Rathbone Greenbank Review

Financing a just transition

24th Annual Investor Day 2021

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Rathbones
Look forward

Contents

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Welcome to the Investor Day 2021 edition of the Rathbone Greenbank Review

Despite the obvious challenges of the past 18 months, the Rathbone Greenbank team has been through an exciting and rapid phase of evolution, welcoming many additional colleagues as we further develop our ethical, sustainable and impact proposition and enhance our ability to meet the needs of all our clients.

This year we have been delighted to work closely with Rathbones' funds business to launch the Rathbone Greenbank unitised portfolio solution, offering investment solutions for clients with more modest amounts to invest. Behind every aspect of the Rathbone Greenbank (Greenbank) proposition is a collective vision, shared with our clients, that money can – and should – be utilised as a force for good, bringing about positive change to the world in which we live.

We had hoped that in 2021 we would be able to meet in person for our annual Investor Day, but once again we took the decision to hold our flagship event online.

Our Investor Day theme this year was 'Financing a just transition'. We explored the role of the financial services sector in putting people and communities at the heart of sustainable investment in pursuit of the UK's net zero goal.

With over 200 guests joining us, our expert speakers offered their insights, and spoke not just of risks but about the real opportunities associated with the technological, social and economic transformations required to make the shift to a healthier planet and more equitable society.

The term 'just transition' is used to describe the importance of binding together climate goals with social outcomes, to ensure that human rights are realised in the transition to net zero. We are familiar with the term 'stranded assets' and now the phrase 'stranded people' is increasingly being used. Highlighting the need for education, reskilling and retraining for workers, our Investor Day reflected on the social impact of low-carbon transition activity.

At Greenbank, we have a long history of climate-aligned investing. We integrate climate risk into our investment decisions and have increased our investments in industries and companies that are contributing to climate change mitigation and adaptation.

Earlier this year, we became a signatory to the Net Zero Asset Managers initiative, and we have continued our efforts to fully embed our eight sustainable development themes across every stage of our investment process. At the same time, we have continued our pioneering role to catalyse the wider market's action on a range of social and environmental issues, most recently in areas such as decent work, biodiversity, healthy food and investing in safe, secure and sustainable social housing.

The UK's move towards net zero will not be a straightforward linear transition. The social and economic impact will have a lasting effect, and decarbonising the economy will require significant investment in business, people and the planet with legislative support.

The planned COP26 climate talks in Glasgow later in the year should highlight where progress has been made and where urgent action is still needed, and we hope that it will give fresh impetus to 2015's Paris Agreement. With the background of Brexit and Covid-19, the need for a joined-up approach is vital, and investment will play a significant part. But the lives and livelihoods of so many working in what is still essentially a fossil fuel economy must be prioritised.

John David
Head of Rathbone Greenbank Investments

Nick Robins
London School of Economics

Nick Robins is professor in practice for Sustainable Finance at the London School of Economics' Grantham Research Institute, where his work has focused on mobilising finance for climate action in ways that support a just transition for people and places. With a strong social dimension at the heart of transformations in technologies and markets, future sustainable development and economic goals are likely to be more inclusive and resilient.

> "A just transition is a critical enabling condition for the world to achieve its climate goals. Without justice and fairness for workers and communities affected by transformations in global industrial processes and energy provision, we cannot accelerate progress towards net zero economies. The inequalities magnified and exacerbated by the coronavirus pandemic highlight the urgent need for policymakers and investors to scale up action for ensuring a just transition for people and places.

The upcoming COP26 climate summit is an opportunity for investors to engage with companies and policymakers, and to mobilise their financial power to place just transition at the heart of global climate action.

The challenge for the investment community is to avoid thinking of environmental, social and governance issues as separate silos. There's a profound social dimension to the environmental theme of climate action which requires an integrated, systemic approach to investing in solutions. For decades, trade unions have argued that achieving environmental targets should not result in stranded workforces, communities or locations. The Paris Agreement and the International Labour Organization's Just Transition Guidelines acknowledge the threat to people and places, recognising that an environmentally-sustainable economy must ensure decent work for all, broad social inclusion and the eradication of poverty.

Political commitment to a just transition is also increasing. Social justice is at the heart of the European Green Deal while President Biden's ambitious infrastructure development plan in the US promises to create an equitable clean energy future with high-quality employment opportunities. In 2019, South Africa's president Cyril Ramaphosa announced a Paris Agreement-aligned just transition plan aiming to mobilise blended finance to accelerate the transition to renewable energy sources in positive ways for workers and communities. These commitments are important because the negative consequences of political inaction and denial over just transition have been widely felt – consider the Trump administration's false claims that climate action would result in a net loss of jobs, or the 'gilets jaunes' movement for economic justice in France, motivated in part by rising energy costs.

