



# IMPACT REPORT

Jupiter Global Sustainable Equities Strategy

For the year ended 31 December 2020

[jupiteram.com](https://jupiteram.com)

  
**JUPITER**  
ASSET MANAGEMENT



# WHY SUSTAINABLE INVESTING?

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The Jupiter Global Sustainable Equities team looks to invest in high-quality companies that are leading the transition to a more sustainable world through how they behave and the impact of what they sell. We believe it is essential to take a long-term approach to investing and therefore consider quality in the context of how companies balance the needs of three core stakeholders: the Planet, on which we all depend, People, with whom we all co-exist and Profit, which we all require from our savings.

While our investment philosophy is focused on decades forward it is hard not to take a moment to reflect on one of the most extraordinary years in modern history. In 2020, the scale of social and economic disruption was hard to grasp. The coronavirus crisis unveiled deep inequalities in society, with the poorest and most marginalised often the hardest hit in both financial and health terms. Progress on poverty has been pushed back a decade<sup>1</sup>, with global extreme poverty rates expected to have increased for the first time since 1998<sup>2</sup>. Across the world, governments have borrowed at record levels<sup>3</sup>, placing a significant burden on future generations to pick up the costs of the humanitarian safety net that has been thrown. And while worldwide lockdowns have resulted in a record absolute drop in global carbon emissions<sup>4</sup>, this is already reversing<sup>5</sup>, with global policy action still inadequate to reach the ambitions of the Paris Agreement<sup>6</sup>. As the world looks to build back a better, fairer society for all, the imperative for an approach to investment that aligns with a more sustainable future has never been greater.

Core to the team's investment philosophy is our conviction that companies that minimise their impact on our planet and support a more inclusive society are best placed to deliver more attractive risk adjusted returns over the long term. Put another way, we look for companies which understand that their long-term profitability and success is a function of their relationships with their key stakeholders, and is therefore dependent on their impact on the environment and their treatment of people across their value chains.

1. *The Inequality Virus: Bringing together a world torn apart by coronavirus through a fair, just and sustainable economy* (openrepository.com).

2. *COVID-19 to Add as Many as 150 Million Extreme Poor by 2021* (worldbank.org).

3. *Global Debt Grew by \$19.5 Trillion During the Covid-19 Pandemic* (bloomberg.com).

4. *Global Carbon Project: Coronavirus causes 'record fall' in fossil-fuel emissions in 2020* | Carbon Brief.

5. *After steep drop in early 2020, global carbon dioxide emissions have rebounded strongly* - News - IEA.

6. *Temperatures* | Climate Action Tracker

## WHY SUSTAINABLE INVESTING?

Sustainable investing enables a comprehensive framework for identifying both long term opportunity and avoiding future risk, incorporating the key political, environmental, social and technological challenges that shape our world today and in the future. The investment team integrates ESG considerations throughout its investment process as its input to deliver sustainability as its output. By approaching our work in this way, we seek to provide attractive financial returns for our clients by investing in leading companies that deliver positive environmental and social outcomes.

In this report, we share our analysis of how the Jupiter Global Sustainable Equities Strategy's investee companies are contributing to a better world. While all funds report their financial returns, we provide transparency around broader stakeholder returns, too. The analysis is detailed, because we believe it is not enough to just say we do it; we also know we need to evidence it. All the measurements detailed are a result of our investment approach and analysis, in seeking to align our clients' savings to delivering a more inclusive, equitable and sustainable future.

## A PORTFOLIO ALIGNED WITH KEY SUSTAINABILITY FRAMEWORKS TO DELIVER FOR PLANET AND PEOPLE

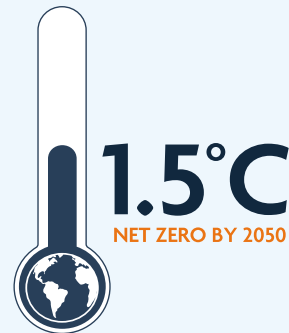
Central to our approach is the requirement that every company in the portfolio must align with key sustainability frameworks. We use these frameworks to ensure that our investment process is delivering positive outcomes for society and the environment, and provide detail on the portfolio's exposure in this report.

**The Paris Agreement:** We evaluate all our investments on how well they help the transition to a low carbon world. We assess our portfolio to be aligned with the temperature objective of the Paris Agreement on climate change.

**1.5°C by 2050:** The Global Sustainable Equities Strategy is aligned to climate scientists' call to limit global warming to 1.5°C above pre-industrial levels to avoid serious climate-related consequences. We target absolute emissions reduction as the key and primary driver of attaining this target rather than the reliance on offsetting, emissions avoidance or the use of carbon removal technologies that are still in their infancy.

**UN Global Compact:** The UN Global Compact sets out fundamental principles of business behaviour related to human rights, labour, the environment and anti-corruption which we expect all of our investee companies to uphold. We therefore do not invest in companies that violate the UN Global Compact and systematically monitor our portfolio for any violations.

**UN Sustainable Development Goals:** The SDGs highlight key global ambitions in the pursuit of a more sustainable future for everyone. Our portfolio is aligned either on a direct or indirect basis to the UN SDG framework through either what a company sells or how it operates.



# PLANET

# PEOPLE

# PROFIT

## PLANET

The climate crisis presents unprecedented risks, both to society and to the value of investments; climate action failure, biodiversity loss and human environmental damage are now among the world's top economic risks according to the World Economic Forum. We believe it makes financial sense for our investment process to consider both concerns, as they are inextricably linked.

Current climate policies are insufficient, with suggestions that the status quo is leading us towards 2.9 degrees warming above pre-industrial levels, compared with the goal of 1.5 degrees in the Paris Agreement. There is a real risk that the policy response needed to meet global emissions goals may be more sudden and more sweeping than many investors and businesses have considered, with the decade to 2030 considered crucial in aligning the policy response. The importance of seriously tackling the threat posed by climate change is, however, finally beginning to be taken seriously by policymakers internationally. This regulatory trend will continue, in our view, bringing both opportunities and risks for companies as they are forced to internalise the cost of carbon currently borne by planet and people.

Addressing biodiversity and natural capital loss is also rapidly moving up the political and social agenda. More than half of global GDP is substantially reliant on natural ecosystems<sup>7</sup>, which are being rapidly depleted as we are living beyond the ecological ceiling<sup>8</sup>; to continue our current living standards we need 1.6 earths to provide the resources we need and absorb our waste<sup>9</sup>. Earth Overshoot Day – the point at which humanity's use of ecological resources and services exceeds those the planet can replenish - each year has moved back from 23 September in 2000 to 22 August in 2020; the economic impacts of the pandemic and lockdowns reversed this from 29 July in 2019. Consequently, we believe that natural resources efficiency with a shift to the circular economy will be key structural drivers of the investing landscape over the years to come. We also anticipate water scarcity becoming an increasingly material consideration, as demand for water suitable for human consumption, agriculture and industry continues to increase and supply shrinks<sup>10</sup>.



## PEOPLE



While the world had been making progress on many areas of the UN Sustainable Development Goals, the coronavirus has risked pushing this back significantly and is estimated to have reversed progress on global poverty by a decade. The majority of those surveyed in the hardest-hit countries by the virus would prefer governments to prioritise social progress over pure GDP growth following the pandemic<sup>11</sup>. A country's progress against the achievement of the Sustainable Development Goals and assessments of quality of life are strongly correlated. As the world emerges from global lockdowns, we believe this presents an opportunity to pivot the ambition of corporate and economic purpose to establish a solid social foundation from which to build back a better, more equitable world.

While the world is slowly improving in the Social Progress Index, this improvement is not even across key indicators, with inclusiveness lagging significantly. Promoting social inclusion is a core priority for the investment team as we look for those companies leading the transition to a more sustainable world, with human capital across a company's value chain a key focus of the strategy. We look for those companies that actively seek to engender inclusive workforces by maintaining market-leading

and innovative approaches to policies that support inclusivity. Not only do we believe this is the right thing to do in helping to contribute to resolving gender, racial and other inequalities, but we know that there are direct economic benefits in employee engagement and satisfaction for productivity, cost management and customer experience.

At the product and service level, structural opportunities that address inequalities such as financial inclusion are critical in reducing poverty and achieving broader economic participation. Financial inclusion makes it easier, quicker, safer and cheaper to help the poorest in the world participate in the economy and raise their income levels. Affordable and preventative healthcare will play a leading role in ensuring an effective global response to the pandemic and that vaccines are equitably distributed. We are hopeful that many of the lessons learned in the coronavirus vaccine development and roll-out will also be deployed to address other healthcare challenges globally. Preventative healthcare, that looks to halt the spread of illness rather than profit from its prevalence, is a core structural global imperative with which we seek to align the strategy.

## PROFIT



We see a clear relationship between our three core stakeholders: planet, people and profit. All are underpinned by long-termism. The bedrock of our investment framework is to establish economic sustainability first and foremost. We invest in companies with strong balance sheets, resilient cashflow and durable margins. It is this discipline that supports our deep quality bias in the strategy.

We see this strategy as an opportunity to support and improve risk-adjusted returns, drive engagement, and invest capital

in a way that grows our clients' savings at the same time as promoting the transition to a more sustainable world.

Markets are at an inflection point where the basic premise of fiduciary duty has the potential to expand on a broader stakeholder basis. We anticipate a meaningful acceleration to the internalisation of stakeholder cost, be it greenhouse gases or pay equity. Considering cashflow and margins on a forward basis to reflect environmental or democratic deficit, intrinsically supports the long-term profitability of business.

*A NOTE ON DATES: Unless otherwise stated, the data in this report is based on 2020 figures. However, impact and general sustainability data is released more slowly than financial reporting, and some of the data is from 2019, which in those cases is stated. Scope 1 and 2 emissions data is as at 8 February 2021. All emissions data relates to the year 2019. Data for the ESG analysis is as at 31 December 2020. For more information on our methodology, please see page 30.*

7. Half of World's GDP Moderately or Highly Dependent on Nature, Says New Report > Press releases | World Economic Forum (weforum.org).

8. Doughnut | Kate Raworth.

9. Ecological Footprint - Global Footprint Network.

10. Reassessing the projections of the World Water Development Report | npj Clean Water (nature.com).

11. 2020 Global SPI Findings (socialprogress.org).

