June 2021

Climate change statement

We launched our first sustainable investment fund in 2005. At that time we were convinced all companies would need to adjust to operating in an increasingly carbon-constrained world, and more companies would need to develop solutions to make economies less carbon intensive. Our conviction has never waned, nor has the urgency of the carbon-reduction challenge.

An imperfect indication of how seriously we take decarbonisation is that the emissions intensity of each of our investment strategies has consistently been at least 60% below its respective benchmark index.*

We invest only in high quality companies contributing to a more sustainable future. This leads us to seek out companies with exceptional cultures, run by responsible stewards, and whose products, services and operations help reduce ecological footprints, or advance human development, or both, wherever possible.

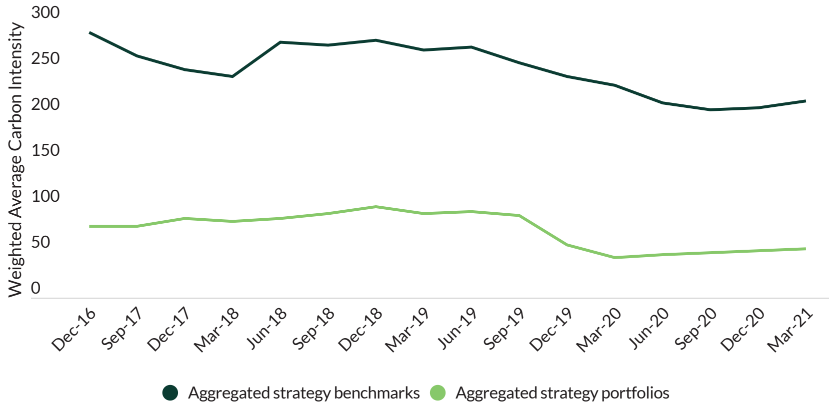
Some companies we invest in are delivering, or directly enabling, the emission reductions needed to help meet global 1.5°C warming targets. Obvious examples include renewable energy companies. Less obvious examples include companies operating further up or down the energy supply chain, and companies facilitating energy efficiency,

Our commitment

We will:

1. Allocate capital to high quality companies developing and implementing solutions to alleviate climate change and biodiversity loss, while not investing in fossil fuel companies[1].
2. Provide full transparency of our investments, and map these to frameworks such as Project Drawdown[2] climate change solutions to both illustrate how companies are contributing to emission reductions and to help inform and focus our engagement efforts.
3. Encourage companies to take positive actions and use their influence across their value chains to drive emission reductions, while also striving to ensure equitable treatment of all their stakeholders in the transition to a carbon-constrained economy[3].
4. Reduce emissions in our own operations and offset whatever emissions we cannot remove.

Stewart Investors Sustainable Funds Group - aggregate strategy emissions intensity through time*



The chart (left) shows the weighted average carbon emissions intensity over the last five years for all of our strategy portfolios (light green line) versus the aggregated benchmark for each strategy (dark green line).

*Source: Stewart Investors and MSCI as at 31 March 2021.[4] Source for benchmark data: MSCI.

waste reduction and recycling. But even companies supporting other aspects of sustainable development, such as improved health or reduced inequality, need to reduce business-as-usual carbon emissions in their supply chains and operations.

We engage constructively as owners to encourage companies to do more and move faster to achieve sustainable development outcomes, including transitioning to a lower-carbon world. Our investment approach is bottom-up. We spend time understanding each company and its place in the economy from the ground up. We pick apart the fundamental attributes of each business. We do our best to understand the attitudes of the people who steward each company. We also seek to understand how rising to the challenge of a carbon-constrained future might influence the quality of a company, and how each company can help the world achieve its carbon-reduction targets.

While metrics like carbon intensity may demonstrate alignment with our investment objective and the ambitions of society, we have never set strategy portfolio-level targets for carbon, or for other sustainable development challenges such as poverty alleviation, inequality or biodiversity loss. Nor are we likely to do so in future. A risk with distant targets is that we never arrive at our destination. Targets set for 2050 are not as useful as action today. We prefer to focus on what we, and every company we invest in, can do in the here and now.

We support the good intentions behind net-zero emissions targets, although we are also convinced society needs to go further and faster than many pathways to net-zero imply. Top-down, whole-economy models of emission-reduction pathways have little relevance for our portfolios, which have zero direct exposure to fossil fuel companies. Such models may suggest our portfolios have already arrived at the 1.5°C world; we know this is not the case.

We also worry many of the commitments being made rely on negative-emissions technologies and the persistence of abundant carbon sinks in the future; we think there are uncertainties associated with both things. We will continue to support a lower-carbon future by investing in relevant and proven solutions.

Companies and investors have been very quick to commit to net-zero targets and pathways. Investing for many years in companies achieving and enabling emission reductions has taught us that the further you have travelled, the harder it often becomes to make incremental progress. We will only make commitments we know are compatible with our ambitious sustainable investment objectives and with the decisions we make, and engagement activities we undertake, each day.

We will continue to critically assess the merits of our investment approach and the goals we set ourselves for helping achieve a lower-carbon, sustainable economy.

A Climate Change Statement Q&A is also available online alongside this statement.

[1] Consistent with 'Our position statement on harmful and controversial products and services'.

[2] Drawdown.org

[3] This includes voting for company and shareholder proposals that in our judgement are likely to promote sustainable development and responsible business practices.

[4] Weighted average carbon emissions intensity is based on the size of our holding and measures each company's greenhouse gas (GHG) emissions intensity (scope 1 & 2) per $m sales. Scope 1 covers all direct GHG emissions from sources that are owned or controlled by the reporting entity. Scope 2 covers indirect GHG emissions from the consumption of purchased electricity, heat or steam. Where company reported data is not available, emissions are estimated by an MSCI ESG Research carbon estimation model. Data for specific strategies and portfolios is available on request.

Investment terms

View our list of investment terms to help you understand the terminology within this document

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