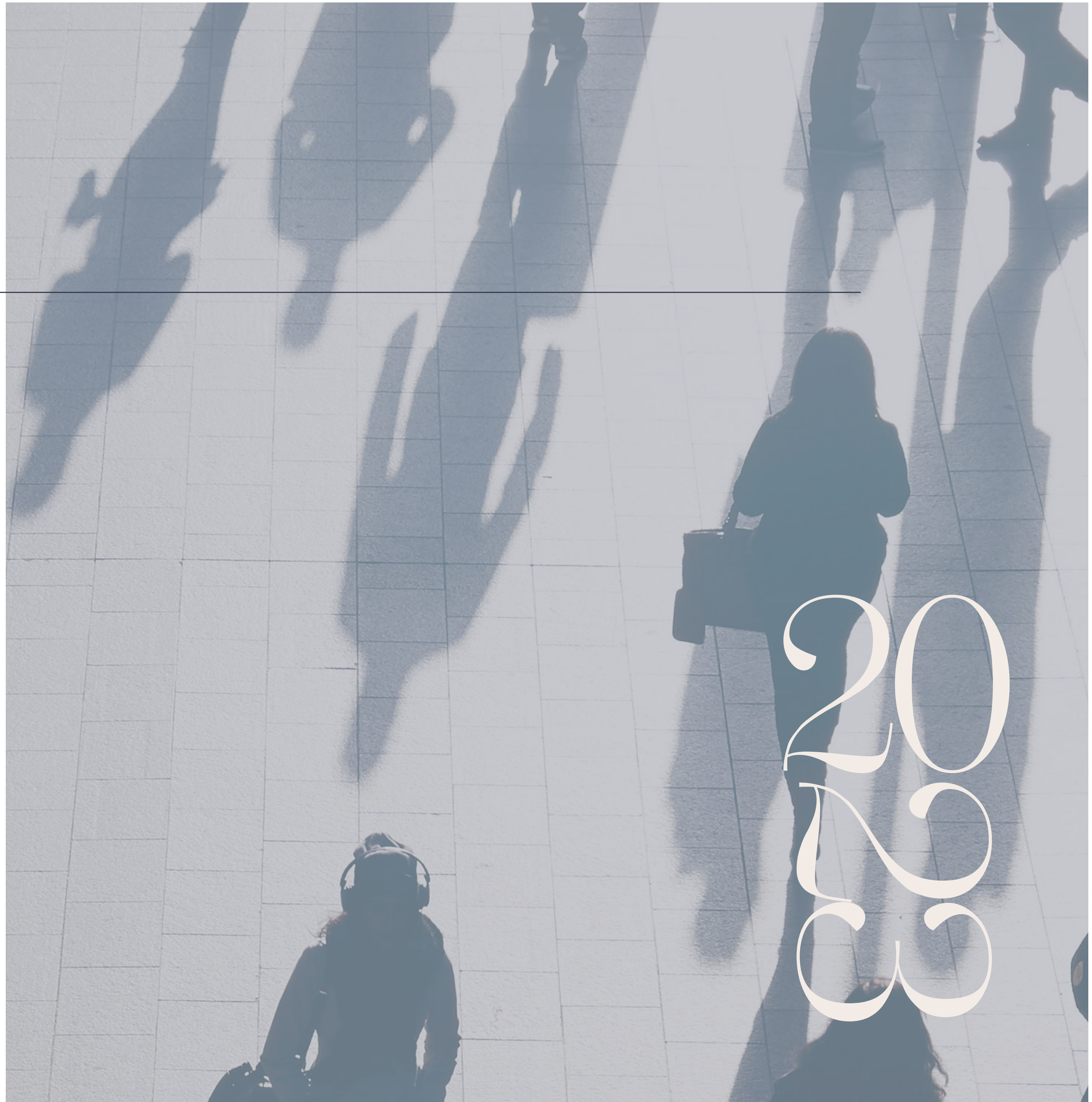
STEWARDSHIP REPORT 2023



James Hambro & Partners

MESSAGE FROM OUR CEO

As a wealth manager our purpose is to support our clients in the stewardship of their assets to create better financial outcomes and long-term security for themselves, their families and future beneficiaries.

When we founded James Hambro & Partners (JH&P) in 2010, it was on the principle that trust, partnership and alignment form the bedrock of any relationship: with our clients, with our employees and with those companies in which we invest. These values remain at least as important now we are a business of 147 people managing and administering over £6 billion of assets for our clients as they were when we were only 10 people managing £50 million.

At the centre of our business is an investment philosophy whose time horizon and principles are deliberately matched to the needs of our clients.

Responsible investment and long-term stewardship are an important part of how we manage our clients' assets. Not simply because it is the right thing to do, but because we believe that companies that consider the wider impact of their behaviour and operate in a responsible and sustainable way are more likely to deliver enduring value for our clients.

Our global investment approach, grounded in sustainable growth, embeds environmental, social and governance (ESG) factors in our analysis alongside an engaged active ownership which promotes sustainable behaviour and a commitment to press for improvements in the wider market.

Businesses have a role to play in creating a healthy and enriching environment for their employees and the wider societies in which they operate. We expect the leaders of the businesses in which we are stakeholders to recognise the value in striving for a purpose that goes beyond pure profit seeking. We encourage business leaders to promote the wellbeing of their employees and the communities in which they work as a key ingredient into the creation of shareholder value.

Our own business has grown rapidly by being forward thinking and entrepreneurial. I am aware that in recent years, for some within the investment industry, the emphasis on ESG factors and stewardship has waned. At JH&P, we have never questioned its importance nor its relevance in delivering excellent outcomes on behalf of our stakeholders.

Our culture, driven by our Partnership structure, is open, honest and ambitious. Our own Corporate and Social Responsibility Committee is drawn from across our entire firm ensuring that these issues get the focus they deserve internally. I have given my own commitment that we will judge ourselves by the same rigorous standards by which we hold others, constantly striving for better ways to look after our clients, each other, the wider community and hopefully the planet.

Andy Steel, CEO

FOREWORD

The Financial Reporting Council (FRC) announced interim changes to the reporting process for the UK Stewardship Code in Autumn 2024. We have endeavoured to ensure that our report meets the revised requirements outlined in these amendments. As such, we met with the FRC to discuss the structure of our report and confirm that it is as they intended.

In light of their guidance we have sought to reduce the number of case studies, and focus on those which exemplify our process, where we believe our engagement has been particularly meaningful and where this work has helped us become better owners of the companies we invest in on behalf of our clients.

A NOTE ON TERMINOLOGY

We discuss our approach to responsible investing and stewardship in this document. 'Responsible investment', 'sustainability/sustainable investment' and 'ESG' among other terminology have often been used interchangeably by the investment community. As the landscape has evolved over the past few years, we strive to be transparent and keep our process simple.

Responsible investment involves considering environmental, social and governance (ESG) issues when making investment decisions and influencing companies or assets[1]. ESG as an acronym has connotations that have often been misconstrued, however for the purposes of clarity we use 'ESG' in this document when describing environmental, social and governance factors as they relate to an investment and our investment process. These three areas present both risks and opportunities when we analyse an investment and, together with fundamental analysis, form part of our integrated responsible investment process.

[1] UN PRI Website

PRINCIPLE 1

PURPOSE, STRATEGY & CULTURE

CONTEXT & ACTIVITY

THE STRUCTURE AND CULTURE OF A FIRM IS AS IMPORTANT AS THE INVESTMENT PROCESS

Our structure and investment philosophy are built around what is best for our clients. As our business is owned by the Partners and wider team who work within it, we only make decisions for the long-term benefit of our clients and the Partnership.

This independence means we can put our current clients ahead of future growth. Portfolio Managers are not incentivised on asset growth but on multiple factors that include service levels and portfolio performance as well as engagement with the internal development of our company and culture. This supports collaboration between all parts of our business.

Importantly, our Partners invest alongside our clients. We have a direct motivation to deliver both superior service and investment success.

THE PEOPLE ADVISING AND MANAGING PORTFOLIOS SHOULD BE DIRECTLY ACCOUNTABLE

A strong relationship with our clients is vital – that is why we don't put relationship managers between the client and the people managing their assets. This creates the trust and confidence that allows us to deploy the long-term perspective essential to effective engagement and a successful investment strategy.

With a focus on investment for private clients, charities and professional advisers, and by limiting the number of relationships per Portfolio Manager we can ensure that the quality of service for our clients is never compromised.

SUPPORTING OUR TEAM TO SERVE THE BEST INTEREST OF CLIENTS

Our recruitment process is essential to attract the right talent to fit the client-centric culture at JH&P. We have built a cross section of ages within each department as part of a proactive succession plan.

There is no positive discrimination overlay in our recruitment process; obtaining diversity is a function of employing the best people in the industry.

To encourage professional development, employees are given significant support in undertaking professional qualifications. This includes:

- Financial support with exam and revision materials
- Organised revision courses
- Additional days of study leave

Alongside professional qualifications, JH&P also organises a range of internal courses and workshops to further promote the development of our team.

A SUSTAINABLE GROWTH INVESTMENT PHILOSOPHY CENTRED AROUND DIRECT OWNERSHIP IN INDIVIDUAL COMPANIES

JH&P offers segregated and pooled portfolios invested across a range of multi-asset frameworks, each built around a core of direct global equities.

We believe limited investor time-horizons result in markets undervaluing companies that sustain high returns on their invested capital over long periods of time. Our focus is on positioning portfolios to benefit from the long-term underlying growth of these businesses; ongoing stewardship and engagement is naturally aligned to our investment process and a key component of our success.

We look for companies with:

- Sustainable sales growth from essential services or products that are recurring or predictable in nature
- Durable competitive advantages supporting pricing power, such as brands, network effects or high switching costs
- Strong profitability and limited capital intensity leading to high return on capital through the economic cycle
- Management whose incentives are aligned with long-term shareholders, preferably through ownership of large stakes in the business themselves

To sustain returns, companies need to reinvest into future growth. For that growth to be maintained it must be sustainable in the eyes of all stakeholders in the business, not just investors. We use our own proprietary materiality-based framework to analyse a company's ESG credentials and to understand how they are addressing issues specific to them.

This sustainability analysis forms an essential part of our overall investment research, helping us to identify long-term winners and avoid firms exposed to potential risks and vulnerabilities. This then informs how and where we focus our resources for engagement and action.

Further information on our approach to integrating our stewardship activities in our direct company investments is set out under **Principles 2 and 7**.

THIRD-PARTY FUNDS PROVIDE EXPOSURE TO SPECIALIST AREAS

We combine direct equity investments with specialist funds that offer exposure to areas where the long-term structural themes are attractive, but where direct investment is more challenging, or where a diverse approach is more appropriate.

We expect managers of third-party funds we use to share our commitment to investing responsibly.

Our analysis of third-party funds includes both an assessment of the parent company's approach alongside an analysis of how ESG factors are incorporated into each underlying fund strategy. A commitment towards responsible investing at a parent company level is indicative of strong internal governance and culture and leads to a more rigorous integration of ESG considerations in underlying fund strategies.

FIXED INCOME AND ALTERNATIVE ASSETS USED TO BALANCE EQUITY RISK

Alongside equities, we invest in a range of diversifying asset classes including government and corporate bonds, infrastructure, absolute return funds and gold. These investments can be either direct or, more often, through third-party specialists.

As with direct and funded equity investment, an understanding of ESG-related risks forms an important part of our fundamental analysis when considering our investments in diversifying assets.

Further information on how we integrate responsible investing into our investment analysis is set out under **Principle 7**.

FOCUSED PORTFOLIOS COMBINED WITH A LONG-TERM MINDSET ENABLE EFFECTIVE STEWARDSHIP

Unconstrained portfolios typically contain around 50 holdings, consisting of 30-40 direct investments across global equities and government bonds, and 10-15 pooled investments.

This focused approach also allows our Portfolio Managers to know our underlying investments and management teams in depth, creating a strong environment for good long-term decision making and building relationships required for effective stewardship.

SUSTAINABILITY IN OUR OWN BUSINESS

It is equally important that we continue to improve the sustainability and Corporate Social Responsibility (CSR) practices within our own business.

While our environmental impact is relatively small given the size and nature of our business, we have worked with specialists to measure our carbon footprint and map out a strategy to achieve net zero emissions as a priority. Importantly, we recognise that Scope 3 emissions typically account for over 80% of a company's total emissions footprint and we aim to address this area in our project. To assist with this, all staff have engaged in a carbon literacy workshop, and we cover the plans of the project in more detail below.

Beyond this we have offered staff access to a salary sacrifice cycle to work scheme and last year we introduced a salary sacrifice scheme that can halve the cost of any new electric car.

Other environmental initiatives include:

- Recycling includes glass, cardboard, food and mixed recycling. Paper is 100% recycled
- Lighting is all controlled through PIR movement and lights go off automatically after five minutes of inactivity
- All printing is set to two sided and black and white as default. We have reduced the amount of paper we print by over 40% in the last two years
- Our Events Team focus on locally-sourced produce and partner with smaller, sustainable and local brands

COMMUNITY ENGAGEMENT

Alongside investing in our colleagues' personal development, every employee is encouraged to use five days of paid leave per year for volunteering work. This can be with our charity partners, detailed below, or charitable or community projects that are important to the individual. Some examples of these include: assisting with an event for Age UK, working in foodbanks and in the delivery of surplus food throughout central London, and volunteering on a regenerative agriculture farm and their community food box scheme.

We currently have partnerships with two charities to offer volunteering, skill sharing and fundraising opportunities.

Greenhouse Sports offers coaching and mentoring to young people from underprivileged and vulnerable backgrounds in London with the aim of helping them overcome issues such as social integration, obesity and mental wellbeing. We partner with a specific school every year to aid them with volunteering and fundraising.

ReachOut is a national mentoring and education charity that works in areas where young people face a variety of social and economic challenges. ReachOut's programmes support young people to overcome the barriers they face and create wider positive change in society.

Our approach to charitable giving sits across numerous channels, and in 2023 amounted to just under £50,000. This is in addition to the time our employees spent volunteering, which cannot be valued.

A FOCUS ON OUR PEOPLE

At JH&P, our approach is to provide an inclusive culture and collegiate environment enabling us to recruit, train and promote the best qualified, experienced, and suitable candidates for each role. We provide an environment that identifies, encourages and rewards performance, excellence, innovation, and quality client service. This is the case irrespective of race, ethnic or national origin, sex, marital or civil partner status, gender reassignment, disability, religion or belief, age, pregnancy or maternity or sexual orientation.

In 2023 we hired 24 new people, 17 of whom are female. At the end of the year our total headcount stood at 147 individuals and our gender split was 56%/44% male/female. Our gender split at both the Partner and Executive Committee level is relatively similar with roughly a quarter of the respective compositions being female. Looking forward we are exploring engagement with GAIN (Girls are Investors) to ensure greater diversity and opportunities within our hiring process.

Andy Steel, our CEO, is extremely focused on our corporate culture and has always championed transparency and openness. Every six months he updates the entire company on progress, strategy, achievements, and goals. Each month he hosts lunches across the entire firm for those with birthdays in the specific month; this provides a regular forum for a cross-section of employees from across departments and locations to engage with the future direction of the business, share and discuss developments and directly question the CEO.

Our Social Committee and internal events across the year encourage cohesion and teamwork. We believe the way we look after and develop our staff is important in delivering a better service for our clients.

OUTCOME

Successful stewardship requires an environment that fosters stability and longevity. This allows relationships to develop between JH&P, our clients, and the investments we make on their behalf.

The nature of our Partnership structure, and the allocation of equity to non-Partners, provides the incentives that align our employees with the long-term success of our clients. Our Portfolio Managers are both the relationship manager and the investment professional.

This simple structure creates a culture of accountability while aligning all our managers behind a single investment philosophy and process with sustainable growth and consistent performance at its heart.

We believe the effectiveness of our structure and approach have been borne out in our low turnover – both in clients and employees – and in our strong risk-adjusted performance to date relative to our peers. Only two Portfolio Managers have left since the business was founded over a decade ago, both due to retirement over which time JH&P has grown to manage and administer over £6bn of assets and employ 147 people[2]. Over the last five years to 31st December 2023, each of our four core mandates have delivered above-average performance at lower-than-average risk as measured by ARC[3].

PLANS FOR THE YEAR AHEAD

As noted above, we are committed to reducing our environmental impact. In 2022 we partnered with Energise, an external consultant, to assess our own carbon intensity, to look at ways of reducing this, and to set a clear strategy for achieving Net Zero in line with the Paris Agreement.

We worked with Energise throughout 2023 to collate all the data required on our own operations and also those of our suppliers. Energise published their report in early 2024. The analysis revealed that 97.8% of our emissions stem from non-energy purchases, including capital goods (22%) and purchased goods and services (61%), underscoring that most of our footprint lies outside our direct control. To address this, we are currently developing a timeline and goals to engage with suppliers and actively reduce our Scope 3 emissions, with an ambitious set of targets aligned with Energise's advice.

Alongside our carbon footprint assessment, insights from a supply chain review and energy audit have also informed this strategy, which we plan to publish as soon as possible. Over the next decade, our goal is to phase out gas-fired equipment across the business and work closely with our suppliers to accelerate the shift toward more sustainable practices, aiming to exceed the pace of societal change in the procurement of goods and services.

[2] At 31.12.2023

[3] ARC Research Limited (ARC) is an independent research firm specialising in the analysis of private client investment portfolio performance. See www.suggestus.com for more information. JH&P Cautious, Balanced, Steady Growth and Adventurous Mandates performance from 1st Dec 2019 – 31st Dec 2023.

