




Slater Investments Limited

ESG Policy

<p>Introduction</p> <p><i>Signatory of:</i></p> 	<p>In September 2019, we became a signatory to the United Nations supported Principles for Responsible Investment (“UNPRI”), confirming our commitment to responsible investment. We are pleased that Slater Investments is now at the heart of a global community seeking to build a more sustainable financial system, encouraging investors to use responsible investment to enhance returns and better manage risks.</p> <p>We believe that Environmental, Social and Governance are important factors in measuring the sustainability and impact on an investment in a company and have significant financial relevance. Incorporating these factors into investment analysis and portfolio construction can help mitigate risk, leading to superior long-term performance.</p> <p>In our view, responsible investment initiatives require resources and expertise. We also recognise that the risk posed by ESG factors (including climate change risk and most recently those risks relating to the COVID pandemic) is an identifiable investment risk. Therefore, to further augment our stewardship, governance and ESG capabilities, our Board, at the end of 2019, formally created an ESG Committee with a range of backgrounds including law, corporate finance, compliance, risk, accountancy and asset management. This ensures we all approach matters from different angles and helps prevent the work we do from becoming blinkered.</p>
<p>Slater Investments’s Responsible Investment Overview</p>	<p>Slater Investments offers a diverse fund line-up using an integrated sustainable investment approach, where ESG screening is incorporated into the fundamental analysis of</p>

	<p>companies across our funds. We aim to add material long-term value for our clients by providing a framework for their desired returns, be that sustainable capital growth, income or a combination of the two; our track record in this regard is our most valuable asset. We consider ESG analysis to be a complementary tool to the fundamental research that is done to understand, with a high degree of conviction, a company's earnings and growth potential.</p> <p>As long-term investors, we use ESG factors to help to identify companies positioned for strong long-term performance. As a business we approach ESG integration from a practical perspective, considering these issues against the backdrop of investment time horizon and goals of each fund or segregated account.</p> <p>Slater Investments is wholly owned by its directors, staff and former staff. The directors and staff have invested materially in our Funds ensuring that our interests are directly aligned with those of our clients.</p> <p><i>Buy Decisions</i> Rather than exclude entire sectors, our approach is to focus on the progress companies are making toward making responsible environmental, social and governance decisions. We engage with investee companies on relevant ESG issues where this can lead to positive outcomes over time.</p> <p><i>Sell Decisions</i> We will consider divesting from companies when our efforts to change company</p>
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	<p>behaviour do not make sufficient progress or the company fails to engage. Or we may work with fellow shareholders to bring about a change in management.</p>
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	<p><i>Selecting Engagement Priorities</i></p> <p>We do not invest in a company with the view of engaging; in an ideal situation we aim to buy into a high-quality business and monitor it. However, ongoing monitoring of investee companies is equally important as the initial investment decision itself, and sometimes shareholder engagement can help to support good corporate governance. This is important not only because it enhances shareholder interests directly, but also owing to the wider benefits it can have from an Environmental, Social and Governance (“ESG”) perspective.</p> <p>We engage with companies both proactively and reactively, depending on the circumstance. We endeavour to respond to as many issues as we can; but on occasion must prioritise either by the size of holding or the severity of our concerns. In general, we focus on those companies where we have a significant shareholding as we believe it is here that we can add most value.</p> <p>We expect all dialogue with companies to be constructive and have recently introduced an Engagement Policy at Slater Investments which formally outlines our processes. Our engagement with companies forms a core part of our stewardship responsibilities. Instances where it may be necessary for us to engage with investee companies include where we have concerns about the company’s strategy, performance, governance, remuneration or approach to risk including those which may arise from social and environmental matters.</p>
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<p><i>Collaborative Engagement</i></p>	<p>In certain circumstances, we may partake in collaborative engagement with other institutional investors if we believe that this will lead to a more positive outcome.</p>
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<p><i>Escalation</i></p>	<p>However, before deciding to do so, we consider a range of factors including, but not limited to:</p> <ul style="list-style-type: none"> • whether or not collective engagement is likely to be more effective than independent involvement; • the size of our position; • the extent to which the objectives of the other investors are aligned with our own; and • Slater Investments's conflict of interest policy as well as regulatory requirements, such as market abuse and insider dealing. <p>We have long believed that confidentiality can allow the frank and robust exchange of views that is essential to bring about change. However, occasionally we believe public pressure can go a long way in fostering change. In exceptional circumstances, we will actively seek to make our feelings more well known, be that with other significant shareholders or the general public.</p> <p>Escalation is normally conducted by the Investment Team, and may involve meeting with the company's Chairman and/or senior independent director, the executive team, other shareholders and/or company advisers. Focused intervention will generally begin with a process of enhancing our understanding of the company's position and communicating our position to the company. This might include initiating discussions with the Chairman and/or the company's advisers. We may also speak to senior independent directors or other non-executive directors and other shareholders. The extent to which we might expect change will vary, depending on the nature of the issue.</p>
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Slater Investments's Guiding Principles on Environmental, Social and Governance Topics

