# U.S. Large Cap Growth Commentary

4Q 2020

SGA
Sustainable Growth Advisers

## Performance

Equity markets posted strong absolute returns again during Q4. SGA's portfolio returned 10.6% (gross) and 10.4% (net) in Q4 versus 11.4% for the Russell 1000 Growth Index and 12.1% for the S&P 500 Index, as equities continued to benefit from expectations for a COVID-19 vaccine and a rebound in corporate profits. For the year 2020, the portfolio generated a strong return of 37.0% (gross) and 36.0% (net) while the Russell 1000 Growth Index generated a return of 38.5% and the S&P 500 Index generated a return of 18.4%.

## The Market Sees Better Days Ahead

Amid a global viral pandemic with massive human and economic implications, a divisive presidential election, increasing social unrest in Europe and the U.S., rising geopolitical threats from China, Iran and Russia, new restrictions on businesses and weakening employment metrics, the U.S. market again generated strong returns on expectation that 2021 would be a very different year. Expectations for the approval of multiple new vaccines to battle the virus, unprecedented massive monetary accommodation by U.S. and world monetary authorities and additional new fiscal stimulus from governments stoked the optimism. Impressive Q4 benchmark returns (+11.4%) followed even stronger returns in Q3 (+13.2%) and Q2 (+27.8%) as markets rebounded from the weakness of Q1 (-14.1%). Clearly, much good news has been priced into stocks despite the very difficult challenges of 2020. 2021 market returns are likely to depend heavily upon the ability of governments to quickly vaccinate large portions of their populations to achieve the "herd immunity" needed for societies and businesses to return to normal.

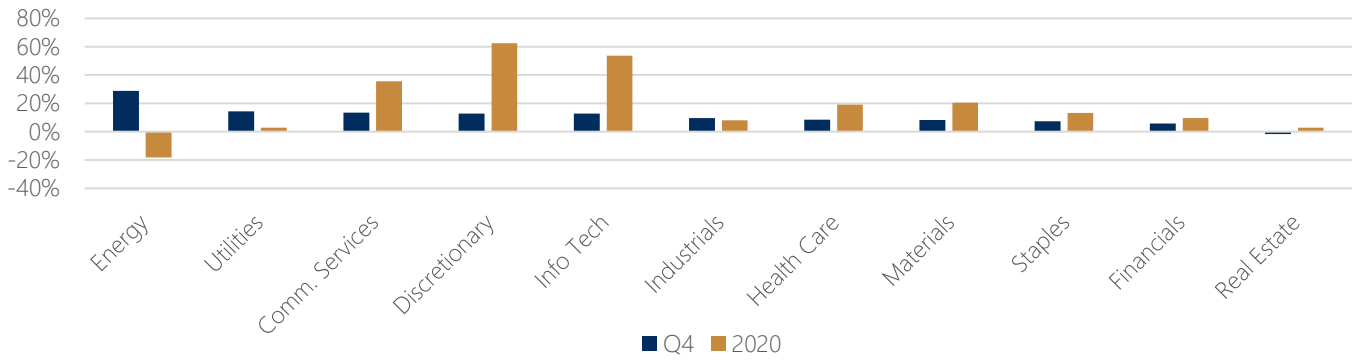
The Russell 1000 Growth Index continued to be driven by a narrow grouping of stocks which have benefited significantly from pandemic induced changes in the way in which consumers purchased, communicated and socialized. While the Index generated a return of 38.5% for the year, the median return for a stock in the Russell 1000 Growth Index in 2020 was 13.2%.

## Highlights

- Our focus on higher quality and more predictable secular growth companies faced a relative headwind in Q4 as markets continued their rebound led by small-cap, high beta value stocks with lower returns on equity and no earnings; the portfolio generated strong absolute returns but trailed its benchmark for the quarter
- Sector allocations detracted from the portfolio's relative return while stock selection had a slightly positive impact
- Stock selection in the Communication Services, Information Technology, Materials and Industrials sectors benefited performance while selection in the Health Care, Consumer Discretionary and Real Estate sectors detracted; overweights in Health Care and Materials hurt relative results
- Turnover increased as we took advantage of opportunities, initiating new positions in leading financial services firm American Express, global media leader Walt Disney and MSCI a leading provider of critical decision support tools and services for the global investment community; positions in Becton Dickinson, Ecolab and Xilinx were liquidated
- The portfolio continues to be well positioned to generate revenue and earnings growth meaningfully higher than that of the Russell 1000 Growth Index benchmark over the coming three years with greater predictability and sustainability

