

HARGREAVES
LANSDOWN

ESG INVESTMENT POLICY

INTRODUCTION

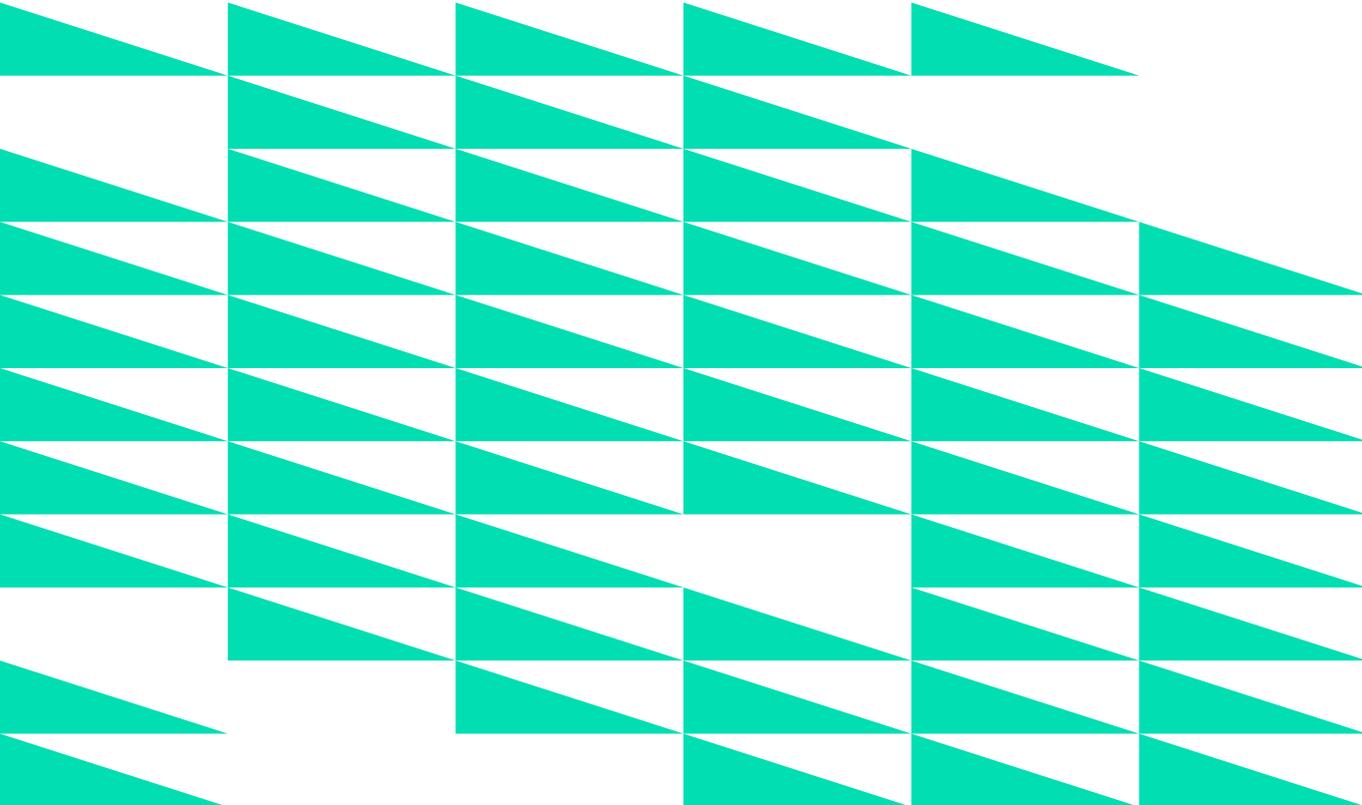
Guided by our purpose and values, our goal is to do the right thing as a leading FTSE 100 financial services company, for our clients, for our colleagues and for the community.

