

Environmental, Social and Government (ESG) Considerations

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We believe that integrating environmental, social, and governance considerations into the investment processes has the potential to lead to better long-term financial outcomes.

At its simplest level, ESG is about good management. From the diesel emissions to zero hour contracts, there are many recent examples of how failures in the way companies are run can harm the environment, society, and investor returns.

This is why we embed both top-down and bottom-up ESG analysis into our investment processes. For the top down analysis, we spend a lot of time assessing the issues which will cause major long-term change. In 2017, we set up research groups to focus on energy, technology, and demographics.

We believe that analysing the connections between these themes provides valuable and often unique insights into how companies are adapting to the challenges of the changing world. When it comes to bottom-up analysis, we identify how well companies are preparing for changes in the market environment and how well they are managing day to-day operational risks and impacts.

We have built a variety of tools which allow us to score companies. The results are drawn on as an additional factor in investment analysis. But it's not just about analysis. We want to be active in engaging with companies to affect change. When a company is not effectively managing ESG risks, we will sit down with them and discuss how they can do better and we will use the results of both our assessments and engagement to inform our votes.