PRINCIPLE 2

GOVERNANCE, RESOURCES & INCENTIVES

ACTIVITY

GOVERNANCE

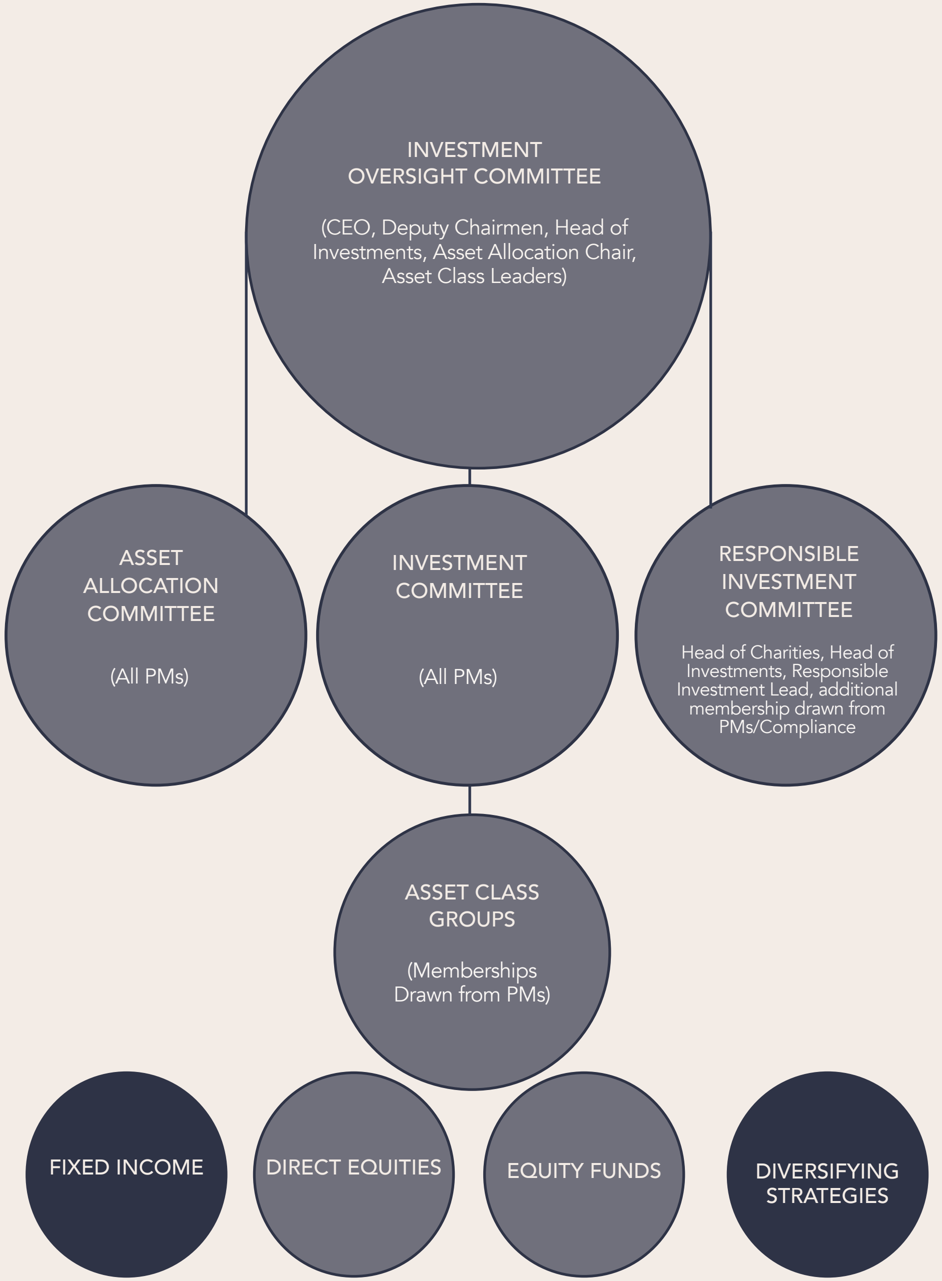
Sustainable growth and considered engagement have always been central to our investment approach and the responsibility of every member of the Investment Team. However, in response to increased focus on responsible investment from regulators, companies, and clients, we formalised our approach with the establishment of the Responsible Investment Committee (RIC) in 2020.

The RIC is chaired by our Head of Charities Nicola Barber and includes our Head of Investments James Beck as well as the heads of each asset class group.

Sarah Goose, JH&P's Responsible Investment Lead, and Patrick Trueman, Portfolio Manager, are further key members of the Committee.

Sarah sits across the asset groups to ensure JH&P's responsible investment standards and policies are maintained and works with other members of the RIC to develop and enhance JH&P's approach to responsible investment. She and Patrick also lead JH&P's industry-wide collaborative efforts on key issues – see **Principle 10** for further information.

The RIC sits as a subcommittee to the Investment Oversight Committee (IOC). The IOC meets once a month to review all aspects of the investment process. In addition to the Head of Investments, the IOC also includes JH&P's CEO, our two Deputy Chairmen, a Non-Executive Partnership Adviser and our Head of Financial Planning.



INVESTMENT TEAM ORGANISATION CHART

KEY MEMBERS OF THE RIC

NICOLA BARBER | RIC CHAIR, HEAD OF CHARITIES, PARTNER

Nicola joined JH&P in 2012 and is Head of Charities. She began her investment career in 1987 at N M Rothschild & Sons and specialised in portfolio management for charities, private clients, trusts and institutional pension fund portfolios, before joining the bank's private wealth management division as Head of UK Equities. From 2008 to 2011 she was a Director at Baring Asset Management. Nicola is a trustee and chairs the Investment Committee of the Citizens Advice pension scheme.

JAMES BECK | HEAD OF INVESTMENTS, PARTNER

James joined JH&P in July 2017 and became Head of Investments in 2019. He also chairs the Investment Oversight and Investment Committees.

James looks after portfolios for onshore and off-shore private clients, trusts and charities. James began his career at James Capel Investment Management (latterly HSBC Investment Management) and was a founding partner of Cheviot Asset Management in 2006. James is a Chartered Fellow of the Chartered Institute for Securities and Investment.

SARAH GOOSE | RESPONSIBLE INVESTMENT LEAD, PORTFOLIO MANAGER

Sarah joined JH&P in 2017 and works within the wider investment team as the Responsible Investment Lead and Portfolio Manager. Sarah graduated from the University of Exeter with first class honours in Latin & Ancient History and has since achieved the CISI Chartered Wealth Manager qualification, the IMC and the CFA's Certificate in ESG Investing.

Sarah is also a Fellow of the Royal Geographical Society and has been involved with the charity GAIN (Girls Are Investors), acting originally as a University liaison.

PATRICK TRUEMAN | PORTFOLIO MANAGER

Patrick joined JH&P in 2020 to manage investment portfolios for charities, private clients and trusts. After graduating from Cambridge University, Patrick served six years in the British Army. Prior to joining JH&P, Patrick headed up the Charities Team at Aberdeen Standard Capital (abrdn).
He holds an MBA from London Business School and is a member of the Chartered Institute for Securities and Investment. Patrick completed the Impact Investing Programme at Oxford's Said Business School. He has also served as a trustee for several charities and on the Investment Committee of the country's first dedicated children's charity.

THE MAIN PURPOSE OF THE RIC IS TO:

- Ensure responsible investing and ESG considerations are integrated within our investment process and analysis and applied in line with JH&P's responsible investment philosophy
- Review responsible investing and ESG policies and make recommendations to the IOC of any changes
- Ensure our responsible investment policy is clearly understood and communicated to all stakeholders
- Consider regulatory changes that impact the investment process from a responsible investment perspective
- Provide a forum to address any other ESG-related topics that have been raised by members of the Investment Team
- Oversee the completion of JH&P's annual UN PRI Report, the FRC's UK Stewardship Code Report, and ongoing regulatory disclosures and engagement

The RIC meets monthly and ad-hoc with agenda items including a review of any ongoing or upcoming engagement activities, voting decisions against management teams for company AGMs and addressing any controversies arising within our underlying investments. We use MSCI ESG Manager to provide us with alerts on controversies that may occur but undertake our own research to form a judgement on the appropriate course of action.

Using our own analytical frameworks for each asset class, described within this report, the RIC assesses the practical implications of any issues or controversies that may arise, agrees a strategy for engagement and ultimately directs the Investment Team on the best course of action. This may include opening a dialogue with the company, engaging with third-party action groups or, where appropriate, the sale of the asset.

RESOURCES

PEOPLE

All investment analysis is undertaken by members of our Investment Committee. The team includes 21 investment professionals, with an average industry tenure of almost 20 years, supported by three Assistant Portfolio Managers and five Investment Assistants.

The Investment Committee is split down into smaller teams organised by asset class: Direct Equity Investment, Equity Funds, Diversifying Strategies and Fixed Interest.

We only have one dedicated Responsible Investment analyst, who is, in turn, a Portfolio Manager, as we believe it is vital that every Portfolio Manager understands and integrates stewardship and responsible investing within their research and how this enhances our service to our clients. Our day-to-day stewardship and engagement is embedded within existing investment and oversight structures rather than a distinct ESG or stewardship department.

For example, company specific ESG-related research and proxy voting is enacted and overseen by the Equity Team, while analysis of fund due diligence questionnaires and engagement with fund managers and institutions is carried out by the Funds Team. The Responsible Investment Lead sits across these asset groups and assists the primary analyst in identifying and understanding any key ESG issues, while also supporting the monitoring of existing investments for any new risks or controversies that arise.

As set out in **Principle 1**, our focused approach allows us to study our underlying investments and management teams in depth, creating a strong environment for good long-term decision making and building relationships required for effective stewardship.

RESEARCH AND DATA PROVIDERS

We rely on primary sources to build our initial view when researching direct equity ideas. These include annual reports, sustainability reports, proxy statements and presentations. We also use third-party research specialists to further our understanding and to provide historical and relative context. Our external resources include investment banks, independent research houses and strategists, geographical specialists, and quantitative analysis tools. Our third-party research partners are increasingly providing dedicated ESG-related research, both on a sector and stock-specific basis.

To complement this research, we have added significantly to our sustainability and governance resources through MSCI and ISS over the past four years. These provide additional independent quantitative and qualitative information on companies' sustainability factors and governance policies. This has several important uses, including improving our communication to clients on portfolios' exposure to ESG factors such as overall portfolio ESG ratings and carbon footprint, and helping us to identify, quantify and track investment-related sustainability risks.

We are not led by MSCI's scoring methodology but use their output as another resource to complete our own sustainability framework and provide direction for further analysis. MSCI's ability to provide portfolio-level data across our client base was a key factor in our decision to partner with them.

Similarly, we use ISS as a resource and guide but are not bound by their voting recommendations, preferring to vote according to our own internal standards and beliefs. We often vote against management and contrary to ISS where we deem it appropriate. Further information on our voting activities is included under **Principle 12**.

In addition to MSCI and ISS, we continually review other resources that may enhance our research. CDP, formerly Carbon Disclosure Project, is one such provider we have been looking into and hope to add to our arsenal.

Our third-party fund research aims to hold external managers up to the same standards we set for ourselves. We ask each fund under consideration for investment to complete a comprehensive due diligence questionnaire, allowing us to build a full understanding of how the manager integrates sustainability into their process and philosophy.

TRAINING

The Investment Team attend conferences on stewardship and ESG topics, with feedback provided to the wider team via emailed notes and updates at our weekly meetings. We also continued to host frequent meetings with ESG and sustainability analysts from our list of research providers over the course of 2023.

Encouragingly, we have also found traditional sector analysts to be increasingly knowledgeable on ESG topics relevant to their research coverage, meaning sustainability concerns have been explored in a more integrated and company-specific manner than in past years. Our Investment Team hold regular meetings with companies, external analysts and specialists. These meetings cover individual companies, industry sectors, and wider themes. Topics covered in 2023 included analyst teach-ins on the global electric vehicle market, the complexities of the cocoa supply chain, bioprocessing and biopharmaceuticals, and natural capital and ecosystem services, whereby our Responsible Investment Lead took part in a "biodiversity lunch", which we discuss later in the submission.

The Funds Team regularly reviews the dedicated sustainability and impact-investment fund universe, arranging meetings with fund managers to help us enhance our processes and investment approach. These meetings also develop our understanding of this evolving investment area. For example, while we are unlikely to invest directly in companies developing new battery technologies for electric vehicles, we may invest in companies that enable technologies such as semiconductors or commodity producers. Meeting with dedicated impact fund managers helps us build a deeper knowledge of the ultimate end market dynamics for our companies.

INCENTIVES

No employee within our business is incentivised solely by growing assets under management. All Investment Team members are remunerated across multiple factors including contribution to company growth, client management and research input.

As ESG considerations are integrated into our investment approach, we believe that assets enabling improvements across the ESG spectrum will provide the best outcomes for our clients. Ensuring our employees are sensitive and proactive to this strategy is part of their overall incentive framework.

In addition, we operate a long-term incentive plan for employees which is judged over a multi-year period. This rewards them over time with equity ownership within the business. The purpose of the scheme is to align employees with longer-term client success and growth in the business whilst encouraging staff to think and behave as long-term owners and stewards of the business.

OUTCOME

Responsible investing is integrated within our day-to-day processes and research, and the longer-term aims and benefits of effective stewardship are well aligned with our culture and investment philosophy.

The formation of the RIC in 2020 greatly improved our governance of these processes and allowed greater oversight, management and accountability of our overall responsible investment activities and achievements.

We also believe the involvement of senior investment team members in RIC membership evidences the importance we place on our stewardship and engagement responsibilities.

While much progress has been made since the establishment of the RIC, we constantly strive to improve our processes and the articulation of them throughout our team, the wider company and to our clients. Ultimately, everything we do must be with the interests of our clients at heart.

We believe that the integration of responsible investing across our processes has been greatly supported by our structure, where dexterity and the ability to adapt to changing requirements provide us with an advantage. Our transparency and collaborative team approach ensures every client-facing individual is well versed in our responsible investment process.

PRINCIPLE 3

CONFLICTS OF INTEREST

CONTEXT, ACTIVITY & OUTCOME

JH&P is committed to taking all appropriate steps to identify and properly manage conflicts of interest between the firm and its clients, and between one client and another.

While the firm arranges its organisation and administration to prevent conflicts of interest from adversely affecting the interests of clients, there are certain areas where a risk, however small, may remain.

Our Conflicts of Interest Policy, which can be found on our website via this link, sets out how the conflicts are identified and managed. The policy is owned by Business Control And Risk Management, who at least on an annual basis take steps to assess current and identify new conflicts of interest to ensure that our organisational and administrative arrangements are sufficient to prevent or manage each conflict.

All employees are required to sign an annual attestation that they have read and understood the policy. Employees are alerted via email prompt on an annual basis. Employees are also required to complete the CISI's Conflicts of Interest professional refresher module within two months of joining the firm. The policy is also included in the staff handbook for new joiners and within the internal company SharePoint.

The Conflicts of Interest Policy covers a wide range of potential conflict scenarios and identifies how they are/would be managed, including:

STEWARDSHIP

Some conflicts of interest may arise when the firm is executing its rights and obligations to participate in the stewardship of companies, where our clients or their connected parties are Persons Discharging Managerial Responsibilities (PDMRs). In these situations, we will vote in line with our Voting Policy and ISS recommendations.

In circumstances where we decide to vote either against our Voting Policy or ISS recommendations, presence of any conflict of interest will be checked against the PDMR log and where a potential conflict of interest is identified, the voting course will have to be reviewed and approved by the Responsible Investment Committee.

During the reporting period there were 10 instances where we voted against ISS recommendations. None of these involved a PDMR client or any other conflict of interest.

EMPLOYEE PERSONAL DEALING

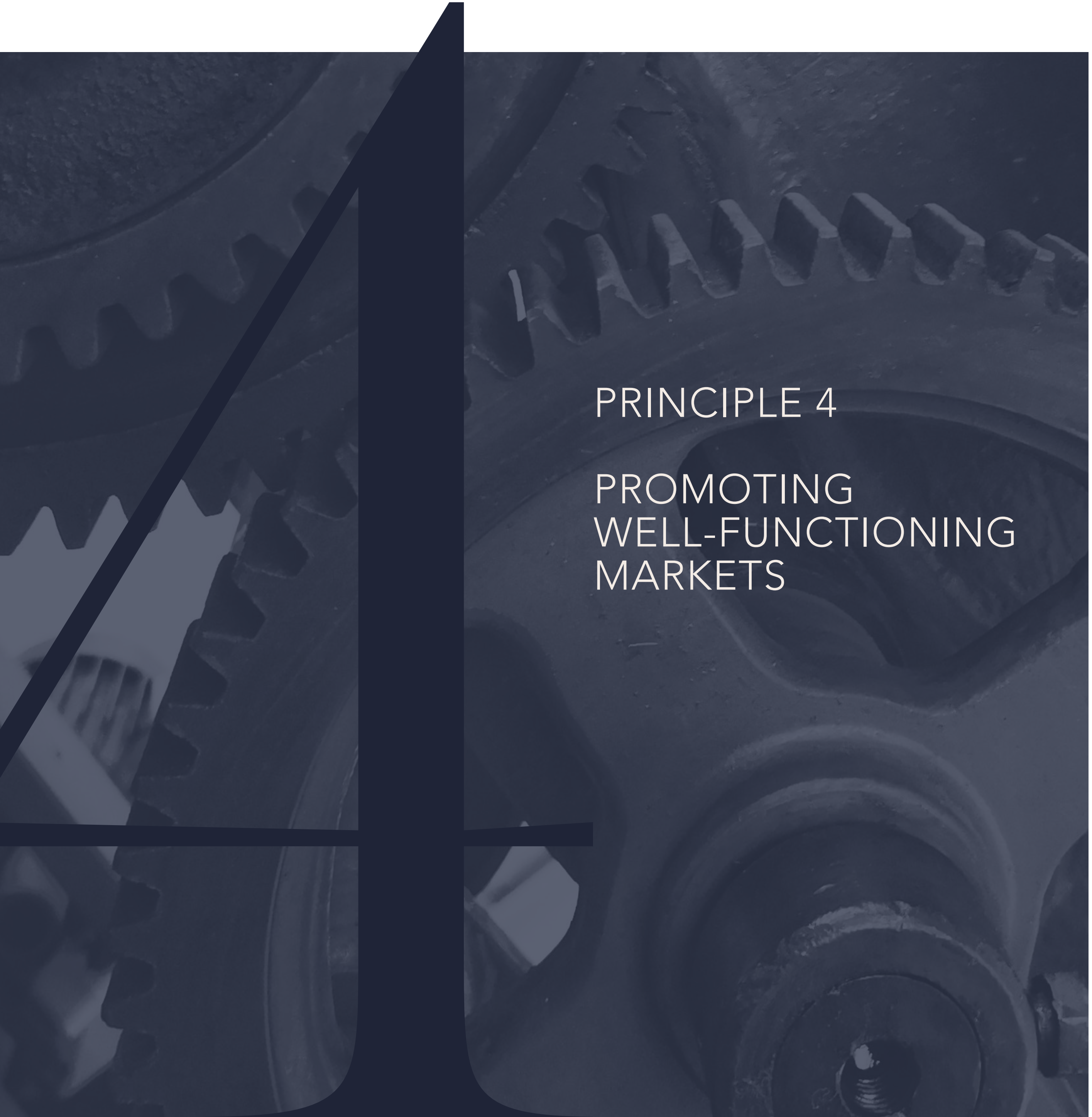
We have in place policies and procedures designed to prevent our employees' personal account dealing impacting the outcomes for clients. This includes prohibiting dealing at certain times to prevent frontrunning and tailgating, imposing minimum holding periods and requiring pre-approval for trades.

As part of their responsibilities, all our investment staff require access to the third-party research which is paid for by clients. Our collaborative investment process supported by independent monitoring procedures is designed to ensure that investment opportunities identified as suitable for our clients are taken up for clients before being transacted for personal accounts.

DIRECTORSHIPS, SHAREHOLDINGS AND OTHER INTERESTS IN COLLECTIVE INVESTMENT SCHEMES OUR CLIENTS ARE INVESTED IN

A small number of employees, officers and partners of the group have outside roles in firms which manage collective investment schemes that we may select or recommend for our clients' portfolios. We have implemented procedures to restrict the influence that such individuals may have over the purchase or sale of such funds in client portfolios.

Some of our employees also have independent roles at charities and may be involved in selecting an investment manager. In these situations, we have put safeguards in place, so that the relevant individuals have to ensure the firm is not on the list of potential providers or alternatively remove themselves from the decision-making process.



PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

ACTIVITY & OUTCOME

Our multi-asset approach to investment involves the identification of, and response to, market-wide risks such as changes in interest rates, inflation rates and geopolitical issues as well as the consideration of systemic risks such as climate change.

An emphasis on portfolio diversification, liquidity and security above unrealistic investment returns provides the first defence against unexpected risks. We avoid overly complex financial instruments that may carry hidden risks and instead invest in assets that are more easily understood as well as being easily traded so that clients can access their money when required. We aim to ensure that over 90% of client assets can be liquidated within ten working days.

MARKET-WIDE RISKS ADDRESSED THROUGH USE OF DYNAMIC ASSET ALLOCATION

Once we have established the long-term strategic asset allocation profile for a client, we then apply our 'real world' tactical asset allocation overlay to reflect the prevailing market risks and opportunities. Adjustments are made within the asset class ranges as agreed.

The core of all our client portfolios is listed developed market equities but at times of heightened market risk we can increase portfolios' allocation to defensive asset classes to mitigate the impact of potential market drawdowns.

These defensive assets include government bonds, gold, inflation-linked securities and alternative investments, and are assessed on their ability to provide protection against risks such as rising interest rates, inflation, currency movements or equity market weakness.

Our primary aim is to build portfolios that are resilient to a range of potential scenarios without sacrificing the potential to deliver growth ahead of inflation over the longer term.

We hold a monthly asset allocation meeting to assess where the best long-term investment opportunities lie and adjust the weightings in the underlying assets, if needed.

We use a combination of tools to determine our tactical asset allocation, including:

- Fundamental research on economic cycles, geopolitics and central bank policy
- Valuation analysis across asset classes, geographies and sectors
- Shorter-term indicators such as company earnings revisions, fund flows and investor surveys

CASE STUDY

During 2023 we hosted several meetings with economists, geopolitical experts and market strategists in order to better understand the evolving economic environment. Areas discussed included:

- The likely development and impact of tightened central bank monetary policy on inflation and economic growth.
- The continued impact of the Covid-19 pandemic at a sector level. For example, the impact of extended inventory levels in sectors that had enjoyed a boom in demand in the immediate years after the pandemic, such as life sciences and semiconductors.
- The longer-term ramifications of the pandemic and heightened geopolitical tensions on global supply chains, government policy and the geopolitical environment.

These meetings helped inform our decisions to:

- Rebuild government bond exposure, an asset class we had been underweight for much of the prior decade, based on our belief that the Federal Reserve would eventually be successful in bringing inflation under control. Yields available on highly rated government paper had become more attractive with bonds able to offer a reasonable return and diversification benefits should market sentiment deteriorate.
- Add exposure to equities in the final quarter of the year as it became increasingly clear that inflation was moderating and growth was likely to remain robust.
- Further broaden our equity exposure, continuing moves made in 2022 to build increased resilience across portfolios. This reflects our view that the economic environment is evolving in a way that may mean long-term market leadership looks different to the recent past. Over the reporting period this included increases to both industrial and financial sectors.

SYSTEMIC AND MATERIAL STOCK-SPECIFIC RISKS PRIMARILY ADDRESSED THROUGH INDIVIDUAL SECURITY RESEARCH

As mentioned throughout this report, we integrate ESG analysis into our fundamental research to understand and account for systemic risks, such as climate change, regulatory developments or changing consumer trends.

Climate change and biodiversity loss are the most pressing threats facing the world today. As investors we have a duty to manage the risks associated with these and look for the opportunities presented by the transition to a more sustainable way of life.

We seek to assess the environmental risks of all potential investments through our own primary research and using data provided by external analysts including specialist ESG providers, as detailed in **Principle 2.**

When assessing a potential investment, we expect the business to have considered specific climate-related threats and their potential impact, and to have shown a genuine commitment to addressing these challenges by reducing their own greenhouse gas (GHG) emissions.

Alongside this intent, we expect them to measure and report on their GHG emissions using a widely accepted reporting framework such as the TCFD and have in place a clear strategy to reduce these outputs in accordance with global efforts to limit temperature rises in line with the UN Paris Agreement. Where natural capital and biodiversity are material to a company's business model, we expect to see a sincere approach to environmental stewardship and will engage to enhance our understanding and encourage change if we believe further effort is required. We recognise the important role that active ownership can play in driving positive outcomes and ultimately promoting well-functioning, more resilient markets as a result. Please see one such engagement, with Freeport McMoran, included within **Principle 7**.

However, if we do not feel that our concerns are being addressed in an appropriate time frame, we will ultimately disinvest.

COLLABORATION

We work with wider stakeholders and industry groups to help identify and address market-wide risks. This includes:

- JH&P is a member of PIMFA and TISA, and through them engages with the broader industry, the FCA and HMT. We attend their annual financial crime and compliance conferences
- Andy Steel, JH&P's CEO, is a member of PIMFA's strategic advisory group
- Penny Kunzig, JH&P's MLRO, is a member of PIMFA's Financial Crime Committee as well as the Institute of Money Laundering Prevention Officers and she attends monthly FSDC Financial Crime Group meetings and quarterly TISA Financial Crime meetings
- Senior members of the Compliance Team meet regularly with industry peers at regulatory seminars and round tables run by their professional advisers

As detailed in **Principle 10**, we work with collaborative bodies such as the UN's Principles for Responsible Investment (PRI) and the Institutional Investors Group on Climate Change (IIGCC) to help us address systemic risks we deem most important to our business and wider markets, such as improving climate reporting transparency and consistency.

Given our relatively small size these collaborative engagements are particularly important.

PRINCIPLE 5

REVIEW AND ASSURANCE

ACTIVITY

Our policies are subject to continual review by our Investment Committee, Operations Department and Compliance Teams.

The Investment Oversight Committee has ultimate responsibility for all our responsible investment policies and reporting.

The Investment Committee (which includes all Portfolio Managers) is responsible for the day-to-day integration and evolution of our responsible investment approach, with risks and opportunities, and associated engagement and voting, discussed regularly during Investment Team meetings and research pieces.

The RIC is then tasked with the following review and assurance responsibilities (in addition to those outlined under **Principle 2**):

- Establishing and maintaining an appropriate responsible investment framework and related policies to meet JH&P's regulatory and compliance obligations
- Ensuring compliance with regulatory parameters that are aligned to the UN PRI, UK Stewardship Code and other practices as they arise
- Reviewing and approving the voting and engagement policies on an annual basis or ad-hoc in the event of any changes to policies
- Providing oversight for implementation of client ethical policies and restrictions

The RIC also independently reviews investment recommendations and JH&P 5-Point Sustainability Reviews from a responsible investment standpoint, challenging those deemed inconsistent with our investment process. See **Principle 7** for more information on JH&P's 5-Point Sustainability Reviews.

To help ensure our reporting is fair, balanced and understandable, all stewardship communication is shared with the RIC, the wider Investment Team and our Compliance Department ahead of publication to clients. All team members are encouraged to highlight areas where our communication is unclear, overly complex or could be improved.

All finalised policies and activities are communicated internally across the Investment and Compliance Teams, with key processes and milestones being shared with clients and external advisers via our website. This includes our Voting Policy and activity, as well as JH&P's overarching approach to responsible investment.

PRINCIPLE 6

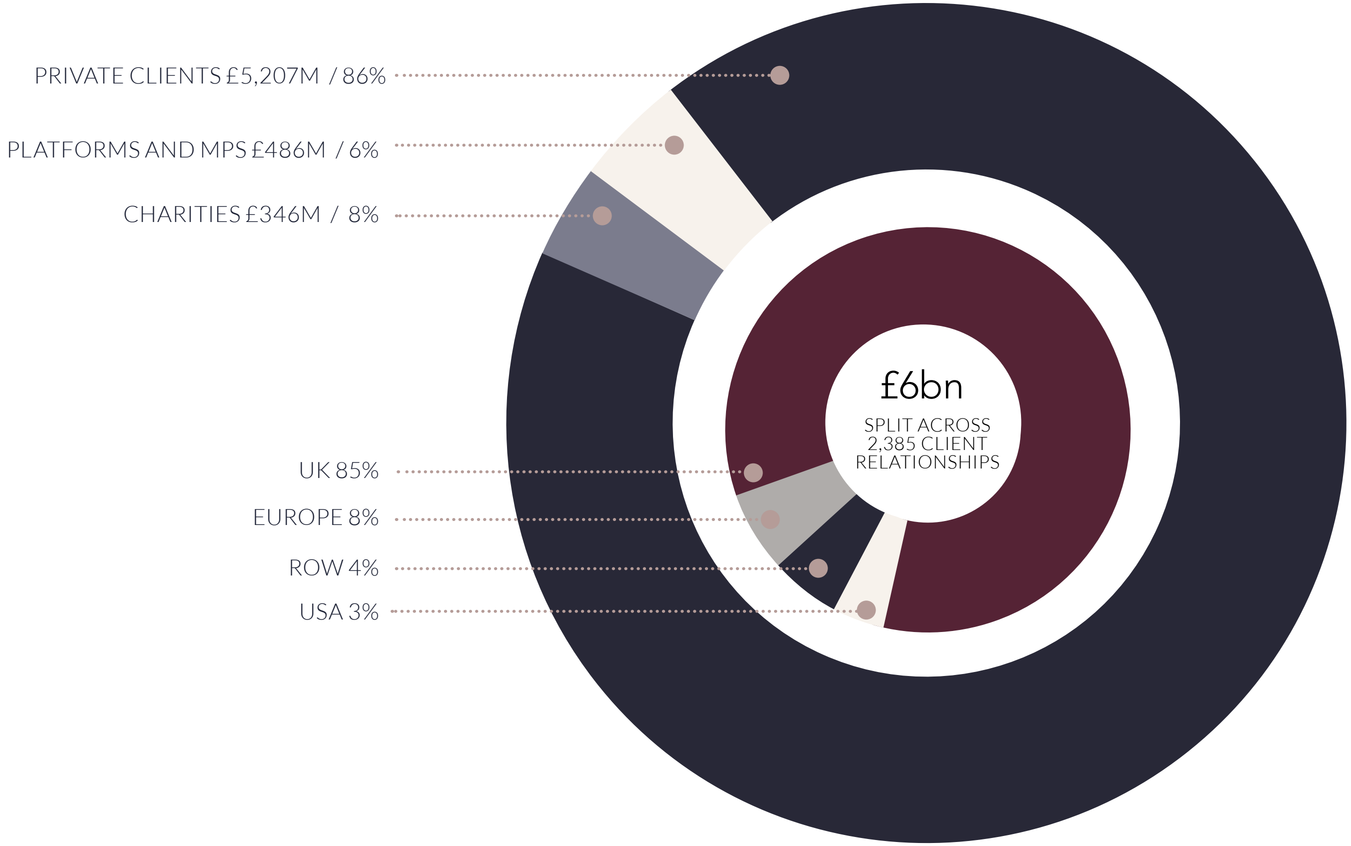
CLIENT AND BENEFICIARY NEEDS

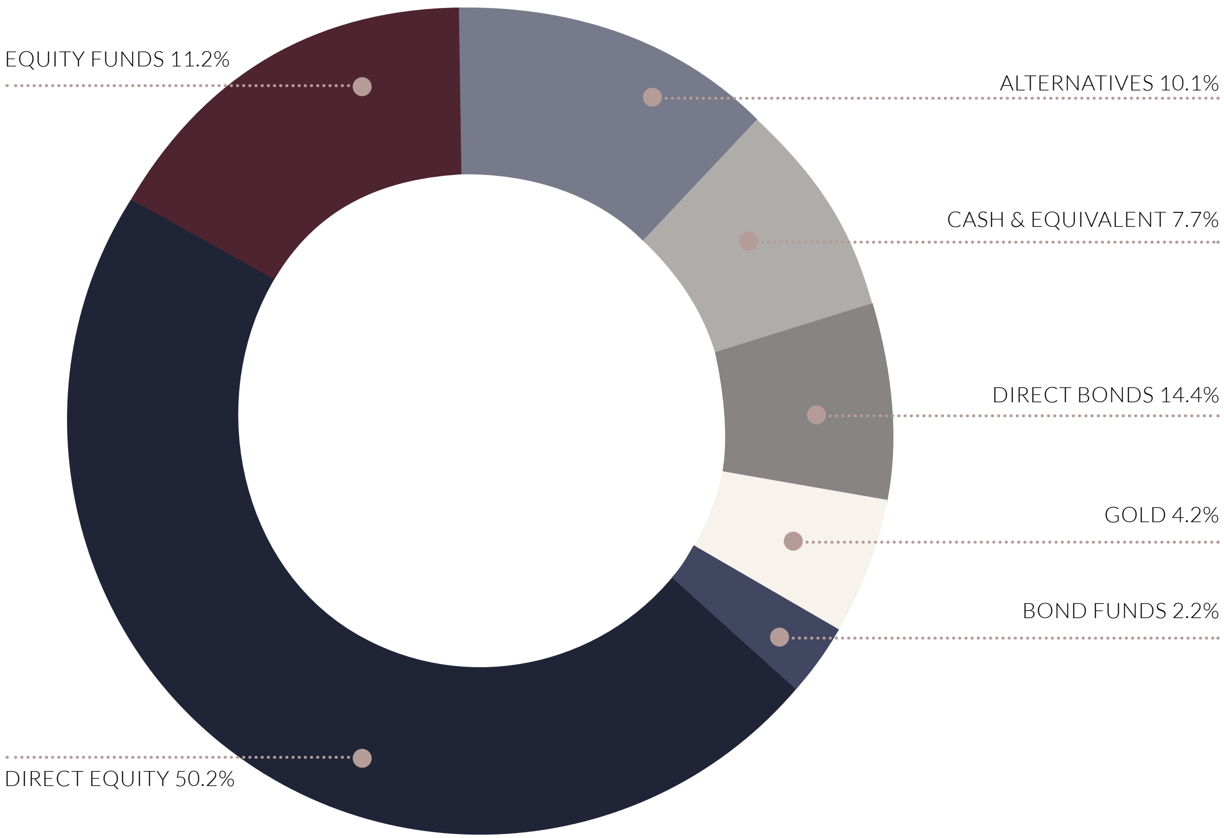
As a discretionary investment manager our core purpose is to create better long-term financial outcomes for our clients. To do this we invest directly in stocks and specialist funds to build portfolios that are tailored to the specific requirements of our clients.

Our clients have long-term investment time horizons, with the majority five-years plus and in many cases much longer. As noted in **Principle 1**, we believe companies that recognise the need for change and allocate capital responsibly, by putting ESG considerations at the centre of their strategic frameworks, are more likely to succeed over the long term. Our responsible investment analysis forms an essential part of our overall investment research, and we recognise the importance of exercising our right to vote on behalf of our clients and to engage with the companies that we invest in.

We believe this approach is essential to mitigate ESG-related risks and in doing so help to maximise long-run financial returns at a lower level of risk. We therefore apply our responsible investment philosophy across all portfolios managed for our clients and do not run separate ESG or engagement-focused strategies.

As of 31st December 2023, JH&P's assets under management, advice and administration was £6,039m, split across 2,385 client relationships by geography and type as follows: client relationships under £5m represented 44% of our AUM, relationships between £5m and £10m a further 21% and relationships over £10m accounted for 35%.





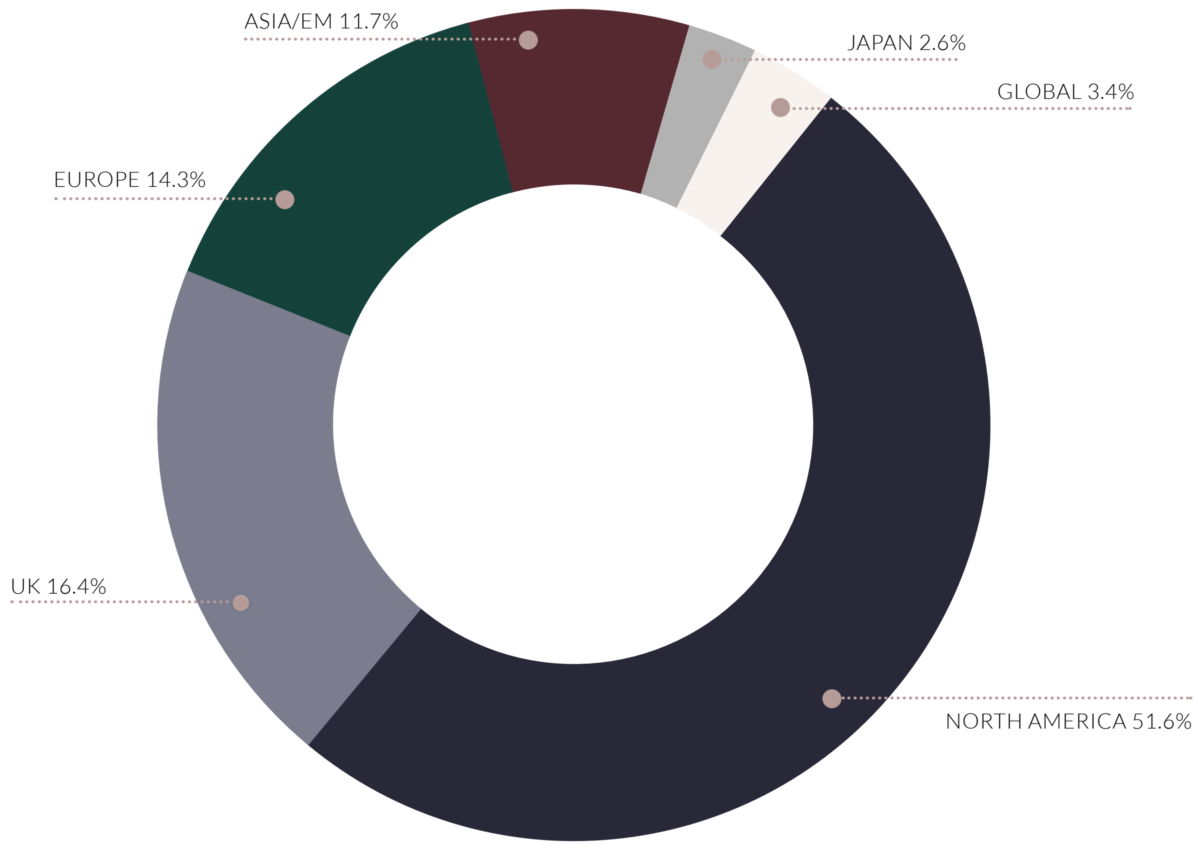
% AUM BY ASSET CLASS (AT 31.12.23)

DIRECT INVESTMENTS REPRESENT 65% OF OUR ASSET BASE, WITH 28% INVESTED VIA THIRD-PARTY FUNDS INCLUDING ETFS.

While individual clients have varying investment objectives and risk tolerances, all have the common objective of at least protecting the real value of their assets over the longer term.

This means that even our lower-risk portfolios have a sizeable allocation to listed equities, balanced with holdings in fixed income assets, alternatives and cash. An overall breakdown of assets held on 31st December 2023 is shown on the left.

The geographic breakdown of our direct equity investments as at 31st December 2023 is shown here[4] :



[4] Direct equity exposure of the Harrier Balanced, Harrier Growth and Harrier Adventurous Funds as at 31.12.2023, as a representation of our client base direct equity breakdown.

