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# RESPONSIBLE INVESTMENT POLICY

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## Document Information

Version	Purpose of update	Updated by	Date
V1.0	Initial Document	Jacob Cheli	May 2023
V2.0	Annual review and update	Jacob Cheli	August 2024

## Introduction

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 we recognise that following a high standard of environmental, social and governance ("ESG") criteria is integral to meeting the expectations of our clients, employees, community, and wider society and to delivering sustainable financial returns. Responsible investing is a key part of the fiduciary duty we have to our clients.

Whitley Asset Management ("WAM") has long sought to protect our clients' capital from risks associated with irresponsible investment, and these concerns are built into the fabric of the firm. Edward Whitley, our founder and chair of the Investment Committee, 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. Charitable Trusts account for a quarter of our business, and hold us to a particularly high standard on sustainability. WAM also manages a dedicated impact investment portfolio for a large UK charity which gives us exposure to different perspectives on ESG themes.

The market is coming around to the view that sustainability is as integral to the analysis of a company as any financial metric. Where ESG issues were formerly the concern of philanthropy, and then later associated with concessionary financial returns, it is increasingly obvious that a clear and ambitious plan from companies to combat the many issues facing the world today is crucial to their success.

The UN estimates that the funding gap needed to achieve its Sustainable Development Goals by 2030 is \$2.5 trillion per year. Private capital will play a critical role in filling this gap. We endeavour to ensure that our clients' capital is being channelled into companies addressing these issues, being used to bring about sustainable change in those that still have some way to go and avoiding the most damaging companies, whilst meeting our primary responsibility to preserve and grow this capital.

WAM strives to reduce the environmental impact of our investments, ensure that companies we invest in are run for the benefit of all stakeholders and implement governance policies and

practices that ensure the long term sustainability of businesses. This policy sets out how we aim to achieve this through our responsible investing framework.

## **Responsible Investing Framework**

WAM's 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, long-term investment style means we become familiar with the companies we invest in and monitor them over a long timeframe for developments and commitments that address sustainability. Through our investor partnerships, which are laid out below, 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 for both third party funds and direct equity investments, with research covering areas from emissions reporting and reduction to executive compensation. 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, detailed below.

We are committed to monitoring and reducing the adverse ESG impact of our clients' portfolios. We do this both by negatively screening companies with irresponsible practices, and by expecting our companies to be leaders in sustainability and responsible business. ESG concerns are integrated into analysis of each of WAM's directly held equities. We use multiple data sources for this, including Bloomberg, CDP, Sustainalytics (Morningstar), FAIRR, and Forest 500, as well as the companies' own sustainability reports and other publicly available information. Through these, we are able to piece together a quantitative and qualitative impression of a company's culture and approach to sustainability and evaluate their commitments and progress. Through our membership of various investor groups we are able to join like-minded investors to encourage climate and nature-related financial disclosures.

## Guidelines on Asset Classes

### Direct Listed Equity

WAM's approach to assessing public equities on Environmental, Social and Governance factors includes both quantitative and qualitative approaches. These are fully integrated in the investment process and form a part of the template we use to research equities.

We use Bloomberg's proprietary ESG scores as a quantitative analysis tool to assess companies based on a number of underlying factors and KPIs. These have been chosen due to their transparent nature and each headline score for E, S and G can be expanded to show the underlying metrics assessed. These metrics include the following:

**Environmental:** Product, Climate Exposure, GHG Emissions Management, Waste Management

**Social:** Product Quality Management, Labour and Employment Practices, Ethics & Compliance, Community Rights & Relations, Data Security and Customer Privacy

**Governance:** Board Composition, Executive Compensation, Shareholder Rights, Audit

These offer a comparable and consistent approach to analysing companies' ESG performance.

