

## Magellan – In The Know: Episode 42

### Green Horizons: Discover the innovative sustainability strategies of Nestlé and Lowe's



#### Announcement ([00:00](#)):

The information contained in this podcast is for general information purposes and does not constitute investment advice. You should seek investment advice tailored to your circumstances before making an investment decision.

#### Host ([00:14](#)):

This is In The Know, a monthly investment podcast brought to you by Magellan Asset Management. In recent years, many of the business community have embraced a commitment to environmental, social, and governance or ESG principles, but how is this reflected in investment choices and what does this mean for investors?

#### ([00:41](#)):

Welcome to Magellan In The Know. In this special episode, we revisit how understanding and managing ESG plays an important role in the business decisions of two major global players, food giant, Nestle, and Lowe's Home Improvement, which is the American equivalent of Bunnings. First we'll hear from Rob Cameron, Global Head of Public Affairs for Nestle, explaining how Nestle is preserving its dependable investment value while still tackling some of the biggest challenges facing today's and tomorrow's world. Then we speak with Chris Cassell, the Vice President of Corporate Sustainability at Lowe's Home Improvement about how Lowe's is achieving its environmental ambitions. So let's get into the first discussion with Nestle's Rob Cameron, who's speaking with Magellan investment analyst, Tracey Wahlberg and our portfolio manager of Core ESG, Elisa Di Marco who leads the conversation.

#### Elisa Di Marco ([01:37](#)):

We do talk a lot about climate risk and it's very clear that it's very important for Nestle. For those that aren't as familiar, they might be thinking that setting targets that are two decades away seems a long way away. Why can't we move quicker to reducing our emissions?

#### Rob Cameron ([01:53](#)):

It's a really, really good question and it needs to be unpacked just a little bit. So can we move quicker? We're moving as quickly as we possibly can, but the reality is that for us, going back to this idea of scope three, that's something that happens outside of your own house, so it's actually about going and influencing what's happening as opposed to just making a simple switch. If we take something like renewable energy, I think a lot of people are now very familiar with the idea of renewable energy. So rather than using fossil fuels for electricity production, the technology's largely there. We've been doing that in switching our factories to renewable electricity all around the world. So that's something that we can do straightforwardly.

#### ([02:32](#)):

In the case of agriculture, you don't just go in and go to a farmer, "Right, do it this way, and everything changes." If we're thinking about things like the agricultural practises that include tree planting for instance, that doesn't happen overnight. It takes time and you have to work with people to drive those changes.

[\(02:51\)](#):

Now, for us, one of the things I've been a little frustrated about, and I think others in the company are too, is that some companies are talking about, "Well, we'll be net-zero by 2040 or 2039" and it all sounds very grand, but actually some of those promises are now being called out as being not substantive and not being delivered on with action today. We went the other way round and said, "The goal is net-zero by 2050. That's what the world agreed to. Now what are we going to do today?" We've been taking steps and our actions mean we have now what we say bent the curve. So rather than emissions going up in line with company growth, instead they're now coming downwards.

[\(03:33\)](#):

The amount of effort that it's taken to bend that emissions curve and turn it downwards has been immense, and it's because we got on with it straight away in 2020 and started putting these programmes and projects into place that we've been able to do that. So we're past what we call peak carbon. The trajectory is downwards. We can see the pathway to reducing those emissions by 20% by 2025, but as I say in our case, and for all other food, forest, land, and agricultural companies, it takes time. We're dealing with a slightly different animal than just doing a renewable electricity switch.

**Elisa Di Marco** [\(04:09\)](#):

It's a huge achievement and the complexity of your supply chain, it's something that you need to take your time to invest in. Something that we've kind of touched on a little bit along the way is the investments that you've been needing to make, what kind of investment do you need to do going forward?

