MERIDIEM
INVESTMENT MANAGEMENT

UK Stewardship Code Report

FOR THE 12 MONTHS FROM
01 January 2023 to 31 December 2023

Foreword
Message from our CEO

Many of the challenges we face in the world, economically, socially and environmentally, could be overcome with long-term thinking from investors, companies and governments. In a world that increasingly appears to be driven by short-termism – instantaneous access to (mis)-information has given rise to populism; knee-jerk reactions and quick fixes seem to be the order of the day. We take a different view.

Long-term investors support long-term thinking in the companies they have invested in. It encourages thoughtful planning from Boards and management teams to build resilient businesses, rather than responding to short-term noise and focusing on quarterly results or the next election cycle. As long-term shareholders, we want our companies to sustain their success. This includes building and protecting a company's culture and recognises the interdependency of all of their stakeholders. With a high number of investors to investee companies and long holding periods we have the time and the resource to build meaningful relationships and undertake our stewardship activities thoughtfully.

It has been a busy year for us as a team. We are delighted to see the companies progression through milestones on some of the issues we have been engaging with them on. These included improvements on environmental disclosure and target setting, supply chain monitoring and executive compensation.

This year we had a review of our stewardship and sustainability approach and process from a third party. We were very pleased with the feedback from this review. Areas where we could enhance our stewardship work include committing to some further collaborative engagements relevant to our equity and fixed income holdings.

We have a responsibility to play an active role in accelerating the transition of the global economy towards a net-zero emissions future in line with the climate science. This year we set a net-zero target for our business and investment portfolios, signed off by the Net Zero Asset Managers initiative. We also published our inaugural Climate Report, incorporating the recommendations of the Taskforce for Climate-Related Financial Disclosures. We are not naïve to the challenge that achieving these goals will be. But applying the same values and standards that we ask of the companies we invest in, to how we run our own business is the right thing to do.

On behalf of the Board and investment team, I am pleased to present this report on our compliance with the UK Stewardship Code. I hope it demonstrates our commitment to integrate stewardship throughout our investment activities and brings our engagement work to life.

Caroline Stokell
CEO, Meridiem Investment Management

This report was prepared by
Sam Cotterell.

We welcome your feedback and if you would like to discuss the contents of this report or our stewardship work more broadly, please contact:
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The report has been reviewed and approved by members of the Stewardship Working Group and MIM Ltd Board.

At a glance

WHO WE ARE

£6.8bn
AUM
assets under management
(as at 31 December 2023)

EST.
1993
First fund launched
in 2018

100%
Independent
and employee owned

64
Employees
including a 23-person
investment team

WE OFFER CLIENTS

Real returns
an investment approach aligned with our clients' financial objectives of growing their assets above inflation

Personal service
delivering a partnership approach between our clients and our investment team

Tailored
client service and reporting

ESG specific
information and analysis

OUR INVESTMENTS

Long-term horizon
(over five years) to align with the needs of our clients

A transparent and simple approach
investing primarily in global equities, to provide a transparent and understandable solution for clients

ESG fully integrated
in all investment decisions

Conviction-led
global best ideas investing

Contents

Report Overview and Executive Summary

We believe that our purpose, strong culture of partnership and investment philosophy enable effective stewardship on behalf of our clients. We are 100% owned by our employees, which helps to align business interests with our clients' objectives. We offer our clients the benefits of independence, stability and a long-term perspective. We have always focused on a single objective – to deliver long-term returns ahead of inflation. Discretionary investment management using a global approach is our only business.

Highlights from our ESG and stewardship work in 2023:

Over 25% *of 1:1 meetings with investee companies focused exclusively on* ESG issues.

We spoke directly to or wrote to over 90% *of our core equity holdings in client portfolios.*

We published our inaugural Climate Report including our emissions reduction targets for

2030 and 2050

for both our investment portfolios and our own business.

We voted on over 680 *proposals* | *at* 39 *company meetings* | *across* 6 *countries* | *meaning we voted on over* 95% *of core holdings in client portfolios.*

We furthered our

collaborative engagement work

by becoming an Investor Participant of ***Nature Action 100.*** *We also signed up as a participant to a* ***'Technology, Mental-health and Well-being' initiative****. These reflect our commitment to collaborative engagements that are material to our portfolios.*

We maintained our commitment to

engage with regulators

working with others in the industry to feedback on the ***FCA consultation*** *on the* ***Sustainable Disclosure Regulations*** *and investment labels.*

The golden thread running through all our stewardship work is the power of partnership. To deliver long-term returns ahead of inflation, we invest only in high-quality, well-run companies. These need to meet our strict quality of business and financial requirements. Through our engagement, our focus is therefore to work with good companies to make them better. We are long-term shareholders: we aim to hold shares for at least five years and hopefully much longer. This means we have a responsibility to ensure that investee companies harness all their long-term opportunities and take steps to be aware of and effectively mitigate the risks they face.

In our stewardship work we therefore encourage our investee companies to:

- Pursue strategic objectives that sustain a long-term successful business model and prioritise the achievement of these strategic objectives over short-term performance.
- Implement high quality business practices, referencing global standards such as the UN's Guiding Principles and OECD guidelines.
- Manage risk effectively, as seen from the perspective of multiple stakeholders.
- Implement an appropriate capital structure, through a process of sound capital allocation.
- Promote good corporate governance, including strong corporate cultures and appropriate remuneration and incentives.
- Communicate transparently and produce high quality, consistent disclosures and reporting.

Once again, environmental, social and governance (ESG) factors featured heavily in our engagement work. This was not because we believe ESG factors matter more than other issues, such as capital allocation or balance sheet strength. But as the financial risks posed by these ESG factors become increasingly apparent, we believe this is where our companies can make some of the biggest improvements to ensure the long-term durability of their business models in a rapidly changing world.

The main topics covered in 2023

Board composition – exploring whether companies have the range of expertise they need, including directors who have experience in fields such as cybersecurity, environmental sustainability and supply chain management where relevant	**Director independence** – ensuring board directors have a mix of tenures and that key positions, such as committee chairs, are held by directors who are truly independent
Audit quality – working to encourage US companies with long-tenured auditors to consider putting the audit contract to tender	**Employee welfare and diversity** – understanding the culture of a company, how employees are treated and ensuring fairness of pay
Supply chains – understanding what companies are doing to monitor environmental and social practices throughout their supply chains, and their remedial strategy if issues are identified	**The shift to a low carbon economy** – emission reduction, renewable energy usage, opportunities presented and continuing to encourage companies to set targets if they have not already done so in this area
Broader environmental issues – asking companies what they are doing to measure, monitor and manage environmental risks beyond carbon emissions (such as water use, waste and their impact on biodiversity)	**Artificial intelligence** – including responsible development, issues around bias and misinformation, responsible employee talent management and energy implications

We are pleased that over the last year our stewardship activities have generally been well-received by company management. Our interactions with companies have not only given us the chance to share our thoughts on best practice and to encourage change, but they have also given us the opportunity to increase our understanding of the challenges companies are facing and the opportunities available to them.

