

# Castlefield External Advisory Committee Meeting

## MEETING SUMMARY

**Committee Attendees:** Kevin Davies, Rebecca O'Connor, Geoff Sides, Matthew Ayres

**Castlefield Attendees:** Simon Holman, Amelia Overd

### Election of Committee Chairperson

The position of Chairperson is due for review every 12 months. KD was re-elected to the position.

### Discussion: Data Security

AO provided a brief overview of the paper provided by the investment management team on the topic and the planned engagement work.

The Committee had a wide-ranging discussion on the topic highlighting key points to consider as:

- Companies whose exposure to personal data was not a key revenue stream
- The materiality of data to a business
- Fines resulting from GDPR and the potential impact/likelihood
- The ultimate responsibility of any data breaches and the fact that there will always be a residual risk however strong the policies and procedure are
- Human error as a factor and the increasing sophistication of scams/phishing attempts
- Customer dependency on companies who hold sensitive data – banks/insurance companies

Ways to assess companies on their performance were also discussed and included:

- Requesting information about GDPR audits
- Assessing the scope and implementation of the policies between companies
- Treatment of historic data breaches
- The regions in which data is handled/processed/stored and regulation outside the EU
- Quality of consent forms – transparency

To conclude, the Committee were sure that this was a topic that was likely to be addressed again going forward given its relevance and far reaching impact. They were happy with the outline Castlefield had provided for deeper engagement with targeted companies on this issue.

## **Discussion: Sustainable Development Goals**

SH explained that this was a topic that had been discussed recently amongst the team given the prevalence of SDGs in fund marketing materials and company reporting. We wanted to ask for an outside opinion as to the value of using the SDGs as part of a research process given the fact that they were designed for supranationals/governments and NGOs and wider industry concern about them being appropriated unfairly.

Key points discussed included:

- The extent to which company reporting relating to the SDGs can be considered greenwash
- Lack of clear methodology to consider actual impact/materiality in many cases
- The need for a clear understanding of the underlying targets
- Relatively few SDGs are directly applicable to corporate activities
- The potential for focus on some targets as positives at the expense of others where companies may actually be obstructing – perhaps a holistic assessment is a fairer method
- Intentionality and percentage of business activities as well as direction of travel were also considerations
- Time horizon is also a factor – some SDGs will have more of an immediate impact/need than others, with that changing over time but the goals are meant to be long-term
- There may be clearer ways to address sustainability themes for investors

The Committee suggested using an example SDG assessment to help assess whether there is value to be added to the investment process and for clients.

## **A Presentation on the B.E.S.T Sustainable Portfolio Fund**

While the remit of the Committee is largely restricted to the single-strategy fund range, it was felt that an overview of the fund's development, purpose and process would be of value to tie together the Committee's knowledge of the existing range and how the team operate. SH ran through a presentation on the fund that had been prepared for the meeting.

## **Discussion: Healthcare**

AO ran through the paper put together by the investment team. The industry presents a number of potential issues for investors who want to take their values into account. Despite being an industry that is predicated on a fundamentally positive outcome, the practices within the industry, big pharma in particular, are problematic for many. One of the issues focused on was access to medicine, where we can make use of the Access to Medicine Index which ranks 20 pharmaceutical companies on their practices relating to this area. Castlefield are proposing to become signatories to the Index following this meeting.

The Committee's discussion covered:

- Methods to access companies that are not covered by the Index
- The impact of drug pricing on accessibility and the high-profile controversies in recent years
- The rationale for companies to put money into research and development and where the responsibility lies for ensuring that new treatments are developed for less common illnesses.
- Patent responsibility
- The role of governments and regulators
- The key role of marketing and product responsibility
- Exposure to non-pharma companies such as care home providers and medical technology businesses within the fund range.

As with data, the Committee saw this topic coming up again and were happy to see Castlefield considering becoming a signatory to the Index.