

## **Environmental, Social and Governance (ESG) Policy**

### **Introduction**

Westbeck Capital Management LLP (“**Westbeck**” or “**We**”) has implemented an Environmental, Social and Governance policy (the “**ESG policy**”) which will apply at both at a firm level and fund level where appropriate.

The purpose of the ESG policy is to outline the methods through which Westbeck has implemented its ESG policy and document the considerations taken in the drafting and implementation of the policy. The ESG policy will be reviewed on at least an annual basis by Westbeck’s Management Committee.

Westbeck appreciates that the scope for ESG integration is inherently limited to our firm and some of our investment strategies. Westbeck does not have the environmental impact of an energy company, the immediate social impact of a large technology company, or the layered governance structures of larger financial institutions. However, we also believe that our relatively small size enables us to implement an ESG framework befitting of the nature, scale and complexity of our business.

ESG is constantly evolving, and investors and managers may have different expectations. Few firms have the resources to tackle every issue and Westbeck has taken the decision to prioritise its ESG efforts at a fund level via our Energy Transition strategies

### **Investment Management**

The ESG policy sets out how we adhere to the following principles as they relate to responsible investing:

- Our investment is to achieve long-term capital growth
- We invest only in businesses which would be considered lawful if they operated in the UK
- We comply with national and international environmental, social, health and safety regulations applicable to our operations and business

Westbeck will integrate the ESG policy into the investment management processes, for all Sustainable Investments within the relevant portfolios as responsible corporate behaviour with respect to ESG factors can generally have a positive influence on long term financial performance.

The Westbeck Energy Transition UCITs Fund’s primary focus is to decarbonise the grid. As climate concern and air pollution challenges are at the heart of the electric transition, we apply a rigorous internal ESG process on all investments in the fund and ESG criteria are at the core of our investment process. The Fund utilises its own proprietary ESG scorecard which takes into account:



**Environmental:** Greenhouse gas emissions; Air pollution; Waste management (including land and water impact); Energy management and efficiency; Land use; Climate risk

**Social:** Diversity, equity, and inclusion (including anti-discrimination); Human rights and modern slavery; Employee health and safety; Labor relations and practices; Customer privacy and security; Product quality and safety.

**Governance:** Corporate governance and oversight; Risk management; Conflicts of interest; Transparency (including financial and operational reporting); Fraud, anti-bribery and anti-corruption controls

## **ESG integration**

Westbeck operates an exclusion policy to certain industries, and will not knowingly invest directly in the equity or debt of listed companies involved in the manufacture, development or trade of anti-personnel mines, cluster munitions or components of the core weapon system which are considered tailor made and essential for the lethal use of the weapon.

These weapons are subject to international and national laws (the Anti-personnel Landmines Convention (1997), the UK Landmines Act (1998) and the Cluster Munitions (Prohibition) Act (2010) deal with banning the use, stockpiling, production and transfer of these weapons.

In applying these principles, we try to be both principled and pragmatic whilst considering legal and cultural differences in different markets, industry norms, laws, regulatory requirements, corporate performance and any other factors that put specific issues into a fair and practical context.

## **ESG engagement**

Where an investment strategy requires ESG engagement, this will involve constructive dialogue with the management of companies we are invested in, or seeking to invest in, through regular meetings with the executive and non-executive directors.

Engagement with such companies is central to our investment approach within our ESG investment strategies. Such meetings enable us to either seek additional understanding of a company's strategy and ascertain if it is aligned to our interests; or, to seek change that will protect and enhance the value of our investments.

In such a case, we focus on issues that are material to the value of the company. These include, but are not limited to, business strategy, performance, financing and capital allocation, management, acquisitions and disposals, internal controls, risk management, the membership and composition of governing bodies/boards and committees, sustainability, governance, remuneration, environmental and social performance.

## **Management company factors**

### **Environmental issues**

## Corporate responsibility

Westbeck will work to manage and minimise its corporate environmental footprint by engaging in activities and initiatives that are environmentally responsible.

These include:

### 1. Waste minimisation

Westbeck encourages all employees to recycle where possible by providing the resources for them to do so. We actively discourage the use of single-use plastic by providing glassware and crockery which can be reused. Printing is discouraged. Where practical, printed materials and packaging are sent for recycling.

