

Gibson Lamb

GOOD FOR YOUR WEALTH

OUR HISTORY | YOUR FUTURE



HOW DOES INVESTING RESPONSIBLY
MAKE THE WORLD A BETTER PLACE?

A look at the work Sarasin did on your behalf in 2022

WHY ARE WE SO COMMITTED TO INVESTING RESPONSIBLY?

The signs of climate change are all around us, from UK temperatures exceeding 40°C for the first time, to storms, floods and fires devastating communities across the world. But although climate change tends to grab the headlines, investing responsibly has a much wider remit.

It means holding companies to account for their supply chains – are staff being paid a reasonable amount and being asked to work in reasonable conditions? It means embracing the ‘circular economy’ – taking used items and finding ways to re-use them, like the plethora of bottles now made from recycled plastic; or simply putting unwanted items on eBay or Freecycle so someone else can use them.

It means holding executives to account for their own pay packets. Sometimes, it means encouraging a business to completely reinvent itself to benefit from the decarbonisation of the global economy.

Overall, investing responsibly means **generating good financial returns whilst making a positive difference to our society and environment.**

We believe that responsible and sustainable companies are not only making a positive impact but are more likely to deliver the returns our clients need to maintain their desired lifestyles. That is why we’re so committed to investing responsibly. The concept has been wholeheartedly embraced by you – our clients – and we wanted to take the opportunity to give you some real-world examples of what it means to invest responsibly.

A FEW DEFINITIONS

SRI – Socially responsible investing. An investment strategy that considers both financial return and potential social/environmental good. Also known as ethical, sustainable, ESG (see below) or responsible investing.

ESG – Environmental, social justice and corporate governance, the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

SDG – Sustainable development goals. Also known as the Global Goals, these 17 individual targets are a UN-driven universal call for action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

PARIS AGREEMENT – A 2015 strategy, agreed to by 193 countries plus the EU, to cut the greenhouse gas emissions which cause global warming. All parties agreed to keeping temperature rises to ‘well below’ 1.5°C to avoid the worst impacts of climate change.

NET ZERO – Essentially, not adding to the amount of greenhouse gases in the atmosphere. It will be achieved by reducing emissions and balancing out any remaining through methods like carbon capture and storage.