Over the years, we've worked with our partners to develop a core set of just transition principles to educate and guide policymakers and investors. First, we must maximise the social benefits of transition, creating good quality jobs and improving future opportunities. Second, we must work to mitigate social risks, ensuring workers and communities aren't left behind. Third, we must integrate a process of social empowerment through effective participation to avoid stranding people, communities and locations most affected by change. Fourth, we must try to anticipate future transformational shifts and plan ahead for economy-wide reskilling. Finally, we must mobilise public and private investments, focusing particularly on place-based actions to maximise social impacts alongside financial returns.

Additionally, our work with the Principles for Responsible Investment, the International Trade Union Confederation and our colleagues at Harvard established a framework for investors to incorporate just transition in their climate and broader investment strategies.

To begin with, investors must better understand the performance of the companies in which they invest. The Climate Action 100+ initiative, currently supported by over $54 trillion of managed assets, rates the progress of companies critical to the transition to net zero and has recently added a dedicated just transition line to its group of key performance indicators. The World Benchmarking Alliance also has a just transition focus, assessing and rating 450 global companies with considerable power to incorporate social justice into the transformation of the energy sector.

Critical areas for investor action

Investors can influence corporate action by effectively signalling their expectations and ambitions for a just transition. Companies must show that their plans for social empowerment on the road to net zero are embedded in their business models and governance systems. They must also demonstrate how their transitions are delivering good jobs with clear retraining and redeployment programmes, and continuous dialogue with workers and trade unions.

Due diligence must be applied across supply chains to support sustainability and social and labour standards, especially in regions where standards are weakly enforced. Companies must focus on place-based actions, engaging and partnering with local communities to address social risks and share the benefits of these programmes. Global consumers must be supported with improved access to goods and services impacted by transition, especially with regard to energy access. Companies must openly advocate for just transition in industry and government associations and support the movement in their policies and partnership developments. Finally, companies must be transparent about and report on their progress towards a just transition.

Investors can also allocate their capital to companies and assets driving a socially just green transition. Investment interest in green assets has increased significantly and this has led to the establishment of a Green+ Gilt developed in a partnership between the LSE, the Green Financing Institute, and the Impact Investing Institute. In response, the UK government has committed to the creation of the country's first 'green sovereign bond', delivering climate action and social renewal.

We must see just transition at the heart of the UK's net zero strategy and build on the positive work of Scotland's Just Transition Commission. We must prioritise and scale up international climate finance to ensure long-term social inclusion and resilience, especially in emerging and developing economies. Securing a just transition is a shared endeavour – above all, we must work collaboratively to build wide-ranging and socially inclusive partnerships. ”

Kingsmill Bond
Carbon Tracker

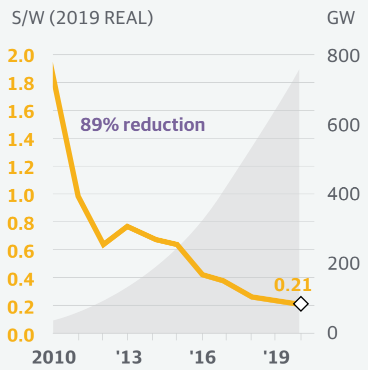
Prior to taking up his role as an energy strategist at Carbon Tracker, Kingsmill spent 25 years in the financial services industry. Carbon Tracker is an independent financial think-tank that provides in-depth analysis of the impact of the energy transition on capital markets. Kingsmill believes that the energy transition is the most important driver of financial markets and geopolitics in the modern era.

“The fossil fuel economy is in decline. In March, the International Energy Agency’s (IEA) Oil 2021 report predicted that due to efficiency gains, the increase in electric vehicles, and a significant drop in consumption due to Covid-19, global demand for petrol may never surpass its 2019 peak.

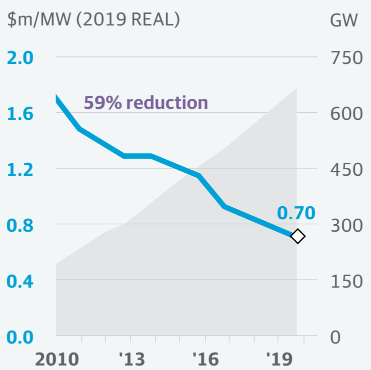
Prior to this, the IEA’s World Energy Outlook calculated that global coal consumption most likely peaked in 2014. Further projections that oil, coal and gas demand is set to decrease further while demand for solar and wind energy increases exponentially indicates that we have probably seen both the peak of fossil fuel demand and the peak of energy sector emissions.

