

## Dynamic Asset Allocation Responsible Investment



Multi-Asset London

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31 December 2020

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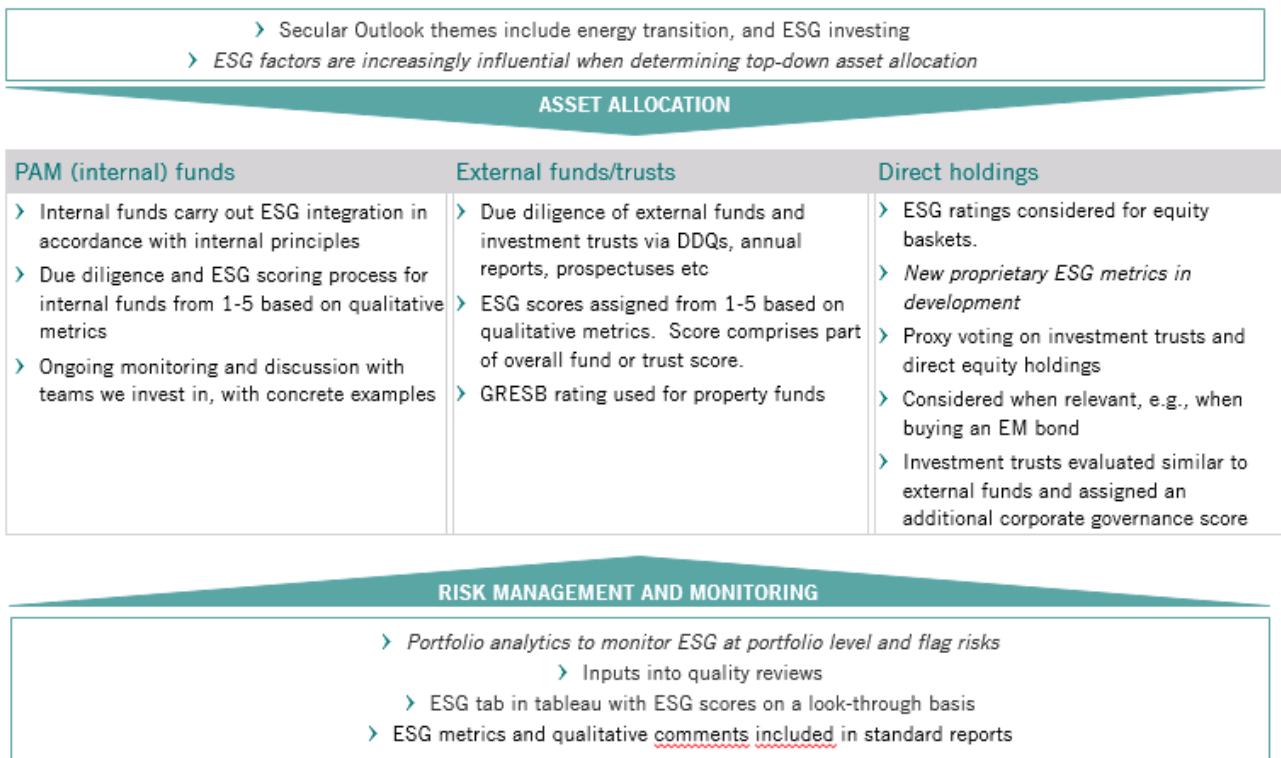
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## WHY WE BELIEVE IN RESPONSIBLE INVESTING IN MULTI-ASSET

- › Consistent with our fiduciary duty to act in the best interest of clients to enhance returns and/or mitigate risks
- › Helps us identify winners & losers from secular trends
- › Tools to avoid corporate governance failures
- › We stay ahead of regulatory shifts
- › Helps us navigate complexity when investing globally
- › Gives us a framework to take a macro view of stability and risks in the financial and economic system

## HOW ESG FITS INTO OUR PROCESS



*Note: Italics show measures in development*

Source: Pictet Asset Management

## ESG IN TOP-DOWN ASSET ALLOCATION

Once a year the Pictet Asset Management Strategy Unit (PSU) develops and publishes its Secular Outlook, which includes our return forecasts for major asset classes. In reaching its views, the PSU considers trends in macroeconomic data, by region and by country, supported by extensive proprietary data analysis. We derive our return estimates from slow moving economic factors, such as demographics, productivity growth and trend inflation rates.

Below are snapshots of previous Secular Outlooks emphasising the growing importance of ESG factors.

For the most recent and historical publications of the Secular Outlook, please visit our website at [assetmanagement.pictet](http://assetmanagement.pictet)

### ESG – investment’s default setting

Financial data such as profit margins and revenue targets will always be a vital guide to future business success. But as investor attitudes towards the environment and social welfare change, and the flow of corporate information becomes ever harder to manage, such measures of company performance will have less influence on how capital is allocated in future.

More attention will be paid to how a company addresses wider environmental, governance and social (ESG) concerns. In fact, a



Global finance pivots towards sustainability

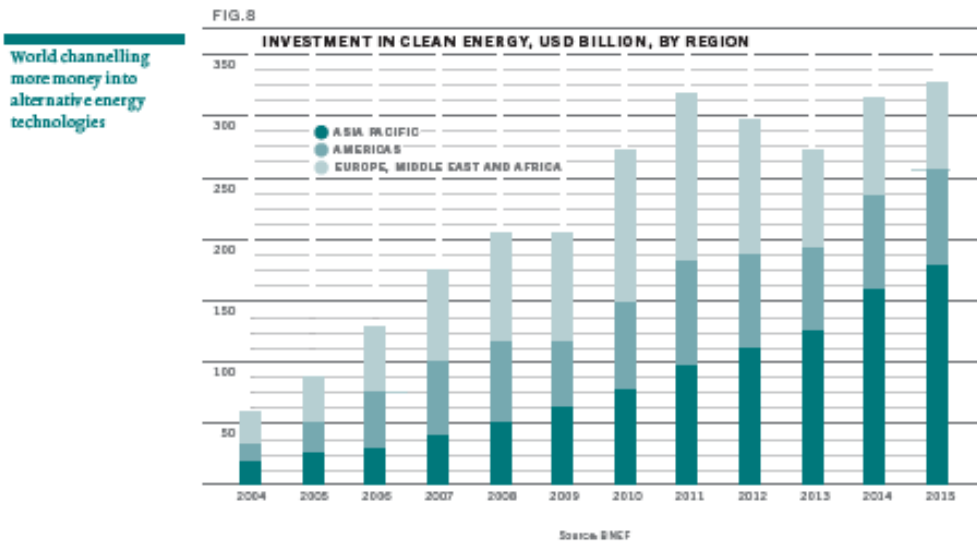
Source: Pictet Asset Management



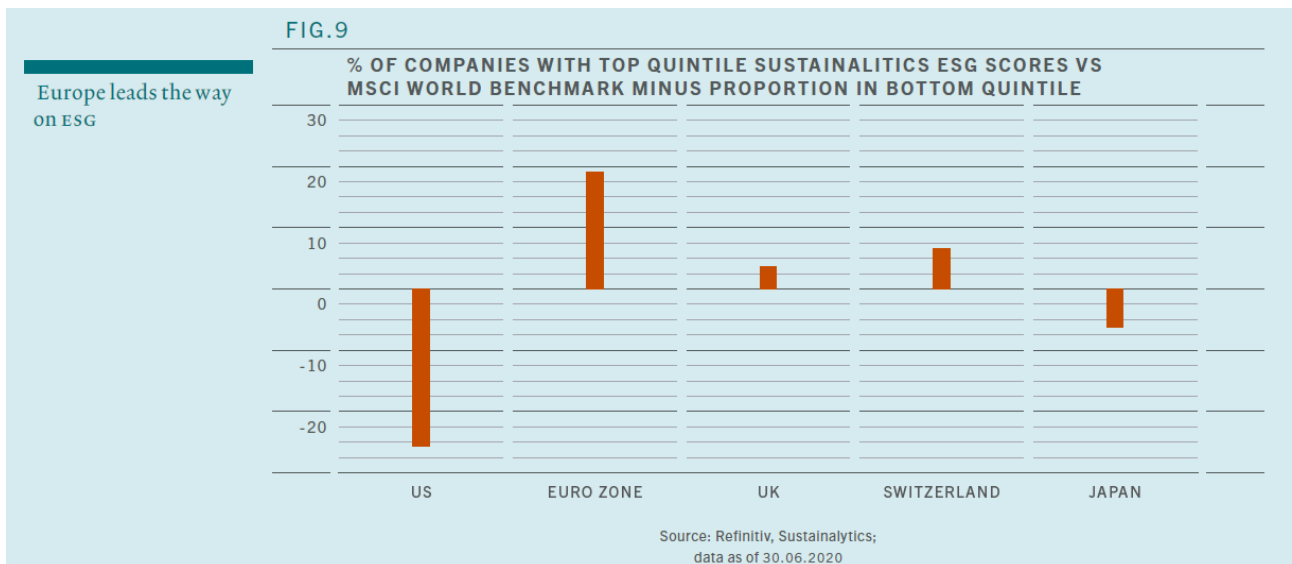
## The clean energy revolution

It might have gone unnoticed but 2014 was the year when the fight against climate change reached a turning point. For that was the first time in more than 40 years that the world managed to expand its economic output without increasing its emissions of greenhouse gases.