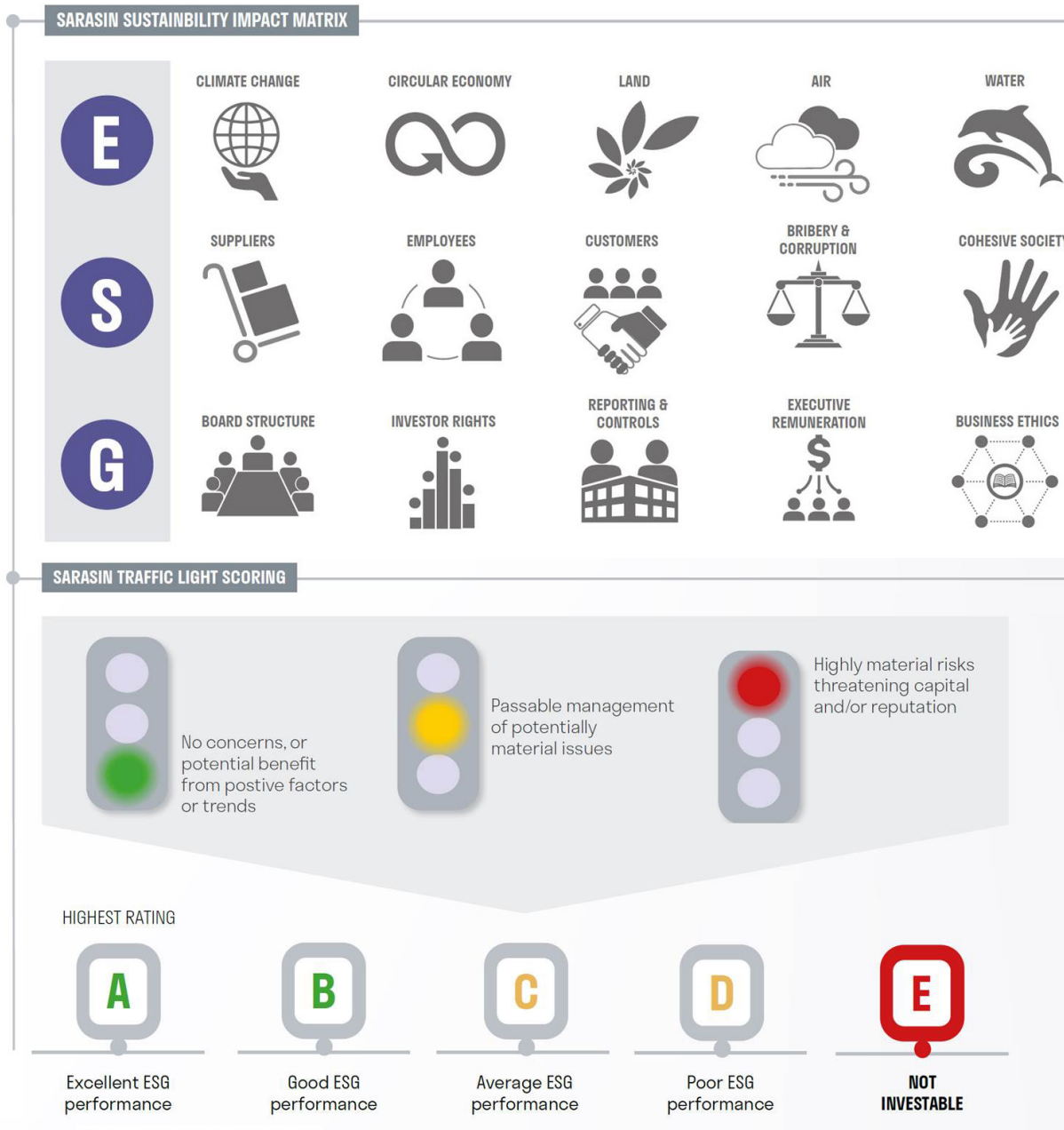
WHAT IS ENGAGEMENT AND WHY IS IT SO IMPORTANT?

The consensus is that engagement is the best way to drive companies to change their behaviour. Influencing the board of companies that need to improve – particularly those with the highest emissions, use of plastics or worst track records for employee terms and conditions – can have a direct, positive impact.

Rather than simply selling investments in companies that aren't perfect, proactive asset managers prefer to own the stock to retain a 'seat at the table' when it comes to how the company is run. Disinvesting – selling the stock – is the last resort, a recognition that those in charge of the company simply aren't prepared to embrace positive change.

SARASIN'S SUSTAINABILITY MATRIX

Sarasin rate each of the companies they invest your money in. There are 15 areas for consideration (shown below) and each of the criteria is awarded a green, amber or red rating.



ESG – Environmental Social and Governance – see the glossary

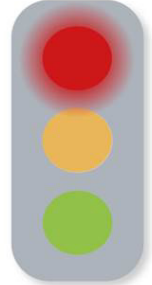
DECIDING WHO TO INVEST WITH

Here's how Coca-Cola, the world's largest soft drinks company, fares in Sarasin's rating process.

THE TRAFFIC LIGHT ASSESSMENT OF THE ESG RISKS

Coca-Cola

The Coca-Cola Company is the world's largest soft drinks company. Billions of servings of its products are consumed every week.



Soft drinks are heavy to transport and CO₂ emissions are high.

Produces 100 billion plastic bottles each year, while plans for recycling are too slow (2030) and unlikely to stop environmental impact.

High calorie soft drinks made with high-fructose corn syrup and sugar are a major contributor to obesity and diabetes.

Competition for water, growing of ingredients, corporate purpose, remuneration, accounting for externalities etc, are concerns.

