

# ESG Policy Statement

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## 1 Overview

Canaccord Genuity Fund Management (CGFM) as the trading name of Hargreave Hale Limited (HHL) are designated Fund Managers for a number of mandates including a range of Unit Trusts and OEIC's as well the Hargreave Hale AIM VCT. This policy outlines CGFM's approach to environmental, social and governance (ESG) issues and how these are integrated into our investment processes. CGFM'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 CGFM meet the principles of the Stewardship code and its obligations under SRDII, this policy should be read in conjunction with the HHL Stewardship policy and HHL Engagement Policy.

## 2 Application

This policy relates to all mandates managed by the CGFM team

## 3 Policy

### 3.1 ESG Factors

As well as looking at a company's financial position and investment story, the investment team also consider a number of non-financial factors whilst researching and engaging with companies. These include the companies ESG activities. Such activities include:

**Environment:** The company's impact on land, sea, air, wildlife, plant life and the climate. This could include matters such as land development and the company's carbon footprint.

**Social:** The company's relationship with its employees, suppliers and the community where it operates. This includes things like labour practices, human rights, employee wellbeing and supplier relationships.

**Governance:** The company's management and processes. This includes matters on who is running the company, how the company and its finances are managed 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 are 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

### 3.2 Resourcing ESG

We have decided not to opt for separate ESG teams, as we prefer to keep the approach to engagement fully integrated with 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 or its ESG impact. 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.

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### 3.3 ESG integration

As long-term investors, we believe that companies with sound governance who act responsibly within their environment and society as a whole will outperform. Further, where appropriate, we use our influence as shareholders to hold investee companies to account, and to support them to improve in these areas.

Our process is predicated on the fact that the widely available industry ESG ratings provided by vendors such as Bloomberg, Sustainalytics, etc. simply do not offer the necessary depth of coverage for the vast majority of smaller corporate entities. As this is the case any ESG ratings for funds predominantly made up of smaller companies will be incomplete and therefore not a reliable indicator of the fund's ESG position.

Our process involves meeting investee company senior management face to face having already reviewed a wide range of data for the company, research notes from brokers and our own internal analysis. During these meetings, our managers discuss with the company both financial and non-financial factors and routinely seek information linked to the company's ESG practices, including such things as its governance structure, its engagement with its staff and wider stakeholders and the communities in which it operates as well as its policies in relation to environmental issues. This currently forms part of our general investment research notes rather than being identified specifically as separate ESG factors, but in future we are exploring the ability to identify this as ESG specific research.

In addition to the above, we will be adopting a new phased ESG approach:

Phase 1 will involve establishing available ESG ratings for the portfolio's investments from widely available vendor solutions such as Bloomberg and Sustainalytics. This will allow us to calculate a blended ESG rating for the portfolio but with the understanding that this rating is likely to be materially inaccurate due to the incomplete nature of the data publicly available at present.

Phase 2, will involve us using our own proprietary template to build on the data from Phase 1. This will allow us to build on the data publicly available, verify its accuracy, and add to it in areas we view as key. Due to our close relationship with our investee companies, we will be able to collect data not necessarily as widely available. Where we feel there are gaps, we will be able to continue to work with the companies to improve their approach. This data we collect will then allow us in coming months to refine the ESG rating we give to our portfolios and highlight areas where we feel we can focus our efforts to improve.

### 3.4 Engagement

As a fund manager our main aim is to grow our client's investments over the long term. We believe in active investment management and seek to add value to our clients from investment selection. 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 we see 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 in their ESG activities. 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.

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

### 3.5 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 HHL Engagement Policy.

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### **3.6 How we demonstrate our ESG responsibilities**

As part of the wider Canaccord group, HHL is committed to embedding the ESG responsibilities it expects its investee companies to demonstrate into its own philosophy and practices.

The Canaccord group uses its resources to 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 based training along with communications being sent which are based on the broad subjects of health and wellbeing. We continually build on our offering for staff to ensure that their health is at the heart of our business.

The wider group has a long-established Diversity Committee, which champions a more diverse and therefore stronger company. We believe that strength comes from harnessing all our colleagues' skills and experience, without reference to race, nationality, gender, sexual orientation or physical handicap.

The Canaccord Group is also part of wider industry and community initiatives which support Diversity. As a result of such activity, we have won a silver award in the CSR/Charity Initiative of the Year category at the 2020 Citywealth Brand Management and Reputation awards. Further details of initiatives and charities supported are available on request.'

