

w1M

Our Approach to Responsible Investment →

Our objective is to create long-term value for our clients, while also encouraging better corporate behaviours that will deliver credible, positive change over time. To achieve both, requires careful consideration of sustainability in all its forms.

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Our approach to responsible investment

WIM has adopted the Responsible Investment Policy first published by Waverton Investment Management in 2019. While this approach has been refined over time, the core principles we outlined then remain firmly in place today. In fact, our conviction in the merits of a forward-looking, pragmatic and genuinely integrated approach to responsible investment, that acknowledges a period of transition and incorporates active stewardship of client capital, has only strengthened. These principles will continue to guide us as we move forward.



Our approach focuses on four key areas:

1

ESG integration

The consideration of environmental, social and governance (ESG) factors (both risks and opportunities) forms a natural part of our detailed fundamental analysis and security selection process. Identifying, prioritising and investigating those that are material to specific industry groups is not only integral to the assessment of a company's long-term financial sustainability, but also its real-world environmental and social impact.

2

Impactful engagement

We engage with companies both directly and as part of collaborative initiatives, preferring constructive dialogue with management over blanket exclusions, as a more effective way to encourage better corporate behaviours and positive outcomes.

3

Voting with intention

We vote on our clients' behalf to help drive higher corporate standards and enhance shareholder value.

4

Promoting transparency

We provide detail on all our stewardship activities, including case studies and updates on our progress in reports we publish annually. This covers all asset classes including equities, alternatives and fixed income.

Signatories of:



WIM (through the Waverton Investment Management business) has been a signatory to the PRI since 2019 and the UK Stewardship Code since 2022.

ESG integration

We view the assessment of ESG factors an integral part of good fundamental research, rather than something separate to consider. Good governance is central to delivering a sustainable business in all its forms (durability, returns for shareholders, improving ESG standards) and so the review of a company’s governance standards and practices has always been an essential part of our analysis.

Similarly, when evaluating other factors that could impact (either positively or negatively) a company’s ability to generate free cash flow and sustain high or improve lower returns on capital over the long term, it is difficult to ignore material environmental or social factors that could have significant operational, financial and reputational consequences for its business.

ESG factors are, therefore, intrinsically linked to the long-term returns of an asset, and we employ a bespoke framework that highlights the ESG issues most financially material to specific industry groups, and ensures they are considered and investigated in a consistent manner across the Investment team. It also provides a formal foundation for our engagement activities and, importantly, is a far more effective way to evaluate real-world environmental and social outcomes.



What do we mean by materiality?

The energy source or more efficient use of energy in capital-intensive companies producing materials such as cement, steel and chemicals, for example, will have significant cost implications for their business, but will also have a meaningful impact on 'absolute' carbon emissions (based on Scopes 1, 2 and 3) on a global basis.

By contrast, the pharmaceuticals industry produces a small proportion of the world’s total emissions, so our focus is better placed on assessing their track record and standards around product quality and safety, access and affordability, selling practices and product labelling. Serious lapses in any of these areas could not only cause widespread social harm, but also carry significant reputational and financial risks that have the potential to undermine the company’s financial sustainability.

Similarly, issues compromising the security and privacy of a digital platform’s user data could have material social consequences, as well as reputational (loss of users, advertisers) and cost implications (upgrading of systems, fines etc.) that undermine its longer term financial viability.

Our framework is adapted from the Sustainability Accounting Standards Board’s (SASB) ESG materiality framework and based around its five sustainability pillars:

Materiality framework

1	2	3	4	5
Leadership and governance	Environment	Social capital	Human capital	Business model and innovation
Business ethics and behaviour	Energy management / GHG emissions	Product quality and safety	Labour practices	Material sourcing / supply chain management
Remuneration policies	Water and wastewater management	Selling practices and product labelling	Health and safety	Product design and lifecycle management
Systematic risk management	Waste and hazardous materials management	Access and affordability		Physical impacts of climate change
Critical incident risk management	Biodiversity / land use	Customer welfare		
		Data security and consumer privacy		
		Human rights and community relations		

