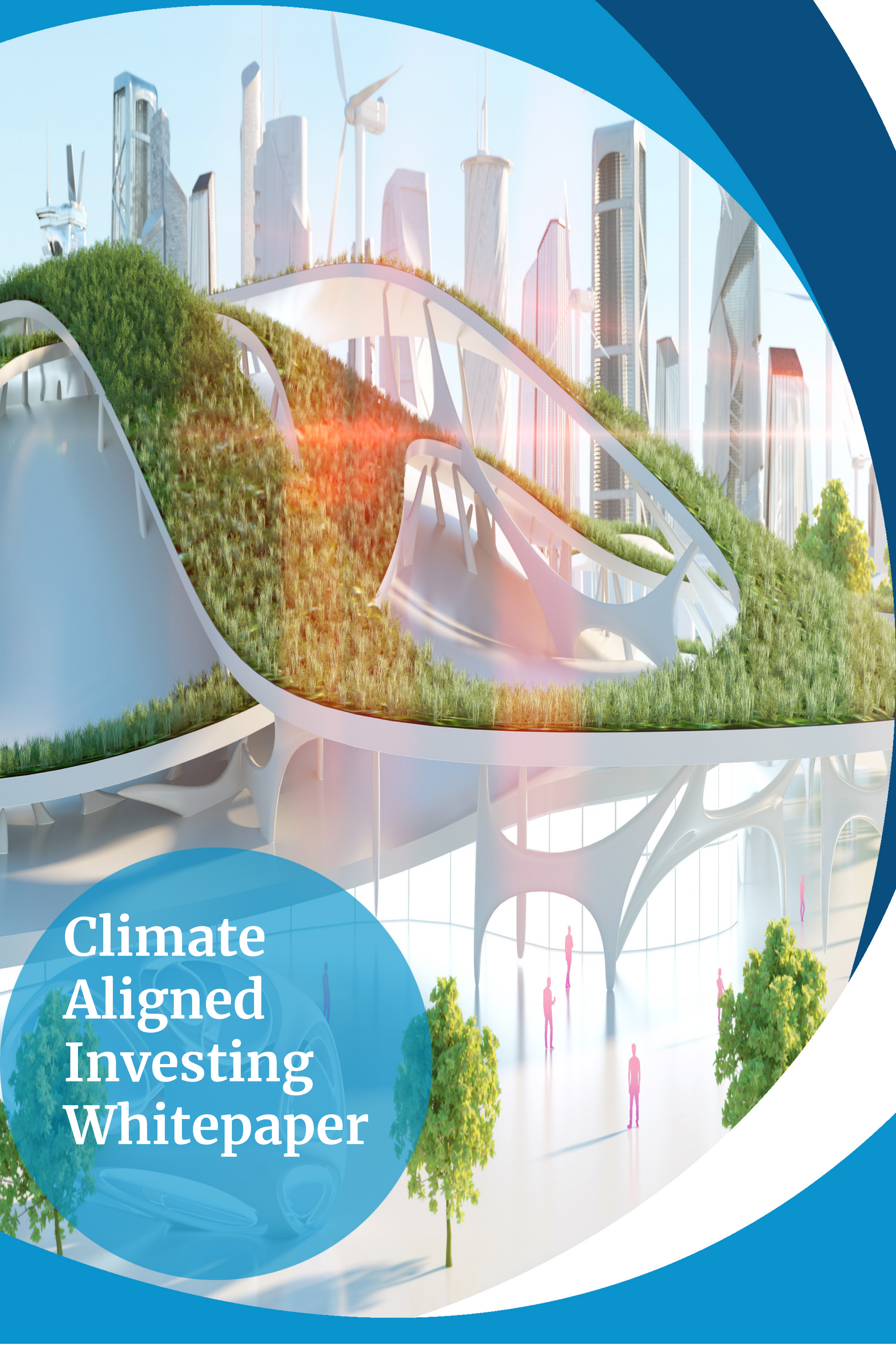
CAMRADATA



Climate Aligned Investing Whitepaper

Sponsored by

GAM Investments

SARASIN & PARTNERS

Clear and Independent Institutional Investment Analysis

We provide institutional investors, including pension funds, insurance companies and consultants, with data and analysis to assess, research and report on their investments. We are committed to fostering and nurturing strong, productive relationships across the institutional investment sector and are continually innovating new solutions to meet the industry's complex needs.

We enable institutional investors, including pension funds, insurance companies and consultants, to conduct rigorous, evidence-based assessments of more than 5,000 investment products offered by over 700 asset managers.

Additionally, our software solutions enable insurance companies to produce consistent accounting, regulatory and audit-ready reports.

To discuss your requirements
+44 (0)20 3327 5600
info@camradata.com

Find us at camradata.com

Join us on LinkedIn

Follow us on Twitter @camradata

Contents

Welcome to CAMRADATA's Climate Aligned Investing Whitepaper

Global leaders met in Glasgow with much to do to save the world from overheating. The socio-economic shocks caused by COVID-19 over the last two years have drawn attention away from climate change adaptation and mitigation. Leaders are currently more concerned with restoring economic growth than moving to clean energy. Annual emissions of carbon dioxide are now higher than for 2015, the year of the historic Paris COP summit. China, factory to the world and by far the biggest-emitting nation, still relies on coal for two-thirds of its electricity production.

