

With an average holding period of eight years, LTGG must seriously consider what makes certain companies endure. Part of the answer may be that the interests of stakeholders must converge with the interests of the broader community. The actions of one reverberates throughout the other.

We can see from recent events that globalisation and technology have heightened interdependence in our social, environmental, and financial systems and have increased transparency. Actions and their consequences are much more visible and consumers are beginning to use their economic might to make their opinions known. These forces have increased the opportunities for businesses but with this comes increased responsibility. As such, we are increasingly of the view that the companies we hold need to bear a degree of responsibility for the societal changes their businesses are facilitating, particularly when some have already garnered unprecedented global influence.

To that end, we recently expanded Question 5 of our 10 Question research framework to consider whether a company contributes positively to society as a whole. This will form a part of all future stock discussions. However, the change provided an interesting opportunity to highlight some of the ways in which your existing holdings are generating benefits for society.

Alibaba

Alibaba continues to drive change in Chinese society, building infrastructure in e-commerce, financial services and logistics where there was previously very little. This allows small merchants to reach a customer base in the hundreds of millions, gives consumers access to a huge range of products which can be purchased and delivered easily, and provides payment and saving options to those without bank accounts. In addition to this broader transformation, one thing that caught our eye recently



© Marty Melville/AFP/Getty Images. Visitors stand next to a high altitude WiFi internet hub, a Google Project Loon balloon.

was the growth in the number of ‘Taobao Villages’. Named after Alibaba’s business-to-consumer platform, there are over 1,000 villages which have built their local economy almost entirely around producing merchandise to be sold on Taobao Marketplace. Often these areas have been in decline both economically and socially as the younger generation was forced to move to urban areas for work. As such, and bearing in mind Xi Jinping’s aim of eliminating absolute poverty in China by 2020, the villages are a key part of government policies to rebuild rural China. The expansion of e-commerce into rural areas will likely play a significant role in achieving this goal, with Alibaba investing 10 billion RMB in developing and supporting the villages.

The benefits to residents are manifold. In addition to the income generated by selling online, purpose built Taobao rural service centres support locals in starting and running their own businesses and Ant

Financial provides access to finance services. Furthermore, Taobao Villages are helping to stem the brain drain of younger people leaving these areas, and are encouraging ‘last-mile’ transport and infrastructure development as Alibaba both invests directly and subsidises other contractors.

Whilst significant in themselves, these gains are further magnified via the multiplier effect to the benefit of the wider community.

Kering

On one hand, the link between expensive luxury products, marketed to the top 0.01%, and a positive contribution to society could be difficult to fathom. This is not the case for Kering. Sustainability is central to the company’s corporate strategy looking out to 2025; this makes it a sector leader. It is raising the bar for all garment manufacturers and retailers.

We have written before about Kering’s progress, being the first company to publish its Environmental Profit and Loss statement. Now in its third year of doing so, it has been able to illustrate that revenue growth has outstripped growth of environmental impacts. This approach illustrates a commitment to long-term sustainable growth and is positively influencing every step of the supply chain from raw material production and processing to manufacturing. All this, when combined, minimises supply chain risk and protects the quality of the final product. In terms of contribution to society, yes we want sector laggards to improve, but the ‘pull’, provided by sector leaders continuing to develop and integrate sustainability into every facet of the business, is of equal importance.

Alphabet

Alphabet has unarguably changed the world for the better. The internet is a treasure trove of useful information. However, it would be almost impossible to access without a well-honed search engine. Google provided this, along with a range of other tools to interrogate its data, such as Maps and Translate. Of course what individuals decide to do with that information will vary, but the power it provides us with is undeniable. Indeed, this access to knowledge is increasingly valuable as advances in automation and artificial intelligence will require workers to be both better trained in skills which cannot be easily replaced, and more flexible in learning new skills over their careers.

In addition to the core Google search business, Alphabet is well known for its ‘moon shots’ where the company invests in early stage projects. These are wide-ranging, and many in the past have failed. However, Alphabet is undeterred and continues to research areas which, whilst likely to add to the company’s existing revenues if successful, often are designed to create benefits for society. For example, Project Loon aims to use a network of balloons travelling on the edge of space to service the two-thirds of the world’s population currently offline (if they then click on some adverts, all the better). Project Wing is building automated aircraft which the company hopes will be able to deliver ‘everything from consumer goods to emergency medicine’. Verily Life Sciences, previously known as Google Life Sciences, is working on a number of technologies which could vastly improve our health, including the miniaturisation of continuous glucose monitors produced by one of your other holdings, Dexcom.

