

# WHITLEY ASSET MANAGEMENT LTD

## Responsible Investment Policy

### 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 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, community, and wider society and to delivering good financial returns.

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, two of the top 25 of the UK's Biggest Givers (2021 Sunday Times Rich List) are WAM clients. WAM also manages a dedicated impact portfolio for a large UK charity, giving us access to a unique perspective on these issues.

We recognise that we are early in our responsible investing journey and are fortunate to have access to a remarkable community of investors, data providers and not-for-profits. ShareAction, a non-profit working to build a global investment sector which is responsible for its impacts on people and planet, carried out a survey in 2020 of the world's 75 largest asset managers where no asset manager achieved an AAA or AA rating by demonstrating leading practice across all assessed areas. However, they concluded that there were clear pockets of leading practice in the industry across most indicators assessed. More work is needed, and collaborative efforts will accelerate our transition to a responsible investment sector, and so we are prepared to learn from others who are further along their sustainable investment journey and in return help others where we can.

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.

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WAM's aspiration is to position portfolios in line to limit global warming to below 2 degrees Celsius and preferably below 1.5, in line with the Paris Agreement. Whilst data coverage is not currently comprehensive, we will be able to report on our progress as data improves. Our aim is also to bring our fellow investors along with us on this mission, recognising that together we can greatly influence the behaviour of companies and governments for the better.

WAM's aim is fully to integrate ESG analysis into our investment process. In doing so we aim 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 and their practices. This policy sets out how we plan to achieve this through our ESG investing framework and our wider business ESG policy.

### **Investment Philosophy & Approach**

WAM's long term approach to investing means we favour companies that have strong ESG policies 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, 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, with research covering several ESG factors. 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.

### **ESG Analysis and Investment Framework**

We are committing 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 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. Where

companies do not disclose sustainability data, through our membership of various investor groups we are able to join like-minded investors encouraging climate and nature-related financial disclosures.

We use the Morningstar Workstation, with its integrated data from Sustainalytics and the Carbon Disclosure Project, to monitor third party fund holdings for controversial investments, for example in the following sectors: fossil fuel or mineral extraction, payday lending, gambling, adult entertainment or weapons. We also seek to invest in funds that go beyond negative screening and exclusions and actively identify industry-leading performance with regard to sustainability. We do not invest directly in any of the sectors listed above.

Using Morningstar's data, we can identify which companies require further analysis of their environmental, social and governance factors. We are mindful that ratings can vary between different providers, and that there is no substitute for in-house primary research, and so we carry out further research into these companies, cross-referencing this data with our other data providers, and eventually taking our concerns to fund managers and initiating a dialogue with them. We leverage the relationships with our fund managers to gain better access to company management and we would expect them to divest from companies making no effort to improve their ESG impact. As data coverage improves, we can also track the Scope 1 and 2 emissions of our portfolios.

## **ESG Business Goals**

### **Environmental Impact**

Our environmental approach is driven by the understanding that our activities have a lasting impact on the environment and that we have an obligation to reduce this wherever possible.

Most of our operational impact comes from carbon emissions generated by energy in our building and business travel. Our approach is therefore to seek ways to control the things that are in our remit, and to advise and promote best practice to our employees.

We are committed to reducing our net overall footprint, firstly by measuring our carbon emissions and secondly by committing to reaching targets set each year. WAM's total carbon emissions for 2019-2020 were 7,700kg, comprised of "office carbon" of 4,560kg and "staff travel carbon" of 3,150 kg. WAM has committed to offsetting this carbon footprint. In 2020 we planted 25 large trees and in 2021 so far we have planted 600 saplings and 25 larger trees. WAM is currently working on partnering with the Whitley Fund for Nature on a carbon offset scheme with the Brazilian environmental NGO IPÊ, which can be found in more detail [here](#).

To help reduce the direct impact of our business and the impact of our employees we are in the process of cutting out single-use plastic consumption and where possible move to sustainable suppliers.

One of the largest sources of carbon emissions generated is from business travel and we bear this in mind when arranging business meetings. WAM's travel policy reflects our active encouragement with employees to opt for public transport or low carbon alternatives where possible. This includes commuting to and from work and holiday travel. Employees receive an extra day of holiday if low emission travel is used, such as the train instead of flying. WAM is a member of the cycle to work scheme.

## **Social Impact**

Our employees are our most crucial asset and key when it comes to sustainability and responsible behaviour. WAM is committed to fostering effective relationships with key stakeholders such as employees, clients, suppliers and the community we operate in.

### Charity Partnerships

Charitable foundations are an integral, and growing, part of WAM's business, and we are proud to manage the investment portfolios for 17 charitable trusts.

As part of working with the local community, WAM manages on a *pro bono* basis the portfolio of a trust focused on supporting extracurricular activities and pastoral care for an Academy in the local area.

### Fundraising and Volunteering

WAM actively supports employees who wish to raise money for charities and will match up to a £100 donation per employee per annum.

WAM recognises the importance of volunteering and other charitable acts, such as giving blood, and supports employees who wish to volunteer by giving each employee up to two "volunteer days" each year.

