



## Asset Value Investor’s ESG, Responsible Investor and Sustainability Policy

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### Purpose

*Helping our clients to make the most of their financial future.*

The people at Asset Value Investors are committed to leveraging our long heritage, stewardship, and expertise to make investing responsible, accessible, and profitable for everyone – individuals, families, institutions, private companies, and listed companies. Financial returns matter but we are in a unique position to influence positive change by questioning the practices of the companies we invest in for a more sustainable future.

## Philosophy

Asset Value Investors (“AVI”) is an investment management firm that was founded over 35 years ago in 1985. As long-term stewards of capital for our clients we focus on the long-term prospects for the companies in which we invest. It is integral to our investment strategy that we analyse each investment’s ability to create long-term value and deliver returns in line with our client’s expectations. AVI seeks to exercise the rights and responsibilities attached to owning equity securities in line with its investment strategy. A key component to AVI’s investment strategy is to understand and engage with the management of public companies. Shareholder value can be enhanced and sustained through the good stewardship of executives and boards.

It therefore follows that in pursuing shareholder value AVI will implement its investment strategy through proxy voting and active engagement with management and boards. In doing so AVI’s perspectives on environmental, social and governance (ESG) issues are represented. Engaging with companies on ESG and sustainability is increasingly important when assessing risk. We recognise that many aspects of ESG are linked to industry trends and will vary. We seek to identify the most relevant factors within each area of ESG and sustainability by materiality and financial risk.

We are fundamentally committed to supporting long-term sustainable businesses that will grow and participate in the prosperity of the economy with a responsible approach to the environment, society, and governance. We believe that the integration of ESG and sustainability considerations into our investment strategy is not only integral to comprehensively understanding each investment’s ability to create long term value but aligned with our values as responsible investors.

## Principles

We believe in the principle that assessing risks and opportunities beyond those associated with financial assets alone has merit. Climate considerations in sustainability can be addressed at every level from the Board level down to the level of day-to-day office management. Climate resilience and low greenhouse gas emissions can be constantly fostered.

We are aligned with the UN PRI’s belief that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole. AVI became a signatory to the UN-supported Principles for Responsible Investment (UNPRI) on 09 April 2021. In doing so we have confirmed our belief in our duty to act in the best long-term interests of our beneficiaries and that the below principles will better align investors with the broader objectives of society.

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will report on our activities and progress towards implementing the Principles.

Climate change in particular presents financial risk to the global economy. The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. We believe the TCFD recommendations provide a useful framework to increase transparency on climate-related risks and opportunities within financial markets and help to encourage sustainable business attitudes and practices. Asset Value Investors became supporters of TCFD in May 2021.

## **Approach**

Responsible investing requires rigorous analysis, judgement, and a thorough understanding of the associated risks. We track and monitor the progress of our investee companies in relation to material ESG factors and engage with management where appropriate to encourage transparent disclosures and promote a responsible and sustainable approach to the environment, society, and governance.

Our approach to ESG should not be viewed as distinct from our investment philosophy, an afterthought to our general practice, but rather as part of an integrated system that provides a vital perspective when analysing the long-term sustainable value creation potential of a company.

As research-driven value investors, we seek to truly understand each company in our portfolio and the context within which it operates on a case-by-case basis. Our approach to ESG integration reflects this. Our process does not involve the use of a filter to screen out negative-scoring ESG stocks, or a filter to only include positive-scoring ESG stocks as we believe this approach is inconsistent with our unique bottom-up investment strategy.

Rather than sitting in contradiction to our traditional analysis, AVI has created a bespoke ESG monitoring system which forms an important part of our newly developed proprietary database. This powerful tool deepens our understanding of the risks and opportunities within our universe, ensures ESG considerations are integrated into each stage of our analysis and elevates our ability to constructively engage with our investee companies.

Exclusionary screening is not our guiding framework, however, there are certain exceptions to this. AVI will not invest in any company with direct involvement in pornography, armaments, or tobacco, whereby more than 5% of that company's NAV is from these activities.

AVI will also not invest in companies that engage in child labour or human exploitation as defined in relevant ILO conventions (Minimum Age Convention No.138, Worst Forms of Child Labour Convention No.182, Forced Labour Convention No.29,).

