Perpetual

Case study: JO Hambro encouraging a more robust approach to sustainability and climate

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Awareness of the need for climate action linked to the transformation of business models is in sharp focus for a number of investment teams at J O Hambro, including for their engagement with companies. Between January 2023 and June 2023, approximately 30% of engagements

conducted by J O Hambro's investment teams were related to climate change. One example of an ongoing engagement is with UK-listed global specialty chemicals company, Elementis. Since 2020, J O Hambro has worked alongside Elementis to encourage the company to improve its sustainability performance. Following a reduction in Elementis' MSCI rating, J O Hambro advised Elementis to announce a set of 2030 targets to reduce waste, water use and GHGs and increase energy efficiency to improve the MSCI rating. The Elementis team also appointed a Head of Sustainability. Despite these efforts, the company still lagged in its ambitions to reduce GHG emissions sufficiently, particularly given that its high emissions could leave the company exposed to higher transition risk. J O Hambro suggested that Elementis undertake Scope 3 mapping exercises, complete the integration of Scope 3 into reduction targets, commit to a science-based target and improve their sustainability governance structures. In November 2022, Elementis completed the sale of its Chromium business, which represented approximately 69% of operational GHG emissions. Not only did the sale materially reduce financial risk by de-leveraging the balance sheet, but it has reduced the company's climate transition risk moving forward. The Group has also disclosed granular Scope 3 value chain emissions in its FY22 Annual Report, as well as committing to a science-based target in 2023. Elementis published its first Net Zero Transition plan and has set out a more robust sustainability strategy focusing on three pillars, with protecting the environment as a priority. There has been strong progress made at Elementis over a three-year period on environmental issues and J O Hambro will continue to monitor the delivery of these initiatives moving forward.

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