MSCI estimates that within six years, public companies will have exceeded the carbon budget for holding a 1.5-degree temperature rise this century. As the owners and financiers of these companies, pension funds, insurers, foundations and their asset managers have to decide how they influence corporates' alignment with climate change. Following the science, the evidence so far is that in aggregate we are failing. This CAMRADATA whitepaper will discuss what more long-term investors can do, given the size and nature of climate change as well as their fiduciary responsibilities to provide retirement income to beneficiaries.

Climate Aligned Investing Roundtable

The CAMRADATA Climate Aligned Investing Roundtable took place at the Four Seasons Hotel in London on 4th November 2021.

CAMRADATA's Climate-Aligned Investing roundtable began with a stark reminder of the gap between current commitments to abating climate change and what humanity has left to do. In 2019/2020, $632bn was poured into climate-positive investments, according to Climate Policy Initiative (CPI). This was 10% up on commitments for 2017/18 but worryingly short of the $4.3trn required by 2030 to keep global warming this century to 1.5 degrees. "We are missing a sense of urgency," Baysa Naran, senior analyst at CPI, told the CAMRADATA Roundtable. "Everyone is setting targets but not yet operationalising these projects. Targets have to result in real investment in the real economy."

In response, Ben McEwen, climate change investment analyst at Sarasin, urged asset owners to avoid fallacious short-term measures such as carbon footprinting when measuring their portfolios' climate alignment and warned that the Capital Asset Pricing Model on which asset allocation has long relied does not account for climate risk.

"We are missing a sense of urgency. Everyone is setting targets but not yet operationalising these projects. Targets have to result in real investment in the real economy."

Romain Miginiac, portfolio manager of GAM's Sustainable Climate Bond Fund, which invests exclusively in green and impact bonds, said that his firm worked with an external data provider to assess the Strategy's 1.5 degree-alignment. He stressed that while some market participants see green bonds as an easy way to be climate-aligned, "the incremental impact comes from the issuers."

So there is a big emphasis in Miginiac's portfolio management process on what the banks as issuers of green bonds are doing holistically. "We want to make sure that issuer alignment works," said Miginiac. "It's a pathway, not a footprint."

That pathway has a multiplier effect because in Europe, banks finance around 80% of corporates. The number for SMEs is even higher. "Banks matter as a sector because they finance the whole European economy, especially SMEs. That's the approach we have," Miginiac told the CAMRADATA roundtable.

Mark Jeavons, head of climate change insights and analytics at Aon, a consultancy and fiduciary manager, said that setting climate-aligned targets for equities and bonds was happening. "Private Markets are difficult because we don't have the information there. There are third-party providers but are their data credible?" he asked.

On targets and action, Jen Bishop, head of RI and asset allocation for the British Coal and mineworkers' pension schemes, said they had not undertaken comprehensive temperature alignment for their private market investments, worth c.£10bn. "I could spend two years

" We are nudging our clients towards Climate Aligned Investing. That's the default advice when you walk through the door. Investors have to opt out, not in."

trying to find out but by then we could have spent the time actually changing the portfolio. What we own matters more than accounting," she said.

In response to Naran's call for greater alignment, Bishop noted that in private equity, investors were spoilt for choice of climate-positive opportunities but these were heavily concentrated in energy. "The crossover between private equity and infrastructure is really interesting," she said, offering EV charging points as one growth area. Once asset owners look to other carbon-significant sectors such as agriculture, however, Bishop said that finding suitable investments became much harder.

For Redington, a consultancy to institutional investors, Alessia Lenders, manager research vice-president, noted two big trends. "First, we are nudging our clients towards Climate Aligned Investing. That's the default advice when you walk through the door. Investors have to opt out, not in."

The second trend is Redington's growing expertise to help clients in climate solutions, including hiring Paul Lee as head of stewardship and sustainable investment strategy, and Anastasia Guha, formerly of the PRI, as global head of sustainable investment.

Mike Clark, founder of Ario Advisory, agreed with Naran that there was a weak sense of urgency. "To be on the right side of the alignment we have to be dragging down the current expected rise of 2.7 degrees this century," he said. "It's not a temperature problem for the next ten years; it's a behaviour problem. By referring to 2050, it is easy to say it's next, next, next year's problem."

Practically, Clark expected evaluation mechanisms for decarbonisation proposed by the Glasgow Financial Alliance for Net Zero (GFANZ) and its 'children' – notably the Net Zero Asset Owner Alliance and the Net Zero Asset Manager Initiative - to attenuate such procrastination. Philosophically, Clark echoed the call from the Bank for International Settlements for an "epistemological break" in how financial markets think about climate risk.