Data from the International Energy Agency (IEA) show that while the global economy grew by 3.4 per cent, emissions of carbon dioxide remained static at 32.3 billion tonnes. Recent preliminary



Source: Pictet Asset Management



Source: Pictet Asset Management

## ESG INDICATORS

The Dynamic Asset Allocation team currently can provide the following ESG indicators regard to the portfolio:

- Carbon Footprint
- ESG Controversies
- Corporate Governance

These indicators cover our equity and corporate credit holdings only and exclude ETFs as well as external funds. As of 31 December 2020, they covered 39% of our total portfolio and 64% of our equity and credit holdings.

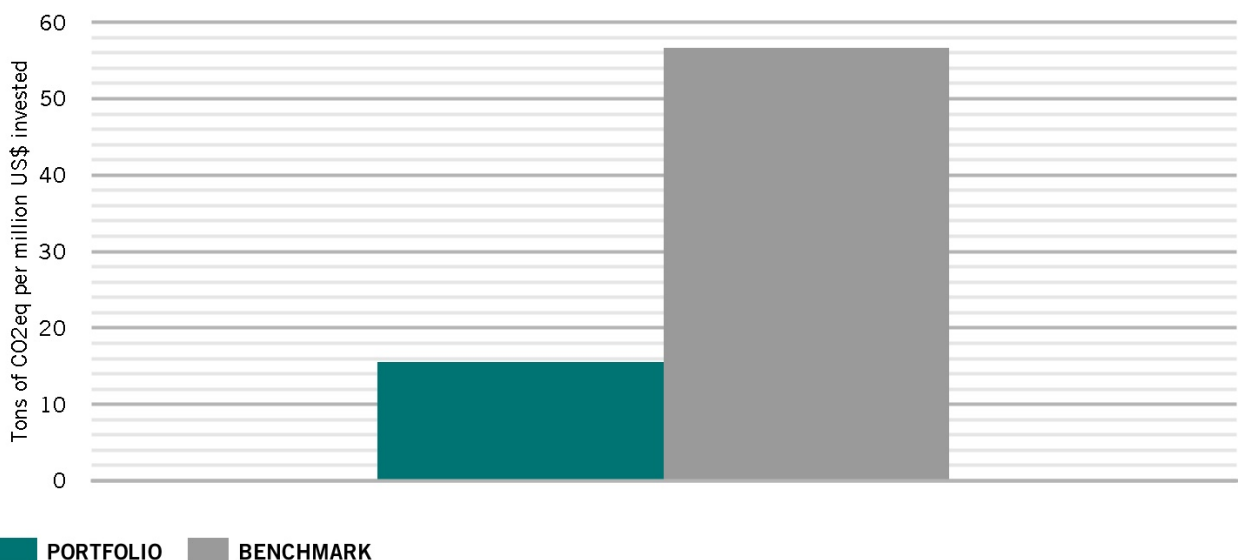
### Carbon Footprint

1. Direct GHG emissions from companies
2. Potential emissions from fossil fuel reserves

#### Direct GHG emissions from companies

This indicator measures direct greenhouse gas (GHG) emissions from companies in tons CO<sub>2</sub>eq per million US\$ held in the DAA portfolio versus the benchmark. Direct GHG emissions (also referred as "Scope 1") arise from activities such as heat & power generation, transportation and production processes that are owned or controlled by companies. GHG emissions from individual constituents are proportional to the percentage of Enterprise Value held in the portfolio or benchmark. Data coverage is based on the weight of securities and single line derivatives for which emissions data is available. Index derivatives, cash, sovereign and quasi sovereign are excluded from coverage calculation.

#### Direct Emissions: Dynamic Asset Allocation

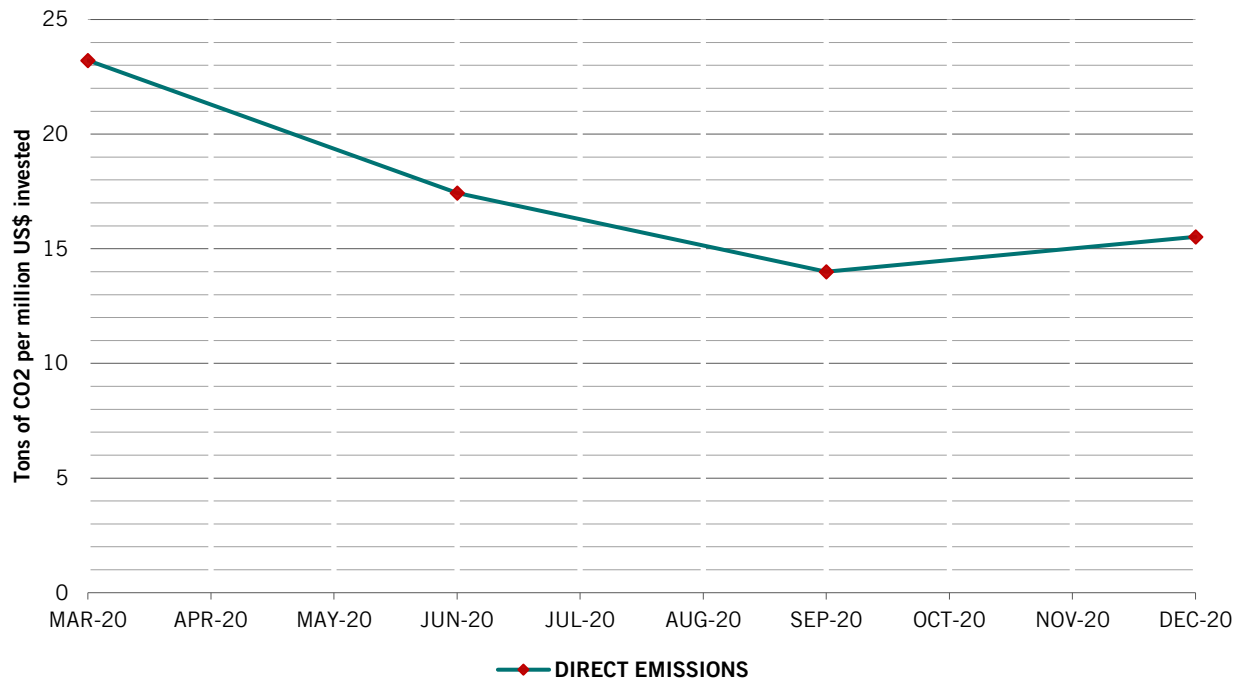


Note that these indicators cover our equity and corporate credit holdings only and exclude ETFs as well as external funds. Portfolio: PS II Dynamic Asset Allocation Fund, Benchmark: MSCI AC World. Data coverage for the portfolio and benchmark is respectively 89% and 91%. Source: S&P, Trucost, Pictet Asset Management as of 31 December 2020



We have tracked direct emissions from greenhouse gases since Q1 2020, with the trajectory below:

