

INVESTING TO IMPROVE LIVES™



# STEWARDSHIP MATTERS



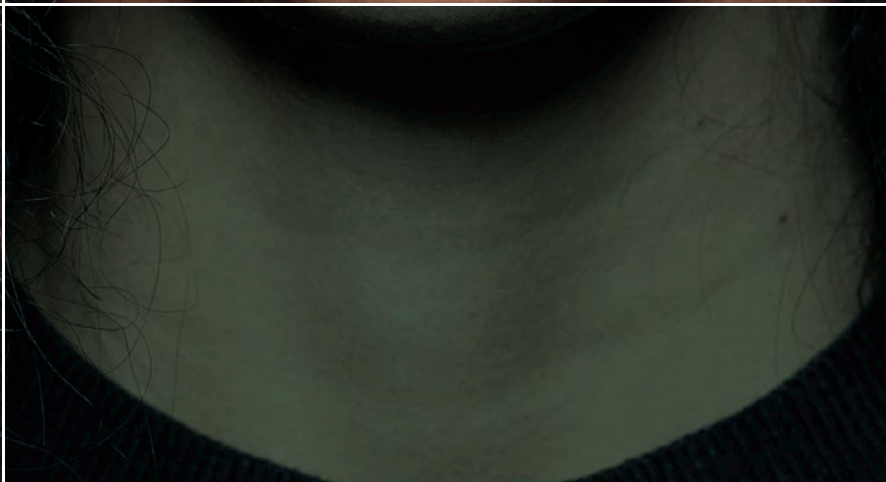
MARTIN CURRIE  
A Franklin Templeton Company

# 10

# MAKING AN IMPACT

JULY 2023

[www.martincurrie.com](http://www.martincurrie.com)





# Introduction

Welcome to Edition 10 of the *Stewardship Matters* magazine, our regular review of Martin Currie's work in stewardship, governance and sustainability, and our insight into future trends.

This edition focuses on how we are **making an impact** at both company and industry level together with an update on our active engagement and monitoring, year to date (YTD to 30 June 2023).

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# Foreword

I am delighted to introduce this tenth edition of **Stewardship Matters** which coincides with the launch of our new **Improving Society strategy**.

We wanted to take the opportunity to explore the subject of **Making an Impact** both in the context of this new launch and within our wider equity capabilities through our approach to stewardship.

Key to our role as stewards of our clients' capital is the way in which we engage with corporate management and how we vote. Alongside a focus on investment alpha sits a commitment to cultivating relationships with businesses and senior management, enabling us to build conviction in sustainable business models.

With the industry focused on environmental products and solutions, we are directing our efforts to the social arena. The need to create a more equitable and fairer society is something we can all agree on and there are many public companies that offer solutions that are helping achieve just that. We are truly excited by the role we have to play in Making an Impact and supporting these businesses. Investing to Improve Lives is at the heart of our very purpose as an investment firm.

I hope you enjoy this latest edition, and you can watch our Portfolio Managers discuss the new investment strategy [here](#).

**Mel Bucher**

Head of Global Distribution, Martin Currie



“

*The need to create a more equitable and fairer society is something we can all agree on and there are many public companies that offer solutions that are helping achieve just that.*

”



# THE TIMES THEY ARE A CHANGING: IMPACT INVESTING IS NOW

The prevailing mood among investors – the intellectual, moral and cultural climate in which they operate, and which shapes their decisions – is vitally important at a portfolio strategy level. And it is undergoing a generational shift from a focus on shareholder value through a purely financial lens, to stakeholder benefit in its widest sense.

Sustainable investment has become a significant trend in financial markets as science and society address a growing range of issues that pose both risks and opportunities: biodiversity protection, water management, extreme weather events, diversity, and equity and inclusion, are just some of the topics on investors' minds.

Increasingly, investors are asking themselves some fundamental questions: what sort of society do we want to create; what is our purpose; and are we living it? The manifestation of this emerging worldview is the rise of impact investing as investors increasingly embrace an investment style that offers diversification of choice through a fresh and more unconventional approach.

<sup>1</sup>GIINsight: Sizing the Impact Investing Market 2022.

The worldwide impact investing market has now broken the USD1 trillion barrier<sup>1</sup> and continues to grow. It reflects the demand pressure for the investment industry to be part of the solution. Many investors are considering their purpose and reflecting on the type of society they want to live in, and the state of the planet they want to leave for future generations.

The regulatory environment is also adapting with a greater focus on delivering transparent solutions. The recent reclassification of Article 9 (SFDR) Funds to avoid greenwashing, and the requirement for explicit and measurable sustainable criteria, are two prime instances of this trend.

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*The worldwide impact investing market has now broken the USD 1 trillion barrier<sup>1</sup> and continues to grow.*

”

Martin Currie's *Improving Society* is an impact strategy with a unique and innovative approach. The investment team believes there is a need for a strategy that invests in companies that are focused on solving the world's greatest social challenges, an area in which few existing investment products have a dedicated focus.

These challenges range from poverty and hunger to inequality and financial exclusion. For that reason, the strategy is built around three pillars: improving wellbeing; improving inclusion; and supporting a just transition to Net Zero carbon.

Improving Society is a strategy with a narrative that both reflects and shapes the spirit of our times as people are waking up to the fact that their savings and investments are a potentially huge force for good in the world. It is an acknowledgment that rewards are more than financial. The emotional reward that we experience from helping others is universal. It is hard-wired into human nature regardless of time or place.

Research by Harvard Business School confirms this.<sup>2</sup> Investing our money for social or environmental good, is consistently associated with greater feelings of happiness and wellbeing.

Major surveys of UK citizens show that more than two-thirds of the public are concerned about issues like social inequalities and climate change.<sup>3</sup>

There is a widespread misconception, based on cognitive biases such as the 'no free lunch' mentality and status quo bias - that impact investing means lower returns.

However, the good news is that no sacrifice is necessary. There is no need to choose between doing good socially and doing well financially. Generating healthy long-term returns and supporting a healthy society are entirely compatible aims. In a recent GIIN report, 79% of investors reported that their impact investments performed in line with, or better than their expectations, in financial terms.<sup>4</sup>

A research paper from Morgan Stanley concluded that sustainable funds combine competitive financial performance and reduced risk. Not only did it reveal that there was no financial trade-off in the returns of sustainable funds and traditional funds, but it found that sustainable funds experienced a 20% lower market risk than their traditional counterparts.<sup>5</sup>

Of course, innovative portfolio strategies must overcome the shock of the new. For every early adopter, there are several who will hang back. We are all human and humans have all sorts of cognitive biases, patterns of thinking that can be helpful in evolutionary terms but a bit of a drawback in investment terms. We tend to prefer the status quo, give too much weight to the last thing we heard, procrastinate despite our best intentions, and underestimate future risks.

However, recent history shows that when these biases are addressed rationally and mindfully through good communication, the momentum towards adoption builds rapidly. All new, credible ideas go through a cycle of initially meeting with ridicule, then hostility, before gaining widespread acceptance. This is proving to be the case with attitudes to sustainable investment strategies.

Raising public consciousness, followed by action, is a key to positive change in society. Growing public awareness has played a major role in improving social health, wellbeing, and inclusion. Just look at how far we've come in terms of changing behaviours. We no longer tolerate lead in petrol, asbestos in buildings, smoking in public places, CFCs in aerosols and plastics in everyday life. Huge progress has been made socially in terms of diversity, inclusion and equity as evidenced by improvements in disability rights, gender and racial equality, as well as greater awareness of equality in pay and opportunities.

People prefer living in societies that are inclusive and promote health, wellbeing, fairness, and opportunity. When the public are given the means, the motive, and the opportunity to improve society, they step up.

If we make it simple and easy to choose to invest in improving society, then all the behavioural research indicates that people will do so. The 'build it, and they will come' ethos of business applies here.

In a few short years, intentional investing in improving society, along with other impact strategies, will become a more significant part of investors' allocations, playing an important role in driving corporate behaviour. We'll look back in amazement that we weren't doing it all along.

“  
*We'll look back in amazement  
that we weren't doing it all along.*

”

<sup>2</sup>Prosocial Spending and Wellbeing: Cross-cultural Evidence for a Psychological Universal. Harvard Business School, 2010.

<sup>3</sup>Financial Wellbeing Survey. Findings based on a sample of over 10,000 UK residents. AEGON, August 2021.

<sup>4</sup>Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

<sup>5</sup>Sustainable Reality: Analyzing Risks and Returns of Sustainable Funds. Findings based on analysis of 10,723 funds between 2004 and 2018, using Morningstar data. Morgan Stanley, August 2019.