### 2. Energy efficiency

Westbeck's corporate offices are fitted out to include energy efficient illumination and better insulation to minimise the use of heating.

## Social issues

### 1. Diversity and Inclusion (D&I)

D&I is important to Westbeck. It is important in helping avoid group think, ensuring better decision making and providing better long-term outcomes. Westbeck appreciates that, as a small firm with little employee turnover, there is limited scope for increasing D&I. However, it is considered carefully as an integral part of building and developing a successful corporate culture.

We aim to provide an environment which is a true meritocracy and will take steps when hiring to broaden the pool of potential candidates. These could include, but are not limited to, requesting anonymised CVs from recruiters, increasing the pool of candidates, asking for candidate shortlists with more than one 'diverse' candidate, and reminding interviewers of the 'meritocracy myth' where the bar may be unconsciously set higher for women and people of diverse backgrounds.

Westbeck will not discriminate in regard to hiring or ongoing employment and progression on grounds of age, disability, gender, gender identity, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sexual orientation or any other factor irrelevant to a person's work.

Westbeck will promote respect for and protection of human rights and safe and healthy work conditions. Westbeck will not tolerate violations and abuse of human rights, discrimination based on race, gender, sexual orientation, religion or age or business practices considered generally unethical and unacceptable.

Westbeck collects limited demographic information on its staff. Members of staff are not compelled to provide data, and could refuse to provide it, on issues such as sexuality and religion. Given the firm's small size, data on race and gender is very easy to maintain.

## 2. Employee wellbeing

Employee wellbeing can be a significant contributor to the issue of staff turnover. An engaged and positive workforce is important to the firm's culture. Westbeck encourages a work environment which values and respects all employees and endeavours to provide an environment free from bullying, harassment of any kind or victimisation.

We comply with the relevant regulations governing the protection of human rights, occupational health and safety standards, and labour, environmental and business practices of the jurisdictions in which we conduct business.

Careful consideration is given to any requests for flexible working and the firm has invested in technology to enable staff to efficiently work from home.

### **Governance issues**

#### 1. Transparency

Transparency is one of the firm's core principles and Westbeck is committed to providing timely and relevant communication and reporting to its clients. Whilst we will guard against reporting which might disclose our positions and hurt our investors, we aim to be as transparent as possible and practicable.

Westbeck provides, to all investors, a monthly data sheet, which provides portfolio and risk information as well commentary and performance analysis.

#### 2. Code of conduct

The Financial Conduct Authority (FCA) requires employees of all regulated entities to adhere to their code of conduct rules. In addition to this regulatory standard, Westbeck has a Compliance Policy which all employees must abide by. Compliance training occurs on at least an annual basis and attestations are required at least annually from all employees that they have conducted themselves accordingly.

Westbeck also believes that the public, non-work activities of the firm's staff can provide an ESG concern.

Potentially troubling non-work staff activities can be divided into two broad categories:

Non-financial misconduct – where a member of staff acts in an unethical or illegal manner outside work. An example of this is the 2014 case of the Managing Director of Blackrock who was banned by FCA for fare dodging on trains.

'Controversial' conduct – this has no set definition, but we look at it as conduct may harm our reputation with our investors, or which may harm the reputation of our investors themselves.



Westbeck makes no distinction between financial and non-financial misconduct. We take a proportionate and pragmatic approach. For example, an employee who received penalty points for speeding would not be treated in the same manner as an employee who committed fraud, as in the above Blackrock example.

We conduct background checks on all employees at the time of hiring.

### **Distribution of ESG policy**

A key principle of Westbeck's ESG policy is to ensure that there is firmwide awareness of ESG issues and compliance with the firm's ESG policy. Once approved by the management committee, the ESG policy is distributed to all Westbeck's personnel, and published on our website.

### **Conclusion**

The Management Committee is responsible for the oversight and monitoring of the firm's ESG policies and procedures. Westbeck is committed to building an ESG oriented culture at the firm and will continue to incorporate ESG policies, where appropriate, into the firm over time.