ACTIVITY & OUTCOME

TAKING ACCOUNT OF CLIENT NEEDS AND VIEWS

When meeting a potential new client, we carry out extensive due diligence to understand their financial requirements and to ensure that the investment approach is suitable. As we do not recommend investment in any of our mandates for clients with time horizons of less than three years, we consider all our clients to have at least a medium-term investment horizon.

In addition to our standard approach, part of the client onboarding process involves a discussion on ethical investing. We offer our clients the opportunity to screen out direct investment in sectors that are at odds with their principles, religious, or ethical beliefs. Over 17% of our clients have provided us with specific ethical screens and we manage portfolios for several clients (generally charities) that have very detailed screening requirements to ensure their portfolios are not at odds with their charitable purpose.

Where clients have requested certain investment exclusions, these are coded into our dealing system and a monitoring process allows us to block any purchases which might breach a client restriction and to monitor any issues which might result from a company becoming involved in a potentially banned activity. The firm accesses ESG data from MSCI which allows us to build and manage specific negative screens requested by clients. Material changes to the ESG rating or a new and significant controversy relating to a company on our buy list can be tracked using data provided by MSCI.

COMMUNICATION AND OUTCOMES

We do not employ relationship managers, meaning our investment professionals have direct relationships with their clients. This allows us to tailor our service and portfolios to meet specific client needs as they evolve over time. Each client will be assigned two Portfolio Managers, a lead and a secondary manager, as well as a dedicated support team to ensure that there is continuity in the relationship and multiple points of contact. Given the consistency of our approach, all members of the Investment Team are willing and able to meet with any client to review their portfolio should it be required.

We aim to meet our clients at least annually, and often more regularly, to ensure the suitability of their investment approach and address any changing requirements or areas requiring improved communication. These meetings will also typically cover our stewardship activities and ESG-related factors relevant to specific investments, although we are developing improved ways to provide more structured information on responsible investing to clients on a regular basis.

We ensure our clients are kept abreast of responsible investing and stewardship developments and in the past few years have communicated with our client base through letters, personal updates, literature and thought pieces on our website, and client webinars, which we have discussed in our Stewardship Code Reports in previous years. Looking ahead, we are continually working to build out our reporting to clients.

PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

CONTEXT

A CLEAR SUSTAINABLE GROWTH INVESTMENT PHILOSOPHY CENTRED AROUND DIRECT OWNERSHIP IN INDIVIDUAL COMPANIES

All our multi-asset frameworks are built around a core of direct global equities which we believe offer compelling opportunities for wealth creation and income growth over the long term.

We invest in companies which have consistently delivered attractive and sustainable returns to shareholders and offer good opportunities for future growth. However, this growth cannot be at any cost and must be supportive of a move towards a more robust and sustainable economy. It is our view that economic growth pursued without regard for ESG risks will ultimately prove unsustainable.

There is a growing awareness and understanding of the impact that companies have on the planet and society at large, which is driving calls for action. This is creating opportunities for those businesses whose growth is aligned with sustainable goals, whilst changing attitudes and regulatory standards will raise costs and create additional challenges for firms which do not adapt.

Businesses have a role to play in creating a healthy and enriching environment for their employees and the wider societies in which they operate. We expect leaders of the businesses in which we are stakeholders to recognise the value in striving for a purpose that goes beyond pure profit seeking. We encourage business leaders to promote the wellbeing of their employees and the communities in which they work alongside the creation of shareholder value.

ACTIVITY & OUTCOME

ESG consideration is an integral part of our investment analysis across all asset classes and investment structures. We believe this helps us identify the long-term winners and avoid firms exposed to potential risks and vulnerabilities.

EQUITIES

Our direct equity investment philosophy is uncomplicated and built on two simple ideas:

1 THE BEST BUSINESSES MAKE THE BEST INVESTMENTS

In the short term, share prices are predominantly driven by changes in sentiment and valuation. The longer the holding period, the more shareholder returns are driven by the underlying performance of the business.

2 THINKING LONG TERM IS A GROWING COMPETITIVE ADVANTAGE

Industry performance pressures and incentives increasingly encourage a short-term mindset. Being able to allocate capital for the longer term is a rare advantage; we believe our business structure, culture and investment philosophy provides a perspective measured in years, not weeks and months.

Our analysis focuses on finding companies with:

- The opportunity for sustainable growth
- An economic advantage that strengthens as the company grows
- A culture that embraces change and aligns employees with the company's purpose and long-term strategy

Stewardship is integrated throughout our investment process. Our first area of focus when assessing a new idea, 'the opportunity for sustainable growth', provides a natural screening process to the kind of companies we are most likely to own and those that we are likely to avoid.

Our responsible investment philosophy is pragmatic, not rules-based or dependent on a third-party scoring system. We expect our approach to continue to evolve over time.

We apply the same standards to all companies across all geographies. Although the development of and focus on ESG issues varies around the world, most ESG risks are not localised to certain geographies so we believe all companies should have a strategy in place to manage the risks impacting their business. Having a consistent responsible investment approach is one reason why we have limited direct equity exposure to Chinese or emerging markets.

Except for tobacco and controversial weapons, we do not take stringent ethical views on specific products or services. Instead, we look at every investment along the lines of what is most likely to provide the highest economic returns to our clients within the framework of a world that is moving to a more sustainable future.

EXCLUSIONS

We recognise that many businesses still have some way to go to mitigate the harm caused by their operations, and we seek to engage with them to encourage their transition to a more sustainable economic model.

There are however some sectors whose products, in our view, can never be part of a sustainable future and where engagement is unlikely to lead to a positive change. For this reason, we have taken the decision to exclude investment into certain sectors which we see as fundamentally at odds with our investment approach.

TOBACCO

The World Health Organization estimates that tobacco is responsible for the deaths of 8 million people worldwide each year, including an estimated 1.3 million non-smokers who are exposed to second-hand smoke. Furthermore, the cultivation of tobacco is linked to poor environmental standards and there are concerns about the exploitation of workers involved in its production.

Tobacco companies are likely to be subject to increased regulation and taxes and face an uncertain future, with long-term demand for their products also under pressure as their health implications become increasingly widely known.

We therefore exclude direct investment into the securities of businesses involved in the production, distribution or retail of tobacco products where revenues from these activities exceed 5% of total turnover, as screened by MSCI[5].

CONTROVERSIAL WEAPONS

Some categories of weapons are controversial because they can have an indiscriminate impact on civilians or breach the 1925 Geneva Protocol and are deemed particularly abhorrent.

We will not knowingly invest in companies involved in the production of controversial weapons. We use MSCI to exclude companies that have any tie to these activities[6].

[5] MSCI Factor Description – *Tobacco Total – Maximum Percentage of Revenue:* The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the production, distribution or retail of tobacco products, as a licensor of brand names for tobacco products, or as a supplier for tobacco products as a percentage of total revenue in its most recently completed fiscal year. Expressed as a percentage. Tobacco products include nicotine-containing products, including traditional and alternative tobacco smoking products.

[6] MSCI Factor Description – *Controversial Weapons – Any Tie:* Indicates whether the company is involved in the production of whole weapon systems, delivery platforms or components of cluster munitions; production of whole weapon systems or components of landmines and biological or chemical weapons; production of depleted uranium weapons, blinding laser weapons, incendiary weapons, or weapons with non-detectable fragments; or is involved indirectly through ownership ties to companies involved in such products. Nuclear weapons are not considered for this screen. Companies are excluded if one or more of the underlying involvement factors is "True."

INTEGRATION OF SUSTAINABILITY

At the inception of an idea, we carry out a short introductory piece of work called a 'smell test' that is presented to the Equity Team for further consideration. The company is analysed under the headings shown opposite.

Our analysts consider these questions within the context of our responsible investment framework. If the idea appears suitable for client portfolios, a full research note is completed following the same questions as the smell test and, alongside, the same analyst completes a full 5-Point Sustainability Review.

An example of where our early screening and research caused us to abandon a potential new position is included on the following page.

1. Company description
2. Why does the customer buy the product or service?
3. Why is it difficult to compete?
4. Does the existing business earn high returns on investment?
5. What is the growth opportunity within the company's core business, and can they continue to reinvest at high rates?
6. Are the management team aligned with long-term shareholders? Is the culture distinctive?
7. Why now?
8. Based on our responsible investment philosophy, at this stage is there any reason that the company will not meet our standards for firm-wide investment?

CASE STUDY | FREEPORT MCMORAN

NATURE AND THE MINING SECTOR

INTRODUCTION

Copper is critical to the energy transition that will drive key parts of government and corporate agendas over the next decade.

We began our analysis on Freeport McMoran in March 2023 whilst undertaking a review of the mining sector and copper exposure in our clients' portfolios. Freeport is the largest listed pure play copper miner in the world with a strong operational track record, resilient balance sheet and best in class reserve profile. Whilst the company is a potential beneficiary of the energy transition theme, it has significant ESG risks including the lasting environmental impacts their projects can cause. Freeport also must manage complex operating environments and complicated stakeholder requirements.

Our Responsible Investment Lead identified that nature was a material consideration to the investment case, looking at both the company's dependency on natural capital and ecosystem services, and their impact upon nature. Together with our primary analyst on Freeport, they reached out to the company to explore these areas in further detail.

REASONS FOR ENGAGEMENT

As part of our initial analysis, we reviewed Freeport's CDP questionnaire. Whilst Freeport's existing climate transition plan did not align with a 1.5°C world, they had undertaken global climate scenario analysis in early 2022 and they were developing a more ambitious strategy. We saw that Freeport had also "committed" to the SBTi's (Science-Based Targets initiative) near-term targets in 2022, but that this commitment had later been removed on the SBTi database.

We noted the biodiversity-specific responses on the CDP questionnaire were incomplete, and that the research output from the World Benchmarking Alliance's Nature Benchmark suggested further work could be done by us to highlight to the company the importance of ecosystem conservation, sustainable water utilisation and their wider dependencies and impacts upon nature.

Through our ESG research provider, MSCI, we also found that Freeport had an ongoing controversy around its Grasberg operation in Indonesia, which is one of the highest quality copper deposits in the world and central to the investment case. The issue stemmed from its disposal of waste products (tailings) that are a material by-product of the mining operations. The tailings are disposed of in local rivers to flow downstream to the estuary where they are stored in designated areas. This process is known as Riverine Tailings Disposal (RTD) and Grasberg is one of only three instances where such a method has been certified as a viable solution.

The company had faced fines in the past for the disposal process of toxic waste products from its core operations in Grasberg and implemented several sustainability-linked processes internally to encourage a more robust commitment to ESG issues. The assessment of these issues was upgraded to "partially concluded" by MSCI in 2022, reflecting progress the company had made with remediation of the environmental impacts.

In addition, measures such as impact assessments, sustainability-linked pay and enhanced disclosure to investors highlighted progress the company was making.

The RIC discussed their thoughts prior to the company being pitched to the wider Investment Team and the Responsible Investment Lead also engaged with an analyst from one of our investment banks to discuss the sustainability-related risks. The wider team agreed that the sustainability-related points represented a significant challenge to the investment case, and the RIC therefore organised a one-on-one engagement meeting with Freeport's Head of Investor Relations (IR) and the Head of ESG Relations, focused on the following areas:

- Their approach to biodiversity and natural capital
- How the company is pro-actively managing the restoration of biodiversity to areas previously impacted
- Providing context around the disposal of waste products via local rivers (with Grasberg a focus)
- Their risk management & monitoring of the RTD practice

OUTCOME

During this meeting, we gained insight into the tailings process and impact of topography on the suitability of different facilities. The Grasberg operation in Indonesia lies in a mountainous region; a hostile operating environment that makes a more typical tailings disposal method, similar to Freeport's US operations, unviable. We learnt that the RTD approach was the safest option considering the above. Freeport's wider engagement with communities and with Indonesia's Ministry of Environment and Forestry provided a level of comfort, but, at the time, did not go far enough to appease our concerns and demonstrate Freeport's commitments to environmental stewardship.

Separate to this individual site, we also discussed nature more widely. We noted to the Head of IR and ESG Relations its importance and materiality to the investment case, welcoming the disclosure of nature-specific plans alongside climate transition plans. We aim to be positive when conducting our engagements and highlighted the powerful position the company holds to facilitate positive change. The company admitted they had been behind the curve, but that biodiversity was a priority area of focus. Freeport's Head of ESG Relations had recently been hired to progress their approach, having had previous experience at the World Habitat Council, and they emphasised their intention to play a major role in progressing environmental goals through their membership of industry associations.

In light of the above, we believed there was further work for the company to do, and whilst the standalone investment case did offer diversification benefits to client portfolios it was agreed that the ESG concerns were too extensive to warrant taking it further at the time. The stock has since remained under review and may be considered in the future if we become more comfortable with their enhanced strategies.

LOOKING AHEAD

Freeport is a member of the ICMM (International Council on Mining and Minerals), an organisation with members that represent a third of the global mining industry. ICMM's Mining Principles support progress towards the UN SDGs and the Paris Agreement, and in early 2024 further robust commitments were made to take urgent action to support a nature positive future by 2030. Since our initial work, Freeport has updated its climate and environmental plans and actively contributed to the development of ICMM's Nature position statement.

THE ANALYSIS PROCESS

Once an idea passes the initial 'smell test' stage, individual analysts within the Investment Team are tasked with performing a complete analysis of the company including JH&P's 5-Point Sustainability Review. This is a materiality-based assessment of the risks and opportunities faced by a business (see below for more detail). The Sustainability Review is then presented within the overall pitch to the wider Investment Team when considering a new candidate company for investment. This helps promote the relevance and importance of ESG issues to the overall investment case, while increasing knowledge and understanding of sustainability issues across the team.

The Responsible Investment Lead, who sits on both the Equity Team and the RIC, oversees the completion of all Sustainability Reviews, ensuring best practice is maintained. This structure avoids creating a sustainability silo, ensuring knowledge and competence in this area is built across the team.

The Responsible Investment Lead also collates the output from the Sustainability Reviews and builds the priority of action points for engagement and voting presented to, and actioned by, the RIC.

Once added to our recommended list of direct equities, the lead analyst is expected to monitor the performance of the companies they cover. ESG considerations are an integrated part of this ongoing review, including a full update of the Sustainability Review every 24 months. Once the review is finalised, it is circulated to the RIC group who assess and sign-off in their next monthly RIC meeting.

Any other action points are highlighted in the minutes of the RIC for follow up and these become important documents for ongoing monitoring, which are circulated to the wider Investment Team.

Regular monitoring of any ESG-related controversies is also carried out by the Responsible Investment Lead who ensures that any significant ratings changes are identified for further investigation. These are then discussed at the weekly equity meeting.

JH&P SUSTAINABILITY REVIEW

The purpose of the review is:

1. To establish conviction around the idea both from a business model proposition but also from the perspective of the company's culture, purpose, and longer-term attitude to sustainability. The framework gives us deep insight ultimately making us better owners should we invest.

2. To provide a roadmap for our future engagement and voting. Some of our companies will have a higher level of risk than others. Through our Sustainability Reviews, we can build a list of priorities as well as identify common issues across companies where we can take a more activist approach.

Our reviews are first and foremost looking for transparency and acknowledgment. We then assess the strategy of the company to mitigate the risks they face. We also want to see an executive level of engagement and oversight with the requisite governance to ensure compliance.

Our sustainability analysis is nuanced and pragmatic to the challenges we face. Although a company may face material risk in relation to our five pillars of focus, they may also be well equipped to address these risks. For example, while a large food manufacturer may have many risks relating to sourcing raw materials, labour conditions and packaging complexity, they are equally best placed given their capital and market position to facilitate change for good.

We therefore look at materiality in the context of company action to judge the investment proposition. By working with companies in a collaborative fashion we believe we can be stewards for positive change.

A truly sustainable business will be one that has recognised the major long-term threats to its continued success and developed a credible plan to address them.

OUR 5-POINT SUSTAINABILITY FRAMEWORK

Each Sustainability Review is structured as a 5-Point Sustainability Framework. The five pillars that underpin the analysis were influenced by the UN Sustainable Development Goals and capture the major themes that we believe are most important to identify companies placed to benefit from the transition towards a cleaner and more resilient path of economic growth.

For each of the five areas shown opposite, the analyst assesses the materiality of the risks to the investment case (high, medium, low) as well as an assessment of how well the company is addressing the risks and opportunities against several underlying questions (+, -, =). The full list of questions underlying the 5-Point Sustainability Framework are included on pages 51 & 52.

1 DECARBONISATION

Climate change is among the most pressing threats facing the world today. We expect companies to understand and quantify their carbon (and GHG) emissions in all parts of the value chain and have credible plans to reduce these over time.

2 TRANSITION TO A CIRCULAR ECONOMY

To reduce the impact of society on the planet, companies must begin to transition to a more sustainable use of the world's resources and take ownership of the impact of their products from creation to consumption.

3 PROTECTION AND RESTORATION OF BIODIVERSITY AND ECOSYSTEMS

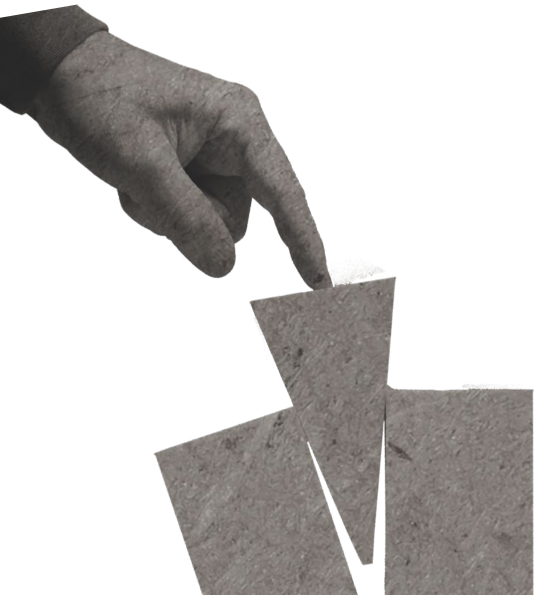
Companies must address their dependencies upon natural capital and ecosystem services and act to mitigate their impact on the wider environment. Analysis here includes how companies consume raw materials, their use and treatment of water, animals, and their impact on local ecosystems, including air quality.

4 EQUITABLE, HEALTHY AND SAFE SOCIETY

Businesses can play a part in creating a fairer society and recognising a purpose beyond pure profit maximisation. We look at sustainability in the context of all stakeholders including any person who is impacted by the activities of the enterprise. A truly sustainable firm is one that enriches its shareholders without exploiting its direct and indirect labour force.

5 STRONG GOVERNANCE AND ACCOUNTABILITY

Strong corporate governance is an essential quality for corporate success. Without corporate controls and accountability, we cannot be sure a business is acting in the best interests of its shareholders.



CATEGORISING COMPANIES TO PROVIDE A RISK-BASED APPROACH TO ENGAGEMENT

Based on what the company does and how they do it, we then categorise each company under three headings: Mitigating, Transitioning, Enabling.

