James Hambro & Partners

RESPONSIBLE INVESTMENT

INTRODUCTION

Our business is built around what is best for our clients. Responsible investment is an important part of our investment philosophy as we believe companies that consider the wider impact of their behaviour and operate in a sustainable way are more likely to deliver enduring value for our clients.

Our global investment approach embeds environmental, social and governance (ESG) factors into our analysis. Alongside engaged active ownership this can promote sustainable behaviour and a commitment to press for improvements in the wider market.

Businesses have a role in creating a healthy and enriching environment for their employees and the 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.

OUR RESPONSIBLE INVESTMENT PHILOSOPHY

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 that 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 creates 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.

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.

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:

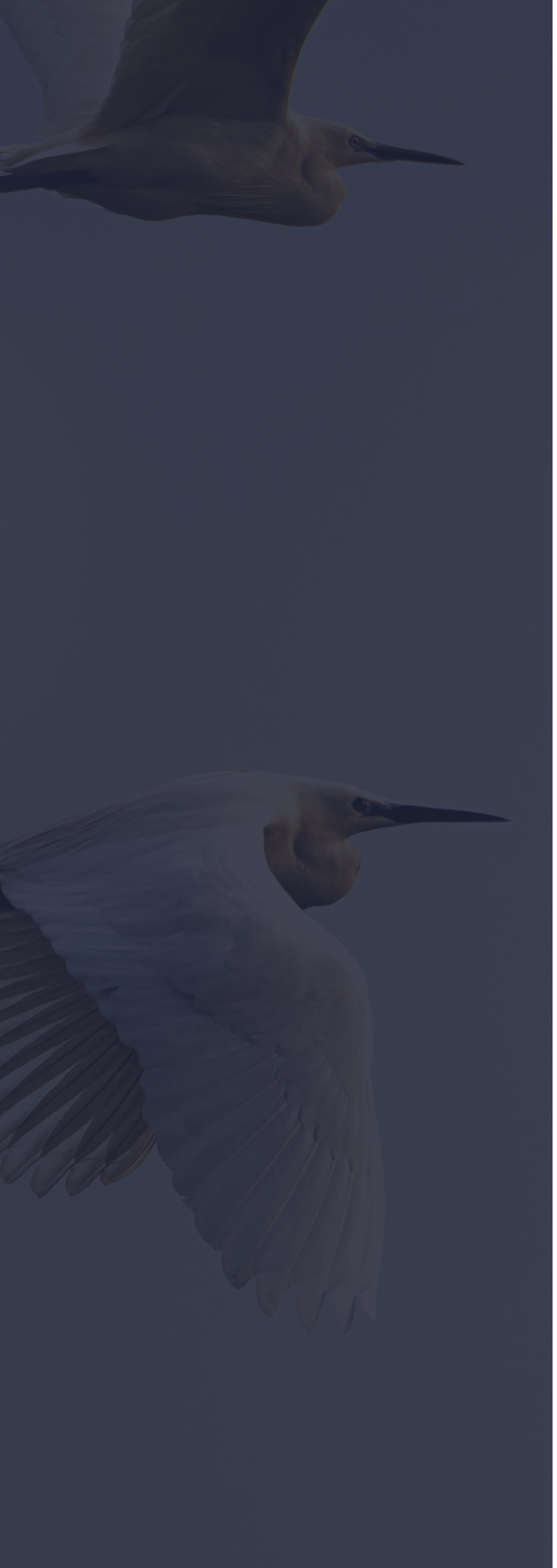
The opportunity for growth to be sustained.

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.

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.



INTEGRATION OF RESPONSIBLE INVESTMENT

JH&P's proprietary 5-Point Sustainability Framework is a materiality-based assessment of the risks and opportunities faced by a business. For each direct company on our Buy List a 5-Point Sustainability Review is produced alongside the Stock Note. 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 for ongoing engagement.

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 pragmatic. 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.

