



SARASIN
& PARTNERS

An overview of what the Climate Active approach offers clients

Richard Maitland



How will our 'Climate Active' approach work?

What is it?

1. Active: embracing our thematic approach

- 35-40 UK equities (out of 750 in the FTSE All Share)
- 40-50 International equities (out of 4,500 in the MSCI)

2. Divestment: we won't own the worst offenders

- 5% tolerance on Tar Sands
- 5% tolerance on Thermal Coal

3. Enquiring: research-driven

- Understand climate exposure / materiality for each investment
- Stress-testing for different climate scenarios
- Apply Oxford Martin School 'principles for investment'

4. Focussed Engagement: playing a part in decarbonisation

- Drive change
- Divest if nothing to gain

5. Policy Work:

- Work with regulatory bodies (accounting)
- Work with government and supranational organisations

Timely

Why now?

1. Science:

- science advanced significantly over past 20 years
- ever greater evidence of man's impact

2. Corporate Governance:

- The City & owners of shares had lost their way
- 2007/8 a turning point

3. Counter to the loud minority voices calling for complete divestment of all companies that extract fossil fuels:

- Not considering wider implications: who owns the shares you sell?
- Not tackling (the most inefficient) users of fossil fuels
- Not avoiding companies who would be materially impacted
- Not recognising that fossil fuel companies need to be **part of the solution**

4. CAIF Structure: removal of VAT results in significant reduction in costs

5. \$60 dollar oil / recovery in commodity stocks:

- Glencore: **+300%** since December 2015 (FTSE +28% / MSCI +40%)



CNN WEATHER

Hottest years
in modern record

16 of the
top **17** have
occurred since
2000

Responsible

Why simple divestment isn't the answer

1. Matthew, Chapter 27, Verse 24:

When Pilate saw that he was getting nowhere, but that instead an uproar was starting, he took water and washed his hands in front of the crowd. "I am innocent of this man's blood," he said. "It is your responsibility"

2. For investors who want an active voice / influence the outcome

- Help steer companies towards a lower carbon future
- Work with other investors: a more powerful voice

3. Acknowledgment that many non-extractive companies are behaving in unsustainable ways

- Utility companies?
- Transport Companies?
- On-line Retailers?
- Supermarkets?

4. Can be blended in with other mission-related, ethical and SRI criteria

5. Extends the responsible stewardship work Sarasin & Partners is well known for:

- Voting on all shares
- All bonds, equities and third party funds screened

Thoughtful and Justified

Not simply for effect: a research-driven approach, designed to deliver steady incremental outperformance for investors, while acting responsibly, for the benefit of all

Evolutionary

Is it sustainable?

1. The Sarasin & Partners' Climate Active Approach won't stand still
 1. One initial exclusion
 2. Further turnover as a result of our thematic equity research
 3. Amber list companies highlighted for climate active stress tests
2. Natural evolution as science and the market's response changes
3. Seek companies with positive / defensive attributes
4. Listen to client requirements as they develop
5. Working with the Advisory Panel
6. Constantly monitoring government (and corporate) response to Climate Change
7. The 'income reserve' from the Alpha CIF will be transferred across: future income distributions robust

Our investment goal?

Attractive and sustainable long-term returns for those who think that a little less in companies most impacted by decarbonisation would be a good thing.....

Conclusion

Who is our 'Climate Active' approach suitable for?

Investors who have one or more of the following concerns:

- increasing climate risk to assets
- government will take actions to counter these risks
- these factors are not fully priced into asset prices
- There is an urgent need to drive behavioural change that results in decarbonisation
 - Active engagement with company management
 - Regular discourse and lobbying of government and regulators
- they are not currently investing in-line with their mission and stakeholders' desires

Simple divestment of fossil fuel extractors will not result in decarbonisation

Our 'Climate Active' approach is designed to be:

A robust, responsible and sustainable approach to decarbonisation

An alternative to simple divestment strategies

An approach which supports the fiduciary duties of trustees



The evidence

1. Sir John Beddington: *the science*

- Ever greater evidence of man's impact...
- ...and the need to do something about it!