### Direct Emissions: Dynamic Asset Allocation

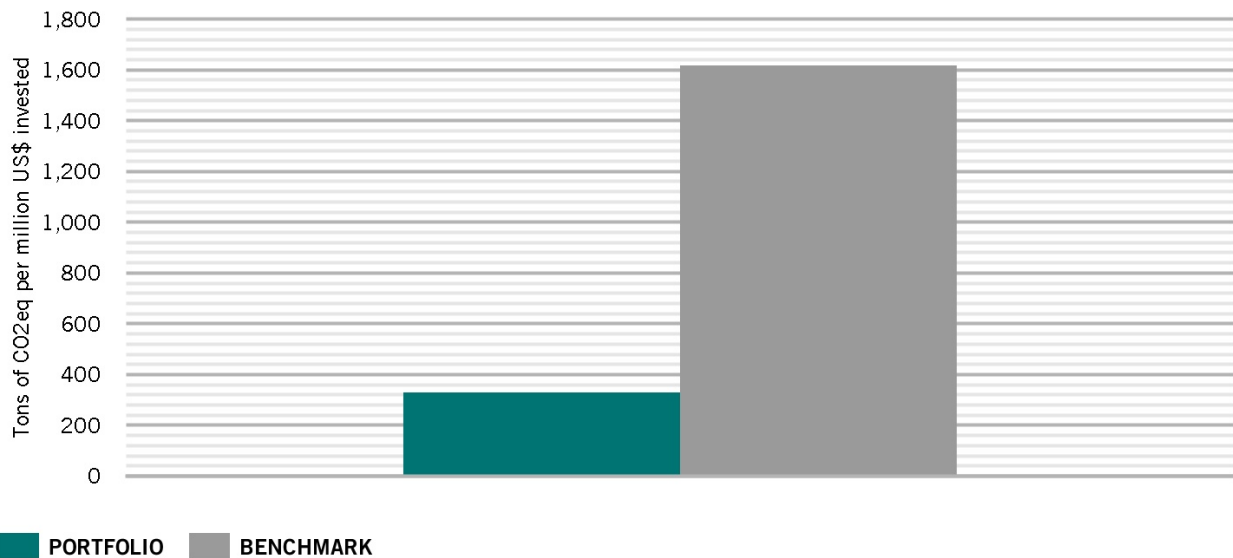


Note that these indicators cover our equity and corporate credit holdings only and exclude ETFs as well as external funds. It covered 40% of our total portfolio and 60% of our equity and credit holdings; Data coverage for the portfolio and benchmark is respectively 89% and 91%.  
Source: S&P, Trucost, Pictet Asset Management as of 31 December 2020

**Potential emissions from fossil fuel reserves**

This indicator measures potential greenhouse gas (GHG) emissions from fossil fuel reserves in tons CO<sub>2</sub>eq per million US\$ held in the DAA portfolio versus the benchmark. Potential emissions represent the total amount of GHG that are expected to be released once proven and probable "2P" reserves of fossil fuels (coal, oil, gas) are used. GHG emissions from individual constituents are proportional to the percentage of Enterprise Value held in the portfolio or benchmark. Data coverage is based on the weight of securities and single line derivatives for which emissions data is available. Index derivatives, cash, sovereign and quasi sovereign are excluded from coverage calculation.

**Potential emission from fossil fuel reserves: Dynamic Asset Allocation**



Note that these indicators cover our equity and corporate credit holdings only and exclude ETFs as well as external funds. Portfolio: PS II Dynamic Asset Allocation Fund, Benchmark: MSCI AC World. Data coverage for the portfolio and benchmark is respectively 94% and 99%. Source: S&P, Trucost, Pictet Asset Management as of 31 December 2020

Both metrics are updated on a quarterly basis and expressed in tons of CO<sub>2</sub>eq per million US\$ invested in order to compare portfolios of different sizes v. their respective benchmarks. The carbon data is provided by S&P Trucost.

**Carbon Footprint Calculation Formula**

$$CFP = \sum_{c=0}^n GHG_c \times \frac{VOH_c}{EV_c}$$

Definition:

CFP = carbon footprint of the portfolio or benchmark

c = company held in the portfolio or included in the benchmark

n = number of companies held in the portfolio or included in the benchmark

VOH<sub>c</sub> = value of holding in company c per million US\$ invested in the portfolio or benchmark (at time of calculation)

EV<sub>c</sub> = enterprise value of company c (at time of calculation)

GHG<sub>c</sub> = direct greenhouse gas emissions of company c (chart 1) OR potential greenhouse gas emissions of proven and probable fossil fuel reserves held by company c (chart 2) (latest financial year available at time of calculation)





## ESG Controversies

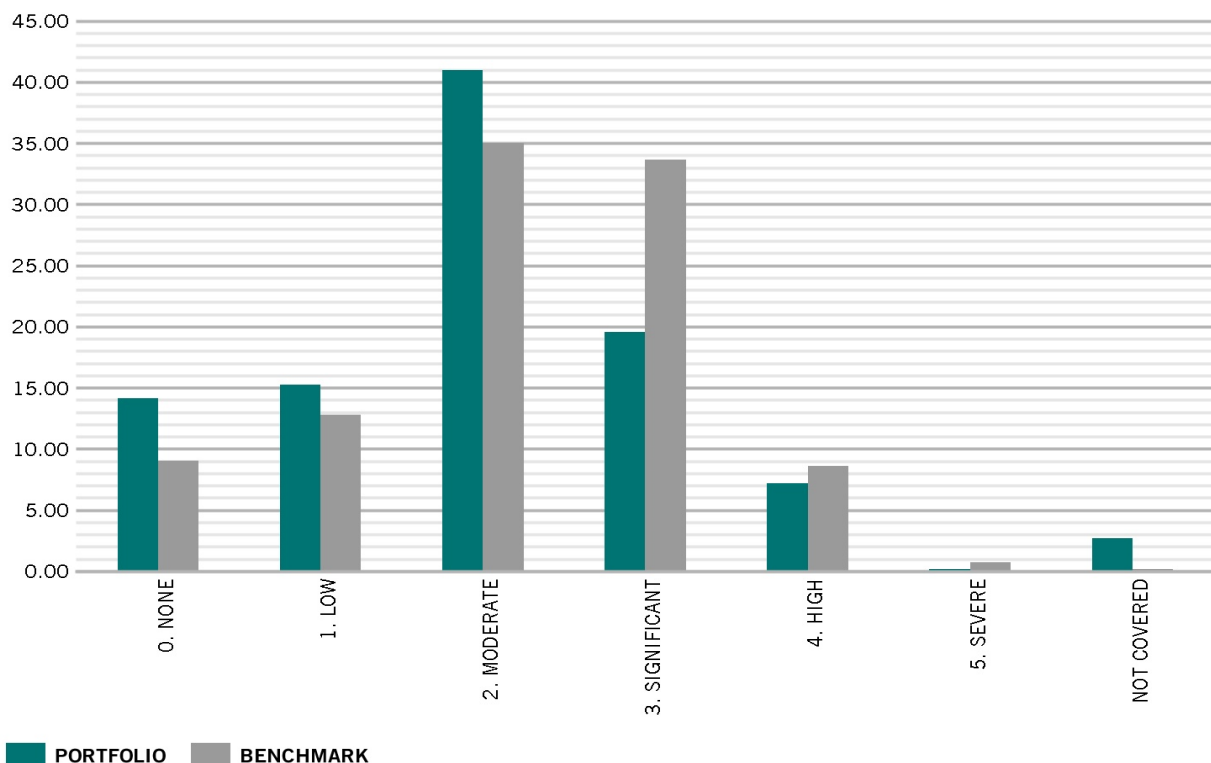
ESG Controversies analysis of underlying companies is based on incidents and events that may pose a business or reputational risk due to the potential impact on stakeholders, the environment, or the company's operations. Event categories include pollution incidents, employees' accidents, violations of human rights, product-related issues and breaches of business ethics. Controversies are rated based on their seriousness and recurrence, sector and company response and are rated on a 0 to 5 scale.

(0) No involvement in any relevant controversies; (1) Controversy has a low impact on the environment and society, posing negligible risks to the company; (2) Controversy has a moderate impact on the environment and society, posing minimal risks to the company; (3) Controversy has a significant impact on the environment and society, posing moderate risks to the company; (4) Controversy has a high impact on the environment and society, posing significant risks to the company; (5) Controversy has a severe impact on the environment and society, posing serious risks to the company.

