

WHITLEY ASSET MANAGEMENT LTD

UN PRI Senior Leadership Statement

Our Commitment

■ *Why does your organisation engage in responsible investment?*

Whitley Asset Management's focus is on providing an excellent standard of service to our clients and we go to great lengths to understand them thoroughly, managing their assets according to their and their families' individual needs and values. From this open dialogue with clients and employees we recognise that following a high standard of environmental, social and governance ("ESG") criteria is integral to meeting the expectations of our clients, employees and wider society and to delivering sustainable financial returns.

Fundamentally, we believe that ESG risks are financial risks. Investing responsibly is the best way to deliver long term returns and mitigate these risks. It is becoming increasingly clear that those companies which do not consider their impacts on people and planet face reputational and legal risk and dwindling consumer support. Furthermore, many clients are concerned about the potential adverse impacts of their investments. Thinking about capital preservation over a generational rather than quarterly time frame necessitates a long-term and forward thinking view on ESG as well. Responsible investing also underpins our beliefs that attractive opportunities for investment returns will be found in companies which can address key global challenges such as climate and social equity.

■ *What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?*

WAM's long term approach to investing means we favour companies that have strong ESG practices in place. We look for transparency, openness, and clarity of purpose as well as a compelling investment strategy. Our investment philosophy of thinking like a business owner and investing with a forward-looking focus mirrors the companies we invest in and ensures we are focused on responsible investing. Our concentrated, high conviction investment style means we become familiar with the companies we invest in, both directly and through funds, and monitor them over a long timeframe for developments and commitments that address sustainability. Through our investor partnerships, we can encourage disclosure of environmental and social impact and related commitments and improvements in our investee companies.

WAM's ESG committee focuses on developing our ESG analysis processes, and regularly meets with fellow sustainable investors and data providers. This work is shared throughout the team, and all members of the investment committee are fully involved with ESG research on our companies and funds. ESG analysis is embedded within our investment process. We carry out in-depth qualitative and quantitative research, seeking out granular data rather than picking investments from a pre-selected list or relying on broad-brush, opaque scoring. This is further supported by our partnerships with the UN Principles for Responsible Investment ("PRI"), Carbon Disclosure Project ("CDP") and FAIRR.

Annual Overview

■ *Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.*

■ *Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most*

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important achievement or describing your general progress on topics such as the following (where applicable):

Following our first submission to the PRI in 2023, the past year to 30th June 2024 represents the first full year in which our new and improved approach to Responsible Investment has been in practice. As a result, we have been implementing this in a rigorous way and making constant improvements. We continue to view Stewardship broadly as the responsible investment issue which is most relevant to our organisation. Our typical long-term investment time horizon, our pre-existing exclusion of the most damaging sectors and companies, and our deep research and relationships with fund managers mean that we can achieve significant impact through Stewardship activities.

In our view, it is the most powerful tool we have as investors and stewards of clients' capital. Though not activists, even as a relatively small investment firm we are able to leverage our investor partnerships to harness our collective bargaining power and encourage companies to disclose their performance and improve their activities on some of the most key issues facing the world today, which we believe will also ultimately drive their continued success.

Some of the achievements and progress we have made this year include the following:

- We have voted on 20 company meetings over the year, voting against management on 41 votes on themes ranging from Remuneration and Artificial Intelligence Governance to Workers' Rights and Waste
- We have begun to develop our own system of principles to determine how we should vote on shareholder resolutions, and are beginning to apply these to voting rather than always voting in line with our proxy advisory research provider Glass Lewis
- We have set out a formal escalation policy to guide how we will engage with fund managers who do not meet our expectations
- We have continued to leverage our investor groups to address and sign letters to companies as part of collaborative engagements including:
 - o Targeting all companies identified as non-responders to CDP to encourage them to disclose carbon emissions, water and forest policies and data
 - o Writing to the ~2100 most impactful companies globally to ask them to set 1.5°C aligned Science-Based emissions reduction targets
 - o Writing to 12 of the largest quick-service restaurant chains in North America (including McDonalds, Starbucks, Domino's Pizza) to encourage them to align their antibiotics stewardship and policies with the WHO recommendations

In our view, our prime achievement this year was our engagement with one of our US equity managers. Following our engagement with the fund in the previous year, it transpired that the manager was not a UN PRI signatory, and that they did not consider Stewardship as relevant to their business. As a result, we reached out to the manager with several requests: that they begin to consider Stewardship as part of their investment approach (particularly in consideration of the UK Stewardship Code); that they become a signatory of the PRI; and that they consider voluntary disclosure under the TCFD recommendations. The manager responded positively, and has now applied to become a signatory of the PRI, has identified significant alignment with the Stewardship principles for asset managers of the UK Stewardship Code, and has indicated that they will begin to work toward potential disclosure under TCFD. We view the concrete improvement of the responsible investment approach of a c. \$5bn equity fund manager as a significant success and are pleased to have been able to undertake this engagement and collaboration.

Next steps

■ *What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?*


In the next two years we aim to continue to develop our approach to responsible investment. Some steps we have outlined to do this include:

- Beginning to report on responsible investment themes and progress to clients, with our first report to be released soon on our 2023/24 year
- Implementing the recommendations of the Taskforce for Climate-related Financial Disclosures for our organisation; establishing a baseline from which to set company-level Net-Zero targets
- Expanding our proxy voting activities to cover a greater proportion of our discretionary AUM
- Beginning to move from exclusions-based responsible investing to also tracking the positive and negative impacts of our investments, for example by revenue exposure to UN SDGs
- Creating asset class specific ESG & Stewardship questionnaires for other funds, starting with fixed income
- Integrating an ESG risk-based approach to portfolio construction
- Conducting an internal analysis of climate-related risk to our business, and creating a low-carbon transition plan

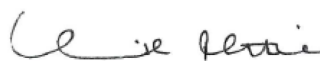
Conclusion

WAM has for a long time been a conscientious and responsible investor. Edward Whitley founded the Whitley Fund for Nature in 1993 to offer funding and support to the most effective grassroots conservationists around the world. To date the charity has given over £18m to more than 200 conservationists in 80 countries across the Global South. WAM's co-founder and director, Louise Rettie, worked as Grants Manager for the Royal Geographical Society before founding WAM with Edward in 2002. Grounded in this history, and in the firm's investment philosophy of thinking like an owner and taking a long-term view, investing responsibly has been at the forefront of our minds for over 20 years.

There is an important level of skepticism around greenwashing and ensuring investment managers are putting their money where their mouths are. We are therefore pleased that the UN Principles for Responsible Investment provide us a framework to formalise and report on the work we do and to develop it in line with industry best practice, and with the support of peers. We aim to continue to make progress in this area and believe this will directly contribute to a better understanding of our investments, a more accurate assessment of ESG risks, and ultimately better service and risk adjusted returns for our clients.



Edward Whitley
Founder & Director



Louise Rettie
Founder & Director

7th August, 2024