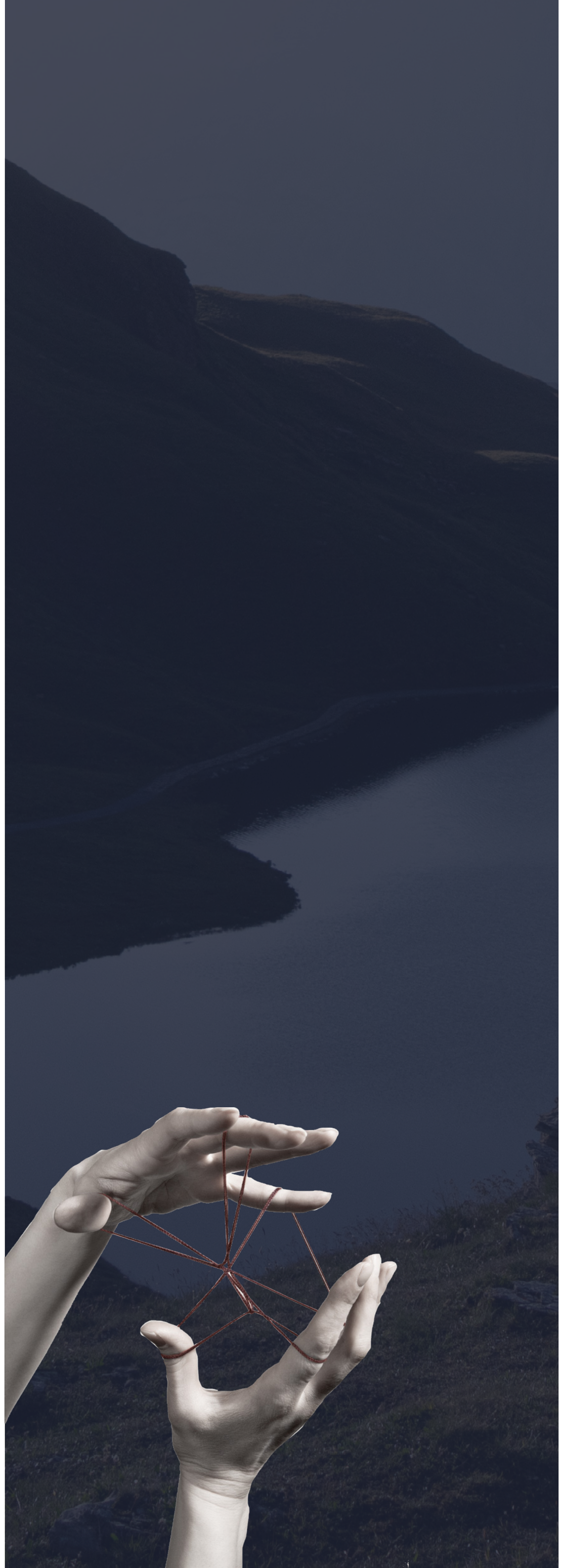
We therefore look at materiality in the context of company action to judge the investment proposition. By working with companies in a collaborative fashion we believe we can be stewards for positive change.

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 FIVE-POINT SUSTAINABILITY FRAMEWORK

The five pillars that underpin our analysis are influenced by the UN Sustainable Development Goals (SDGs). They capture the major themes we believe are most important to identify companies best placed to benefit from the transition towards a cleaner and more resilient path of economic growth.

For each of the five pillars, our primary 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 (+,-, =).



1 DECARBONISATION

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

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.

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 five 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.

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.

RESOURCES

We typically rely on primary sources to build our initial view. These include annual reports, sustainability reports, proxy statements and presentations.

Additionally, we use third-party research specialists to further our understanding and to provide a historical and relative context. Our external research resources include Bloomberg, investment banks, independent research houses, NGOs, geographical specialists, independent strategists and quantitative analysis tools. Our third-party research partners are increasingly providing dedicated ESG-related research, both on a sector and stock-specific basis.

In addition to our dedicated specialist ESG research firms, MSCI and ISS, we continually review other resources that may enhance our research, and in December 2024 we became members of CDP (formerly Carbon Disclosure Project).

FUNDED 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 Principles for Responsible Investment (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?

In addition, annual Due Diligence Questionnaires (DDQs) are required for each fund and ongoing engagement with the fund's management team.

FIXED INTEREST

DIRECT FIXED INTEREST

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.