We hope you enjoy reading our response to the UK Stewardship Code and the company case studies highlighted throughout this document.

Principle 1

Purpose, strategy and culture

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Context and Activity

Since the company was founded 30 years ago, we have been guided by a culture of partnership and a common-sense investment philosophy. This serves one purpose: to protect and grow our clients' wealth for the future.

Everything we do is guided by three principles:

1 **Real Returns**
Our investment philosophy is aligned with our clients' objectives – to deliver long-term returns ahead of inflation. We consider risk as the potential for permanent capital loss. We believe in providing a sense of security through common-sense investing.

2 **Partnership**
We believe in the power of partnership. This cultural mindset is deep-rooted in our team. The investment team comprises 23 experienced investment professionals who are committed to providing a personal service to all our clients. We are 100% owned by our team which creates stability and focuses us on achieving client objectives.

3 **Stewardship**
When we buy shares in companies, we become business owners. As stewards of our clients' capital, we have an opportunity and a responsibility to contribute to the sustainable success of these businesses, taking the time to understand and support their strategy.

Our purpose and principles have guided us to keep our investment strategy simple and to enable the business to grow organically. We invest in great businesses, with strong and predictable characteristics, that are built to last. These companies offer products and services that will remain in demand for the foreseeable future, regardless of the economic backdrop, as they benefit from long-term, structural changes around the world. This allows us to grow our clients' assets by more than inflation over the long term.

We believe that our clients' objectives are inherently aligned with our core investment philosophy and culture. Specifically:

- Our deep-rooted culture of partnership creates stability and aligns our long-term interests with those of our clients. Successful long-term investing takes good judgement. It is a balance of our different skills and experience which enables us to identify great investment opportunities. We continuously question and learn, rigorously analysing opportunities and leaving no stone unturned.
- Focusing on the long term also aligns our investment approach with delivering sustainable benefits for the economy, the environment and society. When we buy shares in companies, we become business owners. As stewards of our clients' capital, we have an opportunity and a responsibility to contribute to the sustainable success of these businesses, taking the time to understand and support their strategy over extended time periods.
- Our focus on a simple investment offering with the objective of achieving real returns by investing in global equities, fixed income and cash, provides a transparent and understandable solution for clients.

- As long-term investors, we believe we have a responsibility to consider any factor that might impact the durability or value of our clients' investments. ESG factors might impact the long-term value of a company within our investment time horizon. The opportunities and risks related to ESG are therefore key considerations in every new investment we make, as well as our ongoing decision to hold shares in a business.
- Risk management is inherent in everything that we do. We define "risk" as the potential for permanent capital loss and each part of the portfolio construction process is focused on managing this risk.
- Clients have direct access to their designated investment managers who are responsible for suitability, portfolio construction and investment outcomes. This further aligns interests and accountability to clients.
- Finally, our sole business is the provision of discretionary global investment management, ensuring that our clients are at the centre of our business.

Our culture of partnership extends to our investee companies and guides our approach to our stewardship activities. It is a central part of our investment philosophy and process. As long-term investors, we take the time to understand each business in which we invest. When we buy shares in companies, we become business owners. Through open and constructive dialogue, we seek to build lasting relationships with company management to support their ongoing success. Stewardship activities are not outsourced. They are undertaken by our investment team who are knowledgeable and familiar with each business. Further information on our approach to integrating our stewardship activities in our investment approach is set out under **Principles 2 and 7**.

Responsibility in our own business

Just as we expect our investee companies to manage their environmental and social impact, we also embed sustainability into our business practices.

From an environmental perspective, our impact is relatively small due to the nature of our business, but we believe even small changes can be important. We are mindful of our consumption and waste as well as the long-term impact this has on the environment. Specifically:

- We have been carbon neutral since 2018 and we have committed to reducing our own business emissions with approved targets set for 2030 and to reach Net Zero targets by 2050.
- We have chosen a renewable energy tariff to provide electricity to our office.
- We encourage everyone in our offices to recycle by providing facilities to do so.
- All our paper is recycled and comes from Forest Stewardship Council certified sources; it is also carbon neutral.
- We source goods from independent, local and fair-trade suppliers wherever possible and expect our suppliers to manage their own environmental impact.
- We use environmentally friendly cleaning products.
- We are involved in a project to protect wildflower habitats for bees.

We have a strong commitment to diversity and believe that having a diverse team and inclusive culture is crucial to the success of our business. We understand the importance of diversity of thought to our investment process and we are proud to employ people from a wide range of backgrounds. We have a male/female split of 45%/55% at a company level, with 60% of the Executive team being women. We represent 13 different nationalities. With regard to our investment team specifically, we have a male/female split of 61%/39% and our ages span five decades. We also have a range of educational backgrounds and have degrees in over ten different subjects, including economics, modern languages, chemistry, physics and philosophy.

We acknowledge that diversity alone is not enough and that, in order to truly benefit from the diversity among our staff, we need to create an inclusive culture in which people feel valued, are able to openly express their views and bring their true selves to work. We have introduced a number of initiatives to promote this culture, ranging from whole firm away days to having cross-team monthly lunches hosted by senior leaders. We also acknowledge, however, that measuring the "success" of these policies is very difficult as there are no standard metrics available to monitor inclusion.

Using the research conducted by Oxford University's Centre for Wellbeing in collaboration with recruitment firm Indeed, we measure the key drivers of wellbeing semi-annually. These scores provide insight into how our team feel at work and why.

> *Businesses that prioritise wellbeing are often more resilient and ultimately deliver stronger performance.*

Since we began tracking these figures in 2021, we have noted that our wellbeing ratings remain in the top quartile of all companies. We continue to strive to improve wellbeing as we believe that this will foster an environment where everyone can thrive.

We also believe in supporting the future of diversity in our industry. We therefore work with the Sutton Trust to provide inspirational speakers, as well as with the Social Mobility Foundation and GAIN[1] for work experience opportunities and summer internships to students from less advantaged economic backgrounds or to encourage more women to enter the investment industry.

We have ensured the London Living Wage has been paid through our supply chain since 2015.

In addition, we have a history of charitable giving, both as private individuals and as a business. We have an annual budget for corporate charitable giving, for which charities are suggested by employees, and everyone in the company is offered the ability to donate privately to charities directly though the Give-As-You-Earn scheme. We support paid leave for staff volunteering, contributing to non-executive or other community-based roles. We are committed to matching individual charitable fund raising and we fund annual team charity events. See our latest charity video on our **website.**

Outcome

Our culture of partnership and our aim to deliver long-term returns ahead of inflation for our clients guides all our investment decisions. Fostering a culture within our business that values and rewards teamwork means that our clients benefit from the diverse perspectives, different skills and varied experience in our team. With inquiring minds and different perspectives, we continuously balance opportunities and potential risks, asking varied questions of ourselves and others to make sure our clients' wealth is preserved for the future.

