Sustainability and impact report

A dialogue with investors about our progress in pursuing financial returns and positive impact on the world

Putnam Sustainable Leaders Fund

Putnam Sustainable Future Fund
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Introduction

We are delighted to share our inaugural assessment of sustainability and impact for Putnam Sustainable Leaders Fund and Putnam Sustainable Future Fund. Against the backdrop of the funds’ goals of long-term capital appreciation, we aim to generate excellent financial performance hand in hand with excellent sustainability and impact performance. We believe that these characteristics can be mutually reinforcing, and that strong and relevant sustainability strategies and solutions-focused innovation often also create the most compelling investment opportunities.

Thoughtful fundamental research is at the heart of our investment process, and the same approach to research is reflected in the form and substance of this report. Our intention is for this document to provide meaningful and multidimensional views of our portfolios’ sustainability metrics and social and environmental impact. At the same time, we recognize that point-in-time analysis has inherent limitations, especially in a field that is actively growing and developing.

“Try to love the questions themselves, like locked rooms and like books that are written in a very foreign tongue. Do not now seek the answers, which cannot be given you because you would not be able to live them. And the point is, to live everything. Live the questions now. Perhaps you will then gradually, without noticing it, live along some distant day into the answer.”

— Rainer Maria Rilke, Letters to a Young Poet (Revised edition 1993, M. D. Herter Norton)

We are intense researchers and eager to share the metrics and indicators in this report with you, and we are equally eager to share our still-outstanding questions. ESG data and sustainability issues continue to evolve, and the answers we have are not always complete or matched with empirical indicators. Therefore, we view this report as part of an ongoing dialogue with our investors and part of our research process. For all lines of inquiry, we aim to combine thoughtful analysis with an active and iterative questioning process. In years to come, we look forward to sharing continued progress with you, so eventually we will “live into the answers.”
The report consists of three sections

1. **INVESTMENT PROCESS AND ENGAGEMENT**
   An in-depth look at our investment process, including our integrated fundamental research and our approach to engagement.

2. **PORTFOLIO ANALYSIS AND ESG METRICS**
   Analysis of our portfolios according to a number of ESG-related metrics.

3. **INVESTMENT THEMES AND IMPACT ASSESSMENT**
   A description of a few of our investment themes and related company examples and how these translate into social and environmental impact.

*Please note that this report is not meant to review the funds’ investment performance, performance of our individual holdings, or the financial performance of our portfolio benchmarks. For comprehensive information on the funds, their financial characteristics, and performance, please also refer to the shareholder reports and prospectuses available at putnam.com.*

**A note on metrics and measurements**

The field of sustainable investing continues to develop at a rapid pace. This means that the data and tools that we have available to analyze relevant sustainability issues are also developing, and they are not yet fully standardized nor complete.

For the purposes of this report, we have chosen several portfolio-level metrics that give an indication of our funds’ sustainability characteristics, recognizing that the range of reportable measures will continue to improve in quality, specificity, and usefulness over time. We believe the metrics reported here to be as accurate as possible, and have provided extensive commentary on how and why we use the measures noted, so that readers of this report have additional context for interpreting the information presented. In this regard, the report reflects the nature of our fundamental research, where we always aim to understand data within its relevant setting, not in isolation. It’s important to note that all investing involves risk, and favorable sustainability or ESG metrics for a portfolio do not guarantee positive investment results.

In order to provide the most straightforward sustainability analysis with the most complete underlying data, we have chosen to compare the metrics for our portfolios with the same measures for the S&P 500. Please note that the financial performance benchmark for Putnam Sustainable Leaders Fund is the Russell 3000 Growth Index\(^1\), and the benchmark for Putnam Sustainable Future Fund is the Russell Midcap Growth Index.

As noted above, this report is not meant to be a review of investment performance for the funds, individual holdings, or benchmarks. Please refer to the shareholder reports and prospectus information for comprehensive information on financial characteristics and performance at putnam.com.
SECTION 1 Investment process and engagement

Research is the foundation that supports our products and process, so before reviewing the details of our portfolios, we discuss the context for sustainable investing at Putnam and for our integrated fundamental research process.

Sustainable investing at Putnam

Putnam Investments is an active manager with $171 billion in assets under management as of March 31, 2019, and 80 years of investment heritage. In May 2017, Putnam appointed Katherine Collins, CFA, MTS, to the newly created role of Head of Sustainable Investing. She serves as Portfolio Manager of Putnam Sustainable Leaders Fund and Putnam Sustainable Future Fund. A recognized thought leader, Ms. Collins leads Putnam’s sustainable research, investing, and collaboration. She is the author of The Nature of Investing, founder of Honeybee Capital, graduate of Harvard Divinity School, and former Head of Research and Portfolio Manager at Fidelity Management & Research Company. Over the past two years, our team has continued to grow and now includes:

- **Shep Perkins, CFA** — Chief Investment Officer Equities and Portfolio Manager of Putnam Sustainable Leaders Fund and Putnam Global Equity Fund
- **Stephanie Dobson** — Assistant Portfolio Manager of Putnam Sustainable Leaders Fund and Putnam Sustainable Future Fund and a sustainability analyst in the Putnam Equity Research group
- **Alexander Rickson, CFA** — Dedicated quantitative research analyst on the Sustainable Investing team
- **Shelby Centofanti** — Dedicated equity associate in the Putnam Equity Research group focused on impact analysis and thematic and fundamental research

Importantly, our sustainable investing team is part of the core equity team, not separate from it.

We are investors first and foremost, and an integrated part of Putnam’s investment group. In addition to the dedicated team members above, we include the entire research department and our fellow portfolio managers as colleagues and collaborators. Some ways in which our work contributes to the broader research process at Putnam include:

- Participation in investment discussions, company meetings, investment conferences, and visits to companies
- Ongoing thematic and company-specific research, often in collaboration with the broader equity team
- Ongoing due diligence on emerging businesses that have direct sustainability impacts, like renewable energy, materials recycling, and plant-based foods
- Meetings with early stage companies (both public and private) that could present future opportunities for all Putnam funds
- Development of proprietary portfolio and sector level tools for ESG data analysis
- Introduction of experts in sustainability and ESG research to the broader organization
Our Sustainable Investing work includes three key priorities: research integration, portfolio management, and contributions to the field.

Research integration

Our greatest priority is to extend Putnam’s long-standing strength in fundamental research to produce deeper insights in context-specific, forward-looking ESG, sustainability, and impact analysis.

