



RIVER AND MERCANTILE

RIVER AND MERCANTILE GROUP ESG POLICY

June 2021

Policy Owner	Roger Lewis, Head of ESG	Effective date of current version	1 st June 2021
Oversight	ESG and Stewardship Committee	Review frequency	Annual
Scope	This Policy mandates the consideration and, as appropriate, the application of Environmental, Social & Governance factors.		
Structure	This is a River and Mercantile Group Policy, specifically developed for and applicable to the activities of all River and Mercantile entities.		

Policy updates

Amendment Number	Date of Change	Summary of Change
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

1. Policy statement

- The purpose of this Policy is to formally outline the integration of Environmental, Social & Governance (“ESG”) at River and Mercantile Group (“RMG”) and its impact to client outcomes
- It shows our position on ESG to stakeholders, guides fund managers and investment teams on how to handle ESG issues and demonstrates our overall responsible investment approach
- On the ESG Policy Architecture, this is the Tier 1 Policy. Its scope applies to all investment teams, all asset classes and all regions. Specific application is then achieved via Tier 2 and 3 Policies

River and Mercantile ESG Policy Architecture

Tier 1 Overall	RMG ESG Policy and Pillars					
Tier 2 Groupwide	RMG Exclusions Policy	RMG Diversity Policy	RMG Climate Policy	RMG Voting Policy		
Tier 3 Asset Class	RAMAM ESG Policy	RAMIL ESG Policy	ILC ESG Policy	RMI ESG Policy	RAMAM Voting & Engagement Policy	RAMIL Voting & Engagement Policy
Tier 4 Fund Level	Fund-specific Documentation			Clients’ Policies (external)		
Key	Live	Draft				

2. Our approach to ESG

Our purpose and what we're about: going beyond expectations

- The RMG reputation is a valuable asset
- We have a strong ethical approach to business, going much further beyond just abiding by the laws of the countries in which we operate. Our corporate culture includes expected behavioural standards for all staff, treating employees, suppliers & customers fairly, avoiding bribery, corruption & fraudulent behaviour, and seeking to pay a fair and appropriate level of tax

Other elements are shown below



Principles & values

Our principles and values define the behaviours we consider to be critical to our success. We measure employee performance against the Group's values.



Carbon neutral

We have been certified carbon neutral by Natural Capital Partners. We have offset our carbon emissions including all business travel and commuting.



Staff wellbeing

In 2019, we enhanced staff maternity pay and annual leave entitlement. Employees receive medical insurance including wellbeing and stress management support.



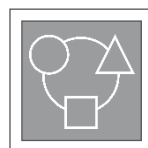
Voluntary gender pay gap reporting

We voluntarily publish our gender pay gap, whilst comparable to industry peers, we continue to take actions to move these results in a positive direction.



Community

Our employee led Charity Committee coordinates activities raising funds for charity earning matched funding from the Group.



Diversity & inclusion

We have signed up to the Diversity Project, our Group CEO is a member of the projects Advisory Board. In 2021 all staff will receive unconscious bias training and all managers inclusive leadership training.

Our commitments

RMG's commitment to ESG centres around five sustainability pillars:

1. **Responsible Stewardship:** We recognise our duty for long-term responsible stewardship across all clients, assets & regions. We integrate ESG factors for client outcomes and for the sustainability of the environment, society and markets. We take exercising our shareholder rights & obligations seriously, and engage with investees
2. **People:** RMG values the differences that a diverse workforce brings to the organisation and is fully committed to the elimination of unlawful and unfair discrimination. Our employment policies reinforce our position on preventing discrimination against all protected characteristics. The Group's commitment goes further than policies and includes a commitment to building a culture that values meritocracy, openness, fairness and transparency. We have taken specific steps towards enhancing diversity by adopting a Diversity Action Plan which addresses leadership, the measurement of diversity through data, education for all of our staff, communication with our people and community, the setting of targets and sharing our practices through our external profile. Further detail is in the Tier 2 RMG Diversity Policy
3. **Community:** We foster a sense of social responsibility and hold ourselves to high ethical and governance standards (disclosing progress in our Annual Report), and expect this of others

4. **Environment:** We seek to be a ‘good ancestor’, aware of the natural environment bequeathed to future generations. We also see increasing recognition and focus on the risks & opportunities of climate and the energy transition. As such, we have joined the Net Zero Asset Managers initiative and include recommendations of the Taskforce for Climate-related Financial Disclosures in our annual report. We shall also be active members of the Institutional Investors Group on Climate Change
5. **Innovation:** Our strategy, processes & products identify and meet changes in clients’ preferences, market fundamentals, data, the environment and society

These pillars guide actions and decision-making across RMG, as further set out in the [2020 Annual Report and Accounts](#) (pages 30-39)

In addition to this Policy, RMG has adopted a range of other corporate policies on related topics, including Anti-Slavery and Diversity

