

TRANSPARENCY GUIDELINES FOR ADDRESSING ESG ISSUES WITHIN INSTITUTIONAL INVESTMENT

- 1ST DRAFT FOR EXTERNAL PILOTING -

BASIC INFORMATION

Please provide the following basic contextual information:

NAME OF FUND MANAGER: _____

TOTAL ASSETS UNDER MANAGEMENT: _____

CONTACT DETAILS AND EMAIL ADDRESS: _____

CALENDAR YEAR COVERED BY THIS REPORT: _____

PREAMBLE

These Guidelines are designed to allow investment managers to provide information on how they address environmental, social and governance (ESG) issues.

Investment managers have two broad types of objectives in considering such issues:

→ **Improving their strategic and/or stock-specific analysis in order to make better investment decisions.**

- In the case of screened SRI funds, this analysis allows stocks that satisfy specified ESG criteria to be selected, and may also be designed to improve financial returns.
- For non-screened funds, it is usually directed solely towards improving financial returns.

→ **Influencing the companies or other assets in which they invest.**

- Various terms are used to refer to this activity – including ‘engagement’, ‘monitoring’, ‘activism’, and ‘intervention’.
- Exercising voting rights is also often seen as an important means of influencing.

Investment managers may pursue either or both of these objectives in their work on ESG issues. The Guidelines do not give preference to one approach over another (‘analysis’ or ‘influencing’).

Note: While recognising that investment managers use varying terminology to define their ESG activities, these Guidelines use these two generic terms – ‘analysis’ and ‘influencing’ - as a broad framework to facilitate comparisons across the industry.

PART 1: DEFINITIONS

Please provide clear definitions of the specific terms that you use in your responses to these Guidelines.

***GUIDANCE:** This may include ‘activism’, ‘Engagement’, etc. When possible, please include references to “analysis” or “influencing” in your definitions.*

PART 2: POLICY

- 2.1 Please state if you have an overall policy statement on how environmental, ethical, social and governance issues (ESG) are incorporated into your investment activities. Where can this policy statement be found?

GUIDANCE: Note that the phrase ‘incorporated into your investment activities’ encompasses analysis and influencing activities.

- 2.2 Please describe your rationale for addressing ESG issues in your investment activities.

GUIDANCE: Include a description of your rationale for influencing companies - e.g. to improve financial performance.

- 2.3 Please state what ESG issues are covered by your policy.

GUIDANCE: If relevant, state what national, international codes and standards are referenced in your policy. For example, on certain corporate governance issues, investors may refer to OECD or ICGN Guidelines, or the Combined Code of the Committee on Corporate Governance.

- 2.4 Please state what proportion of your assets your policy covers.

GUIDANCE: Include discussion of variations in the application of the policy across asset classes, geographic regions. If useful, you could use a table such as below to display the extent of your policies (e.g. if you don’t vote in all countries covered by your policy, or if your treatment of ESG issues in investment analysis differs between countries).

		ASSET CLASS					
		EQUITIES		BONDS		PROPERTY	PRIVATE EQUITY
GEOGRAPHY	Home Country (please specify)	Analysis	Yes/No	Analysis	Yes/No		
		Voting	Yes/No	Influencing	Yes/No		
		Influencing	Yes/No				
	Rest of Europe						
	United States						
	Other geographic regions (please specify)						

- 2.5 Please state how you implement client-specific ESG policies, if you do at all.

GUIDANCE: Describe how the conflicts (if any) between client-specific policies and your general ESG policies are managed.

- 2.6 Please describe your procedures for dealing with conflicts of interest.

GUIDANCE: Describe the scope of your policy, the specific conflicts of interest it covers and the manner in which conflicts are addressed.

PART 3: INPUT

This section addresses on the resources you use to implement ESG policy.

INTERNAL RESOURCES

- 3.1 Please state how many people (full time equivalents) are dedicated to analysis and influence on ESG issues, and provide information on their responsibilities

***GUIDANCE:** This should exclude time spent on sales and marketing activities and include information on the proportion of the person's time spent between corporate governance work and environmental and social work.*

- 3.2 Please provide an organisation chart which demonstrates how the people responsible for implementing your policies on corporate governance and ESG issues fit into the overall business.

- 3.3 Please describe the relevant experience of each of these staff.

- 3.4 Please state who within the organisation has overall responsibility for your ESG policy (Please provide name(s) and position(s))

EXTERNAL RESOURCES

- 3.5 Please describe any external resources used to support your ESG policy.

