

## Vermeer Investment Management – Responsible Investing Statement



**April 2021**

*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 focussed 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 is seeing increasing demand from Asia, notably in China, where pollution control is a government mandated policy.

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.

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

- 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

Below is a quote from a past earnings call of Ingersoll Rand, before its corporate action to become Trane Technologies and Ingersoll Rand, on the wider implications of the environmental work they can do as a company.

*“We recently announced our 2030 ESG commitments to meet the challenge of climate change while increasing access to air conditioning, perishable foods and medicines and improving the quality of life for people and communities where we operate and serve. We are committing to reduce our customer carbon footprint by 1 gigaton of CO2 through our HVAC and transport refrigerant products and services. We believe this is the largest customer climate commitment made by any B2B company, and our math shows that this reduction could equate to 2% of the world's emissions. For size and scale, that's equivalent to the annual emissions of Italy, France and the U.K. combined.”<sup>1</sup>*

In November 2018 Vermeer retained the services of Sarah Lavers, a highly experienced fund manager, as a consultant with a specific mandate to investigate Social and Governance related issues for future investing. Below is a brief summary of the work carried out by Sarah on our behalf:

*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 looked to engage 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.

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

Tim Gregory – Chief Investment Officer  
Sarah Lavers – Consultant

<sup>1</sup>*Ingersoll Rand Q2 2019 Earnings Call Transcript*



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