## Market and Portfolio Attribution

### Russell 1000 Growth Index – Sector Returns




Source: FactSet, Russell

The Energy sector which comprised only 0.07% of the benchmark, generated the best return (+28.8%) for the quarter. The next best performing sectors were Utilities (0.04% of the benchmark), Communication Services, Consumer Discretionary and Information Technology. All other sectors trailed the Index. Real Estate posted the only negative return while Financials and Consumer Staples were the next worst performers.

Lesser quality small-cap value oriented companies performed best during the quarter given the high level of optimism present, creating a headwind for our approach. Companies with higher betas, lower returns on equity and no earnings outperformed. On December 31st, the percent of companies in the Russell 1000 Growth Index with no earnings was 23.9%, which was more than double the 10.1% long-term average (Strategas 12/20). Companies with no earnings returned 100%+ for the year versus only +34% for those with earnings. While our unwillingness to invest in these more speculative companies that don't generate free cash flow posed a headwind during the quarter, as did our underweight in the Information Technology sector, this and our valuation discipline should help to protect portfolio downside in any correction.

In Q4, the portfolio's relative underperformance was driven almost entirely by sector allocations while stock selection had a small positive effect. The portfolio's overweights in Health Care and Materials, and its underweight in Information Technology hurt relative returns most. A lack of exposure to the weakly performing Consumer Staples sector benefited returns as did strong stock selection in the Communication Services, Information Technology, Materials and Industrials sectors. Selection in the Health Care, Consumer Discretionary and Real Estate sectors offset much of the benefit.

For the year 2020, market leadership was particularly narrow. The Consumer Discretionary sector performed best, generating a return of 62.6%, as the share prices of internet and e-commerce related companies which benefited from pandemic induced buying patterns were bid up. The Information Technology sector performed next best with a return of 53.6%, but all other sectors trailed the Russell 1000 Growth Index. Energy, the best performer in Q4, was the worst performer for the year.

The portfolio's underperformance in 2020 was primarily the result of stock selection as we actively reallocated capital away from strong performers where valuations had gotten less attractive. Consistent with this, stock selection was weakest in the strongly performing Consumer Discretionary and Information Technology sectors. Our underweight in Amazon which generated a total return of 76.3%, and our decision to not own Tesla which skyrocketed 743% for the year hurt results most. These two stocks accounted for about 90% of the return for the strongly performing Consumer Discretionary sector for the year. Similarly, in the Information Technology sector Apple generated a return of 82.3% for the year. Microsoft and Alphabet similarly had significant impacts on Index returns. While we owned Amazon, Microsoft and Alphabet at below index weights, not owning just Apple and Tesla for the year cost the portfolio about 6% in relative return.

## Largest Contributors

Leading provider of computer assisted design software **Autodesk** was the largest contributor to the portfolio's return for the quarter. The company reported a solid Q3 with revenues, earnings per share and cash flow all either in line with expectation or better than expected. While the company's sales in the U.S. were sequentially flat compared to Q2, and only slightly better in the UK, its sales in other geographic regions were above pre-COVID-19 levels. The company's key 360 product line was reported to be doing slightly better than expected with new sales being done virtually. Autodesk maintained their forward guidance for FY2023. We maintained our expectation for revenue and earnings growth over the upcoming three years and continue to see the business as having attractive longer-term growth opportunities as the global economy emerges from the pandemic and the company completes its transition from its licensed based model to a software-as-a-service (SAAS) model.

We purchased additional shares in the company early in the quarter on weakness and maintained an average weighting before trimming the position on strength toward the end of the quarter.

