

Our responsible investment policy

As an investment trust, we aim to make well-informed investment decisions that ensure that the pursuit of prosperity for our shareholders is not achieved at the expense of the environment or the wellbeing of society. We believe companies which disregard this will fail to deliver sustainable returns to shareholders. Far from there being a conflict between good returns and responsible investment, managing assets in line with these principles is key to achieving these dual objectives.

2023 proved to be a difficult year for investors in climate strategies, as higher interest rates impacted the short-term outlook for investment in renewable energy projects as well as the value that investors ascribe to the long-duration earnings of companies enabling the energy transition. Despite this setback, we remain convinced that the long-term trend towards a greener energy mix will provide a tailwind for earnings in the years ahead. As such, Witan now has nearly 10% of its assets invested in funds which we believe will benefit directly from the world's efforts to mitigate or adapt to climate change.

It is crucial to understand, however, that our responsible investment policy, whilst complementary to our climate change investments, covers our entire listed-equity portfolio. It is implemented in the belief that owning well-managed businesses with sustainable cash flows is key to achieving durable returns for our shareholders. This applies to companies in multiple sectors and often requires a significant amount of work to encourage them to operate in a more sustainable manner, be it environmentally or socially.

ENCOURAGING SUSTAINABLE BUSINESS

Our policy is to ensure that by 2030 our portfolio consists entirely of sustainable businesses. These are businesses that are well-run, incorporate resilient business practices and have sustainable cash flows. We believe they are likely to perform better than companies which are at risk of disruption, litigation, regulation or loss of business because of poor ESG practices and thus achieve superior valuations.



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We have embedded responsible investment considerations across our listed equity portfolio, not just in a limited part of it. To implement our policy, we have developed four areas of action:

- Our own businesses practices;
- Fund manager engagement;
- Portfolio stewardship; and
- Industry advocacy.

Our focus is particularly on where we can have the biggest positive impact: the characteristics of our investment portfolio and our engagement with the companies in it. Our approach is adaptable and underpinned by the belief that capital allocation and engagement have a more positive long-term impact than an exclusionary approach and that blanket exclusions (except controversial weapons) can be counterproductive.

IMPLEMENTING OUR POLICY

The key to success is full alignment with our external fund managers, who manage more than 85% of the portfolio. Not only is it their role to invest our shareholders' capital, but they must also identify any issues at investee companies and engage accordingly. In 2022,

we devised our responsible investment framework which was implemented with the help of our managers and applied to the portfolio to develop our baseline assessment. We repeated the process in 2023, with the results being shown on pages 18 to 19 of this Annual Report. We recognise the additional work required by our managers to complete this task and are grateful for their diligent support.

A small proportion of the portfolio is invested in collective funds, primarily within an investment company structure. Although these funds are not covered by the same framework as our equity portfolio, we still take ESG considerations into account. The responsibility for these investments, which account for up to 15% of Witan's assets, lies with our Investment Team, which reports annually to the Board on stewardship activity. Each of these listed investment companies has its own investment manager and, crucially, an independent board which gives us the ability to influence governance where it is found wanting.

GOVERNING RESPONSIBLE INVESTMENT

The Witan Board is responsible for the overall policy. Members of the Board and Investment Team are responsible for its delivery and monitoring how our managers engage and consider ESG-related issues.

Our responsible investment policy

We believe that investing in well-managed, 'sustainable businesses' is the foundation for achieving good returns for our shareholders, as well as a better future for the planet's ecosystems and for society. Our target is to ensure that by 2030, Witan's listed equity portfolio will entirely consist of such businesses. For us, these businesses have the following characteristics:

Prosperity

Exhibiting sustainable cash flows, good corporate behaviour, strong stakeholder engagement and respect for their shareholders.

People

A strong and experienced management team (and Board) with an inclusive and diverse culture, respecting the well-being of customers, employees, suppliers and the community.

Planet

A clear strategy and roadmap to minimise its environmental impact and, wherever possible, to transition towards net zero by 2050 in line with global efforts to limit warming to not more than 2°C and preferably 1.5°C. This includes companies positioned to help accelerate the energy transition or carbon reduction.

Partnership

Openness to collaboration, stakeholder engagement and participation in industry initiatives promoting good practice. Transparency in acknowledging mistakes and addressing issues where they arise, working to deliver a more sustainable future.

Our own responsibility

We take all the steps necessary to ensure that Witan is itself a 'sustainable business' by addressing our own carbon footprint and ensuring we have experienced management, skilled employees and strong corporate governance with an inclusive and diverse culture. Our ownership structure ensures that we are aligned with our shareholders.

Fund manager engagement

Witan ensures that our responsible investment strategy is embedded in our own investment processes and that these policies are integrated into the direction of our fund managers. We regularly engage with our fund managers to discuss our expectations and to derive comfort that they are equipped with the insights and tools to drive progress in their portfolios.

Witan

Industry advocacy

As a multi-manager investment fund, Witan advocates a responsible investment approach through our membership of industry initiatives and our network of fund managers.

Portfolio stewardship

Through our voting rights as shareholders and direct engagement with companies, Witan works with our fund managers to maintain a dialogue with underlying portfolio businesses. As part of our active management strategy, our fund managers hold investee companies to account if they fall short of the standards expected of them.