The technology revolution

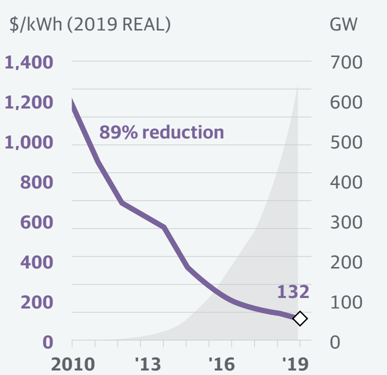
Solar PV module prices and cumulative installed capacity



Onshore wind turbine prices and cumulative installed capacity



Lithium-ion battery prices and demand



Source: Bloomberg New Energy Finance

Even before the onset of Covid-19, renewable energy sources already accounted for half the growth in global demand. While there's a chance the post-pandemic recovery may see fossil fuel demand slightly surpass its peak, it's likely it will quickly plateau and fall sharply within a few years.

From both a financial and a social justice perspective, the transformation of the energy sector is one of those rare occasions where doing the right thing is coincidentally the most profitable thing. Over the last decade, the revolution in renewable energy technologies and resulting economies of scale has seen solar, wind and lithium-ion battery costs fall by as much as 90%. In recent years, the cost of solar and wind energy has fallen below the cost of fossil fuels for electricity generation in large parts of the world.

The economic advantage has shifted to renewables. Moreover, they've just hit the inflection point on the 'S' curve of growth – the moment the sector begins to change its thinking and renewable technologies advance more rapidly. The technological shift is at the heart of the energy transition and it's a shift that's being supercharged by changes in global politics. The world's biggest greenhouse gas emitters have announced ambitious net zero targets for the middle of the century and are looking for new ways to develop and deploy cheap alternative energy technologies. Additionally, we're already seeing a 'leapfrogging' effect in emerging markets where an abundance of local, clean and cheap energy sources is making up for limited access to fossil fuels.

The downward curve in fossil fuel demand creates rapid marginal change, something Carbon Tracker has been monitoring for the last decade. Put simply, financial markets will react the moment demand peaks and an industry in denial about the technology transition will find its economic hopes dashed. Fossil fuel producers will continue to plan for growth that will fail to materialise, and consistent underperformance and decline will quickly result in stranded assets – witness the $200 billion in oil sector write-downs we have seen the last year, the fact that half the US coal sector went bust within a couple of years of peak coal demand, or the continued underperformance of the fossil fuel sector.

There are therefore sound financial reasons for investors to allocate capital to renewable energy solutions. Like investing in canals in 1850 or horses in 1910, investing in fossil fuels today would be wasting good money on a declining industry.

Central to the social justice perspective is the understanding that it's the rich countries who continue to consume and argue the case for fossil fuels. Simultaneously, they argue that the energy transition is actually an impediment to social justice and that fossil fuels are the best antidote to global energy poverty. The facts, however, tell a different story. The richest 5% of the world's population consume one-third of the fossil fuel supply and have been responsible for 37% of the growth in demand since 1990. The fossil fuel industry makes profits, pollutes for free and privatises the benefits without having to pay for the social or environmental costs. The rent of the fossil fuel system – defined as the unearned profits, totalling around 3% of global GDP – doesn't end up in the pockets of the poor but in the coffers of oligarchs and petrostates. It's also an incredibly profligate system with around two-thirds of fossil fuel energy wasted.

And it's the poor who pay the price. Millions die every year from fossil fuel-related pollution, overwhelmingly in emerging markets across Asia and South America. Moreover, it's the countries within these markets which are most vulnerable to climate change, generally being hotter, poorer and more densely populated.

The world was always facing two energy problems: reducing fossil fuel usage among the rich and ending the energy poverty in emerging markets. The joy of renewables is that they can solve both these problems. But while renewables offer the greatest potential for cheap, clean energy, a lack of policy across emerging markets is limiting the capacity of developed market actors to allocate investment capital. This requires urgent action as emerging markets in particular have abundant renewable resources. Countries in these markets have 140 times more energy potential than total demand and could provide freedom and dignity to the 900 million people lacking access to electricity today.

For the politicians looking to protect and preserve the fossil fuel system: Don't lie to people or give them false hope. Support workers through the energy transition and let the capitalists pay for the stranded assets. It's a just and profitable cause. ”

Sharan Burrow
International Trade Union Confederation (ITUC)

Since 2010, Sharan Burrow has been general secretary of the International Trade Union Confederation (ITUC), which represents the rights and interests of 200 million workers in 163 countries and territories. A passionate advocate for the environment and the rights of workers and women, Sharan's campaigning has been pivotal in highlighting the need to ensure that social justice is an integral part of industrial and economic transformation throughout the world.