AVI supports and respects the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Powered by **ISS Norm-Based Research**, we closely monitor any controversies and potential violations of international norms and standards associated with our universe.

If involvement in any of these industries is discovered or a verified violation is identified during our stringent pre-investment analysis or ongoing monitoring in the investment phase, AVI will follow a clear escalation process:

- Discuss with management
- In collaboration with management, agree on a timeline for exiting excluded industries/implementing remediation strategies.
- If company does not stop involvement or implement sufficient remediation strategies, AVI will divest.

### **Defining 'E', 'S', and 'G'**

AVI has identified the factors that we believe are the most material and relevant to our investments. We have drawn on the WEF's '21 core metrics' (<https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation>) – which aims to collate and unify multiple corporate reporting frameworks – as the foundation of our metrics, adapting them to reflect the uniqueness of AVI and its portfolio.

It is our view that effective ESG integration should be regarded as a constantly evolving practice. It should therefore be noted that our chosen sub-sections within 'E' 'S' and 'G' and their respective metrics are not exhaustive and are subject to change both as our integration of ESG deepens further and our expectations of corporate ESG performance increase over time.

**We define Environmental sustainability within the context of Environmental Impact, Tackling Climate Change and Sustainable Management.**

A company's awareness of its **environmental impact** is fundamental to its ability to engage with the solution. Our metrics in this section track our investee companies' greenhouse gas (GHG) emissions and use of limited resources. We track performance each year enabling us to assess trends and highlight potential risks or stranded assets where factors such as GHG emissions, carbon intensity and water usage are not decreasing. These metrics are key to highlighting unsustainable business strategy and assessing vulnerability in the context of limited resources, increasingly stringent environmental regulations, and a responsibility to strive towards environmentally sustainable business practice. Corporate disclosure on these metrics should be encouraged as they not only give an important insight into the sustainability of a company's operations but also represent a significant step in improving corporate transparency and accountability.

We believe that there is a collective duty for urgent and meaningful action in **tackling climate change**. Monitoring a company's commitments and efforts to reduce their environmental impact are important ways of assessing the sustainability of a company. Our metrics within this section enable us to track and assess the positive action companies are taking in tackling climate change and the extent to which this is integrated into business strategy.

Understanding a company's **sustainable management** is vital in assessing their level of engagement with climate related risks and opportunities material to their operations. Our metrics in this section monitor efforts to integrate TCFD recommendations as well as the internal mechanisms and policies in place to sustainably manage their environmental impact.

### **Social, we divide into Dignity and Equality, Health and Wellbeing and Community Engagement**

A workplace that actively promotes **dignity and equality** is integral to a sustainable business. Our metrics in this section assess the measures that our investee companies have in place to foster a work environment that is diverse, inclusive, and non-discriminatory. Moreover, we track the steps taken by companies to ensure the protection of human rights and labour rights throughout their supply chain.

Companies that invest in the **wellbeing and development** of their employees not only positively impact society by providing a supportive, dynamic, and rewarding workplace, but are also positively impacting the sustainability of their company. We believe that long-term value is most effectively created by serving the interests of all stakeholders. Our metrics in this section identify and track the measures our investee companies have in place to promote the wellbeing and aid the progression of their employees.

**Community engagement** helps to deepen a mutual understanding and respect between a company and the community within which it operates. Our metrics in this section monitor the ways in which a company invests in its communities as we believe this to be key in promoting inclusive growth and an integral pillar of a sustainable business attitude.

## **Governance** includes Quality of the Governing Body, Corporate Strategy and Ethical Behaviour.

The **quality of the governing body** is vital to the long-term success of a company. Our metrics in this section monitor the composition, representation, and independence of the board as we believe that the dynamism and knowledge necessary for strong governance is supported by the presence of diverse perspectives and skills.

The **corporate strategy** underpinning board management gives a vital insight into a company's priorities. Our metrics in this section assess a company's approach to its stakeholders, its integration of sustainable business attitudes and management of ESG issues.