These are simply a few examples of a vast array of projects. Not all will succeed, but the time and money being dedicated provide a real chance that at least some will, to the betterment of humankind.

Baidu

Artificial intelligence is changing not only the way we use our computers and smartphones, but the way we interact with the real world. Baidu is drawing on its expertise in deep learning, image and speech recognition to develop a service to help the visually impaired perceive the world around them. There are 285 million visually impaired worldwide, 40 million are totally blind. The device, called DuLight, attaches to an individual’s ear like a Bluetooth headset, scanning the objects within its vicinity, capturing and sending these images to the

wearer's smartphone app. Using Baidu's highly sophisticated image recognition system the app then analyses the images, determines what they depict, and generates an audio description that's heard through the earpiece. DuLight can identify more than just everyday objects, product labels, street signs and landmarks, but also the faces of friends. It is through Baidu's technology that a machine can act as the eyes for the visually impaired, helping them to understand and interact with their environment in real time.

Intuitive Surgical

Intuitive Surgical manufactures surgical robots which enable minimally invasive surgery, to the obvious benefit of patients. Not only is operation length and surgical trauma minimised, recovery periods, and therefore hospital stays, are shorter, and the likelihood of a complication and thus re-admission is reduced. In short, patients are safer, happier and can get back to their lives more quickly.

Furthermore, as diagnostics improve and diseases are identified at an earlier stage, the accuracy of the da Vinci robot – which in demonstrations reattaches the skin of a grape – helps surgeons to operate when previously they may not have been able to do so. Against a backdrop of large and rising spending on healthcare, there is a very valuable benefit. Better patient outcomes also reduce costs, saving patients, hospitals, insurers and governments money which can be then be used in a more efficacious manner. This is before taking into account the knock-on impact of hard to quantify factors, such as lost days of work or education. Every 60 seconds a patient is operated on by one of Intuitive's robots, so these benefits are significant not only to each of their 3 million (and counting) patients, but in aggregate for society as a whole.

Facebook

Data centres currently consume approximately 3% of the global electricity supply and account for about 2% of total greenhouse gas emissions – the same carbon footprint as the airline industry. This is set to treble in the next decade, putting an enormous strain on energy supplies and contributing to global warming. However, Facebook is leading efforts to be more environmentally responsible. The company has engineered hyper-efficient servers, invented more efficient ways of cooling and invested in green energy sources with the goal of eventually being powered 100% by renewable energy and with the aim of achieving 50% by next year. Facebook has gone on to share these advances by launching the Open Compute project, the first open hardware movement which focuses on improving efficiency; members include Google, Microsoft, Apple and IBM.

As an example, Facebook's latest data centre is in the far north of Sweden, in the town of Luleå, 70 miles from the Arctic Circle. The 84-acre site houses tens of thousands of computer servers that require 500 huge fans for cooling. The temperature in the area is minus 10 degrees Celsius most days, so Facebook uses the fans to pull in the outside air to naturally cool the centre's servers instead of relying on power hungry air conditioners. Additionally, a dozen hydro-electric plants operate on nearby rivers, providing a reliable and renewable power source. The whole system is 10% more efficient and uses almost 40% less power than traditional data centres. The sustainability advances are beginning to have a significant impact.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	1	Companies	None	Companies	None
Resolutions	2	Resolutions	None	Resolutions	None

Globalisation and technology have heightened interdependence in our social, environmental, and financial systems and we are increasingly of the view that the companies we hold need to bear a degree of responsibility for the societal changes their businesses are facilitating

Actions taken by companies, and their consequences, are much more visible than in the past and consumers are beginning to use their economic might to make their opinions known

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Firmwide Company Engagement

Engagement Type	Company
Corporate Governance	Tesla Motors Inc.
AGM or EGM Proposals	Housing Development Finance Corporation Limited

Notes on company engagements highlighted in blue can be found in this report. Notes on other company engagements are available on request.

Company	Engagement Report
Tesla Motors Inc.	<p>We accepted an offer to speak with the company's lead independent director, Antonio Gracias. Access to senior non-executives in the US is rare relative to other markets. Gracias provided an overview of his background and his involvement at Tesla. He explained the board's key role as a long-term steward of the business. We also discussed succession planning for senior management and the board. We were told that this is regularly discussed in the boardroom and the company is committed to raising the skills of its workforce to support long-term business growth. This form of engagement deepens our knowledge of the business and strengthens our relationship with the company.</p>

Votes Cast in Favour

Companies	Voting Rationale
HDFC Corp	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

We did not vote against any resolutions during the period.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.