Strategy

- Over 2021, we will define and then begin to implement an ESG Strategy to consider all aspects of ESG at RMG. This includes our roadmap to be net zero carbon by 2050 and interim targets for 2030
- This will include specific sustainability commitments and targets for both ourselves, and to guide the way in which we research and hold the companies that we invest in accountable

Governance

- Group ESG has overall accountability for achieving this Policy’s requirements. At present, this accountability is supported by the Group ESG Committee and Investment and Client ESG Working Groups. Developments in Senior Manager responsibilities around ESG shall be monitored for future updates to this Policy
- Group ESG also has overall accountability for Tier 2 ESG Policies
- Overall responsibility for implementation of Asset Class (Tier 3) ESG Policies lies with legal entity Executive Committees or Boards. This oversight and monitoring responsibility can be delegated to investment team heads, to ensure policies are followed by each of their respective teams. Support is provided as required from Group ESG and the Group Chief Investment Officer
- All ESG Policies are reviewed annually and approved by the Group ESG Committee and relevant legal entity Executive Committees or Boards. Once approved, they are made publicly available on the RMG website. Updates are made during the review process to measure success and continuing alignment with beliefs
- Training shall be provided as needed for investment teams on ESG trends, risks & opportunities, tools and analysis

Investment integration

- Fund managers and investment teams analyse ESG factors and integrate findings that are material and valid to the investment approach and overall decisions. Support from Group ESG is provided as required
- ESG risk (defined as exposures to sectors or companies that RMG and its clients may see as reputational or ethical risk) is identified and managed at the Tier 3 entity level. We continually monitor and update risky sectors based on house views and market developments. Oversight is provided by Group ESG and the Group ESG Committee: once a quarter, any holdings in risky companies or sectors are identified and added to a high ESG risk watchlist, and insights or challenges are discussed

- Models to analyse external and internal ESG data, research & analysis are maintained, and provide investment teams with ESG impacts on risks and opportunities

Best practice stewardship

- We commit to transparency and publish voting records & reporting on engagement activities quarterly (specifically: this applies to securities invested in for clients by River & Mercantile Asset Management LLP), within the following quarter
- We comply with the UK Financial Reporting Council Stewardship Code, and publish annual reports detailing our approach and integration, and outcomes achieved
- We structure stewardship, both proactive and reactive, around long-term value creation
- We undertake engagement activities with management and boards at investee companies. This is framed by a close understanding of investees and their drivers and appropriate timeframes to deliver change. We aim to ensure that dialogue is consistent, honest, two-way and appropriately resourced
- Where appropriate to do so and subject to restrictions around conflicts, competition law and acting in concert, we engage collaboratively with other asset management firms and coalitions of investors
- We vote globally at all shareholder meetings where we have the legal and contractual right to do so and where costs are not prohibitive

Exclusionary screening

- We have exclusions in place and will not invest in controversial weapons or companies whose operations create excessive climate impacts
- Further detail is in the Tier 2 RMG Exclusions Policy

3. Standards

- We recognise the importance of monitoring progress and reporting to stakeholders. The main industry standards relating to ESG that RMG considers relevant are below
- RMG advocates industry dialogue and thought leadership, and shall seek to participate in frameworks, associations, benchmarks and consultations that we consider appropriate

UN Principles of Responsible Investment (“UNPRI”)

RMG is a signatory to the UNPRI, and closely follows its six principles:

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.

UN Global Compact

RMG is amongst 8,000+ corporates that are signatories. This sustainability initiative is derived from broader standards around labour & human rights, environment and anti-corruption. We consider compliance of investees companies with the UNGC norms of behaviour, annually communicate our progress on the ten principles (below) and take strategic actions to advance its broader goals.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion & bribery.

UN Sustainable Development Goals (“SDGs”)

- Replacing the UN Millennium Goals, in 2015 all United Nations Members adopted the 2030 Agenda for Sustainable Development. Core to this are the 17 SDGs below, intended for both governments and businesses to address global environmental and societal challenges
- Although asset managers’ activities alone are unlikely to materially impact the SDGs, we will seek to contribute when appropriate to the SDGs and, importantly, their sub- targets and -indicators through relevant investments at asset level.



Regulation: Sustainable Finance Disclosure Regulation (“SFDR”) and other

- The SFDR is new EU legislation, effective from March 2021, aimed at combatting ‘greenwash’ within the investment industry. The objective is to make the sustainability profile of funds more comparable and easier to understand for investors by categorising them into Articles, and prescribing metrics to disclose. SFDR is also intended to drive investment towards industries / entities that support overall government climate commitments and EU Green objectives
- Our funds are presently categorised as Article 6. Given its definition (‘funds which do not integrate any kind of sustainability into the investment process’), we shall seek to move certain funds to Article 8 (‘products that promote an environmental or social characteristic’) in future, with a clear roadmap of actions and dates
- Once the outcomes of the FCA Consultation Paper reference CP21/17 (‘Enhancing climate-related disclosures by asset managers, life insurers, and FCA-regulated pension providers’) are published, we shall comply with the requirements

RIVER AND MERCANTILE