Information search leader **Alphabet** was the second largest contributor to portfolio performance. The company reported solid Q3 results which beat the average analyst estimate and our own with an attractive recovery in revenue growth, solid margins due to good control of operational expenses and a continuation of their share repurchases. We were pleased with the announcement that they will begin to provide breakout data on their Cloud business results in Q4 enhancing visibility in that critical growth segment. We anticipate that this will show the Cloud business is making large investments to help catch up to Amazon's AWS and Microsoft's Azure. The company continued to benefit from higher than expected digital advertising spending, and we see this as a trend that likely continues to benefit the company over our time horizon. While we remain positive on Alphabet's growth opportunity, we reduced the portfolio's weight from above average to average during the quarter given a less attractive valuation and ongoing concerns over growing regulatory pressures in the EU and the U.S. over the company's exclusive commercial agreements with Apple, Android, and Facebook which may be deemed as anti-competitive and vulnerable to being unwound.

Digital payment leader **PayPal** was the third largest contributor to portfolio performance after reporting a solid quarter with continued strength and acceleration relative to Q2. Total payment volume increased by 36% in Q3 versus 30% in Q2 with the U.S. posting particularly strong growth at 40%. Revenue growth was also solid, up 25% versus 23% in Q2. On a year-over-year basis, earnings-per-share was up 41%. The company posted somewhat cautious forward guidance citing weaker travel-related payment volumes and plans for higher levels of investment in Q4, all combining for 17-18% EPS guidance which was below the 20%+ street expectation. Results were in-line to slightly better than our expectations, and we continue to see PayPal capitalizing on the strength and scale of its unsurpassed payment network position and the opportunities provided by Venmo transactions and monetization trends.

We added to our position in the stock on weakness during the quarter, raising the weight to an above-average position given our positive long-term outlook for its growth opportunities.

The fourth and fifth largest contributors to portfolio performance during the quarter were **Yum! Brands** and **Match Group**.

## Largest Detractors

Biopharmaceutical company Regeneron was the largest detractor from portfolio performance in Q4. Health Care as a sector underperformed during the period, impacting Regeneron's return. In addition, the stock was negatively impacted by mixed news on COVID antibody development, as well as concerns on drug pricing, and competitive developments. While Regeneron's COVID antibody drug received emergency use authorization for non-hospitalized high risk patients, its trials were subsequently stopped for hospitalized ventilated patients given that its impact on this group appeared to be muted, thereby limiting its use. With regard to drug pricing, while unclear what kind of reform ultimately may occur, uncertainty over the new administration's plans and their ability to implement change weighed on Regeneron's shares. Meanwhile, competitors continue to try to compete against Regeneron's key drug Eylea. Kodiak and Roche presented some early data for their respective drugs during the quarter putting some pressure on Regeneron's stock. While we continue to monitor the situation closely, our view remains that the bar to compete against Eylea is quite high given its efficacy and safety.

This quarter, we saw encouraging data from Regeneron's oncology efforts which are quite broad albeit early. In addition to Libtayo, Regeneron is developing numerous bispecific antibody drugs and co-stimulatory antibody drugs that target different types of oncology targets. The bispecific drugs have two "arms", which bring together the cancer cell and immune cell in close proximity so that the cancer cell can be attacked, the co-stimulatory programs seek to stimulate the immune response to cancer cells. Combining many of these different drugs could have positive synergistic effects, potentially enabling Regeneron to mix and match these drugs for different types of cancer for improved outcomes. Given the early nature of these efforts and the inherent risks in drug development, we maintained a below average weight.

Software-as-a-Service (SAAS) leader **Salesforce.com** was the second largest detractor from portfolio performance during the quarter despite a solid quarterly report due largely to concerns generated by their announced acquisition of Slack which was deemed by many in the market to be too expensive. While we agree that the acquisition multiples are high on near-term metrics, our analysis indicates that it does make strategic sense and will likely meaningfully benefit the combined entity's growth rate over our 3-5-year time horizon given Salesforce's demonstrated track record for accelerating the growth of acquired companies through distribution synergies. Slack's leadership position in the emerging category of business messaging software has the potential to further penetrate the corporate communication market potentially replacing emails and becoming a "dashboard" through which other apps are used. Capitalizing on Salesforce's global distribution scale and trusted brand, we see an opportunity for Salesforce to accelerate Slack's ability to better penetrate Global 2000 list companies and enabling it to better compete with Microsoft Teams. Interestingly, Slack's customer facing functions in sales, marketing, customer service and business development are all led by Salesforce alumni which we believe materially increases the odds of a successful integration of the two companies. Accordingly, we increased the portfolio's position in Salesforce on weakness, raising it to an above-average weight after having trimmed it on strength in Q3.