Additional analysis on Environmental factors is done through research from FAIRR (Farm Animal Investment Risk and Return), CDP, and Forest 500, which incorporate water use and biodiversity, carbon emissions and disclosure, and animal antibiotic use. Bloomberg also provides a tool to analyse companies' Net Zero commitments, models a Net Zero trajectory and plots current and historical emissions against this trajectory to assess whether companies are on track. Our analysis of companies' emissions trajectory and reduction plan feeds into investment decisions, and we consider as part of our analysis the viability of a company's Net-Zero plan, and whether it is a science-based target in line with the Paris Agreement to limit global warming to below 2 degrees Celsius and preferably below 1.5.

Furthermore, the Norges Bank Exclusions list, which we follow, sets key social and environmental parameters as a framework for its Conduct-based exclusions:

*Companies may be excluded or placed under observation if there is an unacceptable risk that the company contributes to or is responsible for:*

- *serious or systematic human rights violations*
- *serious violations of individual's rights in situations of war or conflict*

- *the sale of weapons to states engaged in armed conflict that use the weapons in ways that constitute serious and systematic violations of the international rules on the conduct of hostilities*
- *the sale of weapons or military materiel to states that are subject to investment restrictions on government bonds*
- *severe environmental damage*
- *acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions*
- *gross corruption or other serious financial crime*
- *other particularly serious violations of fundamental ethical norms*

WAM also takes a qualitative approach to ESG analysis which considers ad hoc news and issues, companies' exposure and contribution to certain impact themes and SDGs, as well as company reported initiatives, CSR and charitable programmes.

### Funds

WAM's approach to assessing funds on ESG factors is done primarily through our Stewardship & ESG Questionnaire. This includes questions on funds' engagement with investee companies along ESG issues, detailing their ESG/RI policies, their investor groups or commitments on various ESG issues, and consideration of ESG risks and issues in the strategy including separate guidelines and approaches for Environmental, Social and Governance factors. We have also begun to ask our third-party equity fund managers, which comprise the majority of our AUM, to encourage their investee companies to set science-based targets in line with the Paris Agreement.

This work is supplemented by analysis on the equities held within the funds, allowing us to engage with fund managers directly on ESG issues relating to their portfolio companies. We leverage the relationships with our fund managers to gain better access to company management and we expect them to engage on our behalf with companies in order to improve their disclosures and practices.

Where available, WAM will also consider external fund scores from providers such as Sustainalytics, however these represent an additional data point rather than the primary method of fund analysis on ESG factors.

## Exclusions

WAM does not invest directly<sup>1</sup>, and sets a 7.5% maximum threshold in funds, in the following sectors and product areas:

### GICS Sectors:

Oil & Gas Exploration and Production, Integrated Oil & Gas, Coal & Consumable Fuels, Diversified Metals & Mining, Tobacco, Casinos & Gaming.

### Product Involvement:

Adult entertainment (Direct), Controversial weapons (tailor-made and essential), Gambling, Thermal coal, Tobacco (Direct).

### Norges Bank Exclusions List

This includes both product-based and conduct-based exclusions. The full list of excluded companies may be found [here](#).

## Stewardship

### Overall Objectives

The UK Stewardship Code defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. WAM views stewardship as a key tool to deepen our knowledge of our investments, to monitor and assess whether they are being run for the long-term benefit of clients and wider society, and to engage with them to advance changes or improvements which we believe will add value. We aim to collaborate with other investors on these efforts through organisations such as the PRI and logging voting intentions, and through our membership of investor groups.

WAM's engagement is focused primarily on Environmental factors and in particular emissions disclosure and realistic net-zero emissions planning in line with the TCFD recommendations. However, we do also engage on Social issues, and our proxy voting activities are dominated by voting on Governance factors.

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<sup>1</sup> NB this applies to all Discretionary mandates and Advisory recommendations. WAM's non-discretionary clients may instruct the purchase of investments which do not conform with our exclusions policy.

