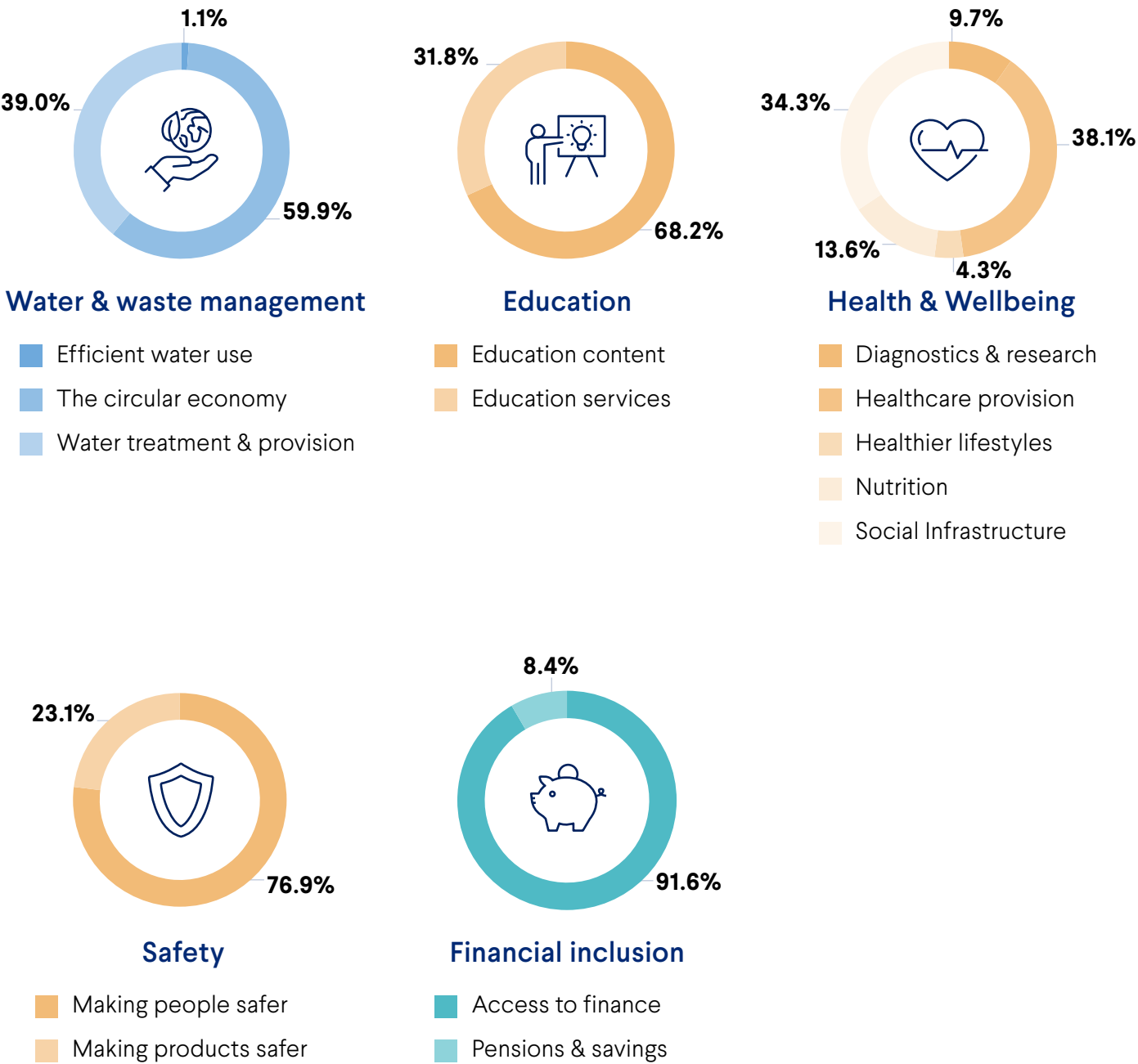
31 December 2024

Responsible Investment Platform

MPS Medium Advance



Data as at 31 December 2024. Themes and sub themes may not add up to 100% due to rounding.
 * See breakdown of Proceed Bonds on page 21.