Miginiac agreed on the magnitude of the risk involved. "It reminds me of what some insurers said about COVID-19: you cannot insure against this risk because it is happening everywhere at once – very challenging to diversify."

So how do asset managers thoughtfully align their investments with expected climate change? "The analysis we generate is Climate Value at Risk (CVaR)," said McEwen. "We develop a baseline scenario for any given security, then apply a variable scenario based on either RCP 8.5 [which leads to warming of 4.3 degrees by 2100], or a deep decarbonisation scenario aligned with a well below 2.0 degree outcome. The difference between the two gives us a security's CVaR, that is the potential mispricing of an asset due to adaptation or mitigation factors."

For GAM, Miginiac explained that he was investing in subordinated debt, which typically has very long maturities and where downside risk can often lead to a zero recovery in case of default. "So our process is also designed to find issuers resilient to the impact of climate change and that will adapt their business model to navigate a transition to a Paris-aligned future," he said. "Fundamentally, all these banks are Net-Zero pledged, but we have to work out how are they going to do it." He added that the key for GAM was ensuring that all sectors transition, not just focusing on already green sectors: "I spend

the area that can be dedicated to agriculture, wilding and animal rearing."

Jeavons also warned that mass migration of upwards of one billion people meant that there has to be greater international co-operation: the pressures of adapting to a hotter world could not be solved exclusively within national borders.

"It's all about risk," said Clark. "There is societal risk and financial risk; the gap between them is massive. For the last four decades, governments have delegated risk management to companies; companies have delegated it in turn to capital markets."

Now he called for macro

time engaging with issuers and don't shy away from problematic sectors."

On engagement, Bishop said: "we can only engage effectively where we are able to escalate. In terms of outcomes, it is very difficult to see where we have made an impact and reporting in this area needs to improve significantly."

She said that Emerging Markets, Value-type and high-income investments had not been happy hunting ground for the coal schemes: "managers are not talking the same language as us."

"We can only engage effectively where we are able to escalate. In terms of outcomes, it is very difficult to see where we have made an impact and reporting in this area needs to improve significantly."

Global policymaking

In the spirit of COP26, CAMRADATA roundtable participants were then invited to state the case for one single policy to accelerate mitigation or adaptation. Lenders said a global price on carbon would incentivise behavioural change. She noted that the IMF has said a price on carbon should happen, with variations dependent on a country's GDP.

Clark said that there are already more than 60 pricing schemes globally although Lenders noted that currently the average price (not weighted) across those schemes is \$3 – it needs to be above \$100. "But people expect a scheme to come," she said.

Naran noted that world leaders have just managed to agree a minimum corporation tax globally; so an international carbon price should be doable.

"Let's deal with the agnostics first. The atheists can come later," agreed Clark.

On the limits of the Capital Asset Pricing Model, Naran noted that the Task-force on Climate-related Financial Disclosure (TCFD) was addressing this. Her big policy initiative was for governments to curb fossil fuel subsidies, a negative which still outweighs all the positive direct climate-aligned investing. The G20 countries alone provided an average of \$584 billion per year in fossil fuel subsidies between 2017 and 2019. But Naran added that private-sector money was also needed for innovations against climate change; and the \$100bn pledged by rich countries to help developing countries tackle climate change has been slow to appear.

Jeavons said that adapting the system requires societal changes such as habits around transport and food. "Sixty per cent of emissions depend on behavioural change," he said. "Twenty per cent of land in the UK needs to have its use altered for the likes of renewable energy. That reduces stewardship by pension schemes, foundations, charities and insurers. "Asset owners have to up their game to get risk rules under which Exxon operates changed. Asset owners' beneficiaries, as citizens have a stake in the world," he reminded the panel.

Miginiac observed that the correlation between GDP and carbon dioxide emissions has historically been very strong. "So reducing emissions and growing as we have done historically has big challenges," he said. He reckoned that bond investing could fare better than equities in a world of shrinking GDP given the risk-return profile of bonds.

The crux of climate-aligned investing for Miginiac was to seek additionality. "Anyone can set up a green bond fund; any Investment-Grade issuer can raise £500m packaged as a green bond," he said. "But it would not necessarily have any additional impact if the issuer doesn't have a clear and credible climate strategy."

One bank he picked out as genuinely committed to decarbonisation was BBVA, which has targeted sustainable financing of E200bn by 2025 and has outperformed on its progress.

Mining value

As a former mining sector analyst, McEwen picked up on Bishop's point regarding the sector's reluctance to change. "They know Scope III exists but struggle to shift away from their biggest cashflow-generator, iron ore, which has been essential for steelmaking."

Thus far, sector giants like BHP Billiton and Rio haven't invested in the technical innovations to reduce emissions related to iron ore, although McEwen noted that SSAB, in Sweden, is one of the first steel producers to develop a net-zero steelmaking process.

"Any capital allocation shift has to recognise the risk in cashflows," he said. "You have to make the link between cashflows and risk, which some campaigners – even CA100+ -sometimes overlook."

