



**Tatton**  
ASSET MANAGEMENT PLC

# TAM ESG BELIEFS AND PHILOSOPHY

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## ESG Philosophy

At Tatton we believe it's important to have clear ESG beliefs and principles that guide the Board of Directors, employees and Tatton stakeholders in their actions and decision making, and these beliefs and principles are also incorporated into our investment approach for the benefit of all clients.

We believe that all companies wishing to achieve long-term success should consider their impact on the environment and society. We believe that in order to create a sustainable business we must understand and monitor our impact on the environment, stakeholders and society in general. This includes analysing the ESG risks and opportunities to our business model and investors.

Our responsible and sustainable beliefs are our guiding principles when developing our offerings, working with our employees, business partners and end clients. We aim to run our Group as a responsible business and we continue to look at how we can strengthen our commitment to sustainability. Through this we can make a positive impact on the financial return of our investments, on our company assets and earnings and on the wider society, for the benefit of all stakeholders.

## ESG in Operation

We work to implement ESG best practices in our corporate policies and uphold them in our daily business operations. We aim to earn the respect of our employees, stakeholders and end clients.

In 2020 the Group established an ESG Committee, responsible for the planning, implementation and progression of our ESG policies. We have identified the following areas as initiatives and focus:

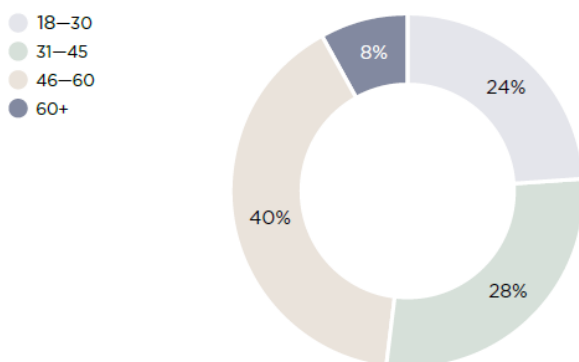
- (1) Socially responsible operations; and
- (2) Community, environment and governance.

### 1. Socially responsible operations

Diversity continues to be an area of focus for our organisation. We continue to monitor and incorporate diversity and wellbeing initiatives with greater focus on the recruitment process, including neutral screening for hires and promotions.

We collect data annually on both the age distribution and gender breakdown (including gender pay gap reporting) of employees publish this in our Annual Report:

