



Active ownership

May 2023

Equilibrium Investment Management is committed to incorporating environmental, social and governance (ESG) factors into our investment decision making, in line with our values.

Principles for responsible investment

Our clients have trusted us to look after their capital. We believe we have a responsibility to look after that capital responsibly, and to consider the impact of that capital on wider society. We will therefore:

- Be active owners of the assets we hold (directly or indirectly) on behalf of our clients.
- Engage with fund managers and companies to encourage behaviour in line with our values.
- Do so for all portfolios, not just those with a specific ESG-related mandate.

Equilibrium are signatories to the United Nations' Principles for Responsible Investment (PRI) which means we have committed to incorporating and promoting ESG-related issues in our decision making. (see <https://www.unpri.org/> for details).

Equilibrium largely invests via collective investment funds, rather than directly into individual stocks and shares. This means that we must rely on fund managers to engage with companies and to manage certain ESG issues on our behalf.

We will only work with investment partners and fund managers who also commit to these (or similar) principles.

Engagement rather than exclusion

Our primary approach to ESG will be via engagement rather than exclusion. That means working with others to encourage best practice rather than simply avoiding particular sectors or companies.

We will monitor ESG scores and other metrics such as carbon dioxide or equivalent emissions (CO₂e). However, we do not believe such data is reliable or robust enough to set firm targets. Instead, we will primarily use this data as a basis for engagement.

Occasionally, there may be a conflict between different ESG factors. For example, where a firm has poor governance but has a positive environmental impact.



Whilst we believe all factors are extremely important, where there is a conflict then environmental factors will take precedence, in line with the preferences expressed during staff and client engagement.

Active not reactive

We would expect all fund managers we work with to actively engage with the companies whose shares they hold on behalf of our clients.

This should include monitoring ESG issues that might affect the company or its supply chain and engaging both formally and informally. Where appropriate, this should involve actively using their votes as shareholders.

In most circumstances, we would expect fund managers to vote positively in favour of climate critical resolutions and to consider voting against management recommendations where appropriate. Again, we do not believe setting prescriptive rules is appropriate as there may occasionally be good reasons for not doing so.

We will monitor events such as annual general meetings, with particular emphasis on the companies within our portfolio we consider have the largest environmental impact, or that we believe breach general social principles (such as the UN's Global Compact).

For these high impact companies, we will engage proactively with fund managers around how they have voted / how they plan to vote on selected resolutions, working together with others to give the best chance of a positive outcome.