From our last update, we highlighted that we began work to improve the communication of our purpose to ensure that all team members feel fully aligned with our overarching mission and focus. Since the formulation of "our purpose on a page", it has continued to unite the whole team with one common objective and helps new joiners to better understand the company from the outset. We feel that our culture has been enhanced and our determination to achieve the best outcomes for our clients are core to why we are here. This process also included garnering feedback from some of our longstanding clients about their views on the business, our team, culture, and the service we provide to them.

All investments are assessed for their ability to contribute to our clients' real return objectives and our collegiate approach to decision-making means that investment decisions, including decisions around stewardship and engagement, are taken by the investment team. This means we can harness the diverse skills, knowledge and experience of the team. We are proud of the strong risk-adjusted returns we have consistently delivered for our clients.

In 2023 and, more importantly, over the long term, we have delivered portfolio returns ahead of our clients' inflation plus targets. After a challenging market backdrop in 2022, it was welcome to see some of the positions that we had newly bought or added to on the back of market weakness contribute to strong performance during 2023. We continue to look ahead to ensure our portfolios are well positioned for the next three to five years to meet our clients' objective of long-term returns ahead of inflation.

[1] GAIN - Girls are Investors

Principle 2

Governance, resources and incentives

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Activity

Governance structure

As highlighted under **Principle 1**, we have a deep-rooted culture of partnership. The investment team comprises 23 experienced investment professionals who are committed to delivering results for our clients and providing a personal service. The average investment experience in the team is around 20 years. We are an independent business, 100% owned by our employees. This directly incentivises staff to focus on the long term and creates stability for our clients.

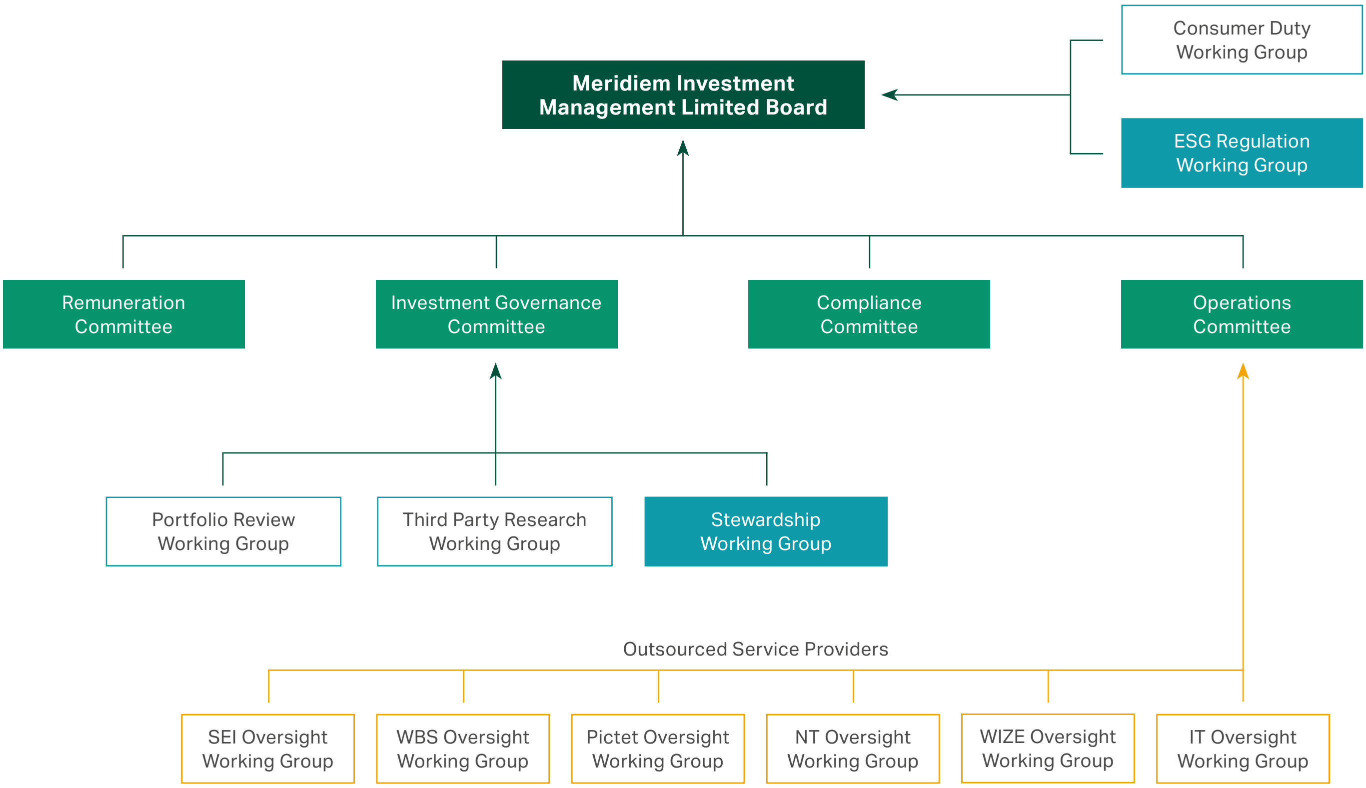
Our overall investment process is overseen by the Investment Governance Committee ('IGC') which is chaired by our Chief Investment Officer, Ross Ciesla. Sam Cotterell, one of our Investment Partners, has responsibility for reporting stewardship and ESG matters into the IGC. Ross reports on all investment related matters to the Board, including stewardship.

Our collegiate approach to decision-making is based on a shared understanding of characteristics that constitute an attractive investment. Investment decisions, including decisions around stewardship and engagement, are taken by the investment team reaching a consensus together and not by separate investment committees. That said, we do have two working groups which oversee our administration, policies and processes for our stewardship work and our responsibilities in relation to ESG regulation.

- Our **Stewardship Working Group**, chaired by Sam Cotterell, meets at least twice a year and more frequently if required. It is made up of members of the investment team, including our Chief Executive Officer, Deputy Chief Investment Officer, Head of Research and several of our Investment Partners. This group focuses on the administration, policies and processes for our stewardship work and on ensuring consistency of practices across the investment team. Any activities carried out by this group are communicated to the wider investment team during our weekly investment team meetings, as well as to our compliance and operations teams where necessary. During the last year, the group was responsible for discussing our voting and engagement policies with particular consideration of the third-party feedback received on our ESG and Stewardship work (details included under **Principle 5**) and furthering our involvement in collaborative engagements. The group also had responsibility for leading our client roundtable meetings to discuss our voting and engagements in more detail and garner their perspectives. This followed our first client roundtables in 2022 and further details are included under **Principle 5**.
- Our **ESG Regulation Working Group** meets twice a year, or as necessary, and was formed in 2021 to ensure we have the resources, policies and processes to meet our obligations as regulation evolves. The group is chaired by Sam Cotterell and includes our Executive Chair, Chief Executive Officer, Chief Investment Officer and our Compliance Officer. During the last year, this group has overseen our work to set a net-zero target for our business and investment portfolios which were signed off by the Net Zero Asset Managers initiative. We also published our inaugural Climate Report, incorporating the recommendations of the TCFD[2]. This group also reviews papers and final policy statements from the FCA[3] that relate to ESG and sustainability. In 2023, this included the Sustainable Disclosure Regulations and Investment Labels policy statement, a consultation paper on Diversity & Inclusion, and a discussion paper on Governance, Incentives and Competence.