Global data center provider **Equinix** was the third largest detractor from performance despite reporting what we considered to be a solid quarter with monthly recurring revenues increasing in all geographies quarter over quarter, and revenues up almost 9% and profits up over 9% year-over-year. With geographic expansions in Canada and India and additional work with cloud computing clients, the firm is actively building the foundation for future growth while providing solid current growth. Given the small recovery in interest rates during the quarter and the market's focus on more cyclical companies, (the Real Estate sector was actually the worst performing sector in the Russell 1000 Growth Index returning -3.8%) investors were less enthused by the steady growth at Equinix and the conservative guidance provided by management. Given our 3-5-year investment horizon and the high predictability we see in the company's business, we added to our position on weakness.

**American Express** was the fourth largest detractor from performance during the quarter while **Abbott Labs** was the smallest contributor.

## Portfolio Activity

Activity in the portfolio was higher than normal during the quarter as we purchased new positions in American Express, Walt Disney and MSCI, and sold positions in Becton Dickinson, long-time holding Ecolab and Xilinx. Additionally, we took advantage of strength to trim our holdings in Alphabet, IHS Markit, Linde, Match Group, and Nike among others. Similarly, we took advantage of weakness to add to positions in Abbott Labs, Ball Corp., Salesforce.com, Equinix, UnitedHealth and Visa among others. For the year, higher levels of volatility in the markets and strong new idea flow from our research process provided ample opportunity to upgrade the portfolio's growth and quality profile at attractive prices which led to total annualized turnover in the portfolio of about 50% as compared to our long-term average of about 35%.

## New Positions

We initiated a below-average weight position in leading financial services firm **American Express** (AMEX). The company generated about 81% of its revenues from credit card spending whereas about 19% came from net interest tied to its lending business. American Express benefits from a wealthier user based relative to its peers with spend three times that of Visa and MasterCard users. The vertical integration of the firm's business model is also beneficial. Pricing power with merchants and consumers is driven by the company's strong brand and its unique, wealthy consumer base. It's very sticky base of small to medium size enterprises and corporate customers also supports its pricing power with merchants. The

recurring nature of the company revenues is derived partially from the long-term relationships it has with its customers, and is illustrated by its 98% client retention rate. Our research indicates attractive long-term growth opportunities for AMEX's business driven by growing global consumer credit card spending and the company's stable competitive positioning due to rising acceptance by millennials and its expanded merchant network which is now on par with Visa and MasterCard in the U.S. Expansion of its merchant network internationally provides an opportunity for AMEX to continue growing its billings.

Among the risks we have cited for AMEX is the higher cyclicality of its business. A softer economy would stress its loan book to a degree in addition to cutting back its customer billings. The wealthier nature of its customers and the more conservative nature of its loan book should moderate this effect. We also recognize that the company operates in a highly competitive market versus credit card peers as well as increasing digital payments. Based on our analysis, we think the current valuation of the stock likely reflects much of the potential risks.

Global media leader **Walt Disney** was reintroduced to the portfolio in December as the company posted impressive user growth for its Disney + streaming service. While its theme parks and studios have been negatively impacted by the COVID-19 pandemic given state mandated closures to parks, movie theaters and the reduction in travel, we see attractive opportunity for the business in the rebound expected in 2021 and 2022. We also see continued investments in content for the company's key direct-to-consumer media offerings but given wide acceptance by consumers and a strategy that emphasizes quality over quantity, we see it becoming profitable over our 3-5-year time horizon with attractive long-term margin and cash flow potential. As consumers increasingly embrace streaming services, which are still priced at a significant discount to traditional cable subscription rates, we see ample room ahead for Disney to lift pricing and gain share of the consumer's wallet. This business will increasingly be a key driver of Disney's growth given its ability to help the company monetize its premium content in more effective ways.