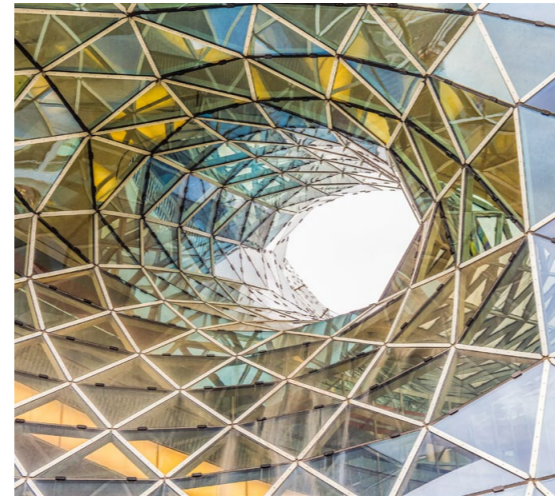
Transition not exclusion

We have always chosen not to implement blanket exclusions at the corporate level, preferring to adopt a more pragmatic approach to 'sustainability' that acknowledges a period of transition, and uses engagement and voting as a more effective way to encourage companies to address their financially material ESG risks. This should not only make the business more sustainable but also more valuable for shareholders over the long term.

Our approach provides us with the flexibility to invest in companies with strong ESG credentials today, alongside well-managed businesses that we believe will successfully adapt to or mitigate ESG risks over time. We also consider all elements of the value chain, incorporating companies that form an essential part of the transition solution (the 'enablers') in our investment universe.

Importantly, it is companies that fall into these latter two areas where significant value is often to be found, and where their contribution to positive sustainability outcomes is frequently overlooked.

Our integrated approach not only enables us to assess a company's sustainability from all angles, but also provides clients with greater transparency around what they own and more detailed insights as to why.



High ESG scores do not guarantee better outcomes

The Investment team has access to specific sustainability resources through our membership of CDP, and ESG data from MSCI (multi-asset), Moody's (credit) and Morningstar (third party funds). While these resources can provide useful reference points, we do not use ESG ratings or scores as a decision driver in either our security selection or portfolio construction.

We have consistently highlighted the shortcomings of relying on ESG ratings to produce authentic outcomes, and continue to believe that detailed knowledge of a company, alongside direct engagement with management to both better understand their direction of travel and track their progress, is the most effective way to deliver realistic and positive change.

Our direct, active and high conviction investment approach provides us with a distinct advantage in this respect, especially when compared with funded solutions incorporating multiple third-party managers and hundreds of small holdings, or passive solutions reliant on screening and ratings that do not involve any interaction with the companies themselves.

As part of a genuinely integrated approach, our Investment team is directly responsible for all the due diligence on and selection of investee companies, for discussions with company management and all voting decisions.



Companies with high governance standards and effective management rarely stand still but continually seek to evolve and improve. Our selection criteria seek to identify these opportunities.

What do our portfolios look like?

What we have found is that our investment approach tends to produce portfolios and funds with above-average ESG quality metrics and below-average carbon risk when compared with global benchmarks. This reflects the fact that companies with poor or declining ESG standards usually fail our detailed security selection process on fundamental grounds. This has naturally excluded some of the most frequently requested ethical exclusions such as tobacco, controversial weapons, adult entertainment and gambling.

We continue to have exposure to fossil fuels (predominantly natural gas) and defence, but in some cases the exposure is less than 10% of the company's revenues which is deemed acceptable under many ethical screens. With 'energy' security and 'national' security brought to the forefront of investors' minds after Russia's invasion of Ukraine and the escalation of geo-political tensions in other parts of the world, however, a growing number of investors are now adopting a different view towards energy and defence exposure in investment portfolios and have rolled back prior exclusions. As ever, it is an area that remains subjective and dependent on an individual's values.

Our approach to screening

While WIM has adopted an integrated rather than exclusionary approach to responsible investment, we recognise that some clients will still wish to implement negative screening policies to reflect their personal beliefs. We have a long history of managing these policies within segregated mandates and understand the trust clients place in us to achieve their objectives.

