



Tatton Investment Management
Ethical Active

July 2023





Tatton Investment Management **Ethical Active** Danny Luggah, CFA

# Key facts

- A long-running range of ethical portfolios, with Ethical Balanced launching in July 2014.
- The range uses seven negative screens to limit exposure to an array of controversial environmental and social areas. As a result, exposure to most of our controversial areas is very low.
- There is an Ethical Investment Committee consisting of 12 members from around the business. They meet on a quarterly basis to review existing holdings and any new additions require a 70% approval.

#### **Fund information**

Launch Date	26 January 2018
Manager	Team
Domicile	GBR
Assets	Active
Approach	Return Focused
Туре	MPS

UN PRI signatory <sup>1</sup>	No
UK Stewardship Code signatory	No
Category	n/a
Defaqto Diamond Rating Type	n/a
Diamond Rating	n/a

<sup>&</sup>lt;sup>1</sup>UN Principles for Responsible Investment (PRI)

### ESG policy and alignment

portfolios with increasing levels of risk from Defensive to Global Equity.

There are no set exclusions for the range but the team use environmental gambling, note armaments, damage, pornography, and tobacco.

#### **Exclusions: Yes**

The Tatton Ethical range consists of six actively managed The portfolios aim to limit direct exposure to these areas. Where there is a conflict, this will be raised with the underlying fund manager and assessed by Tatton's Ethical Committee.

screens to limit exposure to the following seven areas: As shown on p4, there is limited exposure to most of our alcohol, animal testing (for cosmetic purposes), controversial environmental/social areas. The only one of is an estimated 3.7% exposure to nonpharmaceutical animal testing.

# Levels of ESG investing





Sustainability focus



**Impact** focus



For full details, please refer to p5

# Sustainable Development Goals (SDG) focus











# **ESG** factors

#### Environmental

Less than 1%	Between 1% and 10%	More than 10%

Environmental Exposures	Product Involvement
Fossil Fuel	3.2%
GMO	<1%
Nuclear	<1%
Oil Sands Extraction	-
Palm Oil	-
Pesticides	<1%
Thermal Coal	<1%

The only environmental exposure of note is to fossil fuels. It is also worth highlighting that the thermal coal and oil sands extraction exposures are negligible.

Some of the fossil fuel exposure comes from companies that are transitioning to more sustainable forms of energy. For example, a relatively large portion of the fossil fuel exposure comes from the Aegon Global Short Dated Climate Transition Fund, which aims to invest in companies that are transitioning towards Net Zero.

Source: Based on availability of Morningstar ESG data as at 30 June 2023

#### Social

Social Exposures	Product Involvement
Adult Entertainment	-
Alcohol	-
Animal Testing (Pharmaceutical)	9.2%
Animal Testing (Other)	3.7%
Controversial Weapons	-
Fur and Specialty Leather	-
Gambling	-
Military Contracting	-
Small Arms	<1%
Tobacco	-

The portfolio has very limited social exposures, in line with its negative screens.

There is some exposure to animal testing, but most of this is for pharmaceutical uses, where the animal testing will be a legal requirement. We have estimated the non-pharmaceutical exposure by subtracting the portfolio's healthcare exposure from the total amount of animal testing exposure. Part of this comes from holdings such as the L&G MSCI World SRI Index, which at the time of review, held companies such Colgate-Palmolive and PepsiCo, which have involvement in animal testing for non-pharmaceutical purposes.

Source: Based on availability of Morningstar ESG data as at 30 June 2023

#### Governance

The underlying funds' process of assessing a companies governance is looked at by the team on a fund-by-fund basis.

There are no specific requirements around governance but the team do look for fund managers that invest in companies with robust frameworks and controls in place for running their businesses.

# Levels of ESG investing

Within this section, we look at the various levels of ESG across the portfolio. We use the IA responsible investment framework across three classifications: ESG integration, sustainability focus and impact (exclusions are covered on p3).

The dials represent zero, low, medium, or high exposure relative to Defaato's ESG Review universe. The exposures are calculated through our internal assessment of the underlying funds or holdings in the portfolio. The exposure boundaries used within each level are non-linear, for example, it is common to see higher levels of ESG integration relative to impact focus, so our threshold for impact focus is lower. The dials are not mutually exclusive.

# **ESG** integration



ESG integration can be seen as a form of risk mitigation, Examples include the Aegon Ethical Corporate Bond financial analysis.

All funds within the range have an ESG element, with the exception of cash equivalents. For this portfolio, this equates to over 90% of the holdings having some for of ESG integration.

where ESG risks are considered alongside traditional fund, which uses a comprehensive negative screening process, covering 21 environmental and social areas; and the Federated Hermes Global Equity ESG Fund, which aims to invest in companies with favourable ESG characteristics.