Environmental

- **Climate Change**
- **Emissions & Waste**
- **Resource Efficiency**
- **Usage of Renewable Energy**

Our growth process has been biased towards “capital light” businesses which typically present relatively few material environmental concerns. From time to time, capital intensive companies have appeared in our screens and very occasionally were included as investments. For all investee companies, we seek to invest in companies which have strong environmental policies, processes and management, recognising the finite resources available in the world and seeking to address these issues appropriately.

We look for companies to manage environmental issues where they are material to their business. For companies in sectors more exposed to such issues, an assessment of the company's readiness for these risks can play an important part in our analysis.

We expect that companies we invest in will:

- comply with environmental laws and regulations, or recognise best practice as a minimum;
- identify, manage and reduce their environmental impacts;
- understand the impact of climate change along the company value chain, develop climate policies and set targets to manage the impact where relevant;
- report on its policies, practices and actions taken to reduce carbon and other environmental risks within its operations.

Slater Investments strongly supports the objectives of the Paris Agreement. As responsible stewards on behalf of our clients, we expect companies' business plans to reflect the long-term climate-related risks and opportunities they face. We run climate scenario analysis that includes a range of 'Paris aligned' scenarios to assess the financial impact of Paris-aligned pathways on our portfolios.

Slater Investments is a public supporter of the Task Force on Climate-Related Financial Disclosures (TCFD). We are committed to work toward our own implementation of TCFD recommendations and encourage our portfolio companies to do the same.

Social

- **Workplace Diversity, Human Capital and Fair Labour Practices**
- **Supply Chain Management**
- **Product Integrity & Safety**
- **Community Relations**

Our social criteria focuses on a company's ability to create value through its people and business relationships. We look at businesses to see if working conditions show a high regard for employee health and safety. We also examine diversity, occupational health and safety, employee relations and human rights issues.

We recognise that the management of social responsibilities is affected by, and subject to, many influences and we consider companies in context, in relation to their peers, and with consideration for the particular circumstances, industries and locations in which they operate.

Governance

- **Board & Executive Diversity**
- **Corporate Structure, Accounting & Transparency**
- **Executive Compensation**
- **Transparency in Shareholder Communication**
- **Company Culture**

Without effective governance there is limited prospect of positive developments in ESG and little prospect of profitable engagement. The initial focus is on the constitution of the board, the track record of the individuals and their incentivisation. This initial work is conducted by the investment team, which is followed up by a more comprehensive study by the ESG team including, but not limited to, diversity, upwards mobility within the work force, tenure, compensation, culture, transparency, capital discipline, risk management, independence, and asymmetrical ownership dynamics. A key factor where we spend time is executive remuneration. We try to understand how incentives are aligned with our interests.

Our investment process specifies that we invest in companies which are well managed with high standards of corporate governance and a sound management team, as we believe that strong governance aligns shareholder and management interests. We are committed to act always in the best interest of our clients and we expect the same from the management of the companies we invest in.

We believe long term success of companies is supported by effective investor stewardship and high standards of corporate governance. If a company is run well it is more likely to be successful in the long-term.

We meet regularly with company directors to allow us to identify whether a company's strategy is aligned with our interests as shareholders. This active engagement helps us to understand the issues affecting them and, where appropriate, to encourage positive change.

We became one of the first signatories to the Financial Reporting Council's UK Stewardship Code 2020, having been one of the original signatories to the UK Stewardship Code in 2010, as we believe this sets the highest stewardship standards for asset owners and asset managers. For further details on how we comply with the responsibilities laid out in the code, please see <https://slaterinvestments.com/uk-stewardship-code/>