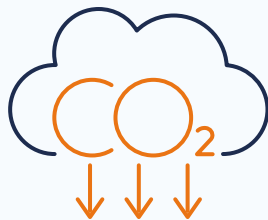
# STRATEGY IMPACT HIGHLIGHTS

## PLANET



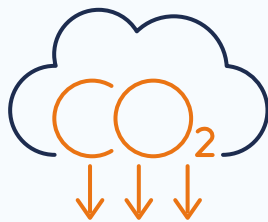
### CARBON INTENSITY

**76% lower**  
than the benchmark<sup>i</sup>



### CARBON FOOTPRINT

**92% lower**  
than the benchmark<sup>ii</sup>



### WATER SAVED AND TREATED

**100bn cubic metres**  
enough to sustain the annual  
water usage of  
**1.9bn people**  
24% of the global population



## PEOPLE



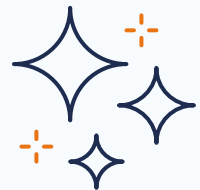
### FIRST TIME DIGITAL FINANCIAL CUSTOMERS

**1bn**  
first time digital  
financial customers



### HYGIENE PRODUCTS

**1.5bn people**  
supplied with  
hygiene products



### FEMALE ENTREPRENEURS

**>£1bn**  
in credit supplied  
to female entrepreneurs



#### Notes

- Using the Bloomberg Carbon Footprint tool, the strategy's carbon intensity was 53.9 tCO<sub>2</sub>e per £1m revenue as of 08.02.2021. The MSCI All Country World Index had a carbon intensity of 225.9 tCO<sub>2</sub>e per £1m revenue.
- Using the Bloomberg Carbon Footprint tool, the strategy's carbon emissions per £1m invested was 13.33 tCO<sub>2</sub>e as of 08.02.2021. The MSCI All Country World Index had a carbon emissions per £1m invested of 164.09 tCO<sub>2</sub>e.



## STRATEGY IMPACT HIGHLIGHTS

## PEOPLE



## JOBS CREATED

Across portfolio companies a total of **c.875,000 jobs** were created equivalent to over half of the population of the favelas in Rio de Janeiro, Brazil<sup>iii</sup>



## FEMALE WORKFORCE

On average, a portfolio company had **42%** female workforce



## TAX RATE

**24%**  
effective tax rate<sup>iv</sup>



## PROFIT



During the period from launch in April 2018 to end of July 2021, the strategy delivered a total return of **75.7%**, outperforming the benchmark return of 55.1%.

**75.7%**

**Jupiter  
Global Sustainable  
Equities**

**55.1%**

**MSCI AC World**

Past performance is no indication of current or future performance.

Source: Source: Jupiter, 31.07.2021.

Performance is net of fees, with income reinvested.

## Notes (continued)

iii. 874,809 jobs created by companies in the portfolio as at 31.12.2020 over the period 2015-19.

iv. Average effective tax rate over 2015-2020 for the portfolio companies at 24.2%.

## STRATEGY IMPACT HIGHLIGHTS

### The strategy's investment approach

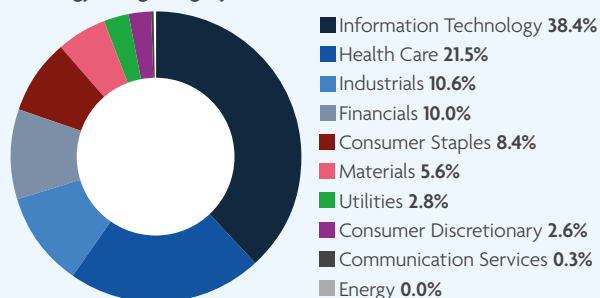
The Jupiter Global Sustainable Equities Strategy invests in high quality companies leading the transition to a more sustainable world.

We define quality as those companies who balance the need of three core stakeholders: the planet, on which we all depend; people, with whom we all coexist; and profit, which we all require from our savings.

We invest globally in businesses by actively considering the material ESG-related risks and opportunities that affect their performance. We firmly believe that this approach will enhance client outcomes over the long term, and at the same time contribute to a better world.

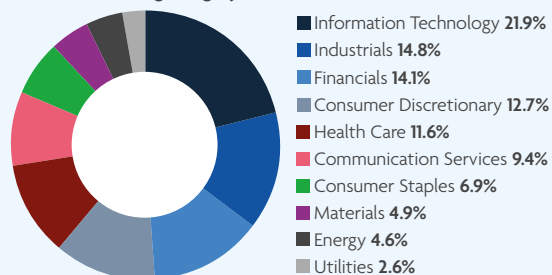
The strategy invests in companies that align, through the product or service they sell or through their operational approach, with the UN Sustainable Development Goals as well as the transition to a low carbon economy. The strategy also does not invest in companies that violate the UN Global Compact.

#### Strategy weighting by sector %



Source: Jupiter, as at 30.06.2021.

#### Benchmark weighting by sector %



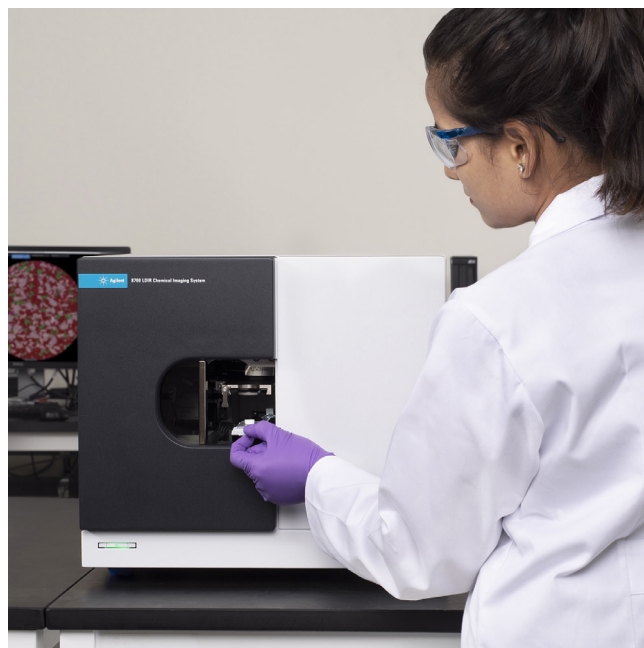
Source: Jupiter, as at 30.06.2021. Benchmark is MSCI ACWI.

### Diversification

The strategy is a global equity strategy looking to achieve diverse exposure across various sectors and geographies. Over 80% of the strategy was invested into four sectors: industrials (10.6%), financials (10.0%), health care (21.5%), and information technology (38.4%). This compares with 62.4% of the benchmark having exposure to these same four sectors.



Omron blood pressure monitor



Agilent sample chemical imaging machine

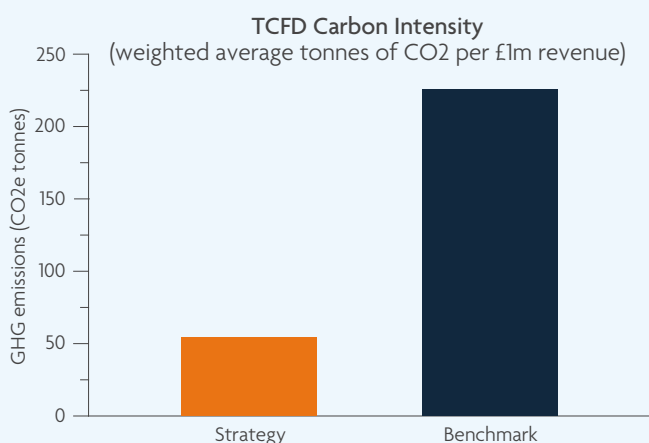


# THE IMPACT OF THE STRATEGY ON THE **PLANET**



## Lower greenhouse gas emissions

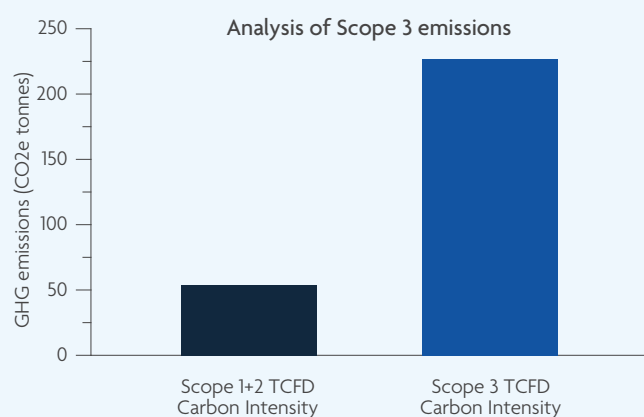
The 2020 total Scope 1 and 2 carbon intensity of the strategy was 53.9 tCO<sub>2</sub>e per £1m of underlying company revenue. This was 76% lower than the MSCI All Country World Index benchmark, which had a TCFD (Task Force on Climate-related Financial Disclosures) carbon intensity of 225.9 tCO<sub>2</sub>e per £1m revenue.<sup>12</sup>



A low carbon intensity reflects the fact that the strategy does not invest in companies that use a lot of fossil fuels as part of their operations, such as airlines and mining companies. This is a by-product of our stock selection process where we seek companies leading the transition to a more sustainable world.

## Scope 3 emissions

Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company. It refers to both upstream supply-chain emissions such as



upstream logistics and purchased goods and services, as well as downstream activities, notably emissions from the use and disposal of sold products. Greenhouse gas (GHG) emissions from investments ('financed emissions') also fall within this category.