The umbrella term of Environmental, Social and Governance (“ESG”) sets out the core values of sustainability and can be used to optimise emerging opportunities and minimise risks. For HL this includes, but is not limited to:

Environmental Factors	Social Factors	Governance Factors
<ul style="list-style-type: none"> • Climate change • Resource depletion • Waste • Biodiversity • Pollution • Deforestation • Supply chain and use of third parties 	<ul style="list-style-type: none"> • Human rights • Diversity and inclusion • Modern slavery • Employee training • Community engagement • Health and safety • Pay and reward including Executive compensation 	<ul style="list-style-type: none"> • Bribery and corruption • Remuneration • Board diversity and structure • Tax strategy • Transparency around governance reporting • Supply chain

We see ESG as an additional form of due diligence which allows investors to assess and understand the impacts their investments have on the environment and society, and how well the businesses into which they invest are governed.

This policy sets the requirements to ensure that HL considers core ESG factors in our investment decision making as well as identifying and mitigating potential risks to our clients. Not only will this allow us to build a resilient future for all but embedding ESG into long-term decision making supports good risk management.



POLICY PRINCIPLES AND REQUIREMENTS

ESG factors must be incorporated on an ongoing basis into our investment practice. This should be guided by the six United Nations Principles for Responsible Investment (“UNPRI”), which HLFM has committed to adopt:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

FUND ANALYSIS AND DECISION-MAKING, HLAM AND HLFM

When analysing funds, we consider ESG issues from two perspectives – the fund level, and the fund house level.

Fund level

- Analysts must determine if the fund manager is both aware of the risks posed by ESG issues and is managing these risks effectively in their portfolio. They will gather insight on how effectively fund managers integrate ESG, which will be factored into analysts’ decision-making for HLAM and HLFM solutions.
- We expect the managers of segregated mandates and / or funds held within the HL Multi-Manager range to use their votes and engage with the companies they invest in to highlight potential areas of ESG improvement to management, where it is in the interests of long-term investors.
- The managers of segregated mandates and / or funds held within the HL Multi-Manager range should provide an Engagement Report, or details on how they have engaged on ESG issues, exhibiting how they are a responsible steward of our client’s assets.

Fund house level

- We will determine if the fund house is taking sufficient steps to support and encourage ESG integration across the entire firm.
- The fund group must be signed up to the UNPRI before their funds are considered for a HLAM investment solution (including but not limited to the Wealth Shortlist, Foundation Portfolios and ABC Funds for Workplace).
- The fund group is preferred to be a signatory of UNPRI in our HLFM segregated mandates, or their country equivalent commitment to responsible investment. The Multi-Manager team will engage with groups that do not hold any membership with over a period of 2 years and the fund faces the risk of divestment should they not comply.
- We will request a copy of the fund groups’ ESG policy and details of any changes in the last 12 months that have been made as a result of the policy. The effectiveness of this policy, or the absence of an ESG policy, will be considered in our analysis.
- When engaging with our investments, we will ask for the accountable executive for ESG and also work with those that do not have top-level ownership to ensure there is robust governance at the firm.
- Any funds that are being considered for investment, or are a current holding, are evaluated on whether the group reports on the Task Force on Climate-Related Financial Disclosure (“TCFD”), or a similar climate-related disclosure framework relevant to the domicile of the group.

- We will consider whether fund houses have publicly pledged to net zero and have a robust transition plan to support this pledge. We expect all fund managers to support the low carbon transition, and to be working towards understanding their greenhouse gas footprint.
- We expect the fund groups in our HLAM investment solutions to report progress towards embedding the Principles in their investment practice.
- We will regularly review the HL Workplace accumulation default fund arrangement to determine the ongoing ESG suitability of the product.

EQUITY ANALYSIS AND DECISION-MAKING, HLFM

- Our Select fund management team will understand the relevant ESG exposures for the companies they invest in. We will be supportive of management actions that economically improve sustainability metrics and we will take opportunities to engage to this effect. Our engagements will be outlined in our Engagement Report.
- We expect the Select fund management team to understand how material ESG factors could impact the earnings growth, operational efficiency, intangible assets, and underlying cash flows of the companies they invest in.
- We will consider whether companies have publicly pledged to net zero and have a robust transition plan to support this pledge. For portfolio holdings that are not at this stage, we will engage with the businesses to urge them to develop a realistically achievable plan to move toward net zero.