[2] Taskforce for Climate-related Financial Disclosures
[3] Financial Conduct Authority

The chart below shows how these groups fit into our overall governance structure.



Resources – our people

All stewardship work is done by members of our in-house investment team, not a separate ESG or stewardship department, and the working groups highlighted above are predominantly made up of members of the investment team. Our focused investment style (we hold 25-40 equities in client portfolios) means we have an excellent ratio of investment professionals to investee companies. It allows us to know our investments inside out and focus us on what is material for each investee company. Where necessary, individual analysts are supported by members of the Stewardship Working Group to ensure consistency of approach.

We strongly believe that having a diverse team and inclusive culture is crucial to the success of our business. We understand the importance of diversity of thought to our investment process and we are proud to employ people from a wide range of backgrounds. Please refer to **Principle 1** for more details.

Resources – research and data

We use a variety of data sources to help us to assess the ESG characteristics of our investee companies and to support our stewardship work. Our primary source of information is that provided by companies themselves (such as annual reports, CSR reports, proxy statements and company websites), enhanced by direct engagement with company management, Board directors and investor relations teams.

We also use information from several ESG data providers as part of our investment process. These include ISS, Credit Suisse's HOLT, Bloomberg and the CDP. We also use information from the World Benchmarking Alliance, such as their Corporate Human Rights Benchmark and Nature Benchmarks, and information from other specialist benchmarking organisations including Know The Chain and Ranking Digital Rights for relevant companies. During 2023, we decided to change an ESG data provider from Moody's ESG to Sustainalytics[4] (via Global Access) which will ensure higher

[4] Sustainalytics is owned by Morningstar and provides the underlying data used by Morningstar Direct

consistency of information between data used by our analysts and data used to communicate portfolio sustainability-related metrics to clients from the Morningstar Direct platform, among other advantages. Further details are given in **Principle 8**.

It is important to note that:

We do not make investment decisions based solely on ESG ratings from third-party providers. We believe judgement from experienced investment professionals matters.

The information obtained from ESG data providers is used alongside our analysts' own research and information available directly from our investee companies. We typically use it as a guide to show where more investigation is needed. For example, should a company receive a poor rating from an ESG provider for environmental management, we would seek to engage with the company directly to explore the reasons behind the poor rating and ascertain whether it is down to a lack of disclosure or a lack of action by the company. We would also assess what the company is doing to address these issues.

In addition to the ESG research and data we buy, we use publicly available ESG information where appropriate and international reporting frameworks and standards to inform our views on best practice when it comes to company reporting of ESG issues. This includes standards being developed by the ISSB[5] (which incorporate SASB[6], TCFD and is collaborating with the GRI[7]).

Resources – training

All members of the investment team attend conferences and training sessions on stewardship and ESG integration. During 2023, sessions attended included those organised by:

- Brokers: Berenberg, Bernstein, Cowen, Jefferies, JP Morgan, Redburn and UBS.
- Industry bodies and regulators: CFA, IA (Investment Association), PRI (Principles for Responsible Investment), ICAEW (Institute of Chartered Accountants in England and Wales), ICGN (International Corporate Governance Network), IIGCC[8], FCA and FRC.
- Global organisations: CDP, TNFD[9] and UNI Global Union.
- ESG data providers: Morningstar, MSCI ESG.

Feedback and key points from all such sessions are provided to the wider investment team at our weekly investment team meeting and notes are saved in our research database. Further details on some of these sessions is included in the Outcomes section below.

In addition, we view our meetings with investee companies as opportunities to increase our knowledge of industry-specific sustainability challenges as opportunities, recognising that individuals working on the frontline may be better-placed than us to understand these issues. One such example was a meeting with **Experian** in late 2023, which we requested to reflect on the huge amount of progress they had made since we started engaging with them on their environmental reporting in 2019. They now report on 83% of the emissions in their supply chain (from 0% in 2019). This puts them amongst the leading companies in the portfolio in this respect, and they have done this with a relatively small team. The team place most of the credit for Experian's progress down to people – specifically their CFO who takes on the role of executive sponsor for ESG. Having a senior advocate to ensure a company's commitment to material issues is an example of best practice we will look for and, where appropriate, suggest to other companies. It was also commented during the meeting that it was interactions with stakeholders (including us) that helped push the company to upgrade their reporting.

Incentives

Our incentive policy focuses on aligning our interests with those of our clients. All senior staff including the majority of our investment team are equity holders in the business which facilitates an appropriate level of long-term incentive. All short-term incentives are discretionary and based on investment results including stewardship work, teamwork, client service and compliance.

We have neither sales targets nor targets for growth in assets under management for any staff member.

[5] International Sustainability Standards Board
[6] Sustainability Accounting Standards Board
[7] Global Reporting Initiative
[8] Institutional Investors Group on Climate Change
[9] Taskforce for Nature-Related Financial Disclosures

As part of our annual review process, all staff, including senior managers, discuss teamwork and collaboration, as well as integrity and their contribution to sustainability, both for our investments and for our own business (where relevant). For Board, committee and working group members, their contribution to these groups and to ensure effective implementation of processes and controls is also assessed.

Outcome

We believe our culture and governance structures and resources give us the knowledge, experience and flexibility to carry out effective stewardship on behalf of our clients. We have focused portfolios of 25-40 companies with a high ratio of investors to investee companies. Our stewardship activities are carried out by the investment team who also do all other research work on our investee companies. This means we know our companies in detail and are best placed to identify and focus on the issues that are material to each individual company.

Strengthening our skills and knowledge remains a focus and examples of some of the training/ knowledge-building sessions we had over the last year are set out below.

Unionisation and Decent work

Following on from our discussions at the UN PRI's conference in late 2022, we spoke to representatives from both the PRI and UNI Global Union (an umbrella of national trade unions) to enhance our knowledge about what they consider to be best practice in relation to collective bargaining and unionisation. This was in response to increasing calls for unionisation at some US companies we follow, as well as increasing strike action globally. UNI Global Union try to improve investors knowledge on topics such as labour rights, freedom of association, worker digital rights and monitoring of workers by companies as well as working with companies on these issues. We spoke about differences between the US and other countries and particular sectors that they have focused on such as retail and the information and communications technology sector.

