



THEMATIC SPOTLIGHT:
DECARBONISATION

“The world is reaching the tipping point beyond which climate change may become irreversible. If this happens, we risk denying present and future generations the right to a healthy and sustainable planet – the whole of humanity stands to lose.”

Kofi Annan
Former Secretary-General of UN

**Socially Responsible Investing:
Where does your money go?**

When investing within an SRI strategy, it’s vital to be kept informed about the positive impact that the investments are contributing towards. This thematic spotlight series will outline some of the key sustainability issues that the world is facing, and how we are investing to help combat these challenges.

Our thematic spotlights highlight the investment themes derived from our Socially Responsible Investment framework. This framework helps us to identify long-term investment themes that are aligned to the United Nations Sustainable Development Goals (SDGs), an internationally recognised set of 17 ambitious sustainable investment goals to aim for by 2030. By aligning our strategies to these themes, we aim to achieve what we call the Dual Objective: generating performance whilst benefitting society.

With this spotlight series, we intend to demonstrate the importance of the themes that the UN SDGs address, and the positive impact that investing sustainably can have on these issues.

United Nations Sustainable Development Goals targeted by Decarbonisation

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	SUSTAINABLE DEVELOPMENT GOALS

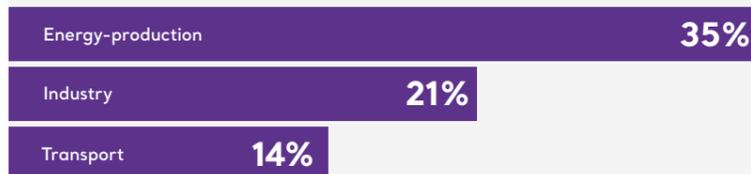
Why is it important?

We are living in the middle of a climate emergency, and we have to act now to reduce the current rate of carbon emissions.

Energy production represents the largest single source of global greenhouse gas emissions. The pattern of how we generate and consume energy must change.

If the current rate of warming is to continue, it is estimated that by 2100 rising sea levels will displace hundreds of millions of people as all coastal lands flood and become uninhabitable.¹

Largest single sources of global greenhouse gas emissions:



We are still highly dependent on carbon-emitting industries, so transitioning to a net zero emissions scenario will require substantial change.

It is estimated that if we are to limit global warming to 1.5°C an investment of 2.4 trillion USD into the energy system will be required each year until 2035.²

It is highly unlikely that such a level of investment can come from governments alone: **this is where investors have an important role to play.**

\$2.4 TRILLION

investment into the energy system will be required each year until 2035 to limit global warming to 1.5°C



¹ Source: IPCC AR5 Climate Change 2014: Impacts, Adaptation, and Vulnerability

² Source: Intergovernmental Panel on Climate Change

Why now?

The Paris Agreement on climate change, signed in 2016, was a landmark event in combatting global warming, bringing together leaders of nearly every country in the world. This represented 97% of the generators of world greenhouse gas emissions.

The Agreement recognised the catastrophic implications of climate change and set a long-term goal to limit the global temperature rise this century to below 2°C – preferably to 1.5°C – compared to pre-industrial levels.

Net zero carbon emission commitments keep growing, with countries and companies aligned to the UN's campaign in the 'Race to Zero'. The UK has passed into law a commitment to be net zero by 2050.

But to achieve this, a process of rapid decarbonisation needs to occur. This will cause a huge structural shift, impacting our lifestyles, industry, and our investment decisions as we transition to a lower-carbon world.

Investments within the 'green transition' have gathered pace over recent years, but as we emerge from the COVID-19 induced recession, 'Building Back Better' is even more crucial to ensure a sustainable future. We need to act now to avoid an ever-increasing burden for future generations, and in doing so, we will find opportunities to reap the rewards and benefits that a thriving green economy can bring.

ZERO carbon emissions by 2050

How do we translate this into an investment portfolio?

We identify investment opportunities that will ultimately help the transition to a low-carbon future. In doing so, we look for opportunities reflecting a range of low-carbon themes, including:



Renewable energy



Sustainable agriculture



Environmental protection



Energy and resource efficiency



Green technologies



Sustainable infrastructure and transport

Carbon Risk – implications for investors

Governments, companies and consumers are becoming increasingly focused on the need to reduce carbon emissions. Attitudes and mindsets are changing. This is noticeable in consumer behaviour as individuals assess their own carbon footprint.

As policy, technology and social trends emerge during our transition to a carbon neutral world, 'carbon risk' must be acknowledged. The investment risk of companies that hinder decarbonisation will become more apparent, which will have implications for investment portfolios.

Traditionally favoured companies and industries will be forced to adapt, or find themselves falling out of favour with investors, displaced by new entrants or competitors that are making greater strides in embracing decarbonisation.

Delivering positive impact

It is essential to measure, monitor and report back on the impact that our underlying investments have.

Positive impact can be generated via various methods; we utilise the four pillars of our Socially Responsible Investment framework. Using this framework, we construct diversified portfolios across the risk spectrum that are focused on the 'Dual Objective' and underpinned by our investment themes, which are aligned to United Nations Sustainable Development Goals.

We have a strong track record in identifying and working with investment managers who are specialists in their fields, and our investment process enables us to seek out the funds and mandates that are best-placed to deliver your objectives.

"We know that climate risk is investment risk. But we also believe the climate transition presents a historic investment opportunity."

Larry Fink, CEO of Blackrock

Fund spotlight

Ninety-One Global Environment Fund

This fund focuses on three key elements of decarbonisation: renewable energy, electrification, and resource and energy efficiency. The fund managers actively seek out companies that are driving the transition to a low-carbon world.