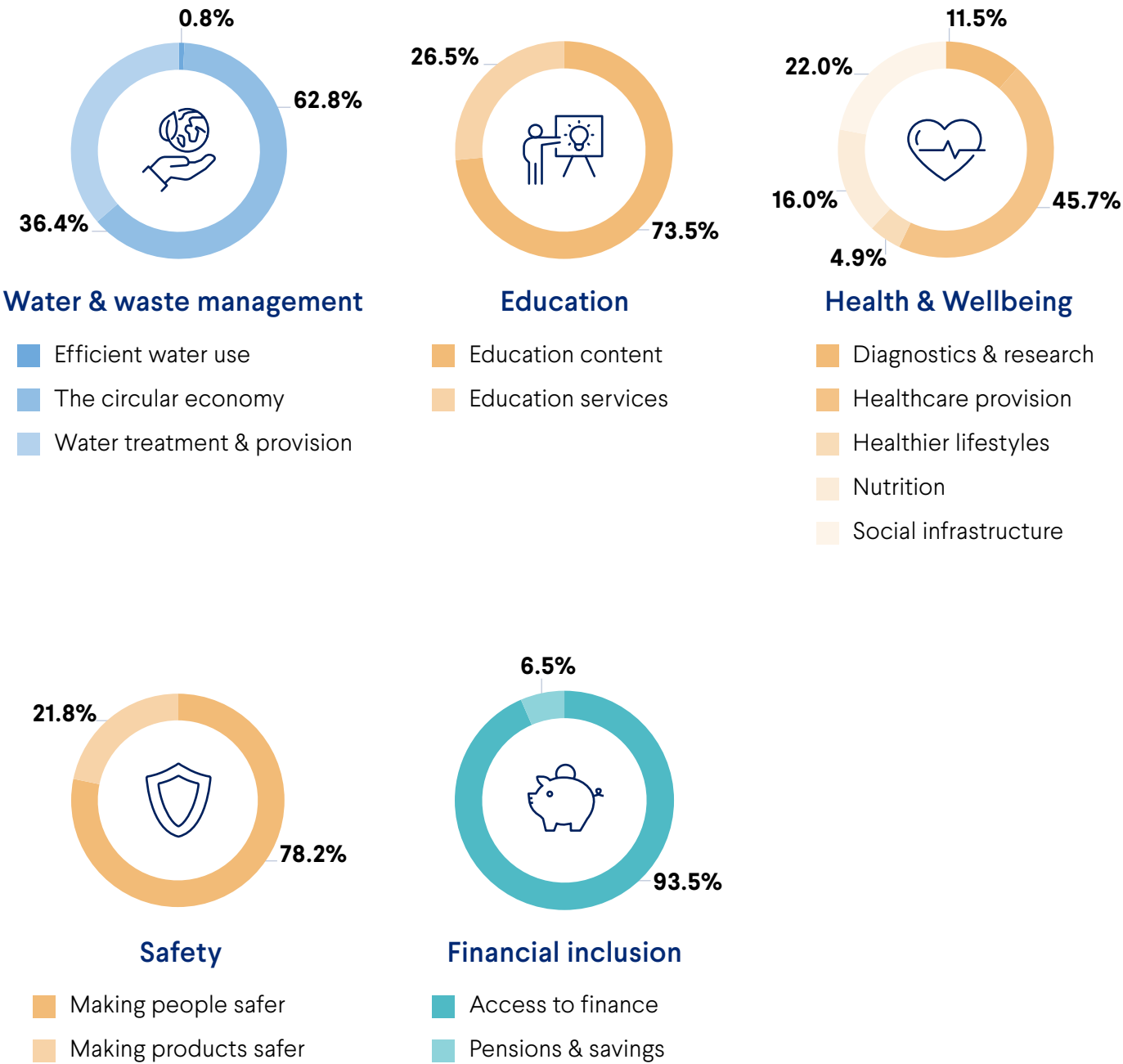
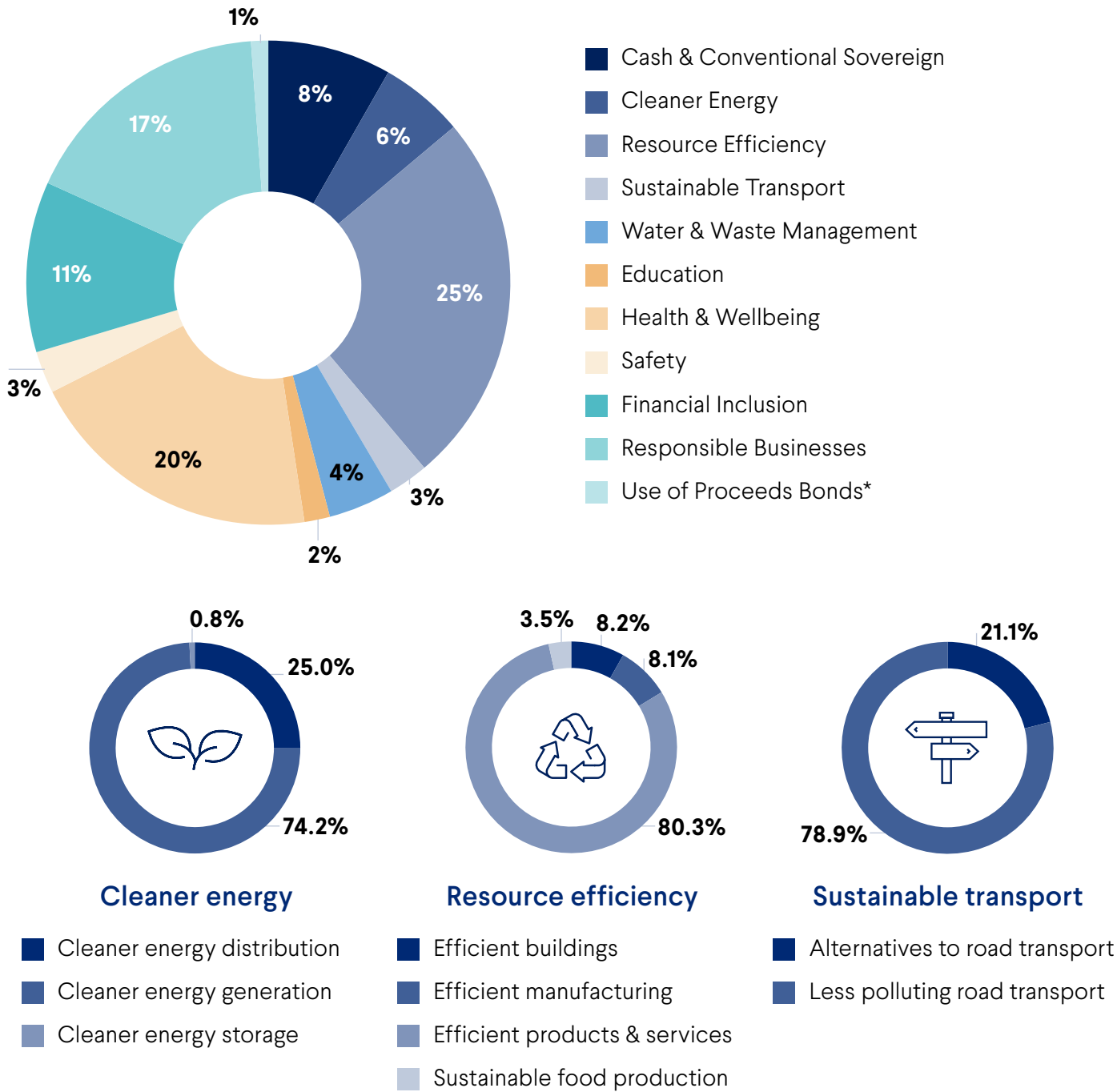