SOVEREIGN DEBT

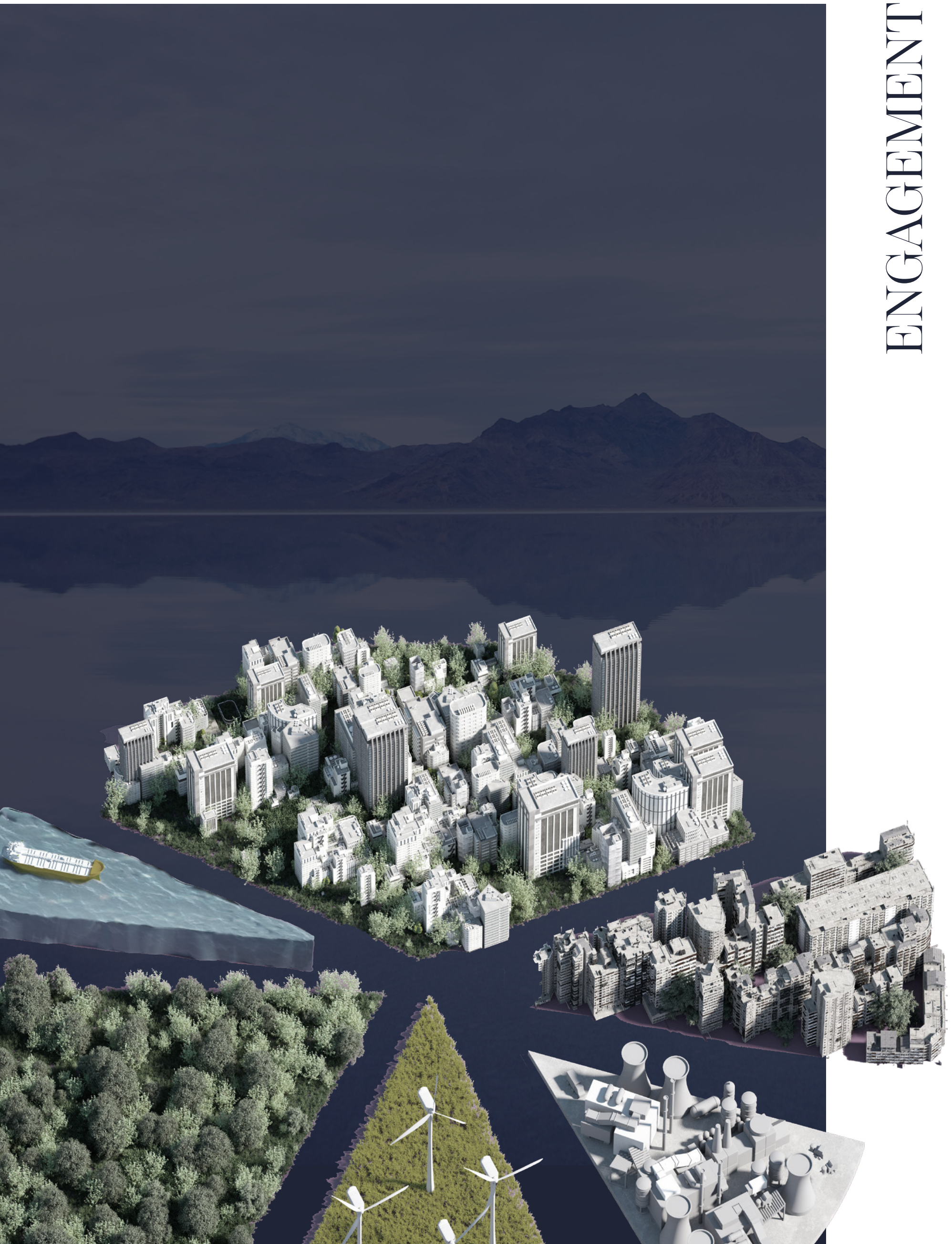
We draw on a wide range of official economic data and analysis including specialist data providers, investment banks and independent economic and political strategists to provide insight into how a country is addressing ESG factors, how these may affect the credit worthiness and economic stability on 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.

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.



ENGAGEMENT

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 value for all their stakeholders.

DIRECT INVESTMENT

Our sustainability framework classifies companies we consider investing in across three categories: Mitigating, Transitioning and Enabling.

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.