## Portfolio Exposure

We currently have 0.11% of the portfolio, and 0.28% of the securities evaluated in this analysis, in companies with severe controversy levels. This compares to 0.76% in the MSCI ACWI. Out of the 0.11%, 0.10% stems from exposure to three companies held within passive exposure through index futures.

### Exposure to ESG Controversies (by weight, in %)



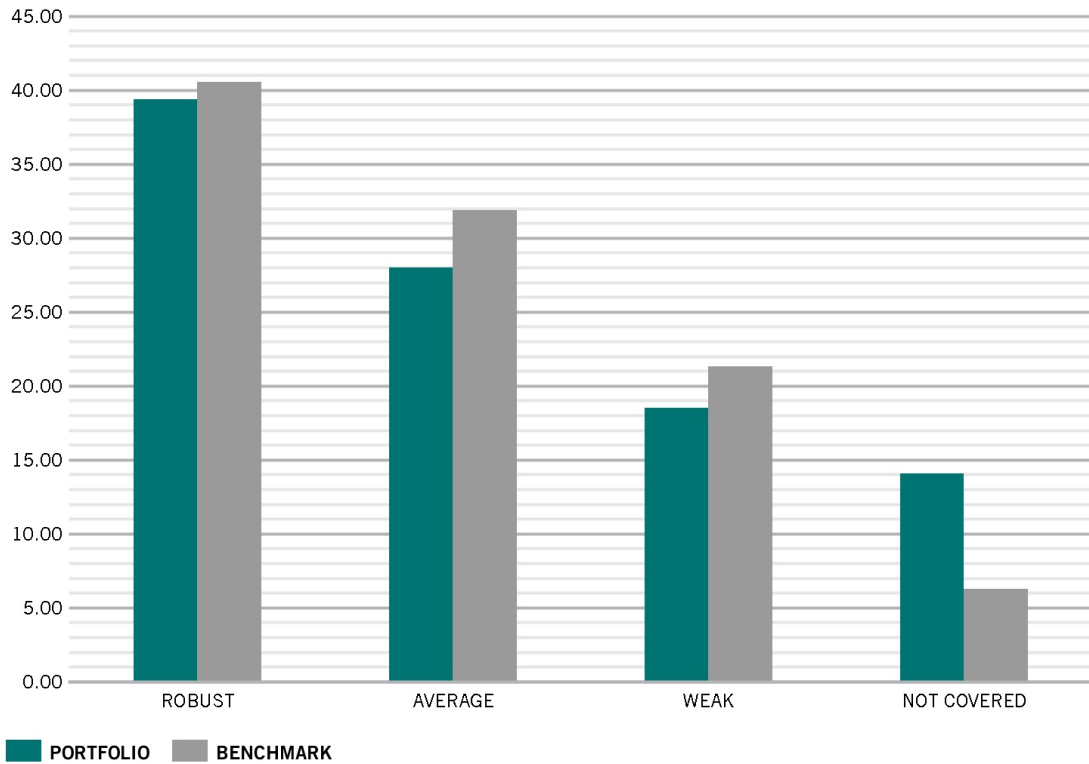
Portfolio: PS II Dynamic Asset Allocation Fund, Benchmark: MSCI AC World  
Data source: Sustainalytics as of 31 December 2020

## Corporate Governance

Corporate Governance analysis of underlying companies is based on four pillars: board structure, executive remuneration, shareholder rights, audit practices. Evaluation criteria reflect regional best practices. Decile scores indicate relative rank by country or region and are grouped in three categories: "Robust"

(decile scores 1 to 3), Average (decile score 4 to 7) and Weak (decile scores 8 to 10). “Not covered” corresponds to securities / issues for which no scores are available. Derivatives, cash, sovereign and quasi sovereign bond issuers are not included.

**Exposure to Corporate Governance (by weight, in %)**



Portfolio: PS II Dynamic Asset Allocation Fund, Benchmark: MSCI AC World  
 Data source: Sustainalytics as of 31 December 2020

## ESG SCORES FOR EQUITY BASKETS

Of the three ESG indicators discussed above, there are three areas where an equity basket held in the DAA portfolio has a higher score than that of the MSCI AC World Index and the overall DAA portfolio.

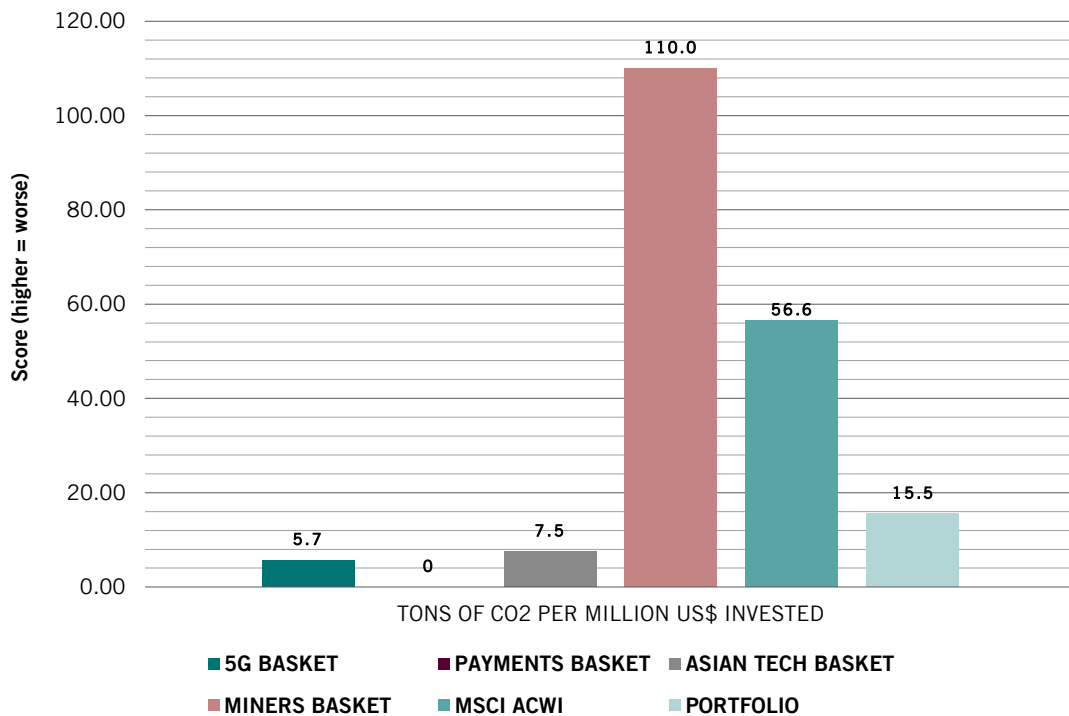
### 1. Payments basket

It has a high weighted average ESG controversies score of 3 vs. 2.2 for the MSCI ACWI and 1.7 for the DAA portfolio. Concerns relate to anti-competitive practices as well as those relating to pricing weigh on two stocks within this basket. In both cases there is management focus on addressing these challenges and we will monitor ESG reports for signs of progress or slippage, and consider these alongside other fundamental factors.

