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## Frankincense, myrrh, or gold? Have you found the right Christmas present yet?

Walter Hatak



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The gifts of the three Magi to the new-born Christ Child are well known. Even back then, gold was of high value due to its scarceness and was regarded as a special kind of paying one's respects to someone. Frankincense and myrrh have since then lost some of their appeal as gifts, but it is still customary to give gold as present at special occasions. While we know that a child would probably prefer a bicycle, a dinosaur, or a book, ours is the hope that the child will many years down the line recognise the value of the gold coin (which may have increased by then as well) and will keep it for emergencies.

### A gold bullion does not only make children's eyes sparkle

This sort of claim has been used by companies that produce gold jewellery and trade in precious metal. In the absence of a gold bullion, I can unfortunately not confirm whether the eyes of children will indeed sparkle when looking at one. The investment strategy of a certain Austrian party in recent weeks seems to suggest the claim is also true for some adults. Even though the political (colour) spectrum offers a vast bandwidth and lots of room, the priority of our analysis of gold as a topic is not to what degree it is suitable as currency during times of crises, but rather a holistic account from an ESG perspective.

### All that is gold does not glitter

Gold can quickly lose its sparkle when topics like work safety, ecological footprint, use of chemicals, and the destruction of natural habitats are addressed. However, here it makes sense not to demonise the entire sector across the board, but to scrutinise every single company. There are unfortunately significant gaps especially in workplace safety between the best and the worst in the sector. Whereas the ESG pioneer has a management remuneration regime in place that depends on the company's safety record and, indeed, it recorded no fatal accident last year, the situation looks different for the laggard in this field. Here, the number of workplace fatalities has even increased year-on-year, and no sufficient steps have been taken towards improvement so far. The different share price performance of the two companies shows that this is a relevant topic not only for sustainable investors, but also for the broader capital market and that ESG factors have become increasingly relevant.

### Silence is silver, but speech is golden

Sustainable investment does not stop at a "clean" portfolio that only contains a few criteria of exclusion, but it also has to come with a dialogue especially with the companies that have the most catching up to do from a sustainability perspective. In this context we have had many constructive talks in 2019 and have also assumed the role of lead investor of one international investor initiative. We will be happy to let you in on more details and background information in our engagement and voting report 2020, which we will be publishing at the beginning of the coming year.

### Sparkly eyes on Christmas

Luckily it does not necessarily take gold bullions to create that special sparkle in the eyes of our loved ones on Christmas. More precious than gold – and that has not changed since the three Magi – is the time, the taking-stock, and the celebrations with our most important people. We wish you a Merry Christmas, but also time to read our next ESG Letter in 2020.

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