Corporate integrity and **ethical behaviour** are an integral part of sustainable business conduct. Our metrics in this section monitor the policies and procedures in place to mitigate ethical misconduct and understand the mechanisms available to enable violations to be reported and remedied.

### **Controversy Monitoring**

Controversies can bring major reputational damage and a loss of consumer trust to a brand which can have a significant effect on their value. Powered by **ISS ESG Norm-Based Research** (<https://www.issgovernance.com/esg/screening/>), we closely monitor any controversies and potential violations of international norms associated with our universe. This forms an important part of our ESG assessment, deepening our understanding of a company's ESG performance.

Whilst our hope is that controversies do not occur, they can be a marker of how well a company's policies are integrated into business operations and culture. This is useful to us as investors in highlighting weaknesses, structural problems and indicating where improvements can be made. Where appropriate, we will engage with management and work with them to build resilience in these areas.

By encouraging companies to strengthen their focus on ESG issues we hope to limit controversies and promote sustainable attitudes towards the environment, society, and governance.

### **Rating System**

We give our investee companies a score against each of our metrics according to a methodology that clearly defines the requirements for each score. If or when a company is implicated in a controversy, this is monitored and counts negatively towards their score

relative to the severity of the controversy. This provides us with an overall rating of each companies' ESG performance. This internal rating system is designed to improve clarity and ease when tracking a company's progress against our metrics and easily identify where a company does not meet our expectation for each metric. The score is not meant to be published or applied to an absolute target to screen companies in our portfolio but is rather an internal mechanism to illustrate a company's direction of travel in relation to ESG issues and enable trends and weaknesses to be easily highlighted.

### **Active Ownership**

We are committed to actively engaging with our portfolio companies to help build resilience to long-term financially relevant ESG risks and promote sustainable attitudes. Our ESG monitoring system helps us to identify weaknesses in a company and empowers us to engage effectively where appropriate. Through collaborative engagement, we encourage and expect investee companies to take meaningful action in remedying weaknesses in the context of long-term value creation.

As long-term investors, aiming to unlock potential, we would be reluctant to divest in a company where we believe we can influence positive change. However, it remains a possibility if engagement on material ESG issues is consistently inadequate and the resulting risks become untenable. Our buy, hold and sell disciplines are considered on a case-by-case basis and driven by our balancing of ESG considerations with financial performance and our fiduciary responsibility to our clients.

Our process of engagement and escalation will vary with each company. We do not believe that a one formula fits all policy is the most optimal way to achieve a result. We will consider all aspects of a company's development including any recent acquisitions, divestitures or changes in leadership when deciding our engagement process. This is will invariably include both written and verbal communication with the company. Indeed, if required, a public campaign may be initiated to compel change.

If you wish to request a full version of our methodology and metrics, please contact [Kimberly.lau@assetvalueinvestors.com](mailto:Kimberly.lau@assetvalueinvestors.com)

## Asset Value Investors Limited Corporate ESG policy

As an investment management company, the long-term stewardship of our clients' capital is paramount in our investment process. Our investment philosophy, principles and methodology outline our approach to ESG and sustainability in our approach to investing. Our philosophy clearly states that we are fundamentally committed to supporting long-term sustainable businesses that will grow and participate in the prosperity of the economy with a responsible approach to the environment, society, and governance. AVI itself incorporates this philosophy in the management of the investment company. Our approach to the environment, society and governance are imbedded in how we manage the business.

### Governance and the Stakeholders

AVI as a private company is governed by a set of policies and best practice guidelines that are approved by a Board of Directors. In addition, AVI operates in a regulated environment and is subject to the regulations and guidelines of the UK FCA and the US SEC. AVI believes the shareholders and the stakeholders need not be in conflict and in fact 67% of the shareholders are also employees of the company. We believe the greatest long-term incentive and motivation comes from the alignment of interest created via equity ownership in the business. The CEO operates an 'open door' policy and regularly invites any employee to discuss any issues or thoughts with him directly. AVI believes in transparency in Executive pay and will cite the total executive pay as a percentage of total company pay annually.