As noted in Putnam’s ESG policy, we believe that certain environmental, social, and governance factors are relevant and material to long-term business fundamentals, and therefore important to all investors. Relevant issues vary by sector, geography, asset class, and company context. Therefore, fundamental research that is tailored to different settings has potential to add meaningful value.

Given this philosophy, our ongoing ESG research for the broader investment team is guided by our internally developed “materiality maps,” which were inspired and guided by the materiality mapping of the Sustainable Accounting Standards Board (SASB). We believe that this kind of integrated, long-term research has the potential to mitigate risk and to generate alpha. We also utilize data from several third-party resources, including MSCI and Sustainalytics, as part of our broader research process.

Our belief in the power of context-specific analysis can be seen in the map below, which shows that we have different and complementary frameworks for various sectors and issues in equity research. We believe that this kind of forward-looking and customized research focus is a key determinant of long-term investment results.

Putnam equity materiality map

![Putnam equity materiality map](image-url)

Source: Putnam, as of March 31, 2019.
Portfolio management

Our two equity mutual funds with a dedicated sustainability focus are Putnam Sustainable Leaders Fund and Putnam Sustainable Future Fund.

Fund conversion and investment mandates

In March 2018, Putnam repositioned two existing mutual funds into the new Putnam Sustainable Leaders and Putnam Sustainable Future funds. Combined assets are approximately $5 billion as of March 31, 2019, making Putnam one of the 20 largest managers of dedicated sustainable equity assets in the United States. Both portfolios seek long-term capital appreciation. All investing involves risk, and the sustainable strategy limits the types and the number of companies available to the funds, and this may cause them to underperform other funds that can choose from a broader variety of opportunities. Putnam Sustainable Leaders Fund pursues its goal by investing mainly in common stocks of U.S. companies of any size, with a focus on companies that we believe exhibit a commitment to sustainable business practices (Note: This strategy may result in the funds investing in securities or industry sectors that underperform the market as a whole or underperform other funds that do not invest with a similar focus.). Putnam Sustainable Future Fund pursues its goal by investing mainly in common stocks of U.S. companies of any size, with a focus on companies whose products and services we believe provide solutions that directly contribute to sustainable social, environmental, and economic development.

- **Putnam Sustainable Leaders Fund** invests in companies with a dedication to sustainable business practices. The stocks of these companies are typically, but not always, considered to be growth stocks, and often are large-cap in size.

- **Putnam Sustainable Future Fund** is a growth fund that invests in solutions-oriented companies dedicated to solving our biggest global sustainability challenges. The stocks of these companies are typically, but not always, considered to be growth stocks, and often are mid-cap or small-cap in size.

Where our portfolios fit in the sustainable investing landscape

Sustainable investing offers a range of different approaches and products.

- Exclusionary approaches focus on avoidance of certain companies or industries.
- Integrated approaches seek to combine ESG data and analysis with other investment considerations.
- Impact approaches seek explicit goals for both financial return and social or environmental benefits.

In Putnam’s case, our integrated research process focuses on the value that sustainability analysis can add to fundamental research. The integrated approach of Putnam Sustainable Leaders Fund combines analysis of the growing body of ESG data, relevant sustainability issues, and deep fundamental analysis. Putnam Sustainable Future Fund extends this integration even further by seeking innovative, solutions-oriented companies whose products and services produce positive environmental, social, or economic development impact.
Investment process

Both portfolios rely on Putnam’s well-established fundamental research strength to identify companies with attractive sustainability, fundamental, and valuation characteristics. We aim to utilize ESG data within the relevant context of each company and industry, and to incorporate more qualitative research in areas where new issues are emerging or data is not yet standardized. Throughout the research process, our goal is to identify companies with excellent investment potential and excellent sustainability performance, which results in portfolios with meaningful active weights by industry and sector. We do not use exclusionary screens for the Putnam Sustainable Leaders Fund or Putnam Sustainable Future Fund portfolios.

Contributions to the field

We recognize that the field of sustainable investing is actively growing and evolving, and each part of our community has an opportunity to contribute to the field’s advancement. There are three major ways that Putnam and our Sustainable Investing team are helping to advance the field:

Engaged ownership

- **Ongoing dialogue:** We believe active managers have a particular role to play in working with company management teams, since we are long-term investors and our fundamental research process means that we are already in regular dialogue with companies about strategy and execution. For reference, Putnam’s research team held over 2,000 meetings with company management in 2018.

- **CEO letters:** In addition to ongoing research-related conversations, we recently sent individually tailored letters to the CEOs of all companies that were held within Putnam Sustainable Leaders Fund and Putnam Sustainable Future Fund, acknowledging their efforts to date and encouraging future progress on key sustainability issues specific to each company.
• **Proxy voting:** The voting process for Putnam's mutual funds is overseen by the funds’ Board of Trustees, and we collaborate closely with their governance experts on relevant proxy-related issues.

• **Advocacy for increased disclosure:** Our ongoing dialogues with company management teams and boards have included many discussions of corporate strategy, board oversight, and external reporting. Several companies in our portfolios have published inaugural sustainability reports, increased communications on relevant ESG metrics, or made significant progress in identifying material sustainability issues after work with multiple stakeholders, including our team.

**Thought leadership**

• **Research:** We share reflections on relevant sustainable investment trends in several different formats. Some of our publicly accessible research can be found online at Sustainable Investing at Putnam and Putnam Perspectives blog.4

• **Speaking:** We participate in many field-building events, contributing the perspective of active managers in sustainable investing. In 2017–2018, we were guest lecturers at classes and events at Harvard’s Kennedy School of Government, Harvard Business School, Brown University, Duke University, Northeastern University, and others. We were also speakers at events hosted by the National Investor Relations Institute, the Practicing Law Institute, the Council of Institutional Investors, Good Capital, Boston FinTech Week, Morgan Stanley, Bank of America, Deutsche Bank, Credit Suisse, Citigroup, and others. Katherine Collins also spoke as a featured guest on the Investor’s Field Guide podcast.

**Collaboration**

• **United Nations Principles for Responsible Investing (UN PRI):** Putnam has been a signatory to the UN PRI since 2011. As a UN PRI signatory, Putnam is committed to sustainable investing, including a focus on understanding how ESG factors may influence performance, generate alpha, and/or mitigate risk in client portfolios. Katherine Collins is the head of Putnam’s PRI committee, which also includes senior members of the firm’s operating committee.

• **Sustainable Accounting Standards Board (SASB):** Putnam joined SASB as an alliance member in 2018. SASB’s mission is to connect businesses and investors on the financial impacts of sustainability. Their work includes the development of a taxonomy of financially material sustainability issues on an industry-specific basis.