Thematic alignment charts

31 December 2024

Responsible Investment Platform

MPS Medium-High Advance



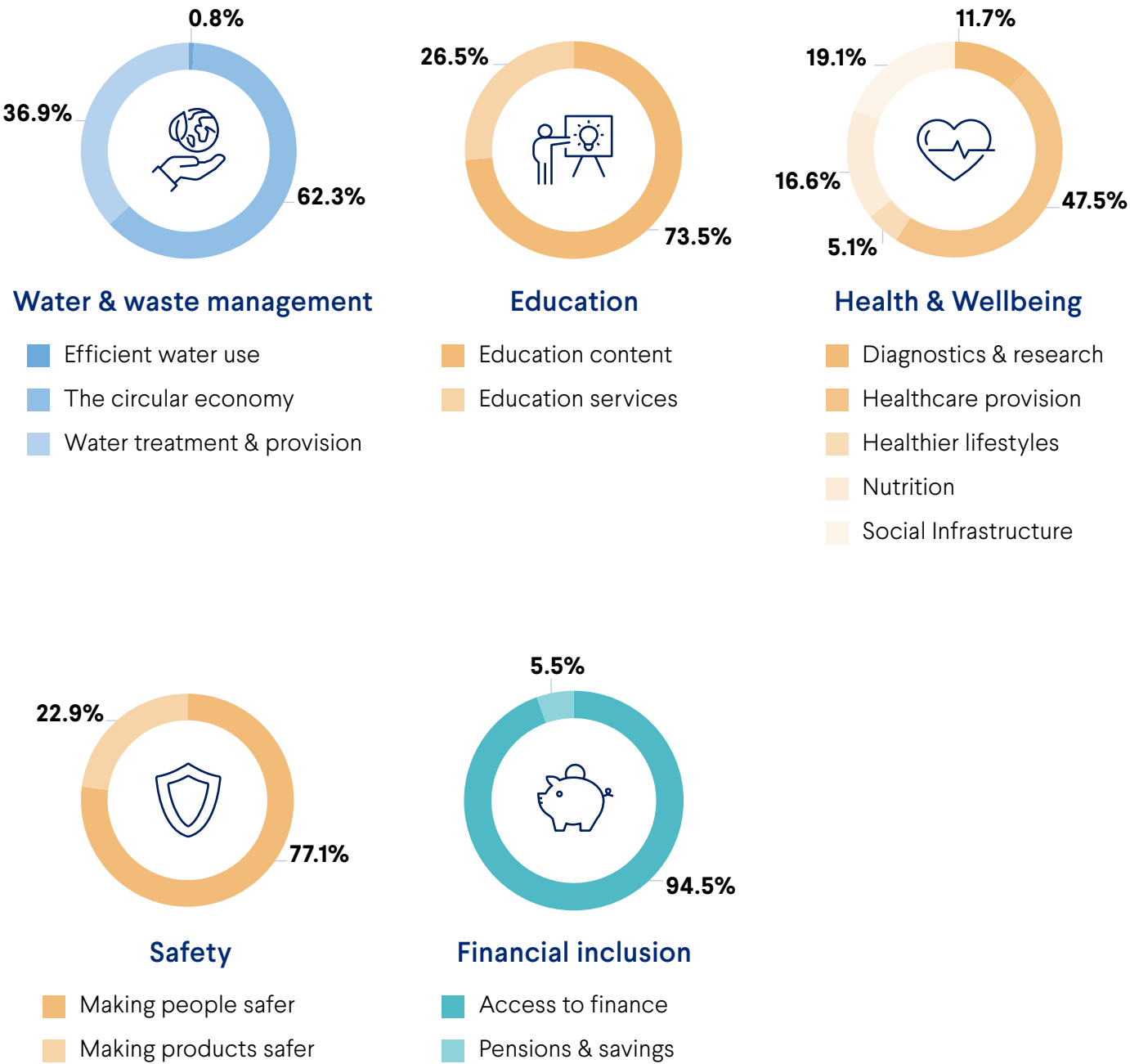
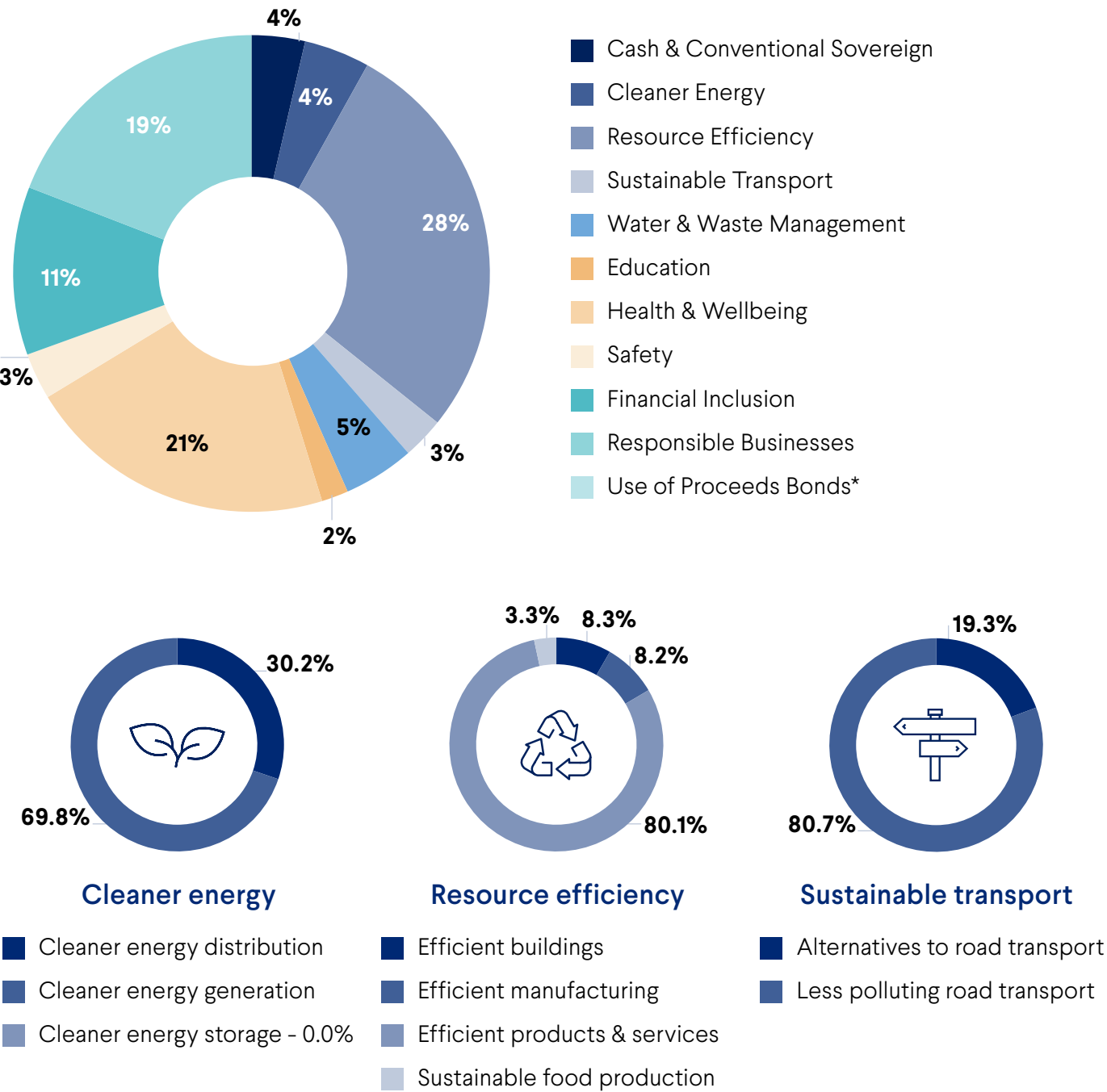
Data as at 31 December 2024. Themes and sub themes may not add up to 100% due to rounding.
 * See breakdown of Proceed Bonds on page 21.

