



# McInroy & Wood

PERSONAL INVESTMENT MANAGERS



## Statement on Responsible Investing

May 2024

## **Statement on Responsible Investing**

The firm's primary purpose is to generate satisfactory investment returns for our clients.

Our approach to investment has always included consideration of how best we can make a positive difference to the world in which we practise. We describe this as 'responsible investing', an approach which is made up of three contributing factors:

1. Professional competence;
2. Integrating environmental, social, and governance (**ESG**) considerations into our investment management processes; and
3. Culture within the firm.

These are continuing obligations that span generations to ensure our ethical priorities are upheld. This Statement on Responsible Investing sets out how the firm complies with its obligations under each of these headings.

### **Professional competence**

The firm lays store by its competence to invest directly across the world's markets, and our investment staff draw on a deep well of experience in global investing.

We believe that to be sustainable, investment practice must be capable of navigating its way through an infinite variety of economic hazards. Risk assessment, as well as potential reward, forms an important part of this firm's approach. Our investment team draw on two supportive factors in forming their risk assessments: firstly, long collective experience of investing in global investment markets; secondly, familiarity with the inter-generational interests of clients and the long-term horizon required to safeguard them.

These factors underpin the firm's consistency of approach and achievement. Both enable us to found our investment work on sound value judgements and an ability, we trust, to discern the investment factors relevant to current circumstance.

A long-term horizon helps establish realistic investment objectives. Pursuit of these by appropriate means clears the path towards achieving those objectives.

### **ESG integration**

#### Investment process

Our long-term approach to investment is based on identifying and holding high-quality businesses with sustainable growth prospects. We look beyond short-term financial performance and undertake our own research, building our knowledge of a company, its products and services and establishing our view as to its prospects.

We assess each company that we invest in for:

- its impact on the environment;
- its impact on society; and
- the effectiveness of its governance.

We do this by analysing information from a range of internal and external sources, including companies' report and accounts; information provided by third party ESG data providers; third party market analysts and sector experts; and the companies themselves. We take a proportionate approach to our analysis, with more detailed scrutiny being applied to companies with higher risk indicators (e.g. those in heavy polluting industries).

Where we have identified areas of concern regarding ESG (e.g. a company is involved in the oil and gas industry), we may still invest in a company provided we are satisfied that it is taking proactive steps to address areas of concern and there is a strong company-specific investment case. Any concerns are monitored closely to ensure they are being dealt with appropriately (see 'Engagement' below).

Where clients have particular ESG concerns, we will discuss how best to incorporate these into their portfolios.

### Exclusions

From time to time the firm may conclude that investment in certain sectors, activities, or companies is not consistent with our approach to responsible investing and we categorise such investments as excluded investments. The following sectors are currently excluded from investment by the firm:

- Tobacco;
- Arms;
- Gambling;
- Usurious lending.

### Engagement

We choose to invest directly in individual companies which enables us to retain full control over every investment, and to minimise clients' costs so far as practicable. This also enables us to directly monitor any given investee company's behaviour and to have direct access to management.

Where possible, we prefer to influence the companies we invest in as active and concerned shareholders. Regular and thorough monitoring of investee companies forms an integral part of the firm's investment process, both prior to investing and on an ongoing basis. This includes speaking to the management of businesses, voting, carrying out extensive internal research and using external information where appropriate.

ESG concerns may be raised through collective engagement in collaboration with other like-minded investment shareholder groups or their trade bodies, or through, groups such as the Investor Forum (**IF**) or the Institutional Investors Group on Climate Change (**IIGCC**). For example, in conjunction with the IF we initiated a campaign to raise awareness of production processes that allow plastic pellets to enter the country's waterways and seas which has led to the creation of a new industry standard both in the UK and the EU. Working with the IIGCC we have also challenged major oil companies on their climate obligations. We view these as continuing responsibilities where we seek practical results.

The firm also engages with governments and regulators at a policy level, both directly and through the groups noted above.

Where we are not satisfied that ESG issues are being adequately addressed we may choose to disinvest if necessary.

## Voting

Voting provides the firm with an important means of influencing investee companies' leadership, executive compensation arrangements, corporate structure, and strategy, and forms a key part of the firm's stewardship activities. All voting decisions are made by the investment team to ensure they are consistent with the best interests of our clients and our responsible investing principles.

We vote in a way that allows us to focus our resources where we believe we can make the most difference and will vote against management where we feel that a resolution or corporate behaviour falls short of best practice or conflicts with our responsible investing principles.

## **Culture**

We believe that the culture of the firm itself is a crucial element of responsible investing. The voice of an investing institution will not be heard if its directors and staff do not hold themselves to the same standards as they require of investee firms. The culture of our firm is essential to its sustainability.

Key elements of our culture are as follows:

- Staff are fairly remunerated and, on a discretionary basis, receive a share of the firm's profits. Bonuses have never been paid since directors acknowledge that every employee is already using his/her best efforts towards fulfilling their appointed responsibilities.

The directors are paid salaries which are moderate by financial services standards. This is their only remuneration. However, Directors' interests are aligned with those of clients and the future of the firm through shareholdings that are purchased over time. The firm is fiercely proud of its independent ownership, and the Wood family are committed long-term controlling shareholders.

- Clients' best interests have been at the heart of the firm long before regulatory requirements relating to 'treating customers fairly' and the Consumer Duty. We are careful to avoid potential conflicts of interest. We have never accepted remuneration generated by discretionary transactions. We have no investment minimum for potential clients and aim to help any that approach us whenever possible.
- The firm is careful and considered in how it builds relationships with contacts and clients. New relationships are generally initiated by potential clients themselves or through a small number of professional firms that recognise the benefits of the firm's investment approach and high standard of client service. We believe that the long-term nature of the firm's client relationships contributes substantially to our growth.
- We are deeply appreciative of the local community surrounding our headquarters in Haddington, and our regional offices. Our responsibilities to wider society begin with due acknowledgement of the social and cultural fabric of our own community. For that reason we contribute significantly to the creative arts and other community interests. The support and appreciation of our community is no less important than that of other stakeholders in holding the firm to its responsible investing objectives.

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