# Spotlight on the Stewardship, Sustainability & Impact (SSI) team



**David Sheasby**  
Head of Stewardship,  
Sustainability & Impact



**Lauran Halpin**  
Head of Impact Equities,  
Portfolio Manager



**John Gilmore**  
Portfolio Manager,  
Impact Equities/  
Stewardship, Sustainability  
& Impact Specialist



**Eoghan McGrath**  
Investment Analyst,  
Stewardship, Sustainability  
& Impact



## Active stewardship and sustainability analysis have long been hallmarks of Martin Currie's investment philosophy.

Our aim when conducting this analysis is to provide fundamental insights into material issues that can influence long-term returns for companies, and to highlight potential areas for engagement. Since we started more than a decade ago, our approach has always been to fully integrate this analysis into the research process, and responsibility resides with the individual analysts and portfolio managers rather than a siloed and separate team. This increases its relevance and connection to investment decision making. Accordingly, accountability for this work sits with the investment teams, who are best equipped to determine the factors that can impact the ability of a company to generate sustainable returns.

But they also have access to a knowledgeable and focused internal resource; our dedicated Stewardship, Sustainability & Impact (SSI) team. This team works with the investment teams on how to incorporate responsible investment more explicitly into analysis and how to adopt best practice on stewardship. Our SSI team of four are passionate about finance playing its part in moving towards a sustainable future. And they have historically had three key roles:

### Knowledge sharing:

For us it is vital that we help drive knowledge, skills and best practice across the business in our stewardship approach and sustainability analysis. Acting as internal consultants we view our role as enriching debate notably in areas such as research, engagement and proxy voting.

We provide expertise as well as context and a global perspective on stewardship, governance and sustainability matters. This has created a unique channel for collaboration and discussion of our stewardship activities, leading to internal development and evolution.

### Solving complex issues:

We want to help to drive and co-ordinate Martin Currie's response to identified systemic issues such as Climate Change, Human Rights and improving disclosure across the financial ecosystem. This involves helping co-ordinate and lead our efforts in joining key collaborative engagements such as Climate Action 100+ (CA100+) focussing on climate change, PRI Advance on human rights, and the CDP non-disclosure campaign, which aims to improve corporate disclosure. Typically, we are lead investors in collaborative engagements such as these and part of the SSI team's role is supporting our investors participating in these essential activities. We also help fulfil our sustainability commitments as a business - consulting on regulatory changes and inputting to initiatives we contribute to as part of wider industry bodies such as the PRI and Net Zero Asset Managers Initiative (NZAMI).

### Regulatory oversight and reporting:

David Sheasby, Head of SSI, has oversight of our overall stewardship approach and reporting on our stewardship activities. Regarding oversight, the team works alongside our Investment Risk team and Compliance to ensure that we are fulfilling our stewardship responsibilities. This also provides a channel for assurance, feedback, evolution, and improvement of our activities in this area.

Assurance on stewardship activities focuses on validating that we do what we say we do and assesses the effectiveness of the controls and oversight in place. The SSI team also lead in terms of our reporting obligations from a regulatory perspective. This includes detailed client reporting which now has more focus on stewardship and sustainability, through to internal publications such as our Stewardship Annual Report and our relationship status as signatories to initiatives such as the PRI and NZAMI.

### Introducing Impact Equities

Now, in addition to these tasks we are delighted to be able to add a new focus of delivering impact products. Our goal is to take the insights of the team around key societal challenges, their investment expertise and knowledge and understanding of client expectations in this space to launch something new and innovative. With Lauran Halpin, Head of Impact Equities, joining in November 2022, we've been able to build on existing activities and examine impact investing in listed equities. We've leveraged the combined knowledge and experience of the team to launch our new social impact equity strategy, Improving Society. This is managed by Lauran and John, who each have over 16 years' experience as investors. Both are responsible for idea generation, research, portfolio construction and engagement. They are supported by David, a knowledgeable advisor to the strategy, and Eoghan, investment analyst who supports the research program.

To find out more about the strategy, please visit our website: [Improving Society](#).



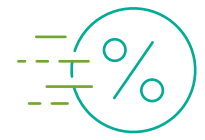
The strategy has a unique objective and the key aims of this innovative product are to:



**Generate positive impacts:** We invest in companies that positively address the problem of human inequity, meaningfully narrow the equality gap, and make a measurable difference in the world. We are committed to investing and engaging to improve fair treatment, access, opportunity, and advancement for all people, accelerating real world impact.



**Make a measurable difference:** We identify company specific impact Key Performance Indicators (KPIs) and engagement objectives, track progress and report against these for all companies in the portfolio.



**Combining impact with financial performance:** Our core belief is that impact and financial performance are interrelated. Companies that generate positive impacts in the world can benefit from increased growth opportunities and more accessible financing by offering solutions that strengthen their competitive advantage.

We invest to positively contribute to the narrowing of the equality gap and aid in the improvement of social opportunity. We do this by investing in companies whose products or services positively impact one of three key socially focussed pillars:



**Improve Wellbeing:** People have a right to a healthy and safe life. We invest in companies positively impacting human health and wellbeing. Not just medical treatments but also preventative medicine and basic human needs such as access to safe and clean water - we think of this as what is needed to get people to starting line.

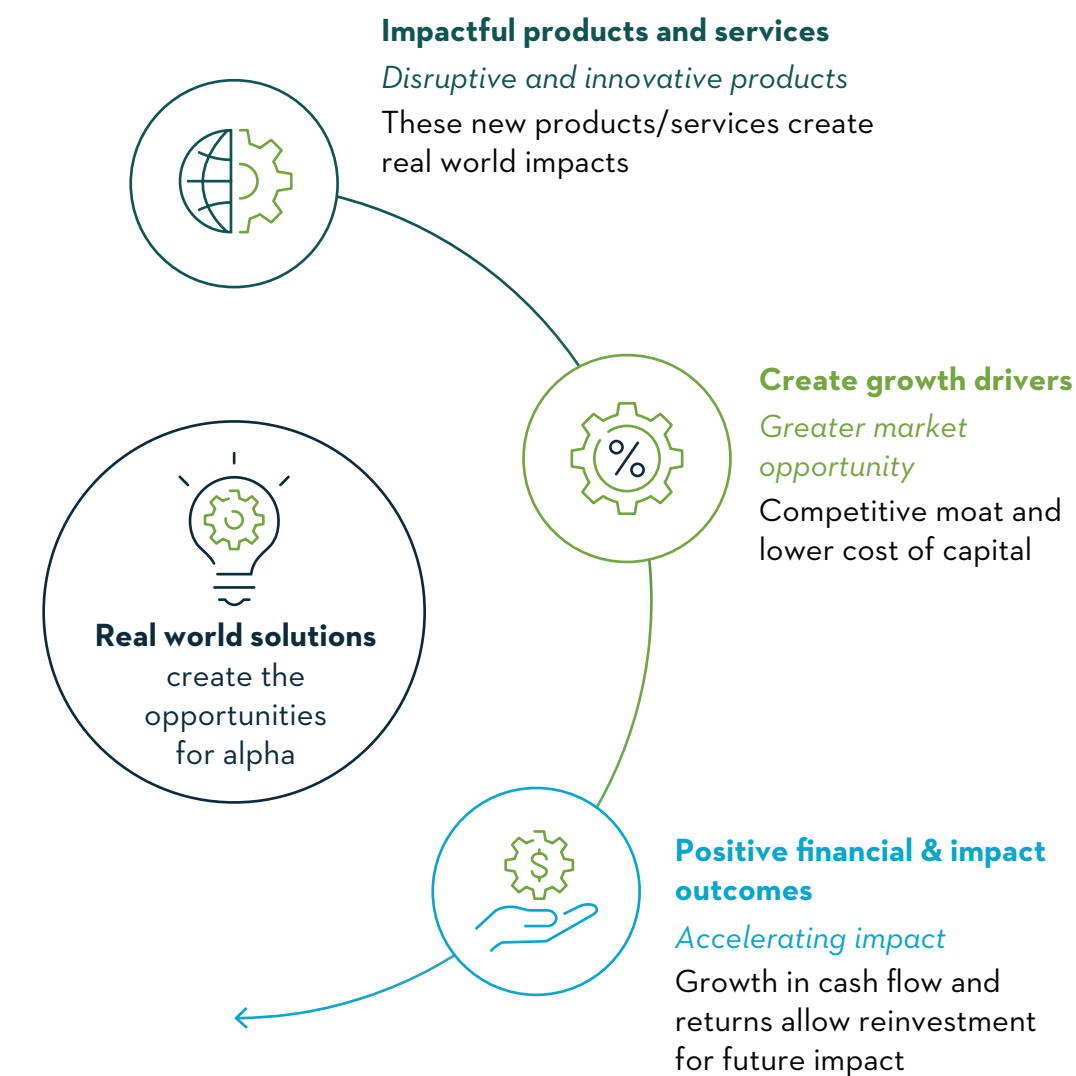


**Improve Inclusion:** This is about giving everyone the tools and resources needed to make the most of their opportunities - education, access to finance, and access to resources. This has a focus on improving outcomes for marginalised communities and countries where there are access challenges.