• **Ongoing pollination:** We participate in a number of other ad hoc collaborations, focused on three main areas: research on emerging issues, improving processes around the disclosure and analysis of sustainable investing approaches, and contributing to development and transparency of sustainable business practices.
SECTION 2 Portfolio analysis and ESG metrics

In this part of the report, we provide analysis of several key issues that have relevance for our portfolios and our investors. We have deliberately chosen to include a set of topics that illustrates the range of analysis underway in the field. Some areas have fairly complete underlying data and well-established metrics, and others involve questions and information that are still at an early stage of development. As researchers and active investors, our team views this varied landscape as being full of opportunity.

Both of our sustainable investing portfolios seek long-term capital appreciation. Putnam Sustainable Leaders Fund pursues its goal by investing in companies that we believe exhibit a commitment to sustainable business practices. Putnam Sustainable Future Fund pursues its goal by investing in companies whose products and services we believe provide solutions that directly contribute to sustainable social, environmental, and economic development.

What this means is that both funds aim to own stocks in companies with a demonstrated commitment to sustainability, and in areas that are relevant and material to their own business and setting. For this type of company, improvements in sustainability and impact often are directly linked to improvements in long-term business fundamentals, and deeply intertwined with the company’s financial success. These links have been substantiated in several academic studies, such as “Corporate Sustainability: First Evidence on Materiality.” Despite the evidence in these studies, companies with favorable sustainability ratings are not guaranteed to outperform other companies with less favorable sustainability ratings.

In this section, we compare several important measures of our portfolios’ ESG and sustainability characteristics, noting why we’ve chosen these measures, what they show with respect to our portfolios, how we use each metric, and where we aim to focus future research and attention. Please reference our shareholder reports and regular performance updates on the portfolios for details on the financial characteristics and performance of the portfolios, in order to compile a more complete view of the funds.

Before exploring the details, we’d like to emphasize the principles that we embrace regarding analysis and data representation

- We recognize that this work is ongoing and evolving — for us and for the whole field. Even with perfect data, there is always more nuance to explore, and new questions are constantly emerging.

- We are researchers. We add context and analysis to data. We seek to understand the “how” and the “why” that are underneath the “what.”

- We embrace unanswered questions and aim to show that getting to a better question or a partial answer is in itself a form of progress.
Metric #1: Portfolio ESG rankings vs. peers (third-party assessment)

Why is this relevant?
Many investors want to see a snapshot view that shows a portfolio’s aggregate ESG ratings or rankings, and many value the independence of an assessment that is based on third-party data.

What does this measure show, and why?
MSCI is one of the third-party data providers we work with as part of our research process, and their analysis includes a scoring system that can be aggregated to compile portfolio-level ESG rankings versus peers. When we compare the aggregate MSCI ranking of our portfolios over the past year, we see a meaningful improvement, both on an absolute basis and relative to peers. This shift is not very surprising given the change in fund mandates to include an explicit focus on sustainability analysis. While we do not aim for a specific level of third-party scoring in our investment process, the natural outcome of our portfolio construction resulted in high scores.

Source: MSCI ESG Research LLC; used with permission. As of December 31, 2018. Peer groups defined by Lipper Global Fund Classification. Peer relative ranking based on MSCI Portfolio Quality Rating. For more information on the MSCI ESG Fund Ratings Methodology, please see Appendix 2 and/or visit MSCI.com.
How do we use this measure?
MSCI is a leading ESG data provider, and their process includes a detailed company-by-company scoring system. This company-specific data adds meaningfully to the field and often helps investors to better understand key sustainability issues for a given company. By definition, this scoring process is complex, and the aggregate scores reflect a combination of heterogenous factors (For more information on the MSCI ESG Fund Ratings, please see Appendix 2). Our research efforts focus on putting all third-party data into a more complete fundamental context. We aim to assess not only current performance, but future direction as well.

Where are there opportunities for future research and focus?
The MSCI data is evolving rapidly as company reporting expands its breadth and depth and alternative data sources become available. Investors’ use of this type of data will also evolve over time. The ongoing improvements in all forms of ESG data, from all sources, will allow researchers to ask more relevant, nuanced, and informed questions, and this analysis in turn will be able to inform investment decisions in increasingly valuable ways.

Metric #2: Carbon intensity

Why is this relevant?
Carbon dioxide and other greenhouse gases (GHG) trap thermal radiation from the earth’s surface, sustaining natural life. However, human activities, such as burning fossil fuels, are increasing the concentration of greenhouse gases and leading to rapid increases in climate-related risks. Environmental impact is an important part of our sustainability analysis, and a key focus of the UN’s Sustainable Development Goals (SDG #7: Affordable and Clean Energy and SDG#13: Climate Action), and the data involved is complex and nuanced. Standard data disclosures like GHG emissions and carbon intensity offer important insights, particularly when combined with company-specific context and an understanding of potential future change. For example, lower or decreasing carbon intensity means that a company is generating fewer emissions per unit of revenue, which is better for the climate than higher or rising carbon intensity. The aggregate emissions data for any fund often depends heavily on sector allocation, as you would expect: Companies in utility and energy sectors inherently have higher direct (scope 1) emissions when compared with less energy-intensive sectors like healthcare or financials. When we assess potential investments in carbon-intensive sectors, a key consideration is our analysis of the rate of change in those metrics and the magnitude of improvement that we expect given individual company strategies. For the purposes of this report, we focus on carbon intensity, which measures the ratio of carbon emissions (scope 1+2) to revenues, which is one important element of environmental efficiency.
What does this measure show, and why?
The carbon intensity measure shows the ratio of scope 1 and 2 emissions to revenues. As noted above, scope 1 emissions are direct emissions from owned or controlled sources, and scope 2 emissions are indirect emissions from the generation of purchased energy. The portfolio level score aggregates the company-level intensity measures for all held securities. This metric offers the benefit of normalizing for company size, but in doing so it necessarily obscures the absolute level of emissions, which is important when considering a company’s impact on our climate. The carbon intensity of the Sustainable Leaders portfolio is somewhat lower (better) than the S&P 500, which we use as a representation of the broader market, and this metric is considerably lower (better) for the Sustainable Future Fund. These metrics show positive, but not outstanding, differences versus the market mainly because we are invested in two utilities in Sustainable Leaders as of March 31, 2019, which, despite their current fossil fuel use, are leading the way in replacing hydrocarbon-derived power generation with renewable energy generation.