Our main learnings from the meeting included:

- The US scores poorly on the ITUC Global Rights Index (ranks countries in terms of risks for human rights) at 4 out of 5.
- Highlighted problems in the US with the 'union avoidance' industry. Companies argue that educating employees on the benefits of direct communication, rather than through a collective, are valid whereas the UNI would highlight that insisting employees attend meetings with lawyers or consultants is not a free conversation. Labour laws also mean it is easier to dismiss workers who voice concerns.
- Highlighted neutrality or non-interference policies as good practices. **Microsoft** was used as an example of a company that has done this well along with several European companies in their US operations. **Amazon** was an example of a company with a pattern of hostility to unions globally. (We subsequently discussed this with Amazon in a meeting with their ESG leads and have voted for more transparency and third-party reports on this issue).
- Particularly in the ICT sector, workers are more concerned with monitoring and ongoing channels of communication rather than just being about pay.
- Importance of senior leadership (including the CEO, HR Director, and other senior management) being involved in these discussions.
- Importance of bringing unions into any restructuring conversations early in proceedings. Union involvement can help with employees accepting changes, such as increased digitalisation or automation. Unions want companies to be successful and stay in the country rather than move to a lower cost country, for example. However, they acknowledged that these discussions can create tension in short term.
- Increasing use of algorithms to monitor workforce and the need to have oversight by humans and in depth understanding of the algorithm.
- Importance of extending best practice into supply chains, including strong health and safety committees.

ICGN Policy Forum & Proxy Season Review

We attended the ICGN's 2023 Policy Forum & Proxy Season Review conference, which focused on international trends in stewardship and engagement, as well as a review of this year's proxy season. We were comforted to hear that several of the best practices highlighted by participants had already been implemented at Meridiem. For example, we heard from several investor relations executives at large UK corporations that sending post-AGM letters, as well as itineraries before engagement meetings, helps and allows the investor relations team to bring the right executives with domain knowledge to answer the questions being asked. We were also pleased to hear that corporates value the importance of engagement even when no controversial issues arise to foster relationships as well as reducing workload during busy proxy seasons.

We are always looking to improve and were pleased to learn about best practices that we will consider adopting, such as post-meeting letters. These letters were highlighted as allowing the Investment Relations teams to raise investor concerns further internally with a higher chance of success, as they provide management insight. We intend to apply this approach more consistently in 2024. Another topic discussed was the current status and type of assurance and audit of ESG data, and the regulatory requirements surrounding such assurances, which will help guide our engagement with our investee companies on this issue.

Changing regulatory landscapes

Given the pace of change in regulation around the world, this is an area where we often seek external guidance and training to ensure we stay up-to-date with the latest developments. To that end, we attended a session with a Washington-based sustainable and environmental policy expert during the last year. Many of our investee companies are based in the US, so developments in this market are particularly important to us. A range of topics were discussed enhancing our understanding on issues such as:

- The IRA and CHIPS Acts in the US and how Europe might look to respond.
- The impact of the US UFLPA[10] which is particularly focused on the solar and textile industries but likely to expand.
- Continued issues with permitting that are impacting the connection of new renewable energy supplies to the grid and the shortage of labour with the required skillsets.
- The potential for the US to support a carbon border adjustment mechanism (similar to Europe) as this is a policy that is favoured by both main parties to ensure domestic companies are not penalised by more lightly regulated imports.
- The focus in the US being on tax credits and therefore encouraging innovation and revenue opportunities rather than focusing on carbon prices and penalties.

ICAEW Corporate Reporting Conference

The conference included speakers from the ISSB, top accounting firms, the FCA, and several FTSE100 companies. Speakers outlined the timeline for announced sustainability reporting and highlighted the importance of providing high quality information that complements current financial reporting by allowing shareholders to assess the future implications of decarbonisation for business models. There was considerable discussion of the need to drive standardisation, consistency and alignment in global sustainability reporting to make it easier for companies to report and users to interpret the information provided.

One of the most interesting sessions was a reporting case study, where a FTSE 100 company walked attendees through their sustainability reporting journey highlighting their year-on-year enhancements and multi-stakeholder approach.

A key takeaway from this conference was concern about whether the audit and accounting profession is prepared for the additional reporting requirements. The ICAEW has yet to incorporate sustainability reporting into its core ACA training programme, instead offering short supplementary courses. There was an overall impression that standard setters and investors have got ahead of the teams who will be tasked with producing and assuring sustainability reports.

Internal resources to inform the investment team

As discussed in last year's report, we have been working on improving our internal resources and communications around our stewardship work. This has continued into 2023 with further improvements to both our engagement tracker and our internal ESG database. These improvements include:

- Information on carbon pricing from CDP reports.
- Information on water targets set by our companies.
- 2023 Nature Benchmark Scores.
- Information on whether our companies' human rights policies conform with ILO Labour Standards.
- Information on gender pay gap reporting.
- Information on whether companies conform with the UN Guiding Principles.

We expect to add more data points to this resource over time.

Members of the team also frequently provide presentations and training sessions to colleagues. For example, during the last year we had presentations on portfolio carbon emissions and carbon footprint, development of our Net Zero targets and our first Climate Report, TNFD[11] launch and Nature Action 100. The broader team were given feedback from the third-party review of both our overall investment approach and process and for our sustainability and stewardship work (see **Principle 5**). To further our work on structural growth drivers and risk factors, team members also gave a presentation on globalisation and de-globalisation.

[10] Ughur Forced Labour Protection Act
[11] Taskforce for Nature-Related Financial Disclosures

Principle 3

Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Context

As we are an independent business, focusing only on investment management, we do not experience some of the conflicts faced by larger and more complex financial services companies.

That said, we still have an obligation to act in the best interests of our clients and treat them fairly in all circumstances, including where there are or could be potential conflicts of interest. We seek to organise our business activities, including external arrangements, such as to avoid conflicts. However, our aim is to ensure that where conflicts do occur, the policies, procedures and controls needed to manage the situation are already in place. Such procedures are designed to ensure that the management of the conflict takes place in such a way that the firm or its employees are not advantaged, and that no client is disadvantaged. Our Conflicts of Interest summary is available on our **website** and provides more details on the steps we take to identify, consider, mitigate, manage, disclose and record all conflicts.

Through our culture of openness and regular staff training, we aim to create an environment in which conflicts of interest and potential conflicts of interest can be identified and resolved as they arise. All employees have a responsibility to consider any potential or actual conflicts of interest during the course of day-to-day business activities or ad-hoc project work and disclose such conflicts to the Compliance Team. We have processes in place to manage and mitigate conflicts, including a rigorous personal account dealing policy, an anti-bribery and corruption policy, and an annual disclosure of outside interests, if any. Staff are also subject to a gifts and hospitality policy which requires that disclosures are made and prior approval sought, where necessary.

In addition, all staff review and sign our Code of Conduct document on an annual basis. This is spear-headed by our Chief Executive Officer and draws together the main points from all our conduct and compliance policies to promote high standards of conduct throughout the business.