This simple risk-based framework has a key influence on the conviction we build on the long-term success of the company and therefore the price we are willing to pay. It also helps inform our overall portfolio construction and drives our engagement priorities and areas of focus; we expect to dedicate more of our engagement activities to companies we classify as Mitigating and Transitioning.

CASE STUDY

MITIGATING

Companies that offer products and services which are essential to continued societal progression but fall foul in some way to the sustainability goals are classified as Mitigating. To be Mitigating they must have a credible plan for incremental improvement. Mitigating companies carry the highest level of risk and are typically the focus of more of our engagement activity.

COMPASS GROUP

Compass Group is the world's leading catering company. Compass faces multiple risks relating to sustainability including food and safety regulation and the environmental impacts of the food supply chain related to food waste, sourcing and packaging. The company also employs a significant amount of lower wage or temporary labour.

Our most recent engagements with the company have focused on areas including food waste and employee management. Compass aims to reduce food waste by 50% by 2030 and increase the use of sustainable and seasonally available products sourced from the relevant local market to reduce food miles.

Compass's strategy to reduce waste is three-fold:

1) Prevent food waste at source by improving order forecasting, using best practice for storing food, making use of every edible part of an ingredient, understanding their impact by taking measurements

2) Inspiring their chefs and consumers to waste less

3) Redistributing surplus food in the community

Packaging is also a significant issue across the food supply chain. Compass are taking steps to reduce packaging without compromising food safety or freshness including working with packaging suppliers to fast-track sustainable alternatives to single-use and fossil fuel-based plastics.

Compass has high exposure to labour-related risks – the group operates in regions with high labour standards and rising minimum wages (>80% of its operations were in North America and Europe) and employs a large workforce of over half a million people.

The company provides statutory benefits to full-time employees in the UK and some medical benefits in other regions. However, as is common in their industry, such benefits do not apply to all part-time workers, and employee development programs are only provided to permanent employees. Compass has been among the companies using zero-hour contracting, which enables it to hire workers via staffing agencies to avoid the same wage rates and other benefits available to its regular staff.

The Company was clear that talent is one of their few limits on growth because so many people need to be employed within their business. They have continued to introduce employee benefits to improve the attractiveness of Compass as a career choice. Compass looks to employ people early and incentivise them to grow and progress, with benefits noted including same-day pay (if necessary), streamlined recruitment with systematic processes (turning applications over intra-day), flexible working and a flat culture where people feel close to management. The sentiment from our discussion with the company gave a sense that people work for Compass not just a brand.

We look forward to continuing our engagement with the company in the years ahead. While the company's risks are clearly high, the increasingly complex food service landscape offers tailwinds too. Shifting consumer preferences towards healthier choices as well as greater consumer interest in food sustainability generally has created opportunities for Compass to differentiate their service to take market share. Given its position leading the food service industry Compass has significant influence and ability to effect change across the food supply chain.

CASE STUDY

TRANSITIONING

Companies that provide products and platforms on which sustainable development can be advanced are classified as Transitioning. Many companies in this definition are largely neutral to the sustainability debate but they should not materially detract from the 5 points within our framework. These companies might have a negative environmental impact but the products they produce provide an overwhelmingly positive end market outcome. In these cases, such companies must have credible plans to reduce their own impact.

AMPHENOL

Amphenol is a diversified manufacturer of high-technology solutions selling into automotive, industrial, commercial aerospace, defence, and communications end markets. With annualised revenue of $13bn and 14 business groups overseeing 135 underlying business units, Amphenol sells a vast array of products, has a large manufacturing footprint (280 facilities) and a complex supply chain.

Amphenol focuses on specific applications within electronics including connectors, sensors, antennae, flexible and rigid printed circuits, cables and interconnect assemblies. Their products are therefore at the centre of enabling the electronics revolution including the shift to renewable energy generation and distributed networks, enhanced communication, and lower carbon transport.

We classify Amphenol as Transitioning based on our assessment that they are a strong contributor to a more sustainable future but with sales into areas such as defence and consumer devices they are not doing enough to be classified as Enabling. Amphenol also has a large manufacturing footprint and a complex supply chain that requires much work and attention to transition to a lower carbon and more sustainable future.

We have met with Amphenol on many occasions with two meetings in the last 12 months. The CEO has travelled to our offices and we met with the CFO in their headquarters in Connecticut. Our analysis of their sustainability and financial reports coupled with these meetings, reveals a company that has a culture of collaboration, flexibility, and entrepreneurship. They operate an extremely lean central headquarters and are structured to allow their individual business units to function as autonomous decentralised companies with just two reporting lines up to the CEO and Executive Committee. Their incentive structure places power at the coalface allowing their companies to make the key decisions and react to market changes with speed.

However, this decentralised model means that Amphenol has found it harder to get to grips with the extent of their carbon footprint, their supply chain and wider sustainability impact. We have been impressed during our interactions with their candidness to the complexity of gathering the data and putting in place the necessary frameworks to begin to tackle ESG matters in an honest and feasible fashion. We have used our time with management to push for better disclosure and to publish specific targets on mitigation.

Over the years, Amphenol's data has become more complete, with third-party verification, and they have increased in confidence in making specific targets for mitigation. Today, Amphenol reports their scope 1 and 2 GHG emissions and is now able to report in accordance with General Reporting Initiative (GRI) standards and has made an early attempt at defining their scope 3 emissions. They have stated a goal of reducing their scope 1 and 2 emissions by 15% by 2025 compared to 2021, and we continue our dialogue with them toward committing to net zero by 2050. In 2023, Amphenol reported that they have, "conducted a comprehensive assessment of our ESG practices to evaluate and identify areas for improvement as we work to align with evolving regulatory requirements such as the Corporate Sustainability Reporting Directive (CSRD)". Given the way in which Amphenol has been structured much of the effort has been in encouraging and incentivising best practice while creating the platforms for collaboration and sharing initiatives across the company. We look forward to continuing our relationship with Amphenol and supporting their transition to a more sustainable future.

CASE STUDY

ENABLING

Companies enabling positive change directly through the sale of their products or services are classified as Enabling. These companies are attractive given regulatory and capital allocation trends.

THERMO FISHER

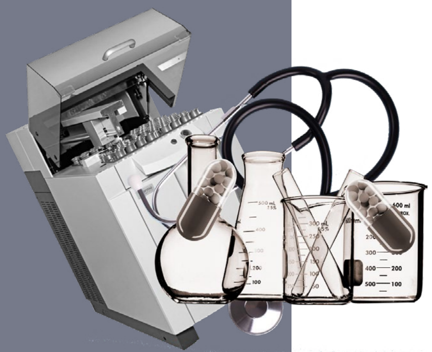
As the world's largest life science tools company, selling analytical instruments and products to pharmaceutical firms, academia and industry, Thermo has a key role to play in enabling an acceleration in healthcare innovation. Thermo's products and services offer substantial benefits to society by making the world healthier, cleaner and safer. The importance of this has been demonstrated through the Covid-19 pandemic with Thermo playing a key role in the identification and management of the virus.

Thermo complements this with a wide range of activities such as direct support to communities in need of help, in the form of both money and supplies, as well as science funds to promote education and hiring policies targeting under-represented social groups. The company has strong practices across a wide-range of key criteria, with a high degree of transparency and an emphasis on active improvement despite increasing scale.

For example, in 2019, Thermo set a scope 1 and 2 GHG emissions reduction target of 30% by 2030. Despite considerable expansion of global capacity and infrastructure, Thermo chose to raise their 2030 scope 1 and 2 GHG emissions reduction target from 30% to more than 50% in 2022. This improved reduction target meant that the company fulfilled their commitment to the Business Ambition to 1.5°C campaign and aligned their climate strategy with the 1.5°C pathway recommended by the Paris Agreement.

For a company that rarely receives negative reports relating to sustainability issues, we were pleased by the speed of their response to allegations of having an indirect role in civil liberties infringement in China. This was related to the reported use of its genetic sequencing products by the Chinese government to compile a DNA database of Uyghurs and other minorities. Following the reports, Thermo quickly established a network of authorised distributors to avoid sales and shipments of its products to Xinjiang authorities.

Thermo is a great example of a company that is enabling positive change while still addressing its own sustainability footprint as a matter of day-to-day business.



BEGINNING ENGAGEMENT PRIOR TO INVESTMENT

Prior to investing we aim to engage with companies to address any concern we have from a stewardship perspective, this is exemplified in the case study on Freeport McMoran on page 37.

Once we have invested, we use our Sustainability Review and risk-based framework to drive a focus for engagement going forward. This is carried out through collaboration between the RIC and the primary analyst. We will meet with the company – where possible in a one-to-one setting – to explain any concerns we have and where we would like to see action.

For more information on how we engage, including our approach to voting, please see **Principles 9 and 12**.

RESOURCES

As outlined in **Principle 2**, we have several resources to aid us in our research.

- Primary sources provided by the companies themselves. Annual reports, proxy statements, presentations and their CSR reports all provide a window into how management think about sustainability, how they measure risk and their strategy to mitigate.
- Sell-side research to complement our understanding. Increasingly this research is adopting a more holistic view to company analysis, incorporating their own ESG frameworks. Each calendar year we conduct a full review of our research providers to assess their relevance and ongoing value to our process across multiple areas, of which their work on sustainability is one.
- MSCI and ISS provide us with more focused sustainability and governance reviews as well as data for comparing companies and tracking change over time. These aid us in our decision making but we are not bound by their viewpoint or scoring mechanisms. For an example of where we disagreed with a recommendation from ISS please see **Principle 12**.

FULL 18 QUESTIONS UNDERLYING THE 5-POINT SUSTAINABILITY FRAMEWORK

DECARBONISATION

1
Assess the company's carbon intensity in absolute terms and relative to peers?

2
Is the company measuring and reporting their emissions and climate-related risks utilising a widely accepted framework such as the Task Force on Climate-related Financial Disclosures (TCFD)?

3
Do they report on GHG and have a clear strategy to limit global temperature rise to 1.5°C by 2050 or before for corporate scope 1 and 2 emissions?

TRANSITION TO A CIRCULAR ECONOMY

4
From design to end of life, is the company incorporating a fully circular process for their products and raw material inputs?

PROTECTION & RESTORATION OF BIODIVERSITY & ECOSYSTEMS

5
Is the company dependent upon certain natural assets and ecosystem services? If so, what are they doing to disclose and mitigate this?

6
What is the company's potential impact upon natural assets and ecosystems? If impact is material, what is the company doing to disclose and mitigate this?

7
Does the company consume significant volumes of water? Are they monitoring and reporting their water use/re-use and the steps they are taking to mitigate this?

8
Is animal welfare an issue in their supply chain? What steps are they taking to mitigate this?

EQUITABLE, HEALTHY & SAFE SOCIETY

9
Outline the ways the company seeks to improve and develop its human capital.

10
What labour policies does the company employ? And is it a high-risk firm in terms of health and safety?

11
Does the company have a significant impact on their local community or their customers? What steps are they taking to address this?

12
Assess the company's risks and performance with regards to corruption, lobbying and tax contribution.

13
Does the company openly address diversity issues and what policies do they have to improve diversity?

STRONG GOVERNANCE & ACCOUNTABILITY

14
Is there strong governance control over the sustainability goals? Are senior management aligned and incentivised on these sustainability goals?

15
Is the role of Chairman and CEO split?

16
Is the majority of the Board classed as independent?

17
Are any of the Board of directors over boarded?

18
Is there sufficient diversity at board and management level?

These 18 questions are not set in stone but have and will continue to evolve with the responsible investment landscape. For example, when the TNFD (Taskforce on Nature-Related Financial Disclosures) released their LEAP Approach for identifying and assessing nature-related issues, we amended the questions under our biodiversity and ecosystems pillar to reflect the increased focus on both a company's dependencies and their impacts upon nature.

FUND INVESTMENT

We expect managers of third-party funds to share our commitment to investing responsibly. This includes equity and fixed interest funds, as well as our investments in Diversifying Strategies such as absolute return funds and infrastructure, albeit the nature of the fund and strategy will impact the relative importance of responsible investment factors during our due diligence and ownership.

We expect all the fund managers with whom we invest to be signatories to the UN PRI in line with our own commitment. In exceptional circumstances we will consider funds where the manager is not a signatory to the PRI but require a clear understanding as to why this is the case; we would expect funds in these circumstances to have an intention and clear plan to become signatories.

INTEGRATION INTO THE PROCESS

ESG factors are an important consideration when assessing the attractiveness of an investment into third-party funds.

A qualitative approach is undertaken to assess the relevance of ESG considerations to a fund's investment strategy. We recognise that different asset classes require a different approach. Within our equity and bond fund universe this is more easily applicable than for some of our Diversifying Strategies funds, where the ESG factors may be less relevant to the trading of currencies and interest rate futures. A flexible qualitative assessment is necessary to reflect the range of fund strategies and asset classes covered by third-party funds.

We use a mix of internal and external ESG research to inform our investment decisions. For external research we use a range of service providers such as MSCI ESG Ratings and StyleAnalytics. The data providers give us the ability to gather detailed insights into trends and controversies, as well as fund exposures, values, impacts and risks.

We meet the managers of all funds we invest in as part of our initial due diligence and post investment on a regular basis. Discussion on material changes to the fund's ESG approach forms an important part of this ongoing engagement, along with other key issues such as ensuring our clients benefit from fair and transparent charging structures. Where possible, we strive to leverage the benefits of our scale for our clients through negotiation of lower fees.

An important stage of our initial assessment process of a third-party fund involves a qualitative and quantitative scoresheet completed by the Investment

Team as part of initial due diligence following a meeting with the manager. The post-meeting scoresheet includes the following question specifically addressing the fund manager's approach to ESG, which every attendee is required to answer:

- How credible is the approach and commitment to ESG in the context of the strategy?

The answer and rating of this contributes to whether a fund reaches a threshold score for the Team to take forward a fund for further analysis.

MONITORING

Prior to progressing to the investment stage, we require each fund to complete a Due Diligence Questionnaire (DDQ) which is reviewed by the Funds Team. Our formal due diligence process includes a specific analysis of each fund's approach to ESG. The DDQ requires questions to be answered at a firm or institution level as well as at the individual fund level. The DDQ allows the Funds Team to assess the importance of integrating ESG into the fund process, the level of engagement from a fund manager, whether positive or negative screens are implemented, and the measurement of emissions and certain risks posed by portfolio holdings. It also allows us to judge the commitment of an institution to responsible investment.

The DDQ document for each fund on the approved list is sent to the relevant fund house for completion on an annual basis. Where an initial DDQ document has been completed by the fund house, an updated document is required annually which provides the most current information on the fund and highlights material changes to the fund since the document was last completed.

A DDQ log is administered and provides information on each approved fund DDQ, such as the date it was last completed, which individual is responsible for reviewing the DDQ, details of concerns or issues queried with the fund house and the action taken to address raised concerns. The Funds Team discuss and address any concerns that have been raised in the weekly Funds Team meeting.

ENGAGEMENT

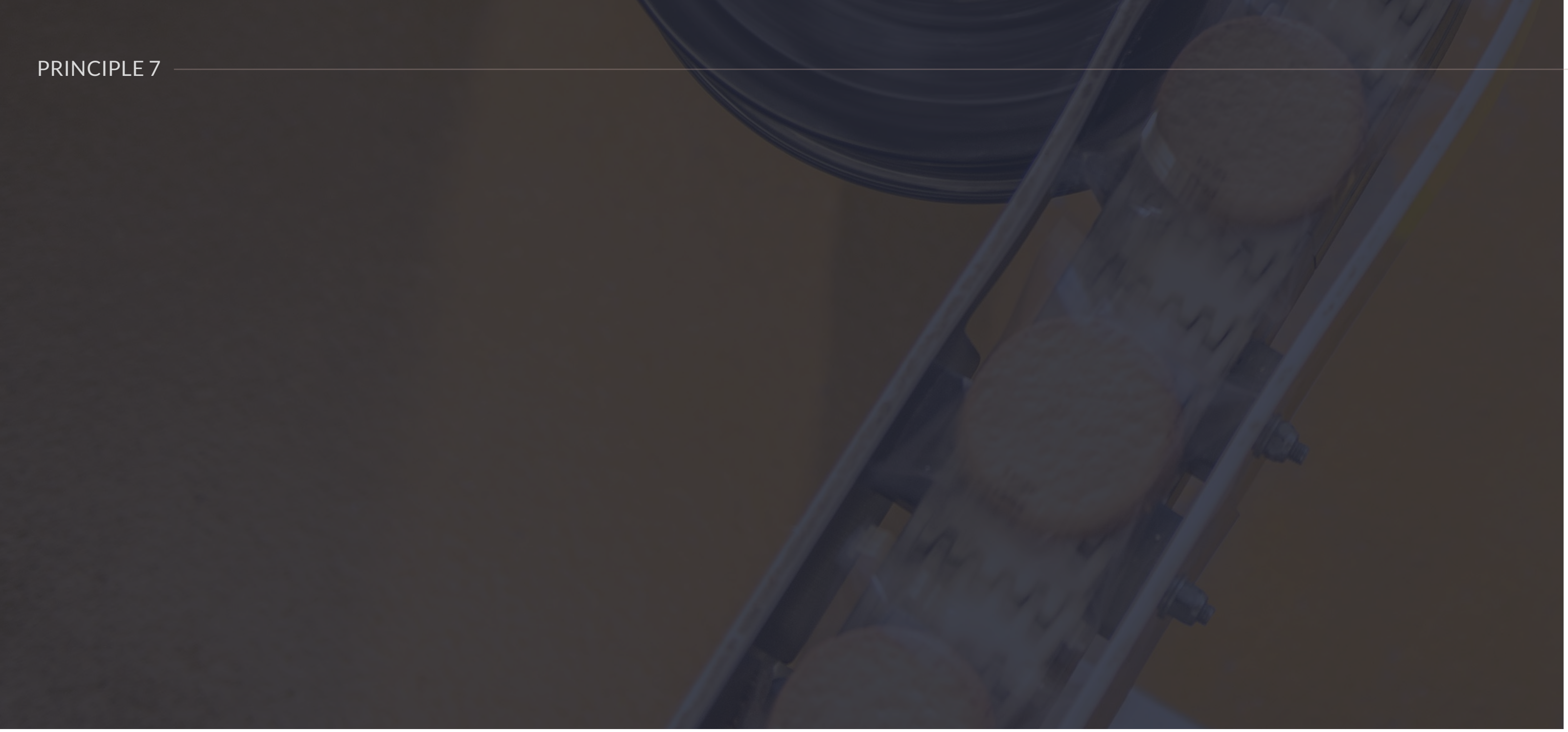
Separately to the DDQ, we monitor and engage with funds annually, focusing on select areas to address each fund's approach. An example of the questions can be seen on the following page.

Fund engagement responses are reviewed by the RIC at the monthly meetings and included in the minutes. Where there is a concern, most importantly where there has been a breach, the lead analyst on the fund engages with the fund house to understand the process followed post the breach. The fund analyst reports back to the RIC following the engagement.

DIRECT FIXED INCOME

Just as we recognise the importance of ESG factors as a driver of the long-term share price performance of companies, they also have the potential to influence the performance of fixed interest assets. Given the limited capacity for capital growth, the security of capital and income are paramount and so our emphasis is on understanding risks rather than opportunities. This forms part of our fundamental analysis when considering fixed interest at an asset class, issuer, and security level.