Portfolio carbon intensity
Scope 1 and 2 CO\textsubscript{2}e metric tons/sales in USD millions

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<th>Putnam Sustainable Leaders</th>
<th>Putnam Sustainable Future</th>
<th>S&amp;P 500 Index</th>
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<tbody>
<tr>
<td></td>
<td>157</td>
<td>90</td>
<td>206</td>
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Source: MSCI ESG Research LLC as of December 31, 2018. Carbon Intensity is measured as a ratio of Scope 1 and 2 CO\textsubscript{2}e metric tons to sales (USD millions). Companies with a lower ratio use less carbon per unit of sales. Scope 1 emissions are those that occur from sources owned or controlled by the company. Scope 2 emissions are related to generation of electricity purchased by the company. Portfolio carbon intensity is calculated as the weighted average of the carbon intensity for the stocks held, with uncovered assets dropped and holdings rescaled to 100%. Uncovered assets refer to cash held in the portfolio and holdings for which there is no carbon intensity score available. Uncovered assets represent less than 10% of the funds’ holdings as of December 31, 2018.

How do we use this measure?
We do not explicitly exclude or screen out energy or utility holdings in our process, though it is unusual for companies in these sectors to meet our investment criteria. As active managers, we have the ability to selectively own and engage with companies that are actively committed to transitioning away from carbon-intensive energy sources. Therefore, when we assess potential investments in carbon-intensive sectors, a key consideration is our analysis for the future rate of change in those metrics and the magnitude of improvement that we expect given individual company strategies. For example, the Sustainable Leaders Fund is invested in two utility holdings: AES Corporation and Nextera Energy. While these holdings make up less than 2% of the portfolio as of March 31, 2019, they constitute nearly half of the fund’s aggregate carbon intensity exposure. Why have we chosen to invest in these companies? Historical emissions data is useful, but it is inherently backwards-looking, while our investment research is forward-looking. Both AES and Nextera have meaningful strategies underway to reduce their carbon intensity, and we believe these plans are positive for the companies’ long-term financial prospects, and well aligned with the UN SDGs referenced above (#7 and #13).
• AES Corporation (AES) is a global power company. AES is one of the largest sources of growth in renewable power generation, and also owns and operates coal-fired power plants. The company has plans to reduce carbon intensity by 70% by 2030 (from 2016 levels), and recently announced that they expect to reach a 50% reduction level by 2022, earlier than initially targeted. As of 2018, AES has also committed to zero new coal projects, supplemented by plans to move renewables from 29% of capacity today to 42% in 2022. There are two business initiatives at AES that, in our view, have compelling sustainability attributes: First, the company has commercialized a “green, blend and extend” strategy whereby they convert customers’ coal generating assets to renewable assets. This growth in renewable energy capacity is a key driver of the company’s long-term cash flow and earnings growth. Second, AES is a joint venture partner with Siemens in Fluence, a leading global energy storage technology and services provider. Energy storage is a crucial “missing link” for many potential renewable energy projects, and solutions in this area may help to accelerate their deployment.

• NextEra Energy (NEE) is a leading clean energy utility. The company has high emissions relative to the rest of our Sustainable Leaders portfolio because it is the largest electric utility in the United States, and because a high proportion of its generation is still fueled by natural gas. As of 2017, NextEra had 55% lower CO₂ emissions than the average U.S. electric utility, in part because of the mix of its generation assets: 46% natural gas, 26% nuclear, 22% wind, 3% solar, and 2% coal. The company has lowered total emissions by half since 2001 and has committed to a decrease of 65% by 2021. Additionally, NextEra owns NextEra Energy Resources, LLC, which is the world’s largest generator of renewable energy (wind + solar) and a world leader in battery storage. Similar to AES, NextEra’s anticipated growth in renewable capacity is a key driver of its expected earnings growth.

A closer examination of the high carbon intensity of these two holdings illustrates our research philosophy: We recognize that historical data is most useful when it is linked to thoughtful projections of future performance, and that engagement with companies in the midst of strategic shifts is one way for an active manager to have impact. We will occasionally own companies with some poor current metrics if our research has convinced us of the potential for meaningful positive change.

Where are there opportunities for future research and focus?

We expect to see continued improvements in the accuracy, breadth, and timeliness of environmental data, which will provide new opportunities for relevant and accurate analysis. Many companies are just beginning to disclose environmental metrics and to set explicit goals for improvement, and others are moving forward with thoughtful and detailed climate change analysis; all of these developments will give investors more opportunity for analysis and engagement over time.

(As of March 31, 2019, AES Corporation and Nextera Energy accounted for 1.01% and 0.75%, respectively, of Putnam Sustainable Leaders Fund and Nextera Energy accounted for 1.75% of Putnam Sustainable Future Fund.)
Metric #3: Women on boards of directors

Why is this relevant?
Numerous studies of gender diversity on boards have shown that diverse boards are associated with higher financial returns, higher firm value, higher profitability, increased investment in research and development, and lower volatility. As background, the average board in the S&P 500 has increased female representation from 14% in 2008 to 23% in 2017. Gender diversity is also an important goal addressed in several of the UN Sustainable Development Goals (SDG #5: Gender Equality, SDG #8: Decent Work and Economic Growth, and SDG #10: Reduced Inequalities.)

What does this measure show, and why?
While the boards of companies in which we invest are generally still far from gender parity, our portfolios do have a higher-than-market representation of companies where women comprise 30% or more of total board membership. This level is important because around the 30% mark, the inputs a woman might give shift from being perceived as “a woman’s point of view” to “a different point of view.” In short, this level of participation allows women’s inputs to be more fully incorporated into corporate governance. The progress thus far is meaningful, yet there is clearly still more work to be done to achieve gender parity on corporate boards.

Percentage of women on boards S&P 500 Index

<table>
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<tr>
<th>Percent exposure to each grouping</th>
<th>1</th>
<th>19</th>
<th>23</th>
<th>53</th>
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<td>&lt; 10%</td>
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<td>10%–20%</td>
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<td>20%–30%</td>
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<td>30%–40%</td>
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<td>&gt;40%</td>
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At least 30% women on boards of portfolio holdings

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<th>Percent exposure</th>
<th>Putnam Sustainable Leaders</th>
<th>Putnam Sustainable Future</th>
<th>S&amp;P 500 Index</th>
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<td></td>
<td>33</td>
<td>41</td>
<td>28</td>
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The left-hand chart shows the proportion of women on the boards of directors at companies in the S&P 500. The bars represent the index weight of the companies in each grouping.
Source: MSCI ESG Research LLC. As of 12/31/18.