**Rob Cameron** [\(04:23\)](#):

We've been quite transparent about the scale of the investments that we were planning to make, and in fact, when we announced our net-zero roadmap, we explicitly said on the transition to regenerative agriculture that we had earmarked 1.2 billion Swiss francs as an investment to support the transition in terms of financing for farmers, paying premiums, providing technical support to help them make this transition. Across the board, if you look at the sustainability agenda broadly, and it is a broad agenda, the actual investments that we've been making was something just shy of 500 million Swiss francs in 2021. That nudged up to just shy of 700 million in 2022. So substantial, and we think this year, given the scale of the projects that we're investing in, and we know that they're going to deliver a good return for the business, so we see it as investment rather than cost, but it'll be something in the region of about a billion Swiss francs in 2023.

[\(05:19\)](#):

Now of course, a good investor is going to be sitting there thinking, "That's all very well, how are they funding this in the first place?" And fundamentally, there are two ways in which we've been funding this. It's by leveraging growth and at the same time, there's a huge amount of cost control and cost discipline.

**Elisa Di Marco** [\(05:34\)](#):

I think the commitments that you're making, it's really important to remember that these are investments in the future, and I think to your point that you made earlier that you've been investing for a long time to offset deforestation, for example, and as increasingly we're going to have our governments that have made these net-zero commitments, they're going to be regulating particular industries and drive change, and it's this investment that you're making now that is going to set you up for that long-term future, which is one of the reasons that we do like Nestle in that low volatility in earnings. Now at Nestle, you have the term forest positive. Would love to hear, well, what does that actually mean and how will you achieve this?

**Rob Cameron** ([06:08](#)):

So we began no deforestation journey as long ago as 2010, and we set out that we wanted to be deforestation free by 2020 in our top 5 commodities at risk from deforestation, so that's palm, sugar, meat, pulp and paper and soy. Now we've been on that journey. We were in good shape actually to achieve that no deforestation by 2020. But we realised as we went through this and all the learning we were doing, there were some flaws in our argument and it was that we, like many companies, we grappled with trying to figure out, "Well, okay, we need to completely understand the supply chain. We need to know where everything is coming from." What we realised was that there were gaps in knowledge and that when we peeled back the layers of those gaps in knowledge, what we saw was that there were an awful lot of very small farmers who were at risk of being severely disadvantaged if we drove through and focused all of our production, all of our buying in certain suppliers and ignored the needs of those small producers.

([07:05](#)):

So it took us a little bit longer to get to zero deforestation. We're more or less there now on those five commodities. Now, what we also learned was that ending deforestation is not the end actually. It's one thing to say that we've eliminated deforestation, but it's not one of those things that you can then dust your hands and say job done, and go and think about something else. Deforestation is always a risk, and so you have to be constantly vigilant. How can we ensure we're managing this and thinking about this in the long term? The forest positive strategy starts with of course, end deforestation and it also means restoring degraded land, restoring forests, planting trees. That's the kind of positive side of it. And the further side of it is that you have to think beyond your own immediate value chain. This is what we call landscape thinking.

([07:57](#)):

So if we know we're sourcing from a particular farm and if there's deforestation occurring in farms just up the road from there, there is a very strong likelihood that our farm could be at risk of some form of deforestation as well, because we're thinking beyond the value chain, beyond the farm resource farm, think about the landscape. That broader thinking is a really important part of this. Incidentally, landscape thinking, we've learned about as we did various pilots in Banda Aceh in Indonesia, we did some really deep studies and we've really gone under the hood of this. We really understand it now. That thinking about landscapes and going beyond the immediate farm is very applicable in regenerative agriculture as well. So that's some learning that we are now transferring and applying elsewhere.

([08:43](#)):

We need to think about human rights in those communities and by doing that, that's what we call forest positive. It's a very community oriented way of thinking. It takes a lot of effort on the ground, but I think if we're serious about not only ending something but actually going back to creating shared value, which we talked about earlier on, and the idea of thriving communities, that I think is what we should be doing for these key commodities. So that's the way we've been thinking about it. It's an ongoing, constantly vigilant journey.