Including Scope 3 emissions increases consistency and transparency of reporting, as for some sectors most of the carbon emissions are located within Scope 3. As examples, for banks

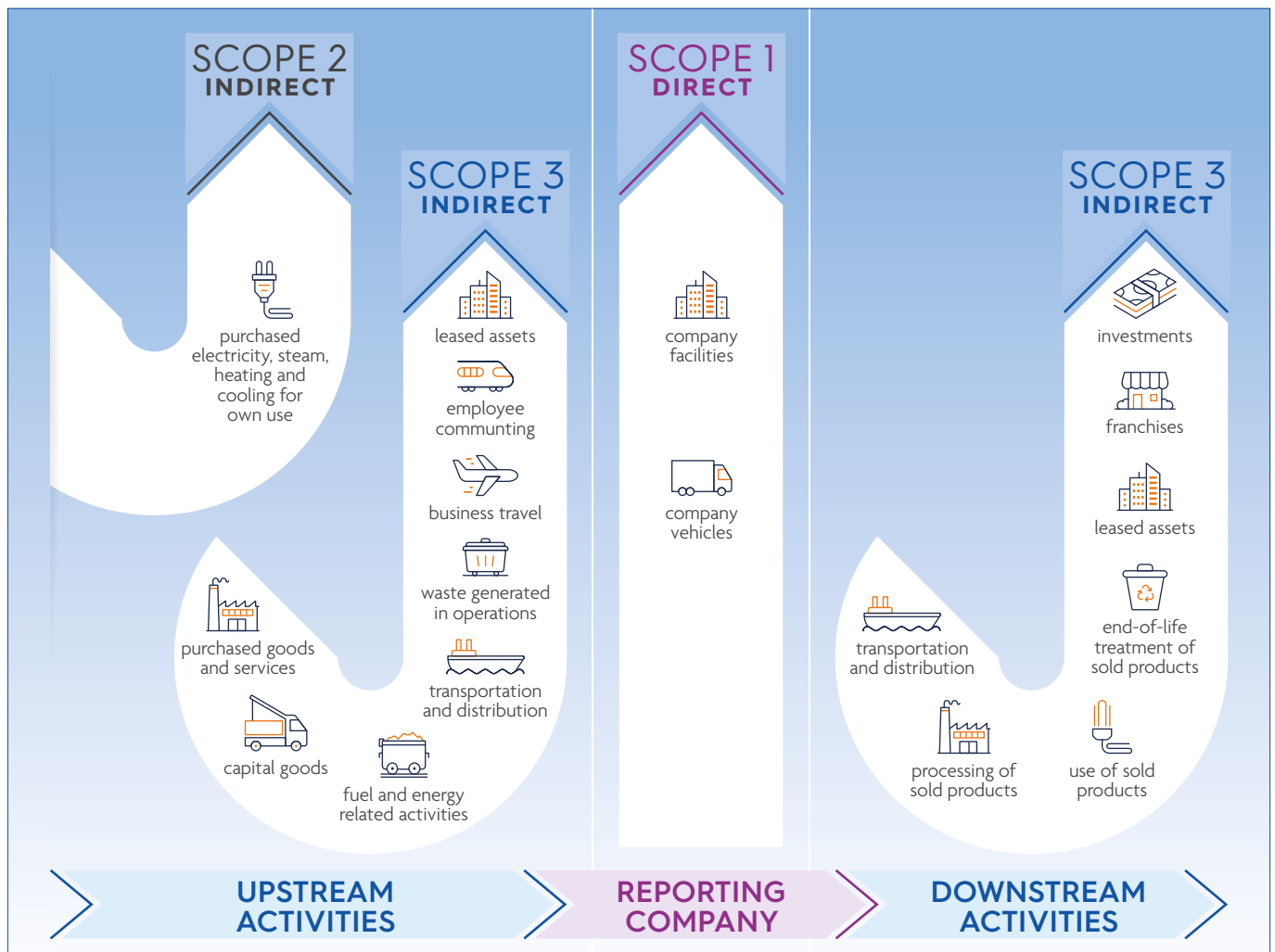
<sup>12</sup> Bloomberg Carbon Footprint calculator

## THE IMPACT OF THE STRATEGY ON THE PLANET

and insurance companies, more than 95% of overall emissions are linked to their loan and project financing activities, rather than to their office operations. These emissions are, however, significantly harder to calculate as they require measurement outside of a company's organisational boundaries, which can include major assumptions. Reporting is therefore less available than it is for Scope 1 and 2 emissions, and the calculations

are less consistent across those companies that do disclose.

The Scope 3 TCFD carbon emissions for the strategy were 7,435.0 tCO<sub>2</sub>e, corresponding to a TCFD Carbon Intensity of 227.0 tCO<sub>2</sub>e per £1m revenue. When combined with Scope 1 and 2 emissions, the total financed emissions which can be attributed to the strategy were 280.9 tCO<sub>2</sub>e per £1m revenue.



Source: Greenhouse Gas Protocol.

### Alignment with the Paris Agreement

Jupiter Asset Management is committed to achieving net zero emissions across our full range of investments and operations by 2050, aligning with the Paris Agreement's call to limit global warming to 1.5°C above pre-industrial levels.

The Global Sustainable Equities Strategy is already aligned with a 1.5°C scenario in aggregate as our holdings continue to decarbonise at a fast pace and have set rigorous long- and short-term targets to further reduce their carbon footprint. 38 of our holdings, corresponding to 96% of assets under management (AUM), are individually aligned with a 2°C scenario, and at least 33 of our holdings, 82.5% of portfolio

AUM, are already aligned with a 1.5°C scenario\*. The portfolio is aligned with a 1.5°C scenario in aggregate because some of the holdings have been decarbonising at a faster rate than required by the scenario or have set net zero targets in advance of 2050. For example, Siemens has reduced its Scope 1 and 2 emissions by an average of 23% annually since 2017 and targets reaching net zero emissions by 2030.

We engage with the companies we invest in to set more rigorous emission targets, and our aim is for all our holdings to be individually aligned with a 1.5°C scenario.

\*By August 2021.



## THE IMPACT OF THE STRATEGY ON THE PLANET

### CASE STUDY

#### Emissions avoided by using Adobe software

Adobe is a global leader of creative software. Its software is currently used by more than 2bn basic customers and helps them mitigate their carbon emissions by removing the need to print and fax. For every 1 million transactions using Adobe Sign instead of traditional print and sign, more than 102,206m<sup>3</sup> of water, 680 tonnes of waste, and 10,840 tCO<sub>2</sub>e is avoided. Operationally, the company is on track to use 100% renewable electricity, without purchasing any carbon offsets. Adobe has a Science-Based Targets Initiative goal to reduce absolute global Scope 1 and 2 emissions by 80% by 2040 from 2015 levels, aligning it to a 1.5 degrees scenario.



### CASE STUDY

#### Legrand's energy efficient products

Legrand produces and supplies low voltage electrical devices for buildings. The company's products provide tangible environmental benefits due to their energy efficiency characteristics, with over 70% of products sold belonging to the Product Environmental Portfolio. The company estimates these contribute to avoiding 2.4 million tons of CO<sub>2</sub> every year, equivalent to the annual CO<sub>2</sub> emissions of over 400,000 people in the UK.<sup>13</sup> The company is a direct beneficiary of the EC green recovery plan, given the key role its products play in improving the energy efficiency of renovated buildings. Legrand is also a signatory to the Business Ambition for 1.5°C.



### Water

Access to clean water is essential to life, disease prevention and human health. Yet 2.2 billion people globally do not have access today<sup>14</sup>. Water is an irreplaceable resource, which can pose significant challenges to sustainable development if not managed properly, within our investment framework we have key integration of water intensity considerations. Attention is given to both how our holdings manage their water consumption, as well as the broader impact their products and services have on global access to water. For example, Taiwan Semiconductor Manufacturing Company (TSMC), despite operating in sub-tropical Taiwan, recycles nearly

87% of the water used in its production processes, and Danaher, with their Trojan UV disinfection products, enables treatment of over 70 billion gallons of wastewater every day, equivalent to the water usage of almost a quarter of the global population.

<sup>13</sup>. Based on estimates of annual CO<sub>2</sub> emission per capita from The World Bank.

<sup>14</sup>. 1 in 3 people globally do not have access to safe drinking water – UNICEF, WHO - Unicef UK.

# THE IMPACT OF THE STRATEGY ON PEOPLE



## Investing in human capital

The strategy looks to identify companies that are investing in human capital to support inclusive growth. The strategy's focus on wealth and gender equality in the workforce and in the supply chain has resulted in the analysis in this section, which details how the strategy companies are impacting employees and the broader societies in which they live.

### CASE STUDY

#### The strategy and COVID-19

As the COVID-19 catastrophe unfolded, a large number of the companies and the portfolio have been directly involved in combatting the pandemic via their products and services.

**Danaher**, which owns a variety of healthcare and environmental diagnostics businesses, became a key provider of point of care COVID-19 rapid testing via its Cepheid division, which has previously focussed on testing for influenza (flu). It tested tens of millions of people for COVID-19. The company developed a four-in-one test combination test, able to identify with very high accuracy COVID-19, Flu A, Flu B and RSV (a serious flu-like virus) from the same sample within 35 minutes. With the long-term path of the pandemic perhaps still uncertain, Cepheid increased its installed base of GeneXpert testing machines by 35% and had 30,000 instruments in use globally by the end of 2020, up from 22,000 a year earlier.



Cepheid's GeneXpert Xpress testing instrument





## THE IMPACT OF THE STRATEGY ON PEOPLE

## CASE STUDIES



**CSL** is one of the largest producers of flu vaccines globally. As well as increasing its flu vaccine production and carefully maintaining its global plasma-derived medical supplies, it entered into an agreement with the Australian government to manufacture 50 million doses of the AstraZeneca COVID-19 vaccine in Australia, with manufacturing underway from March 2021.



CSL



**Agilent** provides a wide range of laboratory equipment and control software, and it supported three major areas of COVID-19 work: infectious disease research, test development, and vaccine and drug development. As an example of how its products contributed, its automated liquid handling systems were used to speed up testing and minimise errors in blood sample handling.



**Omron's** healthcare division is one of the world's largest suppliers of blood pressure monitors, nebulizers and digital thermometers, and it was able to rapidly scale up production in its factories in China and Italy to meet hugely increased demand due to the need to detect and treat coronavirus victims. It also produced ventilators for the Japanese government.



**Mettler Toledo** provides core laboratory equipment for pharmaceutical companies, and it increased its supply of equipment and consumables such as pipettes for companies developing vaccines.



**Ecolab** provides cleaning products and services, and developed a surface cleaner sanitiser that is able to kill the COVID-19 virus in 15 seconds, allowing public areas to be quickly cleaned to hospital-levels of hygiene.



**Unilever** makes soap, among its range of personal care products, which supported the important role of hand hygiene in combatting the spread of COVID-19. Its Lifebuoy soap brand grew by over 50%, helped by its 'H is for Handwashing' educational campaign to teach children the importance of handwashing with soap.



**Hengan** and **Essity** both responded to the need to provide large amounts of tissues, as trapping the virus dispersed by coughs and sneezes became a key way to prevent its transmission.