How do we use this measure?
Our research process extends beyond this specific metric of women on boards to focus on understanding how companies prioritize diversity in all forms, and at all levels of the organization. Teams with diversity of perspective and experiences have stronger decision-making ability, particularly when facing dynamic and complex problems, and so this is a relevant set of issues for all types of companies and all investors.
Where are there opportunities for future research and focus?
Analysis of women on boards in combination with broader considerations of board health — including
diversity of perspectives and skills, accountability to stakeholders, and transparency — has meaningful
implications for understanding long-term governance. The association between diverse boards and strong
financial outcomes highlights the potential benefits of investing in diversity and serves as a starting point
for incorporating a more complete assessment of the composition of all company teams beyond the
boardroom.

Metric #4: Purpose and employee engagement

Why is this relevant?
An increasing body of research confirms what common sense has long suspected: Engaged employees with
a clear sense of purpose are great assets to a firm, increasing efficiency and effectiveness. However, the
metrics in this area are still evolving, and are only partially public, so we do not yet have standardized data
that is useful for charting our portfolios’ progress. As we do for any topic that is lacking in clear-cut metrics,
we have spent extra time reviewing the academic literature on purpose and engagement, and have been
focusing our company-specific research and dialogue with company managements on the most essential
questions. This same pre-metrics backdrop exists for many social topics within the “S” of “ESG.”

What does this measure show, and why?
Since we don’t yet have standardized metrics for employee engagement or corporate purpose, this is an area
where our fundamental company-specific research has been an asset. When we meet with management
teams, we regularly discuss the links between company purpose, strategy, culture, and operations, and
assess the potential implications for long-term financial performance. If a company lowers employee
turnover, for example, it can reduce operating costs and increase efficiency. If R&D is effectively aligned with
a firm’s mission, new market opportunities can emerge. If new incentives disrupt the sales team, revenue
growth can suffer.

Where are there opportunities for future research and focus?
Recent academic research illustrates some intriguing nuance in understanding corporate purpose that
warrants ongoing exploration:

• **Distinction between importance and activity:** A study from researchers at NBER, Duke, and Columbia
  highlighted that 92% of senior executives believe that improving company culture would improve
  their firm’s value, but only 16% believe their culture is where it should be.17 This gap holds potential for
  meaningful improvement.
• **Distinction between clarity and camaraderie:** Recent examination of data from the Great Places to Work Institute has shown that a combination of purpose and clarity is most powerful, not purpose alone, nor purpose plus camaraderie. This empirical evidence steers us toward a closer investigation of the “how” of purpose, focusing on the implementation that goes beyond high-level corporate declarations. Additionally, this team of researchers from Wharton, Columbia, and Harvard Business School showed that inputs from mid-level managers are more closely linked to future financial and stock market performance than the inputs from senior executives. This indicates that future analysis and metrics might benefit from moving beyond C-suite assessments.

• **Distinction between short term and long term:** A series of studies of Glassdoor data show that employee reviews can sometimes be predictive of near-term profitability and stock market returns, and this information is already being used by some short-term investors. As long-term investors, we are intrigued by the potential for similar data sets to indicate markers of longer-duration shifts in business culture and secular growth, as opposed to shorter-term changes in sentiment.

### SECTION 3 Investment themes and impact assessment

*In this part of the report, we aim to illustrate the connections between our investments and the real world. Many companies in the portfolios are doing admirable work creating innovative products or services, and in this section, we highlight some of those efforts to show how their impact ties to broader themes in the portfolio and in the world. Our research process is constantly seeking opportunities like these, where positive social and environmental impact is linked to positive financial performance.*

*One challenge for any point-in-time presentation is that it can freeze activity midstream. Writing about this phenomenon in the natural sciences, Goethe said, “The corpse is not the creature.” He was specifically referencing the study of butterflies, noting that you can measure every leg segment and model every wing shape, but if you’ve never seen them fly, you are missing the whole point.*

*Here, we aim to show our funds in flight.*
Thematic focus: Natural ingredients

Background
Demand for natural ingredients has grown meaningfully over the past several years, as consumers have become more focused on the composition and production of the products they consume. For example, 84% of Americans buy “free-from” foods because they are seeking more natural options, and 59% believe that the fewer ingredients a product has, the healthier it is.20 Looking beyond food, about a third of global consumers seek laundry detergents that have no harsh chemicals, which makes it as important a priority as price.21 These shifting consumer preferences are well founded given an increasing body of scientific evidence showing potential harm from food additives and synthetic chemicals exposure, with children being particularly susceptible.22 Meaningful opportunities exist for companies to respond to these changing preferences, with potential to update their production processes and product inputs, improve sustainability outcomes, and decrease long-term costs and risks to their operations.

These trends have implications for many products and services, and in this report, we explore two major areas where change is underway: decreasing antibiotic use in food production and increasing biological solutions in household goods. Several of the companies we own in our funds address these changes with innovative products and solutions.

Challenge #1 — Antibiotic use in food supply
Antibiotics are pervasive in the United States agricultural system, and this intensive use increases the threat of antibiotic resistance, creating meaningful health risks. According to a 2013 Centers for Disease Control (CDC) report, over two million people suffer from antibiotic-resistant infections every year, resulting in 23,000 annual deaths.23 Though we are likely most familiar with the antibiotics prescribed by our doctors, approximately 80% of antibiotics in the United States are used in agriculture, and added in livestock food pellets to speed up growth and digestion efficiency (sub-therapeutic use) and to prevent animal disease (therapeutic use).24 This use includes medically important antibiotics, which pass through the food system and contribute to human antibiotic resistance. Antibiotic overuse in agriculture, particularly in meat production, is a key leverage point for improving human health outcomes and safeguarding the effectiveness of antibiotic use for humans.

SOLUTION
There is growing global consensus around the need to reduce antibiotic use and tackle antibiotic resistance. Europe has taken the lead in government regulation, and in other regions, some companies have begun to take a leadership role. One company helping to address this challenge is Chipotle Mexican Grill (Chipotle). Chipotle does not allow sub-therapeutic antibiotics anywhere in its supply chain, and 100% of their chicken and beef met their “No Antibiotics Ever” standard as of 2018.25 In a 2018 report examining the top 25 fast food and fast casual chain restaurants, Chipotle was one of only three companies to earn an industry leading “A” score for their comprehensive policies restricting the use of antibiotics.26 Chipotle’s commitment goes as far back as 2001, when they first adopted the slogan ‘Food with Integrity’ and made a commitment to responsibly source ingredients and maintain a standard for animal care.27 Throughout the years, Chipotle has noted the competitive advantage of being a fast casual restaurant known for fresh ingredients, and their belief that increased demand for naturally raised meat will spur further growth.28
**IMPACT**

Wider adoption of policies like Chipotle’s and increasing demand for antibiotic-free meat could have meaningful implications for the United States’ antibiotic usage, and for agricultural practices more broadly. Chipotle’s commitment was one of the first in the industry and helped to lead the way for other chains to move in a similar direction, with several companies starting by banning medically important antibiotics. The United States FDA is also focused on this issue, and in 2017 stopped allowing medically important drugs to be used for growth promotion or feed efficiency. This is a key development in the effort to stem antibiotic resistance, and will help to begin lowering the very high level of total antibiotic use in the U.S. food system. Despite the FDA limitations and the commitments of Chipotle and others, the level of U.S. antibiotic use is still approximately twenty times higher per kilogram of beef than in other regions like the United Kingdom. Further progress is likely to require more systemic change, such as different animal care and sanitation practices. The judicious use of antibiotics will help protect their efficacy for animals and people alike, and government, corporate, and consumer commitments to this shift highlight a burgeoning desire for systemic change.

