

# Environmental, Social & Governance policy

## Canaccord Genuity Asset Management (CGAM)

### 1. Overview

Canaccord Genuity Asset Management (CGAM) are the designated Fund Managers for a number of mandates including a range of Unit Trusts and OEICs as well as the Hargreave Hale AIM VCT (the "Funds"). This policy outlines CGAM's approach to environmental, social and governance (ESG) issues and how these are integrated into our investment processes and decisions. CGAM's approach is based on the Shareholders Rights Directive (SRDII) and the principles of the UK Stewardship Code. For a more detailed summary of how CGAM meet the principles of the Stewardship Code and our obligations under SRDII, this policy should be read in conjunction with the CGAM Stewardship Policy and the CGAM Engagement Policy.

#### 1.1 Objective

The ESG policy's objective is to define CGAM's approach to ESG integration in the investment process and assessing ESG risks and opportunities in our investment decisions for the Funds.

#### 1.2 Application

This policy relates to all mandates managed by CGAM.

#### 1.3 Connected policies

1. CGAM Engagement Policy
2. CGAM Stewardship Policy

### 2. Policy

#### 2.1 ESG factors

As long-term stewards of our clients' investments, we believe we have a fiduciary duty to integrate ESG into our investment process and, while we don't claim to manage recognised 'ESG funds', we are committed to creating long term sustainable value to all our stakeholders.

As well as looking at an investee company's financial position and investment story, the investment teams also consider a number of non-financial factors whilst researching and engaging with companies, both before making an investment in the company and then subsequently, following any investment made. These factors include considering a company's ESG activities. Depending on the company and its sector, such activities may include:

**Environment:** The company's impact on land, sea, air, wildlife, plant life and the climate. Our review could include matters such as the company's land development strategy, its waste and pollution record and the company's carbon footprint.

**Social:** The company's relationship with its employees, suppliers and the communities in which it operates. This review could include issues such as a company's labour practices, human rights records, employee engagement and wellbeing monitoring, health and safety records and supplier relationship management.

**Governance:** The company's management and processes. Our considerations could include reviewing who is running the company and whether the management team is sufficiently independent and diverse, how the company and its finances are managed, its reporting quality and transparency and how it approaches remuneration and strategy.

Whilst financial factors remain critically important to the investment decision making process, these ESG factors are an integral part of our wider due diligence process to ensure that:

- Stakeholders' best interests are considered appropriately by the directors and senior management of our investee companies
- Management is striving to operate in line with best practice for their given industry

- Companies interact with their workforces and local communities appropriately, giving regard to their entire chain of suppliers and distributors as they do so
- Companies strive to either actively improve or not damage the environment in the course of their normal operations

CGAM is a signatory of the United Nation's Principles of Responsible Investment (UNPRI), a voluntary framework supported by the United Nations to assist firms like CGAM to incorporate ESG issues into the investment analysis and decision-making process.

#### 2.2 Resourcing ESG

We have decided not to opt for separate ESG teams, as we prefer to keep our approach to ESG engagement fully integrated with all investment decision making. This way, we hope to focus on what is truly material to a company's long-term success, whether in investment terms, its ESG impact or other non-financial factors. Our investment team has an abundance of experience and understanding of what makes a company successful over the long run and which aspects of ESG are therefore the most material for different industries and sectors.

#### 2.3 ESG integration

Our investment teams make qualitative and quantitative assessments using a variety of available resources of which ESG factors are just one element. This is done both at the time of initial due diligence into a company and as part of the ongoing monitoring process of existing holdings.

Our aim is to use these resources to help us identify any material ESG concerns either prior to investment or that arise with one of the portfolio holdings.

Our primary tool for making quantitative assessments of a company's ESG risk is through Sustainalytics. As part of the wider

Canaccord UK group, CGAM has access to the Sustainalytics ESG risk rating platform.

This measures an investee company's exposure to industry-specific material ESG risks and how well a company is managing those risks. This multi-dimensional way of measuring ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk.

As is typical of ESG data vendors, Sustainalytics has limited coverage particularly in the small cap space. However, where stocks held are covered, we utilise the ESG assessments made by Sustainalytics as a key part of our assessment. This is a particularly useful resource for the funds managed with a larger and mid cap bias.

For the funds which have more limited coverage on Sustainalytics, we adopt a more direct approach and collect relevant ESG information from the investee company itself via a proprietary ESG questionnaire which we have devised to capture the most pertinent information to assist our due diligence and ESG assessment. This allows us to gain a greater insight into the ESG environment for a particular company and how the company management team are addressing these factors.

The initial due diligence process and ongoing management of the funds involves meeting investee company senior management on a regular basis. The investment team have around 2000 separate meetings with company management teams on an annual basis. Therefore, our investment teams are able to make regular qualitative assessments on a company's ESG landscape and how management are addressing and managing their ESG risks. Relevant points considered/discussed in these interactions will also be documented in relevant meeting and internal research notes.

For each investment made, the relevant investment team will record a centralised ESG file note which will reference the ESG assessment made, the sources used to make the assessment and also highlight if any material concerns have been identified. This ESG file note process will have management oversight in which both the completion and quality of the ESG file note will be assessed and challenged if deemed insufficient.

Materiality in this instance is dependent on several variable factors dependent on the characteristics of the company, the sector in which it operates and, business stage of the company. Therefore, we do not have a prescriptive list of material issues we would raise with companies but a few examples of issues we may deem material are below. The following list is not exhaustive:

- Employee Health & Safety concerns
- Human Rights issues
- Standards of Business Ethics not being upheld
- Senior Management remuneration packages not aligned with shareholder interests

CGAM acts as investment manager to institutional clients only and is mandated via Investment Management Agreements. Our institutional clients may each have their own ESG policies or exclusion lists that they expect CGAM to manage their portfolios in accordance with. In these instances, CGAM will endeavour to ensure these requirements are adhered to.