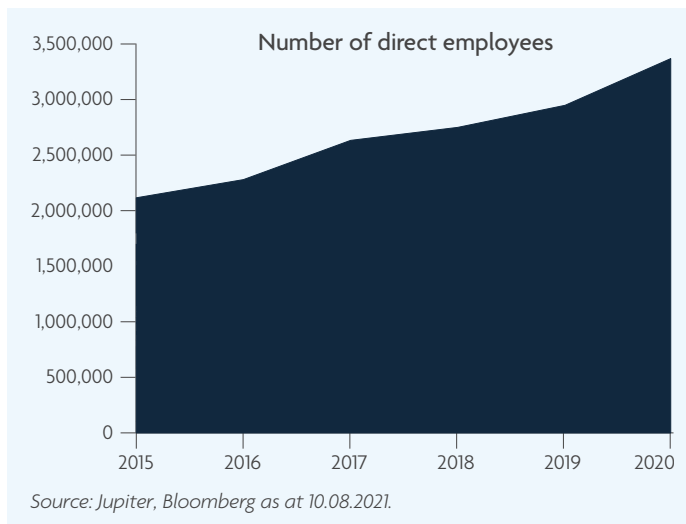
**KAO**, a home products company, saw strong demand for its hand soap, hand sanitiser and home cleaning products.

Operationally, the strategy companies worked hard to look after their customers and employees. We engaged across the portfolio to understand corporate response, with a focus on supporting dividend cuts to help job retention and fair treatment of human capital across the supply chain (customers, employees and suppliers).

## THE IMPACT OF THE STRATEGY ON PEOPLE

### Job creation track record

Overall, the number of direct employees of the companies in the strategy grew from 2,114,989 at end 2015 to 3,372,067 at end 2020, an increase of 1,257,078 people. The average increase in jobs for the portfolio companies over the five-year period to the end of 2019 was 37% (with a median of 13%). The company with the highest job creation rate during the period was Amazon, which grew its employee base by 462% and created over one million jobs globally. This was followed by Accenture which created 147,502 net new jobs over the period and Murata, which grew its employee base by 22,315. Siemens, Unilever, and Honeywell reduced their headcount over the period by 55,000, 21,000, and 16,000 respectively.



### Work environment and gender diversity

The team considers diverse and inclusive cultures as a proxy for operational excellence, and an indicator that companies can achieve inclusive growth and deliver a social impact multiplier. During our investment process we consider progressive policies related to workforce gender balance, such as flexible working hours and parental leave policies (relative to regional norms).

The average gender diversity ratio of the strategy's holdings at the board level was 29%. The company with the highest female representation at the board level was Svenska Handelsbanken with 60% female representation, followed by Essity and Hexagon (both 50%). The companies with the lowest female board representation were Itau Unibanco (Brazil), Hengan (China), and Keyence (Japan) (8%, 7% and 0% respectively) which is not unusual for their geographical footprint.

Data availability for the number of female managers employed at the portfolio companies is not complete, however using the available data the average women in management was 27%. The company with the highest female management representation was Estee Lauder with 55% female management representation, followed by Safaricom (35%) and Visa (34%).

The average number of women employed at the portfolio companies was 42%, and across all strategy investments 1.4m women are employed. This is a positive step, as the IMF recently released a study that showed increased female participation in the global economy for the bottom half of countries in their sample in terms of gender inequality could increase GDP by an average of 35%.<sup>15</sup>

The company with the highest proportion of women within the workplace was Estee Lauder with 84% female employees, followed by Hengan (59%) and Itau Unibanco (58%). The companies with the lowest female employee representation were Hexagon (23.0%) and Siemens (24%).

### Parental leave

Our analysis shows that all except one company within the strategy offer parental leave policies ahead of regional statutory minimums, in an effort to attract and retain the best staff. For reference, most employees of the strategy holdings are based in the United States where there is currently no federal statutory paid parental leave minimum. According to the US Bureau of Labor Statistics, as of March 2020 only 20% of all US private industry workers had access to paid family leave.<sup>16</sup>

Within the strategy, the companies within the information technology and consumer discretionary sectors stand out as having the best parental leave packages for US employees: Adobe offers 26 weeks of fully paid parental leave, ahead of Amazon (20 weeks), Estee Lauder (20 weeks), PayPal (16) and Accenture (16). At the other end of the spectrum, A. O. Smith, a manufacturer of water heaters and boilers, offered no parental leave.

### Employee turnover rates

Retaining employees is another indicator of operational excellence. If a company has a low turnover rate among employees, this allows for a continuity culture and the retention of key expertise and customer relationships.

The average employee turnover rate for the companies was 9%. Overall, turnover among the portfolio companies was low compared to their peers, with Legrand having the highest turnover at 21%, which is representative of the broader construction industry, and Mettler Toledo having the lowest turnover at 3%.

15. <https://www.imf.org/external/pubs/ft/fandd/2019/03/empowering-women-critical-for-global-economy-lagarde.htm>.

16. \*Employee Benefits in the United States, March 2020 (bls.gov), p. 299.

## THE IMPACT OF THE STRATEGY ON PEOPLE

### CASE STUDY

#### Jack Henry culture and employee loyalty

Jack Henry & Associates is a financial software company offering technology and payment processing services primarily for bank and credit union organisations in the United States, enabling its customers to provide higher levels of service and security for their clients. It has a strong culture and focus on developing its 6,400 staff, which it publicly attributes as a core pillar of its success. During the Great Financial Crisis, the company took significant steps to ensure it retained all its employees. It introduced tiered pay cuts (with the highest paid giving up most) to ensure the employee levels could be maintained.

During the COVID-19 pandemic, it did not introduce any redundancies or furloughs. 27% of the company was already working remotely before the pandemic, now more than 90% are working remotely and customer satisfaction with its call centres continues to increase.

It offers discounted equity purchase plans, bonus plans and pensions benefits while carefully linking personal development goals to the wider success of the company. Local managers are given the responsibility of identifying the specific needs and opportunities of the diverse employees at their locations. This has given the company great resilience and stability over varying economic conditions.

**jack henry**  
& ASSOCIATES INC.®



Jack Henry employees.

### Inclusive growth

Many of our holdings play an important role in advancing equitable economic growth, improving opportunities for all and bringing people out of poverty. They manage this in part by the products and services they provide. For example Mastercard and Visa provided first time digital financial access to an estimated 1bn previously unbanked customers between 2015-2019, democratizing the economic system and increasing financial equality. But companies also contribute to inclusive growth by the way they operate. For example, Unilever, with its large footprint on the market, has created a benchmark for living wages. It is focusing on the most vulnerable and works with its suppliers through its purchasing practices collaboration, and advocacy to create systemic change and champion the global adoption of living wage practices. For example, Unilever implemented a five-year programme focusing on improving the Malawian tea industry so that workers and small-scale farmers earn a living wage, resulting in a third of the wage gap being closed for 50,000 tea workers.

### Incidents

Only 11 companies disclosed data on work-related fatalities, with seven companies reporting no fatalities. The highest number of fatalities was reported by Siemens (seven) and Unilever (four). Siemens disclosed that two of these fatalities amongst their 385,000 workforce were related to falls and five related to electrocutions. Unilever's fatalities among its 149,867 workforce were caused by vehicle accidents (two) and falls (two).

### Tax

The average effective tax rate paid by the portfolio companies over the period 2015-2020 was 24.2%. No company stood out for having a consistently low tax rate over time. By comparison, the median tax rate for the MSCI All Country World Index benchmark was 21.6%, indicating that portfolio companies pay slightly more tax than the broader index. The average annual tax paid by the portfolio companies between 2015-2020 was £19,865 million.



## THE IMPACT OF THE STRATEGY ON PEOPLE

### CASE STUDY

#### Safaricom

Safaricom is a Kenyan telecommunications company that contributes 6% of the country's GDP, and has active programmes in increasing network coverage and offering cheap handset financing to expand access to the internet across Kenya. However, as well as providing voice, messaging and data, over 30% of the company's revenues are now derived from other technology-based services which includes the company's transformational M-PESA technology.

M-PESA is a mobile money platform that today has nearly 99% share of mobile money deposits in Kenya, much gained due to the scale and network effects enabled by its telco services market share. In 2006, the year before M-PESA was launched, financial inclusion in Kenya stood at only around 26%. By 2019 that number had risen to 83%, driven significantly by the use of M-PESA, so much so that some estimates are that over 40% of Kenya's GDP is processed over it. This has been transformative to people's lives in allowing them to transfer and receive money more quickly, safely, securely and reliably without requiring traditional banking infrastructure that can be preventative. It also allows its users to pay bills on its platform and has developed a full payment solution for goods and services that integrates with merchants, helping people grow their businesses. Research<sup>17</sup> in 2016 found it had pulled 2% of the Kenyan population out of poverty.



M-PESA is integral to small markets



As an indication of purposeful decision-making, in response to the pandemic in 2020 Safaricom agreed with the Central Bank of Kenya to waive the fees on small peer to peer M-PESA transactions to help reduce cash payments in the economy. At the time of writing this report, the transactions remain fee-free. As a result, revenues declined 5% year on year; however, Safaricom will return to charging at some point, and the team believes that in the long term this should be very positive in further cementing its user base and should be seen very favourably in the eyes of the regulator.

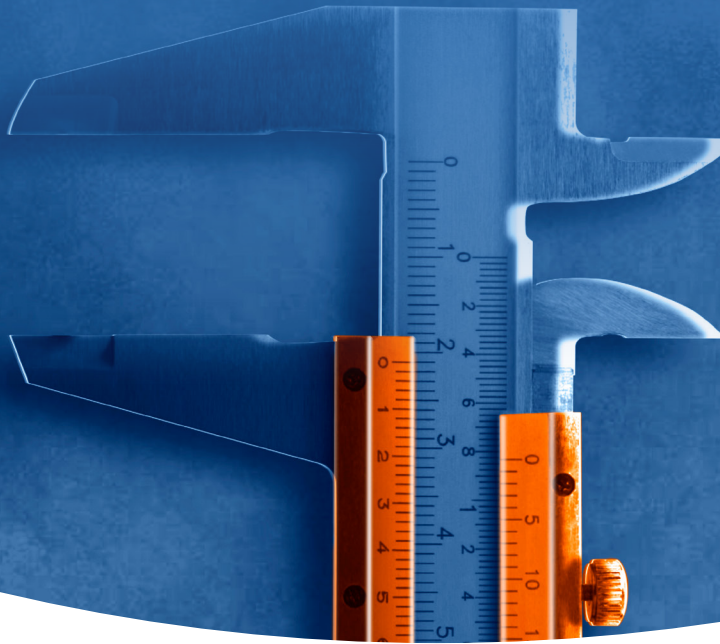
Safaricom has also been adding other services that also have large impact. For example, it also operates M-TIBA, a healthcare savings platform. And while financial inclusion has grown significantly in Kenya, financial health has not, and so Safaricom is now looking at offering access to a wider range of financial products to help people save for the future. Digifarm provides 1.4m farmers with access to government subsidies on fertilizer, financial services and operating best practices, supporting a sector that in total contributes 26% of the Kenya's GDP and employs more than 70% of the country's rural population<sup>18</sup>.

