



ABERFORTH PARTNERS

Aberforth Partners LLP (Aberforth) – Governance and Corporate Responsibility

INTRODUCTION

This document provides details of Aberforth Partners' approach to governance and corporate responsibility. Parties interested in engaging on these matters should contact the partner responsible, Scott Wallace, on 0131 220 0733.

Aberforth's approach to the stewardship of its investments – including Environmental, Social and Governance (ESG) – on behalf of clients is set out in our response to the UK Stewardship Code 2020, available [HERE](#).

BACKGROUND TO ABERFORTH PARTNERS

The history and background to Aberforth Partners LLP is set out [HERE](#). The firm was founded in 1990 and is based in Edinburgh. Aberforth's aim is to deliver superior long-term investment returns for clients. The firm is simple by design with a focus on one asset class – small UK quoted companies, which are those comprising the lowest 10% by value of the UK stockmarket. Aberforth's investment strategy is defined by a value philosophy, which historical evidence suggests can support favourable long-term investment returns. The target client base is institutional and wholesale investors. The firm manages a small number of funds and the investment managers regularly update the numerous underlying investors in those funds.

GOVERNANCE

Aberforth Partners is a Limited Liability Partnership. It is wholly owned by seven partners working at the firm and employs 14 staff. The partnership structure is fundamental to aligning the firm's interests with those of its clients. The partners are significant investors in funds that are managed by the firm.

Aberforth's governance is the preserve of the partnership: the partners collectively determine the firm's strategy and policies and are responsible for their implementation. There is no hierarchy within the partnership. Committees help to manage the workload and are listed below. The operations partner takes responsibility for monitoring the implementation and effectiveness of the firm's governance on behalf of all partners.

- The Operations Committee oversees matters of business administration.
- The Risk & Compliance Committee is attended by all partners and is chaired by the head of Risk & Compliance.
- The IT Committee is responsible for the firm's technology strategy and operations.
- Supporting our governance is the Stewardship Group, which manages matters relating to the stewardship of clients' capital, the adoption of relevant external codes and consideration of the firm's own approach to stewardship.



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Risk control and compliance

Risk control and compliance are embedded in the firm's internal policies and practices. Adherence is the responsibility of all partners and staff. Guidance and day-to-day support are provided by the risk and compliance team. Internal controls are subject to independent annual examination by accountants, PwC, as part of the AAF 01/20 reporting framework. This report is shared with clients and prospective clients.

Aberforth's compliance policies and practices support the integrity of the firm. The framework is reviewed annually and is contained within our internal compliance manual. Established procedures cover anti-bribery and corruption, anti-money laundering and other relevant 'Know Your Customer' practices aligned to FCA regulations. Other elements of the compliance programme support partners and staff in identifying and reporting suspicious transactions, including malpractices such as tax evasion, market abuse and market manipulation. Annual training takes place to identify, understand and appropriately manage these risks. This is complemented by adoption of an industry recognised code of conduct from the Chartered Institute for Securities & Investment. Staff provide annual attestation of compliance and understanding of ethics. In addition, industry relevant training and guidance is provided regularly. The policy framework includes guidance on whistleblowing practices.

Cyber security resilience

Cyber security resilience is supported by Quorum Cyber, the firm's cyber security managed service provider. Cyber risks are assessed against an industry recognised framework from the National Cyber Security Centre – the "10 steps to Cyber Security". Additional cyber security controls include: a Security Operations Centre that monitors the network on a 24/7 basis, an annual Security Maturity Assessment review, regular penetration testing exercises, and vulnerability management scanning. Compliance with the "Cyber Essentials PLUS" certification is independently assessed on an annual basis. Partners and staff participate in regular cyber security testing and training.

Finance and regulatory capital

The company publishes its Pillar 3 regulatory capital statement annually. A copy is available [HERE](#). This is produced in conjunction with our internal capital adequacy assessment process (ICAAP), which determines our risk appetite and corresponding need for capital.

Audit

A review of the provision of external audit services to the firm is undertaken periodically to ensure continued independence and quality of service. The firm's external auditors are PwC who conduct corporate audits of our statutory legal entities and undertake client money audits of the regulated entities.



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SOCIAL

Our culture

Aberforth's purpose is to deliver superior long-term investment returns for our clients. We believe that our investment philosophy and process have been and will continue to be crucial to achieving this aim. It is also essential that our clients are kept informed about investment returns in a timely, accurate and relevant fashion. In both respects, we believe that our clients' interests are best served by simplicity and focus. In practical terms, this means reducing distractions and allowing our people to maximise the time spent on their core roles.

An important means to achieving this is the ceiling that we place on Aberforth's size. Assets under management are limited to 1.5% of the total market capitalisation of the Numis Smaller Companies Index (excluding investment companies). We also seek to sustain a flat organisational structure, which reduces the time required to manage people, and to keep operational support functions within the firm, which affords greater control over the quality of client reporting.

These aspects of our culture require partners and staff who are motivated by how well we do business rather than by how much business is done. This is an important consideration when recruiting and retaining people. Experience and proven expertise are particularly valued in specific roles, along with a flexibility to provide cover for other roles in what, by design, is a small business.

