

A guide to responsible investing



Whether or not you have a stance on socially responsible investments or issues such as climate change, the landscape around us is changing quickly. This provides both opportunities and threats. For instance, there are now more than 1,800 laws and policies in over 180 countries relating to climate change alone. Momentum in this area is set to continue, so awareness of the latest developments in environmental, social and governance (ESG) investing is key to building a portfolio that is positioned for the future and best reflects your values.

Smith & Williamson has always looked to incorporate clients' individual values into how we invest for them. As long-term stewards of your assets, the sustainability of companies has always been an important consideration within our process.

This is why we welcome the greater focus on helping company management and investors make appropriate decisions, driven by data. We routinely consider how this shifting landscape impacts companies we invest in and both when and how we need to engage with boards. This ensures that companies are being managed in line with the long-term prospects of all stakeholders in mind.

The world of responsible investment is constantly moving, but Smith & Williamson are always on hand to help guide you through this process.

S&W membership and providers



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Due to the speed of growth and interest in environmental, social and governance (ESG) and responsible investing, it's easy to lose focus on what these terms actually mean. Broadly, the concepts are built on the bedrock of the six principles of the United Nations supported Principles for Responsible Investment (UNPRI). The UNPRI is the world's leading proponent of responsible investment and as signatories we have agreed to incorporate these principles in our investment process. Below we have listed out some of the more frequently used terms in this area:

Responsible investing

This is commonly defined as a strategy and practice to incorporate ESG factors alongside purely financial considerations in investment decisions and active ownership.

Stewardship

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Impact investing

Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

UK Stewardship Code

We are a signatory to the UK Stewardship Code. This requires signatories to have policies and procedures in place to manage conflicts of interests, have an active voting policy and monitor investee companies.

Examples of ESG issues include:



Environmental (E)

- climate change
- raw material and water scarcity
- pollution & waste
- deforestation



Social (S)

- human rights
- labour policies and relations
- product liability and cyber security
- supply chains
- social impact reporting



Governance (G)

- business ethics
- executive pay
- management diversity and structure
- transparency



Responsible investing at S&W

We believe responsible investing means making better informed investment decisions that best reflect your values. As long-term investors we have always looked at the sustainability of the companies we invest in, and incorporating ESG factors and screening into our analysis is a continuation of this practice. We recognise that everyone has their own ethical values, and our approach enables us to reflect these values in your investment portfolio. As ever, we are always here to guide you through this rapidly evolving area.

What we do

We monitor ESG factors



Environmental

We analyse the challenges or opportunities faced by companies through climate change, resource management (including water usage, waste and pollution issues), new regulations and other environmental challenges.



Social

We monitor the legal or reputational risks faced by companies to ensure they have strong policies and procedures in place to deal with issues including working conditions, employee relations and health & safety.



Governance

We consider factors that measure the quality and robustness of a company's internal structure and practices for issues such as executive pay, bribery, board structure, diversity and tax strategy.



How do we do it

With the help of our screening services

We use external screening services to enhance our analysis of investments. MSCI ESG Manager provides us with ESG data for over 7,000 direct equity holdings and we can screen over 33,000 mutual funds and ETFs.

What it means for you

A responsibly invested portfolio



Bespoke client preferences

While we incorporate ESG factors within all our investment decisions we can further adjust portfolios to better reflect your values.



Exclusionary (*negative screening*)

Traditionally, expressing a particular ethical position in your portfolio has been achieved by excluding certain sectors. We can exclude as much of the investment universe as required and advise on the impact of this on your portfolio.



Inclusionary (*positive screening*)

If desired, we can apply positive screens to tilt portfolios towards companies that have better ESG profiles, such as lower carbon emissions.



Stewardship



Voting

As part of our discretionary service, we routinely vote on all material shareholdings. We work with proxy voting company Glass Lewis to inform our decision making, which we adapt to suit our own policies and requirements. Our voting policy and our voting record is available on our website.



Engagement

Broadly, we engage with companies in the following ways:

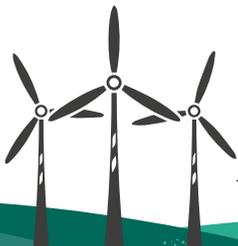
- With any shareholder resolution where we do not vote with the Board's recommendation, we write to the Chair to explain our rationale.
- With over 500 meetings with companies every year, we can follow up on areas of potential concern.
- We are signatories of the UNPRI and UK Stewardship Code
- We are members of the Climate Action 100+ investor group. This is a collaborative engagement initiative to ensure the world's largest corporate greenhouse gas emitters take action on climate change.
- We are a member of the Investor Forum an independent, not for profit organisation comprising leading asset managers and owners of the UK equity market. Its purpose is to position stewardship at the heart of investment decision-making.



Corporate Social Responsibility (CSR)

Our culture has always reflected our core values of putting our clients first and delivering the right solutions, but our on-going mission is to keep corporate responsibility at the heart of our growing business. We aim to manage the impact of our business on our clients, staff, suppliers, communities, and the environment.

To achieve this, we look for ways where we can make a positive influence in the communities where we work. We also seek to minimise our environmental footprint and to provide a professional and supportive workplace for our colleagues to work, enabling us to deliver the best possible service to our clients.



S&W responsible investment solution



ESG is fully integrated into our fundamental analysis



Clients are able to adopt both exclusionary and inclusionary screens to match their requirements and values



We vote and directly engage with the companies in which we invest



Our specialist teams allow better understanding of ESG-specific funds and infrastructure vehicles



Our voting and engagement track record is published on our website



We speak regularly at conferences and seminars on ESG issues



We are committed to providing the highest level of service as our clients navigate this new and rapidly adapting area



Our own CSR policies ensure that we practice what we preach

For further information please visit our website:
www.smithandwilliamson.com





Please remember the value of investments and the income from them can fall as well as rise and investors may not receive back the original amount invested. Past performance is not a guide to future performance.

smithandwilliamson.com

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