### 2. Miners basket

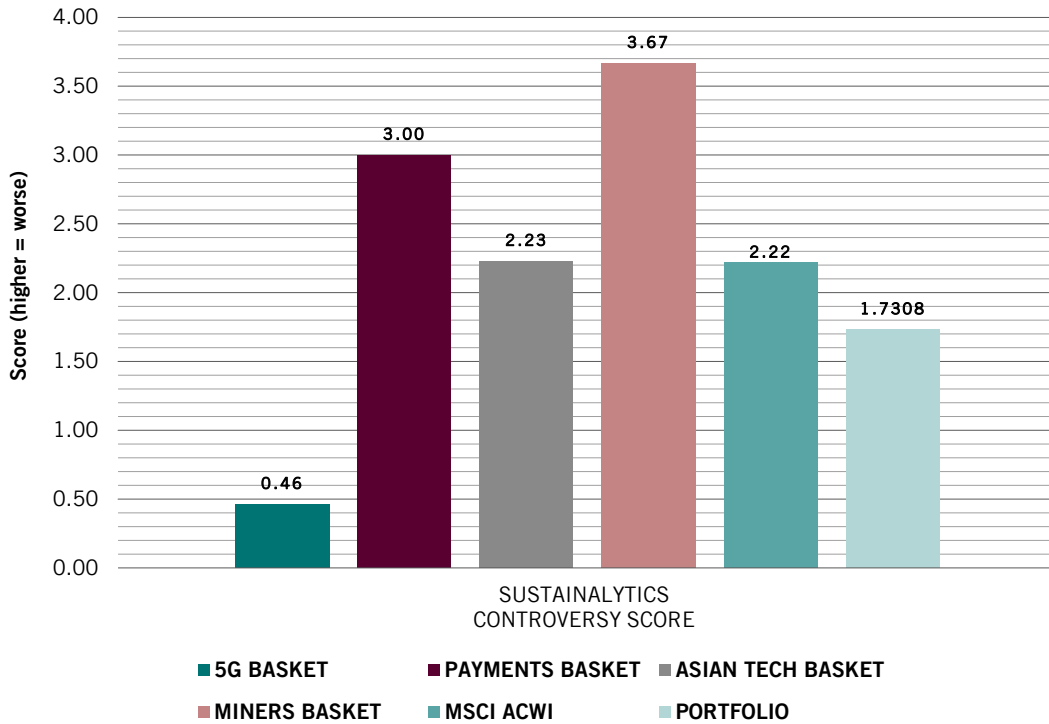
It has a high weighted average controversy score of 3.67 vs. 2.2 for the MSCI ACWI and 1.7 for the DAA portfolio. It also has a high carbon footprint of 110 tons of CO2 per million US\$ invested, vs. 56.6 for the MSCI ACWI and 15.5 for the DAA portfolio. The controversy score is systematically higher than the broader market index, given the operational and health & safety risks inherent to mining business models. Controversy scores received by these companies are rarely lower than 3. However, having best practices in place (i.e. independent ISO certifications and voluntary disclosures) can prevent it from worsening and motivates Sustainalytics to assign a positive outlook. Meanwhile, their high carbon intensity has a lot to do with their thermal coal exposures. Their divestures remain as the low hanging fruits for carbon intensity reduction. On the other hand, their corporate governance scores are robust at 1.67. This is not true of the sector, and indeed on both corporate governance and carbon footprint measures, these companies significantly outperform sector peers.

## Direct Emission Breakdown (by weight, in %)



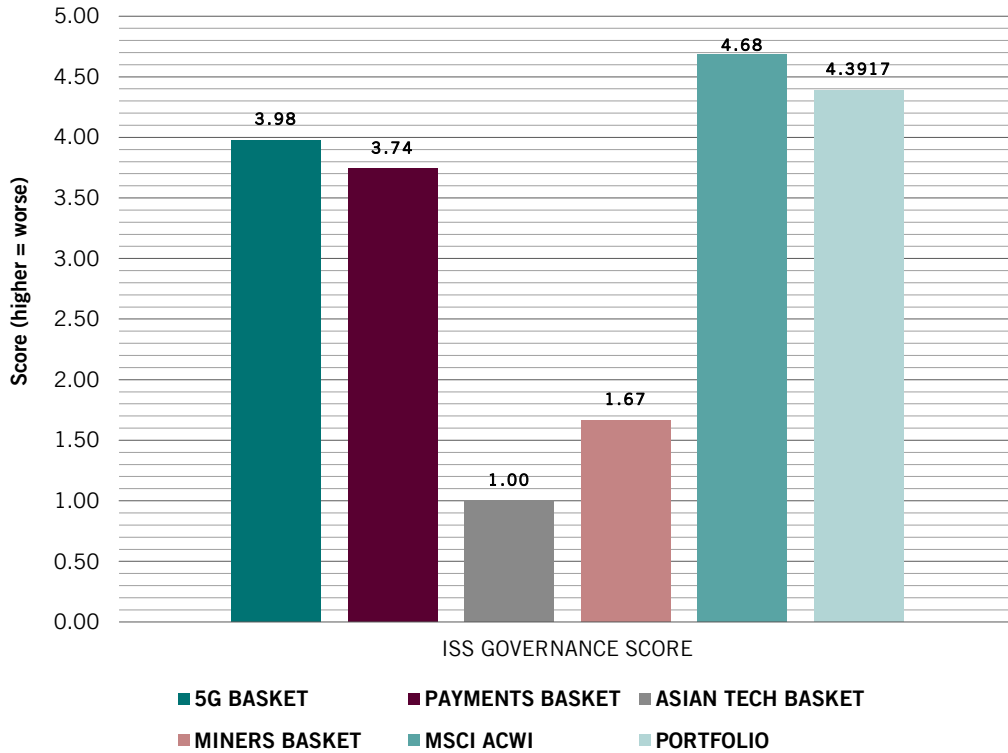
Portfolio: PS II Dynamic Asset Allocation Fund, Benchmark: MSCI AC World  
 Data source: Sustainalytics as of 31 December 2020

**Controversies Exposure breakdown (by weight, in %)**



Portfolio: PS II Dynamic Asset Allocation Fund, Benchmark: MSCI AC World  
Data source: Sustainalytics as of 31 December 2020

**Corporate Governance breakdown (by weight, in %)**



Portfolio: PS II Dynamic Asset Allocation Fund, Benchmark: MSCI AC World  
Data source: Sustainalytics as of 31 December 2020



## ESG WITHIN OUR GOLD HOLDINGS:

The Invesco Physical Gold ETF (SGLD) held within the Dynamic Asset Allocation fund fully complies with the LBMA Responsible Sourcing Guidance. Please see below:

- Invesco has instructed J.P. Morgan Chase Bank since early 2019 to minimise exposure to gold mined prior to 2012, the date after which they can be certain Gold has been sourced in compliance with the LBMA's Responsible Gold Guidance. Their ETC has now 100% exposure to gold mined post 2012 and is fully compliant with LBMA's Responsible Gold Guidance (representing the highest standards for sourcing gold and intended to combat money laundering, terrorist financing, and human rights abuses, including child labour).
- In the LBMA Responsible Gold guidance, there is a lack of coverage with regards to the environmental risks that Invesco is trying to capture at a firm level through engagement with participants in the gold supply chain to ensure they adhere to environmental best practice.

We also held the iShares Gold Producers ETF (IAUP) in Q4 (although no longer do) which we review below:

- The Fund ESG Rating measures the resiliency of portfolios to long term risks and opportunities arising from environmental, social, and governance factors. The iShares Gold Producers UCITS ETF (GBP) receives an MSCI ESG Rating of A (on a CCC-AAA scale), based on an ESG Quality Score of 5.9 out of 10. The fund has 16.0% exposure to holdings with a positive ESG rating trend, 0.0% exposure to holdings with negative ESG rating trend and 11.1% exposure to ESG laggards. It ranks in the 63rd percentile within the Equity Sector Gold & Precious Metals peer group and in the 51st percentile within the global universe of all funds in coverage.
- 33 companies out of 55 have ESG ratings of BBB and above and represent 80% of the market cap of the ETF.
- 11 companies within the iShares Gold Producers ETF are rated as ESG laggards (CCC and B ESG ratings). These account for approximately 11% of the market cap of the ETF with B rated holdings making up the majority at 9% market cap combined weight.
- There are only 3 companies rated CCC, whilst from two BB rated companies which account for 5.7% total market cap contribute the most to the ESG laggards rating profile of the ETF

## ESG IN FUND SELECTION WITHIN MULTI-ASSET:

ESG scores for internal and external funds and Investment trusts are assessed on a qualitative basis during the due diligence phase of the selection process with a qualitative ESG Score assigned to funds upon appointment in the portfolio and re-considered regularly. The ESG Score is calculated as an equally weighted average metric of the assessment of four areas, with the score for each area ranging from 1 to 5 (weakest to strongest)

For Investment trust companies, the ESG Score includes an assessment of Governance which evaluates the company's board structure, its ownership structure and shareholder rights, the compensation and related transactions at the board level, audit and financial reporting oversight and the company's stakeholder communication policies. The Governance Score ranges from 1 to 5 with 5 indicating that the company Scores high in terms of Governance and 1 poorly. The Governance Score forms part of the total ESG Score and is assigned a 25% weight.