E

CLIMATE CHANGE



CIRCULAR ECONOMY



LAND



AIR



WATER



S

SUPPLIERS



EMPLOYEES



CUSTOMERS



BRIBERY & CORRUPTION



COHESIVE SOCIETY



G

BOARD STRUCTURE



INVESTOR RIGHTS



REPORTING & CONTROLS



EXECUTIVE REMUNERATION



BUSINESS ETHICS



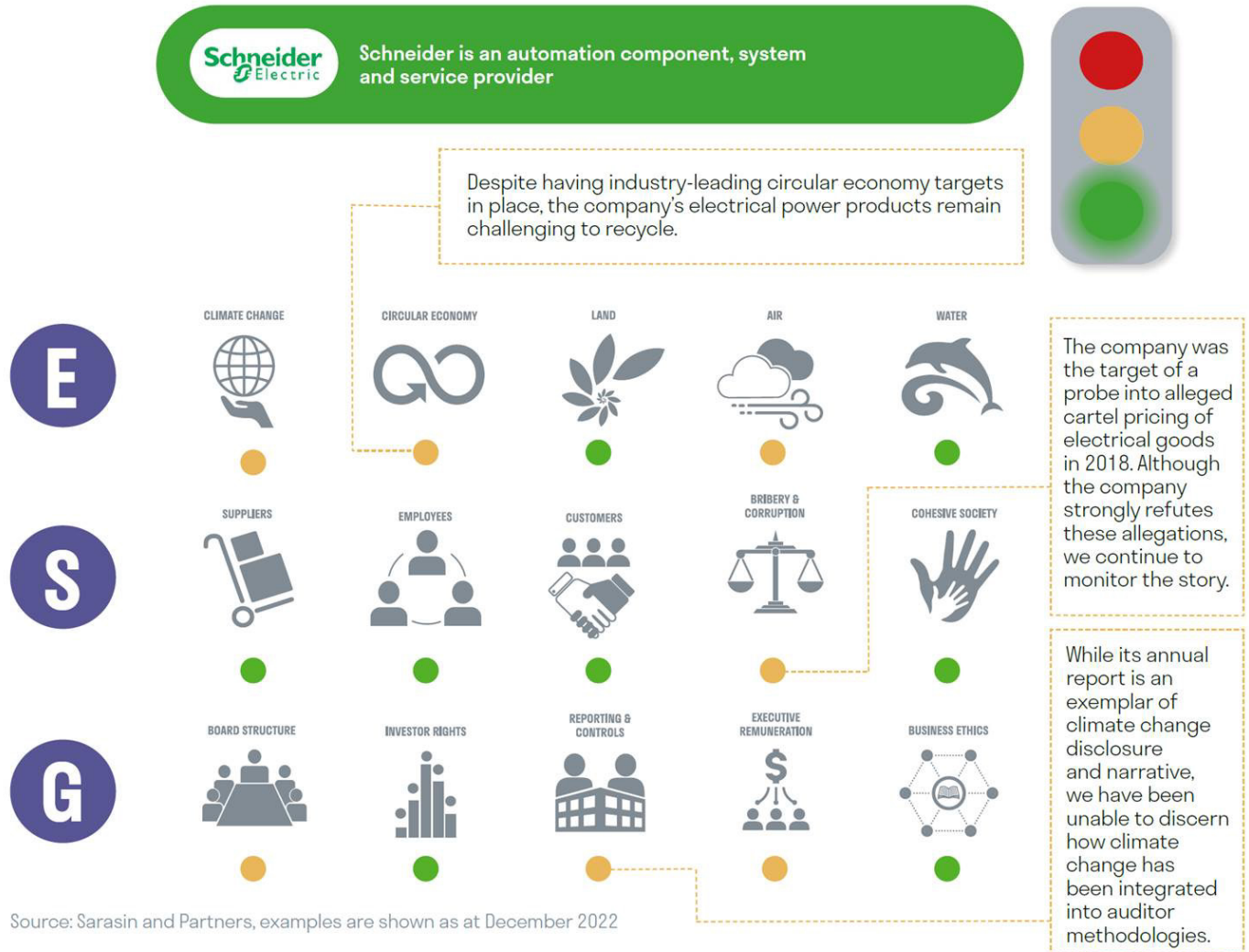
Source: Sarasin and Partners, examples are shown as at December 2022

With three red rankings, the company is not deemed suitable for the responsibly managed portfolio.

