



IWG ESG Policy

Introduction

Investors and the public as a whole hold Companies accountable for how they perform their business activities – they need a “license to operate”. Increasingly, this license is depending on their performance in terms of environmental impact and around social and governance criteria (so-called ESG factors), giving higher importance of these factors for companies’ business decisions. This trend is reflected in the way that investors make portfolio choices beyond pure financial analysis, leading to a value premium for companies with good ESG performance, and a discount for those that are perceived as ESG laggards to help identify risks and opportunities. At IWG we welcome this development. We have – and we believe that our clients have - an interest in supporting long-term sustainability of the investments we make, and we believe that there is value to be obtained by investing in companies with responsible management as they carry lower inherent risks. We therefore consider it “good business” to keep ESG factors in mind when investing and take a proactive approach as we incorporate these factors in our investment strategies.

IWG Investment Approach

For the portfolios we manage at IWG, we follow both a “top-down” combined with a “bottom-up” approach. After determining an appropriate allocation of funds across different asset classes, regions and sectors in line with clients’ risk profiles (top-down), we identify the financial instruments to represent these markets in the client portfolios, typically including low-cost Exchange Traded Funds (ETFs), bonds, stocks, and certificates following the development of commodity prices. For this bottom-up selection, sustainability is a key consideration. Where ratings from independent data providers are available, we prefer funds assessed that have attained good ESG performance. Equally, when directly investing in stocks or bonds, we take available ratings into account. And our approach to sustainability extends beyond such ratings – we assess the markets the companies operate in as well as the stability of their business models.

ESG Ratings

ESG ratings are available from a number of reputable companies. At IWG, we consider Morgan Stanley’s MSCI ESG Ranking the most comprehensive set of data publicly available for the screening of both companies as well as funds.



- MSCI company ratings are designed to measure a company's resilience to long-term, industry material ESG risks, identifying industry leaders and laggards according to their exposure to those risks and how well they manage them relative to peers. The Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC).
- MSCI fund ratings are based on;
 - the weighted average score of the holdings of the fund, scoring a rating on a scale from CCC (laggard) to AAA (leader);
 - the ESG momentum of the fund, indicating the rating trend of the holdings;
 - a review of the ESG tail risk to understand the exposure to holdings with worst-of-class ESG Ratings.

Where no MSCI ratings are available, we also check for ratings from Morningstar (for funds) and Dow Jones (for companies).

Such ratings will not cover the entirety of the financial instruments we invest in. Investments in commodities regularly take place in the form of certificates representing world market prices which aren't distinguished in terms of where the materials are been produced and at which ESG standards. And for smaller companies, publicly available information around their ESG performance is often incomplete. However, the majority of our investments will typically be covered, determining an important data point supporting the choice of a fund or a company as we select investments in a given market.

Key Selection Parameters

Our approach to sustainable investing goes beyond the use of available ESG ratings to select funds and stocks inside a sector.

- We also select sectors. We don't directly invest in stocks or bonds issued by companies with tobacco, gambling or weapons production as their main business;
- we give emphasis to healthy profit margins supported by strong market positions; solid balance sheets; and positive cash flow;
- and we make a point of investing in active promoters of sustainable growth. This may include companies developing alternative energy projects; promoters of e-mobility; innovators in insulation solutions or other energy saving technologies; etc

We believe that the outlined approach helps us to sustain our success in identifying the right investments for our clients, at the same time allowing us all to contribute to a healthier, fairer and more sustainable environment.