Photo: Naveed Ahmed on Unsplash

"The Paris Agreement and the Sustainable Development Goals (SDGs) are central to the global pursuit of inclusive growth. We cannot face a future where inequalities continue to grow, where GDP remains the sole and narrow definition of wealth and wellbeing, and where billionaires are made at the expense of the real economy. Investors have incredible power to help us realise just and fair climate and sustainability ambitions. ESG has to be the lens for all investment, with a strong emphasis on social governance and due respect to human and labour rights and interests. Leaving no one behind in a just transition can only be achieved if we invest effectively in people and communities undergoing economic transformation.

Just transition isn't just an ethical platform – it's a blueprint for survival. For decades we've suffered the effects of enormous global challenges created and exacerbated by economic models negatively impacting social and environmental wellbeing. Historic levels of inequality have driven despair and anger throughout the world, threatening social cohesion and democratic legitimacy. The climate crisis has brought a new dimension to the campaign for social justice and workers' rights - there are no jobs on a dead planet. The Paris Agreement and the SDGs have been vital in providing us with a foundation to fight for fair opportunities and good jobs in a stable, thriving world.

The coronavirus pandemic has further exposed workers to the fault lines running through global economies, especially with the emergence of vaccine nationalism. Economies can't function, investments can't profit, and people can't share in prosperity if no one feels safe. Vaccine nationalism is just another example of how the narrow interests of wealthy corporations and countries lead to the exclusion of majorities with limited means to protect themselves.

How do we therefore build a future where technologies are shared and development is sustainable, just and inclusive? Investor power is important here as capital allocation can influence corporate planning and behaviour. It means robust engagement and the demand for accountability. When investors ask companies if they have an embedded climate action plan, they should ask if that includes a socially inclusive just transition plan. Questions like these signal wider investor expectations to companies on what acceptable future developments should look like and offer workers the comfort of knowing that their interests are at the heart of forward planning.

Government regulation and multilateral reform is also vital. We need mandated due diligence to guarantee a just transition. We're fighting for a new kind of social contract and new definitions of good and decent work with human and labour rights at the heart of everything. Risk assessment is central to helping workers negotiate economic fault lines and serves to shape grievance procedures that emphasise the capacity for remedy. Effective supply chain monitoring requires reform across the World Trade Organization and a focus on human and labour rights. The human aspect of global trade needs fixing when a majority of multinational CEOs have no knowledge of the dehumanising exploitation that occurs deep in their supply chains. We need greater corporate transparency and clear evidence of responsible action. The ITUC can lead the fight for workers' rights, but we need NGOs, investors and climate warriors to help us drive new social and economic standards as a means to create a basis for fair competition and a platform for collective, inclusive survival.

The new social contract we're striving for is nothing without jobs – good, climate-friendly jobs supported by governments and central banks that put us back on the road to full employment. We need universal social protection and a greater effort to address income inequalities which have increased significantly since the 1980s. A more inclusive global future also requires an accelerated drive towards greater gender and racial equality.

We know people are on our side. Our own polling shows overwhelmingly that people want climate action and through it a just transition for people and communities. While it's encouraging to hear investors reference climate risks or talk about making investment for a net zero future mandatory, we need to see increased levels of proactive investor participation. A recent investor poll by Aegon UK showed that while 77% of respondents considered climate change to be an important risk consideration when investing, only 15% said they were employing ESG investment strategies to support sustainable societies. We can't repeat past transitions that have stranded workers and their communities, so more investor participation is required to build momentum and trust.