## **Engagement**

### Funds

An ESG/Stewardship Questionnaire is sent to funds which aims to allow them to disclose their ESG, proxy voting and other stewardship processes as well as membership of investor groups including the UN PRI. This is used primarily to internally analyse the funds as part of WAM's own responsible investment work. However, where funds fall short of our expectations in terms of ESG WAM will engage with the fund to encourage them to improve. If this engagement is unsuccessful WAM eventually will divest entirely from the fund. Engagement with investees also takes the form of leveraging the larger size and influence of our investment funds with their investee companies to encourage them to drive change and improvements in these companies.

### Directly Held Equities

WAM also uses its membership of investor groups to engage with companies through co-signing letters to companies. These range from engagements targeted at increasing responses to CDP questionnaires to those encouraging companies to improve their governance of antibiotics in their supply chain.

### Investor Groups

WAM is a member of a number of investor groups. This provides us access to other investors, policy makers and key stakeholders in the investment industry. Through meetings, seminars and events WAM is able to leverage these relationships to improve our approach to responsible investment and encourage and adopt best practice in the industry.

## **Proxy Voting**

WAM currently votes shares on behalf of all discretionary clients custodied with our primary custodian, Multrees Investor Services, which comprises the significant majority of our AUM. We intend to expand this to other custodians in due course. WAM votes on the 15 equities which comprise our "WAM 15" – those stocks held directly in client portfolios – as well as all investment trusts. WAM receives proxy voting advisory and research services from Glass Lewis. The ESG Committee and another rotating member of the investment team meet to evaluate each agenda item and log the WAM proxy vote decision. WAM manually votes all proxies. All votes and vote rationale are recorded and will be reported to clients upon request and at the end of the ESG reporting year which is June 30<sup>th</sup>.

The ESG Committee evaluate the agenda item and the Glass Lewis research, and WAM will typically vote in line with Glass Lewis recommendations on ordinary agenda items, but will make a judgement based on the research provided and may vote against recommendations on shareholder proposals. With the caveat that many shareholder proposals can be poorly researched and request actions or information that have already been taken or disclosed (and in these cases we will note vote in favour), we have created the following principles to determine how we should vote on these issues:

### Environmental

- Vote **for** greater disclosure of emissions data
- Vote **for** setting a net-zero target by 2050
- Vote **for** additional disclosure on plastic and packaging waste

### Social

- Vote **for** additional disclosure on supply chains where we believe existing processes have failed
- Vote **for** additional disclosure and reduction targets on sales of unhealthy foods
- Vote **for** independent assessments on worker's rights where there is evidence that these have been breached
- Vote **for** greater oversight and governance of Artificial Intelligence

### Governance

- Vote **for** measures to remove multi-class share structures

### **Escalation**

### Funds

Where managers fail to appropriately address concerns or suggestions raised as part of investment stewardship, WAM will take the following steps to escalate the engagement:

- 1) Organise meeting with investment and any ESG team to discuss WAM's concerns and the manager's willingness to address these
- 2) Escalate concerns to Senior Management at fund management business
- 3) Write letter to fund manager notifying of relationship coming under review, setting out in writing expectations, along with a clear timeline and action to be taken in the event of lack of cooperation – in the first instance a reduction of position size
- 4) Following reduction in position size, step 3 to be repeated with proposed action as full sale of fund
- 5) In the event of a full sale of the fund, explanation of reasons for termination to be provided

At any stage, the escalation will be paused if a manager cooperates with the stewardship process in the following ways:



- Commits to implementation of proposed action within 1 year of escalation; or
- Commits to investigating and considering proposed action and respond within 3 months

#### Directly Held Equities

WAM's small shareholding in directly held equities means our ability to directly engage with the companies is limited. However, where companies are failing to address concerns brought by investors, WAM will take the step of voting for shareholder resolutions filed by other investors, voting against the election of directors deemed responsible for shortcomings, and ultimately voting against the compensation plan. This is done in line with Glass Lewis' policies on voting recommendations.