- 41% of the employees have equity ownership in AVI
- AVI's executive pay as a percentage of overall employee pay is 58.8%\*
- AVI's Board consists of six Directors which is comprised of two NEDs of which one is an independent NED. The gender diversity is 17%\*
- AVI operates with a Code of Ethics which includes anti-bribery and corruptions policies.

\*12 months to 31 March 2021

### Equality and Diversity

'He who is different from me does not impoverish me – he enriches me.' Antoine de Saint-Exupery

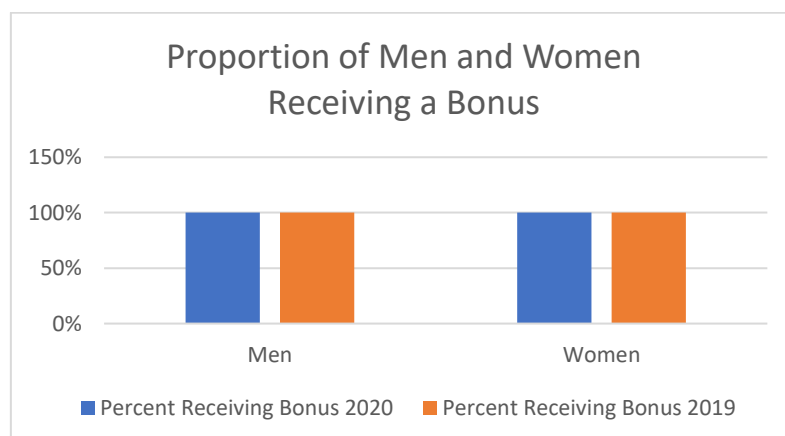
People are the most important asset at AVI. Our goal is to create a place where colleagues can do their best work within an environment that values everyone's unique contribution. We recognise that certain industries have been skewed towards a less diverse workforce. We are actively challenging this. We are a small growing company, and we seek to lower the gender pay gap. We offer flexibility to meet the individual needs of the employees including a flexible working hours policy. We are actively seeking to increase diversity and to address the individual needs of the employees. This is constantly evolving, and we have taken the following actions.



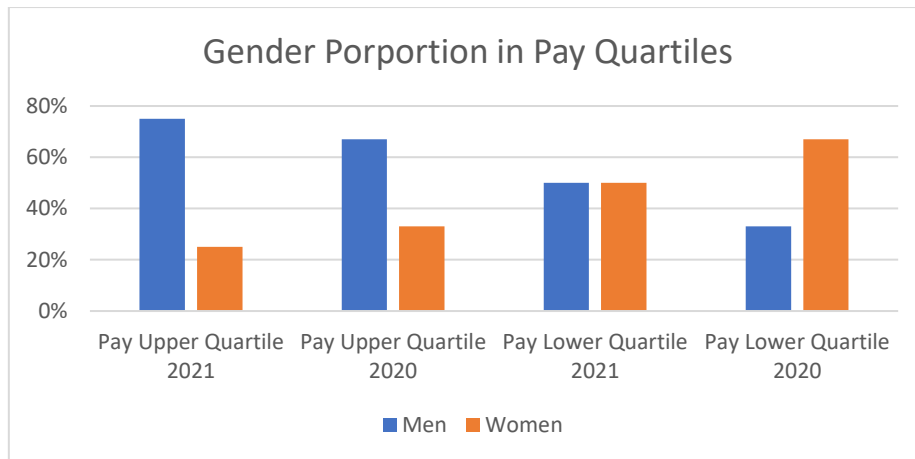
- AVI specifically seeks to encourage female and minority applicants for positions when hiring through the wording of the recruitment ad.
- AVI supported the launch of the 100BlackInterns programme which has now grown to become the 10000BlackInterns programme. AVI is proud to be one of the original 200 investment management firms to support this ground-breaking initiative. Our first intern from this programme will be working with AVI in the Summer of 2021. We are also participating in the 10000blackinterns Mentors programme and providing some financial support. <https://www.10000blackinterns.com/100blackinternsprogramme>
- Our Code of Ethics which every employee at AVI confirms on an annual basis supports the fair treatment of all individuals and includes specific policies on harassment and anti-bullying.
- We offer a comprehensive benefits package and flexible maternity/paternity leave to all employees.
- Flexibility in the working hours is available to address the individual needs of employees.