FUND HOUSE:	FUND:
QUESTIONS:	
Have there been any breaches relating to the fund's responsible investment process or Stewardship policy in the last twelve months? Please provide details on any breaches.	
Please provide a list of the fund's corporate engagements over the last twelve months, (specifically the Portfolio Managers of the fund).	
Please provide an example of a corporate engagement and the resulting action taken.	
Provide details on the fund's voting approach and how it voted over the last twelve months. Provide examples of contentious votes.	



SOVEREIGN DEBT

We draw on a wide range of official economic data and analysis including specialist data providers, investment banks and independent economic and political strategists to provide insight into how a country is addressing ESG factors, how these may affect the credit worthiness and economic stability on an absolute basis as well as providing insight as to how the country can be ranked against other global peers. An understanding of a sovereign issuer's geopolitical ambitions, attitude towards national sovereignty, human rights record and standing within the international community are of increasing importance.

Further specialist analysis tools are provided by MSCI and The World Bank which inform our assessment of the ESG ranking of each country.

These resources help us identify key categories of risk and areas of focus regarding our sovereign areas of investment.

We typically allocate to investment grade issues in politically stable developed economies including the UK, US and EU. We have considered investment in sovereign bonds of less developed economies, but to date have not deemed the excess return available to be commensurate with the additional risk. In last year's Stewardship Code Report we included a case study on Chinese government bonds on page 63, which we refer back to as it remains a relevant illustration of our approach.

At each Fixed Interest Team meeting there is a standing agenda point to review the MSCI output for any sovereign debt exposure we hold within client portfolios. The Fixed Interest Team will then refer any concerns to the RIC before a decision is taken and communicated to the wider Investment Team.

CORPORATE CREDIT

We take the same approach to directly investing in corporate credit as we do to investing in equities. When investing directly into corporate credit, we will apply the same 5-Point Sustainability Framework in both corporate credit and equities to understand the risks to a business model, the opportunities for future growth and the sustainability of that growth.

Given the complexity of the credit market and the idiosyncratic nature of trading and liquidity, our preference is to utilise specialist fund managers to gain access to global corporate credit on behalf of our clients. As part of our core fund research, the integration of broader ESG factors within their respective research processes is a key point of focus. We follow the same process for fixed interest as we do for all third-party managed collective investment schemes as detailed in the prior section.

We have not allocated directly to corporate credit for several years given, in our view, the relatively low additional yield pick-up compared to sovereign bonds. This asset allocation decision has reduced the time we have spent on stewardship across this part of client portfolios given our limited ability to engage effectively with the developed market at government level.

MONITORING

The Fixed Interest Team meet monthly to discuss the fixed interest investment strategy being adopted within client portfolios.

The meeting papers include:

- Macro analysis of developed economies (UK, US and EU) and the resulting implications for their respective sovereign bond markets
- MSCI ESG Government reports on the UK, US and EU governments. These reports provide ratings and oversight of aspects such as each country's use of natural resources, human capital, their political and financial governance, the economic environment and a country's environmental externalities and vulnerabilities

The discussion and conclusions reached by the team are recorded and distributed across the wider JH&P Investment Team including the members of the RIC.

The RIC review the fixed interest minutes to identify if there are any issues which need to be escalated and referred back to the team. There are currently two standing members of the RIC who are also standing members of the fixed interest Team which ensures an appropriate level of oversight of the fixed interest research process in the context of ESG.

PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

ACTIVITY AND OUTCOME MONITORING DATA PROVIDERS

Our data and research providers have been chosen to be additive to our investment process. In recent years this has included an increased focus and spend on data providers to support the integration of explicit analysis of ESG risks and opportunities into our primary research process.

These data providers have also been used to enhance our stewardship processes, particularly helping to monitor and quantify ESG-related policies and progress at our underlying investment companies and funds.

The data provided in relation to ESG research and stewardship is continuously reviewed by the RIC with a focus on assessing the quality, accuracy and relevance of the data provided. Ease of interaction with the data provider platform as well as ease of integration with JH&P systems is also assessed.

All our data and research providers are included in our annual Research Provider Review in December each year. This involves canvassing the full Investment Team for their view on the quality and relevance of all external research providers that we have partnered with over the prior 12-month period. Each Investment Team member provides a quantitative ranking of providers against similar peers and qualitative discussion on their strengths, weaknesses and overall importance to our investment process.

MONITORING VOTING ACTIVITY

Voting choices are submitted via ISS. We carry out monthly compliance monitoring on proxy voting, ensuring that all votes have been submitted and that they have been voted in accordance with our recommendation. We also receive a quarterly voting report confirming that our votes have been processed correctly.

If any issues are identified, we will work with ISS to understand the reason and to ensure that a solution is found for future votes, escalating the issue to senior staff at ISS if necessary. For example, early in our relationship with ISS, we had several issues related to our sub-custodians, whereby different nominees had different voting cut-off dates for the same AGM. In these instances, ISS enacted our aggregated votes at the earliest cut-off date among our sub-custodians, meaning that we did not always receive ISS's research early enough to help inform our vote (and potentially over-ride ISS's recommendations) before the voting cut-off had passed. This issue was raised with our Relationship Manager at ISS by our Responsible Investment Lead with the support of our Compliance and Operations Teams. This was in turn escalated with our primary custodian at the time.

A solution was found whereby our Operations Team can now manually instruct our votes on shares held in Crest to ensure we are able to vote on all of our shares. For other votes where we have sub-custodian issues, ISS have confirmed that we can now vote on each sub-custodian independently.

MONITORING EXTERNAL MANAGERS

We expect managers of third-party funds that we use to share our commitment to investing responsibly. Please see **Principle 7** for further information on how we monitor and assess third-party fund managers on this basis.

ONGOING MONITORING

We carried out a formal review of our ESG data providers in 2021 that resulted in us changing providers from Vigeo Eiris to MSCI (please see our 2021 report for further information). As such, we did not carry out a formal review of our ESG data providers in 2022 or 2023 but worked closely with MSCI given the early stage of this relationship and the rapid developments they have undergone amid the evolving responsible investing landscape.

MSCI provides a key resource when completing JH&P's Sustainability Reviews for investee companies - during the year we organised multiple sessions with MSCI to ensure the team continue to have a full understanding of the platform's functionality. We also engaged with MSCI to trial additional products including their Climate Value at Risk and EU Sustainable

Finance modules, and to learn more about their research on natural capital and biodiversity.

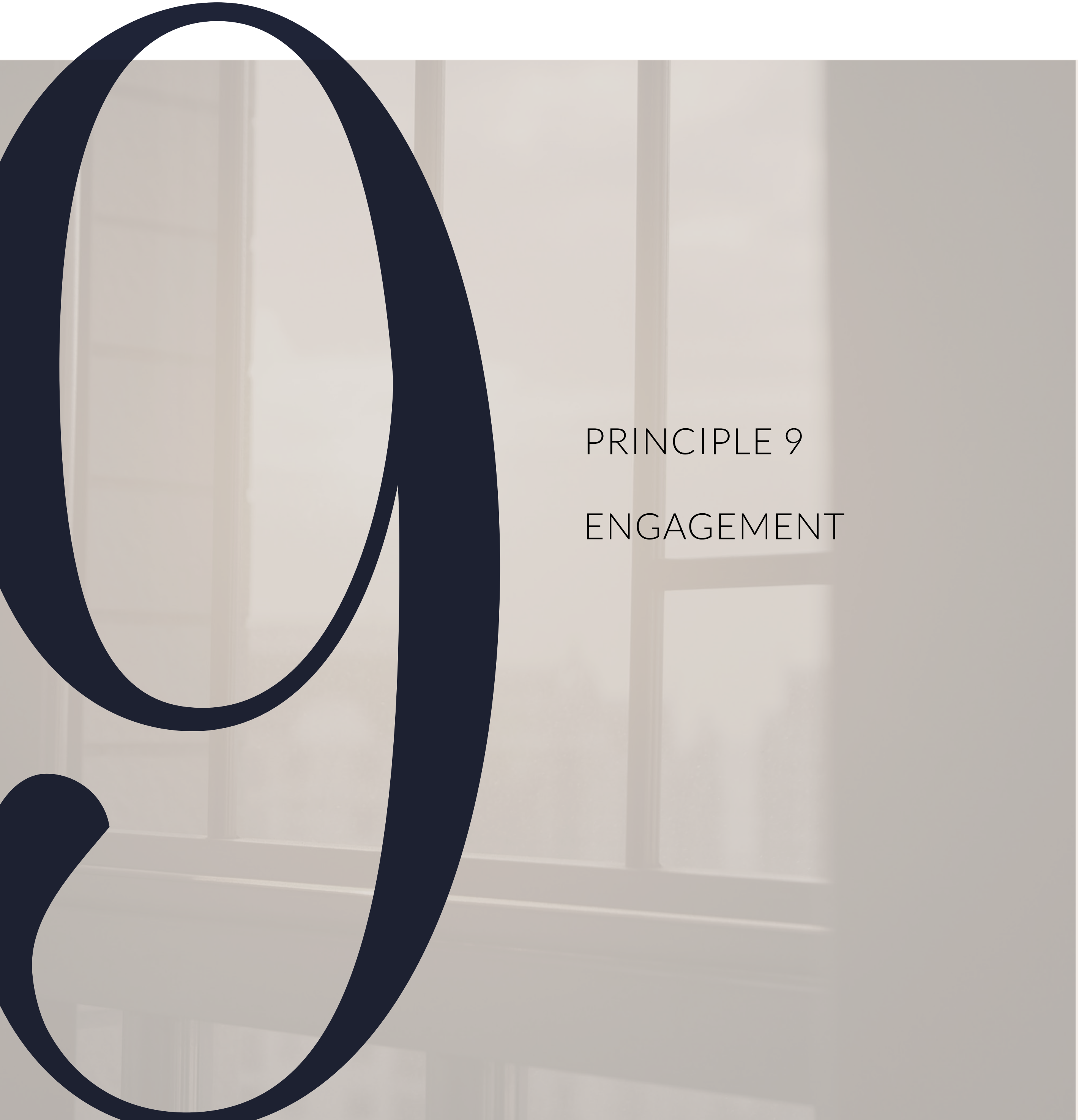
MSCI was also subject to our ongoing review process by the RIC and wider Investment Team as highlighted above.

We also continued our engagement with ISS, following up on our discussions from the previous year on board accountability for climate issues in their Benchmark Policy. We continued to voice our support for further enhancements to their policy, both as an individual company and as part of the IIGCC's Proxy Advisor Working Group. In addition to this, we also sought to understand why ISS had not achieved signatory status to the Stewardship Code the previous year. This is something we learnt that ISS took very seriously, and their re-submission at the end of April 2023 proved successful.

CHANGE IN CUSTODIAN

For many years we had worked with RBC Investor Services as a provider of global custody services for our client accounts. In 2023 the European and UK entities of RBC Investor Services were bought by CACEIS, the asset servicing group of Crédit Agricole and Santander. CACEIS has an excellent reputation as a trusted financial services provider built on a robust, leading technology platform. Given its proven track record in global custody, we are confident that CACEIS' experience and resources will further strengthen the service we deliver for clients.

We began our due diligence on CACEIS ahead of the migration date, which included an assessment of its financial strength, reputation, security, and we looked at their approach to ESG. CACEIS believes that strong corporate social responsibility is a source of long-term growth, which includes a deep commitment to being a reliable partner for their clients by adding sustainable value.



PRINCIPLE 9

ENGAGEMENT

CONTEXT

WE BEGIN ALL ENGAGEMENT FROM A POSITIVE PERSPECTIVE. WE ADOPT A COLLABORATIVE APPROACH TO ENHANCE OUR UNDERSTANDING AND TO IMPROVE THE LONG-TERM OUTCOMES FOR OUR CLIENTS AND OTHER STAKEHOLDERS.

Engagement with the companies and the independent fund providers with whom we invest forms an essential part of maximising client returns with an acceptable level of risk over the longer term.

Monitoring, interacting with and challenging the management of company and fund investments helps us to build a more complete understanding of the risks and opportunities associated. This enables us to make better decisions on behalf of our clients and to use our ownership to encourage positive long-term change.

Our ability to influence change will be impacted by several factors, including security type, the size of our investment within a company or fund and our access to key decision-makers.

The resource-intensive nature of engagement means we must prioritise those instances where we believe change will be most impactful or where we deem the risks to be greatest. The importance of an issue to our investment thesis, the extent of our investment across JH&P and the likelihood of effecting change are key aspects we consider when committing to engage. In practice, this means most of our engagement is focused on our direct equity investments, and within that, those Mitigating and Transitioning companies where we deem ESG risks most material to our investment case.

Notwithstanding these limitations, we believe that targeted engagement combined with voting plays a vital role in positively influencing a company or fund's behaviour and ultimately helping them to build long-term sustainable value for all their stakeholders.

DIRECT INVESTMENT

Our sustainability framework classifies companies we consider investing in across three categories: Mitigating, Transitioning and Enabling. (See **Principle 7** for more information.)

This drives the level of early engagement with companies in our portfolios. While we have no explicit target allocation across the three categories, we would typically expect to focus most of our ESG-led engagement on companies that we classify as Mitigating or Transitioning.

As active owners, our engagement focuses on areas where we see scope for improvement that can deliver long-term value. This can include topics such as corporate strategy and capital allocation within the companies we own, or investor alignment and charges at the third-party fund providers with whom we partner.

Furthermore, the challenges of climate change, biodiversity loss and rising social and economic inequality impact every investment, irrespective of business model, industry, or asset class. Ongoing monitoring and considered engagement are crucial to ensure steps are being taken both to address risks these issues pose and to capitalise on the significant opportunities these trends are creating.

In addition to engagement topics identified during our initial analysis, we monitor ongoing developments during our ownership. Areas of concern are identified through several means, including public company statements, external research (including ESG-focused providers), NGOs, general media and proxy voting guidelines.

FUNDED INVESTMENT

We expect the firms we work with to take account of ESG risks in their investment process.

Our engagement with third-party fund managers encompasses two aspects: our engagement with the fund manager and investment process itself and the engagement undertaken with underlying fund investments on our behalf.

HOW WE ENGAGE

We prefer to take a supportive rather than adversarial approach to engagement, believing this provides the highest likelihood of achieving positive change. This is reinforced by our investment process, which actively promotes investment in companies and funds that allocate capital responsibly, putting ESG considerations and sustainability at the centre of their operations. This typically limits our exposure to businesses and jurisdictions in higher risk areas that often require more intensive engagement and significant strategic change, such as fossil fuels, tobacco companies or emerging market economies where environmental regulation is less developed.

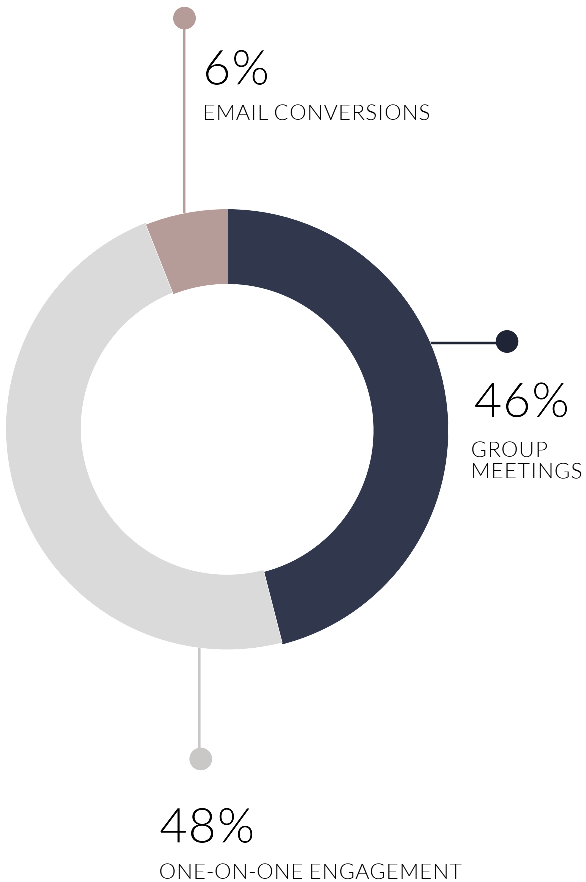
ENGAGEMENT ACROSS DIFFERENT GEOGRAPHIES

As mentioned in **Principle 7**, we apply the same ESG standards to all companies across all geographies. This includes our approach to engagement although we are aware that there may be cases where we do not have the same access to management.

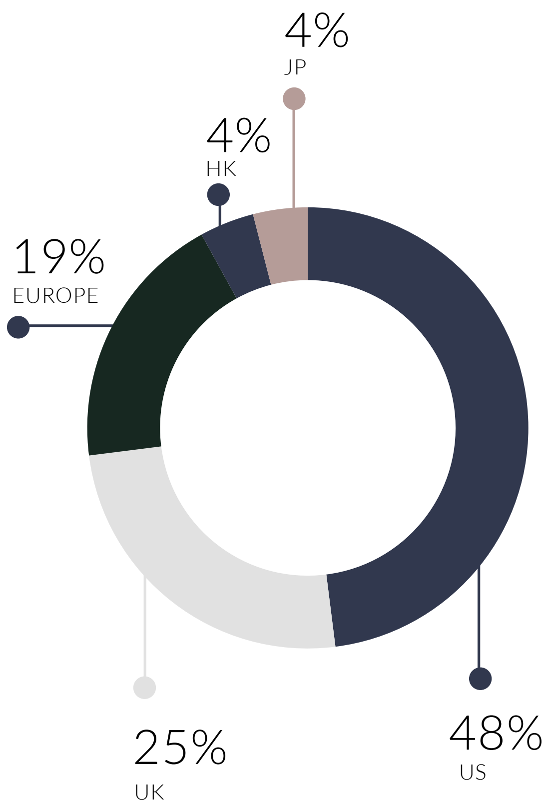
ACTVITY & OUTCOME

A breakdown of our engagement activity where responsible investment issues formed a significant part of the discussion is shown on the following page.