Our Conflicts of Interest policy sets out in more detail how we would respond to specific conflicts of interest and potential conflicts of interest. These might include issues arising from order execution, trade allocation or receipt of price sensitive information. Where conflicts arise through our voting and stewardship activities, for example where clients may have differing views on the outcome of a vote or where a director of an investee company standing for (re)election may also be a client, the matter is escalated to our Investment Governance Committee and Compliance Team for resolution. As we only hold 25-40 equity holdings in our portfolios, we do not expect such conflicts to arise very often. We do not expect to receive price-sensitive or inside information in our engagements with companies, and we always make this clear to companies. However, if this were ever to happen, we would handle the information according to our normal compliance policies and procedures which can be found on our **website.**

Any conflicts of interest or potential conflicts of interest which arise are recorded in the Conflicts of Interest Register. The register is reviewed regularly by the Compliance Team and periodically by the Board.

Activity and Outcome

In the time period under review, we did not identify any actual or potential conflicts of interest related to stewardship. As set out above, given the nature of our business and our investment philosophy, we do not expect to experience some of the conflicts faced by larger and more complex financial services companies. However, should we encounter an actual or potential conflict of interest, this would be dealt with according to the principles and policies set out above.

Principle 4

Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activity and Outcome

Risk management is inherent in everything that we do. Our clients have long-term investment horizons (generally five-years plus, and in many cases multi-generational) so we have a responsibility to identify and respond to risks that could affect the value of our clients' investments and our ability to deliver a real return over the longer term. We recognise that no company operates in a vacuum and each part of our research and portfolio construction process is focused on identifying and managing risks, including market-wide and systemic risks.

We believe that encouraging our company holdings to take a long-term approach helps to build resilience into their business models.

This, in turn, increases the resilience of the economies and financial markets in which they operate.

We focus on finding high-quality companies that are benefitting from long-term structural changes rather than investing relative to an index, allowing us to follow a conviction-led, "best ideas" investment approach. Should our investment research indicate that a company is exposed to long-term risks, including market-wide or systemic risks, that could affect the viability of its business, then we will not buy shares in that company. We focus on investing in large cap, liquid companies which trade on recognised exchanges.

The market wide and systemic risks we focused on in 2023 included:

- Macroeconomic risks, such as the impact of higher interest rates and sovereign debt levels.
- Geopolitical issues, particularly ongoing tensions between the US and China.
- Demographic changes, particularly the issues associated with ageing populations and a shrinking global workforce.
- Disruption from new technology, such as the rapid emergence and use of Generative AI.
- Human rights, both in companies' own operations and throughout supply chains.
- Ongoing impact of climate change, both in terms of rising emissions and physical climate risks, such as the increased likelihood of extreme weather events causing flooding, drought or damage to buildings and infrastructure.
- Biodiversity loss, water security and the impact of water shortages.

Every member of the investment team is responsible for identifying market-wide and systemic risks. Risks are discussed at our daily investment team meetings and at our longer weekly investment meetings, and all members of the team are encouraged to share their views. Specialist analysts are drawn on for areas of expertise. For example, our technology specialists have highlighted risks relating to technological disruption and cyber-security while our healthcare specialist has spoken about the risks associated with anti-microbial resistance and healthcare inequality. We also have an investment analyst who focuses on risks particularly associated to our fixed income holdings, such as interest rates, currency and credit ratings, and he also provides regular updates on macroeconomic developments.

In addition, we seek input from sector and industry experts to help us better assess market-wide and systemic risks and to inform team discussions about the action to take. We intentionally do not have in-house economists, so these sessions are an important part of our investment process.

Risk Case Study

ISSUE

MACROECONOMIC AND GEOPOLITICAL RISKS

Actions and outcomes:

- Hosted several meetings with economics and political experts.
- Members of the team regularly listen to group calls on the issues above.

In 2023, we had a number of sessions with economists which focused on a range of topics such as:

- Expectations on inflation and the impact of higher inflation and higher interest rates on the consumer, businesses and governments.
- The likely impact of further policy responses from central banks and governments.
- The impact of announced regulations affecting global trade, particularly between China and the West.
- Rising levels of global debt and the additional challenge of tackling this with shrinking workforces.
- The increasing political divide in the US and the implication for companies with particular regard to ESG issues.

As a result of these sessions and following internal discussions, we took advantage of market movements to increase our index-linked bonds exposure, thereby contributing to our client's inflation plus objectives. We have also moved to increase duration in our fixed income holdings overall as yields have been more attractive.

As always, we are mindful of valuation in our equity holdings. We have also continued to monitor Chinese exposure. This has included specific valuation work on various trade restriction scenarios.

Actions to address any risks identified, such as changes to portfolio holdings or to start engagement work, are agreed by the investment team collectively and progress on these actions is monitored on a regular basis.

We raise market-wide and systemic risks with investee companies directly where appropriate and indeed, many of these topics have featured in our engagements over the past two years. Management of these risks is also an important consideration in our investment research process as ESG factors are fully integrated with our research into financial issues. Further information is included under **Principles 7 and 9**.

We work collaboratively with wider stakeholders and industry groups to understand and tackle market-wide and system risks. This includes senior managers taking part in industry networks, such as those organised by the Investment Association (IA) and Private Asset Manager Directory (PAM)[12]. For example, our Compliance Officer took part in the PIMFA[13] regulatory roundtables, as well as several sessions organised by the IA on issues such as financial crime and responsible investment.

We have continued our work to engage with regulators over the last year, in conjunction with industry bodies such as the IA and PIMFA.

We are involved in an industry network to improve stewardship standards and share best practice about how to tackle risks. Learning points from these meetings are fed back to the Stewardship Working Group.

Finally, we contribute to campaigns and initiatives run by organisations, such as the PRI and CDP. We were delighted that we were able to continue our expansion of collaborative engagement work over the last year to include initiatives focused on environmental and social risks beyond climate change. Further details of our collaborative work are set out in the examples below and later in this document under **Principle 10**.

[12] Private Asset Manager Directory https://www.pamonline.com/
[13] Personal Investment Management & Financial Advice Association www.pimfa.co.uk

Risk Case Study

ISSUE

ENVIRONMENTAL RISKS, PARTICULARLY THE IMPACT OF CLIMATE CHANGE BOTH IN TERMS OF RISING EMISSIONS AND PHYSICAL CLIMATE RISKS

Actions and outcomes:

- Continued our engagements with investee companies to disclose and set reduction targets for greenhouse gas emissions, preferably validated by a recognised body.
- Took part in the CDP's non-disclosure campaign for the fourth year in a row.
- Set greenhouse gas emissions reduction targets both for our portfolios and our own business, disclosing targets for both 2030 and our ambitions for 2050.
- Published our inaugural Climate Report, including the recommendations of the Taskforce for Climate-related Financial Disclosures, during the summer of 2023.
- Had various meetings with brokers such as Cowen, Bernstein, Jefferies and Berenberg, on climate change and the energy transition – including problems with emissions data, reinsurance and climate risks as well as low carbon technologies, electrification and new technologies, such as developments in nuclear fusion.

Environmental risks, including those related to climate change, are considered in all our investment decisions. Increasing regulation in this area has been a focus in the last few years. At the same time, changing consumer preferences mean that companies which do not take the environment into account could impair their social licence to operate. As physical risks related to climate change (such as rising sea levels and extreme weather events) increase too, companies without adequate risk management strategies could see their workforce, supply chains and customer base severely disrupted.