**Supporting a Just Transition:** We focus on the human side of the green transition, making sure that people are not left behind in focus as the economy shifts in response to the green transition and the physical effects of climate change on communities becomes more significant. This includes managing the social impact of climate change through reskilling workers and improving resilience and quality of life in communities.

The link between the investment opportunity to generate alpha and the social impact, is encapsulated in the following diagram:



Our research coverage focuses on seven key Sustainable Development Goals (SDGs) that we see as being most closely aligned to our objective of positive societal impact.



Analytical responsibility is split between team members. By concentrating on SDGs, we are focused on the impact delivered rather than being restricted by traditional industry analysis that is less relevant to our purpose. Our research looks for areas of the market that have the greatest opportunity to generate positive impact.

Impact investing centres on the intentional commitment of capital. Investing to generate a measurable, beneficial social or environmental impact, alongside a financial return is the ultimate aim. We view things through a different lens; adapting traditional methods to put impact first so that we lead with this as opposed to sectors, geographies or styles that define most conventional strategies.

Find out more about Improving Lives on our [website](#).



## Engagement and Proxy Voting Statistics 2023 YTD

Details of our engagement and proxy voting statistics year to date (to June 2023) are as follows:

### Firm-wide engagements

24	Markets covered
75	Companies engaged
317	Total engagements

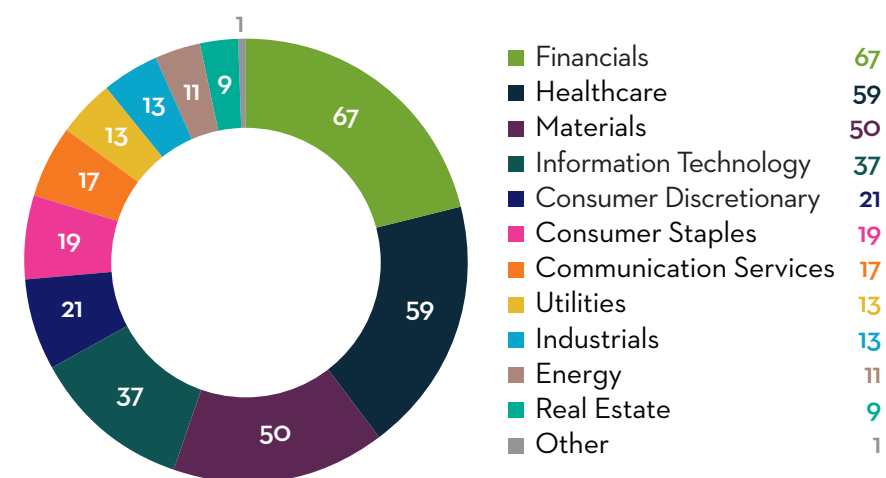
**Top engagement topic: Governance - Board, directors and committees**

### Firm-wide proxy voting

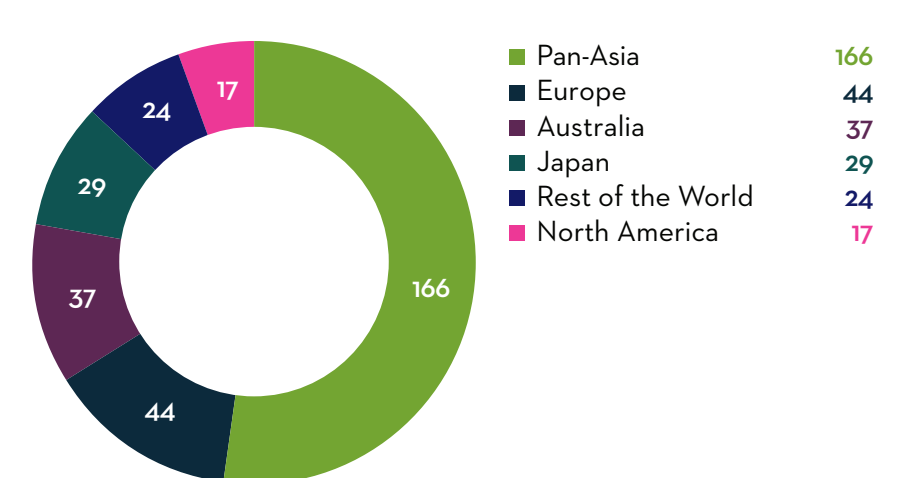
32	Markets covered
314	Total shareholder meetings
113	Meetings where we voted against management