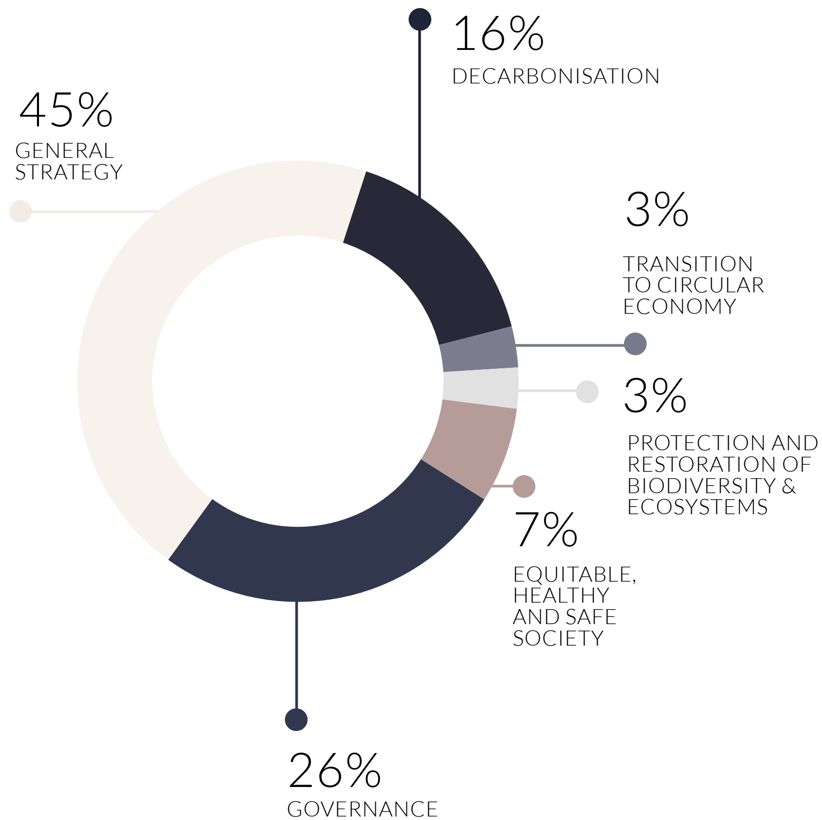
ENGAGEMENT TYPE



GEOGRAPHIC BREAKDOWN



BREAKDOWN OF ENGAGEMENTS UNDER OUR 5-PILLAR FRAMEWORK



In 2023 decarbonisation remained a focus area, and a topic that carried across to our voting decisions, which we discuss within **Principle 12**.

We expect all our portfolio companies to adhere to our climate expectations; these are stated in our Voting Policy and within each 5-Point Sustainability Review (as questions 2 and 3 of the analysis). These expectations are:

1. Reporting on GHG and a clear strategy to limit global temperature rise to 1.5°C by 2050 or before for corporate scope 1 and 2 emissions.
2. Reporting and disclosure of emissions and climate-related risks using a widely accepted framework such as the Taskforce for Climate-related Financial Disclosures (TCFD).

We include examples below of where we engage with companies on these expectations.

Governance issues were also a common topic during our meetings. Often these relate to executive remuneration plans, although it was pleasing to hear more on topics such as board composition and increasingly robust controls around the integration of sustainability factors across many businesses on our recommended list.

As design and structure of compensation plans can vary widely, particularly across different jurisdictions, we review each policy on a case-by-case basis. We aim to support plans that encourage long-term value creation for our clients and will engage where we deem policies to be excessive, overly complex or short-term focused.

A further area of focus within governance discussions was the extent to which corporate culture played an important role within an organisation. While at an early stage, we are increasingly exploring how companies willing to devolve decision making away from central executives can foster an entrepreneurial culture and increased trust and alignment between management, employees, and wider stakeholders (including shareholders).

BUSINESS-AS-USUAL ENGAGEMENT

'Business-as-usual' engagement with the companies and funds we own is the responsibility of all members of the Investment Team and will usually be led by the lead analyst on each company or fund. This ongoing engagement with a company or fund manager may be either in writing or through face-to-face meetings. We aim to meet with all our company holdings and fund managers on at least an annual basis.

Given our approach to responsible investment these meetings typically cover a wide range of topics including business performance, future strategy, and financial risks, as well as more specific ESG issues relevant to the company's operations or fund's investment approach.

Insights gained from these frequent interactions are recorded within the company or fund's respective folder and help develop our long-term investment case for each holding.

CASE STUDY

DIRECT EQUITIES

ASSA ABLOY

Assa Abloy is a global leader in locks and security systems, based in Sweden. We have been investors on behalf of our clients since 2017.

REASON FOR ENGAGEMENT

Whilst updating our analysis and 5-Point Sustainability Review for Assa Abloy in early 2023, we noted a couple of areas we wished to explore in more detail with the company surrounding the circularity of their products, data security and their labour management practices; the latter being an area MSCI had marked them down on, without providing much in the way of specifics.

Following a call with the Head of IR in February 2023, we had a follow up meeting with the company's Sustainability Director in March. We welcomed his openness, transparency, and genuine desire to build trust with us as shareholders, noting how important it is to speak with investors about what goes on behind the scenes to drive ESG ratings.

OUTCOME

During our call we learnt how important sustainability is for Assa Abloy, which was instilled by the company's very first management team. Transparency is key and they champion a joined-up approach, despite operating across more than 300 businesses. The company has strong relationships with other large and quoted peers, and they use this advantage to progress their sustainability agenda, collaborate on topics and gain perspective.

Assa Abloy had identified "sustainable and circular products" as one of its most significant sustainability topics for the business and its stakeholders, which is why we were keen to learn more about their efforts in this area. The company devised the idea of a 'Sustainability Compass' in 2017; a design tool to factor in sustainability factors right from the outset of product development. This compass includes principles of circularity: reduce, reuse, recycle. The company's service business lends very well to the circular economy; they have a subscription model which includes maintenance of doors, locks and other products and service technicians have live data to help analyse the functionality of equipment, ensuring that predictive maintenance forms a large part of their subscription programme. Assa has found this helps develop loyalty with their customers.

Whilst discussing their products we touched on the company's scope 3 emissions and their commitment to the SBTi. More than 40% of their carbon footprint is scope 3, and we learnt on the call that the company had, that very same day, made their first disclosure on scope 3 emissions:

"During 2022, Assa Abloy had its science-based targets ratified by the SBTi. We have set a near-term target in line with a 1.5°C trajectory, to reduce our absolute scope 1 & 2 GHG emissions by 50% by 2030 from a 2019 base year, while also reducing our absolute scope 3 GHG emissions by 28% within the same timeframe. We have a long-term target to be net-zero no later than 2050."

The Sustainability Director said they had focused on category 3.1 within the scope 3 emissions dataset – purchased goods and services – as it made up 93% of their scope 3 footprint.

Data security and privacy was noted as a priority area, particularly with AI and biometrics integrated into security systems. We learnt that the company had been undertaking extensive training internally, and that the Sustainability Director reported directly into the Group CTO, highlighting the importance of a coherent and joined-up approach.

Labour management and incentivisation was also discussed as a focus area for management, with HR resource being bolstered to increase harmonisation amongst departments. Sustainability-linked metrics within incentive plans had been rolled out to their businesses, which in turn filtered down into regional divisions to encourage alignment.

We were very impressed with how the culture of the company remained true to their purpose, despite changes to management over the years. We engaged again with Assa Abloy, speaking to a different member of the IR team, in September 2023 where, again, culture was one of the main topics. We discovered more about the focus on their centralised HR strategy amid their decentralised structure and heard examples of how their businesses share best practice.

We remain happy holders of Assa Abloy on behalf our clients, with our engagements bolstering our thesis that this is a company which aims to champion culture and sustainability as part of good business practice.

DIRECT EQUITIES

CASE STUDY

LINDE

Linde has been on our buy list since December 2017. We categorise Linde as an 'Enabling' company that is focused on sustainable gas production.

REASON FOR ENGAGEMENT

One of the key areas of interest was understanding the firm's environmental goals in more detail and the way in which they would be tracked and reported. One of our Portfolio Managers met with Sanjiv Lamba, Linde's CEO, in March 2023, and we had a further meeting with the Head of IR in September 2023. The Inflation Reduction Act (IRA) had been signed into law August 2022 and we wished to understand the benefits this would have on Linde and investment considerations.

OUTCOME

Hydrogen was a key discussion point; Linde is at the forefront of the production of clean hydrogen. Most of the firm's hydrogen production is what is termed 'blue hydrogen' and involves the processing of natural gas. Carbon dioxide is captured and subsequently sequestered underground. The firm has seen sizeable growth in demand for sustainable gas production, driven in large part by the tax incentives through the IRA.

The scale of the tax credits available through the IRA is significant and we learnt that Linde has a substantial backlog of

$3bn+ worth of projects over the next few years. We wanted to understand if a potential change of government might put some of these projects at risk. The company's Head of IR admitted that future projects might be threatened if the Act was repealed but made the point that many of the new plants that have been planned sit in Republican states.

Linde is committed to publishing details of its performance against its climate goals and is transparent in doing so. It has already achieved some of the first targets that were set in 2019 – such as the goal to direct over 33% of the R&D budget to decarbonisation. The company is committed to reducing its environmental impact and does not see this ambition as being at odds with its financial objectives.

The company is open to investor engagement and dialogue around ESG topics, and we have found our discussions helped materially bolster our conviction in the overall investment case. Linde's CEO is encouraged by the clean energy opportunities and the company has demonstrated its best-in-class management and operational delivery by continuing to deliver strong earnings.

LOOKING AHEAD

We visited Linde's headquarters in Danbury, Connecticut, earlier this year and arranged a follow-up call with the Head of IR in May as part of our continued dialogue with the business.

We were keen to understand more about the 2035 target which is to achieve a 35% reduction of scope 1 and scope 2 emissions by 2035 with a baseline of 2021. Linde had stated that their target was aligned with the goals set out in the Paris Agreement. The company was able to share with us that the firm's 2035 GHG emissions reduction target had been approved by the Science based Targets initiative (SBTi).

Looking to the future and our targets for ongoing engagement, we are keen to understand Linde's 2050 climate neutrality ambition and what their roadmap looks like to achieve this.

THIRD-PARTY ENGAGEMENT ON OUR BEHALF

CASE STUDY

LANSDOWNE EUROPEAN EQUITY FUND - NESTLÉ

Nestlé is a company we have owned since early 2020, primarily for private clients, endowments and charities who require a specific distributable income from their portfolios to meet certain obligations, often linked to funding their charitable mission. The size of the holding across our client base does not make it any less important for us to engage and seek further information where we feel it is necessary.

In last year's Stewardship Code Report we wrote of our engagement with Daniel Avigad, fund manager of the Lansdowne European Fund, which is also held in client portfolios. We discussed Nestlé, a large position in his fund, and the extensive work he had undertaken with the company. This particular discussion focused on the alternative protein industry.

REASON FOR ENGAGEMENT

In late January 2023 our Responsible Investment Lead received an alert from MSCI downgrading Nestlé's controversy score and placing it on the "watch list" for compliance with the UN's Global Compact. We immediately reviewed the research from MSCI. This controversy was initiated in September 2017 and involved criticism by NGOs over Nestlé's alleged contribution to global plastic pollution, along with other global food and beverage companies. The case had been downgraded in January in accordance with MSCI's

ESG Controversies Model Enhancements, and in light of the increased volume of reports from environmental NGOs.

In early February we received another controversy downgrade alert from MSCI, this time within Nestlé's supply chain management pillar concerning criticism by environmental NGOs over palm oil sourcing linked to alleged deforestation in Indonesia. The case was initiated in 2011 but its assessment had changed during MSCI's aforementioned review of their controversy process and a re-evaluation of information. The case concerned Nestlé's indirect involvement in alleged clearcutting of high conservation value forests, exacerbated by effects to an ecosystem on the UNESCO World Heritage list.

We reviewed the changes to MSCI's assessments in our RIC meetings in February, March and April whilst analysis and information gathering continued.

In early May 2023, we engaged with the Lansdowne Fund team and Daniel Avigad to understand the outcome of his interaction on these issues with Nestlé. His team's due diligence and extensive engagement led to their resultant disagreement with MSCI's stringent assessment. This was due in large part to its backward-looking nature that insufficiently accounted for the significant changes that Nestlé had made in its palm oil sourcing practices, as well as its pivotal role in creating transparency and professionalism within the supply chain. Without Nestlé's involvement, the supply chain might become increasingly opaque, and the Lansdowne team noted their reassurance having engaged with the company and taking into account their goals for sustainable palm oil production. During 2023, 100% of Nestlé's crude palm oil volume was from Roundtable on Sustainable Palm Oil (RSPO) certified sources. The company also reported that 96% of their palm oil supply chain was assessed as deforestation-free in 2023.

OUTCOME

The RIC collated feedback from our internal research and from the engagements and analysis the Lansdowne European Fund team had undertaken on Nestlé. We agreed that MSCI's assessment had not considered current practices and future ambition of the company, nor the potential harm an alternative supplier could cause without the level of transparency and accountability provided by Nestlé.

TARGETED ENGAGEMENT RELATED TO RESPONSIBLE INVESTMENT AND STEWARDSHIP

Potential areas for more targeted ESG-led engagement can be raised by any member of the Investment Team.

These are then considered by the RIC and assessed against the factors outlined above before a decision is made to engage.

Targeted engagement can be triggered by several factors:

- To address issues identified during our 5-Point Sustainability analysis. For example, a climate policy that is lacking or of limited ambition, complex local community impacts and relationships or governance issues related to remuneration policies
- A controversy alert by MSCI ESG Manager
- Where a fund has made material changes to its responsible investing approach
- A significant company- specific event
- Where we vote against management on a material issue (depending on the severity of the issue, votes against the Board of a company can either be addressed through business-as-usual engagement or a specific engagement related to the decision

If we decide not to proceed, the RIC will record the reason for this decision. The RIC also review any specific flags raised by MSCI on the same basis to ensure we use our resources proportionately and in a way that emphasises actual outcomes.

Records of correspondence related to targeted engagement are maintained in the respective company folder and summarised in a master spreadsheet with a plan of future engagement.

All outstanding targeted engagement matters sit as a recurring item on the RIC Agenda.

CASE STUDIES

DIRECT EQUITY ENGAGEMENT ON ESG SPECIFIC ISSUES

WOLTERS KLUWER

Wolters Kluwer is an Amsterdam-listed information services and solutions provider serving customers across the health, accounting, risk and compliance, finance and legal sectors. We have been active in our efforts to engage with Wolters Kluwer on a consistent basis for nearly five years and have met with their IR team regularly.

In 2020 we engaged with the company and their Remuneration Committee, and we outlined the positive changes the company made in 2021 to their long-term incentive policy in last year's Stewardship Code Report.

In 2022 we met with the company again to follow up on the above incentive structure and also focus on Wolters Kluwer's climate strategy, where we noted a decarbonisation strategy was in development and they aimed for disclosures to be aligned to the TCFD framework.

As we noted in last year's report, we continued our discussions with the company, meeting both in March and May 2023. All of our conversations with the company have been very constructive and we received positive feedback on our integrated responsible investment approach.

We learnt that Wolters Kluwer had made commitments to set science-based targets and align with the TCFD, improving the robustness of their scope 1 and 2 emissions data and completing an assessment of the company's scope 3 indirect GHG emissions.

However, these were still in progress, and as such, the company fell short of our climate expectations, which are set out earlier on page 65.

In these instances, our Voting Policy stipulates a vote against the re-election of the Chair of the Board. Where this is not a proposal in a specific AGM, we aim to raise this with the company, as was the case with Wolters Kluwer's 2023 AGM and corresponding follow-up.

REASONS FOR ENGAGEMENT

Build greater knowledge around progress of the company's climate strategy.

OUTCOME

We were delighted when, in December 2023, the company announced that the SBTi had approved its near-term science-based emissions reduction targets. These targets are to reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year as well as to reduce absolute scope 3 GHG emissions 30% by 2030 from a 2019 base year.

We were pleased to have seen the improved commitment from the company, which now satisfied our climate policy expectations and, as a result, voted in favour of the appointment of the Board at the company's 2024 AGM.

We have continued our dialogue with Wolters Kluwer into 2024.

CASE STUDIES

ENGAGEMENT WITH THIRD-PARTY MANAGERS ON ESG SPECIFIC ISSUES

STARWOOD EUROPEAN REAL ESTATE FINANCE LTD

Starwood European Real Estate Finance Ltd is a specialist investment company, quoted on the London Stock Exchange, providing debt finance and support to the UK and European real estate sector. The company has consistently distributed to investors a high level of income. We have been investors in Starwood European Real Estate Finance Ltd since 2017.

Throughout our investment we have engaged with the Board of Directors and management team of the fund to understand their management of the underlying portfolio assets and long-term objectives for the company. This was particularly important during the Covid-19 pandemic when many of the company's underlying investments were linked to real estate assets exposed to the retail and leisure sectors. We engaged with the management team and supported them in their strategy which involved a programme of restructuring, income deferrals and support for their creditors whose businesses were frozen by Covid restrictions. This process succeeded in ensuring full recovery of shareholders' assets and a continuation of income distributions.

As a closed-ended investment company market dynamics had at times driven the share price to trade at both a premium and on occasions a discount to the underlying audited Net Asset Value (NAV) of the company. In the aftermath of Covid and following the sharp inflection in UK interest rates and a change in regulatory and market dynamics many holdings within the closed-ended investment company were priced at persistent discounts to their underlying NAV.

REASON FOR ENGAGEMENT

We engaged with the Board in 2022 and 2023 to consider how the discount might be eroded in order to realise value for shareholders.

OUTCOME

Our work with the Board involved consideration of several options to realise value for clients including the use of the company's balance sheet to buy its own stock with a view to reducing share count and supporting demand.

However, our assessment of the wider economic environment with higher income returns available in lower risk asset classes including cash and sovereign bonds led us to question the longer-term attractions of the company to shareholders.

We worked with the Board and investment managers to agree a plan that offered the most attractive realisation of value for shareholders. Ultimately this was agreed to be an orderly managed wind down of the company on the timeframe of the natural maturity of the loans in the company. This offered the clearest path to the full repayment of capital and income to shareholders.

We committed our support to this plan and an EGM was held in January 2023. The proposal was passed by shareholders. The company returned £85m of capital to shareholders in 2023, a more than 10% premium to the market share price. The company has continued to distribute capital in 2024 and has maintained the expected level of income distribution. It is on course to deliver on its orderly wind down plan.

PRINCIPLE 10
COLLABORATION

ACTIVITY & OUTCOME

COLLABORATION

Our investment process tends to steer us away from companies and sectors with major concerns that are often the focus of collective engagement. Combined with our size, this tends to mean collaborative engagement focused on the specific companies and funds we own is rare.

However, we recognise the benefits of collaboration and collective action on wider responsible investment issues. We are increasingly active members of a select group of responsible investment organisations and continue to search for those where our priorities are aligned; this is particularly important given our size, and requirement for any collaborative engagement undertaken to be constructive.

Through our membership of the UN PRI and the IIGCC we have developed our understanding and involvement in the wider policy framework. Examples of our collaborative work in 2023 is included below.

PEER GROUP COLLABORATION AND BEST PRACTICE

Collaboration for us can also be achieved through knowledge gathering and information sharing. Our Responsible Investment Lead attended MSCI's inaugural senior wealth management roundtable in June 2023, an event which was designed to promote open and ongoing dialogue between MSCI's top research professionals and a select group of clients, whilst also providing a forum for engagement with industry peers on subjects of common interest. The forum was the first of its kind for MSCI's UK market clients, and it was helpful to have a group of industry peers share their approaches to common risks and opportunities we all experience. MSCI were interested in how our underlying clients view impact and reporting, to which the group all agreed that private clients were more interested in tangible engagements we hold with companies and the ongoing dialogue, rather than the reporting of certain metrics on their portfolios. We also discussed the three areas MSCI are focusing on in their research for 2023 and going into 2024: AI, the energy transition and biodiversity.