(As of March 31, 2019, Chipotle Mexican Grill accounted for 1.56% and 3.43% of the Putnam Sustainable Leaders Fund and Putnam Sustainable Future Fund, respectively.)

**Challenge #2 — Chemical use in household products**

We rely on household products like cleaning solutions and detergents to maintain health and hygiene, but sometimes these products also contain chemicals that pose risks to human health and the environment. For example, surfactants have been common ingredients in personal care and cleaning products because they provide better cleaning and more suds at a lower cost than alternatives. However, many of these applications, like laundry detergent, have down-the-drain disposal, which is harmful to aquatic organisms as it degrades to more toxic compounds in the environment. In developed countries, wastewater treatment plants are able to remove approximately 86% of surfactants, but residual amounts end up in water that is reused for irrigation or drinking water. Using more benign components can help to better achieve the health and hygiene goals of these products while avoiding systemic cost and harm.

**SOLUTION**

One way that companies are working to improve household cleaning products is by using biological substitutes like natural enzymes for synthetic chemicals. Enzymes in cleaning products have been shown to have an excellent safety profile and a history of safe consumer use. These proteins allow chemical reactions to occur rapidly and efficiently, and they degrade into benign biological components, which means that they have the potential to improve efficiency and effectiveness with no environmental impact. Novozymes, a biological solutions company headquartered in Denmark, is a leader in enzymes. Novozymes offers innovative solutions to customers in industries like household care, agriculture, bioenergy, and food. Beyond the primary impact of reducing the need for potentially harmful surfactants, Novozymes’ products also have stated goals of enabling higher customer production output while saving water and energy usage.
**IMPACT**

An example of the benefits of enzyme use can be seen in Novozymes’ solutions for detergents. For consumers, these products help extend the usable life of clothes by requiring fewer rewashing cycles and utilizing fewer chemicals. These solutions also decrease the water and energy intensity of laundry processes, which is important to both consumers and manufacturers. For example, using Novozymes inputs allows Care brand cold water detergent to cut washing temperatures in half. This results in significant energy savings, since heating water accounts for 90% of the energy used in operating a washing machine. Similar benefits can be found in enzymatic and microbial applications for biofuels, which increase yields and decrease energy intensity of the extraction process, and in agriculture, where microbial protection for seeds can help reduce chemical use later in the growing process.

(As of March 31, 2019, Novozymes accounted for 2.69% and 3.35% of Putnam Sustainable Leaders Fund and Putnam Sustainable Future Fund, respectively.)

**Thematic focus: Financial security and financial access**

**Background**

Many governments and nonprofit organizations have focused on financial access (enabling more individuals and businesses to enter the formal banking and credit system) as an important approach to promoting economic development and financial security. On a global scale, financial inclusion underpins many of the United Nations SDGs (#1: no poverty, #4: quality education, #8: decent work and economic growth, and #10: reduced inequalities), and it is also a direct goal of the World Bank and IMF’s Universal Access by 2020 Campaign (UFA2020). However, the root causes and symptoms of financial insecurity and inequality are many and complex, and often go beyond a simple lack of access to financing. In the United States, the student debt crisis and high and rising healthcare costs are both meaningful contributors to financial instability on an individual and a systemic basis. Several of the companies we own in our funds address these key financial challenges with innovative solutions.

**Challenge #1 — Student Debt**

Debt in and of itself isn’t necessarily a negative, as borrowing, for example, enables many to pursue higher education. Over-indebtedness, though, can have a lasting negative financial impact and a high opportunity cost.

Student debt in the United States has tripled since 2005 to its highest level ever; more than 44 million borrowers collectively owe $1.5 trillion, an average of $37,000 per student when measured at the time they enter the workforce. And the proportion of student loan borrowers with high levels of debt has been increasing: A 2017 Brookings study showed that the share of students graduating with more than $50,000 in student debt has more than tripled since 2000 to 17% of all borrowers in 2014.
Recent graduates with high levels of debt are likely to have large monthly payments that limit their ability to save and impact their day-to-day living standards. For example, a national study done by the organization Student Debt Crisis found that the average student borrower has less than $1,000 in savings, and 80% cannot save for retirement. One in three borrowers reported that their student loan bill was higher than their rent or mortgage bill, and fewer than half of all borrowers had repaid even one dollar of principal five years into repayment.\textsuperscript{41} The potential impact of high debt levels goes beyond just pure financial stress and has potential social consequences. A 2017 Federal Reserve study shows an association between higher levels of student debt and lower homeownership rates. Other studies have shown similar associations between student debt levels and delays in marriage and family planning decisions, lower probability of enrollment in a graduate or professional degree program, and lower rates of employment in public interest careers.\textsuperscript{42}

**U.S. student loan balance by age group ($B)**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td>&lt; 30</td>
<td>362</td>
<td>371</td>
<td>376</td>
<td>383</td>
<td>384</td>
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<tr>
<td>30–39</td>
<td>354</td>
<td>383</td>
<td>408</td>
<td>437</td>
<td>461</td>
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<tr>
<td>40–49</td>
<td>188</td>
<td>208</td>
<td>230</td>
<td>256</td>
<td>279</td>
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<tr>
<td>50–59</td>
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<tr>
<td>60+</td>
<td>50</td>
<td>58</td>
<td>67</td>
<td>76</td>
<td>85</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax, as of December 2017.\textsuperscript{43}