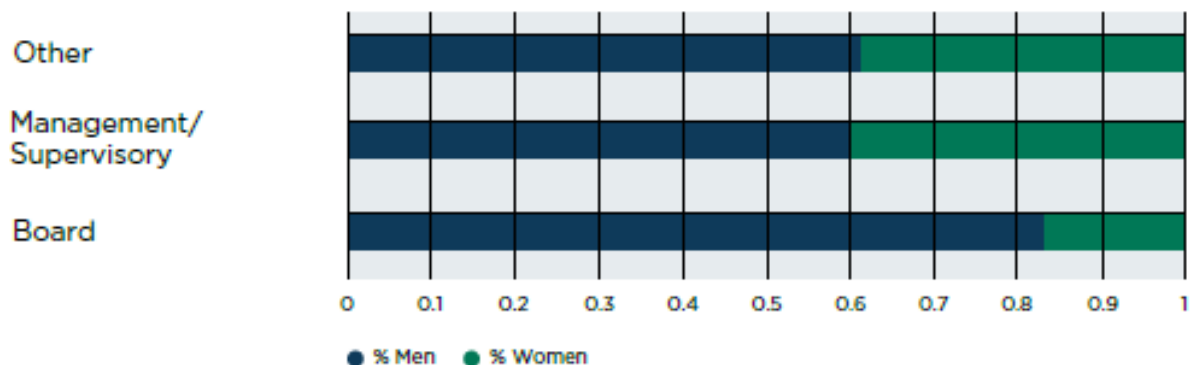
Age breakdown within Tatton



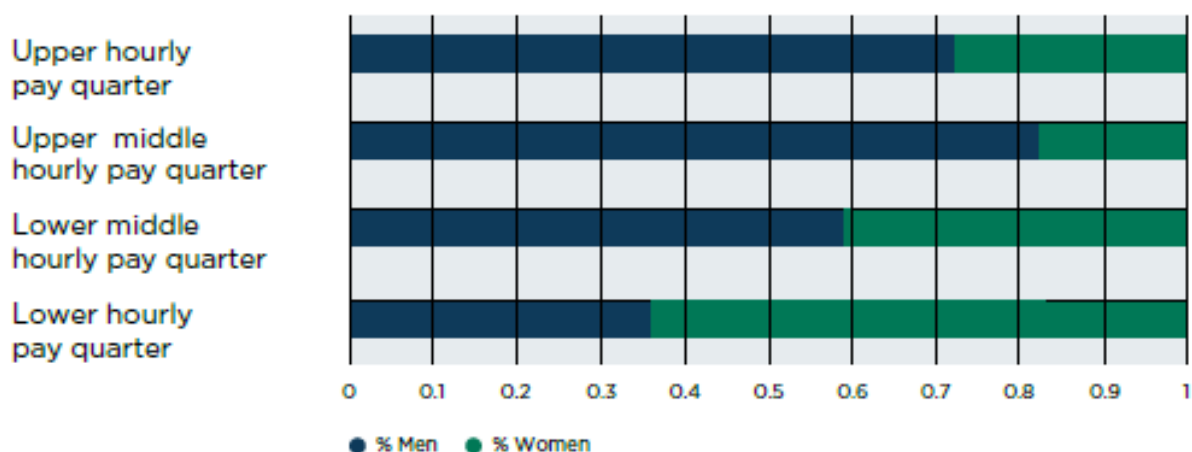
Source: March 2021 Annual Report

## GENDER PAY GAP REPORTING

### Gender Breakdown within Tatton



### Tatton Gender pay gap by hourly pay quarter



Source: March 2021 Annual Report

The Group aims to develop talented employees and promote them internally and externally. As part of recent company initiatives, we are championing the women across the business and in February 2022 we signed up to the Women in Finance Charter, aiming to maintain our current level of females making up 35% at both Group Board and Senior Management level. As part of our recent success two of the Group’s employees were nominated for awards at the Women in Financial Advice Awards 2021.

## 2. Community, Environment & Governance

Tatton Asset Management actively encourages employees to engage in charitable causes and fund-raising initiatives. In response to the results of the Employee Engagement carried out in 2021, the Group has named Macmillan Cancer Support as the Group’s charity of the year for the financial year ending 31 March 2023. In addition, the Group has committed to offering each employee “A day to make a difference” where employees are encouraged to give a day of their time to support a charity or national trust site in their local community. In addition, the Group has pledged to match employee fundraising up to a maximum amount.

As part of the initiative to track the Tatton Asset Management carbon footprint the company identified a need to focus on the environment impact of the leased and owned office space including energy efficiency, recycling and water conservation. As part of the initiative, it aims to source energy from renewable sources from energy providers. Within office space recycling is encouraged.

Governance underpins our conduct and ethics as a listed company on the AIM market. Tatton Asset Management's governing Board comprises 3 Tatton Executives and a 3 independent Non-Executive Directors. The positions of Chair and CEO are held separately, allowing each to carry out their responsibilities independently. TAM plc has established an Audit and Risk Committee which continually assesses and improves the effectiveness of risk management, the internal control environment and the governance across the Group.

## ESG within Investment Management

As part of Tatton Asset Management, we have our Investment Management division, constructing multi asset portfolios using individual specialist equity, bond and alternative funds. Although this means we do not specifically value individual companies or bond structures and put a value to them, we do have to consider the ESG methodologies these fund managers incorporate.

The division has two investment committees mandated to the strategies run.

- 1). Tatton Investment Committee
- 2). Tatton Ethical Investment Committee

### 1. Tatton Investment Committee

The investment team are agnostic to strategy and manage a range of strategies including Tatton Managed models holding predominantly active managers to Tatton Tracker, holding passives and smart beta funds, Tatton Core holding a blend of active and passive funds as well as Tatton Income aiming to provide a natural income.

Governance is a major factor when considering the Fund management groups and the fund strategies. Research includes a focus on the investment house principles, structure, liquidity, trading desk and management team, turnover and ethics. If governance is not deemed strong and consistent then the investment committee will not work with said fund management house. The Tatton analysts document all due diligence on funds whether they are selected or not.

In the unconstrained investment strategies (Managed, Core, Tracker, Income) there has been limited data on the Environmental and Social valuation aspects that can be applied to aid decision making. This is beginning to change, and the team are seeing a significant shift by fund managers to incorporate ESG valuation metrics on underlying companies held within in funds. This is leading to funds reporting further dynamics than just return and the overall strategy.

Tatton expect external data providers to increase ESG metrics and data on funds over time, which will influence investors such as the Tatton Investment Committee when selecting these for the inclusion in portfolios. A major constraint within this space is that most data published on none ESG funds is backward looking and can therefore misrepresent the fund if the unconstrained strategy changes the underlying companies and exposures regularly.