# Sustainability focus



sustainability goals and/or themes.

The range has a focus on avoiding harm as opposed to a specific sustainability mandate, however, there is an element of sustainability focused funds within the portfolio.

Janus Henderson Global as part of their business case. Examples include the Sustainable Equity fund, which invests in companies

Sustainability focus funds invest in assets with specific whose products and services are considered to contribute to positive environmental or social change; and the EdenTree Responsible & Sustainable Global Equity fund, which uses a screening model to consider the positive sustainability case in terms of products and solutions, and how companies are referencing the SDGs

#### Impact focus



Impact investments are made with the intention of achieving a positive, measurable environmental or social impact.

Currently, there is no impact objective for the range nor are there any funds held that meet our definition of an impact fund.

# Top 10 holdings

Name	Classification	% of assets
Vanguard ESG Dev Wld All Cp Eq ldx £ Acc	ESG Integration/Exclusions	10.9
EdenTree Responsible & Sust Glbl Eq B	Sustainability Focus	10.1
L&G MSCI WId Sclly Rspnb Invmt SRI I Acc	ESG Integration/Exclusions	10.0
Janus Henderson Global Sust Eq I Acc	Sustainability Focus	9.9
Schroder ISF QEP Global ESG C Acc GBP	ESG Integration/Exclusions	9.8
Federated Hermes Glb Eq ESG F GBP Acc	ESG Integration/Exclusions	9.8
Janus Henderson UK Responsible Inc I Inc	ESG Integration/Exclusions	8.0
Fidelity Cash W Acc	Risk Management	6.2
Vontobel Fd II mtx EmMktsSstbyChampANGBP	Sustainability Focus	5.9
BNY Mellon Sust Glb Dyn Bd Instl W Acc	ESG Integration/Exclusions	5.2

Source: Tatton, April 2023

#### Sustainable Development Goal (SDG) focus



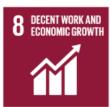
































Source: Morningstar Direct, July 2023

#### Engagement with corporates and/or funds

Tatton have an Ethical Investment Committee consisting fund manager), and red (implying the holding is against and discuss any potential new investments.

As part of this process, the team review the underlying holdings within each of the funds, and any controversial holdings are given one of four colours: green, light orange, dark orange (which means the team are not happy with the holding and this will be raised with the

of 12 people from all around the business. The committee the fund's mandate). An example provided of this process meet on a quarterly basis to review all existing holdings in practice was when one of the funds held had an exposure to alcohol, this was flagged as dark orange and challenged with the fund manager, as a result of this challenge the alcohol exposure was removed from the fund. So far, there have been no cases where a holding has flagged as red.

#### Resources

The team use Sustainalytics via Morningstar, however, they When a fund is being considered for inclusion in the do not pay much attention to Morningstar ESG ratings, but portfolios, it requires a 70% approval from the committee. instead use the Sustainalytics data as part of their seven negative screens. They also use Bloomberg as it provides them with some additional data points.

There are three members from the Ethical Investment Committee that have access to the negative screens, which are regularly reviewed.

# Tatton's ESG policy

As well as the Ethical Investment Committee, there is a There are currently no firm-wide exclusions that apply to Tatton Asset Management (TAM) board-level Ethical all portfolios managed by Tatton. Committee consisting of senior members from around the

The firm are a signatory of the Women in Finance Charter, which aims for gender balance across financial service industries.

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Tatton Investment Management
Ethical Aggressive

July 2023





Tatton Investment Management Ethical Aggressive Danny Luggah, CFA

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# Levels of ESG investing



For full details, please refer to p5

# Sustainable Development Goals (SDG) focus











# **ESG** factors

#### **Environmental**

Less than 1% Between 1% and 10% More than 10%	Less than 1%	Between 1% and 10%	More than 10%
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Environmental Exposures	Product Involvement
Fossil Fuel	3.2%
GMO	-
Nuclear	<1%
Oil Sands Extraction	-
Palm Oil	-
Pesticides	-
Thermal Coal	-

The only environmental exposure of note is to fossil fuels. It is also worth highlighting that the thermal coal and oil sands extraction exposures are negligible.

Some of the fossil fuel exposure comes from companies that are transitioning to more sustainable forms of energy. For example, a relatively large portion of the fossil fuel exposure comes from the EdenTree Responsible and Sustainable Global Equity Fund, which takes into account a companies impact on the environment as part of its research process.

Source: Based on availability of Morningstar ESG data as at 30 June 2023

#### Social

Social Exposures	Product Involvement
Adult Entertainment	-
Alcohol	-
Animal Testing (Pharmaceutical)	10.3%
Animal Testing (Other)	3.8%
Controversial Weapons	-
Fur and Specialty Leather	-
Gambling	-
Military Contracting	-
Small Arms	<1%
Tobacco	-

The portfolio has very limited social exposures, in line with its negative screens.