**SOLUTION**

In 2017, First Republic Bank acquired Gradifi, a Boston-based startup that provides a student loan paydown benefit to employers. The Gradifi platform, which now has over 500 employers as customers, is a small, but quickly growing piece of First Republic’s overall business.\textsuperscript{44} Gradifi allows employees to refinance their outstanding student loans into one monthly payment. The platform also enables employers to make monthly contributions toward paying down their employees’ loans. Finally, Gradifi also offers employers the opportunity to directly contribute to employees’ Section 529 College Savings plans. In addition to the direct benefits for employees, this platform has helped employers to attract, retain, and engage top talent.
IMPACT

Gradifi is a Boston-based startup that provides a student loan paydown benefit that employers can offer their employees. Over 58% of Gradifi benefit recipients say they are more likely to stay at their current employer because of the student loan repayment benefit, and over 51% feel less stressed about their student loans.45 A typical graduate is facing average yearly loan payments of $4,239 for their student debt, and if an employer were enabled via Gradifi to contribute $100/month to this balance, the employee’s payments could decline by 28% annually. In addition to this direct benefit, the employee’s improved capacity for savings could compound meaningfully over time. Assuming recurring savings of $100 per month due to the above employer contribution, Gradifi’s solution could help an employee to create almost $70,000 of aggregate savings by retirement age.46 The potential positive impact from refinancing or broadly addressing student debt would not only be felt on an individual basis, it could have a profound impact on the overall economy as well, given that student debt levels are now equivalent to 7% of U.S. GDP.

(As of March 31, 2019, First Republic Bank accounted for 1.05% and 2.81% of Putnam Sustainable Leaders Fund and Sustainable Future Fund, respectively.)

Challenge #2 — Healthcare costs

High and rising healthcare costs are contributing to financial instability and inequality. According to the Centers for Medicare & Medicaid Services, healthcare spending in the United States grew to $3.5 trillion in 2017, or almost 18% of GDP.47 On an individual basis, the numbers are perhaps even more daunting; in 2018, an average American family of four with an employer-sponsored healthcare plan incurred annual medical costs of over $28,000. While there are some signs that cost inflation is moderating, employees are responsible for more and more of the expense. In addition, the growing popularity of high deductible plans in the United States can further increase out-of-pocket expenses for some consumers. In 2018, employees covered approximately 44% of their healthcare costs, compared with approximately 20% in 2001.48 This means that employees are contributing over $12,000 to their annual healthcare costs today, versus approximately $1,400 in 2001.49

Families are not only stretching to pay for current medical expenses, but they also must plan to save for future medical expenses. A recent report by HealthView Services suggests that an average (healthy) 65-year-old couple retiring in 2018 will face future lifetime healthcare costs (Medicare premiums plus out-of-pocket expenses) of over $363,000 in today’s dollars.50
SOLUTION
Health saving accounts, or HSAs, are savings vehicles that allow employees to save for healthcare costs in an extremely tax efficient way. Employees with high deductible health plans can contribute pretax money, invest that money with no capital gain taxes, and then spend the money tax free in retirement on qualified healthcare expenses. In other words, HSAs are even more tax efficient than 401(k)s. The HSA industry is a $51 billion market today with 23 million accounts, while the 401(k) market had assets of more than $7.5 trillion as of year-end 2017, covering more than 97 million Americans.²¹

HealthEquity, a Utah-based technology company, is a leading provider of software and customer support that allows employers to set up health savings accounts for their employees. The company’s purpose is to “help Americans thrive in today’s healthcare system by empowering health savings.”²²

IMPACT
For individuals, the HealthEquity HSA product can have a profound positive impact. And HealthEquity’s reach is broad and growing; currently one third of working Americans have the option to open a HealthEquity HSA through their health plan or employer, and HealthEquity has 4.0 million accounts with an average balance of around $2,000 today.²³ Many account-holders use their balances for monthly out-of-pocket expenses like prescriptions or co-pays, but those who are able can save and invest their HSA account balances to create meaningful savings for health-related (and other) costs in retirement. If a 30-year-old couple with a HealthEquity account contributes the maximum $7,000 per year, and spends $2,000 of that contribution annually on day-to-day healthcare costs, they could have more than $480,000 of HSA savings by the time they are 65.²⁴

Given the compelling tax efficiency and the clear need for savings to address healthcare costs in retirement, it is possible that HSAs might eventually be as prevalent as 401(k)s. If this were to happen, eventually HSAs could help Americans to generate over $100 billion of savings to be put toward their healthcare costs in retirement, which would benefit both individuals and the broader economy.²⁵

(As of March 31, 2019, HealthEquity accounted for 0.94% of Putnam Sustainable Future Fund.)
Planning future research

The preceding thematic review has explored just a few of the sustainability issues and opportunities that our team is researching on an ongoing basis. As you can see below, our thematic research map is expansive both in breadth and depth, and it is constantly evolving as new ideas emerge.
This open-ended and fluid idea map provides a helpful complement to our more structured sector-based materiality map, and when we use both together we are able to track ideas from high-level trends through to company-specific analysis. We share this graphic view to give a sense of the extensive range of thematic sustainability research that could combine with deep fundamental analysis to create investment opportunities for our funds over time.
Conclusion

This year has clearly been one of rapid and positive development for Putnam’s sustainable investing work, and for the Leaders and Future portfolios. We are encouraged by progress to date with respect to our research, portfolio composition, engagement, and impact, and we also recognize that our efforts are still new, and that there are many challenges yet to be addressed.

Throughout this report, one essential element shines through: All of our endeavors require partnership and connection. Our research process involves collaboration with colleagues at Putnam, at other research and investment firms, and at the companies in which we invest. Our portfolio analysis involves partnership with external data providers, academic researchers, and governmental and nongovernmental organizations. Our thematic and impact-centered activity requires connection at all levels of systems, from community inputs to consultation with scientific experts to discourse with policymakers. Investing is often perceived as a purely competitive endeavor, but our portfolios and our shareholders benefit from the broad and deep community that supports our work.

Thank you for taking the time to understand the research process that informs our investing, the ways that we assess our progress, and the potential impact that our portfolios’ investments have in the world. In this first full year of practice, we are encouraged by the increasingly evident and relevant links between sustainability strategy, environmental and social impact, and long-term business fundamentals. We are grateful for your engagement and eager to continue in our shared endeavors — to reconnect investing with the world it was designed to serve.

Appendix 1: Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a set of global priorities developed by countries, NGOs, businesses, the scientific communities, and other stakeholders from around the world. The SDGs were not explicitly devised as an investment framework but serve as a guide for companies’ and investors’ long-term sustainability efforts and as a mandate to address the eminent challenges facing our world.

Per the United Nations, the SDGs “are a call for action by all countries, poor, rich, and middle-income, to promote prosperity while protecting the planet. They recognize that ending poverty must go hand in hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection.”