**Elisa Di Marco** ([09:10](#)):

That's so much depth when you're kind of talking through then that in how you think about monitoring the supply chain and managing deforestation, but then also having that positive impact on the forest and then local communities and those smaller suppliers. It's a really important way that the firm's been thinking about it. Another one I wanted to touch on here was chocolate. So most probably don't want to hear that chocolate is an ingredient that does come with challenges and human rights is one that really kind of comes to mind when we think about the cocoa seed supply chain. So there's risks to farmer

livelihoods, labour conditions, and then issues with child labour. How has Nestle worked to address these industry challenges and what do you do to improve the industry?

**Rob Cameron** ([09:50](#)):

I mean, there's a whole raft of issues associated with cocoa production and they're all, I think largely well-documented. I mean one of them of course is child labour. This has been a problem in cocoa producing countries for many, many years now, and largely it's driven by poverty. Farmers don't have the ability to employ labour, if there was labour available, which often there isn't. We source most of our cocoa from the Ivory Coast, Côte d'Ivoire in West Africa. Ghana is another significant cocoa producing country. Now we were one of the first, in fact, the first company to establish what we call the Child Labour Monitoring and Remediation System. Now, that's a very long way of saying we put an awful lot of effort into going out to the farms that either we're sourcing from directly or that we know our suppliers are sourcing from and monitoring on the ground to see if there is a risk of child labour occurring.

([10:43](#)):

And sadly, it's not something that can be immediately eradicated. So the reason why we do it is to make sure that we're on top of it and the model that we established, the Child Labour Monitoring and Remediation System, we set up early 20 teens and has now been adopted by the industry as a standard. So our efforts have now been embraced by the rest of the industry as that's how you need to look at this and you need to work directly to ensure that farmers understand that they really shouldn't be doing this. So it's an awful lot of cultural training that's needed as well.

([11:15](#)):

Now more recently we've been looking at this from a bit like the deforestation thing. It's one thing to think about what you want to stop, what is it you want to actually achieve that can actually get to the heart of the matter in the first instance? And that's why we've launched what we call the Cocoa Income Accelerator because we know that it's poverty that's often at the heart of this. Now you could say, "Well, why don't you just pay more for your cocoa?" We also know that that has knock on consequences in terms of radical increases in supply that then lead to oversupply that then lead to price collapses. Yes, a fair price should be paid. Absolutely. Yes, premiums must be paid. We do, but the simple economic argument doesn't work. We know it doesn't. What we can do though is find other ways to help farmers to be more profitable, and that's the Income Accelerator Programme.

([12:03](#)):

So the way we work this is that farmers are rewarded with premiums for good quality, cocoa, fine, as well as a fair price in the first instance. Then they are given an extra premium for the things that we want to see that we think will make a difference to that farmer and to their communities. The first thing is are your kids in school. If your kids are registered and attending school, you will get an extra premium from us. If you are engaged in good agricultural practises such as pruning, you will get an extra premium. Actually, we know that pruning will increase your yield so that you get a double advantage. If you are engaged in income diversification, you will get an extra premium. So if you're trying to do something like honey or if you're engaged in flower production or whatever else it might be, that could generate extra income for the farm, you will get a premium from us.

([12:58](#)):

What we're trying to do is to reward the behaviours that we think farmers will benefit from. In the end, it's stimulate outcomes. We're doing this in partnership with IDH and Kit, a Dutch NGO, and we've piloted it across 1,000 farms already. We've now gone to scale with this programme, and I'm delighted to say that on one of our major chocolate brands, we're actually going to take the model and now bring it to the consumer proposition. So what we're doing on the farm in cocoa producing regions is now

going to become part of the offer. There'll be some special additions coming up, and this is going to happen with some of our other brands like Nescafé as well. I'm absolutely thrilled about the idea that what we're doing with farmers that's making a difference to their livelihoods is going to flow through into a consumer facing brand proposition. That's, I think got real power to it.

**Tracey Wahlberg (13:51):**

Rob, we couldn't have a podcast on ESG in food and beverage manufacturing without discussing the changes happening in packaging. It's an important feature of food safety. It ensures products remain safe for consumption from production to pantry. Consumers and regulators now seem to be aligning here, advocating for change in plastic packaging and also in landfill waste. And we recognise Nestle have ambitious targets here. So talk us through how you're working to execute on these please, and what Nestle thinks about this change.