There is some exposure to animal testing, but most of this is for pharmaceutical uses, where the animal testing will be a legal requirement. We have estimated the non-pharmaceutical exposure by subtracting the portfolio's healthcare exposure from the total amount of animal testing exposure. Part of this comes from holdings such as the L&G MSCI World SRI Index, which at the time of review, held companies such Colgate-Palmolive and PepsiCo, which have involvement in animal testing for non-pharmaceutical purposes.

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#### Governance

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# Levels of ESG investing

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#### **ESG** integration



financial analysis.

All funds within the range have an ESG element, with the exception of cash equivalents. For this portfolio, this equates to over 90% of the holdings having some for of ESG integration.

ESG integration can be seen as a form of risk mitigation, Examples include the Vanguard ESG Developed World All where ESG risks are considered alongside traditional Cap Equity Index Fund, which is a passive index fund that applies negative exclusions based on the impact of a companies conduct or products on society and/or the environment; and the Federated Hermes Global Equity ESG Fund, which aims to invest in companies with favourable ESG characteristics.

# Sustainability focus



sustainability goals and/or themes.

The range has a focus on avoiding harm as opposed to a specific sustainability mandate, however, there is an element of sustainability focused funds within the portfolio.

Janus Henderson Global as part of their business case. Examples include the Sustainable Equity fund, which invests in companies

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#### Impact focus



Impact investments are made with the intention of achieving a positive, measurable environmental or social impact.

Currently, there is no impact objective for the range nor are there any funds held that meet our definition of an impact fund.

# Top 10 holdings

Name	Classification	% of assets
L&G MSCI WId Sclly Rspnb Invmt SRI I Acc	ESG Integration/Exclusions	12.1
Janus Henderson Global Sust Eq I Acc	Sustainability Focus	12.0
Vanguard ESG Dev Wld All Cp Eq Idx & Acc	ESG Integration/Exclusions	11.9
EdenTree Responsible & Sust Glbl Eq B	Sustainability Focus	11.1
Schroder ISF QEP Global ESG C Acc GBP	ESG Integration/Exclusions	10.8
Federated Hermes Glb Eq ESG F GBP Acc	ESG Integration/Exclusions	10.8
Janus Henderson UK Responsible Inc I Inc	ESG Integration/Exclusions	9.0
Vontobel Fd II mtx EmMktsSstbyChampANGBP	Sustainability Focus	6.9
Fidelity Cash W Acc	Risk Management	6.2
BNY Mellon Sust Glb Dyn Bd Instl W Acc	ESG Integration/Exclusions	3.1

Source: Tatton, April 2023

#### Sustainable Development Goal (SDG) focus



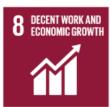
































Source: Morningstar Direct, July 2023

#### Engagement with corporates and/or funds

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#### Resources

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# Tatton's ESG policy

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The firm are a signatory of the Women in Finance Charter, which aims for gender balance across financial service industries.

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Tatton Investment Management Ethical Balanced

July 2023





Tatton Investment Management Ethical Balanced Danny Luggah, CFA

# Key facts

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#### **Fund information**

Launch Date	29 July 2014
Manager	Team
Domicile	GBR
Assets	Active
Approach	Return Focused
Туре	MPS

UN PRI signatory <sup>1</sup>	No
UK Stewardship Code signatory	No
Category	n/a
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# ESG policy and alignment

The Tatton Ethical range consists of six actively managed portfolios with increasing levels of risk from Defensive to Global Equity.

There are no set exclusions for the range but the team use screens to limit exposure to the following seven areas: alcohol, animal testing (for cosmetic purposes), armaments, environmental damage, gambling, pornography, and tobacco.

#### Exclusions: No

The portfolios aim to limit direct exposure to these areas. Where there is a conflict, this will be raised with the underlying fund manager and assessed by Tatton's Ethical Committee.

As shown on p4, there is limited exposure to most of our controversial environmental/social areas. The only one of note is an estimated 2.8% exposure to non-pharmaceutical animal testing.