Disney continues to meet the key business quality criteria we focus on, offering attractive pricing power due to the unique value of their branded content. The company's ESPN, Pixar, Lucas Films, Marvel brands and Fox assets provide it with strong content relative to peer media businesses. The company enjoys a high level of recurring revenues despite the somewhat cyclical nature of their theme parks given their emphasis on longer-term contracts and distribution, and the unique and ongoing demand for their content. Finally, our research indicates that Disney's steps to build its direct-to-consumer distribution network offers significant longer-term growth opportunities albeit in conjunction with increased content expenses. Meanwhile, a successful direct-to-consumer relationship will lead to flywheel effects among the Park, Consumer Products, and Studio businesses, which we see as advantages that are unique to Disney.

While we see enhanced growth opportunities for Disney looking forward, we remain cognizant that the streaming industry has become highly competitive and Disney's growth will be affected by how it continues to build its offering and differentiate itself from peers. We also understand that its theme park business, while expected to rebound strongly as the pandemic recedes, may face difficulty growing its margins significantly further. However, we do see opportunity for improved efficiencies in this business, some of which have become more apparent as a result of the pandemic. While the Fox acquisition turned out to be less attractive to Disney's business in the short-term, we do see that it has brought meaningful benefits to the company's content library and expect that it will be accretive. While cord cutting has been a threat to ESPN in the past, we see the impact of it being lessened by Disney's direct-to-consumer steps. We initiated a below-average weight position in the company and expect to build it opportunistically moving forward.

We initiated a below-average weight position in **MSCI**, a leading provider of critical decision support tools and services for the global investment community. The company's products and services help clients design and issue ETFs and other index-enabled financial products and implement sustainable and other investment strategies, as well as enhance client functions in areas including performance measurement, risk management and ESG analysis. MSCI serves over 7,500 clients, including asset owners, asset managers, financial intermediaries and wealth managers, across more than 85 countries. Approximately 60% of the company's revenues come from index related businesses, 30% from analytics and the balance from other products. MSCI generates about 50% of its revenues from the Americas, 35% from the EMEA region and 15% from Asia and Australia.

The company provides essential analytics and other services to the investment industry and is deeply embedded in clients' day-to-day workflow, leading to sticky relationships with annual retention rates in the mid-90 percent range and consistent

pricing power across the majority of its businesses. In addition, its benchmark status creates a wide moat for the company's index business. As a result of these dynamics, 97% of MSCI's revenue is highly recurring, including 75+% from subscriptions and 20+% from asset-based fees. Our research indicates long duration growth opportunities for the company from numerous tailwinds to its businesses including the globalization of capital markets, ESG, factor-based investing (e.g., volatility, momentum), increased interest in risk analytics, shifts from active to passive investing, increased regulations and the need for improved reporting and analysis in private equity and real estate.

Among the key risks associated with the company are its 20% of revenues tied to asset-based fees which are vulnerable to market downturns, particularly in Europe and the emerging markets. The possibility of new proprietary indexes being created and becoming the basis for new ETF's, structured products and over the counter derivatives also poses a competitive threat.

## Sold Positions

**Becton Dickinson** reported slightly better than expected Fiscal Q4 results in November due to a quicker than expected ramp up in its COVID-19 antigen testing product. Core business results were in line with expectations and progress toward the Alaris pump remediation with the FDA appeared to be on track. However, given somewhat diminished confidence in management's execution, a desire to reduce exposure to COVID-19 testing beneficiaries which have benefited in the current environment and more attractive secular growth opportunities that were identified, we liquidated the position due to forced attrition.