Thematic alignment charts

31 December 2024

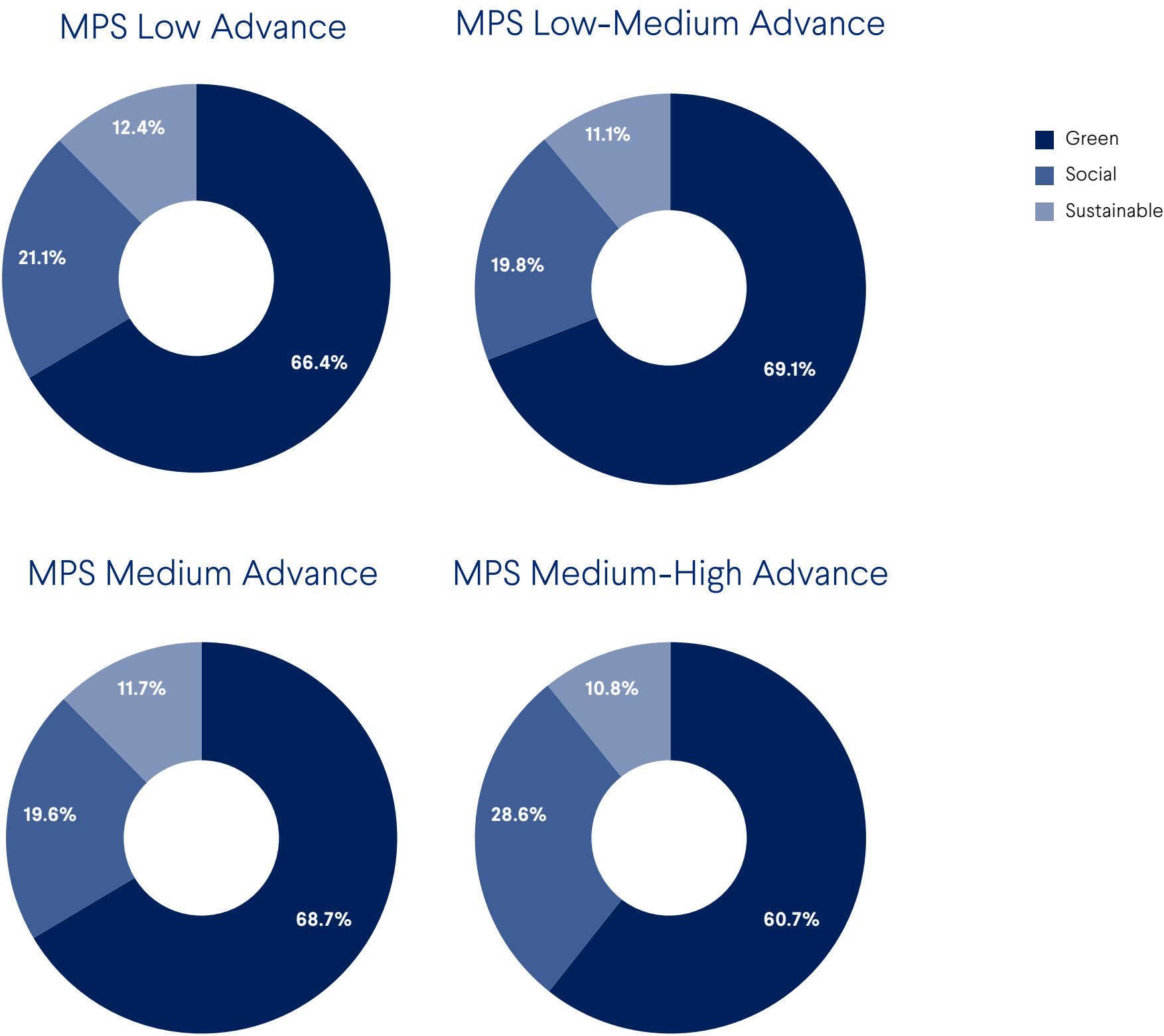
Responsible Investment Platform

MPS High Advance



Data as at 31 December 2024. Themes and sub themes may not add up to 100% due to rounding.
* See breakdown of Proceed Bonds on page 21.

Use of Proceeds Bonds



Navigating responsible investing in a changing political landscape

In the face of concerns regarding the current political stance on renewable energy in the US, it is crucial to recognise that the shift towards a sustainable and decarbonised economy is largely propelled by market forces and technological advancements, not solely by policy directives, and that the actions of a single country cannot derail the energy transition that is underway.

The economic appeal and efficiency gains of clean energy technologies have reached a pivotal juncture, allowing them to compete with, and in many cases surpass, conventional energy sources without the need for governmental subsidies. This evolution aligns with the 'America First' economic strategy and is instrumental in powering the Artificial Intelligence (AI) revolution, which demands a significant supply of energy from renewable sources.

Trump's America and the Inflation Reduction Act (IRA)

Investors are worried that Trump's pro-oil stance could undermine the 2022 Inflation Reduction Act (IRA). It is important to keep in mind that the IRA is designed with longevity in mind, with provisions that extend until a 75% reduction in US emissions is achieved or until 2032. The IRA has so far enjoyed bipartisan support due to the economic benefits it brings, particularly to red states through job creation.

While the IRA could see adjustments, such as shortened tax credit durations, the momentum of renewable energy sectors like wind, solar, and battery storage is unlikely to wane given their established economic viability. In fact, a reduction in tax credit timelines may catalyse a surge in

demand for these technologies. Additionally, a focus on deregulation could expedite the development of renewable energy projects, as seen during Trump's first term with the significant expansion of wind capacity.

Tariffs and the global energy transition

Trump's tariffs pose a threat to climate action, as they are expected to drive up the costs of the components of clean energy production in the US, which could hinder investments and increase domestic emissions. A potential silver lining for the energy transition, however, is that rising costs of materials like steel and aluminium will not only impact renewable energy but also make drilling oil wells and building natural-gas export terminals more costly, undermining Trump's "drill baby drill" ambitions.