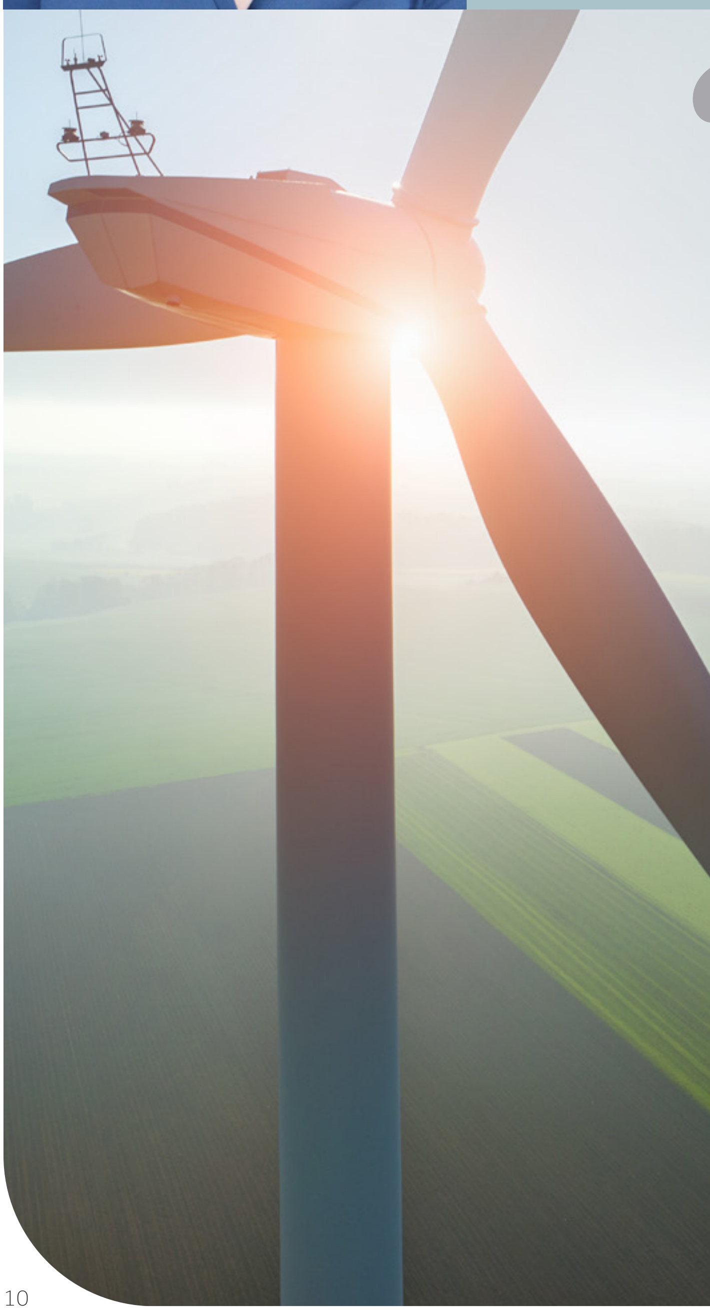
Energy is a priority sector for just transition, but all industrial and service sectors must follow a similar path. One priority service sector is care. The pandemic has made it manifestly clear that without investment in healthcare, childcare, age care and education, there is no lasting social resilience. We have the technology and finance to secure a resilient future. What we need is a global commitment to socially just net zero economies with an ESG focus at the heart of every unit of investment. ”

Photo: Tim Mossholde on Unsplash

Rachel McEwen

SSE

Rachel McEwen is chief sustainability officer at SSE, one of the leading energy companies in the UK and Ireland. Following engagement with investors at its 2020 AGM, SSE became the first company to publish a dedicated just transition plan which considers the wider social implications of the UK energy sector's progress to net zero. Rachel is also a member of the Scottish government's Just Transition Commission.



> "The Scottish government's Just Transition Commission was established in 2018 to provide ministers with practical independent advice to help progress Scotland's transition to a net zero economy. Its ten commissioners, who are drawn from environmental, industrial, trade union and farming backgrounds, advise on how to manage the risks and challenges of Scottish decarbonisation while ensuring that the economic and social benefits are maximised.

SSE's 20 principles for a just transition

Transitioning into a net zero world

SSE's principles for good, green jobs

1. Guarantee fair and decent work
2. Attract and grow talent
3. Value employee voice
4. Boost inclusion and diversity

SSE's principles for consumer fairness

5. Co-create with stakeholders
6. Factor-in whole-system costs and benefits
7. Make transparent, evidence-based decisions
8. Advocate for fairness

SSE's principles for building and operating new assets

9. Support competitive domestic supply chains
10. Set social safeguards
11. Share value with communities
12. Implement responsible developer standards

The Commission's interim report published in March summarises these challenges and defines Scotland's mission for a fairer, greener society:

"The imperative of a just transition is that Governments design policies in a way that ensures the benefits of climate change action are shared widely, while the costs do not unfairly burden those least able to pay, or whose livelihoods are directly or indirectly at risk as the economy shifts and changes."

Building social justice into climate action and industrial transformation should not be thought of as an optional add-on. Justice and fairness require a fair and proportionate distribution of climate 'goods' and climate 'bads' across society. We must leave no one behind when it comes to accessing all of the environmental and economic benefits of transformative energy technologies and the new employment opportunities they offer. Equally, we must ensure a fair distribution of the financial costs of infrastructural development and redesign and manage the transition of high-carbon livelihoods into the net zero economy.