**Rob Cameron (14:22):**

As you rightly say, it's an issue that's been top of mind for many, many years now, and we made some big commitments, as you say, so that we said that we wanted our packaging. I mean it starts with a vision. Actually, maybe we should start with a vision. The vision is very clear. None of our packaging should end up as landfill or litter. Period. That's it. None of it. We don't want it as landfill, we don't want it as litter, we don't want it in the oceans. We want to eliminate waste in all forms and especially packaging. So we set the targets of making sure that all of our packaging is designed for reuse and recycling, and we're working towards a 2025 goal looking like something in the region of 95% plus. The other goal that we set was that we should reduce the use of virgin plastic. Some plastics like PET are very recyclable. So we shouldn't really be using new virgin at the rate that we are. So reduce virgin plastic use by 30% by 2025. So that's the goals that we set ourselves.

**(15:21):**

Now there's a number of different ways in which we're setting about achieving that, and we've got effectively five pillars. The first is just to reduce the amount of packaging or eliminate it altogether where we can. So secondary packaging, those plastic layers that go around things, can we get rid of that? Can we reduce the head space in the bottle? Those sorts of simple things that eliminate or reduce the amount of packaging.

**(15:41):**

Second thing is around reuse and refill, and we've seen quite a lot of changes in reuse and refill, and particularly in things like personal care products where you can buy large bags, refill your small plastic container, that's terrific. We have a different challenge of course with food and beverages because as you've already said, quality and safety are the absolute paramount keys to all of this, and we can't jeopardise quality and safety. So that's a bit of a challenge, but reuse and refill is a key focus for us.

**(16:11):**

Then there's the question of materials. What are the other materials we can use? What better materials? So paperization for instance, where can we find other materials that are more biodegradable than plastic is and replace? And we've got a whole massive R&D unit here in Switzerland that's focused on just that.

**(16:29):**

Then there's the infrastructure and the systems, better systems. How can we lend our voice to ensuring that consumer behaviours are changing, that regulation is shifting. I'll say a bit more about that in a moment.

**(16:42):**

And then finally, new behaviours. We need to educate our retail partners. We need to educate ourselves. So there's a lot of programmes going on inside the company. We need to work with consumer groups to help people understand how to manage this problem because it's not something we can do on our own. We also need to do this with peers.

[\(16:59\)](#):

One of the other ways in which we're showing some leadership, and here's a bright spark of hope in what sometimes consumer, a somewhat depressing world, the UN for all its criticisms has actually convened a plastics treaty. And there is an agreement being negotiated at the moment for a legally binding global plastics treaty. And the idea of this is that those same misfunctions that we see, the dysfunctionality of local collection systems that are so variable, and you can be in one part of the country and you'll find a system that looks like this and it looks completely different elsewhere. The same is true at global level. We need a consistent approach to this where member states come together and agree how we are going to tackle this to eliminate the scourge of plastic waste. And that treaty is one that we at Nestle are playing a leading role on the business side in encouraging an ambitious outcome.

[\(17:50\)](#):

So we've made great progress. We're at something like 82% of our plastic packaging is already at that designed for recycling or reuse. We will, I think, hit that plus 95% goal by 2025, and we'll keep at this because if the vision is none of our packaging ends up as landfill or litter or in the oceans, we have to be constantly vigilant in ensuring that we get there.

**Tracey Wahlberg** [\(18:15\)](#):

Thanks for diving into all this detail, Rob. We really appreciate Nestle's transparency on these topics.

**Host** [\(18:20\)](#):

We hope you enjoyed that look behind the curtains at Nestle with the company's Global Head of Public Affairs. Rob Cameron. You can listen to the full episode on the Magellan website. Okay. Staying with good ESG principles, it's time for our second discussion. Magellan investment analyst, Tracy Wahlberg joins us again, but this time with Magellan Head of ESG, Amy Krizanovic. Together they are talking with Vice President of Corporate Sustainability at Lowe's Home Improvement, Chris Cassell.

