



How we're finding UK ESG winners where you might not expect them

When people talk about ESG investing their thoughts normally go to wind farms and solar power. Whilst these utilities have an important role to play in energy transition to a lower carbon economy, they are not the be all and end all of ESG investing.

In fact we've been unearthing ESG winners across a range of sectors, including food & beverages, industrial engineering and technology. These companies stand out to us for a variety of reasons related to their social or environmental impact and we believe are firmly leaders within their respective industries.

In this article I'll outline some examples of UK listed ESG winners that aren't necessarily where you'd expect to find them.

Tate & Lyle

Whilst the Tate & Lyle brand is still associated with the bags of sugar you see on the supermarket shelf, the company has actually been 'sugar free' for over a decade.

Having sold their namesake granulated sugar business in 2010 the company has spent recent years reinventing themselves as a "food and beverage solutions" business. In practical terms this means working with large food and beverage companies to replace sugar with alternative sweetener combinations that reduce calories, but maintain taste & texture.

As a result the company has been able to commit to removing 9 million tonnes of sugar from people's diets by 2025, equivalent to 36 trillion calories, or 250bn cans of coke¹.

This reinvention of the business model also brings a re-rating opportunity, with the company still trading on around half the price/ earnings ratio of longer established ingredients businesses such as Kerry Group and Symrise.

Spirax-Sarco Engineering

Spirax-Sarco on the other hand has been operating as an ESG leader for far longer than Tate & Lyle. With a business model that centres around thermal solutions the company has been improving the energy efficiency of their customer's operations ever since the 1800's.

Last year alone products sold by Spirax-Sarco reduced the CO₂ emissions of their customers by 15.8 million tonnes. That's the equivalent of taking 2.7 million cars off the road for a year².

The company is already well understood as a UK industrial champion, but its ESG credentials are only just beginning to be appreciated today.

Softcat

Softcat is the UK's leading value added reseller of IT products to small and medium sized businesses. The fast-paced telesales business model might seem an obvious place to find an ESG leader, but then you might be surprised to hear that the company is the fifth highest rated place to work in the UK according to Glassdoor (just one spot below Google).

The company has consistently put culture first and has built a diverse, fun and rewarding environment for its employees. This employee satisfaction has in turn fed through to results, with the company successfully retaining top talent and growing market share – and as a result has now delivered 31 consecutive half year periods of year-on-year organic growth.

In summary, the UK equity market has no shortage of ESG leaders across the full breadth of sectors. You just need to know where to look.

Sources:

¹ Based on a standard 12oz can, as per Coca-colacompany.com

² US Environmental Protection Agency GHG equivalences calculator

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