At SSE, there's a direct business case for putting the social consequences of the transition to net zero at the heart of everything we do. Our entire business strategy is defined by our response to climate change, but we require public legitimacy and consent to fulfil it. Our actions and investments are attracting public support and we're currently around two-thirds of the way towards achieving our net zero goals. Ten years ago, we were emitting 25 million tonnes of carbon annually, making us one of the UK's largest contributors to climate change. We've currently reduced this figure to just over 7 million tonnes. Previously, we generated electricity from coal, gas and renewables in roughly equal measures. In March 2020, our last coal plant ceased operation and we're reaching a point where power generation is split evenly between gas and renewables.

We have science-based, Paris Agreement-aligned interim targets on our route to net zero. Like most participants on the road to transition, SSE isn't starting with a blank sheet of paper – we're transitioning from one state of being into another. There are some renewable start-ups who aren't transitioning from high-carbon activities and therefore don't need to manage the decline of associated assets, but they nevertheless still have a role to play in bringing about a just transition for people and places. SSE's strategy is influenced by both positions. We're creating new business activities from renewables at scale, but we also have a portfolio of older assets to manage and repurpose. Our transition into renewable energy generation must run parallel with our exit out of high-carbon activity.

Strategically, the inward transition is where we think most of our material impacts lie. We're investing £7.5 billion over five years to March 2025 in low-carbon energy infrastructure, creating significant opportunities for economic prosperity. We're also developing more offshore wind capacity than anyone else right now in what is an extremely competitive global market.

These new developments and opportunities must follow a new set of principles and standards. SSE's own standards begin by creating a foundation for good, green jobs that guarantee fair and decent work, attract talent, value employee input, and make the industry more inclusive and diverse. Second, the inward transition must be fair for consumers, factoring in whole-system costs, providing universal access to smart delivery systems, and promising transparent, evidence-based decisions on future actions.

Third, the development and operation of new assets must result in the sharing of economic value across communities – around £250 million will be given back to communities throughout the lifetime of our wind farms. Shared value will also be reflected by our support of domestic supply chains, increased social safeguarding, and advocacy for an indigenous manufacturing sector to supply and support offshore wind facilities – a turbine blade factory is being developed in Teeside with 750 new jobs to support our Dogger Bank wind energy project.

> *"The prize of a fair and just transition to net zero is that the actions and investments required to decarbonise energy systems attract long-term public support and legitimacy."*
>
> **Alistair Phillips-Davies**
> Chief Executive, SSE

During the transition, we want to protect the people and assets still operating in the high-carbon world. We want to repurpose assets for net zero energy generation, prioritise retraining and redeployment with the support of trade union representatives, and give advance notice of change to ensure trust is maintained and that no one is left behind. Community support is also essential where older assets have underpinned livelihoods and dominated local cultures and landscapes for generations. These communities are primary stakeholders in our future plans. As such, we're looking to attract former employees from the declining North Sea oil and gas industry who already have valuable skillsets and industry experience. Our transition will also continue to encourage and promote greater diversity and gender equality in the energy industry.

Corporate actors, investors, trade unions and consumers are advocating for a just transition to ensure that the mistakes and missed opportunities of past industrial transformations aren't repeated. With COP26 approaching, we hope their efforts inspire firm action from governmentsand companies to prioritise social inclusion. ”

Transitioning out of a high-carbon world

SSE's principles for people in high-carbon jobs

13. Re-purpose thermal generators for a net zero world
14. Establish and maintain trust
15. Provide forward notice of change
16. Prioritise retraining and redeployment

SSE's principles for supporting communities

17. Deliver robust stakeholder consultation
18. Form partnerships across sectors
19. Promote further industrial development
20. Respect and record cultural heritage

Nicola Day

Rathbone Greenbank Investments

Nicola Day is deputy head of Rathbone Greenbank and has managed ethical, sustainable and impact portfolios on behalf of individuals, charities and trusts for over 20 years. Nicola has recently been studying for a MSc in Climate Change and Development at SOAS, University of London, combining aspects of social justice with the science and environmental impacts of global climate change.

“The industrial and technological transitions that have shaped our modern world have largely ignored the health and wellbeing of our natural systems and left huge numbers of people behind in the pursuit of progress. Inequalities and limited access to basic needs affect hundreds of millions of people worldwide, and the consequences aren't just felt in poorer countries – in the UK alone, millions of households live in fuel poverty or are reliant on food banks. A socially divided, environmentally degraded world is the result of transition pathways which haven't been planned equitably or sustainably.