The team sees Safaricom as contributing significantly to SDG 10 (Reduced Inequalities), and in particular to SDG 10.2 (Promote Universal Social, Economic and Political Inclusion), across all its revenue bases. We expect that as the company continues to develop its technology solutions and its purpose-led strategy, the impact of this company will continue to grow.

17. Suri T, Jack W (2016) *The Long-Run Poverty and Gender Impacts of Mobile Money*, Science, 354(6317), pp 1288-1292.

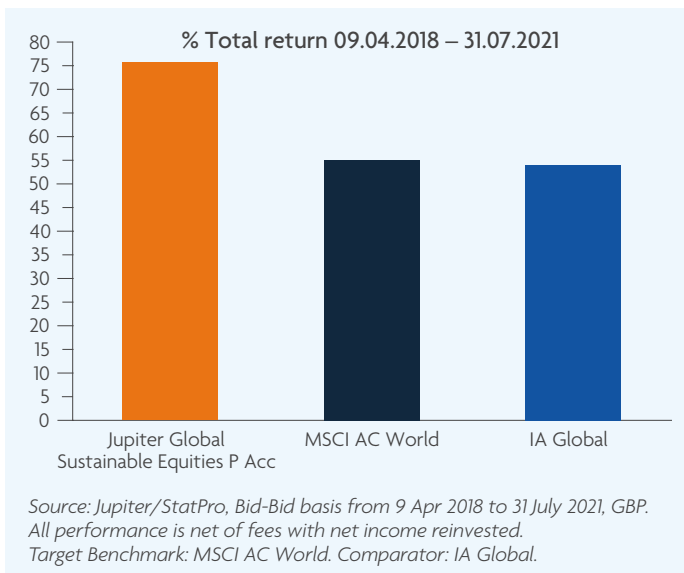
18. UN Food and Agriculture Organisation – Kenya at a Glance.

# THE IMPACT OF THE STRATEGY ON **PROFIT**



## Strategy performance

Between April 2018, when the Global Sustainable Equities Strategy launched, and July 2021, the strategy delivered a total net return of 75.7%, outperforming the benchmark return of 55.1% and positioning the strategy in the top performance quartile against peers.



The Jupiter Global Sustainable Equities Strategy was launched with the conviction that investing in high quality, global companies that operate sustainably in economic, environmental, and social terms should deliver attractive financial returns on a long-term basis. Today, we are pleased to say that the strategy's successful performance supports this thesis.

Throughout challenging market conditions, we have maintained a consistent and disciplined investment process that uses strategic ESG data as a tool to assess companies that we consider will outperform over the long term.

While we are alert to the many geopolitical and macro risks that could impact markets and our strategy, our investment horizon of at least five years means that we can look past shorter-term, cyclical volatility. Instead, we focus on identifying companies with structural growth opportunities, that have robust business models, and that are leading the transition to a more sustainable world.

## THE IMPACT OF THE STRATEGY ON PROFIT

### CASE STUDY

#### PayPal and profitable growth

PayPal was founded in 1998 and is one of the largest payment providers globally with a strong brand recognition especially in its core US and UK markets. And at the beginning, the company provided a person-to-person money transfer service. The solution rapidly started to be used for e-commerce transactions as well. Online merchants can implement a checkout button on their website and trigger a payment directly from the consumer's PayPal account. The value proposition of quick, secure and low-cost payment has proved to be attractive to users and merchants. Industry estimates suggest PayPal has penetrated close to 20% of the US e-commerce market. The COVID-19 pandemic has been a tailwind for the company this year with e-commerce penetration rising from 15% to 35% in the United States, and PayPal adding record numbers of new users. As a result, the company has enjoyed steady profitable growth over the period, and this was reflected by the share price rising well in advance of the benchmark.



PayPal employees



# UN SUSTAINABLE DEVELOPMENT GOALS

In 2015 the United Nations released 17 Sustainable Development Goals (SDGs) as part of its sustainable development agenda, which outlined a series of targets for the world's economies to achieve by 2030. The SDGs were predominantly developed to offer a framework of capital deployment across public and private sector that supported a more sustainable future for all. It has fast become an important capital markets framework which allows asset owners and investment managers to consider how their strategies are aligned with a more sustainable future.

## Our bottom up approach

We measure contribution using our own bottom-up approach. We look at the products and services from which a company earns revenue and analyse whether these contribute to the attainment of one of the 17 goals and their underlying targets. Once this has been assessed, we seek to allocate the predominant SDGs to a certain percentage of a company's revenues according to the revenue breakdown disclosures it provides either in its accounts or presentations or, in some cases, using sell-side estimates. In the instance that a company's revenue stream can be allocated to more than one SDG we are careful not to double count, rather we apportion the allocation equally between both. In this way, only a maximum of 100% of that particular revenue stream can be allocated to our calculations.

To provide a balanced view, we also look at whether a company's products and services risk detracting from the SDGs. We use the same approach as above when identifying the percentage allocations.

## Challenges with SDG reporting


















There has been an explosion in the amount of reporting against the SDGs by companies and investors. There is no standardised reporting framework and the information is not audited, leading many companies to report they contribute in some way to a wide range of goals. Furthermore, we are yet to come across a company that discloses its negative impact on the SDGs. Our approach therefore is to start with our own analysis based on our investment knowledge of the companies, rather than rely on what has been reported. The result is that we generally ascribe far fewer SDGs to each company than it reports.

Another difficulty is that companies often report their revenues by business unit, meaning we do not get sufficient levels of granularity to be able to accurately apportion SDGs to a specific product or service. For this reason, we aim to be conservative in only ascribing the most significant SDGs to revenue disclosures, so as to capture the broadest contributions. However, in all these assessments there is a level of subjectivity and it must be recognised that complete accuracy is not, at least at the moment, possible.

Despite these challenges, we want to provide our investors with a simple measurement of how much revenue their strategy is earning from products and services that demonstrably help society move towards the attainment of the goals. We demonstrate how companies are achieving this in the profiles within this report.



## UN SUSTAINABLE DEVELOPMENT GOALS



Sustainable Development Goals		Positive alignment			Risk of detractor		
		Holdings (#)	Tot rev (£m)	Assets (%)	Holdings (#)	Tot rev (£m)	Assets (%)
	1. No poverty	0	0	0.0%	0	0	0.0%
	2. Zero hunger	0	0	0.0%	0	0	0.0%
	3. Good health and well-being	12	64,438	19.2%	1	7,417	2.9%
	4. Quality education	0	0	0.0%	0	0	0.0%
	5. Gender equality	2	1,610	0.3%	0	0	0.0%
	6. Clean water and sanitation	8	15,762	7.6%	0	0	0.0%
	7. Affordable and clean energy	1	9,041	0.2%	0	0	0.0%
	8. Decent work and economic growth	14	52,497	13.9%	0	0	0.0%
	9. Industry, innovation and infrastructure	15	265,134	25.3%	0	0	0.0%
	10. Reduced inequalities	1	2,016	0.5%	0	0	0.0%
	11. Sustainable cities and communities	4	13,638	1.6%	0	0	0.0%
	12. Responsible consumption and production	3	56,789	1.3%	0	0	0.0%
	13. Climate action	1	1,430	0.1%	1	10,660	0.2%
	14. Life below water	0	0	0.0%	0	0	0.0%
	15. Life on land	0	0	0.0%	0	0	0.0%
	16. Peace, justice and strong institutions	0	0	0.0%	3	1,661	0.1%
	17. Partnership for the goals	0	0	0.0%	0	0	0.0%
Percentage of portfolio		70.0%			3.2%		

Source: Jupiter, 31.12.2020. Please note that the information above is based on 2019 reported figures.

## UN SUSTAINABLE DEVELOPMENT GOALS

### The strategy's SDG contributions

The strategy's investments directly contributed to the attainment of 10 of the UN's Sustainable Development Goals, generating over £482bn in SDG-aligned revenues in 2019. We estimate that 70% of the strategy's assets, excluding cash, contributed to the SDGs. The strategy most strongly contributed to SDG 9 (Industry, Innovation and Infrastructure: 25.3% allocation) and SDG 3 (Good Health and Well-Being: 19.2% allocation). The significant exposure to SDG 9 – and also to SDG 8 (Decent Work and Economic Growth) – is in large part a result of companies in the portfolio contributing to the transition to a more sustainable world as they help other companies become more efficient, use less energy and decarbonise. The allocation to SDG 3 has been supported by the substantial contributions made by some portfolio companies to fighting the COVID pandemic. These impacts, and more, are evidenced in the case studies throughout this report.

 <b>5. Gender equality</b>	 <b>10. Reduced inequalities</b>	# holdings	% holdings
Female executive representation >30%		13	33%
Female board representation >30%		21	53%
Supportive policies to facilitate female progression		36	90%
Total number of discrete holdings		40	100%

Source: Jupiter, 31.12.2020.

### The strategy's SDG detractions

We have assessed that over the period the strategy's investments risked detracting from three of the SDGs, accounting for 3.2% of the strategy's assets. As at the publication of this report, this has decreased to 0.3% of the strategy's assets and two of the SDGs.

0.2% of the value is derived from the strategy's holding in Siemens, whose legacy gas and power business supplied equipment including compressors and gas turbines to the oil and gas industry. Given the use of these products in the extraction of carbon intensive energy sources, they risk detracting from SDG 13 (Climate Action). This company was spun off as Siemens Energy in September 2020; while Siemens retains a 40% stake in this company, following the transaction the team has not held any direct exposure to Siemens Energy. Other than this exposure, Siemens products provide measurable environmental benefits when used by their clients due to their energy efficiency characteristics. In 2019 it enabled its customers to avoid 637m tonnes of carbon dioxide emissions.

