

Media release

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Sarasin launches Climate Active Endowments Strategy

Sarasin & Partners announces the launch of its Climate Active Endowment Strategy, a diversified multi-asset approach designed for investors seeking attractive and sustainable long-term investment returns in the context of significant climate related risks. Charities will be able to access the strategy via the UK's first registered CAIF (Charity Authorised Investment Fund), while other investors can mirror the approach via segregated portfolios.

The strategy will utilise both divestment and engagement as tools to protect and enhance capital in line with heightened emphasis on climate risk, together with representations to government and other regulatory bodies.

The strategy seeks long-term capital growth with a total return target net of fees of inflation (CPI) + 4.5% per annum over the long run (5 years plus). It will also aim to produce a consistent stream of income. The CAIF will be able to utilise an 'income reserve' account to smooth income payments to unit holders from year to year. The strategy will operate a negative screening policy* and is an evolution of the core Sarasin Endowments Model, which has produced a real return of +4.4% per annum since launch in December 2005, and an increased distribution in every calendar year.

The Climate Active Endowments Strategy will invest in companies that the manager expects to deliver enduring shareholder value, in a way that is consistent with a 2°C cap and 1.5°C aspirational goal in global warming. In addition, Sarasin & Partners will actively engage with companies where there is an opportunity to catalyse change in order to enhance a company's resilience to climate risk and deliver long-term returns to shareholders.

Sarasin & Partners has created a Climate Active Advisory Panel to consider all matters related to investing against a backdrop of climate change and the need for the world to 'decarbonise'. The panel will meet quarterly to consider exclusions, corporate engagement and activist policies, together with policy work in conjunction with governments and like-minded institutions. The panel consists of: David Pitt-Watson, Heidi Hellman, Sir John Beddington and Professor Cameron Hepburn.

Richard Maitland, Partner and Head of Charities at Sarasin & Partners, commented:

"The introduction of this pioneering CAIF for our charity clients is a significant step for Sarasin & Partners and one which we believe will deliver long-term sustainable returns for trustees concerned by mounting climate change. This new strategy adds a robust engagement policy, moving beyond the simple divestment argument, and will aim to ensure that the companies in which we invest are in step with the Paris Accord's goal to keep temperature increases below 2°C."

Natasha Landell-Mills, Head of Stewardship at Sarasin & Partners added:

"We firmly ground any conversations with companies in an assessment of capital deployment and long-term shareholder returns, taking the Paris climate commitments into account. This assessment is holistic, incorporating scientific data on climate change, emerging regulation and technological advances. Our approach to engagement seeks to be supportive of positive action, but challenging of inaction. Where necessary, we adopt the more robust tactics employed by relational activist funds that we believe to be effective in delivering change."

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Notes to editors:

*The negative screening policy includes the following:

- No investment in companies with 5% or more of their turnover involved in the mining of thermal coal or tar sands;
- Following engagement, no investment in companies that needlessly emit significant quantities of carbon into the atmosphere, or which do not take seriously the transition to a low carbon economy;
- Qualitative judgements to be considered on a regular basis by the Climate Active Advisory Panel;
- Zero tolerance on tobacco production and manufacturing of tobacco related products;
- No investment in companies with more than 10% of their turnover in the manufacture of arms, alcohol, gambling and pornography.

Climate Active Advisory Panel

David Pitt-Watson

David is a leading practitioner in the field of responsible investment. He is a non-executive at KPMG, was the Treasurer of Oxfam and an Executive Fellow at The London Business School. Previously, David was Chair of Hermes Focus Funds. As co-founder and CEO of the Focus Funds and Equity Ownership Service, he built and led the largest 'responsible investment' group of any institutional fund manager in the world. David has co-Chaired the UN Environment Programme's Finance Initiative and was closely involved in the setting up of the UN's Principles for Responsible Investment.

Heidi Hellmann

Heidi became Head of Group Strategy and Market & Competitor Intelligence at Centrica in 2016. Heidi has had over 25 years' experience working in the oil and gas and power sectors, having started her career at Exxon in 1991 and also working at Royal Dutch Shell, Aramco and BG Group. She has an MBA in Finance and Multinational Management from The Wharton School, University of Pennsylvania.

Sir John Beddington

Sir John was elected Fellow of the Royal Society in 2001 and appointed Companion of the Order of St Michael and St George (CMG) in 2004. From 2008 until 2013 he was the Government Chief Scientific Adviser (GCSA) reporting directly to the Prime Minister. As GCSA, he was responsible for increasing the scientific capacity across Whitehall. During his time as GCSA he set up the Scientific Advisory Group in Emergencies (SAGE) that reported to the COBRA committee. He is the Senior Adviser to the Oxford Martin School and Professor of Natural Resource Management at Oxford University. He is a Non-Executive Director of the Met Office (currently Acting Chair), chairs the Cabot Institute External Board at Bristol University, the Global Academies Panel at Edinburgh University and the Systemic Risk Institute at the LSE.

Professor Cameron Hepburn

Professor Cameron Hepburn is Professor of Environmental Economics at the Smith School and a Fellow at New College, University of Oxford. He is the Director of the Economics of Sustainability Programme at the Institute for New Economic Thinking and Co-Director of the Net Zero Carbon Investment Initiative at the Oxford Martin School. He has worked at Shell, Mallesons and McKinsey & Co, and has co-founded three successful businesses in environmental and energy finance and economics. Cameron has degrees in law and engineering, a doctorate in economics, and over 30 peer-reviewed publications in economics, public policy, law, engineering, philosophy, and biology. Cameron has advised governments (e.g. China, India, UK and Australia) and international institutions (e.g. OECD, UN organisations) on energy, resources and environmental policy. He is a member of the Economics Advisory Group (with Lord Stern and Professor Helm) to the UK Secretary of State for Energy & Climate Change.

Sarasin & Partners LLP – www.sarasinandpartners.com

Sarasin & Partners LLP is a London-based asset management group that manages £14bn of AUM (as at 31.12.2017) on behalf of charities, institutions, intermediaries, pension funds and private clients, from the UK and around the world.

Sarasin & Partners is known both as a market leader in thematic investment and for long-term income and dividend management across multi-asset and equity mandates. Consistent with a longer-term approach is a commitment to 'stewardship' principles, embedding environmental, social and governance considerations into the investment process.

Sarasin & Partners LLP is a limited liability partnership authorised and regulated by the UK Financial Conduct Authority and passported under MiFID to provide investment services in the Republic of Ireland.