**Top voting topic against management: Director related**

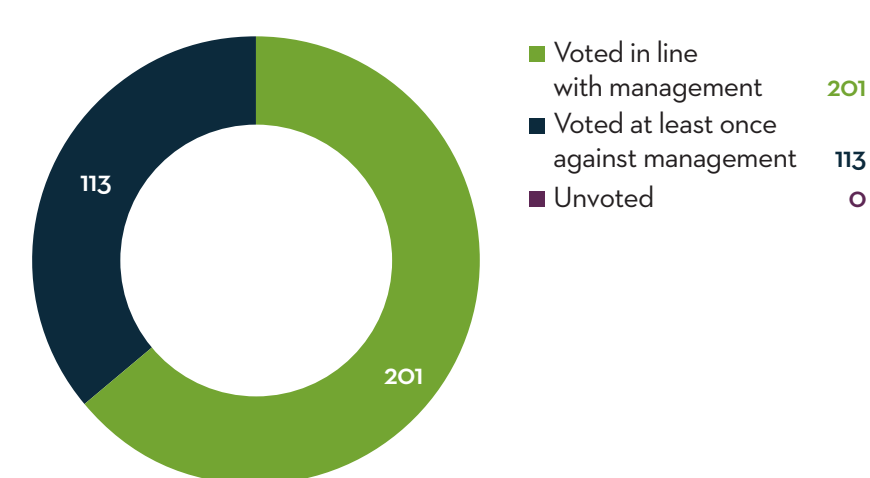
### Engagements by sector



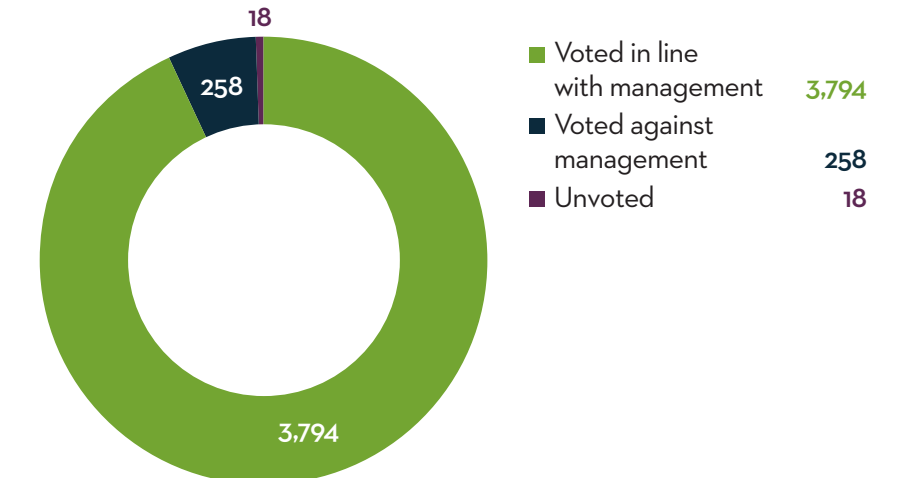
### Engagements by region



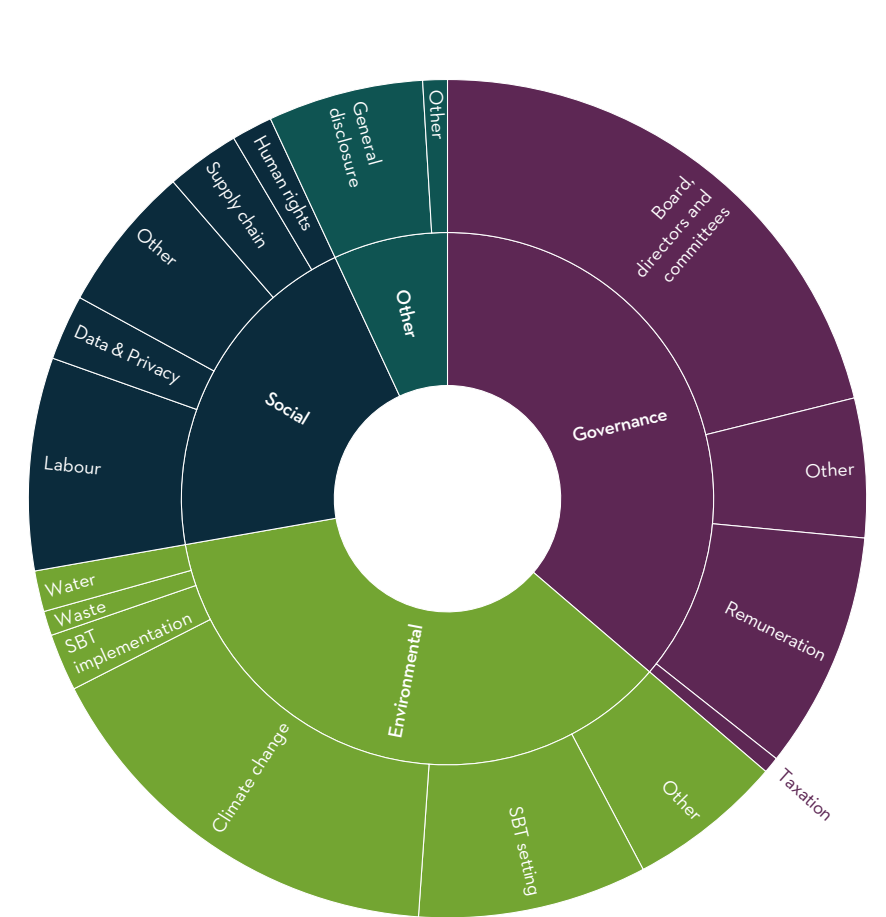
### Total meetings



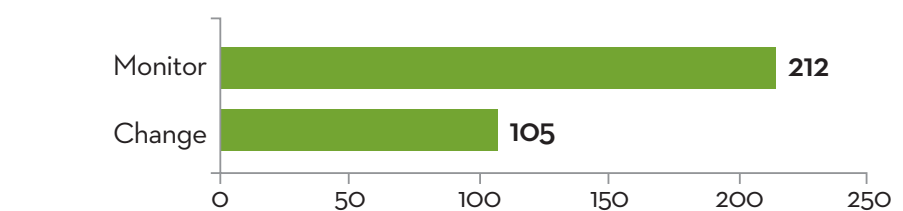
### Total resolutions



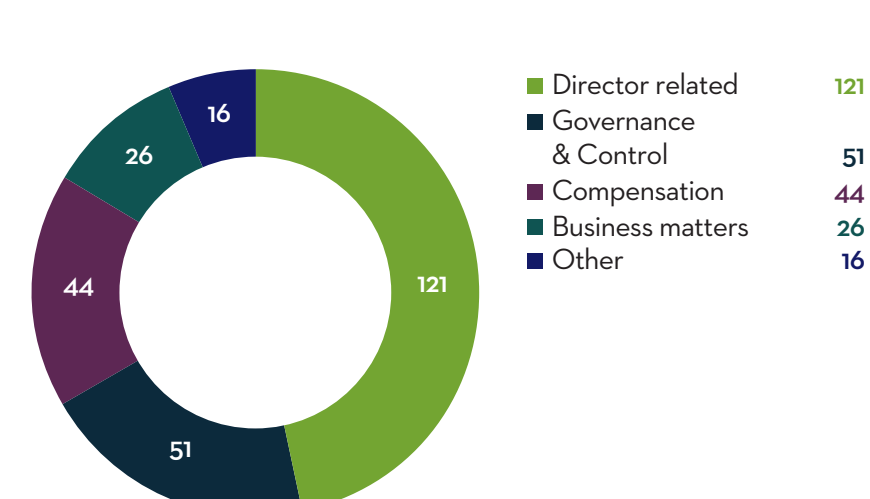
### Engagements by topic



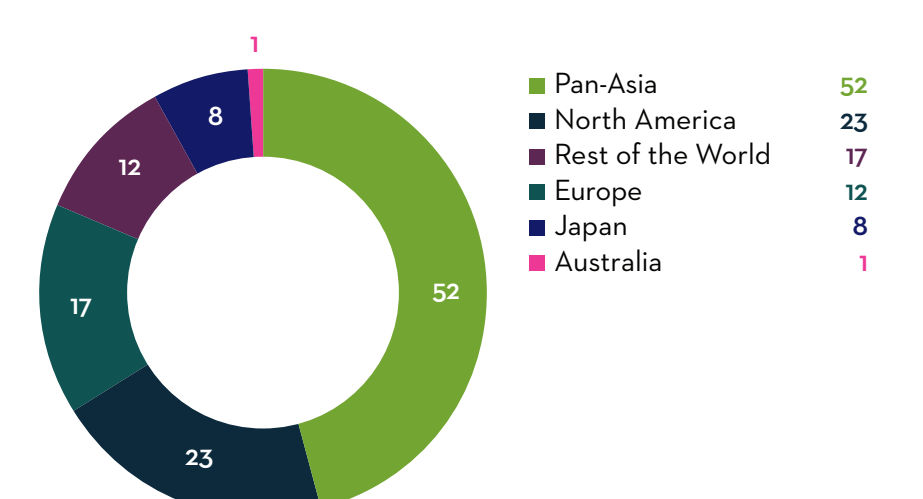
### Purpose of engagement



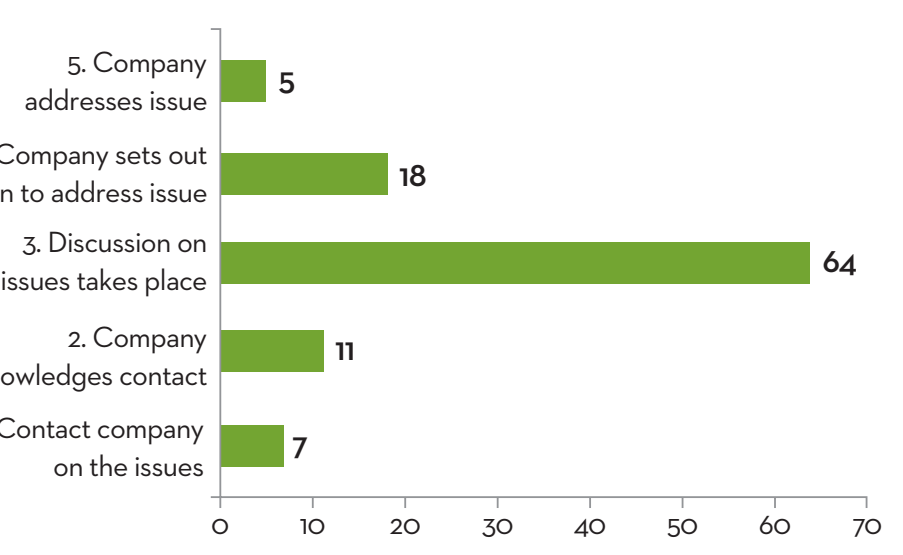
### Resolutions voted against by proposal type



### Resolutions voted against by region



### Stage of completion for change



Source: Martin Currie, Six months to 30 June 2023.



# Evolving capabilities: UK Equities

Since joining Martin Currie in February 2022, our UK Equity team has enhanced their investment process by formalising some of the governance and sustainability considerations throughout the portfolios they manage.

## Strengthening our conviction

We have been able to leverage the expertise in the Stewardship, Sustainability & Impact (SSI) team to formalise our approach and establish frameworks for our sustainability analysis, an area which is undoubtedly garnering increasing interest among UK Equity investors. We've incorporated a range of key sustainability factors into our research which adds a further dimension to our analysis and strengthens our conviction in each holding.

## Governance and sustainability

Our analysis of governance and sustainability is investor-led and fully integrated within our investment process. Our aim, when conducting our proprietary governance and sustainability analysis, is to provide fundamental insight into material risks that can influence long-term returns for companies, and to highlight potential areas for engagement. Our analysis also allows us to assess where the companies in which we invest may have a material impact on key common issues such as climate change, human rights, cybersecurity and workers' rights. This analysis and engagement varies depending on sector and, critically, the materiality of the issues in question.

The overarching aim is to assess the extent to which the identified factors will contribute to, or detract from, insights into the potential long-term value creation of a firm.

## Governance and sustainability process



### Analysis

Rate companies under proprietary ESG methodology



### Engagement

Determine materiality and engagement with management



### Outcome

Monitor and document engagement process

**ESG factor analysis**

	1	2	3	4	5
<b>Governance</b>					
Board assessment					
Management score					
Remuneration					
Culture					
Stake vs Shareholders					
Governance momentum					
<b>Sustainability</b>					
Environmental risks					
Social risks					
Understanding and int.*					
Common Factors risks					
Fundamental risks					
Sustainability momentum					

\*Understanding and integration

We use a variety of resources to identify potentially material governance and sustainability issues as an input to our proprietary governance and sustainability risk ratings. This analysis provides greater insight into the potential risks and returns of the companies we are investing in and allows us to have an informed approach in relation to engagement and escalation of this where necessary.

Our consideration of governance and sustainability factors allows us to explicitly model some of these impacts. For factors that are not as explicit, such as regulatory change, this can be stressed via a cost of capital sensitivity analysis. This can influence valuation and portfolio management decisions during acquisition and spanning the time we will hold investments.