Following on from this, our Responsible Investment Lead attended a "biodiversity lunch" hosted by one of our investment bank research partners, which gathered a group of individuals from the buy and sell side interested in nature and biodiversity and the sustainable finance perspective. This was an open group conversation focused on knowledge-sharing, discussions on frameworks and development of the TNFD and SBTN, data availability and sub-topics including deforestation, water management, pollution, alternative proteins, and biosciences to name a few.

INVESTOR GROUP COLLABORATIONS

IIGCC

Through our membership of the IIGCC, we continued our involvement with the Net Zero Proxy Advisor Working Group, which we discussed in last year's Stewardship Code Report. In August 2023 we joined 35 other investment firms as signatories to a letter sent to ISS calling on them to improve climate-related disclosure data provided to clients and to better integrate climate into proxy voting recommendations on a robust and consistent basis.

Thus far it has proven challenging to encourage ISS to better align their Benchmark Voting Policy with the climate objectives of investors, and revisions to ISS' policy have not reflected changes requested by investors. We continue to monitor and engage with ISS through our IIGCC working group and our individual discussions with ISS.

PRI

In our past two Stewardship Code Reports we have discussed nature, highlighting the importance of developing a deeper understanding of the risks and opportunities our investments face and how to consider these in the context of client portfolios.

Our Responsible Investment Lead has been liaising with the PRI since 2020 on their approach to nature and was involved in their informal Biodiversity Group. This evolved over the years, and when the PRI announced the establishment of their formal Nature Reference Group in 2023, we were keen to get involved.

We joined the Nature Reference Group in July last year to enhance our knowledge and understanding of biodiversity and nature in the context of our investment analysis, and what this means for us as stewards of our clients' capital. The Nature Reference Group was established to create a platform where investors and asset owners could share ideas and focus on ways to halt and reverse nature and biodiversity loss. The group was also formed by the PRI as a way of building the organisation's knowledge on nature to help it shape policies and guidance.

The group is made up of 84 members, predominantly institutional investors and asset owners, and we were initially one of the only wealth management firms participating in the group.

Several barriers for nature-specific investment strategies were identified early on. Members found it challenging to communicate the urgency of nature and biodiversity loss and its relevance to investors and stakeholders within their own firms. There was also a lack of consistent data for measuring nature-related impacts and dependencies. A key objective of the group was to create a guide to support asset owners and investment managers in developing biodiversity investment policies. The framework established five key drivers of biodiversity loss and outlined a practical five-step process for investment strategies, including setting targets and monitoring progress.

Our involvement has helped us gain insight into best practice from firms who have been at the vanguard of investor action on nature. The output of the group last year - a guide for investment managers and asset owners - provided a valuable resource in developing our approach and how a smaller investment manager such as ourselves can prioritise material areas. Protection and restoration of biodiversity and ecosystems is one of the pillars of our 5-Point Sustainability Framework, which we outline in greater detail on page 42.

Since inception of the Nature Reference Group, the PRI has developed a wider Programme on Nature, of which this group forms a part. The aim of the PRI's programme of activities on nature is to align investor action with the goals and targets of the Global Biodiversity Framework[7] through capital allocation, stewardship, and policy engagement.

At JH&P, we continue to monitor the developments in data availability, tools and frameworks, company disclosures, and regulatory action to explore enhancements to our investment process and our engagements with the Nature Reference Group.

LOOKING FORWARD

During the year, we also joined The UK Wealth Managers on Climate Group. This was formed in September 2023 as a group of UK wealth managers aiming to engage collaboratively and share best practice on sustainability-related topics whilst focusing on our fiduciary duty and acting in the best interest of our clients. We look forward to reporting back on our involvement with the group in the coming years.

[7] The Kunming-Montreal Global Biodiversity Framework was adopted during COP15 in 2022. It sets out an ambitious pathway to achieve the global vision of a world living in harmony with nature by 2050.

PRINCIPLE 11

ESCALATION

ACTIVITY & OUTCOME

ESCALATION – EQUITIES & FUNDS

We recognise that we may have to engage on the same issue on multiple occasions over an extended period to influence change.

As noted throughout this report, our investment approach typically steers us away from investing in companies and funds which face sustainability-related risks that, if not addressed, would lead us to change our investment thesis. Our stewardship activities are therefore focused on issues that will improve the longer-term resilience and competitive position of our investments, making it less likely that we will regularly pursue escalation in the event of unsuccessful engagement.

Notwithstanding this, there are specific areas where we will be more likely to escalate our activities, such as climate-related strategy or remuneration policy changes in direct equities, or fee changes in our funded investments. Where an issue is seemingly not moving forward, for example where a company or fund manager is willing to start engagement but will not necessarily acknowledge our concerns, we will:

- Raise our concerns/aims further up the company or fund's management structure (if possible)
- Consider voting against individual directors where appropriate
- Explore the possibility of collaborating with the largest stakeholders of the company or fund directly, with an aim to raise awareness and seek support from shareholders with potentially greater influence

While engagement is ongoing, we will also determine whether the failure to address our concerns would significantly impact our investment thesis for the company or fund in question.

If we conclude that it does, we will exit the position. If not, we may review the level of existing exposure and record the issue for priority monitoring and discussion during future interactions with the company or fund.

As noted above, all outstanding targeted engagement matters sit as a recurring item on the RIC Agenda.

Our direct equity and third-party fund engagements have generally led to constructive ongoing dialogue. As such we have not been required to move beyond our existing engagement activities as detailed in **Principle 9**.

As mentioned in last year's report, we continue to engage with investee companies that do not meet our base climate strategy requirements. As highlighted in our escalation policy above, this has included voting against Board Directors and raising our concerns with IR teams and company management where necessary, as described in case studies in **Principle 9**.

ESCALATION – FIXED INCOME

As noted in **Principle 7**, while we can invest directly in corporate bonds, our fixed income allocation has for several years focused on developed market government bonds. Given the limited possibility and efficacy of engagement, divestment is more likely to be the escalation action taken should we become sufficiently concerned about sustainability issues impacting our investment objectives in our fixed income investments.

Our investment approach is more likely to lead us to avoid investing in fixed income assets of countries where we had material concerns about such factors – see Chinese government bond example in **Principle 7** of last year's Stewardship Code Report.

ESCALATION ACROSS GEOGRAPHIES

We recognise that applying our responsible investing approach across all geographies can be challenging, particularly regarding Governance issues.

For example, separation of CEO and Chair of the Board is a cornerstone of governance in the UK. We believe the Board's ability to hold management to account is weakened when one individual holds both the Chair and CEO role. We will generally vote against this arrangement at our companies and for proposals to split the two roles if currently combined, but also understand that the combination of the two roles is more common in other jurisdictions and is likely to remain so. This is particularly the case in the US. In these situations, we look for a strong lead independent director and push for the separation of the Chair and CEO roles at the next available opportunity.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

CONTEXT

Voting rights give us the opportunity to participate in the stewardship of the companies in which we invest on our clients' behalf.

Automatic email alerts from our proxy advisor ISS are used to notify us of upcoming meetings for companies on our recommended list. These are sent to the Responsible Investment Lead, as well as the Head of Investments, Chair of the RIC and the Heads of the Direct Equity team. The Responsible Investment Lead has primary responsibility to monitor these upcoming meetings, review voting intentions and ensure all votes have been made in line with JH&P's policy. The Responsible Investment Lead also formally collates and presents our voting activity to the firm.

For voting on direct equities, the lead analyst, if not already a member of the RIC, is also canvassed as part of the voting decision process, as it forms another key source of information for the companies in which we invest.

For our fund holdings, we gather information in our due diligence process on stewardship, engagement and voting practices at the fund house level and the individual fund level. A sub-group of the RIC reviews and ratifies voting decisions, and the implementation of votes is carried out by ISS.

JH&P VOTING POLICY

JH&P emphasises a consistency of investment approach and client experience. As a discretionary investment manager, our clients have given us the authority to undertake voting activity on their behalf. Clients, therefore, do not have the ability to apply their own voting strategy. Given our relative size, this also ensures that our vote has the greatest impact and promotes a clear message to the management teams and third-party funds in which we invest.

We do not engage in stock lending, allowing us to vote for all shares held on behalf of our clients.

Our voting guidelines draw on relevant codes for the markets in which we invest, including the Financial Reporting Council's UK Corporate Governance Code and UK Stewardship Code, and the OECD Principles of Corporate Governance.

Given the significant variation across markets, our guidelines cannot and do not seek to provide an exhaustive list of policies on all voting matters but set out our broad position on topics that frequently appear on the agenda of shareholder meetings. These include:

BOARD OF DIRECTORS

While the structure and operation of the Board will differ across jurisdictions, we believe several fundamental principles should apply:

Boards should be sufficiently independent from management to ensure objectivity and effective challenge on corporate strategy and issues.

Board composition should be sufficiently diverse in terms of background and expertise, and members should add value to the Board through their specific skills and by having time and commitment to serve effectively. Boards should be responsive and accountable to shareholders, having to stand for re-election at regular intervals.

REMUNERATION

Pay structures should be appropriate, easy to understand and linked to long-term value creation. We believe executive share ownership can act as the most simple and effective way to align interests with shareholders, provided shareholdings represent a material proportion of the executives' remuneration and overall wealth.

ACCOUNTS, AUDIT & OPERATIONAL ITEMS

Reports and accounts should provide a transparent and accurate review of both a company and management's performance. Reports should be set out in clear language, with supplementary information provided in instances where adherence to accounting rules may result in a misleading picture of a company's financial health or performance.

Independent and effective external auditors are necessary to ensure good corporate governance and verify the financial performance of the company.

SHAREHOLDER RIGHTS & CAPITAL STRUCTURE

Changes to a company's capital structure can have a significant impact on existing shareholders' claims in the future. Our Voting Policy around these issues is designed to protect our clients' long-term interests.

ENVIRONMENTAL & SOCIAL ISSUES

Consistent with our responsible investment philosophy, we assess companies' performance on environmental and social issues we deem to be material to long-term financial performance, and we support shareholder proposals where we think doing so can encourage improvement on relevant issues.

Further information can be found in our Voting Policy, which is on our website.

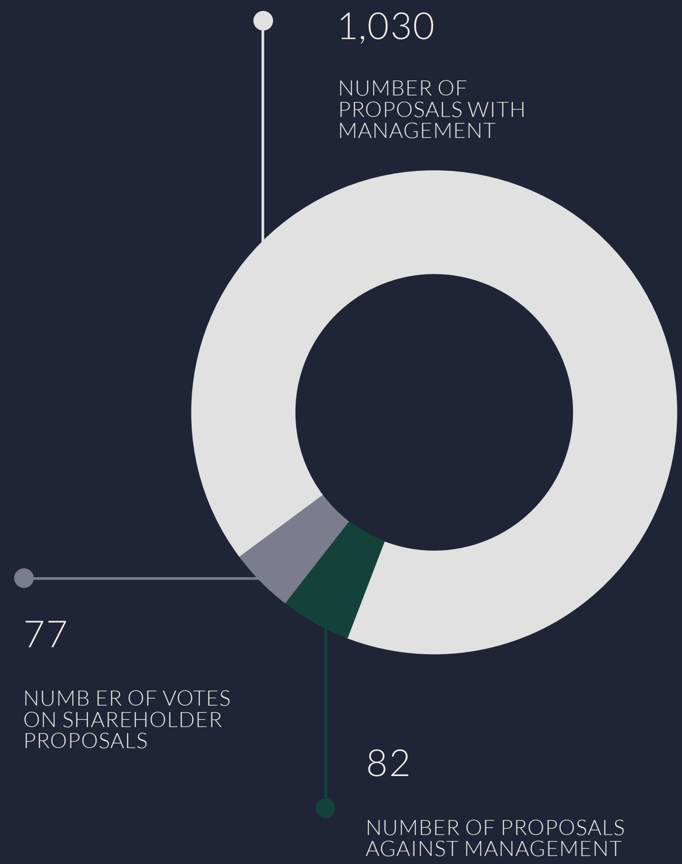
ACTIVITY & OUTCOME

We aim to vote on all equities and investment trusts held on our recommended lists.

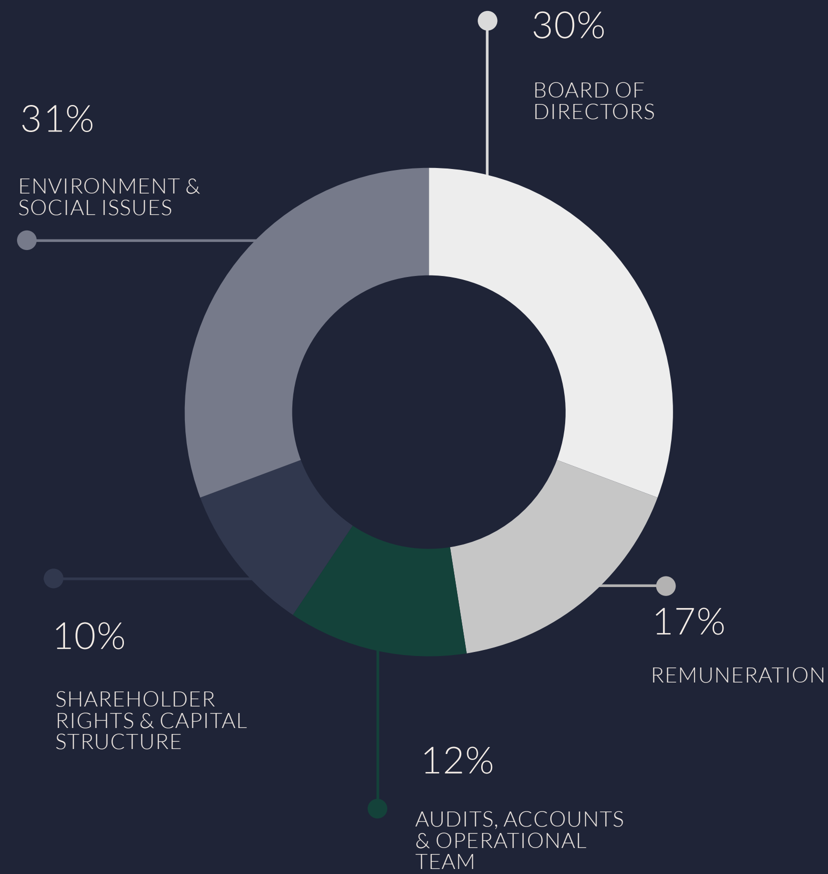
In 2023 we voted at 63 meetings (100% of available meetings). In 39 of these we voted with management on all proposals, and in 29 we voted against management on one or more proposals.

VOTING OVERVIEW

PROPOSALS OVERVIEW



VOTES AGAINST MANAGEMENT



As noted in this report, voting alone is often not an effective route of engagement. Where we vote against management on a significant issue, we seek to explain the reason for our decision and open a dialogue for ongoing engagement. Please see the Wolters Kluwer case study on page 73 for an example of how we link voting with future engagement to encourage positive outcomes.

In early 2023, at the beginning of the proxy voting season, we enhanced our voting process with reference to our investment trust holdings. In the same way we have climate expectations for our direct company holdings, we implemented a checklist for each of our investment trust holdings to ensure alignment with our internal expectations. These cover both the individual fund and also at firm-wide level:

1 FIRM LEVEL

a.
Is the company a signatory to the UN PRI?

b.
Does it have a firm-wide responsible investment/stewardship policy?

2 FUND LEVEL

a.
Are ESG considerations integrated at the fund-level?

With each investment trust AGM these three questions are circulated, and we aim to follow up and engage where a trust might not meet these expectations.

A summary of key votes and outcomes in 2023 is included in the following pages. Full voting records for 2023 are available on our website [or via this link.]

CASE STUDIES

COMPASS GROUP

SUMMARY

We voted against approving the Company's remuneration report. This reflected the absence of material actions taken to address concerns raised at the prior year's AGM in early 2022.

This followed our vote against the updated remuneration policy last year, where we viewed the significant increase in maximum rewards available through their long-term incentive plan as insufficiently justified. The existing policy had only recently been approved at the 2021 AGM and more challenging performance targets had not been introduced to reflect the additional potential reward.

OUTCOME

The vote passed with 70% shareholder support, akin to the result from the prior year. In light of such a high level of dissent this will continue to be an area we monitor.

RIO TINTO

SUMMARY

Our ongoing engagement with Rio Tinto has spanned the past few years, and has covered all manner of environmental, social and governance points. This year, we voted in support of all proposals and re-elections at the AGM and will continue our dialogue with the company.

OUTCOME

There has been a great deal of change at the management level and within the culture of the company, reflecting remedial measures from the Juukan Gorge incident and the Everyday Respect Report. Rio Tinto put their Climate Transition Plan to a vote last year and will resubmit every 3 years. We have engaged with them on this since, noting that we will monitor and discuss the implementation of scope 3 targets which are due to be in place before the end of 2023.

ASHTEAD

SUMMARY

We voted against the re-election of the Board Chair as Ashtead has not met our climate policy expectations. Ashtead has a plan to reduce the intensity of their scope 1 & 2 emissions, but they do not have a clear strategy to limit global temperature rise to 1.5°C by 2050 or before.

In addition to voting against the re-election of the Board Chair we also contacted the company to justify our position and explain the context to our vote against this item. This was then followed up on during a meeting with the CFO and Head of IR in January 2024.

OUTCOME

Ashtead are sympathetic to shareholder views on this issue and are aware of the need to use their position within the rental industry to influence how new products are developed and used. The company is working to model what their overall emissions may look like as they continue to grow, and what actions they can take to minimise and their impact and ultimately to achieve a Net Zero goal.

The re-election of Paul Walker as Board Chair passed with 91% of votes.

CASE STUDIES

POOL CORP

SUMMARY

We voted against the Board Chair as the company had not met the climate policy targets that we set out in our Voting Policy. We followed up with the IR team as part of our ongoing engagement with Pool Corp.

OUTCOME

Our discussions started in March 2021 (pre-purchase) as we sought clarification around corporate ambition and disclosure surrounding climate change, where this appeared to be lacking. Without the core climate targets we strive to see our companies set, we were obliged to follow our Voting Policy and vote against the Board Chair. We followed up with Pool Corp, explaining why we did so and asking if we could understand their plan for action.

Pool published their inaugural Corporate Responsibility report, which highlights improvements in many areas, from the sale of increasingly energy efficient products to initial carbon footprint reduction objectives. We have continued our engagement with Pool to monitor progress and understand future ambition for the company. Our dialogue with the company has since continued.

The re-election of John E. Stokely as Board Chair passed with 80.8% of votes.

ALPHABET

SUMMARY

We voted for several shareholder resolutions where we believe enhanced disclosure would be helpful for shareholders. These included votes on a report on online safety and Alphabet's human rights policies.

OUTCOME

Although no shareholder resolution passed, support for proposals relating to human rights and online safety was around 17-18%. This represented a dip in support from the prior year and coincided with reports that large and powerful asset managers cut their support for investor resolutions on environmental and social matters that they considered overly prescriptive.

As one of the largest and most influential companies in the world, we will continue to urge Alphabet to be at the forefront of shareholder disclosure and to use its influence to promote sustainable practices across its own business and wider industries.

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