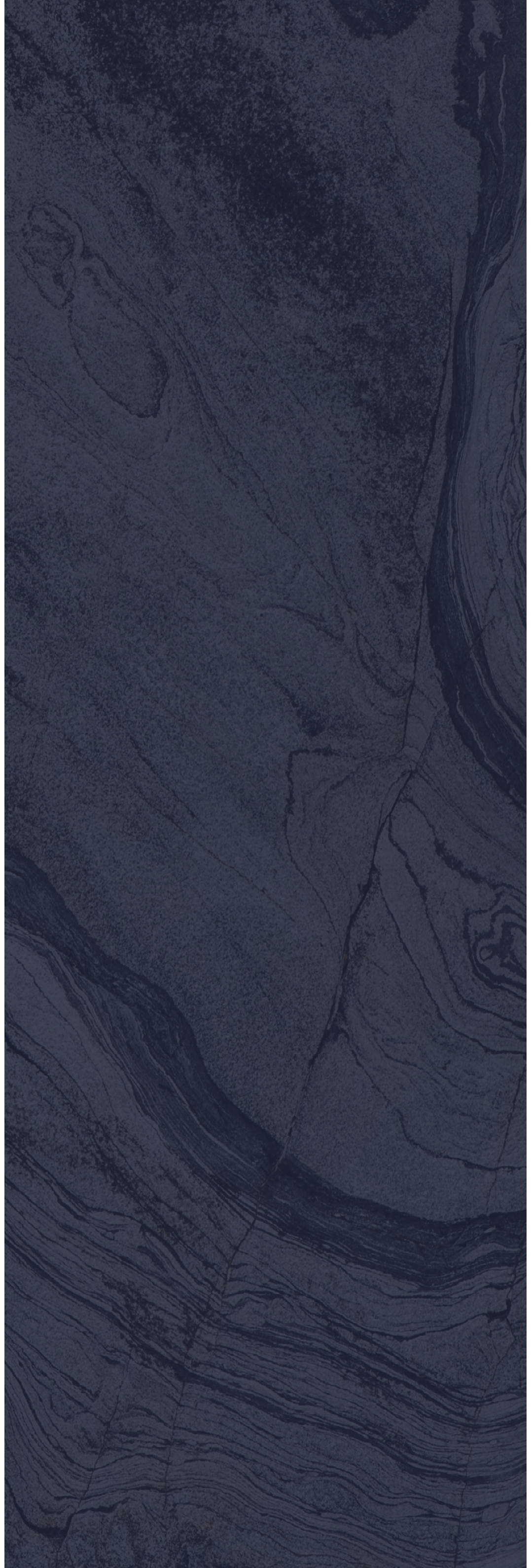
Furthermore, the challenges of climate change, biodiversity loss and rising social and economic inequality impact every investment, irrespective of business model, industry, or asset class. Ongoing monitoring and considered engagement are crucial to ensure steps are being taken both to address risks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

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.

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. 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.



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 and help develop our long-term investment case for each holding.

TARGETED ENGAGEMENT

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, including:

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.

COLLABORATIVE ENGAGEMENT

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.

Collaboration for us can also be achieved through knowledge gathering and information sharing. Our involvement with MSCI, the PRI and CDP produces valuable insight and information to help shape our ongoing investment analysis and enhance the service we can provide to our clients.

VOTING

Voting rights give us the opportunity to participate in the stewardship of the companies in which we invest on our clients' behalf; they provide us with an important means of communication and ensure that our ongoing dialogue with management teams is done in a spirit of partnership.

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.

As our proxy advisor, ISS is a useful resource but we 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.

Our full Voting Policy can be found on our website alongside a breakdown of our voting activity and examples of significant votes.

GOVERNANCE

Responsible investment 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 sits as a subcommittee to the Investment Oversight Committee (IOC). The IOC meets once a month to review all aspects of the investment process.

The RIC is chaired by our Head of Charities, Nicola Barber, and includes our Head of Investments, James Beck, the heads of each asset class group and our Responsible Investment Lead, Sarah Goose.

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.

THE RIC: PURPOSE & RESPONSIBILITIES

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.

Consider regulatory changes that impact the investment process from a responsible investment perspective.

Review responsible investing and ESG policies and make recommendations to the IOC of any changes.

Provide a forum to address any other ESG-related topics that have been raised by members of the Investment Team.

Ensure our responsible investment policy is clearly understood and communicated to all stakeholders.

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 analysis of 5-Point Sustainability Reviews, a review of any ongoing or upcoming engagement activities, voting decisions for company AGMs and addressing any controversies arising within our underlying investments.

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.

GET IN TOUCH

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