Regarding the slowness of the mining & metals sector, McEwen attributed it to the character of its senior executives. "If you've been an engineer all your life, that's how you see the world." He noted that the likes of the Brumadinho dam collapse in Brazil put the spotlight on Vale for environmental disaster. But McEwen distinguished between this kind of acute stress and the chronic stress that comes with climate change.

Keeping with the mining theme, the panel was asked whether those cashflows generated by mining companies meant that pension fund trustees faced tricky decisions about when to include their bond issuance to meet cashflow requirements and when to avoid them because of climate-alignment.

Jeavons said that investors are going to use other lenses alongside financial returns on the pathway to net zero, including ESG risks and carbon metrics. He noted that mining included minerals and rare earths for batteries. He advocated backing the best companies in the sector rather than excluding them all. He also introduced the importance of carbon credits generally as we progress to Net-Zero, as an effective way for markets to internalise carbon prices.

Clark said he had worked with a pension fund consultancy to introduce a capex measure in order to determine a company's genuine commitment to climate change. This was for a segregated mandate but he emphasised that this was an asset manager being told what the client asset owner wants. "So the manager has to go and do the work, but with possibly new leading indicators," Clark summarised.

McEwen pointed out the irony that the worst industries tend to have the best capital allocation plans because they are cyclical and so need to plan. "You can't get that from a tech company," he explained.

Bishop said: "we find more awareness in Growth managers. Value managers are too rigid – we do include miners in the transition so finding owners that are climate-aware is critical." She suspected that it may be because Value managers tend to have stable teams that have spent so long together they have a single mindset.

> ***" Regarding the slowness of the mining & metals sector, McEwen attributed it to the character of its senior executives. "If you've been an engineer all your life, that's how you see the world."***

Roundtable Participants

Romain Miginiac
Fund Manager

Personal Profile

Romain Miginiac is portfolio manager of GAM Sustainable Climate Bond fund and Head of Research and at Atlanticomnium S.A. Prior to joining Atlanticomnium SA in September 2018, Mr Miginiac was with Aberdeen Standard Investments where he spent the last two years as a credit analyst covering European financial institutions. Prior to that, he held positions with KPMG and UBS in financial services audit and wealth management respectively.

Romain holds a bachelor's degree in economics from the University of Geneva and a master's degree in finance from ESADE Business School. Romain is a CFA® Charterholder and have passed the CFA UK's Certificate in ESG investing. He is based in Geneva.

Company Profile

GAM Investments is a leading, independent, pure-play asset management group. We provide active investment solutions and products for institutions, financial intermediaries and private investors. Our core investment business is complemented by private labelling services, which include management company and other support services to third-party institutions.

With around 750 employees in 14 countries and CHF 122.0 billion in assets under management, we are a truly global firm in scale and resources, yet small enough to remain nimble and flexible to meet clients' needs. We support our growth with an extensive distribution network which includes sales, marketing, product development and product management. Our investment professionals work from the global hubs of London, Cambridge, Zurich, Hong Kong, New York, Lugano and Milan.

Ben McEwen
Climate Active Analyst

Personal Profile

Ben is responsible for developing climate derived stress-tests and applying these to portfolio investments.

Ben joined Sarasin & Partners in April 2018. Prior to joining Sarasin, Ben worked for RBC and CIBC as a sell-side Equity Research Analyst covering the Global Natural Resources sector. He has also worked in Audit and Assurance for PwC in London and as a Commodities Economist in Sydney, Australia.

Ben is a Chartered Accountant (ACA) with the Institute of Chartered Accountants of England and Wales (ICAEW). He holds a Certificate in Investments (Securities) with Chartered Institute for Securities & Investment, as well as a Certificate in Economics of Competing Energy Technologies from Stanford University. Ben is currently undertaking an MBA at Imperial College London, focused on Climate Finance and Investments.

SARASIN
& PARTNERS

Sarasin & Partners

Company Profile

At Sarasin & Partners, our global, thematic approach to investment is underpinned by sustainability, because we believe that investment has the power to grow and protect wealth in a way that benefits society. As pioneers of thematic investing, we believe that megatrends shaping the world offer unique investment opportunities as well as the opportunity to improve societal welfare.

Our five megatrends, underpinned by stewardship, drive our investment approach: Digitalisation, Automation, Ageing, Evolving Consumption and Climate Change.

We invest on behalf of charities, individuals, intermediaries and institutions. Operating as a partnership, our interests are aligned with our clients'. For more than 35 years, investors from around the world have trusted us with managing their assets, which now amount to £19.3 billion*. Together, we are securing tomorrow.

* As at 30 June 2021.

Roundtable Participants

Mark Jeavons

Principal Economist and Head of Climate Change Insights

Mark is a senior economist and principal investment consultant in Aon's asset allocation team, with over 15 years' experience in a variety of investment roles.

Mark led the development of Aon's climate change scenarios, working closely with Aon's academic partner, Cambridge University, to create a market-leading climate change scenarios toolkit that has been used by over 30 of Aon's largest clients.