*We have formalised and integrated an enhanced level of research, engagement and scoring within our investment approach across all our UK equity products.*

**Ben Russon and Richard Bullas,**  
Co-Heads of UK Equities



### Dedicated stewardship & ESG resource

Anna Samuel, (Research Analyst, UK Stewardship & ESG), joined the team in November 2022. While ultimate ownership sits with the portfolio managers, Anna provides a valuable, dedicated resource supporting the investment team in their governance and sustainability analysis and providing management of the engagement agenda for the team.

Anna also has frequent interaction and communication with the SSI team. This has offered a different perspective and strengthened support for each UK Equity portfolio manager.



**Anna Samuel**  
Research Analyst, UK Stewardship & ESG

### Engagement in practice

Our focus on engagement is an important aspect of our approach. The principal reason for engagement has been to encourage positive change. Typically, this has been in relation to governance issues as they have come to the fore.

Action can be achieved through a program of engagement. We encourage many of the businesses we invest in to adopt improved governance and sustainability practices, whilst managing active risk in our benchmark aware portfolios.

We hold an investment in Howdens Group, a leading supplier of kitchens (ahead of Wren, B&Q and Wickes) and joinery products for the building trade<sup>7</sup>. The company is listed on the FTSE 250 and is the only vertically integrated, trade-only supplier of UK kitchens. They have earned a market leading reputation as an ‘always stocked’ kitchen supplier. Trade pricing power is earned through its price opacity with end-consumers. We are attracted by the company’s strong competitive position. Together with their balance sheet, both enable the business to protect margins whilst delivering on the long-term domestic and international growth strategy.

#### Analysis:

The company has not yet disclosed any carbon emissions to the Climate Disclosure Project (CDP). This has been flagged as part of the CDP Non-Disclosure Campaign

#### Engagement:

We engaged with Howdens to understand their position on sharing climate data with CDP and to encourage them to do this. The company currently disclose Scope 1, 2 and 3 emissions in their annual report, in alignment with TCFD recommendations, and had provided further emissions reporting aligned with Streamlined Energy and Carbon Reporting (SECR). We wanted to ascertain their plans to disclose carbon emissions in future.

#### Outcome:

The company has set out a plan to address the issue. They’ve signed up to the Science Based Targets initiative (SBTi) and will register targets later this year. They plan to disclose data to CDP in 2024.

The route to change for some investee companies can be quite protracted. Through our increased engagement, we feel that some have been more transparent about the challenges that they face and issues to be addressed for positive change in future.

### New regulation

More generally, we continue to evolve our capabilities, with particular attention being paid to the forthcoming UK Sustainability Disclosure Requirements (SDR) ahead of the regulation being introduced later this year. We have engaged with the regulator and have participating in the consultation to understand how this will affect our strategy. The conversation is now shifting towards the potential labelling or classification of our UK Equity products, and we are considering how our funds will be positioned in terms of being ‘sustainable’.

The work that has been done across Martin Currie to meet the disclosure requirements of SFDR provides a strong platform that we can leverage in considering the requirements of the upcoming UK regime. One key area that will support this work is the framework that has been established to analyse the contribution of companies’ products and services to the Sustainable Development Goals (SDGs), so this is an area of increasing consideration within the UK Equity team.

We are making progress as we broaden and evolve our capabilities.

In essence, we continue to deliver for clients across various funds but with greater ESG focus and a more considered approach in terms of discussion and engagement on both governance and sustainability issues and how to tackle these.

<sup>7</sup>The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the securities discussed here were, or will prove to be, profitable. It is not known whether the stocks mentioned will feature in any future portfolios managed by Martin Currie. Any stock examples will represent a small part of a portfolio and are used purely to demonstrate our investment style.

“  
Companies have been more transparent about the challenges that they face.  
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<sup>6</sup>Report on 2022 BBFAW Consultation, 30 March 2023. [www.bbfa.com](http://www.bbfa.com)

Rapid growth in urban-based populations is translating into significant demand for global real assets to service everyday needs. With increasing demand, coupled with the non-discretionary nature of the services provided, real assets often have strong pricing power, proven cash flows, and the ability to grow income distributions regardless of the economic cycle.

Urban population growth is resulting from:

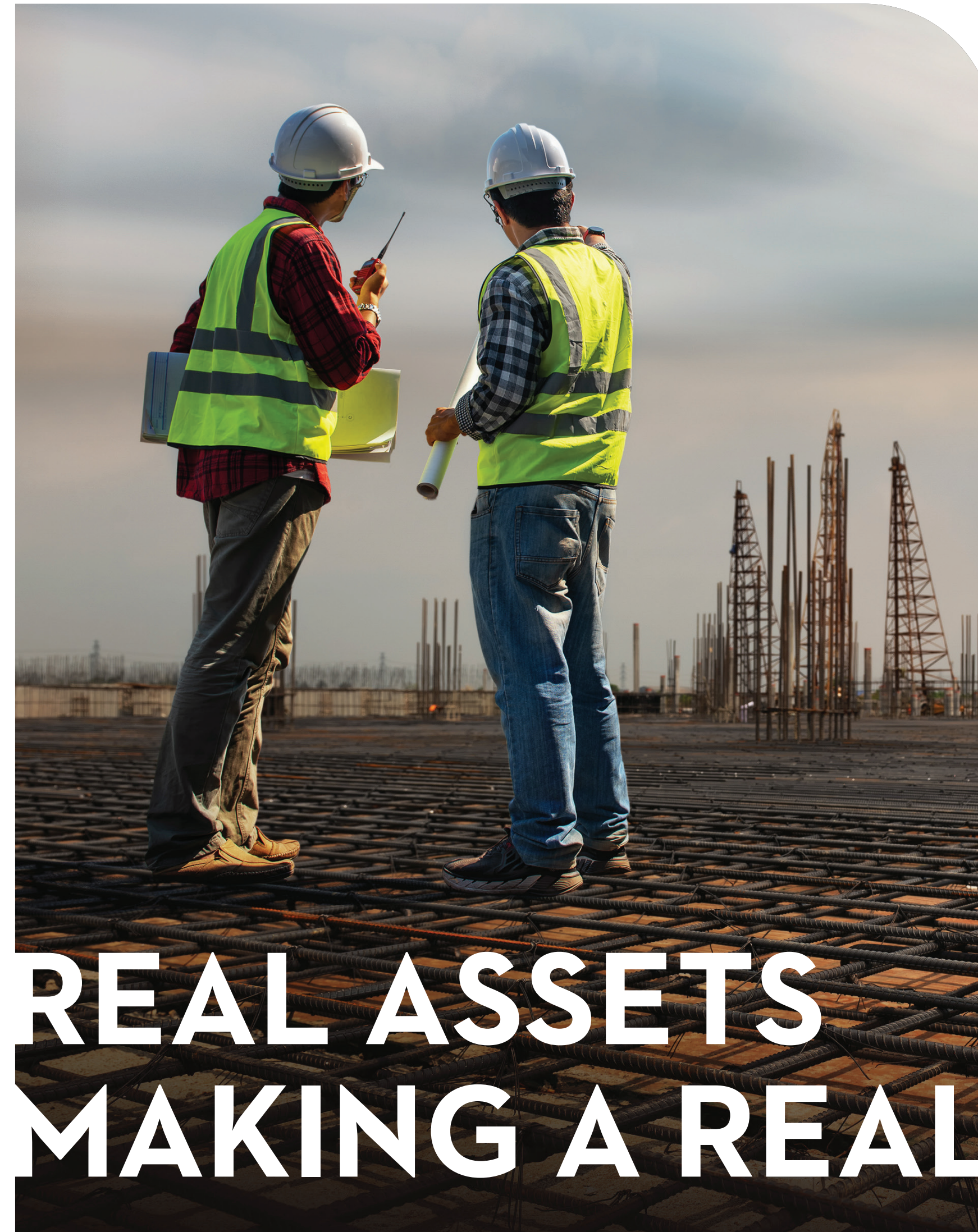
- rural to urban internal migration;
- external migration; and
- increased natural birth rates.

This is driven by desires for:

- better employment opportunities;
- better services / education; and
- a higher standard of living.

While the trend towards world urbanisation growth is promising, not all countries and cities are growing. Indeed, some are going backwards. The Martin Currie Australia (MCA) investment team has looked at the demographics across cities in all countries where the real assets in our investment universe operate, and those without urban population growth present less favourable opportunities.

We have focussed on select target countries, regions, and cities with the most attractive demographic growth for population and urbanisation. This investment universe serves as a foundation to create a unique and diversified blend of high-quality listed global real estate investment trusts (REITs), infrastructure and utilities across our Real Asset platform.

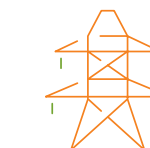


Our unique blend of listed real assets can provide investors with better income opportunities, fuelled by the multi-decade global megatrend of urban population growth. This is achieved while helping to enrich the lives of the communities that these assets are located in.