The four areas assessed on a company and fund level are:

› As a responsible investor, we seek to assess the level of ESG integration in our investments.  
 › The ESG Due Diligence questionnaire aims to assess 4 Sections:

1. Management company commitment to ESG	2. Investment activity/process of the fund under consideration	3. Active ownership and Engagement	4. Monitoring & Reporting
<b>Objective:</b> assess the organization's overall interest and commitment to ESG practices	<b>Objective:</b> assess if and how ESG factors are integrated specifically in the investment process	<b>Objective:</b> assess the level of engagement and proxy voting activities	<b>Objective:</b> assess the reporting practices on ESG matters

The ESG Score of External funds is integrated in the overall Qualitative Fund Score which consists of 7 factors (parent, people, philosophy and process, performance, price, risk and liquidity and ESG) with this factor assigned an equal weight. Changes in the ESG score can impact the assessment of individual managers through their contribution to the final Score. These scores are subject to regular review, and we use it as a basis to engage with managers.

We have recently launched a process of harmonising the ESG due diligence questionnaire used for the systematic evaluation of internal and external active managers with our colleagues in Private Wealth Management and Pictet Alternative Advisors.

**RESPONSIBLE INVESTMENT IN ACTION**

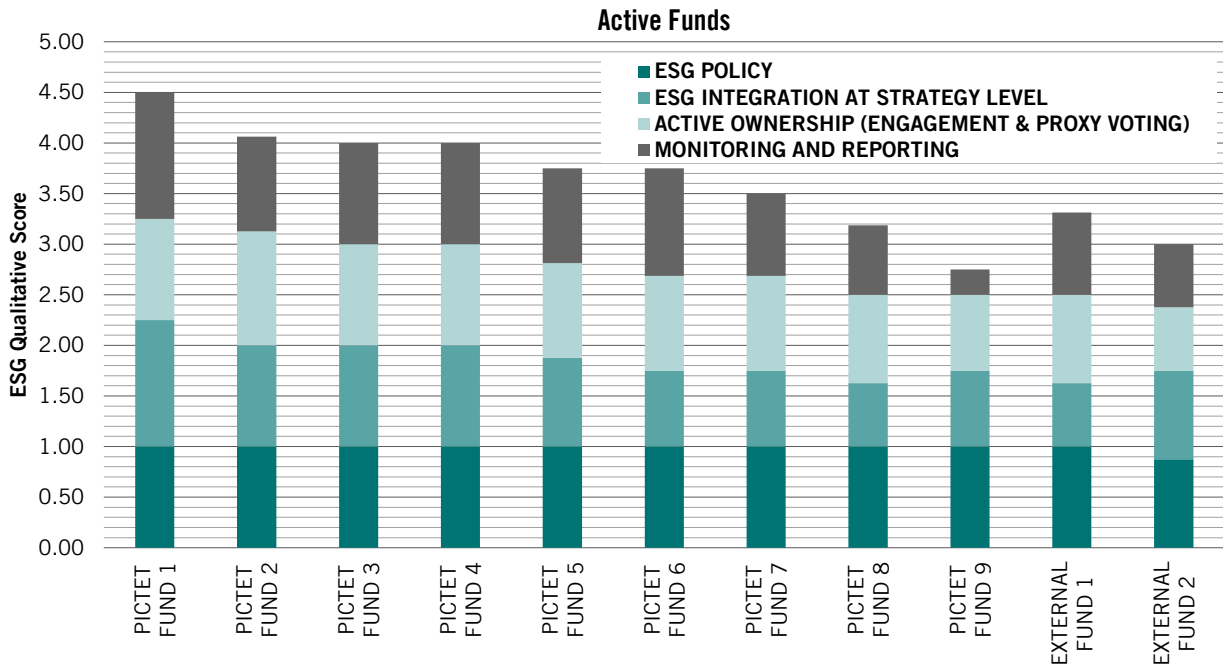
**Qualitative ESG Scores: Pictet Funds, External Funds, and Investment Trusts within DAA**

Both the lowest-rated Pictet funds operate in Chinese asset markets. We rate all funds on the same objective scale but recognise that emerging markets – and China in particular – have specific challenges on this front which naturally tend to lower their ESG scores. These include government ownership and the sector makeup of indices which have high weightings in commodities and mining. Chinese companies also lack wide ESG score coverage as quantitative data is quite limited – lack of disclosure by companies is another challenge.

The two lowest rated investment trusts operate in the secured lending sphere. Here, our concerns primarily relate to the lack of a formal ESG framework and policy, as well as a reporting process being in place.

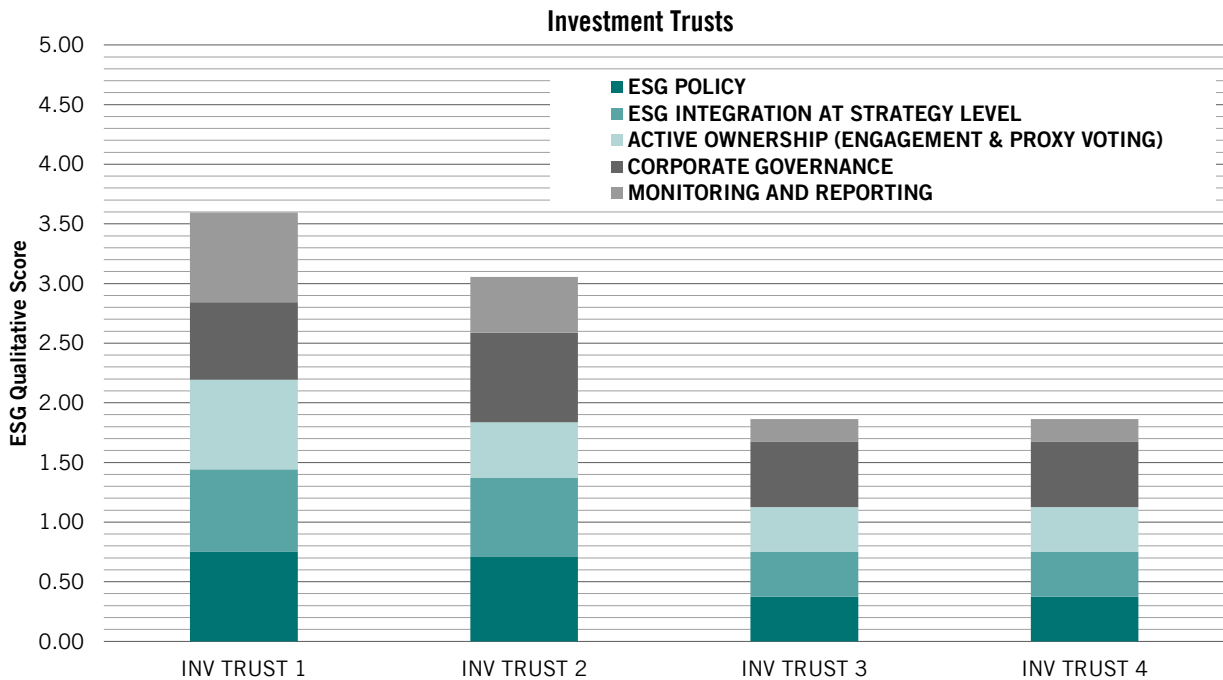


**Active Funds**



Source: Pictet Asset Management; 31 December 2020 Underlying Managers, Bloomberg. Note scores are from 1-5, 5 being highest.

**Investment Trust**



Source: Pictet Asset Management; 31 December 2020 Underlying Managers, Bloomberg. Note scores are from 1-5, 5 being highest.

## Pictet Funds

We assess the internal Pictet funds we hold in the DAA portfolio using qualitative scores, but also hold the investment teams to account on ESG integration in their investment decision making

Some examples below:

1) Pictet Global Environmental Opportunities Fund: **Ecolab** (specialty chemicals company)

➤ **Action: Decision to invest on *environmental* considerations.**

- The fund decided **to invest** in this company from inception in 2014. Fits into the fund's approach of investing in companies with low environmental impact, driving & benefitting from the development of environmental solutions
- Company scores very highly on environmental impact in the freshwater use metric specifically as their products allow industrial customers to reduce water usage. They also produce innovation in the water space – for instance through research undertaken at their “water university”

2) Pictet Health Fund: **Bausch Health Companies** (pharma company)

➤ **Action: Decision not to invest.**

- The fund **did not invest** in this company due to ESG considerations in 2019. The company was originally called Valeant but acquired Bausch & Lomb and changed its name. The company was interesting from an investment point of view due to its large ophthalmology business
- They refrained due to the Valeant component whose business model has focused on buying old drugs for rare conditions and then inflating the price. Valeant has also been involved in controversies with regards to its relationships with specialty pharmacies to boost sales of its products.