# Levels of ESG investing





Sustainability focus



Impact focus



For full details, please refer to p5

# Sustainable Development Goals (SDG) focus











# **ESG** factors

#### Environmental

Less than 1%	Between 1% and 10%	More than 10%

Environmental Exposures	Product Involvement
Fossil Fuel	3.2%
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Source: Based on availability of Morningstar ESG data as at 30 June 2023

#### Social

Social Exposures	Product Involvement
Adult Entertainment	-
Alcohol	-
Animal Testing (Pharmaceutical)	7.7%
Animal Testing (Other)	2.8%
Controversial Weapons	-
Fur and Specialty Leather	-
Gambling	-
Military Contracting	-
Small Arms	-
Tobacco	-

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### Impact focus



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EdenTree Responsible & Sust Glbl Eq B	Sustainability Focus	8.0
Rathbone Ethical Bond I Acc	ESG Integration/Exclusions	8.0
L&G MSCI WId ScIly Rspnb Invmt SRI I Acc	ESG Integration/Exclusions	8.0
Janus Henderson Global Sust Eq I Acc	Sustainability Focus	7.9
Schroder ISF QEP Global ESG C Acc GBP	ESG Integration/Exclusions	7.8
Federated Hermes Glb Eq ESG F GBP Acc	ESG Integration/Exclusions	7.8
BNY Mellon Sust Glb Dyn Bd Instl W Acc	ESG Integration/Exclusions	7.2
RLBF II Royal London Ethical Bond M Acc	ESG Integration/Exclusions	7.1
Fidelity Cash W Acc	Risk Management	6.2

Source: Tatton, April 2023

#### Sustainable Development Goal (SDG) focus





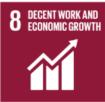
































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Tatton Investment Management Ethical Cautious

July 2023





Tatton Investment Management **Ethical Cautious** Danny Luggah, CFA

# Key facts

- A long-running range of ethical portfolios, with Ethical Balanced launching in July 2014.
- The range uses seven negative screens to limit exposure to an array of controversial environmental and social areas. As a result, exposure to most of our controversial areas is very low.
- There is an Ethical Investment Committee consisting of 12 members from around the business. They meet on a quarterly basis to review existing holdings and any new additions require a 70% approval.

#### **Fund information**

Launch Date	26 January 2018
Manager	Team
Domicile	GBR
Assets	Active
Approach	Return Focused
Туре	MPS

UN PRI signatory <sup>1</sup>	No
UK Stewardship Code signatory	No
Category	n/a
Defaqto Diamond Rating Type	n/a
Diamond Rating	n/a

<sup>&</sup>lt;sup>1</sup>UN Principles for Responsible Investment (PRI)

### ESG policy and alignment

portfolios with increasing levels of risk from Defensive to Global Equity.

There are no set exclusions for the range but the team use screens to limit exposure to the following seven areas: As shown on p4, there is limited exposure to most of our alcohol, animal testing (for cosmetic purposes), controversial environmental/social areas. The only one of environmental gambling, note armaments, damage, pornography, and tobacco.

#### **Exclusions: Yes**

The Tatton Ethical range consists of six actively managed The portfolios aim to limit direct exposure to these areas. Where there is a conflict, this will be raised with the underlying fund manager and assessed by Tatton's Ethical Committee.

> is an estimated 3.0% exposure to nonpharmaceutical animal testing.

# Levels of ESG investing











For full details, please refer to p5

# Sustainable Development Goals (SDG) focus











# **ESG** factors

#### Environmental

Environmental Exposures	Product Involvement
Fossil Fuel	3.2%
GMO	-
Nuclear	<1%
Oil Sands Extraction	-
Palm Oil	-
Pesticides	-
Thermal Coal	<1%

The only environmental exposure of note is to fossil fuels. It is also worth highlighting that the thermal coal and oil sands extraction exposures are negligible.

Some of the fossil fuel exposure comes from companies that are transitioning to more sustainable forms of energy. For example, a relatively large portion of the fossil fuel exposure comes from the Aegon Global Short Dated Climate Transition Fund, which aims to invest in companies that are transitioning towards Net Zero.

Source: Based on availability of Morningstar ESG data as at 30 June 2023

#### Social

Social Exposures	Product Involvement
Adult Entertainment	-
Alcohol	-
Animal Testing (Pharmaceutical)	5.5%
Animal Testing (Other)	3.0%
Controversial Weapons	-
Fur and Specialty Leather	-
Gambling	-
Military Contracting	-
Small Arms	-
Tobacco	-

The portfolio has very limited social exposures, in line with its negative screens.

There is some exposure to animal testing, but most of this is for pharmaceutical uses, where the animal testing will be a legal requirement. We have estimated the non-pharmaceutical exposure by subtracting the portfolio's healthcare exposure from the total amount of animal testing exposure. Part of this comes from holdings such as the L&G MSCI World SRI Index, which at the time of review, held companies such Colgate-Palmolive and PepsiCo, which have involvement in animal testing for non-pharmaceutical purposes.

Source: Based on availability of Morningstar ESG data as at 30 June 2023

#### Governance

The underlying funds' process of assessing a companies governance is looked at by the team on a fund-by-fund basis.

There are no specific requirements around governance but the team do look for fund managers that invest in companies with robust frameworks and controls in place for running their businesses.

# Levels of ESG investing

Within this section, we look at the various levels of ESG across the portfolio. We use the IA responsible investment framework across three classifications: ESG integration, sustainability focus and impact (exclusions are covered on p3).