We continued our engagement work with companies to encourage them to disclose emission data and set net-zero targets, along with short- and medium-term targets so that progress can be monitored. We also encourage disclosure to the CDP and are pleased to note that only two of our core equity holdings did not disclose to the CDP in 2023. For more detail on this please see Principle 10.

We seek to ensure that the companies in which we invest have management teams who understand the environmental opportunities and risks they face and are taking steps to reduce these risks by setting long-term targets (for example, to reduce greenhouse gas emissions) and putting in place processes to enable these targets to be met. One particularly interesting discussion on this issue was with **Infineon**. We were particularly interested in their plans for PFC[14] abatement, due to the particularly high global warming potential of PFCs which is of the order of 1000x of CO_2. While PFCs are necessary for semiconductor manufacturing and cannot currently be substituted, we learnt that Infineon has been replacing gas powered PFC abatement systems with electric powered systems that have an efficiency of 98%. Infineon also put forward the context of the environmental benefits of their products, which they estimate to be 33-34x their own emissions, leading to net savings of 100mtCO_2e.

We were pleased to publish our inaugural Climate Report, including the recommendations of the TCFD, during the summer of 2023. This was ahead of regulatory requirements as a smaller asset manager to do so. This report details our work around climate, both in reference to our investment strategy and portfolios, as well as in our own business. This includes how we consider risks to our portfolios from climate change, encompassing both how we consider emissions and physical risks of climate change.

We set emissions reduction targets both for our portfolios and our own business, disclosing targets for 2030 and our ambitions for 2050. These have been approved by the Net Zero Asset Managers initiative and are included in our Climate Report, which can be found on our website.

[14] Perfluorocarbons – molecules that contain carbon and fluorine atoms

Risk Case Study

ISSUE
NATURE-BASED CAPITAL

Actions and outcomes:

- Joined the Nature Action 100 collaborative engagement as an Investor Participant, an initiative spearheaded by Ceres and IIGCC.
- Increased engagement with investee companies on water security, specifically around their efforts to measure, manage and disclose water-related risks.
- Supported CDP disclosure on water and forests where relevant for our holdings.
- Various meetings with brokers and experts to understand the implications of the Global Biodiversity Framework agreed at COP15, the TNFD framework, and how companies can begin to measure nature and biodiversity risks.

Given the commitments made at the Kunming/Montreal COP15 Biodiversity Summit at the end of 2022, we have continued to increase our focus on biodiversity loss and water. In addition to being a crucial issue in its own right (for example because more than half of the world's GDP is either moderately or highly reliant on nature's services), we understand that it is also inextricably linked with the climate crisis and it will be impossible to solve one without the other.

We fully support the work of the TNFD and were delighted to see the final recommendations launched in September 2023. We expect to use these recommendations and the additional guidance to help us discuss nature-based capital issues with our companies. Members of the team have attended various meetings to understand better how we might start to measure some of these risks, using the LEAP[15] approach , and we expect to continue this into 2024. We look forward to speaking to companies and seeing how they are implementing the recommendations in the coming years. We track if any of our companies are included in the WBA Nature Benchmark which can guide our engagement. As described in Principle 10, we have become an Investor Participant of the Nature Action 100 collaborative engagement in order to further awareness of this important issue.

One of the areas included in the TNFD is water and this is an area that more companies are already reporting on. We note that there are becoming more instances of water shortages having a direct effect on economic activities globally in the last few years such as:

- An extreme drought in Panama has forced authorities to scale back shipping through the Panama Canal. The Panama Canal is one of the world's key shipping channels and has led to delays and increased costs for supply chains, as this is the gateway for c.40% of container traffic between Northeast Asia and the US. Sadly, this is coinciding with severe disruption in the Suez Canal, driven by geopolitical tensions in the Middle East.
- Continued issues with low water levels on the Rhine in Germany disrupting cargo shipping as it is a major commercial supply route.
- Concerns about new factories in Northern Mexico, an area experiencing water stress.
- Individual examples of factories standing idle due to low water levels in rivers used as the source of water for industrial production.

We are pleased that some of our companies have already completed water risk assessments and we have encouraged others to do so or extend these assessments from only their own operations to also include their supply chains. As with GHG emissions, in many cases, there is more water risk from supply chains than in the companies we hold in portfolios' own operations. This is the case with **Kerry**, where we were involved with the Ceres Valuing Water Finance initiative (see Principle 10). We also engaged with companies in the technology sector such as **Infineon** and **Microsoft** about their water use. Where relevant to a company's business model, we are also encouraging them to respond to the CDP's disclosure requests on Forests and Water.

[15] LEAP – Locate, Evaluate, Assess and Prepare https://tnfd.global/wp-content/uploads/2022/03/tnfd-the-leap-approach.pdf

Risk Case Study

ISSUE

DISRUPTION FROM TECHNOLOGY, SUCH AS THE RAPID EMERGENCE AND USAGE OF GENERATIVE AI

Actions and outcomes:

- Continued to engage with companies on managing risks related to technology and particularly use of algorithms and bias.
- Understanding the risks of Generative AI such as deepfakes, copyright issues and energy usage.
- Evaluating where use of AI poses a risk to durability of business models.
- Attended various meetings and webinars with brokers and experts across industries to understand the potential impact of AI more broadly.

2023 was obviously the year that AI, particularly Generative AI, hit the headlines and while we are excited about the opportunities that this presents our companies, there are genuine causes for concern to monitor.

We consider Generative AI to be a continuation of technological developments. Over the last few decades we have moved from analogue to digital, to mobile and the internet, machine learning, the emergence of cloud technology, and now rapid improvements in machine learning and compute have enabled Generative AI. Change always brings some risks and in many ways, Generative AI has increased risks that were already there.

Issues such as societal bias in data, energy requirements from technology, data protection and cybersecurity issues are not new but have been amplified by the rapid developments since November 2022 when ChatGPT was first unveiled. The problem of disinformation, either through deepfake videos, voice clones or 'hallucinations' (incorrect or misleading results that AI models can generate that can sound true but are not), could be significant. This is particularly of concern when coupled with algorithms with little human oversight, potentially exacerbating existing societal rifts, for example. Large language models (LLMs) have been trained on large datasets from the internet leading to problems over copyright and concern that much of this data may not be correct or contain harmful content. Running large AI models is energy intensive – an answer from ChatGPT uses 10-100x more energy than an email according to research from the University of Washington. While energy intensity is constantly improving, this is a considerable risk for our climate goals if improvements cannot continue to be made.

We expect our companies to be mindful of the adverse potential impacts of AI, encourage human oversight of models, and have accountability at management and Board level. We particularly enjoyed the opportunity to discuss some of these issues with the ESG lead at **Microsoft** as detailed in Principle 9.

