Stewardship & Engagement Policy

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

It is our firm belief that taking ESG into account is both the right thing to do, and a necessary part of investment and risk management.

This policy explains how we will act as responsible holders of investments on behalf of our clients. It applies to all our investment portfolios and not just those with a specific ESG-related mandate.

This policy sets out the general principles about how we will act rather than being a set of prescriptive rules.

Principles for responsible investment

Equilibrium are signatories to the Principles for Responsible Investment (PRI). This means that we have committed to the follow six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4. We will promote acceptance and implementation of the Principles within the investment industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

6. We will report on our activities and progress towards implementing the Principles.

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

Responsible ownership

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) and publish the latest data on a monthly basis. At present we do not believe such data is reliable or robust enough to set firm targets but rather 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.

We will seek to minimise the CO2e emissions of portfolios where appropriate and aim to reduce this year on year. However, we will look at this as part of the overall picture and not solely focus on this metric. For example, there may be times where an investment has high emissions but may be making an otherwise positive environmental impact.

ESG can be extremely subjective and as such we are focused on general principles rather than setting prescriptive rules, in particular with regard to exclusions. However, there are some exceptions to this and where possible we will seek to avoid companies who are involved in:

- Coal mining (coal has a far higher CO2e emissions than other fossil fuels).

- The production of controversial weapons, such as land mines, cluster bombs, biological and chemical weapons.

- Firms who are considered to be in breach of at least one of the UN Global Compact principles and have been in breach for a period of three years. The UN Global Compact is a widely agreed set of principles dealing with issues like corruption, human rights and labour (see www.unglobalcompact.org/what-is-gc/mission/principles).

Working with fund managers

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 invest in funds where the managers are also signatories to the PRI. We expect fund managers we invest with to adhere to the six principles at all times.

Where we work with an investment bank rather than a fund manager and they are not eligible to sign the PRI, we expect them to be signatories of the Principles for Responsible Banking which is broadly equivalent.

We will share our stewardship policy with fund managers and ask them to take our views into account in their decision making.

In particular, we will ask managers to avoid investments that breach our above guidelines and to inform us of any such holdings in their portfolios.

Where we identify or are informed of such a holding, we will engage with the fund manager and ask them to justify it from both an ESG and an investment perspective.

Whilst we would normally hope to resolve such issues through engagement, if we are not satisfied with the response the ultimate sanction may be to sell the fund.

Voting and company engagement

We would expect all fund managers we work with to actively engage with companies to encourage best practice from an ESG perspective.

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 on behalf of Equilibrium and its clients.

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 periodically ask fund managers for details of their voting record and will monitor this against the above principles.

We will keep a log detailing all our engagements with fund managers and this will be updated and published on a monthly basis.

Where we invest directly in a company rather than via a fund manager, we will engage with that company directly and use our votes as described above. This will include our holdings in investment trusts, as well as holdings within our AIM (Alternative Investment Market) portfolio.

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