### Gender Pay Transparency

AVI is a small company with 19 employees, 63% male and 37% female, which means that joiners and leavers will have a significant impact on the statistics as people join and leave at different stages of their careers. In addition, 21% of the employees have been with the company for over 15 years and over 42% of the employees have been with the company for over 10 years. We are working in the direction of a more balanced gender split as well as increasing diversity. AVI seeks to be inclusive and every employee at the company benefits from the bonus pool at the year end.



We have decided to publish some general gender pay information. It is important to note that gender pay information is not the same as equal pay. We strive to pay men and women equally for the same or similar work with the same or equivalent experience. The challenge for a small company in the financial services sector is recruiting diverse talent. We seek to narrow the gender pay gap by actively encouraging female and minority applicants to apply for positions.



\*12 months to 31 March 2021

### The Environment and the Community

AVI recognises the importance of keeping sustainability and the environment at the forefront of our everyday lives. Every company uses energy and resources, and every company emits waste whether in the form of carbon emissions or spent resources. Hence, AVI has initiated programmes at the office to support this belief.

- We help to **reduce plastic bottle waste** by buying water in refillable containers for the office use. We use The Water Delivery Company who have a clear and precise environmental policy. <https://www.thewaterdeliverycompany.com/environmental-policy/>
- The energy sector is the biggest contributor to climate change, accounting for 73%^ of human-caused greenhouse gas emissions. Our building office management company JLL supply the energy and use Carbonxgen to ensure a sustainable approach including **100% green electricity**.
- We **reduce our resource consumption** by recycling our paper, plastic, toner cartridges, electronic equipment, and batteries through [www.looprecycle.co.uk](http://www.looprecycle.co.uk).
- We actively **encourage employees to walk or cycle** and have ensured that bicycle racks and changing rooms are available to accommodate walking and cycling to work.
- We source office supplies from Lyreco who engage a **responsible and sustainable sourcing policy**. <https://lyreco.com/group/about/responsibility-and-sustainability>.
- We further **reduce our consumption of resource** by not sending holiday cards and seek to use electronic transfer of most of our communication.
- We are researching methods of mitigating the carbon footprint that is incurred from the necessary travel that is required to achieve our investment objective.

^Source: UN Climate Chief Patricia Espinosa

As at 30th April 2021

ENVIRONMENTAL	Environmental Impact	Total greenhouse gas (GHG) emissions
		GHG emissions compared to previous year
		Carbon intensity
		Carbon intensity compared to previous year
		Total water withdrawal
	Total water withdrawal compared to previous year	
	Tackling Climate Change	Environmental strategy
		Carbon offset programme
		Renewable energy use
	Sustainable Management	Analysis and management of climate related risks and opportunities
		Biodiversity policy
		Waste management policy
		Water management policy
Controversies	Environmental controversies	

SOCIAL	Dignity and Equality	Equal pay policy
		Labour & Human Rights policy
		Due diligence in management of supply chain
		Discrimination and harassment policy
		Diversity/equal opportunities policy
	Wellbeing and Development	Access to non-occupational healthcare or programmes
		Training and development opportunities
	Community Engagement	Privacy and data security policy
Controversies	Community programmes and initiatives	
	Social controversies	

GOVERNANCE	Quality of Governing Body	% Independent directors
		% Women on the board
		Diversity of perspective, experience and competencies of governing body
	Corporate Strategy	Stakeholder engagement strategy
		Nominated person or committee responsible for ESG related strategy
		Remuneration of board and/or management policy
		Minority shareholder protection
		Anti-takeover provisions
	Ethical Behaviour	Anti-corruption and bribery policy
	Controversies	Whistleblowing policy and reporting mechanism
		Governance controversies

**RATING**

RESPONSIBLE INVESTING	Proxy Voting Record	Total resolutions
		Votes against management
		Votes against ISS
		Did not vote
	ESG Engagement	Votes in favour of ESG resolutions
		Communication requesting further information
		Communication questioning lack of disclosure
		Communication requesting improvements
	Engagement with management on ESG issues	