He has a comprehensive understanding of the workings of a variety of climate change risk models and regularly advises clients on their strengths and weaknesses. He leads on the thought leadership around climate aware investing and responsible investment.

Mark has also contributed to the PCRIG – which produced guidance on the TCFD for UK pension schemes – as well as the All Parliamentary Group on Sustainable Finance.

Mike Clark

Founder Director

Mike founded Ario Advisory, a responsible investment advisory firm, five years ago.

His background is investment management, insurance, governance and risk.

He stood down earlier this year as a NED from the board of Brunel (LGPS), and has served five years (also just ended) on the WHEB Asset Management independent Advisory Committee.

He works with asset owners, policymakers and regulators, and other investment actors, often with a focus on the financial risks of climate change.

An actuary, he represents the profession on the Advisory Council to the Oxford Smith School's Sustainable Finance Programme.

AON
Empower Results®

ARIO

Baysa Naran

Senior Analyst

Baysa Naran is a Senior Analyst at Climate Policy Initiative's London office, where she leads the Climate Finance Tracking Workstream. Her team publishes the Global Landscape of Climate Finance – an inventory of climate change investment available that provides trend analysis on how, where, and from whom finance is flowing toward low-carbon and climate-resilient actions globally. It is a key tool for policy makers to assess the scale of finance, identify the main actors in the market, reveal investment gaps, and highlight opportunities to mobilize finance to fulfill investment potential.

Before CPI, Baysa worked as a fiscal policy consultant at PwC. She managed international and EU projects and advised clients on fiscal and tax policy issues in developing and developed countries. Baysa has extensive experience working with multinational companies on corporate compliance, restructuring, and advisory services in the energy, mining, infrastructure and financial services industries. Baysa holds an MBA from the University of Cambridge, focusing on energy and environment and B.A. in Business Administration, majoring in Accounting and Finance from Marmara University. She is a qualified accountant with the Association of Chartered Certified Accountants.

Jen Bishop

Head of Responsible Investment and Asset Allocation

Jen Bishop is Head of Responsible Investment and Asset Allocation at Coal Pension Trustees which manages around £20bn in assets.

Before joining CPT Jen spent 13years at Willis Towers Watson where she was a portfolio manager for the firm's flagship multi-asset strategy, The Partners Fund, and was part of the Global Portfolio Management Group where she was a key influence on responsible investment.

CLIMATE POLICY INITIATIVE

Coal Pension Trustees

Moderator

Alessia Lenders

Responsible Investment Associate

Alessia is an associate on Redington's Manager Research Team. She leads the team's research efforts around Sustainable and Impact Investing through the sourcing and due diligence of implementable solutions for clients across a variety of asset classes.

Prior to Redington, Alessia spent 3 years at J.P. Morgan where she contributed to the development of the bank's first sustainable investing products for private wealth clients.

Alessia completed a dual-degree program at the University of Pennsylvania with a Bachelor of Science from the Wharton School and a Bachelor of Arts in International Studies from the College of Arts & Science.

REDINGTON

Brendan Maton

Freelance Jounalist

A highly experienced financial journalist with an expansive network of contacts in the UK and across Europe. Brendan has written about pension schemes and national welfare systems from Finland to Greece for 18 years and understands the retirement savings industry in each European country.

Brendan has interviewed EU commissioners and national ministers; central bankers; pension scheme heads; insurance chief executives; chief investment officers; actuaries; union officials; professional and lay trustees.

He worked at Financial Times Business for eight years, finally as editor-in-chief of all international pensions titles. Brendan has spent the last ten years as a freelancer for a number of publications, including Financial Times, Responsible Investor, Nordic region pensions news and IPE. He is also Chief webcast host for IPE. Brendan has acted as conference chair for Financial News, the UK National Association of Pension Funds, Dutch Investment Professionals Association (VBA), Corestone, Insight Investment, Marcus Evans, Robeco Asset Management, Sustainable Asset Management (SAM), Towers Watson.

IN FOCUS

CAMRADATA ROUNDTABLES

CAMRADATA BRINGS TOGETHER EXPERT FUND MANAGERS WITH CAREFULLY SELECTED INVESTORS IN A STREAMLINED VIRTUAL FORMAT

"I have taken part in several roundtables over the last 18 months and this was the best orchestrated by far"

Investment Director, UK Consulting firm

"Just a note to say thank you for organising the panel and having me on it. I found the full group discussion super informative."

Portfolio Manager, Global Asset Manager

"The CAMRADATA virtual roundtable went really well, as well as the live events, which was quite surprising! It was informative and interesting, and I know our Fund manager enjoyed being a part of it."

Business Development Manager, UK Asset Manager

CAMRADATA

Interactive and dynamic debate • A wide array of asset classes covered • Branding , editorial and advertising opportunities as part of all roundtables • Expert investor panels • Ability to connect and network with key stakeholders

To find out more – **Natasha Silva** (Natasha.silva@camradata.com) would be delighted to speak to you.

