



HIGHCLERE

INTERNATIONAL INVESTORS

ESG Policy

Environmental, Social, and Governance (ESG) topics range from areas such as global warming, renewable energy, clean water, human rights and supply chain issues, to factors like executive pay, board composition and diversity. These topics constitute aspects of a company that are not always captured through traditional balance sheet items or accounting metrics, but have the potential to materially impact a company's long term viability. Therefore, to best secure and enhance the long terms profitability of our investments, we are committed to integrating ESG analysis into our investment analysis and decision making process.

ESG Integration into Investment Process

Our investment process focuses first on the quality of a business, and secondly, on its valuation and growth characteristics. We believe that quality exists when high standards are applied to all aspects of a business. As such, we aim to only invest in a company once we have assessed all factors that materially impact its long term success. This assessment involves looking at ESG risk and opportunities at stock, industry and country level.

Each investment analyst covers a specific sector, so are able to understand the variation in ESG risks within each industry. While each company is different, we believe that having an understanding of thematic issues at the sector level helps safeguard against wider challenges that companies may face. Moreover, as part of our investment process, each company is collectively reviewed prior to entering the portfolio and during the holding period. This allows for us to incorporate cross sectoral views and develop a deeper understanding of the quality of the business.

Once invested, we routinely monitor for any changes that may affect our conviction level. If any material issues arise during our investment tenure, we aim to actively engage with companies if we believe that doing so would be in the best interests of both the company and our shareholders. The goal of our engagements is to promote sound governance so that the long-term value of our investments are enhanced.

We also recognise our voting power as an effective tool to empower change. Therefore, we assess all proxy votes on their own merits, and will vote against company management if we consider it to be in the best interests of our clients. More information on our approach to Active Ownership is covered within our Engagement Policy.

Ultimately, we see our relative size as an asset manager as a strength when it comes to ESG integration. This is because we invest in around 300 companies, meaning we are able to take the time to understand the material elements of each company, each which have their own set of issues and opportunities.



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Management and Review

Our ESG process is ‘principles’ based rather than ‘rules’ based. Our process and policies are routinely reviewed and updated and responsibility for the implementation and oversight of our ESG efforts lie with our CEO and Research Director.

We are a signatory to the UNPRI, an organisation which provides a framework for investors to give due consideration to ESG issues. We see the UNPRI Report as a valuable tool in helping us improve our ESG transparency and methodology.

While we are not a signatory, we apply the principles that sit behind the UK’s Stewardship Code to our investment process. More information is available in our ‘Stewardship Code Statement’.

We are also a supporter of the Task Force on Climate Related Financial Disclosures (TCFD) and are committed to encouraging companies to improve transparency in all aspects of their business.