***GUIDANCE:** This could include your use of specialist research providers, brokers, partnerships, collaborations and external committees (including commission allocation or direct payment to brokers or other research providers).*

- 3.6 Please describe the third party's responsibilities if you delegate any of your voting decisions and/or activities.

- 3.7 Please describe the third party's responsibilities if you delegate any of your influencing activities.

PART 4: IMPLEMENTATION

- 4.1 Please describe how you conduct research on ESG issues. This should include how you prioritise the issues and companies you research. Please describe briefly the content of formal, documented procedures where these exist.
- 4.2 Please describe how ESG analysis is incorporated into investment decision-making, e.g. the steps that are taken to make intelligence on ESG issues available to investment analysts and fund managers, and how analysts and fund managers assess the significance of these factors in their recommendations/investment decisions.
- 4.3 If relevant, please describe how you seek to exercise influence over companies on ESG issues.

***GUIDANCE:** this should include how you identify/prioritise which ESG issues to raise with companies, what methods you use to express concerns to companies (e.g. meetings, letters), what tools you use to escalate the issue if the company is unresponsive and over what timeframe (e.g. voting against the board at the Annual General Meeting, filing a shareholder resolution, divesting)*

- 4.4 Please describe how voting decisions are made, e.g. research into companies' corporate governance, environmental and social practices, review of previous voting records, consultation with the company where you have a shareholding above XX%, discussion with fund managers). Please indicate who is responsible for making voting decisions.
- 4.5 Please state how you collaborate with other organisations in influencing and voting, if at all.
- 4.6 Please describe your audit and assurance procedures for ESG analysis, influencing and voting.

PART 5: OUTPUTS/OUTCOMES

Please provide information on the outputs and outcomes of your ESG policy over the reporting period, and details of how this information is disclosed to clients.

- 5.1 Please indicate how many companies you communicated with on ESG issues over the year as part of your analysis, influencing or voting activities. Where possible, please use the categories in the table below in answering the question.

TYPE OF COMMUNICATION	NUMBER OF COMPANIES
Company meetings to discuss ESG issues (including formal conference calls) <div style="text-align: right;">One-on-one meetings:</div> <div style="text-align: right;">Group investor meetings to discuss ESG issues:</div>	
Routine analyst/fund manager meeting where ESG issues were raised:	
Tailored letter raising ESG issues:	
Letter (or other communication) to explain the reasons for any votes against management or abstentions:	
Mailing of ESG policy or other policies/reports (ie. mailshot):	
Other, excluding informal emails, telephone calls (please describe):	
TOTAL	

ANALYSIS

- 5.2 If relevant, please describe how you measure the effectiveness of your activities to integrate ESG factors into investment analysis and/or decision.

***GUIDANCE:** Respondents could indicate how ESG research has enhanced the effectiveness of their stock-selection process and/or affected overall investment/portfolio performance.*

- 5.3 If relevant, please provide brief examples of where your ESG research has been incorporated into investment analysis and/or decision.

INFLUENCING

- 5.4 If relevant, please describe how you measure the effectiveness of your work to changing company behaviour.

***GUIDANCE:** You could describe whether you set influencing targets and measure performance against these targets and whether you seek to evaluate the financial impact of any changes in company behaviour.*

- 5.5 If relevant, please provide some brief examples where you have observed improvements in company practice and/or sustained good practice relating to your influencing activities during the reporting period?

***GUIDANCE:** If relevant, please indicate whether you think you had a significant influence on the outcome (i.e. you were a primary driver behind it) or whether you were one voice amongst many others (e.g. other investor groups, media, NGOs, politicians).*

VOTING

- 5.6 Using the table below, please provide information on your voting activity.

Calendar year covered	
Total number of companies voted	
Proportion of holdings voted Home country: Rest of Europe: United States: Other geographic regions (please specify):	
Proportion of resolutions voted for management (%)	
Proportion of resolutions voted against management (%)	
Proportion of resolutions abstained (%)	

- 5.7 Please indicate your policy on filing shareholder proposals and whether you have filed any resolutions during the reporting period.

REPORTING

5.8 Using the table below, please show how frequently you report on these areas (*quarterly - half yearly - annually - not at all - on demand*):

REPORTED INFORMATION	REPORTING FREQUENCY (TO EACH RECIPIENT)	
	CLIENT & AGENTS	PUBLIC
Details of votes cast (or your voting recommendations).		
For abstentions or votes against management, details of the reasons for your decision.		
Details of your influencing activity with companies.		