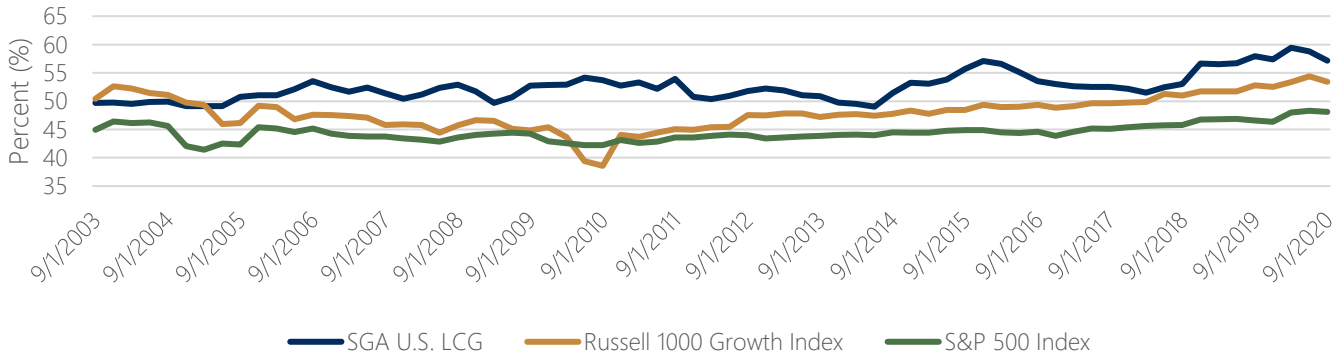
Global leader in water, cleaning and sanitization **Ecolab** was sold during the quarter due to its high valuation after we identified other opportunities which offered better long-term growth and more attractive valuations.

The portfolio's position in programmable chip designer and producer **Xilinx** was liquidated after it received a buyout offer from Advanced Micro Devices (AMD) which we deemed to offer a fair valuation for the firm. Given the very different profile of AMD's business, we did not have an interest in owning shares of the new entity.

## Summary

2020 was an extraordinary year where the markets generated tremendous returns despite unprecedented human and economic dislocations. It underlined the old adage "never fight the Fed" as massive monetary accommodation and fiscal stimulus was applied to cushion the blows from the pandemic. Our fundamental research effort has never been stronger as we continue to identify unique secular growth businesses that offer significant growth premiums relative to the market. While our focus on key business quality drivers and our valuation discipline steered us away from businesses that don't generate meaningful free cash flows, and this hurt short-term relative returns in Q3 and Q4, we are confident that this approach is allowing us to build a portfolio of attractively valued secular growers that will serve our clients well for years into the future. This time-tested approach has led to higher and more consistent profitability for our businesses over the life of our firm (see the chart on the next page).

### SGA U.S. LCG Gross Margins




Source: FactSet, Russell, SGA

Focusing on pricing power, recurring revenues and long lasting sustainable growth opportunities while minimizing valuation risk has served our clients well over the years and is particularly timely today given the tremendous rise in stock prices experienced in 2020 against a very uncertain backdrop. Regardless of the ensuing macro-economic environment or how quickly the COVID-19 vaccination program advances, we are confident in the portfolio's ability to generate superior revenue and earnings growth over the coming three years.

We thank you for your continued confidence in our team and wish you the very best for a healthy and happy 2021. We look forward to speaking with you about the portfolio and its positioning in more detail.

# Sustainability Report

4Q 2020

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## Where Sustainability Yields Opportunities

Ball Corp is an American manufacturing company with a strong legacy dating back to the 1800s. Well known for its early production of jars and lids, the business has since developed into one of the world's largest manufacturers of recyclable metal beverage packaging. The company's pursuit of sustainability, to produce low-carbon products and packaging that enables a truly circular economy, has been a key driver of innovation over recent years. This innovation has yielded returns to both investors and society, and an increasingly sustainable competitive advantage.

Ball Corp's aluminum cans are infinitely recyclable and designed for true circularity. Compared to both plastic and glass, they can be sorted easily and do not require complex processing to be recycled. In addition, unlike plastic or glass, recycled aluminum is typically cheaper to produce than virgin aluminum and leads to minimal yield loss, thus providing an economic incentive to recycle. Approximately 75% of all the aluminum ever produced in history is still in use today; this runs in stark comparison to plastic, where less than 10% of all plastic has been recycled once.

Design for circularity is the starting point for product innovations at Ball. The recent launches of the Ball Aluminum Cup and Aluminum Bottle have seen early success as the world moves to cut plastic waste and boost recycling rates. These products have a wide range of applications across the food and beverage sectors, as well as for beauty and personal care products, with opportunities to replace both plastic and glass packaging abundant as global consumer companies look to increasingly prioritize sustainability. As such, we are increasingly bullish on Ball's prospects for long-term sustainable growth.