The 17 SDGs are at the heart of the 2030 Agenda for Sustainable Development, which was adopted by all United Nations Member States in 2015. These goals “provide a global blueprint for dignity, peace, and prosperity for people and the planet, now and into the future.”
## Sustainable Development Goals

<table>
<thead>
<tr>
<th>SDG</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. No Poverty</strong></td>
<td>End poverty in all its forms everywhere</td>
</tr>
<tr>
<td><strong>2. Zero Hunger</strong></td>
<td>End hunger, achieve food security and improved nutrition, and promote sustainable agriculture</td>
</tr>
<tr>
<td><strong>3. Good Health and Well-Being</strong></td>
<td>Ensure healthy lives and promote well-being for all at all ages</td>
</tr>
<tr>
<td><strong>4. Quality Education</strong></td>
<td>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</td>
</tr>
<tr>
<td><strong>5. Gender Equality</strong></td>
<td>Achieve gender equality and empower all women and girls</td>
</tr>
<tr>
<td><strong>6. Clean Water and Sanitation</strong></td>
<td>Ensure access to water and sanitation for all</td>
</tr>
<tr>
<td><strong>7. Affordable and Clean Energy</strong></td>
<td>Ensure access to affordable, reliable, sustainable, and modern energy</td>
</tr>
<tr>
<td><strong>8. Decent Work and Economic Growth</strong></td>
<td>Promote inclusive and sustainable economic growth, employment, and decent work for all</td>
</tr>
<tr>
<td><strong>9. Industry, Innovation and Infrastructure</strong></td>
<td>Build resilient infrastructure, promote sustainable industrialization, and foster innovation</td>
</tr>
<tr>
<td><strong>10. Reduced Inequality</strong></td>
<td>Reduce inequality within and among countries</td>
</tr>
<tr>
<td><strong>11. Sustainable Cities and Communities</strong></td>
<td>Make cities inclusive, safe, resilient, and sustainable</td>
</tr>
<tr>
<td><strong>12. Responsible Consumption and Production</strong></td>
<td>Ensure sustainable consumption and production patterns</td>
</tr>
<tr>
<td><strong>13. Climate Action</strong></td>
<td>Take urgent action to combat climate change and its impacts</td>
</tr>
<tr>
<td><strong>14. Life Below Water</strong></td>
<td>Conserve and sustainably use the oceans, sea, and marine resources</td>
</tr>
<tr>
<td><strong>15. Life on Land</strong></td>
<td>Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss</td>
</tr>
<tr>
<td><strong>16. Peace and Justice and Strong Institutions</strong></td>
<td>Promote just, peaceful, and inclusive societies</td>
</tr>
<tr>
<td><strong>17. Partnerships for the Goals</strong></td>
<td>Revitalize the global partnership for sustainable development</td>
</tr>
</tbody>
</table>
Appendix 2: MSCI ESG Fund Ratings

Important note regarding information sourced from MSCI ESG Research LLC, or its affiliates or information providers: Although they obtain 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. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast, or prediction. 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 (including lost profits) even if notified of the possibility of such damages. For the complete MSCI ESG Fund Ratings Methodology, visit MSCI.com.

Endnotes

1 Putnam Management will be seeking approval from shareholders of Putnam Sustainable Leaders Fund of a new management contract for the fund, which has been approved by the fund’s Board of Trustees. If approved by shareholders, the benchmark for the performance-adjustment component of the fund’s management fee will change from the Russell 3000 Growth Index to the S&P 500 Index. This change will be on a prospective basis only. In addition, the fund’s external performance benchmark will change to the S&P 500 Index.

2 https://www.putnam.com/individual/how-we-invest/sustainable-investing/

3 https://materiality.sasb.org/


6 Pages 4-5 https://www.ipcc.ch/site/assets/uploads/2018/02/SYR_AR5_FINAL_full.pdf

7 https://sustainabledevelopment.un.org/?menu=1300


9 Ibid.


11 Ibid.


13 http://english.ckgsb.edu.cn/sites/default/files/Board%20Diversity_20160201.pdf

14 McKinsey, Women Matter Time to accelerate, October 2017


16 Hong and Page, Groups of diverse problem solvers can outperform groups of high-ability problem solvers https://www.pnas.org/content/101/46/16385


22. https://pediatrics.aappublications.org/content/142/2/e20181408; https://www.who.int/news-room/fact-sheets/detail/pesticide-residues-in-food


25. Per Chipotle’s Global Head of Investor Relations


32. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4130171/


35. https://www.researchgate.net/publication/5429474_Enzymes_detergents_and_skin_Facts_and_fantasies


43. https://www.newyorkfed.org/microeconomics/topics/student-debt

44. Student loan refinance loans made up 2.9% ($2.2B) of First Republic’s total outstanding loans as of year-end 2018; http://ir.firstrepublic.com/phoenix.zhtml?c=105639&p=irol-IRHome

45. https://www.gradifi.com/

46. Assumes $1,200 per year contribution for first 10 years and then 5% compounded annual investment returns through age 65


48. Ibid.


52. https://healthequity.com/

53. Ibid.

54. Assumes $7,000 (with eligibility unchanged) maximum contribution and $2,000 spent per year with the remaining $5,000 invested at an assumed 5% annual return from age 30 to 65.

55. Assumes 55 million HSA accounts at maturity with an average balance of $2,000, which is in line with HealthEquity’s average balance today.


57. https://outreach.un.org/sgrelations/content/sdgs-report-2018
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Consider these risks before investing: Stock values may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perceptions, changes in government intervention in the financial markets, and factors related to a specific issuer, industry or sector. These and other factors may lead to increased volatility and reduced liquidity in the funds’ portfolio holdings. Growth stocks may be more susceptible to earnings disappointments, and the market may not favor growth-style investing. Investments in small and/or midsize companies increase the risk of greater price fluctuations. International investing involves currency, economic, and political risks. Emerging-market securities have illiquidity and volatility risks. The funds’ sustainable investment strategy limits the types and number of investment opportunities available to the funds and, as a result, the funds may underperform other funds that do not have a sustainable focus. The funds’ investment strategy of investing in companies that exhibit a commitment to sustainable business practices may result in the funds investing in securities or industry sectors that underperform the market as a whole or underperform other funds that do not invest with a similar focus. Due to changes in the products or services of the companies in which the funds invest, the funds may temporarily hold securities that are inconsistent with sustainable investment criteria. You can lose money by investing in the funds.
Request a prospectus or summary prospectus from your financial representative or by calling 1-800-225-1581. The prospectus includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.