DECIDING WHO TO INVEST WITH... (CONTINUED)

An example of a company better suited to the portfolio is Schneider Electric.

THE TRAFFIC LIGHT ASSESSMENT OF THE ESG RISKS



With no red rankings they meet Sarasin's criteria, and the amber rankings offer a perfect opportunity for Sarasin to engage with the company to drive improvement in those areas.

Through their sustainability matrix, Sarasin have identified around 120 companies globally that are suitable for investment within their responsibly managed portfolio. The process has also highlighted the areas requiring improvement to focus on.

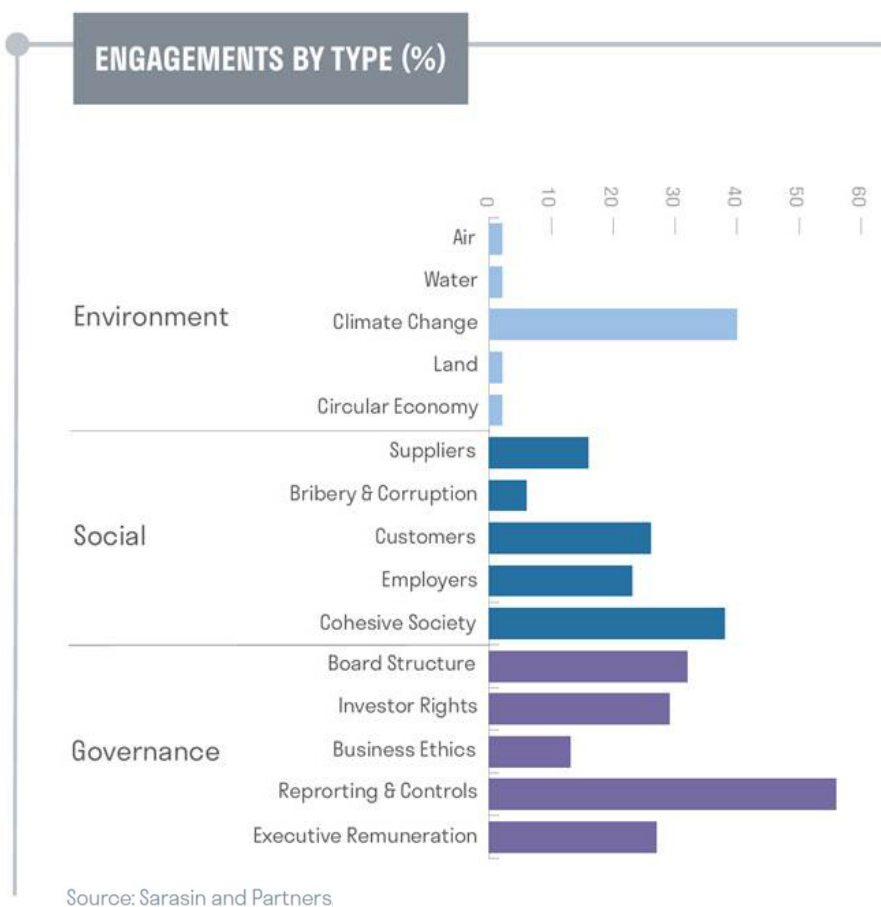
ENGAGEMENT IN ACTION

In 2022, Sarasin engaged directly with 89 of the companies they invest in. (Additional companies will have been engaged with by different firms in the cohort of which Sarasin are a part.)

Sarasin's work alone has covered 450 different areas, with the majority (56%) relating to governance. Influencing the governance of a business has a top-down effect, leading to improved worker and supply chain conditions and a reduction in negative impact on the environment.

