

# Charles Stanley's approach to 'Environmental, Social and Governance' (ESG) issues

Charles Stanley is a signatory of the United Nation's Principles for Responsible Investment (PRI). As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries.

In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions and asset classes over a period of time).

We also recognise that applying these Principles may better align investors with broader objectives of society.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of ESG issues to investment practices. The process was convened by the United Nations Secretary-General.

## ESG in Practice for Fiduciary Service Clients

**Focus on capturing market returns ('beta')** – Fiduciary clients' growth portfolios are predominantly made up of index-tracking funds. We focus on capturing the return of each market ('beta') and dynamically managing asset allocation.

**ESG impacts our asset allocation decisions** – Our asset allocation analysis takes account of material ESG issues as they affect the broad market or sectors your scheme is exposed to. Stock specific ESG factors are assessed where they are material to a market/index.

**Embedded in fund research process** – Any fund or investment selected by Charles Stanley Asset Management's investment team will have been assessed for its approach to ESG factors as appropriate for the asset class and style

**ESG active funds** - For funds with an explicit ESG focus, we expect our active managers to genuinely embed ESG considerations into their stock selection process as appropriate for the asset class, rather than merely running an exclusionary "black box"

**ESG passive funds** – There is a growing universe of index-tracking ESG and ethical funds in mainstream asset classes. We don't currently use these vehicles for fiduciary clients but these funds could be suitable for schemes with a strong desire for a broad ESG-friendly strategy

**Current research focus** – For both passive and active funds, our fund research team is continually expanding coverage of dedicated ESG funds

## Corporate Social Responsibility

The Group has a CSR Policy, the implementation and management of which is recognised as a Group-wide responsibility. Each year we aim to develop our CSR Policy and practices in our four key areas: Business Integrity; Our People; the Environment; and, the Community. Each year Charles Stanley supports a charity that has been nominated and voted for by our staff.

We are delighted to announce that Charles Stanley's Charity of the Year of 2018/2019 is the Sands still birth and neonatal death charity. They operate throughout the UK, supporting anyone affected by the death of a baby, working to improve the care bereaved parents receive, and promoting research to reduce the loss of babies' lives. It is their 40th anniversary and we are seeking to raise £40,000.

## Environmental Awareness

The Group recognises its impact on the environment and takes steps to minimise it. Although our activities have only a comparatively small impact, Charles Stanley is aware that environmental risks and uncertainties impact to some extent on all companies.

- **Initiative**  
Wherever possible throughout our offices, measures have been introduced to increase energy efficiency and reduce energy consumption. We also have a number of initiatives to save costs and increase efficiency through reducing and managing resource use, for example we source re-use programmes for surplus equipment and we review our supply partners to ensure their policies are in line with ours. We currently use paper from sustainable sources for our main marketing and other publicly available documentation, and we aim to procure a greater proportion of

recycled paper for photocopying and printing purposes in the future.

- **Commitment**  
We ensure that as much of the paper used throughout our offices is recycled and, where possible, we use paper that is either recycled or obtained from a sustainable source. Following a change in supplier for our recycling services in March 2008, the volume of recycling is no longer measured by weight but by volume, and once certain volumes have been exceeded, a donation is made by our supplier to The Castle Howard Arboretum Trust on behalf of Charles Stanley. We recognise that the business saves costs and increases efficiency through reducing and managing resource use. We also run a Ride 2 Work Scheme on an annual basis and this not only promotes a healthier lifestyle for our employees but also reduces the environmental impact of the journey to work for those employees who take part in the scheme.
- **Investment**  
Finally, whilst the overall investment policy of the Group is concerned solely with obtaining the best return for clients, we also endeavour to construct portfolios which take into account the personal preferences of our clients in relation to environmental and ethical matters.

## Ethical Screening Service

Charles Stanley subscribes to the services of Ethical Screening, the well-known ethical research provider, which enables us to provide a completely bespoke and responsible investment service. The Ethical Screening process is in addition to the financial analysis that occurs as part of normal investment procedures. This screening system enables us to exclude from investment those companies whose activities conflict with the chosen set of criteria for an organisation, whilst at the same time approving for investment those companies whose activities do not conflict with any ethical concerns of the client. This service is available for clients who hold direct equities rather than pooled funds.

## Share Voting Policy

We believe voting is an effective method of engagement and support our clients in exercising their right to vote where possible. We use the services of proxy voting service provider Institutional Shareholder Services (ISS) to advise us on corporate governance issues and provide voting recommendations on our top 100 holdings of equity and fund securities. The advice of our proxy voting service provider is based on the UK Corporate Governance Code and its own set of voting principles built on a collection of industry best practice guidelines, which are designed to protect and enhance shareholders' interests. ISS has a long-standing relationship with many of the UK-listed issuers within its coverage universe

and regularly engages with the senior management teams of such issuers. With in-depth knowledge of the UK Corporate Governance Code and a long history of corporate engagement, we believe the provision of voting advice from our proxy service provider enhances our engagement with investee companies. However, we are not bound to follow the advice of ISS and retain the ultimate say on which way to vote on each item raised at general and extraordinary shareholders meetings, based on what we believe is in the best interests of our clients. Where we believe it would assist shareholder interests, we may inform the company in advance of our voting intentions. We do not engage in securities lending with client holdings.

## Further Information

For more details please see [www.charles-stanley.co.uk/uk-stewardship-code](http://www.charles-stanley.co.uk/uk-stewardship-code) and [www.charles-stanley.co.uk/investor-relations](http://www.charles-stanley.co.uk/investor-relations) or contact your Portfolio Manager.