**REITs**

- Supermarket-anchored shopping centres
- Office & industrial sheds
- Data centres
- Residential
- Healthcare



**Utilities**

- Gas & electricity grids
- Multi-utilities & pipelines



**Infrastructure**

- Toll roads
- Railroads & ports
- Telco towers & fibre networks
- Airports

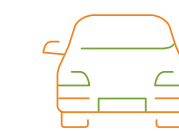
**Population and urbanisation levels are key drivers for real asset demand**

By their nature, listed REITs, utilities and infrastructure assets are the essential 'building blocks' of an economy. As populations grow, the volume of demand grows for real assets to serve non-discretionary everyday needs. More people leads to greater use of utilities, as well as more pressure on infrastructure and accessing data services.



**Cooking, cleaning and heating**

Benefits gas, electricity and water grids



**Driving on the roads**

Benefits toll roads



**Doing their daily shop**

Benefits supermarket-anchored shopping centres



**Making use of online delivery services**

Benefits datacentres, airports, rail and distribution sheds

# REAL ASSETS MAKING A REAL DIFFERENCE

### Facilitating sustainable growth within cities

The urbanisation megatrend is driven by society's desire for a better standard of living. However, poorly planned, unsustainable urbanisation can have negative impacts on society.

Real assets have the potential to drive real benefits to society by facilitating more sustainable growth within the cities they service. Two areas in which they can have a real impact are energy transition and enabling connectivity.



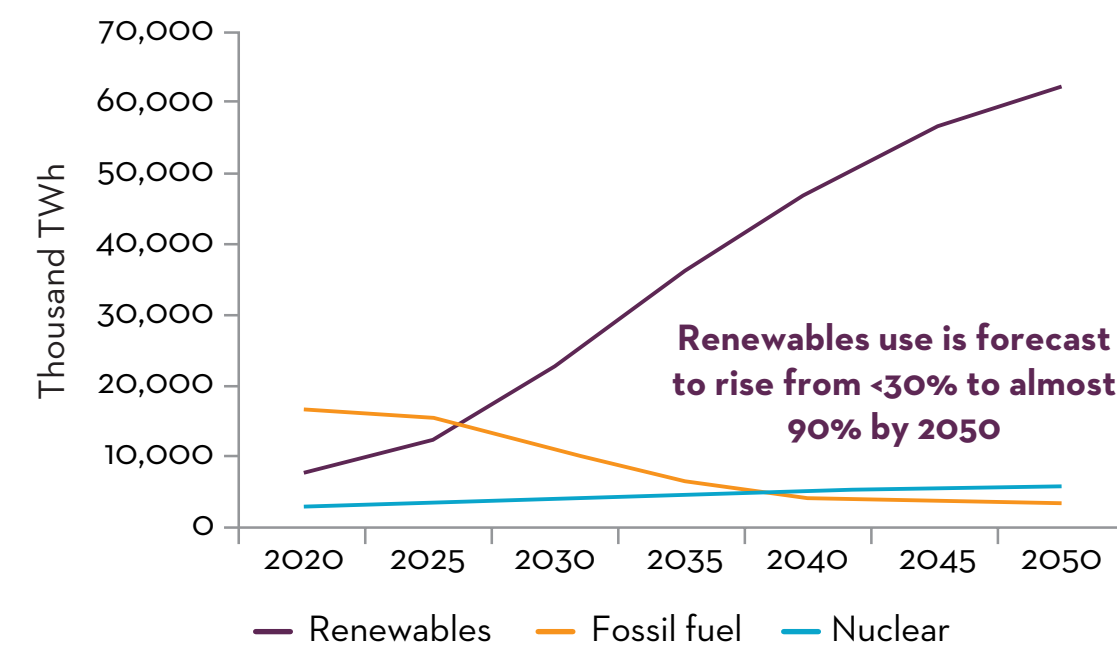
### Era-defining global energy transition

As electrification ramps up to help develop a lower carbon economy, we expect significant growth in electricity consumption. This demand will necessitate increased capacity of the whole system provided by utilities and will require significant investment in networks, additional storage, smart grids and energy efficiency solutions.

Alongside growth in renewable electricity generation, when we combine our urban population growth with this net zero opportunity, we believe a once 'boring' or stable, listed utilities sector will generate some additional spark in the transition years.

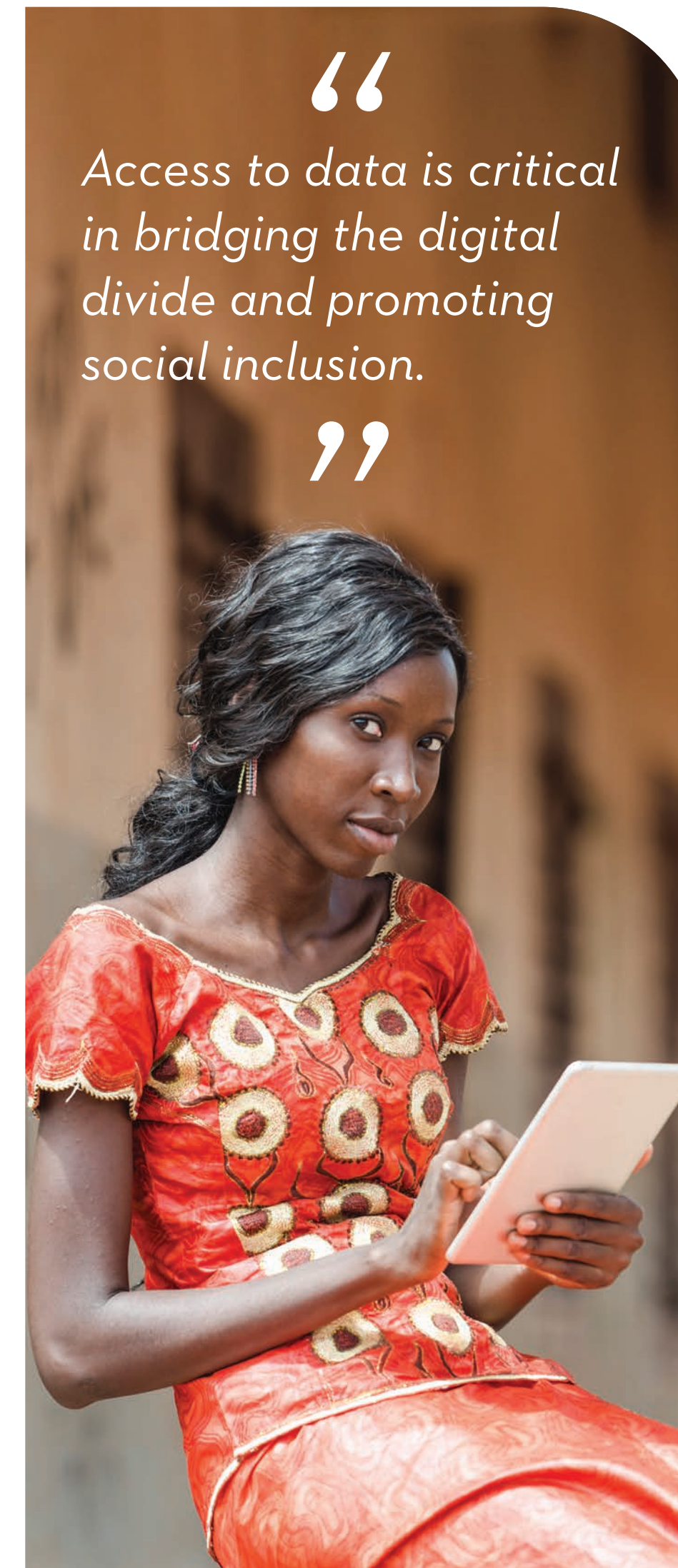
While electrification may be the long-term solution to lower carbon, we still require older generation sources such as coal and gas to continue running in the medium term. While coal and gas currently result in higher carbon emissions, they nevertheless offer opportunities to participate in and sensibly shape the transition.

#### Shift in global electricity generation by source



#### Past performance is not a guide to future returns.

Source: International Energy Agency (May 2021); Net Zero by 2050, IEA, Paris. Data based on IEA's Net Zero Emissions by 2050 Scenario (figure 3.10).  
 Report available from <https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector-CORR.pdf>  
 Fossil fuel includes Unabated coal, Unabated natural gas, Oil, Hydrogen based and Fossil fuels with CCUS. Renewables includes Solar PV, Wind, Hydropower and other renewables.



### Aiding connectivity through data

Real Assets are also integral in connecting communities. This might be physically, through rail, ports, toll roads, and airports, or digitally, through communications infrastructure. Access to data is critical in bridging the digital divide and promoting social inclusion. It reduces the barriers to accessing many essential services, including healthcare, government services, banking, and entertainment, while creating economic opportunities and helping drive innovation. India's embrace of mobile technology, for example, has helped more consumers and small businesses to gain access to essential internet-based services. This was once the exclusive domain of the rich - those with a computer and internet connection.