The dials represent zero, low, medium, or high exposure relative to Defaato's ESG Review universe. The exposures are calculated through our internal assessment of the underlying funds or holdings in the portfolio. The exposure boundaries used within each level are non-linear, for example, it is common to see higher levels of ESG integration relative to impact focus, so our threshold for impact focus is lower. The dials are not mutually exclusive.

#### **ESG** integration



ESG integration can be seen as a form of risk mitigation, Examples include the Aegon Ethical Corporate Bond financial analysis.

All funds within the range have an ESG element, with the exception of cash equivalents. For this portfolio, this equates to over 90% of the holdings having some for of ESG integration.

where ESG risks are considered alongside traditional fund, which uses a comprehensive negative screening process, covering 21 environmental and social areas; and the Federated Hermes Global Equity ESG Fund, which aims to invest in companies with favourable ESG characteristics.

# Sustainability focus



sustainability goals and/or themes.

The range has a focus on avoiding harm as opposed to a specific sustainability mandate, however, there is an element of sustainability focused funds within the portfolio.

Janus Henderson Global as part of their business case. Examples include the Sustainable Equity fund, which invests in companies

Sustainability focus funds invest in assets with specific whose products and services are considered to contribute to positive environmental or social change; and the EdenTree Responsible & Sustainable Global Equity fund, which uses a screening model to consider the positive sustainability case in terms of products and solutions, and how companies are referencing the SDGs

# Impact focus



Impact investments are made with the intention of achieving a positive, measurable environmental or social impact.

Currently, there is no impact objective for the range nor are there any funds held that meet our definition of an impact fund.

# Top 10 holdings

Name	Classification	% of assets
Rathbone Ethical Bond I Acc	ESG Integration/Exclusions	12.0
RLBF II Royal London Ethical Bond M Acc	ESG Integration/Exclusions	11.2
BNY Mellon Sust Glb Dyn Bd Instl W Acc	ESG Integration/Exclusions	10.2
Aegon Glb Shrt Dtd Clmt Transition £SAcc	Sustainability Focus	8.2
Aegon Ethical Corporate Bond GBP B Acc	ESG Integration/Exclusions	8.1
Vanguard ESG Dev Wld All Cp Eq ldx £ Acc	ESG Integration/Exclusions	6.9
Fidelity Cash W Acc	Risk Management	6.2
EdenTree Responsible & Sust Glbl Eq B	Sustainability Focus	6.0
L&G MSCI WId Scily Rspnb Invmt SRI I Acc	ESG Integration/Exclusions	6.0
Janus Henderson Global Sust Eq I Acc	Sustainability Focus	5.9

Source: Tatton, April 2023

#### Sustainable Development Goal (SDG) focus



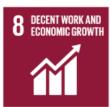
































Source: Morningstar Direct, July 2023

#### Engagement with corporates and/or funds

Tatton have an Ethical Investment Committee consisting fund manager), and red (implying the holding is against and discuss any potential new investments.

As part of this process, the team review the underlying holdings within each of the funds, and any controversial holdings are given one of four colours: green, light orange, dark orange (which means the team are not happy with the holding and this will be raised with the

of 12 people from all around the business. The committee the fund's mandate). An example provided of this process meet on a quarterly basis to review all existing holdings in practice was when one of the funds held had an exposure to alcohol, this was flagged as dark orange and challenged with the fund manager, as a result of this challenge the alcohol exposure was removed from the fund. So far, there have been no cases where a holding has flagged as red.

#### Resources

The team use Sustainalytics via Morningstar, however, they When a fund is being considered for inclusion in the do not pay much attention to Morningstar ESG ratings, but portfolios, it requires a 70% approval from the committee. instead use the Sustainalytics data as part of their seven negative screens. They also use Bloomberg as it provides them with some additional data points.

There are three members from the Ethical Investment Committee that have access to the negative screens, which are regularly reviewed.

# Tatton's ESG policy

As well as the Ethical Investment Committee, there is a There are currently no firm-wide exclusions that apply to Tatton Asset Management (TAM) board-level Ethical all portfolios managed by Tatton. Committee consisting of senior members from around the

The firm are a signatory of the Women in Finance Charter, which aims for gender balance across financial service industries.

#### **About Defagto**

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Tatton Investment Management
Ethical Defensive

July 2023





Tatton Investment Management Ethical Defensive Danny Luggah, CFA

# Key facts

- A long-running range of ethical portfolios, with Ethical Balanced launching in July 2014.
- The range uses seven negative screens to limit exposure to an array of controversial environmental and social areas. As a result, exposure to most of our controversial areas is very low.
- There is an Ethical Investment Committee consisting of 12 members from around the business. They meet on a quarterly basis to review existing holdings and any new additions require a 70% approval.