2. Dr Cameron Hepburn: *the economic evidence*

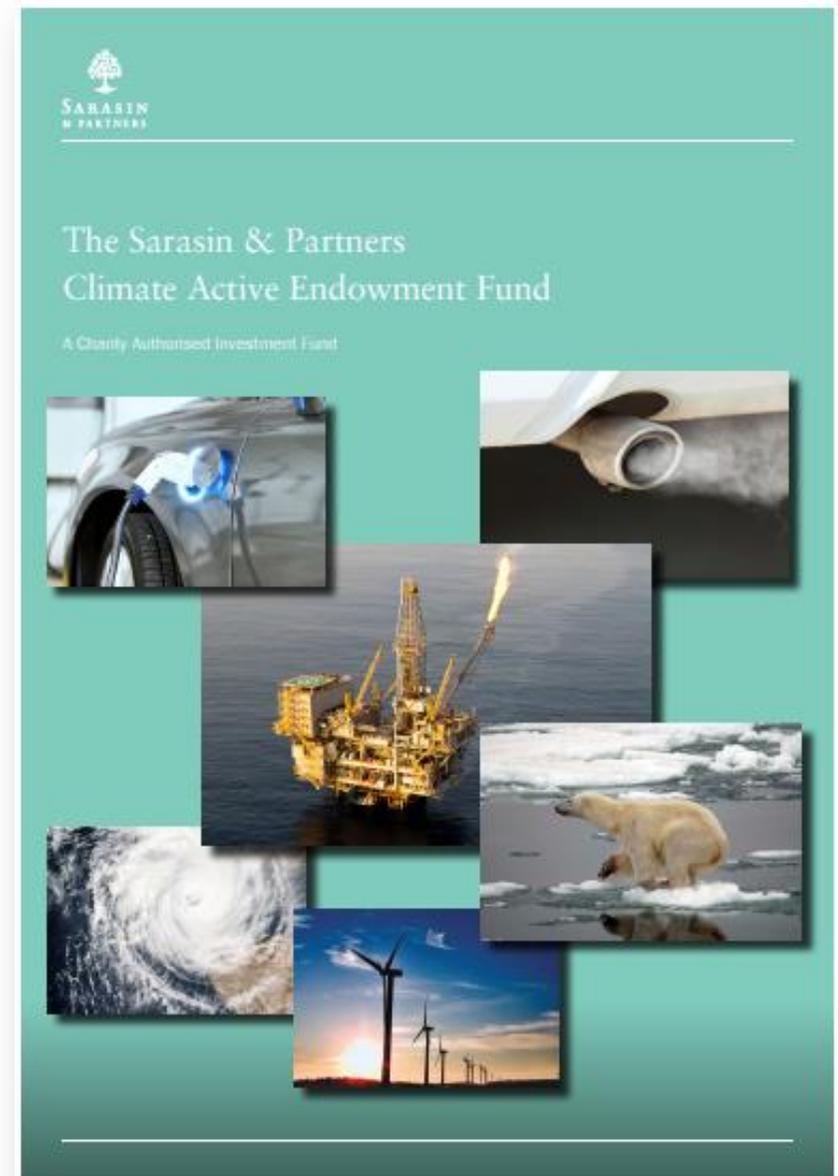
- Climate policy
- The shift to zero carbon energy

3. Natasha Landell-Mills: *implementation*

- How do you build an investment philosophy consistent with the Paris Climate Agreement?
- The case for engagement and activism

4. David Pitt-Watson: *the world post the Paris Accord*

- Observations
- Conclusions





Important Information 1/2

Please note that the launch of the Climate Endowment Fund is subject to Charities Commission and FCA approval. The Climate Endowment Fund is designed for registered charities only.

This document has been approved by Sarasin & Partners LLP of Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU, a limited liability partnership registered in England & Wales with registered number OC329859 which is authorised and regulated by the Financial Conduct Authority with firm reference number 475111 and passported under MiFID to provide investment services in Republic of Ireland. The investments of the fund are subject to normal market fluctuations.

The value of the investments of the fund and the income from them can fall as well as rise and investors may not get back the amount originally invested. If investing in foreign currencies, the return in the investor's reference currency may increase or decrease as a result of currency fluctuations. **Past performance is not a guide to future returns and may not be repeated.**

There is no minimum investment period, though we would recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years). Frequent political and social unrest in Emerging Markets, and the high inflation and interest rates this tends to encourage, may lead to sharp swings in foreign currency markets and stock markets. There is also an inherent risk in the smaller size of many Emerging Markets, especially since this means restricted liquidity. Further risks to bear in mind are restrictions on foreigners making currency transactions or investments. For efficient portfolio management the Fund may invest in derivatives. The value of these investments may fluctuate significantly, but the overall intention of the use of derivative techniques is to reduce volatility of returns. The Fund may also invest in derivatives for investment purposes.

All details in this document are provided for information purposes only and should not be misinterpreted as investment or taxation advice. This document is not an offer or recommendation to buy or sell shares in the proposed fund. You should not act or rely on this document but should seek independent advice and verification in relation to its contents. Sarasin & Partners LLP and/or any other member of the J. Safra Sarasin Group accepts no liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents. The views expressed in this document are those of Sarasin & Partners LLP and these are subject to change without notice.

This document does not explain all the risks involved in investing in the proposed fund and therefore you should ensure that when launched, you read the prospectus and the KIID which will contain further information including the applicable risk warnings. The prospectus, and KIID as well as the annual and semi-annual reports will be available free of charge from www.sarasinandpartners.com or from Sarasin & Partners LLP, Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU, Telephone +44 (0)20 7038 7000, Telefax +44 (0)20 7038 6850. For your protection, telephone calls may be recorded.



Important Information 2/2

ARC Charity Indices performance is calculated on the basis of net asset values. ARC Charity Indices are computed using a complex calculation and the results are provided for information purposes only and are not necessarily an indicator of suitability for your specific investment or other requirements. ARC does not guarantee the performance of any investment or portfolio or the return of an investor's capital or any specific rate of return. ARC accepts no liability for any investment decision made on the basis of the information contained in this report. You should always complete your own analysis and/or seek appropriate professional advice before entering into an agreement with any ARC Contributor. The content is the property of ARC or its licensors and is protected by copyright and other intellectual property laws. Use of the information herein is governed by strict Conditions of Use as detailed on www.suggestus.com

Where the data in this document comes partially from third party sources the accuracy, completeness or correctness of the information contained in this publication is not guaranteed, and third party data is provided without any warranties of any kind. Sarasin & Partners LLP shall have no liability in connection with third party data.

Persons domiciled in the USA or US nationals are not permitted to hold shares in the fund and shares may not be publicly sold, offered or issued to anyone residing in the USA or to US nationals. This publication is intended for investors in the United Kingdom and Republic of Ireland.

© 2017 Sarasin & Partners LLP – all rights reserved. This document can only be distributed or reproduced with permission from Sarasin & Partners LLP. Please contact marketing@sarasin.co.uk