Ninety One

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Investing for a world of change

Global Sustainable Equity Fund

Sustainable disclosures summary

Global Sustainable Equity, the Sub-Fund actively invests in the shares of companies that Ninety One, the Investment Manager considers leaders in their industries and regions for their approach to sustainability. These include companies that have operations and/or business models that reduce harmful effects on society and the environment, or whose products and services benefit society and the environment.

Given its sustainable investment focus, there are also certain types of companies that the Sub-Fund will not invest in, such as companies that generate meaningful revenues (over 5% of their total revenues) from making or selling tobacco products; extracting or generating power from coal; and the exploration, production and refining of oil and gas.

To assess the social or environmental characteristics of a company, Ninety One appraises a company's externalities. Externalities are the effects (beneficial or harmful) that a company has on society and the environment, whether as a result of its business operations or via its products and services. Broadly, Ninety One examines three categories of externality for each company: natural capital, social capital and human capital. Natural capital refers to how a company uses or impacts natural resources, for example by generating greenhouse gases, improving or harming biodiversity, using water, and generating and managing waste. Social capital relates to policies, programmes and spending that may impact people and communities. Human capital relates to employee training and development. Where possible, Ninety One will quantify these externalities, with a view to understanding how they may influence the future growth and profitability of the company (positively or negatively).

Identifying companies for the portfolio

To identify companies for the portfolio, Ninety One first applies a screen based on liquidity, competitive advantages and any issues that would exclude the company from a sustainability perspective. It then conducts more detailed research on the companies that pass the screen, including on the following areas:

- Externalities (described above): Ninety One thoroughly explores a company's material externalities (both positive and negative) and seeks to understand the steps the company takes to manage its externalities across natural, human and social capitals. Ninety One pays particular attention to the company's plans for net zero and whether it has set any targets for emissions reduction. Ninety One aims for an increasing proportion of the companies in the portfolio to have credible net-zero emissions targets, to reach 100% of the portfolio by 2030 or sooner.
- Culture assessment: A pre-determinant for a company to be added to the portfolio is that a culture assessment of the company has been made, using Ninety One's proprietary corporate-culture framework. This framework draws on insights from company meetings, academic collaborations, expert-network access and employee resources.

- Financial analysis: In this step, Ninety One assesses a company's financial characteristics and valuation. The analysis is focused on understanding the extent to which a company has enduring competitive advantages and if it has a durable and resilient outlook. On valuation, the assessment is focused on identifying underappreciated value and looking to assess whether the market is recognising the company's sustainability credentials.

In conducting this research, Ninety One uses a wide variety of sources of information, partly because sustainability-related data is often incomplete. The sources used include company-reported data (e.g., on carbon emissions); data from third-party providers that specialise in environmental, social and governance (ESG) data; estimates; and qualitative analysis.

Ninety One monitors all companies in the portfolio on an ongoing basis. It may sell a portfolio holding if it determines that the investment case for a company has deteriorated, including if a company no longer meets its sustainability standards.

Engagement with a company's management team forms an important part of Ninety One's process and monitoring. It will consider engagement with a company's management team where it identifies opportunities to effect positive change, such as with respect to the company's net-zero transition plans.

European regulation requires that investment managers specify how much of a portfolio will be invested in certain types of investment. For Global Sustainable Equity, at least 90% of its assets will be aligned with environmental and social characteristics, and at least 75% of assets are intended to be invested in "sustainable investments", as defined by the SFDR. Finally, at least 1% of its assets will be aligned to the EU taxonomy.

The Global Sustainable Equity strategy publishes an annual sustainability report for investors, which provides a profile of every company in the portfolio from a financial and sustainability perspective.

Important information