

ENGAGEMENT FACTSHEET

Vesuvius

ENGAGEMENT RATIONALE

Within the portfolio where Vesuvius is held, the company has one of the highest emission intensities when measured as carbon emissions per unit of revenue. We therefore approached Vesuvius in order to gain a better insight into the company's emission target setting processes and the quality of the reported data next to potential financial consequences on the journey to obtain their net zero emissions target by 2050.

BACKGROUND

While the company's activities are carbon intensive, they are only a fraction of those of steel producers who are Vesuvius' clients. For reference, the group's annual scope 1 and 2 emissions are roughly equivalent to what their client industry emits in one hour. So, a key part of Vesuvius' value proposition is helping their clients reduce such emissions and in doing so the company will have a much larger impact than addressing their own footprint. Nevertheless, on the journey to net-zero emissions by 2050, all companies will have to contribute, and Vesuvius is certainly willing to do its part as they have already committed to reaching a net zero carbon footprint at the latest by 2050.

THEME FOR ENGAGEMENT

- x Climate and CO2 emissions

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ENGAGEMENT OBJECTIVES

- x (Achieved) Obtain a better understanding of how the company's targets were set and will be reached
- x (Ongoing) Support Vesuvius in identifying what is important for investors like ourselves with respect to carbon emissions

DEVELOPMENT



ENGAGEMENT RESULTS

- x Vesuvius is taking the issue of climate change very seriously. The group has committed to a zero emissions target by 2050. In addition, they believe that their products and services will also benefit from client demand in order to reduce client footprint as well.
- x However, while the net zero target has been set, the group does not have a clear definition of the scope of that target. For instance, they are not clear on whether this will include the netting of avoided emissions. If this metric were to be included Vesuvius would be net zero for a long time already. So, in our view it is not likely that they will include avoided emissions but rather focus on their own scope 1 and 2 footprint.
- x The group is currently building a roadmap which will include finalizing the definition and creating a proper methodology. However, we know purchasing offsets will only be considered as a last resort type of measure.
- x For the medium term, the group has intermediate targets for 2025 in place and they are well on track to achieve them. The choice for 2025 is a result of their five-year planning cycles.
- x One of the steps the group is evaluating to reduce their emissions is changing the electricity source they use from the grid to green in addition to improving the mix of their energy sources as well as increasing energy efficiency.
- x Investments for the above stated initiatives is included in typical annual replacement capital expenditures.

NEXT STEPS

- x Continue to monitor Vesuvius' disclosure on climate change
- x Evaluate whether Vesuvius might qualify as a sustainable investment as defined by the taxonomy of the EU once the details of said regulation are finalized



COMPANY

Vesuvius is a global leader in metal flow engineering, providing a range of products and services to its customers globally. It is also the leading manufacturer of foundry consumables and a producer of refractories to several other industries (e.g. cement and glass).

COUNTRY

United Kingdom

SECTOR

Industrials

MARKET CAP

GBP 1.3 billion (Oct 2021)

ISSUE

Details about emissions reduction targets

MATERIALITY

Improving the environmental footprint of Vesuvius as well as their clients is a driver of top-line growth.

RISK

Lack of appropriate disclosure and targets poses a reputational risk and may be scrutinized by (potential) clients and other stakeholders

MSCI ESG RESEARCH

UN Global Compact: PASS
ESG Rating: A (Oct 2021)