The remaining 0.1% of the value comes from the strategy's holdings in Honeywell, Siemens and Texas Instruments. All three companies produce components such as communication, navigation and propulsion equipment that are used for military purposes and which do not have alternative civilian uses. Honeywell is also involved in the maintenance of the US nuclear weapons. The team has researched these companies in extensive detail and is confident that the portfolio has no direct exposure to companies producing weapons systems of any kind. However, due to the end use of a small number of these companies' products, the team highlights this exposure as risking detracting from SDG 16 (Peace, Justice and Strong Institutions). This is in contrast to the 5.7% of strategy value aligned to those three companies' revenues that contribute positively to improving the energy efficiency and sustainability of their customers.

The previous 2.9% was driven by a beverage company that is no longer held in the strategy.



# UN GLOBAL COMPACT

The United Nations Global Compact (UNGC), launched in 2000, is a voluntary initiative comprising ten fundamental principles of responsible business behaviour and corporate citizenship. These principles fall into four categories: human rights, labour rights, the environment and anti-corruption. Jupiter itself has signed the UNGC.

The team views the UNGC as a set of base expectations of all companies and will not invest in any companies that violate its principles. We constantly monitor our portfolio through news alerts for indications that imply that corporate behaviour is at risk of falling below these expectations. We also have access to third-party data that provide an independent view on whether any companies in the portfolio might violate the principles. Over the period of this report, no companies were flagged either by us or the independent data as having contravened the UNGC.

The team is, however, closely monitoring Amazon's approach to labour unions. This is directly related to UNGC's third principle that companies should 'uphold the freedom of association and the effective recognition of the right to collective bargaining'. More generally, from its extensive research, the team believes that Amazon maintains progressive

human capital policies in many areas. This includes the introduction of its US\$15 per hour minimum wage as well as its training and development programmes that offer participants a significant benefit in developing new skills and gaining new qualifications that should assist in providing life-changing opportunities and social mobility in the future. We also see Amazon's approach to diversity and equality in the workplace as progressive. The team also sees that Amazon's use of low carbon technologies and its commitment to net zero by 2040 play a significant role in helping their customers, both retail and corporate, to reduce their own emissions at a scale they would not be able to achieve on their own. We are, however, mindful of news flows about attempts to unionise at several of the company's sites and we are therefore keeping a close eye on Amazon's approach to collective bargaining to ensure that it continues to meet our expectations.



# TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

While we have previously discussed the impact of the strategy on the planet and climate change, in this section we provide specific details on the exposure to climate change risk in the portfolio in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). While this framework is intended for companies, we have sought to relate it to how we allocate capital and align our clients' savings with those companies that are leading the transition to a more sustainable world.



The decade to 2030 is a crucial period for developing global policy on climate change and, spurred on by global stocktakes of carbon emissions and renewed national commitments to reduce them, we expect significantly firmer and more urgent policies soon to be introduced that will penalise carbon. We also already see the physical impacts of climate change through extreme weather events and changing land productivity today, which is likely to further highlight the imperative to address

it urgently. For these reasons we determine climate change to be a material issue for us to consider throughout our investment analysis across the many sectors that will be impacted through how they operate and what they sell.

An overview of gross (i.e. before mitigation) risks and opportunities as they relate to climate change by sector is provided in the tables below. We then discuss the portfolio's exposures to these over 2020 in more detail.

## Gross risk by sector

	Portfolio Exposure		Gross Sector Risk			
	# Holdings	Weight	Policy and legal	Market and Technology	Reputation	Physical
Communication Services	1	0.5%	Low	Low	Low	Low
Consumer Discretionary	1	2.7%	Low	Medium	Low	Medium
Consumer Staples	6	10.6%	Low	Medium	Low	Medium
Energy	0	0.0%	High	High	High	Medium
Financials	5	9.6%	Medium	Medium	Medium	High
Health Care	6	19.9%	Low	Low	Low	Low
Industrials	5	9.1%	High	High	High	High
Information Technology	13	38.7%	Low	Low	Medium	Low
Materials	2	5.8%	High	High	High	High
Real Estate	0	0.0%	Medium	Low	Low	High
Utilities	1	3.0%	High	High	High	High

## Policy and legal

If climate policies such as global or regional carbon pricing or taxing mechanisms were to be introduced at meaningful levels, we assess that this would be a net positive for the companies held within the strategy.

The strategy had no direct exposure to carbon-related assets, and as such the team believes there is currently no stranded

asset risk for the portfolio. Furthermore, due to the speed at which companies in the portfolio are decarbonising, they should be in a better position to avoid carbon costs imposed on their higher-carbon competitors, which itself should result in a meaningful cost advantage if carbon is priced at levels envisaged in leading climate scenarios. In addition, many

## TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

companies within the strategy supply products and services that enable other companies to decarbonise and should therefore benefit from increased demand as a result of carbon reduction policies.

### Market and technology

Some companies in the portfolio derived parts of their revenues from high carbon end markets, including the oil and gas, automotive and airline industries. We calculated that this amounted to around 4.5% of the total revenues in the portfolio, as at 31 December 2020.

A significant portion of the exposure to high carbon industries related to low carbon technologies that introduce efficiencies and play a part in helping these industries reduce their carbon emissions. In the near-term the team sees these holdings as playing an active and positive role in the low carbon transition. However, if those end markets are unable to decarbonise sufficiently to align themselves with net zero by 2050 or are disrupted by lower carbon alternatives at scale, we would anticipate in the longer-term they will shrink as their costs increase from carbon pricing or demand for their products falls in favour of low carbon substitutes. The investment time horizon of the strategy and the liquidity of the holdings in the portfolio means that the team should be able to anticipate these trends and minimise exposure before they have a material impact on value.

The exception was Siemens' legacy gas and power business, supplying equipment including compressors and gas turbines to the oil and gas industry, which was spun off as Siemens Energy in 2020. While Siemens Energy also owns the majority stake in Siemens Gamesa, the renewable energy business, the team did not see Siemens Energy as sufficiently aligned with assisting its customers to decarbonise. Following this transaction, the strategy therefore decided no longer to hold any direct exposure to Siemens Energy.

### Reputation

Our analysis suggests that those portfolio holdings supplying goods and services to fossil fuel extraction companies face the highest level of reputational risk.

As mentioned before, some holdings within the strategy fall within this category. These include Hexagon, Rockwell Automation, Honeywell and Siemens. The team is continuously monitoring our holdings' exposure to reputational damage, which was not experienced across the portfolio in 2020. However in 2019, Siemens suffered due to the revelation that it had secured a rail signalling supply contract from the Adani Group, which in turn was building a rail network to allow it to develop a new coal mining basin in Australia. The team remains

alert to these negative news flows, and expects companies to have policies and processes in place to address these risks. In Siemens' case, the team notes the subsequent introduction of an "ESG due diligence tool" which should help address these risk exposures in the future.

While these reputational risk exposures do exist in the portfolio, the total exposure is sufficiently small and diversified across a large enough number of companies that the team believes that any single incident should be unlikely to have a material impact on the portfolio's value. The involvement the portfolio holdings have with that sector is to support greater resource efficiency and decarbonisation.

### Physical

We assess climate-change derived physical risk to strategy holdings in two ways: risk to business models and risk to assets.

On business models, physical risk presents a key threat to insurance companies and banks with exposure to physical assets which are at risk of suffering losses as a result of climate change. The strategy has exposure to one commercial bank, Handelsbanken. Handelsbanken plc continuously monitors its credit exposure to climate-related risks to identify, value, and stress-test exposed assets, and is currently implementing the methodology to the wider group across lending and investment activities.

On risk to assets, the team has attempted to understand which key company locations are at risk from extreme weather events caused by climate change. We are mindful that investee company office and manufacturing locations are relatively movable compared to, for example, mining or oil extraction sites to which the portfolio has no direct exposure.

In our assessment, the most widespread physical climate change risk to the portfolio comes from the risk of flooding. Kao's manufacturing complex in the Philippines is particularly exposed. The Philippines is the third most vulnerable country to natural hazards in the world and requires significant additional investment in climate adaptation, and in recent times the local area has been impacted by typhoons that have caused flooding. In response, Kao has built breakwaters and mangrove forests to protect its locations. Unilever also has manufacturing and office locations in the Philippines and other flood-prone countries such as Indonesia. Danaher faces a limited degree of weather risk as it has production facilities on shoreline areas of California, however it and the local state government have taken specific precautions to protect production locations since a flood in 2017. Several other portfolio holdings have locations near flood risk coastlines and rivers, however overall the team is satisfied that, while these risk exposures do exist, they are limited in their aggregate potential impact on the portfolio and are highly unlikely to all occur at the same time.



## TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



## OPPORTUNITIES

## Gross opportunities by sector

	Portfolio Exposure		Sector Opportunities				
	# Holdings	Weight	Resource Efficiency	Energy Source	Products and Services	Markets	Resilience
Communication Services	1	0.5%	Medium	Medium	Low	Low	Medium
Consumer Discretionary	1	2.7%	Medium	Low	Low	Low	Low
Consumer Staples	6	10.6%	Medium	Low	Low	Low	Low
Energy	0	0.0%	Medium	High	High	Low	Low
Financials	5	9.6%	Low	Low	High	High	Medium
Health Care	6	19.9%	Medium	Medium	Low	Low	Low
Industrials	5	9.1%	High	High	High	Low	Low
Information Technology	13	38.7%	High	High	High	Low	Low
Materials	2	5.8%	High	High	Low	Low	Low
Real Estate	0	0.0%	High	Low	High	Low	Medium
Utilities	1	3.0%	High	High	High	Low	High

## Resource efficiency

Our investment process actively looks for companies that reduce their impact on the environment as part of the team's assessment of a company's quality and potential cost advantage. We use a number of resource efficiency indicators as proxies for this, depending on the materiality of certain resources to a company and its sector; for example, water use efficiency will be a significantly more useful indicator of operational efficiency for a semiconductor manufacturer than it would be for a bank.

Across all companies, energy efficiency should result in lower direct and indirect costs. As a further indicator of resource efficiency, the carbon efficiency of the portfolio can be seen in its significantly lower carbon footprint than the benchmark as disclosed in the section on metrics and targets.

## Energy sources

Many companies in the portfolio are looking to significantly increase their use of renewable energy sources as part of their alignment with the Paris Agreement. For example, TSMC, the world's largest semiconductor foundry, is committed to 100% renewable energy usage by 2050. It has signed the world's largest corporate power deal with Orsted to build a 920 MW

windfarm to support its Taiwan operations. In securing renewable energy sources, portfolio companies protect themselves from future carbon pricing that will penalise fossil fuel use.