Reward

The ethos of the partnership means that separate reward structures to incentivise good governance, corporate responsibility, stewardship and environmental results are not necessary. The firm's approach to remuneration is founded in its desire to attract high quality people and maintain simplicity of operating processes. The aim is to pay relative top quartile remuneration. Aberforth's model is for all its people to be rewarded based on the firm's overall performance, rather than being tied to the investment results of individual sectors, funds or roles. To align individuals' objectives, we have introduced a qualitative assessment of each person's contribution to the firm's corporate responsibility and stewardship activities as part of the annual performance review cycle. The firm's approach to remuneration is outlined in our remuneration disclosure, which can be found [HERE](#).

Wellbeing

Support for the wellbeing of our staff is provided through the provision of high-quality employee benefits, which includes dedicated free access to mental health and well-being services.

Inclusion

In Aberforth the operations team are diverse by gender, with an equal number of female and male representation, 7:7. The investment team profile is currently 1:6. The operations partner is responsible for leading diversity matters across the firm. In 2021 the firm has engaged the Diversity Trust to deliver diversity and inclusion training to all personnel.

Industry participation

Aberforth's personnel are active participants in relevant trade association committees (including the Investment Association (IA) and Association of Investment Companies (AIC)), as well as local Scottish forums for compliance, operational and corporate matters.



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Charity, political donations & volunteering

No political or charitable donations are made by the firm. These are left to individuals to make personal choices. The firm is supportive of staff wishing to undertake dedicated volunteering or contributing to wider community projects.

ENVIRONMENTAL

As a small investment management firm of around 20 people working from a single office, Aberforth's direct environmental impact is not significant. Similarly, the potential impact on our business from climate change is low. The firm is well capitalised, and our capital planning scenario analysis includes climate change among potential risks. Nonetheless, Aberforth recognises the challenge of climate change and has adopted a series of policies and initiatives, which are listed below along with relevant disclosures. These policies will continue to develop, in response to the evolution of regulation, industry recommended practices and our own thinking.

Environmental issues affect Aberforth at another level. Through its investment activities on behalf of clients, the firm takes meaningful stakes in businesses that may have a substantial environmental impact or may be at risk from climate change. Consideration of such risks is integrated into the investment process, which acknowledges their potential effect on company valuations. The firm's policies and approach to engagement, along with investee company examples, are set out in our response to the UK Stewardship Code 2020, which is available [HERE](#).

Progress and development

Aberforth has engaged a local consultancy firm on a 'Sustainability as a Service' basis. ECO3 Partnership supports the firm in reducing the firm's environmental impact and in reporting on its progress.

During 2020/21, through its participation in a 'Zero Waste Scotland' initiative, the firm has sought advice about energy saving measures, following which an implementation plan is being developed. Work to date has included installation of energy efficient lighting, good maintenance of central heating system and a reduction in on-site computer hardware. Remote working has been a catalyst to reconsider the need for paper printing. We have reduced our paper usage from 540 reams in 2017 to 450 reams in 2019, while Covid-19 saw only 180 reams used in 2020.

The firm is developing the capture of data and the design of relevant climate-related risk disclosures, using 2021 as a base year. It is intended that these will evolve. Scope 1 and 2 disclosures are included in the table below. These efforts are all aligned to support a commitment to play a part in the achievement of 'net zero' as set out by the UK Government.

Streamlined Energy and Carbon Reporting emissions

Noted below are the firm's carbon emissions disclosures, based on the UK Government's Streamlined Energy & Carbon Reporting ('SECR') framework.



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Reporting Period	1st May 2020 to 30th April 2021	y/e 30th April 2021
Reporting entity	Aberforth Partners LLP (Company Registration no. OC313353)	
Methodology	Greenhouse Gas Protocol with UK GOV BEIS 2020 GHG conversion factors	
	Limited Liability Partnership, unquoted company- Voluntary submission. Scope 1 & 2 only.	tonnes CO₂e
Scope 1	<i>Direct emissions- those from activities owned or controlled by your organisation, including combustion of fuel & operation of facilities.</i>	
	Transport (vehicles)	0.00
	Fugitive emissions	0.03
	Gas boiler combustion	14.94
	Scope 1 Sub Total	14.96
Scope 2	<i>Indirect emissions- those released into the atmosphere that are associated with your consumption of purchased electricity, heat, steam and cooling.</i>	
	Electricity (location-based)	5.06
	Scope 2 Sub Total (location-based)	5.06
Total Scope 1 & 2 carbon dioxide equivalent total (Gross)		20.02
Intensity Metric (Full Time Employees)	FTE	21
Total Scope 1 & 2 carbon intensity ratio (tonnes CO₂e/tonnes per FTE)		0.95
Scope 3	Not in scope for reporting year ending 30 April 2021	N/A
Aberforth Partners LLP - Energy consumption used to calculate above emissions: (kWh)	kWh	102,930
Aberforth LLP Total gross emissions (location-based)		tonnes CO₂e 20.02

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