With growing demand for data through technological change and urbanisation growth, the services provided by listed Real Assets - data centre REITs, mobile phone towers, fibre networks - are becoming more important in sustainable cities.

### Being active to make a real difference

Embedded into our process is a focus on active ownership and understanding the sustainable economic pathway of every investment we make. We have developed strong relationships with investee companies. We are ready and willing to challenge them about their progress on reducing carbon emissions, or how they support sustainable growth. By doing this we encourage greater transparency, and gain insight into the company's management of key governance and sustainability issues. Ultimately, this process encourages change, more sustainable business practices and the potential for more significant, long-term value.



## Catching up with Lauran Halpin, Portfolio Manager and Head of Impact Equities.

### *Tell us about your background and investment experience.*

Prior to joining Martin Currie last year, I was a member of the portfolio construction group managing ESG-related products at Franklin Templeton Global Equity Group. With over 20 years' direct experience, I've managed sustainable mandates, including the Templeton Global Climate Change Fund. I began my career as a Global Healthcare Analyst at Baillie Gifford in 2007 and then continued researching the sector during my career at Edinburgh Partners where I was an Investment Manager from 2013.

### *Why did you join Martin Currie?*

I was aware of the stewardship and sustainability credentials of the existing team and the work that they were already doing. I felt there was an opportunity to build on this and make an even greater impact.

Having previously researched the Global Healthcare sector, I started to question how we could make a difference on a grander scale by investing to improve social equity and narrow the equality gap. I felt we could apply some of the same questions or themes and address similar issues more broadly and across a wider range of sectors, globally. I had the opportunity to discuss and develop this idea with David (Sheasby).

As a natural evolution of Martin Currie's leadership in stewardship and sustainability investment capabilities, we have extended our product range to include both Article 8 and 9 SFDR solutions. This is an area where we anticipate there to be significant growth in sustainable investments in the next few years.

### *What drives your passion behind this?*

Globally, there are some really complex and significant challenges that still need to be addressed. There are a billion people in the world that are hungry - and this results in nearly 10 million deaths through malnutrition each year. The Sustainable Development Goals that were set out by the United Nations aim to improve the prosperity, wellbeing, and safety of the planet. I feel very strongly about doing what we can to try to bridge that gap. That's why we've established an investment strategy that focusses on making a meaningful and measurable difference through social impact.

### *How do you engage with companies?*

We engage with every company in the portfolio to both encourage an increase in the scale of positive impact the company is making and help improve the company's governance and sustainability credentials. We set clear goals for our company engagements, which fosters an enriched dialogue so that we understand where changes and developments are likely to occur.

### *How do you collaborate with other investment teams within Martin Currie?*

John Gilmore (Impact Equities Portfolio Manager and Stewardship, Sustainability & Impact Specialist) and I meet frequently with members of the other investment teams. Generally, we discuss and share ideas on different markets and themes.

The area in which there is most crossover (stock exposure in other investment strategies), is the healthcare sector. This has sparked conversation around proxy voting and in some cases I've held a joint meeting with colleagues from our Global Long-Term Unconstrained team and the investee company.

We also access a central database of research information that each investment team feeds into, so we can see the latest discussions that have taken place with various companies.

Meet the manager

**Can you share an example of where you're seeing impactful change?**

Yes. We invest in Intuitive Surgical<sup>8</sup>, which is a global technology leader and pioneer in robotic assisted, minimally invasive surgery. In terms of social impact, the company lessens the onus on both patients and healthcare systems by focussing on four distinct aims: to improve patient outcomes, minimise disruption to lives, increase medical team satisfaction and lower procedure costs.

**What excites you about this opportunity?**

Intuitive Surgical is working to increase the types of procedures the surgical robots can be used for which will expand the company's impact and help even more patients achieve better outcomes over the coming years. The company's track record of innovation in robotic surgery also puts it in an excellent position to drive forward remote procedures where a surgical robot is located remotely to where the surgeon is operating the controls. This could one day deliver world-class healthcare to under-served populations and conflict zones.

Over the longer term, I'm excited to see the extent of change and the realised impact that this and our other investments can have within their respective industries.

We will produce an Impact Assessment Report, which will essentially be an 'anthology' of short stories where we can discuss the engagement activities being undertaken. This will also be an opportunity to provide an update in terms of the Key Performance Indicators (KPIs) that are in place across all of our investments.

**Tell us about some of the charitable work that you're personally involved in?**

I'm passionate about having the ability to make an impact in my local community. During the COVID-19 lockdown, I grew my hair and recently donated ten inches to The Little Princess Trust (LPT), which is a UK-based charity that provides free, real hair wigs to children and young people who have lost their hair undergoing cancer treatments or through other conditions.

I'm proud to have been given the opportunity to donate my hair to such a worthy cause. It's a true privilege to be making a difference in the lives of those going through incredibly tough journeys.

I am also on the steering committee of Future Asset, a Scottish charity which educates school-aged young women about the investment management industry to both help them learn about potential careers and to, over the longer term, help improve the gender diversity of what is still an overwhelmingly male industry.

**What do you do in your spare time to relax?**

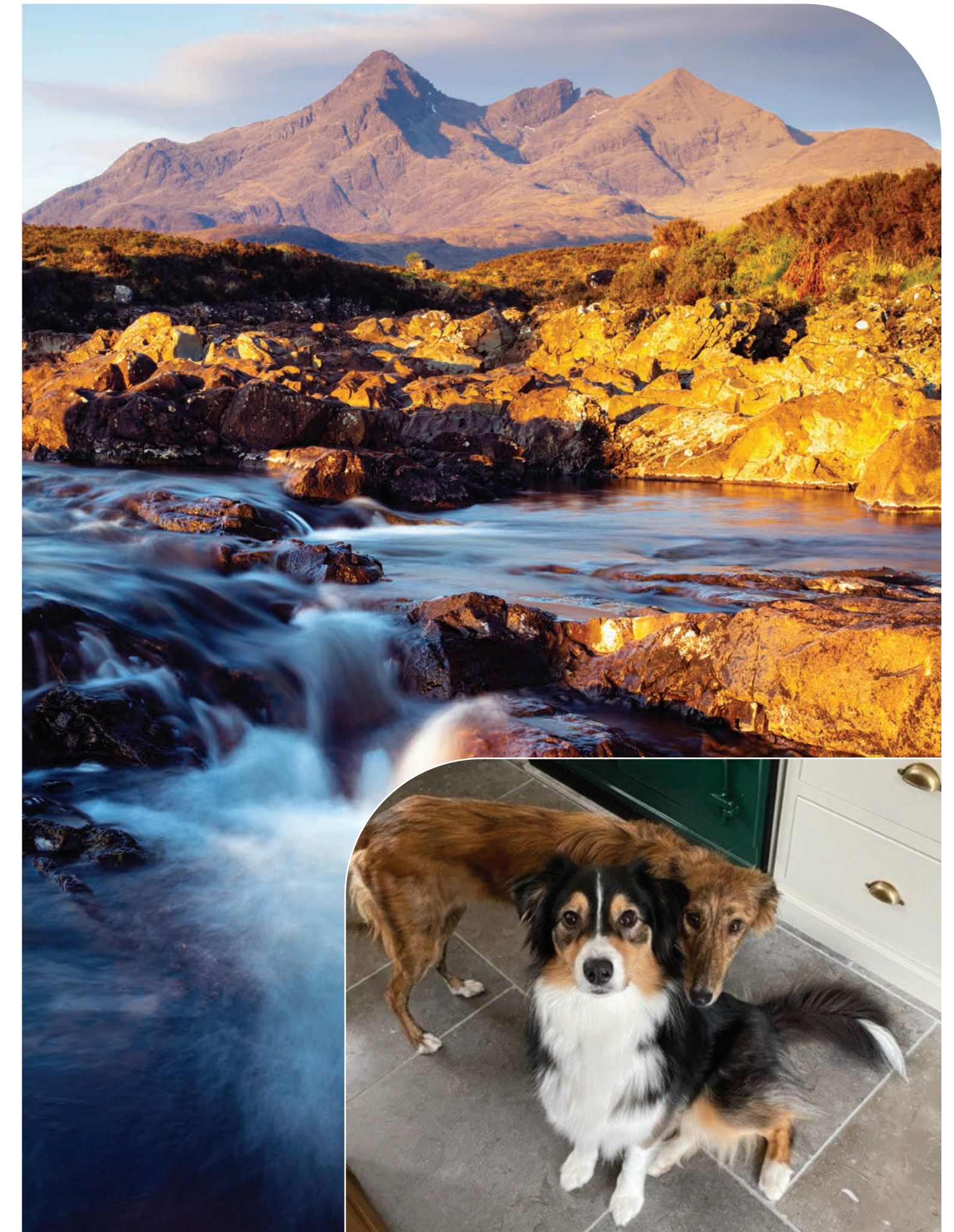
I enjoy wild water swimming and I like to escape the city to spend time on the Isle of Skye with my two dogs, Tali (Lurcher) and Wynnie (Australian Shepherd), pictured right.