## Products and services

As previously discussed, the portfolio has meaningful exposure to companies that help others be more efficient in their operations, which can help them reduce their carbon emissions. For example, Rockwell's automation and digitalisation technologies help industrials reduce waste, increase energy efficiency, and improve productivity; it generated US\$1.6bn in revenue from specific energy efficiency-related products and services in 2020. This aspect is a contributor to the significant allocation of portfolio holdings' revenues to both SDG 8 (Decent Work and Economic Growth), in particular 8.2 (Diversify, innovate and upgrade for economic productivity), and to SDG 9 (Industry, Innovation and Infrastructure), in particular 9.4 (Upgrade all infrastructures and industries for sustainability). We expect this to continue to grow as a significant driver of value and revenue streams for portfolio companies as corporate decarbonisation commitments and strategies continue to develop.

## TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

### Markets

The two investment companies and the bank in the portfolio actively participate in sustainable investment markets, and assist in directing capital towards climate change solutions. For example, Amundi has designed solutions across equity, fixed income and illiquid asset classes to manage the financial impact of climate change risk on portfolios and finance the energy transition. Lately it has partnered with the Asian Infrastructure Investment Bank to launch an Asia climate bond portfolio to support climate resilience and solutions, and has co-designed a framework to consider climate risks and opportunities across an issuer's balance sheet. We expect to see continued and significant growth in sustainable financing, and believe these companies to be well placed to deliver products to meet that demand.

### Resilience

The portfolio has less widespread exposure to companies that provide climate change adaptation solutions. The utility in the portfolio, American Water, which supplies, removes, and treats water in some areas in the United States with water scarcity and quality concerns, has developed climate change adaptation and mitigation strategies in its capital management plan. It elevates critical infrastructure well above the impacts of historic flooding, installs standalone power generation in case of grid failure, and spends US\$1.5bn annually on upgrading its infrastructure for additional resilience. All of this helps American Water's corporate and residential customer secure clean, safe and consistent supplies of water in face of the physical impacts of climate change.



## RISK MANAGEMENT

As with all ESG topics, we identify the materiality of climate-related topics by looking at those factors that carry the greatest risk to future cash flows, that are most likely to contribute to a company's competitive advantage and support its returns profile, and that are most likely to suggest a high-quality management team and company.

The team is highly committed to achieving net zero emissions by 2050 and as such the carbon emissions of every company in the portfolio are assessed before investment and are monitored throughout the holding period. This assessment of alignment is derived from the recommendations of the Science Based Targets initiative and looks at the absolute trajectory of a company's carbon emissions, its emissions intensity, and any commitments to net zero Scopes 1, 2 and 3 emissions by 2050.

As part of its investment analysis the team seeks to understand how decarbonisation in line with the commitment is compatible with a company's long-term strategy, competitive

positioning, business model and financials. Where the pathway is not evident today, the team needs to see credible, detailed carbon reduction strategies from companies, backed up by measurable, specific and actionable targets with clear reporting. For this reason, while several companies in high carbon industries such as the oil and gas sector have recently made net zero commitments, those commitments alone do not qualify them for investment by the team.

The team also undertakes regular research on the physical risks in the portfolio, seeking to understand a company's resilience in the face of factors such as insufficient water availability, flooding or excess heat. This is assisted at least once a year by research from an external provider that is able to pinpoint operational locations and assess their resilience against climate change phenomena.



## METRICS & TARGETS

Using Bloomberg data, the total Carbon Intensity of the strategy is 53.9 tCO<sub>2</sub>e per £1m of underlying company revenue. This was 76% lower than the MSCI All Country World Index benchmark, which had a TCFD carbon intensity of 225.9 tCO<sub>2</sub>e per £1m revenue.

The team has assessed, based on a bottom up analysis of all the portfolio holdings, that the strategy is in aggregate aligned to the key climate change targets of the Paris Accord. This assessment is based on 20 of 40 holdings with credible net zero by 2050 targets, 24 with existing absolute emissions reductions track records, 17 with emissions intensity reduction track records, and 20 with absolute emission reduction targets.

Whilst our holdings are aligned to a 1.5°C scenario in aggregate, a small number of our holdings have not publicised their emissions nor their targets, and as such we do not regard them as being aligned with the Paris Agreement. We continuously engage with their management to measure and publish their environmental data and commit to the Science Based Target Initiative and align their business with the Paris Agreement.



## GOVERNANCE

The Jupiter Global Sustainable Equities Strategy is subject to the same governance oversight of climate change risks as all other investment strategies at Jupiter. Jupiter reports according to TCFD annually, overseen by the Stewardship Committee, which considers climate risks and opportunities within our investment strategies and reviews engagement across asset classes, and the Corporate Social Responsibility Committee, which considers the sustainability of Jupiter as an institution. For further details, please refer to Jupiter's Annual Report and Annual Stewardship Report.

# STEWARDSHIP

Once invested, the team regularly engages with investee companies. These interactions give the team the opportunity to gain additional insights into many areas of how they are run as well as their strategy and finances, influence the way they operate and hold their boards accountable for performance. The team is also provided with an at least annual opportunity to review a range of governance matters at companies, including board composition and executive remuneration, as well as specific shareholder-submitted proposals on a wide range of topics at shareholder meetings. The team therefore dedicates a significant amount of time to engaging with portfolio holdings and analysing resolutions at shareholder meetings to ensure that it is exercising its shareholder rights in the way most appropriate for its investment views on a company.

## Voting

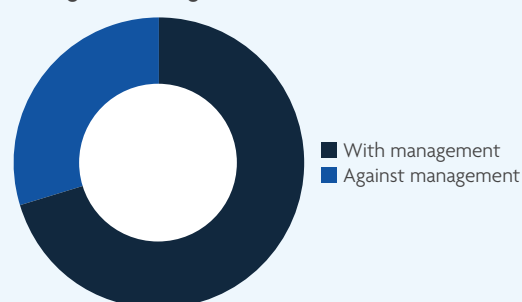
During 2020 the team voted at every shareholder meeting it was entitled to, equalling 44 meetings. At 13 of those meetings the team voted against management's recommendations. These mainly covered governance topics, such as management remuneration. At Siemens we did not support the discharge of a management board member due to our concern relating to the revelation that it had secured a rail signalling supply contract from the Adani Group, which in turn was building a rail network to allow it to develop a new coal mining basin in Australia. At another company we did not support director re-elections due to concerns about the level of independence from management on the board. We supported a number of shareholder proposals where we saw that they offered enhanced insights on material sustainability topics, including on improving disclosures around human rights assessments, environmental impacts and political lobbying.

## Engagement

During 2020 the team held engagements with the vast majority of its portfolio holdings, and more with prospective investments. Most of these engagements were to find out additional information about portfolio companies' strategies and operations, as well as to enquire about particular ESG initiatives. Given the centrality of sustainability to the strategy's investment theses, many of the strategic discussions the team has with companies implicitly include ESG topics which are central to understanding their future prospects.

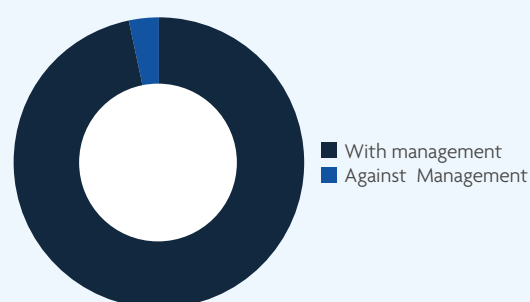
Given this, strategic matters formed the majority of the topics discussed over 2020 with portfolio companies. Social topics included companies' responses to COVID and the impact on their workforce, as well as cyber security. Environmental topics included a greater understanding of some companies' potential exposure to carbon intensive operations, as well as carbon and plastic reduction strategies. On governance, the team discussed board composition and management structures, in particular with those companies whose directors we voted against at their AGMs, as well as overall ESG disclosures.

Meetings voted in line with and against management recommendations



Source: Jupiter, 31.12.2020.

Resolutions voted in line with and against management recommendations



Source: Jupiter, 31.12.2020.

Engagement topics over 2020



Source: Jupiter, 31.12.2020.



# TOP TEN STRATEGY HOLDINGS

## (as at 31 December 2020)



### ACCENTURE

Accenture provides digital technology consulting services. It has evolved into a leading consultant that helps companies become more resilient in economic, environmental and social terms. Via efficient resource management, digital security and transparent cultures it helps raise client company inclusion and ultimately productivity. Cyber security and reducing carbon footprints are key strengths of the consultancy. Operationally, the company is pledged to purchase 100% renewable energy at all its location by 2023 and is on target for a gender balanced workforce by 2025. Its employee sustainable jobs programme has allowed almost 800,000 people obtain a job or build a business.



### ADOBE

Adobe is a global software company improving its customers' climate footprint through cloud-based digitalisation. Adobe Creative Cloud, Document Cloud, and Experience Cloud help eliminate the environmental impacts associated with physical software manufacturing, packaging, and distribution. Adobe Document Cloud reduces the waste and inefficiency associated with paper document processes. For example, every 1m transactions completed via Adobe Sign in place of paper workflows saves more than 27m gallons of water, 1.5m pounds of waste, and 23.4m pounds of CO<sub>2</sub>e. Adobe Experience Cloud helps businesses create experiences that engage customers via digital channels, reducing the need for paper communications and business travel that can harm the environment. The company goal is to power 100% of operations with renewable energy by 2035.



### AGILENT TECHNOLOGIES INC

Agilent Technologies is a global leader in advanced tools used in life sciences, diagnostics and applied chemical markets, enabling its clients to:

- Improve research, drug development, manufacturing, and quality control within the healthcare industry
- Accurately diagnose patients with cancer and other diseases with its diagnostics technology
- Tracing of contaminants affecting quality of life in blood samples,
- Discover important information used as evidence in trial
- Ensuring that global food supply is free of contaminants.



### CSL

CSL is a global biotechnology company which focuses on rare and serious diseases which saves lives, protects public health, and helps people with life-threatening medical conditions to live full lives. It is a global leader in plasma therapy, which includes immunology and neurology, haematology, and thrombosis, cardiovascular and metabolic, respiratory, and transplant therapeutic areas. Plasma therapy is playing a vital role in the development of a COVID-19 vaccine. It is the global number two in influenza vaccines, an industry supplying nearly 500-600 million doses to protect lives annually around the globe; and one of the world's only supplier of antivenoms. It is supporting socio-economic gender equality in a skilled workforce, with strong inclusion policies from flexible working to maternity pay and a 57% female workforce in a traditionally male-dominated industry. Close to 60% of all senior promotions were given to women.