Other bright spots are that many countries have adjusted their supply chains to minimise exposure to US policy volatility. China, facing a 34% tariff, may shift its clean tech exports (including solar panels, electric vehicles (EVs), batteries and wind turbines) towards low- and middle-income countries, reducing costs and boosting adoption there. India, facing lighter tariffs, stands to benefit, having already increased solar exports to the US to 9.4 gigawatts (US\$3.4 billion) in 2023 and 2024 combined. Additionally, an unpredictable US could give the UK and EU an opportunity to attract low-carbon investment and enhance their competitive position in the energy transition.

Corporate commitments to sustainability

Corporate America and municipal governments have continued to advance their sustainability agendas, regardless of federal policies. This trend is expected to persist, with regulatory changes in Europe and California mandating large companies to disclose their emissions footprint. Businesses plan for the long term, extending well beyond any single political cycle.

International climate policy and innovation

Internationally, climate policy remains a priority, with regions like Europe and Asia making significant strides in their energy transitions. The European

Commission is actively working to counteract any negative impacts from potential US policy shifts, with ambitious plans to increase carbon pricing and set strict targets for various sectors. At the same time, Chinese firms are already leading in solar panels, EVs, and batteries, and they may leverage this to expand their global market share, further reducing costs and accelerating adoption. The declining costs of renewable energy are also prompting other emerging markets to opt for local solar and wind energy over imported fossil fuels.

Diverse investment opportunities

The perceived challenges facing the renewable sector may be exaggerated, and the recent dip in decarbonisation stocks presents an opportunity to invest in quality companies with strong growth prospects that may be undervalued by the market. Investments in the environmental sector extend beyond renewable energy to include water treatment and waste management, which are less susceptible to political changes. At a broader level, our portfolios are well diversified across various sustainability themes, with the largest allocations in resource efficiency, health & well-being, and financial inclusion, reflecting long-term structural trends like an ageing population and growing inequalities.



The new age of nuclear: balancing risks and opportunities in the drive towards a low-carbon future

Nuclear energy is at a pivotal moment, buoyed by rising demand, policy support, and technological promise. While risks remain, its role in powering an electrified, low-carbon future—particularly alongside rise of Artificial Intelligence (AI)—cannot be ignored.