#### **Fund information**

Launch Date	26 January 2018
Manager	Team
Domicile	GBR
Assets	Active
Approach	Return Focused
Туре	MPS

UN PRI signatory <sup>1</sup>	No
UK Stewardship Code signatory	No
Category	n/a
Defaqto Diamond Rating Type	n/a
Diamond Rating	n/a

<sup>&</sup>lt;sup>1</sup>UN Principles for Responsible Investment (PRI)

### ESG policy and alignment

portfolios with increasing levels of risk from Defensive to Global Equity.

There are no set exclusions for the range but the team use environmental gambling, note armaments, damage, pornography, and tobacco.

#### **Exclusions: Yes**

The Tatton Ethical range consists of six actively managed The portfolios aim to limit direct exposure to these areas. Where there is a conflict, this will be raised with the underlying fund manager and assessed by Tatton's Ethical Committee.

screens to limit exposure to the following seven areas: As shown on p4, there is limited exposure to most of our alcohol, animal testing (for cosmetic purposes), controversial environmental/social areas. The only one of is an estimated 2.5% exposure to nonpharmaceutical animal testing.

# Levels of ESG investing











For full details, please refer to p5

# Sustainable Development Goals (SDG) focus











# **ESG** factors

#### Environmental

Less than 1%	Between 1% and 10%	More than 10%

Environmental Exposures	Product Involvement
Fossil Fuel	3.2%
GMO	-
Nuclear	1.1%
Oil Sands Extraction	-
Palm Oil	-
Pesticides	-
Thermal Coal	<1%

The only environmental exposure of note is to fossil fuels. It is also worth highlighting that the thermal coal and oil sands extraction exposures are negligible.

Some of the fossil fuel exposure comes from companies that are transitioning to more sustainable forms of energy. For example, a relatively large portion of the fossil fuel exposure comes from the Aegon Global Short Dated Climate Transition Fund, which aims to invest in companies that are transitioning towards Net Zero.

Source: Based on availability of Morningstar ESG data as at 30 June 2023

#### Social

Social Exposures	Product Involvement
Adult Entertainment	-
Alcohol	-
Animal Testing (Pharmaceutical)	3.1%
Animal Testing (Other)	2.5%
Controversial Weapons	-
Fur and Specialty Leather	-
Gambling	-
Military Contracting	-
Small Arms	-
Tobacco	-

The portfolio has very limited social exposures, in line with its negative screens.

There is some exposure to animal testing, but most of this is for pharmaceutical uses, where the animal testing will be a legal requirement. We have estimated the non-pharmaceutical exposure by subtracting the portfolio's healthcare exposure from the total amount of animal testing exposure. Part of this comes from holdings such as the L&G MSCI World SRI Index, which at the time of review, held companies such Colgate-Palmolive and PepsiCo, which have involvement in animal testing for non-pharmaceutical purposes.

Source: Based on availability of Morningstar ESG data as at 30 June 2023

#### Governance

The underlying funds' process of assessing a companies governance is looked at by the team on a fund-by-fund basis.

There are no specific requirements around governance but the team do look for fund managers that invest in companies with robust frameworks and controls in place for running their businesses.

# Levels of ESG investing

Within this section, we look at the various levels of ESG across the portfolio. We use the IA responsible investment framework across three classifications: ESG integration, sustainability focus and impact (exclusions are covered on p3).

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#### **ESG** integration



financial analysis.

All funds within the range have an ESG element, with the exception of cash equivalents. For this portfolio, this equates to over 90% of the holdings having some for of ESG integration.

ESG integration can be seen as a form of risk mitigation, Examples include the Aegon Ethical Corporate Bond where ESG risks are considered alongside traditional fund, which uses a comprehensive negative screening process, covering 21 environmental and social areas; and the Federated Hermes Global Equity ESG Fund, which aims to invest in companies with favourable ESG characteristics.

# Sustainability focus



Sustainability focus funds invest in assets with specific whose products and services are considered to sustainability goals and/or themes.

The range has a focus on avoiding harm as opposed to a specific sustainability mandate, however, there is an element of sustainability focused funds within the portfolio.

Janus Henderson Global as part of their business case. Examples include the Sustainable Equity fund, which invests in companies

contribute to positive environmental or social change; and the EdenTree Responsible & Sustainable Global Equity fund, which uses a screening model to consider the positive sustainability case in terms of products and solutions, and how companies are referencing the SDGs

# Impact focus



Impact investments are made with the intention of achieving a positive, measurable environmental or social impact.

Currently, there is no impact objective for the range nor are there any funds held that meet our definition of an impact fund.