## TOP TEN STRATEGY HOLDINGS (as at 31 December 2020)

	<p><b>DANAHER CORP</b></p> <p>Danaher is a science and technology conglomerate with three areas of focus:</p> <ol style="list-style-type: none"> <li>1) making leading-edge scientific research possible, the creation of biopharmaceuticals, cell and gene therapies, and more, to add to patient health and improve treatment outcomes;</li> <li>2) diagnostics: detecting diseases at an early stage and enabling effective treatment;</li> <li>3) environmental and applied solutions, improving energy and directly protecting global water supply by monitoring the health of oceans, treating industrial water and purifying drinking water.</li> </ol> <p>Highlights include 30,000 GeneXpert COVID-19 and flu testing machines in use globally by the end of 2020.</p>
	<p><b>METTLER TOLEDO</b></p> <p>Mettler Toledo is a global leader in key R&amp;D, quality control, and manufacturing processes for customers in a wide range of industries including life sciences, food, and chemicals, allowing them to increase precision and productivity. It is constantly revising its products and updates them where possible to become more energy-efficient and to reduce waste throughout the product life cycle.</p>
	<p><b>PARTNERS GROUP</b></p> <p>Partners Group is a global private markets investment management firm with a strong focus on the environmental, social and governance performance of its investments and long-term ownership mentality.</p>
	<p><b>PAYPAL HOLDINGS</b></p> <p>PayPal is a global technology platform for digital payments, enabling digital and mobile payments on behalf of consumers and merchants worldwide. It is committed to democratising financial services by making the movement of money more accessible, secure, and affordable. It supports small businesses in underserved communities, and has since the launch of PayPal Working Capital in 2013 provided over \$20bn in loans to small businesses, of which the majority went to minority areas. It also provides an important tool for charitable fundraising, and in 2020 more than 50 million donors contributed approximately \$17 billion to over one million non-profits, schools, campaigns and crowd funders, and charities.</p>
	<p><b>TEXAS INSTRUMENTS</b></p> <p>Texas Instruments is a leading developer and manufacturer of semiconductors, a vital part of modern economies, enabling mass digitalisation, improved energy efficiency, and industrial development across societies. Each year, its chips on average become 7% more energy efficient, enabling greener digitalisation globally. Operationally, it has since 2005 reduced its GHG emissions, energy, and water usage per chip by 63%, 58%, and 65% respectively.</p>
	<p><b>VISA</b></p> <p>Visa is a global payments solution company contributing to financial inclusion as part of the World Bank's goal of Universal Financial Access. It had helped provide 500 million people with first time access to digital payment product through a Visa-branded account. With a strong focus on security, the company has helped financial institutions prevent an estimated US\$25bn in fraud using its AI-powered risk scoring engine. Internally, it is committed to creating enhanced career opportunities for its employees and has hosted its first-ever global Visa Learning Festival, which resulted in 3,000 Visa employees completing over 10,000 hours of learning.</p>

# METHODOLOGY AND SOURCES

The information used in preparing this document has been obtained from a variety of third party sources. All holdings data is valid as at 31 December 2020 and the benchmark index used is the MSCI All Country World Index. A number of different methodologies were applied to determine the data for this report that are outlined below. Full data on the individual holdings used for analysis is available on request.

## Product and service impact data analysis

Quantifying the impact of a company's products and services is a complicated and multifaceted task. Data quality for output, outcome and impact metrics is still relatively poor and thus Jupiter applied the following methodology for determining a company's impact. For each holding a number of output and outcome performance indicators was identified to best reflect the impact the company makes. Where the company disclosed that data itself, company data was used. Where the data was not disclosed, user-defined peer group data and market share data was used to calculate the metrics.

Unless otherwise stated, the data in this report is based on 2020 figures. However, it is important to note that impact and general sustainability data is released much more slowly than financial reporting, and as such some of the data in this report is derived from 2019, which has in those cases been clearly stated.

For the strategy, approximately 60% of data was disclosed, 10% was inferred through disclosure, 20% was estimated through market share data; and 10% was excluded from analysis.

## Carbon data analysis

Scope 1 and 2 emissions data was obtained using the Bloomberg Carbon Footprint Tool (the "Tool") as at 8 February 2021. The Tool uses two sources for reported emissions data: Bloomberg-collected emissions from company filings and CDP collected data from the CDP questionnaire. All emissions data related to the year 2019. Where Scope 1 and 2 emissions data is not reported, the Tool computes estimates based on user-defined peer group. Scope 3 emissions data was collected from the latest company disclosures held with the Carbon Disclosure Project, where applicable.

## ESG data analysis

Data for the ESG analysis was obtained using the Bloomberg ESG Tool as at 31 December 2020. Where data was not available the metric was not used for analysis.

## Abbreviations

Abbreviation	Description
CDP	Carbon Disclosure Project
ESG	Environmental Social and Governance
GHG	Greenhouse gas
TCFD	Task Force for Climate Related Financial Disclosures
tCO <sub>2</sub> e	Tonnes of Carbon Dioxide equivalent
SDGs	Sustainable Development Goals



## METHODOLOGY AND SOURCES

### Glossary of terms

Term	Description
Financed emissions	<p>Financed emissions look at how many tonnes of CO<sub>2</sub>e are attributable to an investor based on their respective ownership in a certain company or portfolio. The share of a company's emissions are determined by the investment as a percentage of enterprise value.</p> <p><b>Equation:</b> <math>\text{Investment} / (\text{Market Capitalisation} + \text{Debt Denominator}) * \text{Carbon Emission}</math></p>
Financed emission intensity	<p>Financed emissions intensity aims to describe the efficiency of an underlying company. It is calculated by applying a similar logic to financed emissions to determine an investor's share of revenue and subsequently dividing one by the other.</p> <p><b>Equation:</b> <math>(\sum (\text{Investment} / \text{Market Capitalisation}) * \text{Carbon Emission}) / (\sum (\text{Investment} / \text{Market Capitalisation}) * \text{Revenue})</math></p>
GHG Protocol	The GHG Protocol provides standards and guidance regarding corporate greenhouse gas accounting and reporting.
Greenhouse gas	A greenhouse gas is a gas in the atmosphere that absorbs and emits radiation within the thermal infrared range. For this report, it relates to six greenhouse gases covered by the Kyoto Protocol: carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF <sub>6</sub> ).
Scope 1 emissions	Scope 1 emissions are direct emissions from owned or controlled sources.
Scope 2 emissions	Scope 2 emissions are indirect emissions from the generation of purchased energy.
Scope 3 emissions	Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
Transition risk	Transition risk is the financial risk of a strategy's investments associated with a disorderly transition to a zero carbon economy.
Weighted emission intensity	<p>Weighted emissions intensity is not connected with an investor's ownership in the underlying companies, but instead looks at the composition of the strategy and different sector weightings. It is calculated by summing the individual holding's emissions intensity multiplied by the holding's sector weight.</p> <p><b>Equation at the sector level:</b> <math>\text{Weight in Portfolio Sector} * (\sum \text{Carbon Emission}) / (\sum \text{Revenue})</math>.</p> <p><b>Equation at the portfolio level:</b> <math>(\sum \text{Member Level Emissions Intensity} / \text{Sector Weight})</math></p>

# JUPITER'S CORPORATE COMMITMENT TO SUSTAINABILITY

The team's approach is supported by Jupiter's own commitment to sustainability, as demonstrated by a number of key initiatives it signs and endorses.



Jupiter has received the highest rating (tier 1) by the UK's regulator for its approach to stewardship.

Signatory of:



Jupiter has received the top rating (A+) from the world's leading global responsible investment association.



Jupiter is an employer-signatory to Investment20/20, an initiative to promote investment management to diverse talent through school leaver and graduate trainee programmes.



Jupiter is a founder-signatory to the CDP, the global environmental disclosure platform.



Jupiter collaborates with other investors through Climate Action 100+ to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.



Jupiter is a member of this collaborative investor network on ESG risks and opportunities relating to intensive animal farming.



Jupiter is a member of the Institutional Investors' Group on Climate Change, the European membership body for investor collaboration on climate change.



Jupiter's annual report meets the recommendations of the Taskforce on Climate Related Financial Disclosures.



Jupiter is a member of Pensions for Purpose, a collaborative initiative of impact managers, pension funds, social enterprises and others involved or interested in impact investment.



Jupiter is a regular participant in the UK Investor Forum, the collective engagement platform for investors to escalate material issues with the boards of UK-listed companies.



Jupiter is a member of the Green Bond Principles, promoting transparency and integrity in the green bond market.



Jupiter is a signatory to the Women in Finance Charter, a pledge towards improving gender balance in the financial services sector.



Jupiter is a signatory to the Workforce Disclosure Initiative, a group pushing for improved disclosure at listed companies.



Jupiter is a signatory to the 30% Club, a global campaign to increase gender diversity at board and senior management levels.



Jupiter is a member of the UK Sustainable Investment and Finance Association, promoting a fair, inclusive and sustainable financial system.



Jupiter is committed to sourcing 100% of the energy in our offices from renewable



Jupiter is a signatory to the Net Zero Asset Managers Initiative, committing itself to align its operations and its investments with net zero emissions by 2050 or sooner, as well as a signatory of the UN Global Compact, committing it to upholding fundamental principles of responsible business behaviour across human rights, labour rights, the environment and anti-corruption both in its own business and its investments.

**Risks associated with the strategy:** Market and exchange rate movements can cause the value of an investment to fall as well as rise, and you may get back less than originally invested.

**Important notice:** This document is for informational purposes only and is not investment advice. Market and exchange rate movements can cause the value of an investment to fall as well as rise, and you may get back less than originally invested.

Please bear in mind that all investments involve risk and the value of, and any potential income from, your investment may fluctuate and are not guaranteed. Past performance is no guide to the future.

We recommend you discuss any investment decisions with a financial adviser, particularly if you are unsure whether an investment is suitable. Jupiter is unable to provide investment advice. Initial charges are likely to have a greater proportionate effect on returns if investments are liquidated in the shorter term.

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The views expressed are those of the fund manager at the time of writing, are not necessarily those of Jupiter as a whole and may be subject to change.

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