

Slater Investments Limited



Environmental, Social and Governance (ESG) Policy



March 2023



Enviromental



Social



Governance



Introduction

Slater Investments Limited (“Slater Investments”) is a private limited company providing quality UK equity investment management services. 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.

Stewardship and governance have always been at the heart of Slater Investments’s core values. In recent years, as awareness of ESG issues and sustainable investing has grown, Slater Investments has directed resources and expertise to codifying our belief that the analysis of and engagement on ESG factors is an integral part of seeking strong investment performance. The genesis of this work began in 2019 when the Slater Investments Board formally created the ESG Committee.

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 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.

Signatory of:



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 (“Code”) in 2010, as we believe this sets the highest stewardship standards for asset owners and asset managers. The Code additionally requires signatories to demonstrate year-on-year improvement; Slater Investments’s subsequent submission has similarly been approved.

For further details on how we comply with the responsibilities laid out in the Code, please visit the stewardship section of our [website](#).

This document sets out our company-wide ESG policy that is employed across all our investment products, endorsed by the Board, overseen by the ESG and Investment Committees, and implemented by the Investment Committee.



Slater Investments's Responsible Investment Overview

We believe that Environmental, Social and Governance factors are crucial 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.

Slater Investments offers a diverse fund line-up using an integrated sustainable investment approach, where ESG screening is incorporated into the fundamental analysis of 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.

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.

Buy Decisions

Rather than exclude entire sectors, our approach is to focus on the progress companies are making toward making responsible environmental, social and governance decisions.

For evaluating all potential investments that have been identified by the Investment Committee, the ESG Committee uses Slater Investments's internal ESG investment standards which use a combination of a sustainability-related materiality framework and the Task Force on Climate Related Financial Disclosures' recommendations on climate-related risks and opportunities as a starting point to understand the potential risks a company may face and to determine materiality. Slater Investments also assesses the impact of relevant ESG regulation, both existing and potential, on a company. The focus of this process is broken down into two categories:

1) Maintaining value

The primary focus is to pre-emptively monitor for ESG risks that may emerge which might threaten the price earnings ratio or earnings growth prospects of Slater Investments's investee companies.



Slater Investments's Responsible Investment Overview (Continued)

2) Adding Value

The ESG Committee work with management teams of Slater Investments's investee companies, offering advice as to how they can use ESG to assist in growing the business through either identifying ESG related market opportunities or improving their internal ESG practices.

Where it is necessary to seek additional information or clarification, the ESG Committee will engage with the company directly. In the instances where the ESG Committee's concerns are not entirely alleviated, this information will be relayed to the Investment Committee. The ESG Committee also seeks to monitor press coverage of portfolio companies and any new concerns, or ideas, are communicated to the Investment Committee.

Sell Decisions

We will consider divesting from companies when our efforts to change company behaviour do not make sufficient progress or the company fails to engage. Alternatively, we may work with fellow shareholders to bring about a change in management.

Any ESG risks identified by the ESG Committee are weighed against all other inputs when considering an investment decision. In line with Slater Investments's existing risk management processes, where Slater Investments is not comfortable with any level of risk posed by an investment, steps are taken to mitigate and manage that risk, which may include disinvestment. The Chair of the Compliance and Risk Committee attends both Investment Committee and ESG Committee meetings and retains the power to veto any action deemed not to be in the best interest of its clients. All companies are ultimately scored using a RAG rating:

Red: identified companies will be further analysed by the ESG Committee and the Investment Committee will immediately be notified. This may result in divestment depending on the risk and severity of the identified risk and the total cumulative risks identified across the company. Immediate engagement will be conducted with company management to address the identified risks.

Amber: investments which are identified as intermediate performers will also be further analysed with the aim to mitigate and/or eliminate risks through prioritised engagement.

Green: Slater Investments continues to engage with investee companies identified as leaders to assist in identifying how value can be added, and any risks be further mitigated against.



Slater Investments's Responsible Investment Overview (Continued)

Engagement

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 ESG perspective.

Selecting Engagement Priorities

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.

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.

Collaborative Engagement

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. However, before deciding to do so, we consider a range of factors including, but not limited to:

- 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 regulations.



Slater Investments's Responsible Investment Overview (Continued)

Escalation

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.

Escalation is normally conducted by the members of the Investment and/or ESG Committees, 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.



Slater Investments's Guiding Principles on Environmental, Social and Governance Topics

Environmental

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

Our investment process has historically been biased toward “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 are included as investments. Where we do invest in companies who remain involved in fossil fuels, we seek to encourage them to develop a credible transition plan. 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 businesses. For companies in sectors more exposed to such issues, an assessment of a 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, which is aimed at limiting global warming to below 2°C above pre-industrial levels, and actively engaging to limit warming to 1.5°C. 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. This assesses, among other climate scenarios consistent with the Paris Agreement, alignment with net-zero emissions by 2050 or sooner.



Slater Investments's Guiding Principles on Environmental, Social and Governance Topics (Continued)

Environmental (Continued)

Slater Investments is a public supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) and has begun assessing and reporting in line with the TCFD's recommendations. We are committed to better understanding Slater Investments's climate-related risks through our own implementation of TCFD recommendations and encourage our portfolio companies to do the same.

Social

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

A company's approach to social issues such as diversity, equity, inclusion and labour practices are increasingly viewed as an indicator of competent management and an important marker of future success. Our social criteria focus 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 living wage issues, upwards mobility within the work force, tenure, 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 other stakeholders, 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**



Slater Investments's Guiding Principles on Environmental, Social and Governance Topics (Continued)

Governance (Continued)

Without effective governance there is limited prospect of positive developments in ESG and little prospect of profitable engagement. Slater Investments believes governance to be the most important of the ESG pillar and works to understand, for each portfolio company, the constitution of the board, the track record of board members and their incentivisation. This initial work is conducted by the Investment Committee, which is followed up by a more comprehensive study by the ESG Committee including, but not limited to, topics such as: 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 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.

How to contact us

If you wish to contact us, please send an email to esg@slaterinvestments.com, write to: The ESG Team. Slater Investments Limited. Nicholas House, 3 Laurence Pountney Hill, London. EC4R 0EU or call 020 7220 9460.

Do you need extra help?

If you would like this Policy in a more accessible format (for example audio, large print, braille) please contact us (see above 'How to contact us'). Please tell us what format you need.

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Appendix 1 - External Links

Slater Investments Limited website

<https://slaterinvestments.com>

Slater Investments Limited's Stewardship Report under The Financial Reporting Council's Stewardship Code

<https://slaterinvestments.com/uk-stewardship-code/>

Slater Investments Limited's Voting Policy

<https://slaterinvestments.com/policies/>

Slater Investments Limited's Engagement Policy

<https://slaterinvestments.com/policies/>

Slater Investments Limited's Conflicts of Interest Policy

<https://slaterinvestments.com/policies/>

Slater Investments Limited's Sustainable Finance Disclosure Regulation

<https://slaterinvestments.com/sfdr/>