# Top 10 holdings

Name	Classification	% of assets
Rathbone Ethical Bond I Acc	ESG Integration/Exclusions	16.9
RLBF II Royal London Ethical Bond M Acc	ESG Integration/Exclusions	15.1
BNY Mellon Sust Glb Dyn Bd Instl W Acc	ESG Integration/Exclusions	13.2
Aegon Glb Shrt Dtd Clmt Transition £SAcc	Sustainability Focus	12.2
Aegon Ethical Corporate Bond GBP B Acc	ESG Integration/Exclusions	12.0
Fidelity Cash W Acc	Risk Management	6.1
L&G MSCI WId ScIly Rspnb Invmt SRI I Acc	ESG Integration/Exclusions	4.0
Vanguard ESG Dev Wld All Cp Eq ldx £ Acc	ESG Integration/Exclusions	3.9
EdenTree Responsible & Sust Glbl Eq B	Sustainability Focus	3.0
Janus Henderson UK Responsible Inc I Inc	ESG Integration/Exclusions	3.0

Source: Tatton, April 2023

#### Sustainable Development Goal (SDG) focus



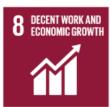
































Source: Morningstar Direct, July 2023

#### Engagement with corporates and/or funds

Tatton have an Ethical Investment Committee consisting fund manager), and red (implying the holding is against and discuss any potential new investments.

As part of this process, the team review the underlying holdings within each of the funds, and any controversial holdings are given one of four colours: green, light orange, dark orange (which means the team are not happy with the holding and this will be raised with the

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#### Resources

The team use Sustainalytics via Morningstar, however, they When a fund is being considered for inclusion in the do not pay much attention to Morningstar ESG ratings, but portfolios, it requires a 70% approval from the committee. instead use the Sustainalytics data as part of their seven negative screens. They also use Bloomberg as it provides them with some additional data points.

There are three members from the Ethical Investment Committee that have access to the negative screens, which are regularly reviewed.

# Tatton's ESG policy

As well as the Ethical Investment Committee, there is a There are currently no firm-wide exclusions that apply to Tatton Asset Management (TAM) board-level Ethical all portfolios managed by Tatton. Committee consisting of senior members from around the

The firm are a signatory of the Women in Finance Charter, which aims for gender balance across financial service industries.

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Tatton Investment Management

Ethical Global Equity

July 2023





Tatton Investment Management Ethical Global Equity Danny Luggah, CFA

# Key facts

- A long-running range of ethical portfolios, with Ethical Balanced launching in July 2014.
- The range uses seven negative screens to limit exposure to an array of controversial environmental and social areas. As a result, exposure to most of our controversial areas is very low.
- There is an Ethical Investment Committee consisting of 12 members from around the business. They meet on a quarterly basis to review existing holdings and any new additions require a 70% approval.

#### **Fund information**

Launch Date	26 January 2018
Manager	Team
Domicile	GBR
Assets	Active
Approach	Return Focused
Туре	MPS

UN PRI signatory <sup>1</sup>	No
UK Stewardship Code signatory	No
Category	n/a
Defaqto Diamond Rating Type	n/a
Diamond Rating	n/a

<sup>&</sup>lt;sup>1</sup>UN Principles for Responsible Investment (PRI)

### ESG policy and alignment

The Tatton Ethical range consists of six actively managed The portfolios aim to limit direct exposure to these areas. portfolios with increasing levels of risk from Defensive to Global Equity.

There are no set exclusions for the range but the team use environmental gambling, note armaments, damage, pornography, and tobacco.

#### **Exclusions: Yes**

Where there is a conflict, this will be raised with the underlying fund manager and assessed by Tatton's Ethical Committee.

screens to limit exposure to the following seven areas: As shown on p4, there is limited exposure to most of our alcohol, animal testing (for cosmetic purposes), controversial environmental/social areas. The only one of is an estimated 3.4% exposure to nonpharmaceutical animal testing.

#### Levels of ESG investing











For full details, please refer to p5

# Sustainable Development Goals (SDG) focus











# **ESG** factors

#### Environmental

Environmental Exposures	Product Involvement
Fossil Fuel	3.4%
GMO	-
Nuclear	<1%
Oil Sands Extraction	-
Palm Oil	-
Pesticides	-
Thermal Coal	-

The only environmental exposure of note is to fossil fuels. It is also worth highlighting that the thermal coal and oil sands extraction exposures are negligible.

Some of the fossil fuel exposure comes from companies that are transitioning to more sustainable forms of energy. For example, a relatively large portion of the fossil fuel exposure comes from the EdenTree Responsible and Sustainable Global Equity Fund, which takes into account a companies impact on the environment as part of its research process.

Source: Based on availability of Morningstar ESG data as at 30 June 2023

#### Social

Product Involvement
-
-
12.0%
3.4%
-
-
-
-
<1%
-

The portfolio has very limited social exposures, in line with its negative screens.