They track their engagement to monitor progress and ensure they're focusing their effort where it's most needed.

Here's the balance of their activity across the 15 areas of their sustainability matrix.



In 2022, an independent body evaluated all responsible asset managers and awarded Sarasin the top score, with a 5-star rating in seven of the eight modules assessed.

SARASIN'S REPUTATION

Sarasin are founding partners of NZAM – the Net Zero Asset Managers initiative that represents US\$66 trillion of assets. That's big money, the kind of money that can influence the boards of the world's largest companies.

When one manager acts on behalf of a group of asset managers it's referred to as a 'cohort'. Sarasin's reputation is such that they are often asked to take the lead when it comes to approaching boards on behalf of the cohort.

EXAMPLES OF SARASIN'S IMPACT – CLIMATE CHANGE

This Florida-based company was the first to publicly commit to real zero (rather than net zero) by 2045. Sarasin encouraged the board on behalf of a cohort over many years and the process finally reached a conclusion in the summer of 2022.



Florida is an ideal place to generate solar and wind energy thanks to its plentiful sunshine and expansive coastline and the announcement was met favourably by the markets.

Sarasin have since disinvested (at a healthy profit) due to the high political risk of the company becoming the focus of issues connected to the next US presidential election. (The Floridian governor, who may run for President, isn't a fan of renewables.)



JOHN DEERE

In March 2022, after a lengthy engagement process, the global farming equipment manufacturer published detailed emissions data and incorporated 'climate risk' into its reporting.

They also announced net zero interim targets for 2026 and 2030, which were independently verified in October 2022.



Weyerhaeuser

Following engagement by Sarasin, one of the world's largest timberland management companies have issued a 2040 net zero commitment which has been reviewed by an independent third party.

This action has led to a demonstrable pivot in business strategy to focus on monetising the value Weyerhaeuser brings to society through forest-based carbon capture and the provision of wood, a lower carbon construction material than concrete.

Sarasin have now upgraded Weyerhaeuser's climate change ranking to green.



**UNITED FOR
CLIMATE ACTION**

COP21.GOV.FR #COP21

A key focus of Sarasin's engagement is on pushing for the global adoption of Paris-aligned accounts. They are calling for companies to deliver accounts that properly reflect the impact of achieving net zero emissions by 2050 (as set out in the 2015 Paris Agreement) on assets, liabilities, profits and losses.

Sarasin have engaged with both Shell and BP, plus their auditors EY and Deloitte. EY's public response was to confirm that Shell's accounts are not Paris-aligned. Deloitte's was that BP's accounts are aligned, although they alerted shareholders that the assumptions used are at the upper end of the range for Paris-aligned scenarios.

If two of the world's largest oil companies can be persuaded to consider adjusting their accounts, pressure will mount on other firms to do the same, giving investors more accurate information.

EXAMPLES OF SARASIN'S IMPACT – GOVERNANCE



You may be familiar with this American tech company from seeing their logo on McLaren's F1 cars.

Following engagement, it was agreed that the CEO would be required to hold shares in the company worth a minimum of six times their salary. This was intended to align their interest with that of shareholders.



In August 2022, the UK's main stock market committed to improving their Chair's availability to meet investors and to enhance investor communications.

They also agreed to avoid paying executives discretionary bonuses without a transparent process in place.

We'll continue to share news of more of the positive work Sarasin are involved in on your behalf as announcements come through and change takes place.

GET IN TOUCH

The entire process is powered by the Gibson Lamb team and the experts and the partners we choose to work with. It's our people that make the difference. We'd love it if you got in touch with us.

Head Office: Gibson Lamb & Co LLP, Regus Admirals Park, Crossways, Victory Way, Dartford, DA2 6QD

Email: enquiries@gibsonlamb.co.uk

Telephone: 020 7839 3582

Gibson Lamb & Co LLP is authorised and regulated by the Financial Conduct Authority. Registration number 446785. Registered in England with LLP number OC3 16 154

Version 1.0, May 2023

