

'WHAT ABOUT ZERO?' ASKS DR QUINTIN RAYER, HEAD OF ETHICAL INVESTING AT P1



P1 Investment Management has a strong commitment to ethical and sustainable investing and provides a managed portfolio service. One area of concern is investor response to climate change – better described as global warming, which over 97% of peer-reviewed scientific papers agree is primarily caused by human activities generating greenhouse gas emissions, mainly carbon dioxide.

The 'zero' above refers to net zero carbon emissions or carbon-neutrality. Companies need to start developing strategies to work towards net zero carbon emissions. Currently, many firms are looking at emissions reductions but with no real strategic ambition for carbon-neutrality. There is a danger of falling into a Malthusian trap; for example, if emissions are reduced by 10%, but the population (or the carbon-based economy)

grows by 10%, we are back where we started. This problem is only avoided when emissions reach zero, or carbon-neutrality is attained. However, few companies appear to have business plans to achieve net zero emissions.

When P1 asks ethical and sustainable fund managers about the carbon dioxide emissions of their holdings, many are exploring reductions, and some are divested so that their portfolios are fossil free. However, almost no fund managers challenge company managers on how they are going to develop a strategy to get to zero net carbon emissions. Yet this will be essential if global warming is to be contained. It will also need to be addressed urgently to meet Paris agreement targets and scientists' strongest recommendations yet to keep global warming to no more than 1.5°C above pre-industrial levels (which already accepts some impacts from global warming). So here is a challenge from P1 to ethical and sustainable fund managers – for all your holdings – encourage company management to develop strategies to achieve carbon-neutrality.

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Schroders GLOBAL INVESTOR STUDY 2018: FOCUS ON RETIREMENT AND SUSTAINABILITY

Read our 2018 report for insights into global retirement expectations and breaking down the barriers to sustainable investment

As a global asset and wealth manager, Schroders delivers a broad range of investments designed to meet the diverse needs of financial planners and advisers.

Our *Global Investor Study 2018* focuses on retirement and sustainability. It goes without saying that people would like to retire in comfort, and many strive to save and invest effectively during their working life to ensure a certain lifestyle for their golden years. How successful are people globally at achieving this? We spoke to over 22,000 people from

30 countries to explore financial expectations for retirement and how these compare to the experiences of people who have already retired.

With a view to sustainable investing, we asked the question: Would you be investing more in sustainable funds if you knew more about them? Climate change, shifting demographics and the technology revolution are reshaping our planet, our values and how we invest. Against this backdrop, sustainability has been rising on the agenda of investors.

This is reflected in the growing importance of sustainable investment funds, which invest in businesses showing strong environmental or social performances and who proactively prepare for the changes ahead.

But barriers remain for sustainable investment to reach its full potential. Performance is not a major concern, but a lack of information is currently limiting people's allocation to this asset class. Investors are keen to understand the full impact of sustainable investment, in particular how companies are held to account on issues like bribery, corruption and pollution. As sustainable investments become more widely identifiable and understood, so too will their appeal to people looking to combine profit with positive impact.

To see the results of our *Global Investor Study*, visit www.schroders.com/en/uk/adviser