3) Pictet Japanese Equity Selection Fund: **Kyocera** (electronics company)

➤ **Action: Decision to stay invested on *governance* considerations:**

- The fund decided to **stay invested** in this company while targeting a number of governance improvements. They made these recommendations at management discussions and are satisfied with the improvements undertaken
- Kyocera took a number of actions off the back of investor discussions. They raised the dividend payout ratio and added RoE as a new management metric. On the board governance side, measures included improving the process of Director nomination and compensation such as introducing long-term incentives to better align with shareholders, and enhancing the Board's independence and gender diversity





## Fixed Income

### Sovereign Bonds Engagement in Emerging Markets

- › Our EM Debt funds utilise ESG ratings and engage in sovereign stewardship. This is based on the underlying view that the longer-term trajectory for EM economies will benefit from improving ESG factors
- › For their stewardship efforts, they use meetings with country delegations, NGOs and other organisations to engage on ESG issues
- › We partner with EMpower - the emerging markets foundation, to create social impact through investment in youth throughout the emerging markets.

We also refer to these ESG ratings and outlook for EM sovereigns when we invest directly and consult with our EM colleagues when we do so.

### Sovereign ESG Indicators

CATEGORY	SELECTED INDICATOR
Environmental	Air Quality
	Transition to Low Carbon Economy
	Climate change exposure
	Management of Natural Resources
	Water quality and stress
Social	Education
	Healthcare Capacity
	Innovation & Research
	Working-age population trends
Governance	Civil unrest
	Corruption
	Efficacy of the Regulatory System
	Electoral process
	Judicial Effectiveness & Independence
	Right to privacy

Source: Pictet Asset Management

## Sovereign Engagement Case Studies

ESG AREA	SELECTED TOPIC	FORUM
Chile – Minister of Finance	Environmental	Carbon policy and climate laws given commodity dependence and heavy reliance on imported oil. Government is currently studying introducing a new climate change law, and a bill could potentially be drafted in 2019/2020. 100% owned government company imports and distributes oil, thus there is a fiscal impact as well.
Dominican Republic – Investor Roadshow	Environmental	Climate change and hurricane risks. Asked question about what measure Dominican Republic could take in the face of significant risk as Hurricane Maria just missed making landfall in September.
Argentina – Secretary of Finance	Social	Fiscal spending reductions impact on vulnerable segments. One of our largest concerns from an ESG perspective is how Argentina will balance its need to reduce government spending without overly hitting these sections of the population. In previous crises in Latin America, IMF bailouts have been widely blamed for an inordinate negative impact on these segments.
Mexico – Finance Minister	Social	Crime and Safety. Drug related violence, which used to be focused in the border areas of Northern Mexico, has now spread everywhere. The lack of progress in reducing crime helps candidates from non-established political parties and increases the risk of populist policies.
Poland – Finance Ministry	Governance	Judiciary System and Press Freedom. EU has cautioned on the independence of Polish courts being below acceptable levels which could result in disciplinary measures being taken. There is evidence that press freedom is also coming under pressure.
South Africa – Government Delegation	Governance	Property rights and land expropriation. Ramaphosa is seeking to change the constitution to allow for land expropriation without compensation. Asked about framework and timing. The land expropriation issue is one which can be quite disruptive. It could present a clear deterioration in property rights and as such have a material impact on asset prices.

Source: Pictet Asset Management 31 December 2020

## ESG AT PICTET ASSET MANAGEMENT

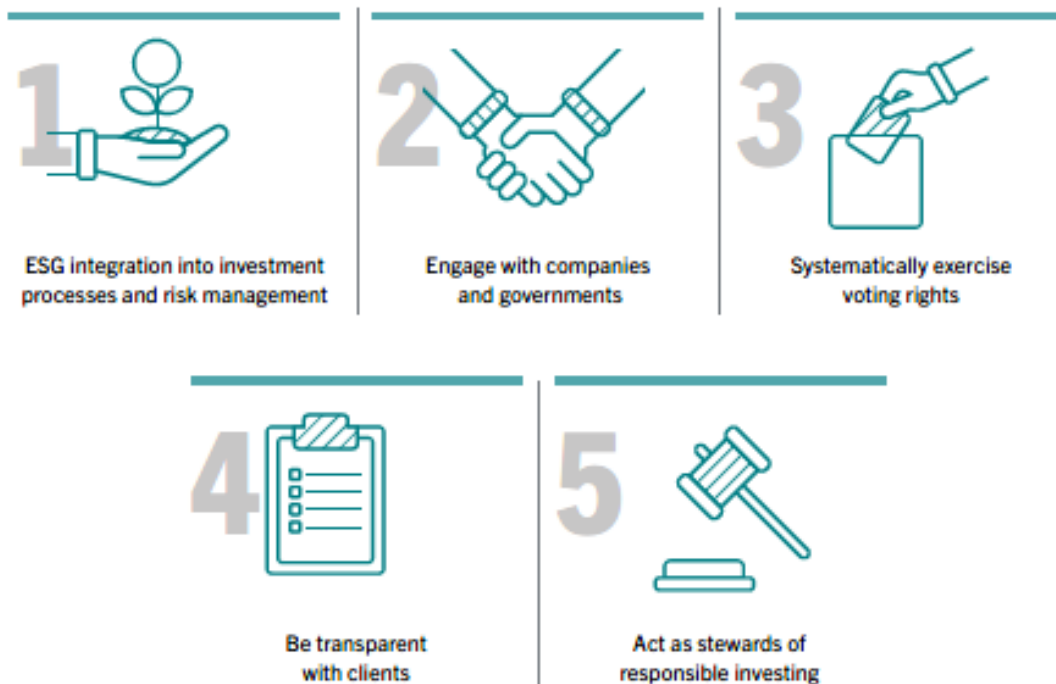
**We are convinced that Environmental, Social and Governance (ESG) considerations can help us make better long-term investment decisions for our clients.**

Pictet Asset Management believes in responsible capitalism and takes an enlarged view of the economy and its interactions with civil society and the natural environment.

Consistent with our fiduciary duty to act in the best interests of our clients and our adherence to the UN Principles for Responsible Investment (UN PRI), we are committed to integrating material ESG criteria in our investment processes and ownership practices with a view to enhance returns and/or mitigate risks. We also aim include ESG aspects in our risk management and reporting tools in order to maintain high standards of transparency and accountability.

Our commitment to responsible investment is driven by five main pillars, which help us ensure sustainable development is taken into account in our long-term strategy.

### Five main pillars



Source: Pictet Asset Management

**Pictet Group: A Responsible Mindset**

For decades, responsibility has been central to our way of thinking. Since the Pictet Group was founded in 1805, we have aimed to ensure the prosperity of our clients and of future generations



Pictet Asset Management has been a signatory of the UNPRI since 2007 and has been awarded an A+ rating under the PRI’s Reporting and Assessment Framework in the most recent Assessment Report (of 2019).

Furthermore, Pictet Asset Management has been a signatory to the UK Stewardship Code since 2010.