## Alibaba: 'G' Risk

During the quarter, Chinese regulatory authorities announced an anti-trust investigation of Alibaba and released a new regulation that all platform companies including Alibaba must operate within, with the intention of restricting monopolistic behavior and aligning digital platforms with government interests. Compared to anti-trust investigations into platform companies in the US, we see a higher government risk in this case given there is no legal reference for such incidents in China, the special VIE structure of most Chinese companies, and the Chinese government's authority in altering business operations and corporate assets.

We believe companies like Alibaba play an important role in achieving China's economic goals by driving innovation and technology development, and boosting growth in domestic consumption as the country transitions toward a consumption-driven economy. It is in the government's best interest to encourage these digital platform companies to deliver long term sustainable growth, with some concessions required to ensure they operate within a government allowed framework. We believe the future growth of these digital platforms and government regulations will consistently evolve and coexist over time, which is a new norm that may deter growth in certain areas but also de-risk unsustainable growth such as excessive credit expansion. We also see Alibaba as having a seasoned management team that is credible to global investors, and expect that it will be working effectively with the government to resolve concerns and realign interests.

We have experienced similar situations in the past where new regulatory controls have incurred short-term disruption, but ultimately resulted in more sustainable long-term growth better aligned with government policy. One example being Tencent's management of 2018 gaming regulations that triggered a corporate restructure to refocus operations on business services outside of gaming, such as Cloud Computing, which proved to be a very successful venture. We expect a similar outcome to occur with Alibaba as we leverage our long-term time horizon to navigate through this period of heightened regulatory risk.

## Engagement with Heineken

Environmental factors such as climate change and global warming represent material challenges to the global beer industry. Brewing and distributing beer presents a number of environmental issues, from water and energy intensity, to challenges in recycling and susceptibility of crops to floods and droughts. Accordingly, we have identified environmental

issues as a material risk to our investment thesis in global brewer Heineken and engaged with representatives from the company in the most recent quarter to better understand the scope of the issues and their strategies for mitigation.

Over recent years, management has adopted a more holistic approach to sustainability with a focus on the complete supply chain. Technology has been applied to boost environmental efficiencies including the continued development of Smart Dispense, a technology that improves the resource efficiency of cooling and insulating beer and minimizes the cleaning requirements of beer lines. A recent change in leadership at the firm is expected to accelerate sustainability priorities, and we are pleased to see ESG considerations factored into senior management remuneration. We believe packaging presents a significant opportunity for the company to reduce its environmental footprint, with packaging accounting for one-third of the company's total carbon emissions.

While we acknowledge the environmental risks of Heineken, sustainability is a forward-looking concept and the company is in a strong position to lead the industry towards a new era of more sustainable beer production. We continue to engage with management on their long-term sustainability projects and await the imminent launch of their next phase of science-based targets which will include 2030 targets for packaging, logistics, cooling and processing, as well as stretch goals for 2050.

## Engagement with Equinix

Equinix is the world's largest retail data center provider. Data centers are the backbone of the internet and essential to the revolution of digital lives. The coronavirus pandemic has accelerated the digital transformation and accordingly, the demand for resources that power that new world has increased. Given the nature of operations, the power consumption and carbon emissions of data centers is very high relative to most industries.

Acknowledging this risk, Equinix has prioritized sustainability over the past decade with investments in energy-efficient data centers yielding strong returns to both shareholders and society. The efficiency of a data center is important for all stakeholders and thus the interests are aligned in this regard. Since 2015, Equinix's total carbon emissions have fallen approximately 60%. In 2019 the company reported 92% use of renewable energy and is striding towards a goal of 100%.

Over more recent times, reductions in emissions have been achieved through the use of carbon credits. From our discussions with management, carbon credits are used as a strategy to overcome the availability (or lack thereof) of renewable energy in some locations, particularly throughout Asia. However, management is committed to increasing direct sourcing of renewable energy in the future and also intends to provide more aggressive milestones in the near-term as they continue to exert leadership towards a goal of net-zero emissions.