We are pioneers in corporate engagement, having discussed the risk of climate change with company boards for over 20 years, and have seen successful outcomes in areas as diverse as modern slavery, biodiversity and healthy food.

Today, we recognise the need for a more globally inclusive and sustainable growth pathway through the UN's 17 Sustainable Development Goals, and we have the Paris Agreement setting a clear social and environmental agenda. Significant investment is required to help fulfil these ambitious goals by 2050. Among other factors, Greenbank's own investment strategy looks at the innovations and technologies driving us towards a sustainable and fair low-carbon future. We seek companies adopting development strategies which are smart, inclusive, impactful and intentional.

The smart approach designs in circular economics, avoiding the wasteful consequences of linear 'take, make, dispose' production models and reducing social and environmental costs. Inclusive development models consider the welfare of all employees, the management and supervision of supply chains, and responsible engagement with communities. We assess how well companies are measuring and reporting on their impacts, and we gauge where strategies for a just transition are intentionally engrained by design. We believe these qualities build long-term resilience, strong profitability opportunities and true sustainability in company business models.

The next decade of transition needs to see significant increases in both speed and scale. For the sake of those most affected, we cannot afford to take an incremental approach. Transformation is occurring throughout our industrial processes as we see fossil fuels give way to renewables and combustion engines replaced by electric vehicle technologies. Sector shifts are happening at different speeds and trajectories, and while some green innovations may take longer to be commercially viable, others like electric vehicles may soon reach mass adoption.

At Greenbank, we monitor sustainable trends and innovations, recognising the risks in companies not moving in the right direction and identifying investment opportunities in those offering credible solutions or developing low-carbon infrastructure. Green technologies can have an especially empowering effect on the developing world where access to localised renewable energy allows countries to bypass fossil fuel-based economic models and pursue cleaner growth.

> We use a framework to identify companies that are strategically aligned to eight sustainable development themes.

We use a framework to identify companies that are strategically aligned to eight sustainable development themes. Tracking the core aims of the SDGs, our themes consider the long-term risks and opportunities offered by a broad range of areas from habitats and ecosystems to energy and climate to innovation and infrastructure. This framework aligns with our core investment belief that companies providing solutions for a changing world, while demonstrating strong social and environmental management and good corporate governance, are likely to be good long-term investments. We integrate our themes throughout our research and investment process, from stock selection to client reporting.

Our engagement work in habitats and ecosystems aligns with the just transition agenda in identifying organisations providing sustainable food production and clean environments for populations to thrive. Investment opportunities exist in emerging food trends like plant-based protein which also helps to improve land and resource efficiency as well as public health. Smarter farming is transforming away from inefficiencies which have degraded soils, polluted waterways, increased flood risks and threatened agricultural communities. Precision farming techniques are tailoring soil and crop management to fit different conditions and needs. Regenerative agriculture focuses on soil health, reducing inputs and enhancing the natural capacity of agricultural land.

Within our innovation and infrastructure theme, we assess the transformations in city design, public transport and power provision. The electrification of transport is central to the social green revolution, from cities adopting clean buses to companies converting to electric delivery fleets. There are significant investment opportunities through innovations in artificial intelligence software and safety equipment, battery technology, hydrogen storage solutions and charging infrastructure. Low-carbon pledges are driving the development and sale of electric vehicles worldwide and the automotive sector is transitioning from an ownership to a more inclusive leasing and service model.

We continually engage with companies to fully understand the visions and values at the heart of strong brands, reputations and competitive advantages. We are pioneers in corporate engagement, having discussed the risk of climate change with boards for over 20 years and have seen successful outcomes in areas as diverse as modern slavery, biodiversity and healthy food. Aligned to just transition principles, we are signatories to the Workforce Disclosure Initiative, encouraging companies to equip workforces with the skills to transition into the future low-carbon economy.

We believe a just transition is a smart pathway. It reduces systemic risk, enhances human capital and offers a more inclusive future with a promise to protect both people and planet. ”

Investing in the roadmap to 2050

Smart	For all	Impactful	Intentional
Smart solutions with circular economics	Embedding equality and inclusive growth	Measuring impact and engaging for change	Embracing a just transition at the heart of corporate strategy

Resilience • Profitability • Stability

Questions and answers

With the impacts of climate change magnifying global inequalities, how do we accelerate a fair transition to net zero?