Within our Responsible Investment Service (RIS) portfolios, we are positioned to leverage this opportunity prudently, ensuring our clients benefit from emerging trends while staying true to our responsible investment principles.

The revival of nuclear energy: demand and policy tailwinds

The world is entering an "Age of Electricity," where global electricity demand is projected to grow six times faster than overall energy demand over the next decade. This surge is driven by electrification across industries, transportation, and the rapid expansion of data-intensive technologies like AI. At the same time, the urgency to decarbonise energy systems and enhance energy security amid geopolitical tensions has brought nuclear energy back into focus.

Unlike intermittent renewable sources like wind and solar, nuclear offers a reliable, low-carbon baseload power supply—emitting primarily steam and requiring far less land than other clean energy alternatives.

Governments and policymakers are taking note. Over 40 countries now support nuclear expansion, a level of interest unseen since the 1970s oil crises. At COP28 (Conference of the Parties 28), 25 nations pledged to triple global nuclear capacity by 2050, backed by concrete policy measures. In the US, the Inflation Reduction Act has bolstered incentives for nuclear projects, while the European Union has classified nuclear as a strategic net-zero industry within its Sustainable Finance Taxonomy.

Even Japan, with its complex history with nuclear power, is cautiously bringing reactors back online. Meanwhile, tech giants like Amazon, Microsoft, and Google are signing deals to power their data centres with nuclear energy, signalling a private sector vote of confidence. These tailwinds underscore nuclear's potential to meet rising demand sustainably and securely.



Artificial intelligence pushing the nuclear frontier

One of the most promising developments in nuclear energy is the rise of small modular reactors (SMRs), which could revolutionise the sector—and intersect powerfully with AI-driven innovation. Unlike traditional large-scale reactors, SMRs are smaller, simpler to build, and designed with enhanced safety features. They require less fuel, produce less hazardous waste, and use less water for cooling, addressing some of the environmental concerns tied to conventional nuclear plants. Once commercially viable—expected around 2030—SMRs could offer a more affordable and scalable solution, with shorter construction timelines and reduced risk of delays.

The connection to AI is particularly exciting. The hyperscalers driving AI innovation require vast, uninterrupted power supplies to fuel their data centres. Nuclear energy, with its reliability, is an ideal match, and SMRs could provide a flexible, localised solution to meet this demand. Beyond powering AI, the technology itself could enhance nuclear operations—optimising reactor design, improving safety protocols, and streamlining maintenance through predictive analytics.

While SMRs are still in early stages (only three are operational globally), the long-term potential is significant. We see opportunities emerging not just in reactor development but also in the ecosystem of equipment suppliers, software providers, and venture-stage innovators supporting this transition. For investors, this represents a dynamic growth area, albeit one unfolding over a longer horizon.

Balancing risks and opportunities in RIS portfolios

Despite its promise, nuclear energy remains a polarising topic. Safety concerns—particularly around radioactive waste management and the potential misuse of nuclear technology—persist, amplified by recent geopolitical tensions. Environmental drawbacks, such as high freshwater usage for cooling, add complexity to the sustainability debate. Moreover, the high upfront costs and long deployment timelines of traditional nuclear plants make them risky ventures, while SMRs, though promising, are not yet commercially scalable.

We approach these challenges thoughtfully within our RIS portfolios. Currently, our exposure to nuclear energy is limited and indirect, primarily through utilities like Iberdrola, a global leader in wind energy that also derives 17% of its electricity production from nuclear. We prioritise investments in companies aligned with broader clean energy goals, ensuring fund managers evaluate critical factors—such as adherence to non-proliferation agreements—to mitigate risks.

Looking ahead, we are closely monitoring the evolving nuclear landscape. As tech giants deepen their commitment to scaling nuclear capacity and SMRs move toward commercialisation, we anticipate growing opportunities in adjacent sectors—equipment suppliers, SMR developers, and software innovators. These are largely venture-stage prospects today, but they could reshape the investment case over time. Our approach is to balance nuclear's decarbonisation potential with its risks, advocating for transparency from our fund managers and adapting our views as political, regulatory, and industry trends evolve.

Case studies

In this section, we provide case studies of portfolio exposures, highlighting the contribution companies are making as 'solutions providers' or 'responsible businesses'. *Understanding that no company is perfect, and that sustainability is not black and white, we also outline where companies could be doing better or where nuanced judgements have to be made as investors.



** Please note that the companies selected as case studies may not feature across all risk profiles.*

Rentokil Initial: *Safeguarding public health and environments*



RIS Advance Theme: Safety

Rentokil Initial stands as a global leader in pest control, hygiene and workwear services, delivering essential solutions that safeguard public health and maintain sanitary conditions.

The company plays an indispensable role in preventing disease, protecting businesses from costly pest damage, and ensuring clean, safe environments for homes and workplaces.

In today's urban areas, dense populations and sprawling infrastructure create ideal conditions for pests. Climate change further amplifies these issues by altering ecosystems, increasing temperatures, and shifting weather patterns. These changes extend pest breeding cycles, improve survival rates, and alter distribution patterns. As a result, the demand for effective pest control services is growing, providing a tailwind for Rentokil Initial's business.

Rentokil's focus on digital and data-driven solutions is a key aspect of their approach. The company employs digital pest control systems and data analytics to monitor activity remotely, detect potential infestations early, and deploy precise interventions. This approach enhances service efficiency, reduces reliance on broad pesticide applications, and positions Rentokil as an innovator in a sector increasingly driven by smart solutions. For investors, this technological edge underscores the company's ability to adapt and thrive.