**Chris Cassell** [\(18:50\)](#):

Close collaboration and partnership with suppliers is going to be critical for our success. They have to be on the journey with us. Just to give you an idea, we have over 10,000 suppliers. We're obviously going to focus on the biggest ones first and try and help them if they're not already on the journey, recognise that there's a challenge we all need to solve together and bring them along on the journey with us. We've got to take a look at the way they're running their facilities upstream, help them find ways to eliminate emissions and take care of their supply chains upstream from us. And then we also want to work with them to design and build better products for us over time.

**Amy Krizanovic** [\(19:31\)](#):

Something that we really acknowledge from the companies that we invest in is where they are being a leader and collaborating, whether that's with peers or part of the supply chain. So we noticed that you are a board member of the Product Stewardship Society. We're just really interested to hear a little bit more about product stewardship and perhaps give us a few examples of how that's been implemented at Lowe's.

**Chris Cassell (19:57):**

Product stewardship's an interesting space. It's actually an emerging and evolving profession, and there isn't even really a formal globally accepted definition of it yet. So it was great to participate with that group because I got to meet a bunch of really talented people and learn from the work that they were doing. The way the Product Stewardship Society defines it is responsibly managing the health, safety and environmental aspects of raw materials, intermediate and consumer products throughout their life cycle and across the value chain in order to prevent or minimise negative impacts while maximising value. That's the way they define it on the website. I know that's a lot of words. I think about it this way. The goal is really to design and build better products. And one of the ways that we're implementing this, so we talked a little bit about our suppliers. Well, the gateway to our suppliers is through our merchandising organisation.

**(20:51):**

And so our merchants historically have not been that familiar with sustainability as a key consideration when they're making purchasing decisions. So our first goal is, okay, how do we go and educate our merchants, make them smarter so when they engage with our suppliers, they can actually ask the right questions, push for the right investments and focus on the most impactful areas for the product categories that they run? And so we've actually built out a product sustainability framework which helps to identify the key areas where we think we can make improvements in product sustainability.

**(21:24):**

The six categories that fall into the framework includes sustainable materials, healthy homes, reducing and recovering waste, or as we like to call it circularity, saving water, reducing emissions, and then we have this catchall bucket that's more focused either on community empowerment like fair trade or on a full end-to-end impact, like cradle to cradle certification. So we use this framework to help educate the merchants, and then we roll these buying guides out category by category. So if you're in live goods and you're selling plants, you'll know which of those elements within the sustainability framework are actually the most important for the category you manage. And as you can imagine, live goods sustainability priorities look very different than they do in appliances. They look very different than they do in outdoor lawn and garden. And so each one gets a bespoke guide to help them understand which areas they should be leaning into and what types of things they should be focused on.

**Amy Krizanovic (22:21):**

Oh, that's really interesting. And I think that education piece is so important. Most employees and suppliers and partners across the organisation and industry want to do the right thing, but providing that framework and education sounds very constructive. One area that you mentioned in terms of your suppliers, which is quite a large area for Lowe's is around the sustainability and biodiversity of the sourcing of wood. So Lowe's is one of the largest buyers of wood in the world. Could you give our listeners an idea of the scale of this for Lowe's and how that puts you in a position to work with your suppliers to really focus on sustainability and provide that education you're talking about?

**Chris Cassell (23:06):**

To give you an idea of scale, in 2022, we sourced roughly 395 million cubic feet of wood. That includes everything from two by fours, plywood to little poles and ceiling fans and lamps, handles on tools. So 395 million cubic feet. I was trying to find some sort of equivalency so that I could help people understand what that looks like. It's roughly the size, if you filled up all 114 stores in the state of North Carolina where we operate from wall-to-wall floor to ceiling with wood or about, I was also looking up the Great Pyramid of Khafre in Egypt is about 75 million cubic feet. So it would be about 5, 5.5 great pyramids worth of wood every year.

**Amy Krizanovic (23:53):**

Wow. That really provides some perspective on scale. Thank you.