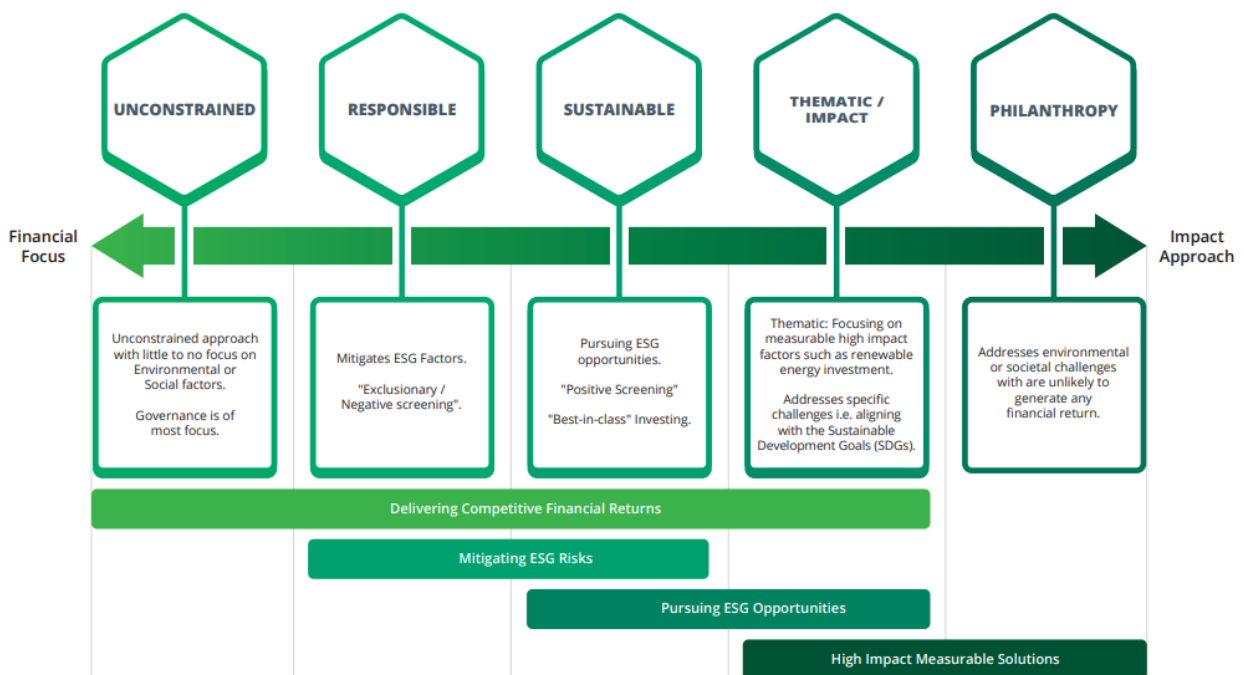
Regulatory changes in Europe with the categorisation of funds under article 7,8 or 9 has led to several managers being required to increase exposures or change strategy with reference to sectors and industries. Tatton investment committee are monitoring this development and the reporting accompanying this.

## 2. Tatton Ethical Investment Committee

Tatton Ethical Investment Committee is chaired by Adam Rawling, a member of the Tatton Investment team and responsible for regularly running the investment screening criteria for the portfolios. A number of the investment Committee members hold the Diploma in Investment Management (ESG) including James Saunders, CFA, Chris Robinson, CFA and Justine Randall.

The Tatton Ethical Investment committee is responsible for the oversight, management and communication strategy of the Ethical propositions. At present this committee oversee the Tatton Ethical Model portfolios and the development of the Tatton Ethos funds. Tatton Ethos funds will be launched by summer 2022.

Utilising a spectrum of Capital (shown below), Tatton Ethical Model Portfolios utilise a strategy of Responsible and Sustainable Investment. The Tatton Ethos funds will utilise Responsible, Sustainable and Impact strategy.



When constructing Ethical models and the Ethos funds, Environmental and Social factors are highly influential in the selection of the funds. The team expect the methodologies of the funds aim to align with the factors the committee screen for, and the consistency of approach is key to demonstrating the ethical capabilities. Whilst every fund will have unique reporting and focus (depending on whether it is an equity or bond fund), the need to use responsible investment criteria (negative screening) and sustainable investment methodologies (positive screening) means ESG is embedded in the Ethical models.

The Investment Team utilise two major external sources for screening these funds; Morningstar Direct and Sustainalytics. Morningstar Direct gives the team access to regular fund data and classifications. Sustainalytics enables the team to analyse and monitor exposure to the screens applied in the model and

fund strategies. The ability to track, monitor and analyse exposures is crucial in managing sustainable mandates.

Tatton expect all fund managers to abide by the strategy described in its prospectus and in presentations to the team. If a fund does deviates from its mandate the investment committee will exclude this from inclusion in its portfolios and funds. The analysts in the committee regularly discuss underlying companies and exposures with open dialogues with the fund managers.

The Investment Committee aim to provide as much transparency for their investment process and report as much information as possible from an ESG perspective across all strategies.