

## **Real world decarbonization: identifying future leaders in the low carbon transition**

### **Looking beyond the green meme and decarbonizing the existing economy**

Q. What kind of companies do you believe could be future leaders in the low carbon transition?

When we think about the transition to net zero carbon world, many of us naturally picture electrical vehicles, solar panels, wind farms. Now, all of these green technologies certainly, have a role to play.

But the key to a successful transition lies, first and foremost, with decarbonizing the existing economy. We call this real-world decarbonization and it means that every industry and every company has a role to play, regardless of whether or not they offer green products or services.

For our investment portfolios to succeed from an environmental and a return perspective, we have to acknowledge the fact that the world's infrastructure cannot change overnight. Many of today's high carbon emitting industries will be required for the foreseeable future. For example, the manufacturing of steel and cement, as well as its transportation by truck or rail, are all high carbon emitting activities.

However, society requires these and many other products to function, and it is unreasonable to believe that we can simply stop using them. But by engaging with these companies and encouraging them to adopt clear and timely carbon reduction targets, these companies can contribute to the solution, as well as succeed in a low carbon world. We believe that by investing in companies that are making the difference, the ones that are actually changing their business models and adapting to a low carbon world. We can not only accelerate the reduction of carbon emissions, but we can also benefit as the fundamentals of these companies improve, as they establish themselves as clear climate leaders.

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