



future leaders

# Future Leaders Offshore Portfolios

H1 2023 update

The EQ Future Leaders Offshore Portfolios invest in the sustainability leaders of tomorrow. The core of the portfolios invests in businesses that are strong performers when measured on environmental, social and governance (ESG) criteria. This is complemented by satellite investments in sustainable sectors, such as clean energy, healthcare, and green bonds. In these quarterly updates we showcase three examples of companies to which investors gain exposure.



## ESG Leader: Ferguson



Ferguson is a North American trading and distribution business, focusing mostly on plumbing and heating equipment. Ferguson is an ESG leader amongst its peers, [receiving the best possible rating of an 'AAA' from MSCI](#), a prominent ESG rating agency.

Ferguson considers the impact it has on all stakeholders in its business, including its employees, customers, local community, and the environment.

### FUND IN FOCUS

Amundi MSCI Europe SRI PAB Index



Ferguson receives investment through Amundi MSCI Europe SRI PAB Index which holds large and mid-cap stocks in the European equity markets that have strong ESG performance and are not involved in any controversial activities.

Examples of some other holdings in the Index are L'Oréal and Sainsbury's.



## Environment

The **environmental** pillar focuses on how a business performs as a steward of our natural environment.

Ferguson has a 26% lower carbon intensity relative to peers.

[The company has strong emission reduction targets in the near-term \(35% reduction of Scope 1 & 2 emission intensity by 2026\)](#), as well as a commitment to engage with suppliers and help customers reach their own reduction goals through Ferguson's sustainable products.

They have identified energy efficiency as a key area of improvement and have worked with green building consultants to reduce their energy consumption.



## Social

The **social** pillar focuses on how a company treats people, such as its employees, its customers, and its local community.

Ferguson has an initiative, known as Ferguson Cares, which focuses on making improvements to the local communities affected by its operations using the competitive advantage the business has in construction.

For example, over [two million Americans still do not have access to hot or clean water](#), therefore Ferguson worked with a non-profit called DigDeep to create safe-to-use running water and essential plumbing and sanitation solutions for more than 100 homes.



## Governance

The **governance** pillar focuses on how the business polices itself by integrating policies to prevent corruption and ensure a high governing standard.

45% of the Ferguson board are female. In 2021, Ferguson conducted an assessment with an external consultant to discuss and address the key sustainability issues most important to stakeholders in the company.

This was achieved through identifying an extensive list of potential topics and conducting interviews with a variety of stakeholders, in which they were asked to rank the refined topic list. This helped the Ferguson board prioritise the issues most material to the business.



## ESG Leader: American Express

American Express is a global payments company that issues prepaid, credit, and charge cards to consumers and businesses.



American Express is an ESG leader amongst its peers, receiving an 'AA' rating from MSCI, the second-best possible rating.

American Express has a strong record of corporate social responsibility. The company has identified several material ESG issues discussed below.

### FUND IN FOCUS

Amundi MSCI USA SRI PAB Index

**Amundi**  
ASSET MANAGEMENT

American Express receives investment through Amundi MSCI USA SRI PAB Index which holds large and mid-cap stocks in the US equity market that have strong ESG performance and are not involved in any controversial activities. Examples of some other holdings in the fund are eBay and Tesla.



## Environment

American Express recognises the need to make advancements in addressing the climate crisis, not only in their own operations but also its wider community. The company has committed to setting a science-based target through Science-Based Targets Initiative (SBTi), a not-for-profit organisation that assesses and approves company's decarbonisation targets. American Express is looking to become Net Zero by 2035. American Express has also made commitments to provide at least \$10 million in charitable grants from 2021 to 2025 to support initiatives, partnerships, and programs that address the adverse effects of climate change and pollution on communities.



## Social

American Express looks to promote diversity, equity, and inclusion. The company aims to meet the financial needs of underrepresented businesses and consumers and is committed to develop more inclusive marketing initiatives.

It has set a target to provide access to capital and financial education to at least 250,000 minority-owned small and medium sized businesses in the US from late 2020 to 2024. American Express also has looked to build financial empowerment in its customer base. The company will be providing access to credit to at least four million individuals from underrepresented populations from 2021 to 2025.



## Governance

The company's executive pay is linked to ESG performance.

American Express has an ESG Steering Committee, as well as several working groups to ensure robust ESG strategy development and oversight. 57% of the board are women and/or are from minority ethnic backgrounds.





## Sustainable theme: Digital security

As the world continues to go through digital transformation, digital security has become a more prevalent issue, and services that improve the resilience of companies' IT infrastructure are crucial in countering cyber-attacks.

Cyber-attacks have continued to grow year on year and in 2021 over 22 billion records were compromised through breaches of data. Furthermore, data breaches can be extremely costly, and it has been estimated that the average cost of a breach is \$3.92 million, showing that cyber security services are crucial from both a security and financial perspective.

### COMPANY

#### Qualys

Qualys is a pioneer and leading provider of a cloud-based platform delivering IT, security, and compliance solutions. The company enables its customers to manage their IT assets in a very simple manner. The Qualys Cloud Platform and its integrated apps help businesses simplify their security operations and ensure that they are compliant with regulations.

Qualys is best known for its vulnerability management. This is generally defined as the process of identifying, categorizing, prioritizing, and resolving vulnerabilities in

IT systems. While managing digital threats is a reactive process where the threat must be actively present, vulnerability management is proactive, as it seeks to eliminate gaps in IT security before they are taken advantage of.

Many of Qualys' customers are banks. It is hugely important for banks to have resilient IT systems where potential weaknesses are identified and resolved quickly, otherwise they risk compromising their clients' money and damaging their reputation.

### FUND IN FOCUS iShares Digital Security UCITS ETF

**iShares**  
by BlackRock

Qualys receives investment through the iShares Digital Security UCITS ETF. The underlying strategy is naturally aligned with the UN Sustainable Development Goals, targeting companies whose products and services are involved in cyber-security, hardware, and physical security.

Other holdings in the ETF include CyberArk and DXC Technology both of which are also in the cyber security space.



Want to learn more about the UN Goals,  
and invest in the sustainability leaders of tomorrow?

Please get in touch.

We're always happy to hear from you.

## SUSTAINABLE DEVELOPMENT GOALS



### Risk warning

Past performance is not a guide to future performance. The value of investments and the income derived from them may go down as well as up and investors may get back less than they originally invested. TheFuture Leaders Portfolios are available in seven different risk profiles.

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