### Equal Opportunity

Providing a diverse and inclusive work environment is a priority for us. We provide equal employment and advancement opportunities for all qualified individuals. This means taking a fair and equitable approach to recruitment, promotion and pay.

## **Governance Impact**

### Profit Share Scheme

WAM's profit share scheme, introduced in 2019, is designed to attract and motivate employees and align the interests of both employees and clients. Total remuneration is based on a combination of performance of the individual, the business unit and the overall results of the firm. The scheme is risk focused and promotes effective risk management to ensure that WAM is not exposed to excessive risk and risk taking.

### Human Rights Policy

WAM complies with relevant regulations and appropriate best practices governing the protection of human rights, occupational and public health and safety, the environment, and the labour and business practices of the jurisdictions in which we conduct business.

### **Partnerships**

WAM is proud to work in partnership with the following initiatives:

#### 1) UN Principles for Responsible Investment

The PRI is the world's leading proponent of responsible investment. With 7,000 corporate signatories in 135 countries and over \$100tn assets under management committed, it is the world's largest voluntary corporate sustainability initiative. Its stated mission is to work to achieve a global sustainable financial system that benefits the environment and society as a whole, by encouraging adoption and supporting implementation of the Principles. The Principles can be found here: <https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>

#### 2) CDP

CDP (formerly Carbon Disclosure Project) is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts, in line with the recommendations of the Taskforce for Climate-Related Financial Disclosures (TCFD). CDP awards ratings to companies on Climate Change, Water Security, and Forests based on responses to its annual questionnaire, and with \$110tn in assets from its investor membership base there are tangible business benefits of disclosure to companies. The data collected through disclosure is publicly available and provides a rich dataset to use in research and analysis of investments. The scores and data can be found at: <https://www.cdp.net/en>

#### 3) FAIRR

FAIRR is the world's fastest-growing investor network focusing on ESG risks in the global food sector. Through their three tools, the Protein Producer Index, the Sustainable Proteins Hub, and the Climate Risk Tool, they enable investors to make informed decisions and conduct research and analysis into the supply chains and sustainability of global food companies. Investors can compare company progress year-on-year and access individual company assessments, engagement questions, and best practice examples. The scoring and data can be found at: <https://www.fairr.org/>

WAM also works in partnership with the Whitley Fund for Nature, led by its Director, Danni Parks. We regularly meet with WFN, a valuable source of information on biodiversity and environmental concerns. WFN's website is: <https://whitleyaward.org/>

### **Taxonomy of Terms**

*ESG:* environmental, social, and governance criteria.

*Responsible Investing:* an investment discipline that seeks to mitigate risky environmental, social and corporate governance (ESG) practices in order to protect shareholder value.

*Sustainable Investing:* an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal and environmental impact.

*Impact Investing:* investing with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.

*The Paris Agreement:* a legally binding international treaty on climate change aiming to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

*The Taskforce for Climate-Related Financial Disclosures:* a group established by The Financial Stability Board to develop recommendations for more effective climate-related disclosures that could enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

*UN SDGs:* the United Nations Sustainable Development Goals, 17 goals set as part of the UN's 2030 Agenda for Sustainable Development, which aims to end world poverty, hunger and inequalities by 2030.

*Active Ownership:* actively exercising shareholder rights to discuss environmental, social or corporate governance concerns with investee companies.

*Scope 1 Emissions:* direct greenhouse gas (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles).

*Scope 2 Emissions:* indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Although scope 2 emissions physically occur at the facility where they are generated, they are accounted for in an organization's GHG inventory because they are a result of the organization's energy use.

Appendix

*Spectrum of Capital*

	Financial-only	Responsible	Sustainable	Impact		Impact-only	
	Delivering competitive financial returns						
		Mitigating Environmental, Social and Governance (ESG) risks					
			Pursuing Environmental, Social and Governance opportunities				
				Focusing on measurable high-impact solutions			
Focus:	Limited or no regard for environmental, social or governance (ESG) practices	Mitigate risky ESG practices in order to protect value	Adopt progressive ESG practices that may enhance value	Address societal challenges that generate competitive financial returns for investors	Address societal challenges where returns are as yet unproven	Address societal challenges that require a below-market financial return for investors	Address societal challenges that cannot generate a financial return for investors
Examples:		<ul style="list-style-type: none"> <li>• PE firm integrating ESG risks into investment analysis</li> <li>• Ethically-screened investment fund</li> </ul>	<ul style="list-style-type: none"> <li>• "Best-in-class" SRI fund</li> <li>• Long-only public equity fund using deep integration of ESG to create additional value</li> </ul>	<ul style="list-style-type: none"> <li>• Publicly-listed fund dedicated to renewable energy projects (e.g. a wind farm)</li> <li>• Microfinance structured debt fund (e.g. loans to microfinance banks)</li> </ul>	<ul style="list-style-type: none"> <li>• Social Impact Bonds / Development Impact Bonds</li> </ul>	<ul style="list-style-type: none"> <li>• Fund providing quasi equity or unsecured debt to social enterprises or charities</li> </ul>	

WAM would class itself as following a Responsible investment approach for most clients, moving to a Sustainable and Impact approach for specific client mandates.

Chart Source: Bridges Fund Management