Green bonds: Actively Investing in the Energy Transition

GAM Investments

Demand for green bonds is growing rapidly and the burgeoning asset class looks set to play an increasingly important role in the transition to a net zero economy. Romain Miginiac, Fund Manager, GAM Sustainable Climate Bond, discusses the drivers of demand and the importance of identifying best-in-class instruments from strong issuers.

The investment needed to move to a net-zero world is enormous. Approximately USD 100 trillion of investment is required by 2050 to transition the global economy to net-zero emissions and avert a climate catastrophe. Such a transition will prompt a massive shift in the allocation of financial capital, and green bonds in particular have become powerful instruments of choice for many investors looking to generate meaningful positive environmental impact in the quest to combat climate change. Growth for the asset class is also underpinned by evolving investor attitudes to sustainability and a rapidly changing regulatory landscape. Importantly, we believe actively identifying instruments from strong issuers is likely to be crucial to ensure both a positive environmental impact and long-term investment success.

"Ultimately, it is the holding period that creates an impact, not the purchase of the bond"

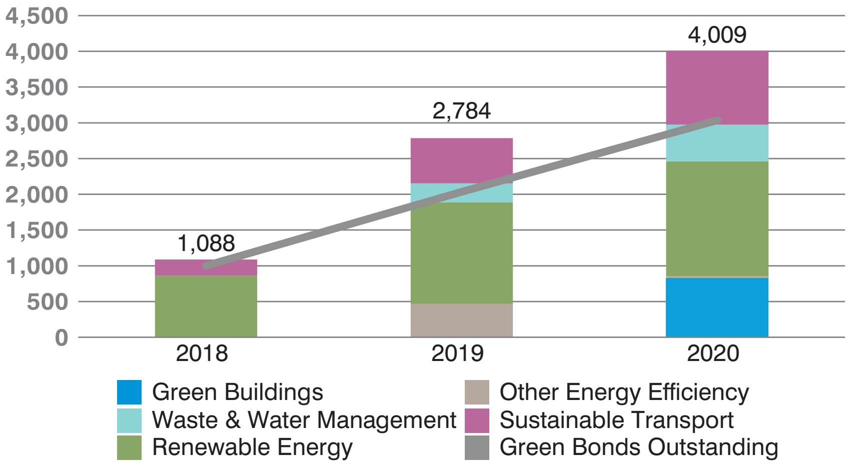
Assessing the impact

With regard to impact, it is vital to weigh the environmental benefit of a green bond's purchase compared to not buying it. Arguably, once a green bond has been issued, the project is already financed, therefore the environmental impact is gone. We believe, however, that there is another consideration – the impact in holding the bond rather than simply buying or not buying it. For example, the stated benefit of a solar farm project bond is to reduce the number of tons of CO_2 emission per annum compared to a baseline. This impact occurs as the solar farm is operated over time and not on day one. In our view, impact should therefore be viewed as a coupon on a bond that accrues over time. In this example, for each day that the bond is held the underlying project generates a number of megawatt hours of electricity and thus avoids a certain amount of CO_2 emission. Ultimately, it is the holding period that creates an impact, not the purchase of the bond itself. Another, and perhaps more important key consideration, is the sustainability strategy of an issuer (particularly its environmental approach). We believe the incremental impact derived from the evolution of the issuer's overall portfolio of green projects is a significant factor in the generation of positive environmental impact.

Banks as pivotal players

Despite their central role in the global financial crisis 13 years ago, bank financing sits at the heart of the global economy. In Europe, banks finance more than 90% of the continent's small and medium-sized enterprises (SMEs) and approximately 80% of European corporates. From this prime position, we are starting to see European banks rise to the climate challenge in the green bond market. BBVA, for example, has an ambitious strategy that includes EUR 200 billion of sustainable financing and facilitation by the end of 2025. Green bonds are therefore a natural tool to fund the bank's financing pipeline. Chart 1 shows BBVA's pool of green assets has grown in line with green bonds issued, with investors benefiting from the incremental impact of this growing pool. Provided issuers increase their stock of new green projects, the incremental impact of green bonds is clear.

Chart 1: BBVA has expanded its green assets in line with green bonds issued (EUR million)



Source: BBVA as at December 2020. Past performance is not a reliable indicator of future results or current or future trends. For illustrative purposes only.

