

## Vermeer Investment Management – Responsible Investing Statement



**January 2023**

*Environmental, Social & Governance*

Vermeer Investment  
Management Limited

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Vermeer recognises the increasing importance of integrating ESG issues into our investment thinking and portfolio strategy.

*Sustainable Finance Disclosure Regulation*

Under this regulation, the Fund is classed as a “Non-ESG” fund.

*Integrations of ESG Factors*

Vermeer takes into consideration environmental issues when considering investments for the Vermeer Global Fund and we pay close attention to incidents where a company has been or may be penalised for the environmental impact caused by specific issues. Although we do not currently exclude any sectors for investment, we consider the likely impact of future government policy with respect to the environment.

We currently have one investment in the energy space, BP and have invested in utilities company Orsted in the past. Orsted is a renewable energy company focused on onshore and offshore wind power generation and has a huge long-term growth opportunity as governments increase investment in renewables. Although still primarily an oil company, the new management team at BP has laid out their strategic vision with new net zero carbon emissions plans along with partnering with Equinor in offshore wind and Orsted on green hydrogen. In the past, the companies we owned in the space have a high focus towards LNG, a cleaner form of fossil fuel-based energy, which was already seeing increasing demand from Asia and now from the rest of the world following Russia’s invasion of Ukraine.

We also believe that there is growing evidence that companies with a genuine ESG investment angle are being awarded a premium over other non-ESG assets and this is likely to continue over time as investor priorities shift to an ever greater extent to include ESG factors as reasons why they invest in companies. These issues sit alongside our traditional metrics, which include the strength of management, sustainability of cash flows and industry dynamics but we pay close attention to the attitude of management towards sustainability and governance.

In Asia, where we work very closely with CLSA, we look at the ESG scores they compile for all the companies under their coverage. CLSA work in conjunction with the Asian Corporate Governance Association and incorporate the treatment of minority shareholders and other stakeholders. In addition, CLSA analyses management discipline, including financial discipline, and social responsibility, taking all these elements to illustrate that there is no sharp distinction between good management and good governance.

CLSA give percentage score analysis for Discipline, Transparency, Independence, Responsibility, Fairness, Environmental and Sustainability and an overall weighted ESG score that compares to the country average and the GEM sector average. As ESG continues to become a greater part of investors' focus, many of our other brokers now provide ESG scores on the companies under their coverage, which helps as part of our investment process.

We are also increasingly noting the ongoing commitment that our companies are showing to invest in renewable energy and carbon dioxide reduction. Some examples include:

- Apple signed a 130MW Power Purchase Agreement with First Solar
- Alphabet signed a 225MW Wind deal with EDF
- Microsoft signed a 225MW Wind deal with EDF

Trane Technologies, a global leader in HVAC and climate systems, have commented on the wider implications of its impact on the environment and what it is doing as a company to combat climate change. Below is the quote from its Gigaton Challenge, where it aims to reduce emissions by a gigaton over a decade as part of its 2030 ESG commitments.

*"Customer use of our products is our largest area of opportunity to reduce carbon emissions. To match the scale of that opportunity, we set the Gigaton Challenge, the first-of-its-kind climate commitment related to customer product use of any B2B company. Through this commitment, we've set a goal to reduce one billion metric tons of greenhouse gas emissions (CO<sub>2</sub>e) from our customer's carbon footprints by 2030. Our math shows that this reduction equates to 2% of the world's annual emissions – or, the annual emissions of Italy, France and the U.K. combined."*<sup>1</sup>

Vermeer carried out work in 2018 and 2019 on the Social and Governance aspects of ESG and related issues for future investing and below is a brief summary of this work.

*We recognise that companies that support equal opportunity and diversity are key drivers of value in any organisation. An engaged workforce is the foundation for any company to compete in today's fast changing corporate landscape and delivers a positive impact on society as well as enhancing shareholder returns. There is increasing empirical evidence of positive correlation between diversity and corporate performance. On average those companies with greater diversity benefit from higher return on equity; demonstrate superior decision-making abilities; offer a higher percentage of innovative products and services; benefit from improved customer insights; and have higher staff retention rates.*

*As part of our investigation, we engaged with heads of HR to get a better understanding of what gender equality policies make a difference in terms of gender balance, equal opportunities and other gender supportive practices. Key criteria included gender balance ratios at Board, executive and management levels, a commitment to equal opportunity and clearly articulated gender supportive recruitment and promotion policies. A focus on equal opportunity, transparency and accountability not only contributes to a more gender balanced world but ultimately benefits all stakeholders and maximises shareholder returns.*



Vermeer uses the extensive information provided on the Bloomberg terminal for ESG stock screening. Vermeer is also working with Bloomberg specifically on the Social and Governance side of the data they collect in order to help better collect this information used in the screening process.

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Vermeer Investment Management is investigating whether it should be a signatory of the United Nations Principle of Responsible Investing.

Tim Gregory  
Senior Fund Manager  
Vermeer Investment Management

<sup>1</sup>Trane Technologies Gigaton Challenge

<https://www.tranetechnologies.com/en/index/sustainability/gigaton-challenge.html>

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