**Chris Cassell (23:56):**

Yeah, so you can see why it's an important topic for us. And I would just say to start the discussion, one of the things I would say within the home improvement sector and specifically for building materials, we really believe that wood is one of the more sustainable materials that you can use for building products. It's renewable, it stores carbon, it's very durable and it can be used in a lot of different ways. And so we believe it's a sustainable material, but you really have to understand what type of wood you're sourcing, where it comes from, how it's grown and harvested. Forestry practises are extremely important in this space. So you can't just go out and blindly buy wood from anywhere, any kind of wood. You have to be very thoughtful in how you pursue your sourcing practises. As you all probably know, forests play an extremely important role both in climate but also in biodiversity and in Indigenous rights as well. And so we have to think about those aspects as we're working with our suppliers to source wood throughout the world.

[\(24:54\):](#)

So to give you an idea, we have a number of different mechanisms that we use to make sure that we do this in the right way. The first thing is we actually conduct a survey every year, and the survey will capture the wood volume within that item, the origin of the wood, what species it is, and whether or not it carries a third party certification so that we can get a good understanding of what our footprint looks like. And it also helps us to focus in on areas where we want to pursue more certifications or work on forestry practises. We encourage all of our suppliers to get third party certifications. We've got a preference for FSC or the Forest Stewardship Council, but forest certifications are a good way for us to validate that responsible forestry practises are going on since we're not actually on the ground with the suppliers while they're sourcing the wood.

[\(25:44\):](#)

In addition to that, we also conduct audits of our suppliers annually. So we'll pick folks from the survey and we'll go in, we'll send auditors out to their site, we'll review paperwork, we'll review their sourcing practises, their policies, the way they communicate to their employees and to their vendors to make sure that their practises are actually in alignment with the principles in our wood sourcing policy and the commitments that we've made externally. And then finally, this is a team sport. We look for partnerships and collaborations like you were mentioning earlier, to find better ways to source wood and to improve forestry practises around the world. So we're partnered with the World Wildlife Fund. They've got this great programme called Forest Forward. Several large wood sourcing companies out there all come together. We talk about challenges and opportunities we're seeing, ways to improve transparency and visibility, ways to drive certification. And ultimately our goal is just to lift up all practises around the world to make forestry and wood products sustainable over time.

[\(26:46\):](#)

And the last thing I'd mentioned, I know that was a lot, but we also just announced at the end of last year that we're embarking on a new reforestation programme. So we'll be looking for ways to invest to plant trees in many of the areas where we currently source to try and ensure that we've got both continued supply of timber out there, but that we're keeping an eye on climate and biodiversity and human rights as we do so.

**Amy Krizanovic (27:08):**



Thanks, Chris. That was so interesting. And I think putting it together with the scale that you mentioned at the outset really shows how companies like Lowe's can really use their scale to lift up the whole industry. And from an investment perspective, that really helps to put in place that certainty of supply.

**Tracey Wahlberg (27:28):**

We've noticed Lowe's has increased the number of products and appliances it sells with ENERGY STAR and WaterSense ratings. So can you tell us a bit about those programmes then? And what do they mean for the customer and also for the environment?

**Chris Cassell (27:41):**

ENERGY STAR and WaterSense are two of my favourite certifications. ENERGY STAR is probably one of the most widely recognised labels that is out there. And it really helps communicate the message of buy this product, it's more efficient, you'll save money, and at the same time you're going to be reducing emissions and helping to protect the climate. WaterSense is also a great. Similar story, but focused on water conservation. And the great thing about it is not every customer walks into the store thinking like, "Hey, I'm going to be a great sustainable customer today." But everybody loves to save money. And so sometimes you lean into a message about savings rather than a message about saving the planet, but you ultimately achieve the same goal.

**(28:22):**

Now, just to give you an idea, think about ENERGY STAR. The water heater in your house, generally speaking, is somewhere between 10 to 15% of your monthly energy bill. ENERGY STAR certified water heaters are at least 20% more efficient and oftentimes even more efficient than that. And so you can take big bites out of your energy bill just by buying a different product at the front end, and you don't have to do anything differently afterwards.

