



# Responsible Investment Policy

## Utilico Emerging Markets Trust plc

November 2024

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### Review Cycle

The last review was performed:      November 2024

The next review scheduled:          November 2026

## Section A – Introduction

### 1. Purpose

This Responsible Investment Policy is intended for use by the ICM Investment Team (“ICM”) managing Utilico Emerging Markets Trust Plc (“UEM”). The policy sets forth the commitment by ICM to conduct all business in a lawful manner and in accordance with the highest standards of personal and corporate ethics.

The objective of this policy is to explain the responsible investment practices to be adhered to by all staff, in addition to the relevant regulations, laws and directives applicable to the operation of UEM. ICM uses the Sustainable Accounting Standards Board (SASB) for guidance on asset class standards used in its Environmental, Social & Governance (“ESG”) assessment tools.

### 2. Scope

UEM’s investment objective is to provide long-term total return through a flexible investment policy that permits it to make investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets. UEM is not marketed as a sustainable investment product and therefore does not use any sustainability-related terms in the marketing of UEM.

However, when reviewing investment opportunities, the ICM team as part of their investment process will look to understand the material ESG issues, integrating the relevant information. This is applied as standard to all investments. However, ICM does not necessarily decide to make an investment based on environmental, social and governance grounds alone. The policy is reviewed on a regular basis and updated where necessary to reflect changes in circumstances and actual practice.

## Section B – Policy

### 1. Our Approach

ICM's responsible investment approach is present throughout the investment process. ICM integrates ESG through five key pillars:

- 1) Exclusions
- 2) ESG Integration
- 3) Active Ownership & Engagement
- 4) Proxy Voting
- 5) Transparency & Reporting

ICM has developed policies and procedures to support the five key pillars, in order to ensure that each company has been assessed and continues to be managed alongside our ESG pillars.

#### 1.1 Exclusions

Recognising that some types of economic activity or corporate behaviour are not compatible with our approach, ICM maintains an exclusion list that applies to all ICM managed investment vehicles.

ICM will not knowingly invest in:

- Companies that deliberately and systematically do not respect basic human rights;
- Companies that deliberately harm the local population or the democratically elected or non-democratically elected form of government, either in their country of domicile or the countries where they operate;
- Companies that directly produce or sell weapons of mass destruction, land mines and cluster bombs, chemical/biological weapons, depleted uranium weapons and nuclear weapons as part of their business;
- Companies that have 10% or more of their business operations in tobacco and pornography; and,
- Companies involved with the financing, trading, and promoting of poaching and trafficking of endangered species.

ICM will seek to avoid investments in:

- Companies that through a substantial part of their activities may incur significant and uncalculated liabilities related to health-related claims or environmental abuse; and,
- Companies that may be in breach of international standards through systematic corruption and bribes and show no signs of improving this behaviour.




## 1.2 ESG Integration

ICM has developed its in-house ESG template to assess a company’s material environmental (“E”), social (“S”) and governance (“G”) risks, rather than relying on a third-party ESG provider. Each ICM analyst is required to answer a list of questions covering the full spectrum of the “E”, “S” and “G” risks, and while the “G” is consistent across sectors, this may differ for “E” and “S”. Collecting qualitative and quantitative ESG data alongside the fundamental financials provides ICM with a holistic understanding of each company.

For “E” and “S”, ICM has identified material factors considered to affect each sector in which ICM invests. Stemming from this process, each sector has key questions identifying the material risks and value drivers. These key risks/value drivers have been identified by utilising ICM’s internal in-depth understanding of each sector, as well as referencing the Sustainability Accounting Standards Board (“SASB”) industry standards.

For ICM, “G”, is paramount to any investment, as ICM ideally would like the company’s management to be aligned with all stakeholders. ICM’s governance assessment includes questions covering shareholders’ rights, transparency and related parties as well as audit and accounting, board composition and effectiveness, executive oversight, and compensation.