2019: \$1 million invested in the Ninety-One Global Environment Fund

1,446 tCO₂e*
NET CARBON
AVOIDED

equivalent of

315 cars taken off the road for 1 year

* Tonnes of carbon dioxide equivalent
Source: Ninety-One Global Environment Fund 2019 Impact Report

2019: \$1 million invested in a Global Benchmark

3,730 tCO₂e*
TOTAL
CARBON FOOTPRINT

equivalent of

811 cars remaining on the road for one year

* Tonnes of carbon dioxide equivalent
Source: Ninety-One Global Environment Fund 2019 Impact Report

FP WHEB Sustainability Fund

This fund is focused exclusively on companies providing solutions to sustainability challenges, and takes the view that a company's environmental, social and governance profile is an important indicator of quality.

2019: \$1 million invested in the FP WHEB Sustainability Fund

850 TONNES OF CO₂ REDUCTION

equivalent of the energy usage of an average European house for

64 YEARS

Source: FP WHEB Sustainability Fund 2019 Impact Report



Where are these funds investing?

Here are some examples of the companies that these funds invest in to achieve their decarbonisation targets:

Kingspan Group



A leading supplier of building insulation and materials designed to reduce energy consumption in residential and commercial buildings.

Total Energy Saved by Kingspan Insulation Systems* is equivalent to:

- 110 million barrels of oil
- 20 million cars off the road
- 66 power stations annual output
- 4.7x the annual electricity consumption of Greater London

* These figures equate to sales of Insulated Panels and Insulation Boards between 1993 and 2018.
Source: <https://www.kingspan.com/group/about/sustainability>

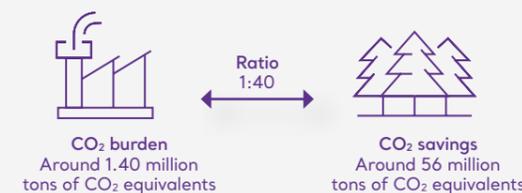
Infineon Technologies



A world-leading semi-conductor manufacturer.

Their products are critical components in electric and autonomous vehicles as well as in enabling the 'internet of things'. The company has consistently ranked among the top of the world's most sustainable companies.

Infineon Technologies' carbon impact through their business practices and products:



Source: Infineon Technologies 2019 Sustainability Report

NextEra Energy



The world's largest producer of wind and solar energy and the largest provider of energy storage in the US.

The company's goal is to reduce its CO₂ emissions rate 67% by 2025, from a 2005 baseline. This equates to a nearly 40% reduction in absolute CO₂ emissions, despite the company's total expected electricity production almost doubling from 2005 to 2025.

47% lower

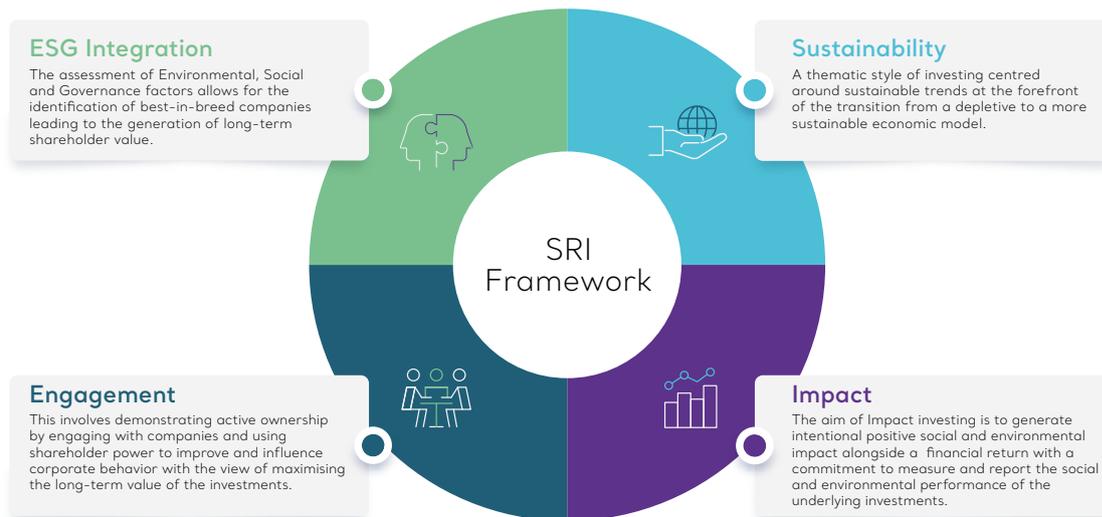
In 2019, NextEra emissions rates of CO₂ were 47% lower than the average U.S. electric power sector

Source: <https://www.nexteraenergy.com/sustainability/environment.html>

Our SRI framework comprises four key pillars of Socially Responsible Investing:

- **ESG Integration**
- **Sustainable Investing**
- **Impact Investing**
- **Engagement**

We have a strong track record in identifying and working with Asset Managers who are specialists in their fields, and our investment process allows us to seek out the right funds and mandates that enable us to deliver long-term returns aligned to the four pillars of SRI: helping our clients to achieve the dual objective of achieving attractive investment returns through an investment portfolio that reflects their values.



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- The value of investments and the income from them can fall as well as rise. An investor may not get back the amount of money that he/she invests. Past performance is not a guide to future performance.
- Foreign currency denominated investments are subject to fluctuations in exchange rates that could have a positive or adverse effect on the value of, and income from, the investment.
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