**(28:48):**

And then if you think about toilets, interestingly, toilets are about 30% of your water bill. Most people don't think about it. So you get a WaterSense certified toilet, you can actually save a tonne of water that way, same functionality. And if you don't want to replace the toilet, there's easy ways that you can hack it too. You can fill up a Coke bottle with sand and drop it into the tank, or we sell bags that you can drop into the tank that reduce the amount of water that's used every time. So there's a combination of both trying to sell better products, but also just trying to help educate our customers on shortcuts and hacks and things that they can change at home that'll make small differences that over time add up to a really big change.

**Tracey Wahlberg (29:25):**

Yeah, that's really interesting. So by using ENERGY STAR and WaterSense ratings, I imagine the role of the home evolves and the home becomes a more sustainable centre for achieving net-zero globally. So how do you think about that at Lowe's? How do you play into the evolution of the home? And where do you think that goes?

**Chris Cassell (29:44):**

Yeah, Tracey, this is the area that I get the most excited about in my job. So if I start talking too much, just let me know and I'll try and cut it down. But it's a really fascinating space. So in the US, homes account for roughly 20% of energy consumption and emissions for the country, and roughly 50% of water consumption and waste generation. And you think about our company, what Lowe's does each and every day is talk to customers about changes they want to make within their home. The median home age in the US is 41 years, and so there's a lot of outdated infrastructure and tech in those homes

that need to be evolved if we're ever going to get to a net-zero context for the whole planet. And so I sort of view this as our superpower. We can be the ones to help customers on this journey to make this transition. And it's a very similar set of themes to what we talked about earlier when we were discussing net-zero. It's about electrification, it's about efficiency, and it's about renewable energy.

[\(30:49\)](#):

So you can start with simple things like how do you improve the insulation in your home? How do you check to see if you've got leaks? And you get weather stripping or caulking or ceiling, get LED lighting in. You can make big changes with relatively small investments on the front end and then move on to improving your appliances. Converting from a traditional water heater to a heat pump, water heater, getting ENERGY STAR certified appliances, converting that lovely gas cooktop you have over to an efficient electric one or induction cooktop. I just bought one. They're amazing. But then you think about that sort of transformation from the 41-year-old median household to what I'd like to refer to as the George Jetson home of the future. We're not quite to flying cars yet, but homes are going to need EV chargers as EVs become more popular. You're seeing solar panels being installed, battery storage, you're seeing smart home technology come in that starts to tie all of these different things together.

[\(31:49\)](#):

And I envision this future where you've got these highly efficient homes powered by renewable energy. All of the assets are talking to each other and you're getting the same or a better level of comfort out of it, but with a much lower environmental impact. And so it gets me really excited to think about how to do it. And the fact that we can be the ones to help educate and guide and lead customers through that transition is really exciting.

[\(32:15\)](#):

The other thing I would mention too, I don't know if you all have caught it in the news over there, but we just passed the largest climate bill in the States recently called the Inflation Reduction Act, and it's providing homeowners with a tonne of tax credits and point of sale rebates. Some of the things are already implemented, some will be implemented early next year, but the government is now putting money into the equation. So you've got this public, private, public partnership where homeowners, Lowe's and other retailers and the government are involved in trying to help accelerate the transition so we can reduce that footprint and really start to bring both the emissions profile, but not just emissions, water consumption, waste generation, all the rest of it down rapidly over the next couple of decades.

**Tracey Wahlberg** [\(32:59\)](#):

It sounds like a great time to be a responsible home improvement retailer. Thanks, Chris.

**Host** [\(33:05\)](#):

That was Vice President of Corporate Sustainability at Lowe's Home Improvement, Chris Cassell, and you can listen to the full episode on the Magellan website. We trust you've enjoyed this special episode. Join us next month for our new series of Magellan In The Know. For more information on previous episodes, visit [magellangroup.com.au/podcast](http://magellangroup.com.au/podcast) where you can also sign up to receive our regular Investment Insights Programme. Thanks for listening

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