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## The issue

Plastic pollution is everywhere and there is increasing concern about the impact this is having on the environment and human health. New discoveries on the extent of plastic pollution or the levels of micro-plastics found in the human body mean that plastics remain firmly in the media and political spotlight. This has led to public pressure for action and increased regulation. The regulation has focused on single-use plastics and specific chemicals use in plastic production. This trend poses potential reputational and regulatory risks to companies exposed to plastics all along the value chain.

Plastic pollution predominantly comes from mismanaged plastic waste which escapes into the environment. Single-use plastics are specifically in the spotlight as a major source of plastic waste, plastic can take hundreds of years to break down. While capturing more waste in disposal and recycling systems is part of the solution it is increasingly apparent that it alone is not enough. The growth in global plastic production is faster than the growth in the infrastructure to deal with it. At the same time around 90% of plastic is produced from fossil fuels and predicted to be the biggest growth market for oil by 2050.<sup>i</sup>

- Half of all plastics ever manufactured have been made in the last 20 years.<sup>ii</sup>
- Around 460 million tonnes of plastic were produced in 2019, this is expected to grow to 1,230 million tonnes by 2060.<sup>iii</sup>
- In 2020 only around 14% of plastic waste was recycled.<sup>iv</sup>
- In 2024 a study found micro plastic in human brain tissue.<sup>v</sup>
- Plastics can contain chemicals linked to reproductive harm, cancer risk, metabolic disease, and other issues.<sup>vi</sup>

## Why is this important for investors?

Regulation to tackle plastic pollution and the potential health risks are evolving quickly. Countries, cities and companies are banning single-use plastic products. This legislation is effective in reducing the most visible forms of plastic pollution but doesn't provide a systematic solution. Governments are starting to think more holistically, we've seen an increase in extended producer responsibility policies and requirements for recycled content.

Companies along the plastic value chain are under increasing regulatory and client pressure to increase recycled content rates, ensure that materials are reusable, compostable or recyclable. In certain markets inaction could have financial implications for businesses, while bringing opportunities for those businesses able to meet evolving client, consumer and regulatory trends. Currently disclosure on plastics is poor making it difficult to assess how companies are managing relevant risks. The most significant framework and regulation aiming to address this currently is the voluntary Taskforce for Nature-related Financial Disclosures (TNFD) and in the European Union's Corporate Sustainability Reporting Directive (CSRD). There is a difference in granularity/presentation between these two frameworks CSRD will require data on plastic waste, microplastics while TNFD requires quantitative data, including the plastic footprint in tonnes and the % of plastic packaging by type.

There is also the EU Taxonomy, a classification system that aims to promote sustainable investments by providing a common language. Under the taxonomy two main categories exist that are relevant to recycling:

1. Circular Economy Activities – including recycling of plastics and other waste materials, as well as waste prevention and reuse.
2. Climate Change Mitigation Activities – includes using recycled plastics in products with lower environmental impacts than their conventional counterparts.

<sup>i</sup> <https://www.iea.org/reports/the-future-of-petrochemicals>.

<sup>ii</sup> <https://www.nationalgeographic.com/environment/habitats/plastic-pollution>.

<sup>iii</sup> <https://ourworldindata.org/grapher/global-plastics-production>.

<sup>iv</sup> [breakingtheplasticwave\\_report.pdf](#) (pewtrusts.org) Page 25.

<sup>v</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC11100893> note at the time of writing this paper had not been peer reviewed.

<sup>vi</sup> <https://pubs.acs.org/doi/10.1021/acs.est.1c01103?ref=recommended>.



This provides the opportunity for entities able to report against these activities to benefit capital allocation from sustainable investment vehicles.

Another opportunity is that of 'paperisation' (the replacement of single-use plastic with paper pulp-based alternatives). In 2023 our research highlighted potential investment opportunities arising from growing concerns around plastic, specifically in packaging.

## Our view and approach to investments

We believe that plastic pollution is a growing concern to the environment and health and that the costs of this are not costed into the value chain.

We look at the plastics issue across the entire value chain for publicly listed entities, This includes everything from polymer production right through to shipping plastic waste to landfill sites across the world. There are risks and opportunities for investors across the global value chain.

From a private market's perspective, we routinely track waste generation and disposal data from our real estate investments, with a view to using this data to maximize the efficient management of waste (and therefore plastics). We also use a specialist waste management consultant across our UK real estate investment portfolio, to identify opportunities to better minimize, manage and dispose of waste, including plastic wastes. In addition, for any tenant operations that may involve the storage of significant quantities of hazardous materials (including plastic containing chemicals), suitable pre-acquisition due diligence and subsequent annual inspections are completed. This aims to ensure that such materials are safely managed in line with any environmental requirements and/or permits, to minimise potential risks to the environment and human health.

We incorporate plastic-related issues into our research and engagement. Our studies suggest that not all plastics are inherently bad. For example, lightweight plastics increase fuel efficiency for cars, plastics are effective insulators for buildings. However, single-use plastics and plastics containing chemicals that could be linked to health concerns are potentially a risk for the environment, and human health. Which increases the risks for our investments.

We see disclosure on plastic footprints and plastic waste generation as well as company exposure to chemicals that are a concern as still being nascent. This not only makes it difficult for as investors to fully understand the risks and compare performance but also highlights the need for better global policies on this disclosure.

## Our approach and actions

Our sustainable investment approach has six areas of focus that we can use as levers to enable more sustainable investment where we believe there is a material financial concern or client interest in doing so. Not all topics will require or be at a stage where we are using all these levers but for transparency, we aim to show what activities we have or are currently using to support our positions.

Focus	Plastics Activity	Investment outputs
<b>Insights &amp; data</b>	In 2023 we mapped our financial exposure to the plastics value chain for publicly listed entities.  We carried out bottom-up research to assess the leaders and laggards using company disclosure and information data from NGO's and insight from company engagements.	Internal research shared with investment desks.
<b>Investment integration/ tools</b>	We routinely track waste generation and disposal data from our real estate investments.	Supports the sustainability goals with real asset strategies.
<b>Client solutions</b>	Circular economy is one of the eight impact pillars within some of our sustainability strategies.	It has been estimated that a transition to a circular economy could unlock USD\$4.5trillion of GDP growth worldwide by 2030. <sup>vi</sup>
<b>Collaboration &amp; influence</b>		
<b>Active ownership</b>	Developed engagement framework highlighting best practice along the value chain.  As active asset managers, an important means of influencing are voting and supporting shareholder resolutions. This allows us to make our views on potential risk clear to investors.  Our stewardship team, with a dedicated proxy-voting capability can provide escalation on plastics and circular-economy themes where required.	Engaged with several companies along the value chain including those offering alternatives or that support more circular economy models.  Research informs our voting on plastics.
<b>Disclosure</b>	We are supportive of disclosure in alignment with the TNFD framework. Including, where material, metrics on plastics.	Results in more comparable data supporting investment decision making, where plastic production and management is a material issue.

<sup>vi</sup> Lacy, Peter; Rutqvist, Jakob (2015): Waste to Wealth – The Circular Economy Advantage, New York/London: Palgrave Macmillan.

## Why do we have position statements?

Our position statements align to the Principles for Responsible Investment's guidance on what constitutes a responsible investment policy: "Responsible investment can be integrated into investment policies in many ways, including high-level public statements, codes of business practice, a standalone responsible investment policy or by embedding responsible investment considerations into an organisation's main investment policy". They cover specific sustainability topics to help our clients understand our view on those topics and the actions we are taking.

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