Impactful engagement

We are committed to contributing to improvements in corporate practices, public disclosures and outcomes across the ESG spectrum over time. Our engagement prioritises areas where we believe we can encourage better behaviours, while also fulfilling our fiduciary duty to clients to enhance or protect shareholder value.

We firmly believe building constructive long-term relationships with investee companies is one of the most effective ways to help drive higher corporate standards. Use of negative screening or blanket exclusions of certain industry groups not only tends to be backward-looking but also fails to acknowledge that, under good management and with technology evolving at an ever more rapid pace, companies can change for the better.

From an environmental perspective, for example, while excluding oil & gas producers from investment portfolios would immediately improve their 'carbon metrics' (as well as W1M's corporate-level financed emissions), in reality it neither removes carbon emissions from the world's atmosphere nor necessarily accelerates the path to a low carbon world. Importantly, it also removes the opportunity for us to exchange views with their management at the highest level.

Direct engagement has, therefore, always been central to our investment process. It enables a deeper understanding of a company's business model and strategic direction, more effective monitoring of operational performance, and a fuller assessment of management quality, corporate culture and governance standards – insights that cannot be gained from screening or corporate reports alone.

The responsibility for engagement sits with the Investment team who undertake all the detailed fundamental analysis and are better placed to assess every aspect of a company's sustainability. These meetings also provide a forum for us to advocate for strong governance practices and efficient allocation of capital, which underpin resilience and long-term sustainability.

Since 2021, we have participated in two collaborative climate-focused initiatives – Climate Action 100+ and CDP. Both are aimed at improving the quality, reliability and consistency of corporate environmental disclosures, the necessary building blocks to a more accurate assessment and comparison of companies' performance and progress against targets.

We have seen significant improvement in the quality of corporate climate disclosures since 2021 and, going forward, will continue to review a wider range of collaborative initiatives to ensure we not only make the most effective use of our time, but also focus on areas where we can actively contribute to improved practices and standards.

We define engagement as a two-way dialogue between a company and members of W1M's Investment team. Usually one-on-one or in small groups, where we actively participate in a discussion and exchange views with management. This could be in person, online or via email.

>550

Company meetings annually

>50%

of meetings are one-on-one or with small groups

~80%

of meetings with senior management

Voting with intention

As long-term investors, we recognise our responsibility to vote on key issues at the companies in which we invest.

Strong governance is often a reliable indicator of how a company manages broader environmental and social issues. For this reason, our voting activity is focused on promoting transparency, improving disclosure of material risks, ensuring robust governance structures, supporting responsible and efficient capital allocation, and advocating for fair and appropriate executive remuneration. We also encourage active engagement between management and shareholders.

As with our engagement activities, the responsibility for all voting decisions sits with the Investment team as part of our genuinely integrated approach to responsible investment.

We partner with Glass Lewis, a leading independent proxy advisory firm, and receive their assessments and recommendations on all management and shareholder proposals. While our voting often aligns with Glass Lewis, we review each proposal individually. We apply particular scrutiny to recommendations that oppose management or relate to contentious issues where we hold strong views. In some cases, this leads us to vote contrary to Glass Lewis' recommendations.

Each year, we publish company level proxy voting records on our website, along with a consolidated summary in our Engagement & Voting report.



As active managers, we use proxy voting to help drive higher corporate standards and enhance shareholder value.

Promoting transparency

For more information on our approach, policies and active stewardship through engagement and voting, please refer to documents available on our website. These include annual progress reports.

Responsible Investment Policy

Our policies on ESG integration, engagement and voting.

Engagement & Voting report

Our detailed approach to engagement and voting, including policies and case studies of progress over the year.

Task Force on Climate-related Financial Disclosures (TCFD) report

Our approach to managing climate-related risks and opportunities, covering both our own operations and our investments.

Stewardship report

An overview of our stewardship activities, from both an investment and corporate perspective.

Principles for Responsible Investment Assessment report

A summary of our independently evaluated performance against global responsible investment standards.



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The logo for W1M, featuring the letters 'W1M' in a bold, white, serif font. The '1' is slightly smaller and positioned between the 'W' and the 'M'. The background is a dark teal color.