The following “E”, “S” and “G” issues are considered:

	Environmental Management	▶	Environmental Policies & Management
	Climate Change Strategy	▶	Climate Change Governance, Risks & Opportunities
	Environmental Footprint	▶	Emissions, Energy, Water, Waste
	Human Capital Management	▶	Training & Development, Engagement, Diversity, Pay
	Health, Safety & Well-being	▶	Health, Safety & Well-being Approach & Metrics
	Corporate Citizenship	▶	Philanthropy, Community Engagement
	Human & Labour Rights	▶	Compliance, Due Diligence, Partner Engagement
	Business Model	▶	Corporate Sustainability, ESG Materiality, Stakeholders
	Corporate Governance	▶	Policy, Ownership, Oversight, Performance
	Business Conduct	▶	Code of Conduct, Data Protection, Cybersecurity
	Risk Management	▶	Framework & Analysis
	Supply Chain Management	▶	Risks, Sustainability, Supplier Sourcing Policy

ICM actively selects investments, and as an integral part of this process, ICM’s investment teams will consider whether an investment is in line with the ICM Fund’s guidelines which include ESG considerations. These guidelines ensure that ESG factors are reviewed for all investments in the same manner as other research material / investment factors are considered. These elements include understanding the financial implications of the risks and pricing the risk premium associated.

### **1.3 Active Ownership & Engagement**

Given that ICM are long-term investors, engagement with management teams is and will remain paramount to our investment approach. At the investment stage, ICM integrates ESG factors into its research, analysis, and decision-making processes. ICM are active owners, working with investee companies to incorporate / enhance stronger ESG principles. As shareholders, ICM will vote in a considered manner and works with investee companies to drive positive change.

There are different ways in which ICM typically engages with companies. These include:

- Face to face engagement - where necessary ICM will travel to meet investment company management teams, discuss their ESG policy and identify any gaps, and help them improve their ESG disclosure and implementation. We find that as ESG disclosure can be inconsistent and sporadic, these face-to-face meetings garner information from management teams that is otherwise not disclosed.
- Strong communication channels – as ICM are long-term investors and have traditionally met with management teams face-to-face before investing, a good rapport is usually built with the investment companies. ICM works with investee companies on any identified risks and guides them on how to incorporate stronger ESG principles with constructive comments and suggestions on how investee companies can improve their ESG position.

### **1.4 Proxy Voting**

ICM has the discretion to determine the best course of action to maximise shareholder value, in accordance with our priorities and our fiduciary duty. Proxies and shareholder proposals of an environmental, social, or governance nature are reviewed carefully. Final vote execution is based on a holistic view of the best economic outcomes.

ICM will vote in line with the following principles:

- Board of Directors to be suitably skilled, diverse and independent.
- Remuneration policies – sensible and long-term focused.
- Capital allocation – disciplined and value accretive.
- Respect for minority shareholders interest – e.g. use of related party transactions, voting rights and royalties etc.
- Strong corporate culture reflecting the interest of all stakeholders.

All of these points enable ICM to have a better relationship with their investments.

The investment analyst is responsible for recommending how proxies relating to securities held in the portfolio should be voted, and the Operations team will ensure that the investment analyst has voted before the voting deadline. Regarding the voting decision, the investment team will ensure the above principles are taken into consideration.

### **1.5 Transparency & Reporting**

As ICM is a Principle for Responsible Investment signatory, the Investment Manager will produce an annual Transparency Report to be published on the PRI and ICM website. Further to this ICM will provide quarterly ESG reports to the UEM Board, updating on any material ESG-related events that have taken place within the portfolio.

To make sure that UEM's investors are informed about how the portfolio is performing, a monthly factsheet is sent out to investors as well as published on UEM's website. This factsheet indicates how the portfolio has performed as well as providing commentary on the Top 30 holdings. In addition, UEM publishes full-year accounts as well as an interim report, which contains a synopsis of the Top 30 holdings.

### **2.0 Greenwashing**

Greenwashing refers to the practice of marketing funds as adhering to strict environmental, social, and governance criteria, but their underlying investment choices do not reflect true ESG principles. This discrepancy can deceive investors about the actual ESG impact of investments.

The Financial Conduct Authority ("FCA") introduced an anti-greenwashing rule in 2024. The new rule is designed to protect consumers by ensuring sustainable products and services sold are accurately described.

The rule requires that references made to the sustainability characteristics of a product or service, are (i) consistent with the sustainability characteristics of the product or service and (ii) clear, fair, and not misleading.

To mitigate the risk of greenwashing, the Operations, Compliance, and Investment teams will review fund-related marketing material before it is disclosed to investors.

### **3.0 Important Information**

This is marketing material and not intended as investment advice. Although UEM integrates Responsible Investment into its investing practices it cannot guarantee an improvement of returns or any returns at all.

For the most up-to-date information on our funds, please refer to the relevant fund website where the Key Information Documents are housed.