There is some exposure to animal testing, but most of this is for pharmaceutical uses, where the animal testing will be a legal requirement. We have estimated the non-pharmaceutical exposure by subtracting the portfolio's healthcare exposure from the total amount of animal testing exposure. Part of this comes from holdings such as the L&G MSCI World SRI Index, which at the time of review, held companies such Colgate-Palmolive and PepsiCo, which have involvement in animal testing for non-pharmaceutical purposes.

Source: Based on availability of Morningstar ESG data as at 30 June 2023

#### Governance

The underlying funds' process of assessing a companies governance is looked at by the team on a fund-by-fund basis.

There are no specific requirements around governance but the team do look for fund managers that invest in companies with robust frameworks and controls in place for running their businesses.

# Levels of ESG investing

Within this section, we look at the various levels of ESG across the portfolio. We use the IA responsible investment framework across three classifications: ESG integration, sustainability focus and impact (exclusions are covered on p3).

The dials represent zero, low, medium, or high exposure relative to Defaato's ESG Review universe. The exposures are calculated through our internal assessment of the underlying funds or holdings in the portfolio. The exposure boundaries used within each level are non-linear, for example, it is common to see higher levels of ESG integration relative to impact focus, so our threshold for impact focus is lower. The dials are not mutually exclusive.

#### **ESG** integration



financial analysis.

All funds within the range have an ESG element, with the exception of cash equivalents. For this portfolio, this equates to over 90% of the holdings having some for of ESG integration.

ESG integration can be seen as a form of risk mitigation, Examples include the Vanguard ESG Developed World All where ESG risks are considered alongside traditional Cap Equity Index Fund, which is a passive index fund that applies negative exclusions based on the impact of a companies conduct or products on society and/or the environment; and the Federated Hermes Global Equity ESG Fund, which aims to invest in companies with favourable ESG characteristics.

# Sustainability focus



sustainability goals and/or themes.

The range has a focus on avoiding harm as opposed to a specific sustainability mandate, however, there is an element of sustainability focused funds within the portfolio.

Janus Henderson Global as part of their business case. Examples include the Sustainable Equity fund, which invests in companies

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#### Impact focus



Impact investments are made with the intention of achieving a positive, measurable environmental or social impact.

Currently, there is no impact objective for the range nor are there any funds held that meet our definition of an impact fund.

# Top 10 holdings

Name	Classification	% of assets
Vanguard ESG Dev Wld All Cp Eq ldx & Acc	ESG Integration/Exclusions	14.0
Schroder ISF QEP Global ESG C Acc GBP	ESG Integration/Exclusions	13.8
EdenTree Responsible & Sust Glbl Eq B	Sustainability Focus	13.2
L&G MSCI Wid Scily Rspnb Invmt SRI I Acc	ESG Integration/Exclusions	13.1
Janus Henderson Global Sust Eq I Acc	Sustainability Focus	13.0
Federated Hermes Glb Eq ESG F GBP Acc	ESG Integration/Exclusions	12.8
Janus Henderson UK Responsible Inc I Inc	ESG Integration/Exclusions	10.1
Vontobel Fd II mtx EmMktsSstbyChampANGBP	Sustainability Focus	7.9
Fidelity Cash W Acc	Risk Management	2.1

Source: Tatton, April 2023

#### Sustainable Development Goal (SDG) focus



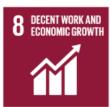
































Source: Morningstar Direct, July 2023

#### Engagement with corporates and/or funds

Tatton have an Ethical Investment Committee consisting fund manager), and red (implying the holding is against and discuss any potential new investments.

As part of this process, the team review the underlying holdings within each of the funds, and any controversial holdings are given one of four colours: green, light orange, dark orange (which means the team are not happy with the holding and this will be raised with the

of 12 people from all around the business. The committee the fund's mandate). An example provided of this process meet on a quarterly basis to review all existing holdings in practice was when one of the funds held had an exposure to alcohol, this was flagged as dark orange and challenged with the fund manager, as a result of this challenge the alcohol exposure was removed from the fund. So far, there have been no cases where a holding has flagged as red.

#### Resources

The team use Sustainalytics via Morningstar, however, they When a fund is being considered for inclusion in the do not pay much attention to Morningstar ESG ratings, but portfolios, it requires a 70% approval from the committee. instead use the Sustainalytics data as part of their seven negative screens. They also use Bloomberg as it provides them with some additional data points.

There are three members from the Ethical Investment Committee that have access to the negative screens, which are regularly reviewed.

# Tatton's ESG policy

As well as the Ethical Investment Committee, there is a There are currently no firm-wide exclusions that apply to Tatton Asset Management (TAM) board-level Ethical all portfolios managed by Tatton. Committee consisting of senior members from around the

The firm are a signatory of the Women in Finance Charter, which aims for gender balance across financial service industries.

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