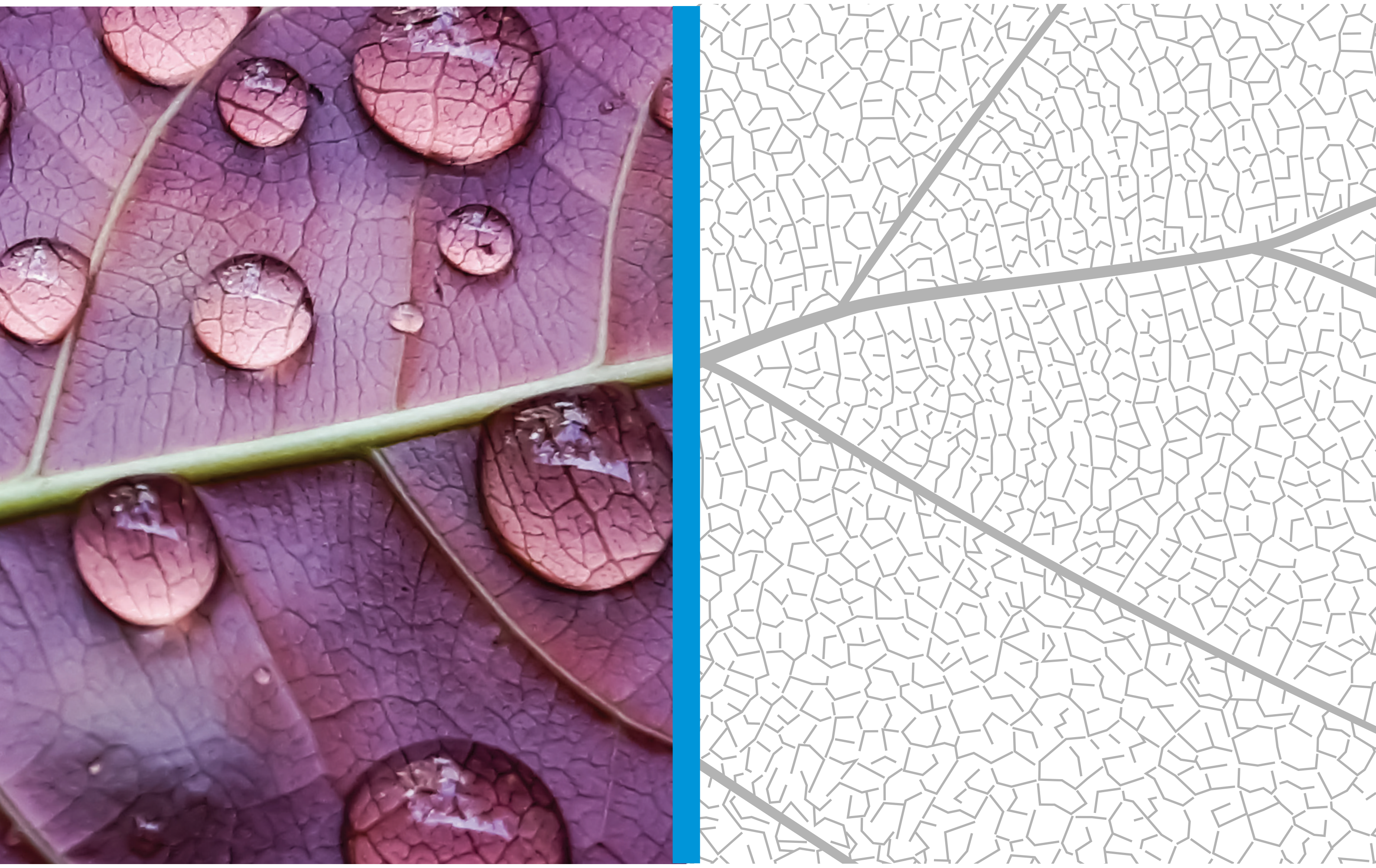
Author:

Romain Miginiac, Fund Manager, GAM Sustainable Climate Bond

Active engagement

While the banks have a primary role in greening the economy, other finance players also have an important part to play. Ultimately, we believe it is vital that investors in green bonds conduct in-depth analysis at the issuer, bond and project level in order to ensure high standards and avoid those without a genuine sustainability purpose. We reflect this belief in our approach to green bond investment. At the issuer level, we conduct in-depth analysis of issuers' ESG credentials. A credible climate strategy with a net zero commitment is a key part of this analysis. At the bond level, we seek green bonds with strong governance and processes. The analysis is conducted using a proprietary model, based on the International Capital Market Association (ICMA) Green Bond Principles, enhanced by additional internal criteria requirements. At the project level (use of proceeds), we assess whether there is meaningful positive environmental impact, integrating third-party quantitative data alongside our own analysis. For us it is essential that investors in green bonds are active owners who ensure that this time around the banks drive positive change in a crisis.

Important legal information




CAMRADATA
The Knowledge Bank
UNLOCKING THE DOOR TO THOUGHT LEADERS
The newest addition to CAMRADATA Live...
find out more >
We're unlocking the door to thought leaders, providing a home to the all-new and exclusive forum, The Knowledge Bank.
This new tab will allow users of CAMRADATA Live to share and access all the latest news, insights and thought leadership within the institutional investment industry – all within one platform.
P: +44 (0)20 3327 5600
E: info@camradata.com
A: 11 Strand, London WC2N 5HR
WWW.CAMRADATA.COM
Linked in

Our net-zero commitment to managing your portfolio

SARASIN & PARTNERS

“ Asset managers are uniquely positioned to drive the transition”

In 2015, the Paris Climate Agreement saw the world set itself a target to keep temperature increases well below 2°C, and preferably to 1.5°C. This was in response to overwhelming scientific evidence that the climate is warming at an unprecedented rate and the impacts for millions of people are likely to be devastating.