## 2.4 ESG engagement

Our preferred route to address identified ESG concerns is via company engagement. We feel this approach (as opposed to divestment) actually addresses the matter and gives management constructive feedback and the opportunity to address the issues. Our view is that this demonstrates our stewardship commitments to help improve long-term returns to shareholders.

As a specialist in small cap investment, engagement with investee companies and potential investee companies is essential in order to build up a relationship with the company's management team and knowledge of the company. Although we are not a specialist ESG/responsible investing fund manager we see ESG issues as an important part of the investment process. Where necessary, we look to use our influence in the small cap arena to engage with investee companies to make them more accountable and give them the support to improve their ESG monitoring and practices. This is particularly important in the small cap arena, given the likelihood that such companies have less rigorous internal controls than larger peers due to resource constraints. There is also the relative lack of wider third-party oversight of these smaller companies. Such engagement with our investee companies should make them more sustainable and help us to achieve more sustainable long-term growth for our clients.

Where material ESG concerns are identified during the analysis outlined in the ESG integration section, these are escalated to the Senior Management team or Non-Exec Directors of the investee company's and we will look to use our influence as shareholders to hold companies to account and look to foster improvements in these areas.

We like to give the companies an opportunity to address the concerns we raise but if they fail to do so we will act upon our fiduciary duties and vote against management proposals.

A summary of our voting records and engagement examples are published on our website on an annual basis in line with SRD II requirements.

In addition, a bank of examples of where material ESG concerns have been raised is stored to further evidence ESG integration and escalation in the investment process. This is a constant process, where the investment team are considering these non-financial factors as part of the investment due diligence, and we will continue to build up our suite of evidence to demonstrate our ESG integration processes.

For a more detailed overview of our Engagement activities, please see the CGAM Engagement Policy.

## 2.5 Reporting & monitoring

On top of the individual company analysis outlined above, the ESG risk profiles of the funds managed are also measured on a regular basis and this MI is reported to Canaccord Senior Management and to our institutional clients upon request. Using a combination of the Sustainalytics ESG risk rating scores and the results of the proprietary questionnaire we assign each fund an overall ESG rating. This is calculated based on the underlying scores assigned to each of the companies in the portfolio. This monitoring helps to identify ESG risk trends across the range of funds managed by CGAM and further evidences that ESG integration is embedded within our investment process and controls framework.

## 2.6 Voting

We see the exercising of voting rights as part of our fiduciary duty and responsibility of effective stewardship. We do though have to balance these duties with the practicalities of a business of our size and resources and therefore take a proportionate approach to exercising any voting rights.

For a detailed overview of our voting policy, please see the CGAM Engagement Policy.

Kindly refer to our website for our annual SRDII disclosure.

## 2.7 How we demonstrate our ESG responsibilities

As part of the wider Canaccord Genuity Wealth Management ("CGWM") Group, CGAM is committed to embedding the ESG responsibilities it expects its investee companies to demonstrate into its own philosophy and practices.

We are accountable for our actions as a firm and understand that our principal business activities have an environmental impact. We also recognise we have a role in helping the jurisdictions in which we operate to reach their climate change targets.

As such, we are dedicated to actively and carefully managing our operations to continuously improve in a manner that is respectful to the planet. We have an active Climate Action and Sustainability Committee which meets regularly and reports to the Executive Committees and the Boards.

In addition to considering how we invest on our clients' behalf, we also consider ESG factors into how we run our business operations. We are taking steps to minimise the impact of our office buildings and reduce our waste and resource usage in the following key areas:

- Cleaner office energy
- Reduction of business travel/greener transport choices
- Paper reduction
- Single-use plastic elimination
- Recycling facilities in all our offices
- Electric vehicle/bike benefits for staff

The CGWM Group has a long-established Diversity Equity and Inclusion Committee, which champions a more diverse and therefore stronger workforce. We believe that strength comes from harnessing all our colleagues' skills and experience, regardless of race, nationality, gender,

sexual orientation, or physical handicap which we are embedding into our recruitment and employment practices. We bring people together through our Women's Network and our Working Families Network and we offer an active mentoring programme as well as being participants in the 10,000 Black Interns Programme.

The wider Canaccord Group is also part of wider industry and community initiatives which support Diversity. Further details of initiatives and charities supported are available on request.'

For more information on our DEI commitments, please visit our website at: [www.canaccordgenuity.com/wealth-management-uk/about-us/diversity/](http://www.canaccordgenuity.com/wealth-management-uk/about-us/diversity/)

The CGWM Group actively promote and support the wellbeing of its staff and offers a range of health-related benefits. This is complemented by a range of mental health training along with the appointment of mental health champions across the business and other support relating to health, stress and wellbeing. We continually build on our offering for staff to ensure that their health is at the heart of our business.

## 2.8 Roles and responsibilities

The members of the CGAM Board are ultimately responsible for managing risk associated with ESG, and for ensuring that appropriate controls to mitigations are in place and maintained. Senior management is responsible for ensuring the firm's compliance with regulatory requirements, including in relation to ESG matters.

The CGAM Management Committee is responsible for overseeing the implementation and maintenance of this policy. Management Information in respect of ESG matters will be given to the CGAM Management Committee and CGAM Board.

All staff are responsible for adhering to the principles and standards in this policy and for demonstrating high standards of conduct. All staff are subject to the conduct rules which require you to act with integrity and skill, care and diligence.