Kingsmill Bond (KB) – Low-carbon technologies are cheaper, cleaner and concentrated far more locally. They convert unearned profits paid to oligarchs to local opportunities and jobs. Ultimately, this creates a significant redistribution of wealth across society and it's up to governments to ensure these gains are allocated swiftly and fairly. The EU Commission, for example, has established a Just Transition Mechanism which aims to mobilise at least €150 billion between 2021 and 2027 in order to support regions most affected by the socioeconomic impacts of the transition to net zero. We therefore need to meet targets, implement policies, tax polluters and support the most exposed.

Sharan Burrow (SB) – Investing in people and communities is critical. If you simply remove high-carbon industries from the heart of communities, you leave them bereft. But if you invest in local net zero alternatives, you multiply impact. Every new job creates new employment opportunities for supply chains and the broader economy. We need to continue our dialogue with governments, CEOs and investors to drive their commitments towards fair transition outcomes for all.

How do we create high-quality jobs in the right places for high-carbon workers in the low-carbon economy?

SB – Sometimes it's about assessing how a location and its environment can support the transition to low-carbon economies: how can an energy provider adapt where local sources of renewables are limited? Sometimes it's about understanding the implications of changes in an industry's production processes. In the automotive sector, for example, the transition away from combustion engines and their components will threaten related jobs. You can't simply put skilled technicians on charging stations and call it fair and equivalent. You need to see where changes in the sector create broader service and support roles and map existing skillsets accordingly.

Rachel McEwen (RM) – Looking at some sectors of the regional economy with Scotland's Just Transition Commission, we found there weren't many clear or orderly net zero transition plans. Fearing a lack of future protection for employees, we recommended that a ministry should be created with formal accountability for clear transition pathways. We now have that ministerial post. The redeployment and repurposing of existing industrial skills is also hugely important, as is the commitment to community empowerment through land use and infrastructure development.

What will the energy transition mean for the carbon-intensive heavy industries involved in developing social infrastructure?

KB – The fossil fuel industry will tell you that the complexity of the problems to be solved mean you can't have an energy transition. However, the answer is to simply solve one problem at a time. Decarbonise your electricity system, electrify transportation, then figure out your solutions for heavy industry. Companies are already working out how to move away from fossil fuels for infrastructural staples like cement and plastic. Low-carbon solutions will develop in time, but we don't need them immediately to accelerate the energy transition.

SB – I'm optimistic about heavy industry. Asset managers have tried to suggest the energy transition will raise costs, but that's only likely to be short-term. The work we've done in Sweden with clean steel and in India with cement production, for example, demonstrates how companies are moving towards circular manufacturing models. There are also carbon border adjustments being put in place, taxing carbon-intensive goods from countries with less stringent climate policies. While the role of these mechanisms continues to be debated, if you set the right standards, industries will have to comply or be penalised.

The Global South could be exploited as transition scales up, especially in mineral supply chains. How do we monitor this as investors?

Nicola Day (ND) – There's a critical need to monitor supply chains as the net zero economy looks to source increased mineral inputs, especially for the manufacture of wind turbines, solar panels and batteries. The Global South is a primary source for these minerals, be it cobalt in the Democratic Republic of the Congo or copper in Chile. Responsible sourcing is something we monitor very closely to assess risks to human rights, labour and biodiversity.

It's essential that companies we invest in are fully transparent about their supply chains and exposures and engage with collaborative projects like the Responsible Minerals Initiative. We can use a variety of industry, NGO and third-party data sources to develop a holistic view of company performance that looks beyond reported information.

What reasons are there for us to feel optimistic about achieving a just transition to net zero?

ND – The fact that this has become a global dialogue and commitment. Companies and governments are recognising the need to work collaboratively and realising that inequality isn't just a moral issue to address, it's a significant drag on economic and sustainable progress too.

RM – Investor dialogue and action is a real reason to feel optimistic. When investors demand just transition strategies of the companies they invest in, the business case for complying writes itself. That's how the investment community becomes an agent of change.

KB – For me, it's the learning and cost curves of new energy technologies. As these technologies have grown over the last decade, their costs have decreased. Even if the downward curve slows, we're still going to see costs fall further in the coming years. Falling costs mean greater access and that will change the world.

Nick Robins (NR) – This is a transition we can collectively, consciously shape to deliver environmental and social goals. In doing so, we shift our focus from products to people and create opportunities for increasing social benefits and labour value.

SB – It's diverse panels like these and the broader community of social actors and investors who hold significant power to drive positive transitions. From a union perspective, corporate engagement and dialogue helps to alleviate the fears of workers worried that transitions in their industries will be painful because they can see that there are plans to protect their future wellbeing.

Contact us

Rathbone Greenbank Investments provides personalised and professional investment services for investors who wish to ensure that their investments take account of their environmental, social and ethical concerns.

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