Since then, emissions and temperatures have continued to rise, while the evidence that the dangers of exceeding the 1.5°C threshold have become significantly sharper. We must ensure net-carbon emissions come down to zero by 2050 to keep alive the possibility of limiting temperature increases to 1.5°C, and the longer we delay action and the more abrupt decarbonisation curves will need to be.

What is required is a low-carbon revolution – the entire global economy needs be entirely weaned off fossil fuels within three decades. The challenge is enormous, and every day counts.

Asset managers are in a uniquely important position to help drive the climate transition. As stewards of capital, we decide where to deploy savers’ capital – whether we are buying shares or debt. We can also influence how companies deploy their capital on the ground.

At Sarasin & Partners, we consider ourselves long-term stewards of our clients’ assets. We take this responsibility seriously, and invest according to a set of core underlying principles. We ensure that responsible stewardship does not stop with our stock selection and company engagement activities: we believe investors have important rights, but also responsibilities to act through voting and engagement with companies, making calls for policy change and building coalitions with like-minded stakeholders. We invest time and energy in fulfilling these responsibilities, and reporting transparently on our actions and impacts, so we can be held to account. Where we believe we can play a positive role in shaping markets and regulation while contributing to boosting sustainable economic growth, we engage in policy outreach, often with other investors.

We have a Climate Active Advisory Panel comprising individuals with deep experience of activist investment, climate change, 1.5°C alignment and the energy sector. Their involvement helps to ensure that we do what we say when it comes to climate change, but above all that we aim high. Rather than narrowing our focus, we look at the bigger picture, discerning the levers that can help catalyse positive change.

As part of this work, in 2019, we published our firm-wide Climate Pledge, which committed us to align our investment and stewardship activities with achieving the 1.5°C goal of keeping temperature increases well below 2°C.

An action plan for net-zero

In December 2020, we became a founding signatory to the Net Zero Asset Managers’ Commitment (NZAM)[1] and committed to supporting efforts to limit global warming to 1.5oC and achieving net-zero greenhouse gas emissions by 2050 or sooner. We pledge to work with our clients to manage their assets in accordance with those goals. The 2050 target assumes a ‘transition pathway’ and we will work towards the interim goal of achieving sufficient reduction in emissions by 2030 consistent with that pathway: on current estimates that means a reduction in global emissions of at least 50% by then.

We are committed to gradually expanding our net-zero approach to 100% of the assets over which we have unencumbered investment and stewardship discretion by 2025[2] . This means that by 2025 all high-impact entities we hold on behalf of clients on a fully discretionary basis will be either net-zero aligned, or subject to efforts to drive 1.5°C-alignment [3] . In the case of the latter we have a clear engagement methodology, with defined time frames and disclosures on progress.

To reach global net-zero emissions, we need to prioritise reducing real economy emissions reductions within the sectors and companies in which we invest. Our stewardship, engagement, voting and policy advocacy activities are aligned with this net-zero goal. We will also collaborate with other investors and collective initiatives.

To support our clients, we will report carbon emissions and other relevant information for their portfolios, where available. To report on the wider impact of Sarasin's investing activities, we will publish annual disclosures in accordance with the Taskforce on Climate Related Financial Disclosure (TCFD) guidelines, including a climate action plan, and submit them for external review.
We will work with all our clients to maximise the proportion of assets managed in line with achieving net-zero emissions by 2050 or sooner. Our aim is that all assets will be managed in accordance with these commitments.

We intend to play our part in bringing down carbon emissions by confronting inaction, not turning the other way.

Further detail can be found on our website. https://sarasinandpartners.com/

Author:

Ben McEwen,
Climate Active Analyst

[1] Net Zero Asset Managers Initiative - Home
[2] See note below on certain legal or other factors that impede our discretion over client assets.
[3] We apply out methodology to all material holdings. These include all those names that appear on our internal buy lists that feed into all our core investment strategies. This covers roughly 91% of all our unencumbered AUM. With regards to high impact entities, we are using NZIF guidance, to include: TPI covered sectors, banks, real estate, and companies identified on the CA100+ focus list.

SARASIN
& PARTNERS

INVESTING TO SECURE TOMORROW

In the end, what matters is not whether or not a portfolio is carbon neutral. What matters is that the world achieves net-zero carbon emissions.

This reality underpins our approach to net-zero alignment.

Sarasin & Partners is a member of the Net Zero Asset Managers' Initiative, committed to supporting the goal of net-zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C, and to support investing aligned with net-zero emissions by 2050 or sooner. Further detail can be found on our website.

Meet the Team!

Sean Thompson

Managing Director

Natasha Silva

*Managing Director,
Client Relations*

Amy Richardson

*Senior Director,
Business Development*

Sam Buttress

Associate, Business Development

Mithursha Kesavan

*Database and Publication Support
Associate*

Sarah Northwood

*Marketing and Events
Coordinator*

CAMRADATA
5th Floor, 11 Strand,
Charing Cross, WC2N 5HR

+44 (0)20 3327 5600
camradata.com

Join us on LinkedIn

Important Notice