Sustainability challenge: balancing ethics and innovation

No investment case is complete without a look at the risks, and for Rentokil, animal testing is a thorny issue. Developing new pest control products often requires testing to ensure they are safe for humans and the environment—a regulatory necessity the company cannot sidestep. While Rentokil is committed to minimising its reliance on animal testing, it is still part of the Research & Development (R&D) process, and that could be a sticking point for ethically minded investors.

Rentokil is actively tackling this issue. The company is investing in alternative methods, such as in vitro testing and computational modelling, to reduce its dependence on animal-based research. It is also advancing studies of pest behaviour to develop more targeted, environmentally sustainable solutions. When testing is unavoidable, Rentokil adheres to stringent ethical standards and regulatory guidelines, prioritising animal welfare. These efforts reflect a commitment to balancing innovation with responsibility, though the transition remains a work in progress.

The investment perspective: stability meets opportunity

Rentokil Initial presents a compelling case for investors. Urbanisation and climate-driven pest pressures ensure steady demand for its services, while its focus on technology reinforces its competitive advantage. The animal testing challenge introduces a note of caution, but the company's proactive steps toward sustainability mitigate some of the risk. Rentokil Initial combines operational strength with a forward-looking strategy, making it a standout in its field.



Lear Corporation: *Innovating for a sustainable automotive future*



RIS Advance theme: Responsible Business

Lear Corporation is a key player in the automotive industry, providing essential seating and electrical systems. With a strategic focus on powertrain-agnostic solutions, Lear is well positioned to capitalise on the rapid growth of electric and hybrid vehicle markets. This ensures the company remains relevant as the industry shifts toward cleaner, more efficient technologies.

Through advanced material science and design, Lear is reducing its environmental footprint while enhancing product performance. A standout example is ReNewKnit, a premium sueded material crafted entirely from recycled plastic bottles. This innovation reflects Lear's commitment to circular economy principles.

Similarly, FlexAir—a recyclable, non-foam alternative in its thermal comfort seat systems—cuts emissions by up to 50% compared to traditional foam and reduces seat weight by as much as 20%. Lighter seats translate to better fuel efficiency, a tangible benefit for automakers and consumers alike. These efforts highlight Lear's ability to blend environmental responsibility with practical innovation.

Sustainability challenge: leather supply chain auditing

While Lear is increasing its use of non-leather interior products—achieving a milestone with a 90–95% bio-based leather alternative—leather remains a key component. Much of it is sourced from Brazil, where production is tied to deforestation, elevated greenhouse gas

emissions, and substantial water use. Beyond environmental concerns, the leather supply chain carries human rights risks, including potential labour exploitation and unsafe working conditions.

The complexity of leather supply chains exacerbates these issues. Spanning multiple tiers of suppliers, the process often lacks transparency beyond immediate (tier 1) partners, limiting visibility into the practices of tier 2 and deeper suppliers. Lear mitigates this by auditing its tier 1 suppliers and sourcing exclusively from Leather Working Group (LWG)-certified tanneries. LWG certification sets a high standard for environmentally and socially responsible leather production, requiring detailed assessments of operational impacts.

Despite these measures, lack of oversight of tier 2 suppliers presents a potential risk. To address this, Lear is enhancing traceability within its leather supply chain, developing mapping tools to better understand tier 2+ supplier exposures. Fund managers are actively engaging with the company on this front, anticipating measurable progress. While not fully resolved, Lear's proactive stance signals a commitment to addressing a critical risk area.

The investment perspective: growth with accountability

Lear's leadership in automotive components, paired with a forward-looking embrace of electrification and sustainability, positions it for growth in a transforming industry. Innovative materials underscore its competitive edge, while its leather supply chain efforts demonstrate a willingness to tackle tough challenges. The traceability gap introduces some uncertainty, but Lear's response suggests a path toward improvement.



Indraprastha Gas Limited (IGL): *Advancing cleaner energy in India*



RIS Advance theme: Cleaner Energy

Indraprastha Gas Limited (IGL) is a key player in India's transition to cleaner energy, specialising in the processing and distribution of compressed natural gas (CNG) and piped natural gas (PNG). Through an extensive underground pipeline network, IGL connects natural gas sources directly to households, offices, and industries.

Unlike liquefied petroleum gas (LPG), which requires manual cylinder distribution, IGL's city gas model delivers fuel efficiently from source to consumer, streamlining access to a less carbon-intensive energy option.

One of the major advantages of city gas is that it is more energy-efficient than traditional fuel sources such as petroleum and coal. CNG-powered vehicles, which replace gasoline and diesel counterparts, drastically reduce emissions of harmful pollutants like particulate matter and nitrogen oxides. Similarly, PNG, used in domestic and commercial settings, helps cut down localised emissions in densely populated areas.

Operating primarily in Delhi and the National Capital Region, where air quality suffers from industrial emissions, heavy traffic, and coal reliance, IGL's contributions are critical to improving public health and environmental conditions.

Sustainability challenge: the fossil fuel reality

Despite its advantages, IGL's reliance on natural gas—a fossil fuel—presents a sustainability challenge. While cleaner than coal or diesel, natural gas still contributes to greenhouse gas emissions, particularly through methane leaks

during distribution. Methane, a potent climate-warming gas, underscores the limitations of IGL's current model, especially in a global context where renewable energy is increasingly prioritised.

In a developed market like the UK, where coal has largely been phased out and the focus has shifted to renewables, IGL's approach might struggle to align with stringent sustainable investment criteria.

However, in a rapidly developing market like India – where coal still plays a major role in the energy mix and air pollution remains a pressing issue – IGL's role in expanding access to cleaner burning natural gas represents a meaningful step towards decarbonisation and improved urban air quality.