“

*I'm excited to see the extent of change and the realised impact that this and our other investments can have within their respective industries.*

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<sup>8</sup>The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the securities discussed here were, or will prove to be, profitable. It is not known whether the stocks mentioned will feature in any future portfolios managed by Martin Currie. Any stock examples will represent a small part of a portfolio and are used purely to demonstrate our investment style.



# Our recent Stewardship & ESG Insights



One significant observation over recent years has been the evolution of stewardship and sustainability and how to address a growing range of issues. Details of thought leadership that we have published on our [website](#) over the course of 2023 are as follows:

*Stewardship Matters - Introducing active ownership*

*Moving Beyond ESG - Stewardship, Sustainability & Impact*



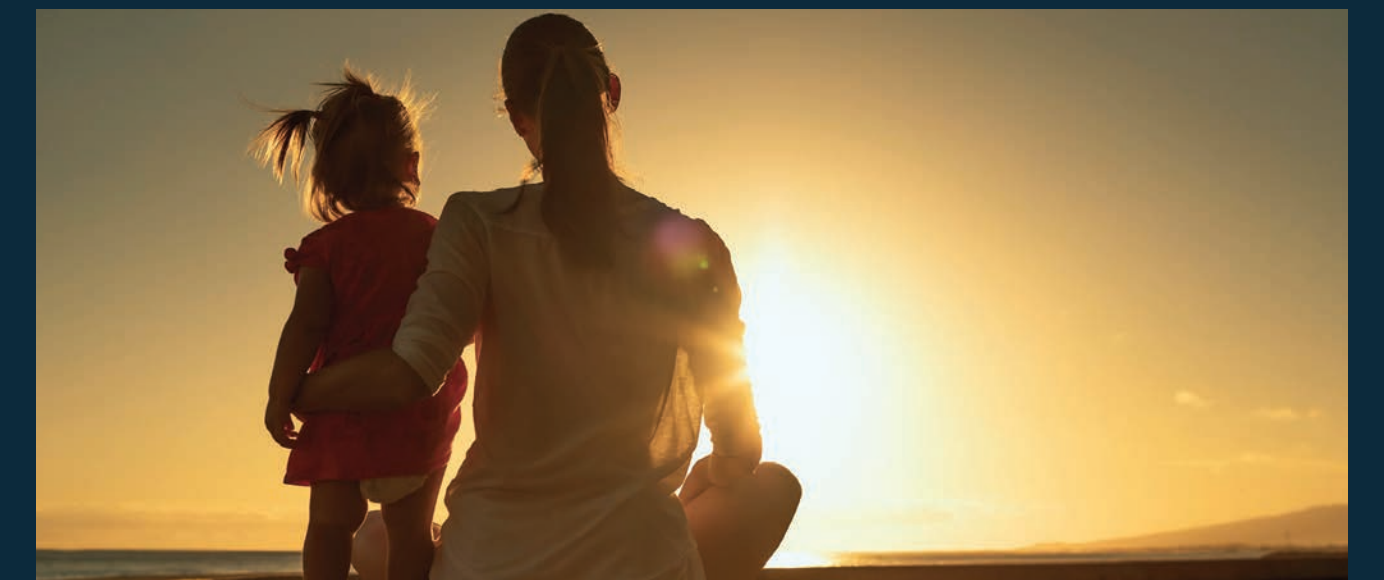
*2023 Stewardship Annual Report*

*Moving Beyond ESG - Reaching for a more sustainable future*



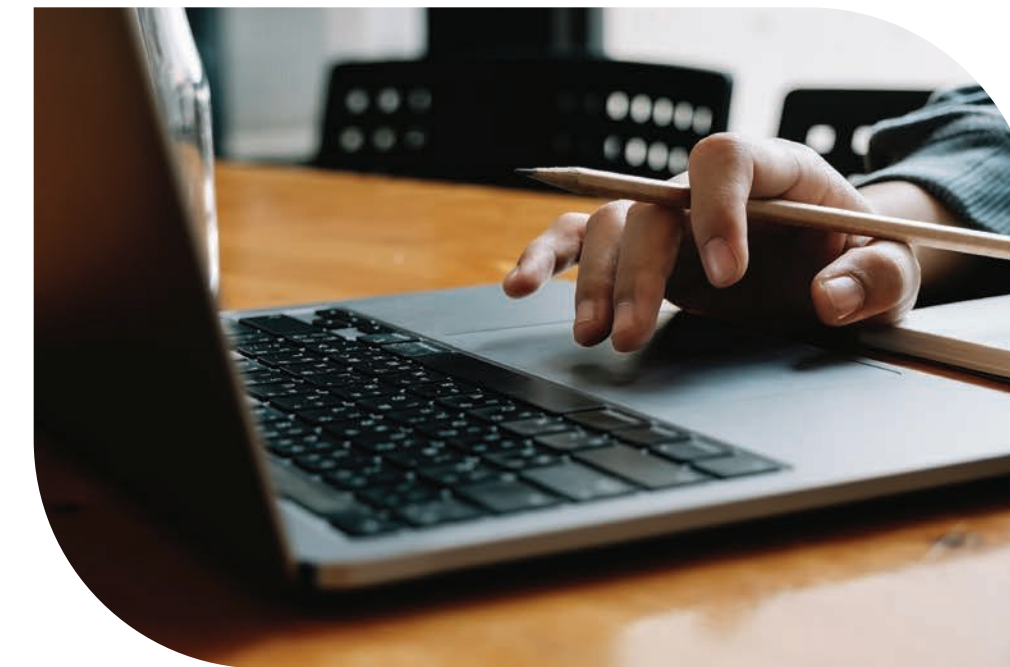
*Moving Beyond ESG - Replacing ESG*

*Improving Society: Three Pillars*





# NEWS ROUNDUP



## The latest news on our initiatives, regulatory changes and events.

We are establishing a partnership with [Global Ethical Finance Initiative \(GEFI\)](#), who are at the centre of the action on ethical finance, curating conversations between a broad coalition of stakeholders throughout financial services. Martin Currie were active participants in the Sustainable Finance Summit that was held in Dubai in June 2023 and which featured roundtables on a number of issues including Just Transition and Islamic Finance.

The event focused on raising a collective ambition to finance a just transition, ensuring a sustainable future for all.

Some of the key takeaways from the summit were:

- The availability of credible data continues to be a challenge for both the financial sector and investors. Overcoming this barrier is critical for making informed decisions and driving meaningful change.
- Setting credible and verified targets is critical for attracting investors. Investors need confidence in the sustainability goals they support.
- While Net Zero represents “what” we want and need to achieve, a Just Transition embodies “how” this can be done. We must ensure a seamless connection by integrating environmental and social considerations.
- The allocation of capital to the right projects is key and should be directed towards initiatives that drive positive environmental and social outcomes.

Martin Currie continues to work with GEFI in the Path to COP28, taking place in Dubai in November 2023. This will bring together thought leaders from across the globe for positive climate action that supports a just transition for all.

The Financial Conduct Authority (FCA) consultation on [Sustainability Disclosure Requirements \(SDR\)](#) has been pivotal in shaping the evolution of sustainable investment and stewardship in the UK market. The consultation process involved meetings with the FCA, bilateral meetings with the Investment Association (IA) and membership of a small focus group established to review and provide feedback on the consultation. The result was a substantial and detailed feedback document produced by the IA and submitted to the regulator for consideration. We also presented our own written response where we outlined the key strengths together with several challenges we identified in the proposed regime.

Through our membership of the PRI Stewardship Advisory Committee, Martin Currie also contributed to the development of a guidance document to filing shareholder proposals and how they can use these to drive improvements at investee companies on matters related to governance and sustainability issues.

In conjunction with the University of Oxford and our parent company, Franklin Templeton, David Sheasby, Head of Stewardship, Sustainability & Impact, represented Martin Currie in attending the inaugural [Oxford Sustainable Finance Summit](#) in July 2023.

This brought together a diverse range of practitioners, policymakers, researchers, regulators, and civil society organisations to examine and reflect on some of the latest developments and trends in sustainable finance and investments and ask what needs to change.

The event covered a range of topics through provocative and insightful discussion. It was an opportunity to share experience and focus on emerging regulatory frameworks and reporting requirements, engagement and stewardship, net zero transition plans, and sustainability-linked products and instruments.

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**The analysis of Environmental, Social and Governance (ESG) factors forms an important part of the investment process and helps inform investment decisions. Some strategies do not necessarily target particular sustainability outcomes.**

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