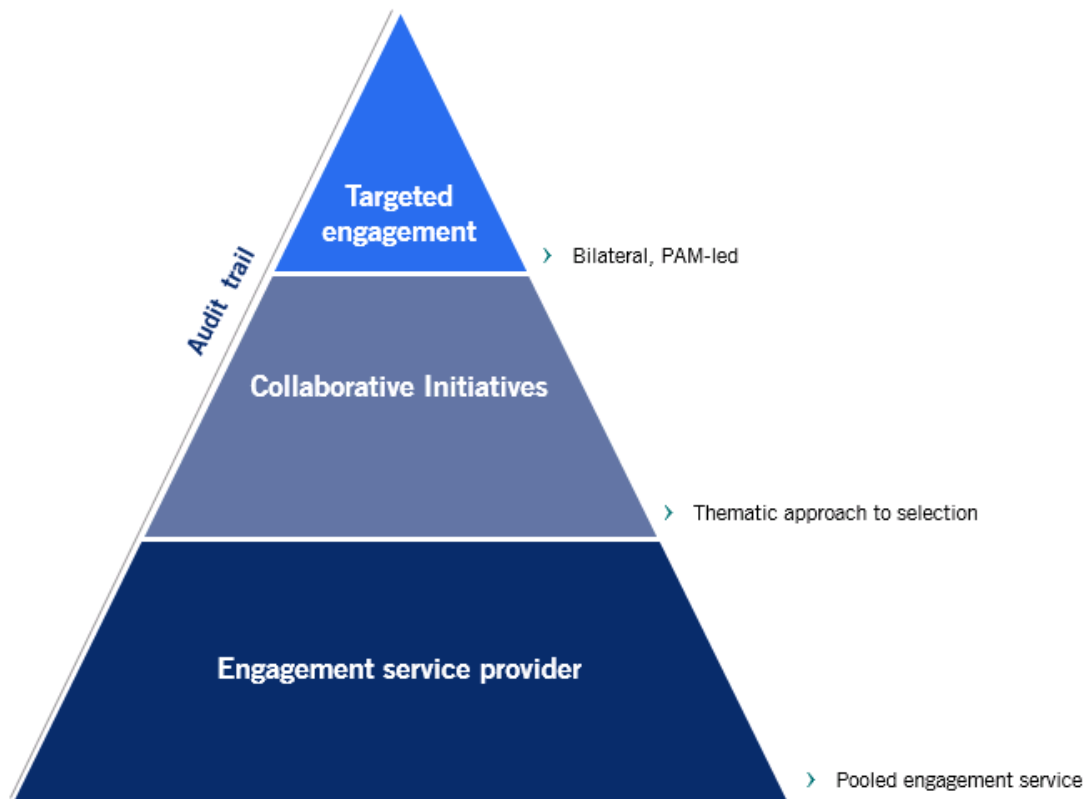
**Pictet Group: Corporate Engagement**

Through our engagement program, we engage in a constructive dialogue with companies on material ESG issues, to satisfy ourselves that they fully understand and address areas of concern effectively over the short, medium and long term. We believe that corporate engagement provides several benefits for asset managers, including fulfilling our responsibilities as investors, and playing our role in positively impacting major sustainability challenges.

**What engagement is not:**

- › Fact-finding regarding an ESG issue
- › General ESG catch-up during a company meeting
- › Never-ending dialogue regarding an ESG issue

## Types of engagement activity:




## Examples:

- > Disclose tailings storage facilities and control measures
- > Introduce sustainability targets in remuneration within the next 2 years
- > Phase out coal by 2030

### Proprietary Tool– Governance Explorer

Among various ESG tools available to the investment team, Pictet has also developed a proprietary tool for investigating current and previous connections of Board members and Executives with problematic companies

We use the Governance Explorer to evaluate board members and executives of investment trusts we hold, incorporating this into their qualitative corporate governance scores.



**GOVERNANCE EXPLORER**  
KNOW YOUR MANAGEMENT  
KNOW YOUR BOARD

Options  
Simulate red flags for a year (press enter)  
YYYY-MM-DD

Show data from providers:  
 CFRA  
 Sustainalytics  
 ISS  
 Offshore leaks

Performance options  
 Show professional titles  
 Show dates

Legend  
● Person  
● Company  
● CFRA score  
● ISS score  
● Sustainalytics score  
● Offshore company

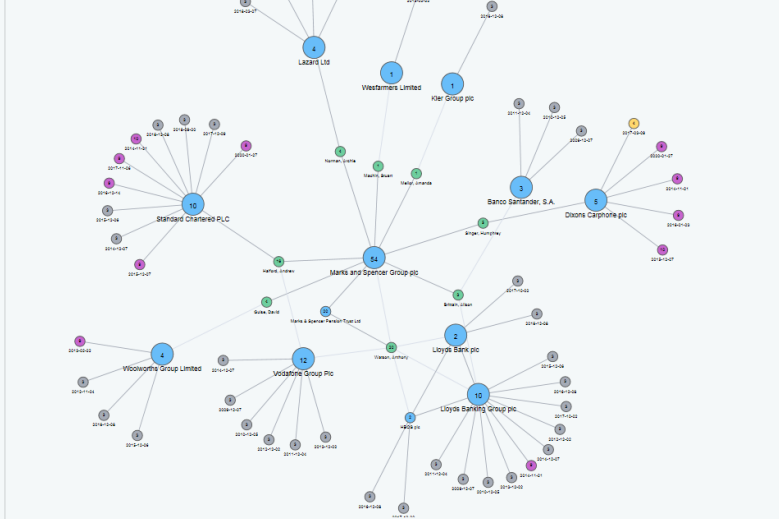
Unlock layout

● Company ○ Person
Get red flags for companies in a fund  
C0014

OR

A help page is available using the question mark in the left panel

**MARKS AND SPENCER GROUP PLC** Displaying 69 nodes



**Marks and Spencer Group plc**

TICKER: MKS, MKSI, MSA  
 ISIN: US57069PAC68, GB0031274896

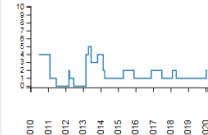
corporate.marksandspencer.com  
 Founded in 1884

**Address**  
 Waterside House 35 North Wharf Road  
 London  
 United Kingdom

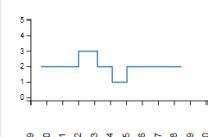
STATUS: Operating  
 TYPE: Public Company  
 INDUSTRY: Multiline Retail

CEO: Rowe, Steve  
 CFO: Singer, Humphrey  
 CHAIRMAN: Norman, Archie

ISS Scores



Sustainalytics Scores



Source: Pictet Asset Management; for illustration purposes only



## RESEARCH SPOTLIGHT: CLIMATE IN FOCUS IN THE BIDEN POLICY AGENDA

- Democratic victories in the US Presidential election and Senate represent a shot in the arm for US and global action against climate change. The US is currently the world's second largest emitter of greenhouse gases after China.
- One of Biden's first actions has been to return the US to participation in the Paris accord. This places the US back in a leadership role within global efforts to limit global warming, especially in the context of the COP26 conference in November 2021.
- The Biden plan aims to achieve a net zero carbon economy by 2050, committing USD2 trillion over four years.
- Proposals include completely decarbonising electricity generation by 2035 and doubling the rate of solar panel rollout, or installing 500 million panels, in the next five years.
- The agenda also aims to overtake China as the world leader in the electric vehicle (EV) industry by increasing federal procurement by USD400 billion for key components such as batteries.
- On the green buildings front, the proposals call for upgrading 4 million buildings and 2 million homes over four years
- Roll back of Trump-era legislation to loosen emissions standards for vehicles and power plants
- Federal government support will clear the way for some of the most progressive states like California to pursue their environmental agenda without legal challenge from the former.
- Biden's climate program puts the US in line with European and UK targets, and a carbon-neutrality pledge would sit alongside China, which has recently announced its own goal to become carbon neutral by 2060. China and the US are the world's largest two emitters of greenhouse gases, responsible for 25% and 13% of global emissions respectively.
- Europe has its own new climate blueprint, with the EU proposing to cut greenhouse gas emissions by 55 percent relative to 1990 levels, over the next ten years (compared to a previous target of 40 percent).
- Globally, "build back better" fiscal agendas aiming to revitalise economies damaged by the pandemic, will emphasize green spending

### Portfolio Implications:

- Private companies stand to gain from investment opportunities within renewables, storage technology, green buildings and e-mobility among other areas
- Since the beginning of 2020 we have been building exposure to companies aiming to benefit from or providing solutions to enable the low-carbon transition, which we believe to be a theme which outlasts the impact of political transitions such as the US election
- Within our main funds, we have very low exposure to the global energy sector, which we believe to be a "value trap". In Jan 2020, we allocated an initial 5% of our portfolio to stocks actively looking to solve environmental challenges with respect to resource efficiency or environmental

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