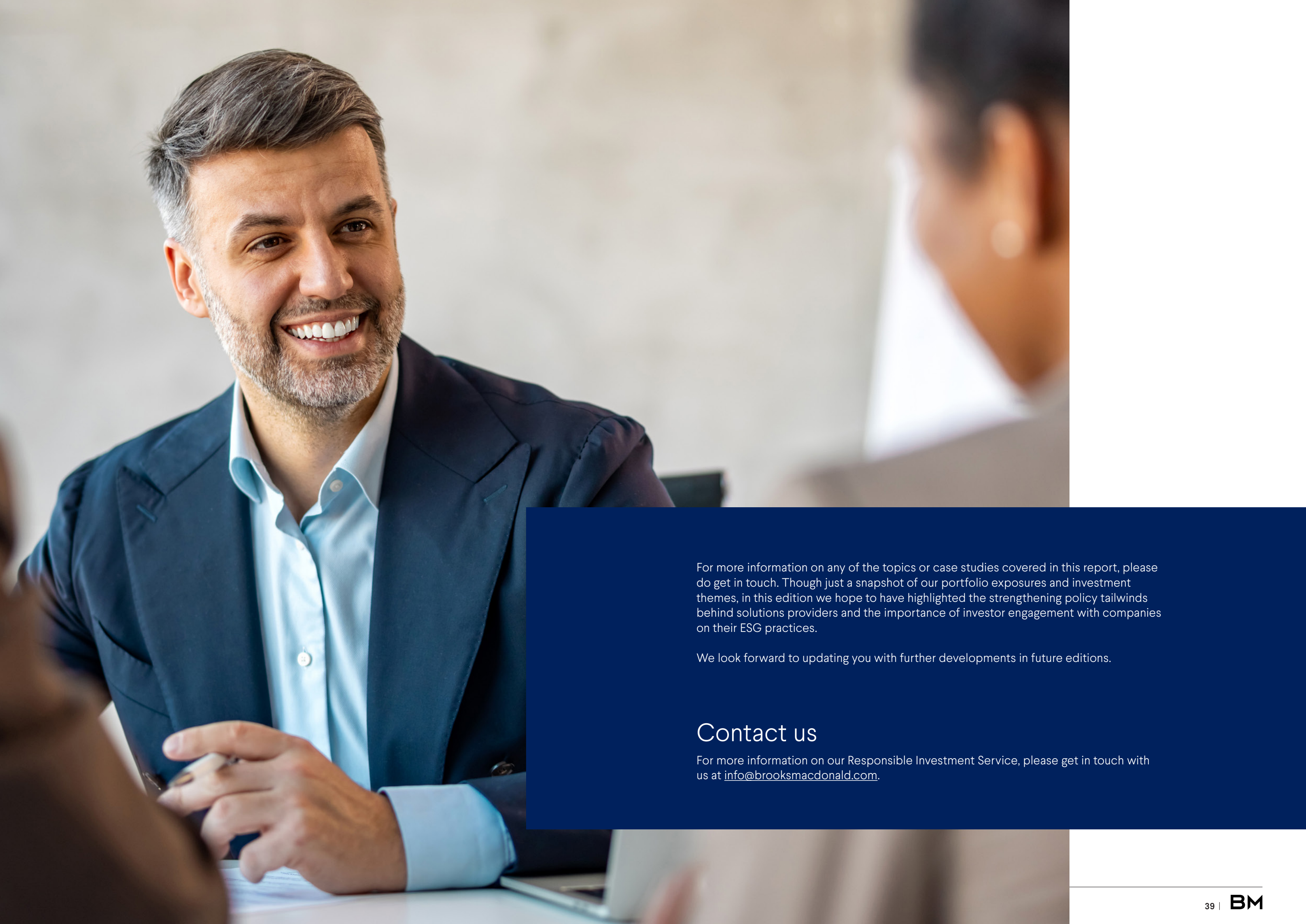
IGL is actively exploring opportunities to integrate renewable energy into its operations and reduce its reliance on traditional natural gas, including a pilot project for green hydrogen production and substantial investments in Compressed Bio-Gas (CBG) initiatives. CBG, derived from organic waste, offers a renewable alternative to traditional natural gas. Alongside these efforts, IGL is enhancing leak detection and pipeline maintenance to minimise methane emissions. These steps signal a commitment to evolving its operations, though the transition from fossil fuel dependency remains a work in progress.

The investment perspective: opportunity in a growing market

IGL presents a nuanced investment case. Its leadership in India's city gas sector, coupled with the country's pressing need to combat air pollution and reduce coal dependency, positions it for sustained demand. Innovations like CBG and green hydrogen hint at a forward-thinking strategy, broadening its appeal in a decarbonising world.

However, the fossil fuel reliance and methane risks introduce caution—progress toward renewables is promising but not yet transformative. IGL offers a blend of immediate impact and long-term potential, balanced by the need for continued environmental accountability.





For more information on any of the topics or case studies covered in this report, please do get in touch. Though just a snapshot of our portfolio exposures and investment themes, in this edition we hope to have highlighted the strengthening policy tailwinds behind solutions providers and the importance of investor engagement with companies on their ESG practices.

We look forward to updating you with further developments in future editions.

Contact us

For more information on our Responsible Investment Service, please get in touch with us at info@brooksmacdonald.com.

Important information

Investors should be aware that the price of investments and the income from them can go down as well as up and that neither is guaranteed. Investors may not get back the amount invested. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment.

Investors should be aware of the additional risks associated with funds investing in emerging or developing markets.

Investors should be aware that Brooks Macdonald does not guarantee that all Responsible Investment Service models would contain exposure to the portfolio companies referenced in this document.

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BM119-2025-04-064