While we are generally supportive of the view that new technology increases job opportunities rather than reduces them, we are also mindful that in any transition some roles will no longer be required whereas new roles will be created. This can take time and create dislocations in the short term. We expect companies to be responsible in their use of AI and focus on training and re-skilling affected workers. We track what leaders in the space, like **Accenture**, are doing in this area. Their approach focuses on re-training employees impacted by Generative AI. They delivered 40 million training hours during 2023, at a cost of $1.1bn. They have also been proactively defining new skills and roles, while staff numbers involved in data and AI practice are set to double to 80,000 over three years.

We have spent time considering the risk of AI to each of our company's business models. We have also considered copyright issues, proprietary data, and ability to either enable or use AI in applicable use cases. Where relevant, we have engaged with companies to understand management and Board responsibilities.

Many of the team have attended meetings and listened to webinars focused on the issues above and how these might impact various sectors relevant to our portfolios.

Principle 5

Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Activity

Our policies and processes are subject to continual internal review by members of the investment and compliance teams.

Internal structures, policies and processes

As discussed under **Principle 2**, our Stewardship Working Group, which meets at least twice a year and more frequently if required, focuses on the administration, policies and processes of our stewardship work. In addition, the group ensures consistency of practices across the investment team. As part of this work, the group also assesses the effectiveness of our stewardship work, adapting the processes and policies, where necessary.

We seek to externally review our stewardship activities periodically. Our policies, processes, and the effectiveness of our stewardship activities were previously reviewed by Arkadiko Partners in October 2019. Over 2022 and 2023, we engaged Mercer to conduct a thorough review of our entire investment process and approach. This has included an in-depth review of our ESG integration and stewardship work through a review of our written policies and communications, as well as face-to-face interviews with team members.

We received the Mercer report and feedback during 2023 and were very pleased with the overall report. They commented that our small number of holdings and long-term holding period aligned well with effective engagement. They could also see that considering ESG risks was embedded across the firm. As always, there is room for improvement. We were however pleased that the main issues raised were areas we were already aware of, such as exploring further collaborative engagements where we feel we have made progress since the report and is described further in **Principle 10**. We also recognise that while internally we have repeatable processes to ensure that relevant aspects of environmental and social issues are considered for each of our companies, our external material could be clearer on these issues. This is something we plan to address in the coming year. We also continue to strengthen our ESG work in the fixed income space, which we discuss in **Principle 7**.

Following our first successful client roundtables in 2022 to discuss our engagement and voting work in more detail, we held two further roundtables in 2023. Further details of the process and outcome are discussed under **Principle 6**.

We believe this approach of regular internal review involving senior members of staff, complemented by periodic external input, is appropriate given the size of our organisation and the fact that we tend to have only 25-40 equity holdings within portfolios. Our engagement and voting activities are discussed regularly at our investment team meetings and any changes to our policies and processes are highlighted to the team, who also have an opportunity to comment on the changes.

External engagements

We monitor the progress of our engagements by setting ourselves clear objectives at the outset and measuring progress against four milestones.

Engagement milestones:

1. Raising the issue with the company.
2. Receiving acknowledgement from the company that our concerns are valid.
3. Receiving confirmation from the company that it is developing a plan to address the issue.
4. Receiving confirmation from the company that the plan is implemented, and the objective is delivered.

Examples of some of our engagement work in 2023 and the milestones reached are included under **Principle 9**.

Where we make insufficient progress on an engagement, we will reassess our options and, depending on the impact on the future success of the business, may choose to sell our holding. These decisions are discussed both at the stewardship working group and as part of wider investment team meetings. When we choose to sell following an attempt at engagement, we inform the company in writing of our reasons for doing so. In 2023, there were no such sales.

Communication and reporting

To ensure our stewardship reporting is fair, balanced and understandable, all stewardship communication is shared with the investment and compliance teams prior to publication or distribution to clients. All team members can highlight any areas of reporting they believe to be unclear or that could misrepresent our activities. We also seek feedback on our reporting from longstanding clients and others in the investment industry to ensure that our reporting is understandable, but also relevant.

Outcome

We have continued to add information and data to our internal databases to track engagements and ESG data.

We have continued to embed reporting on our stewardship work throughout our investment communications. Updates on the outcomes of our ESG integration and the stewardship work are included in our quarterly client investment reports as well as being fully embedded into face-to-face meetings. Additionally, we have continued to provide clients with a standalone annual stewardship report, rather than including the annual stewardship report with our client newsletter. This standalone report includes specifics of all our voting activity. Going forward, this report will also track our milestones, split by main issues we engage on. This gives us scope to cover our stewardship activities in more detail and therefore continue to ensure that our communication is fair, balanced and understandable. We believe this enables our clients to better understand how we are using our influence as shareholders to have a positive impact on investee companies and will allow clients to more easily track our engagement work over time.

Further details on how we communicate our stewardship activities to our clients are included under **Principle 6**.

During 2024, we intend to review our voting and engagement policies and external material on stewardship to include some of the points raised by Mercer in their review of our ESG and stewardship activities. We expect to report further on this in next year's report.

Principle 6

Client and beneficiary needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

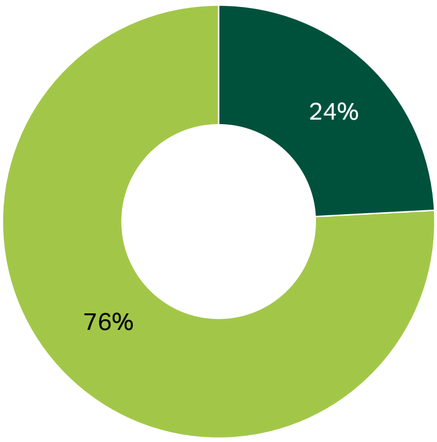
Context

Our sole business is discretionary investment management for individuals, smaller institutions and charity clients. Throughout our history, we have focused on a single objective – to protect and grow the real value of our clients' capital over the long term (i.e. five years plus). As highlighted under **Principle 4**, our clients have long-term investment horizons, in many cases multi-generational, so we have a responsibility to identify and respond to risks that will affect the value of their investments and our ability to deliver a real return over the longer term.

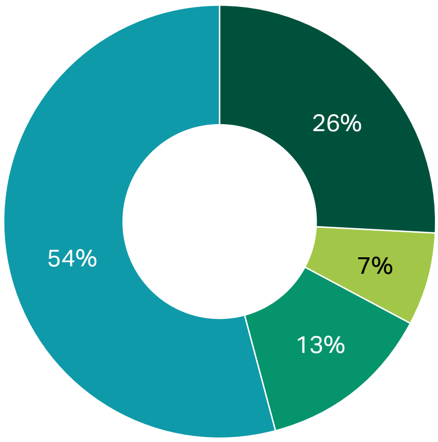
Our stewardship activities and ESG integration, as set out in **Principle 7**, are therefore applied across all portfolios managed for our clients. We do not run separate ESG or stewardship-focused investment strategies. As long-term shareholders in a focused list of companies, we believe we have a responsibility to consider any factor that might impact the durability or value of our clients' investments.

As at 31 December 2023, our assets under management stood at £6.8 billion across approximately 470 client relationships. An overview of our client base is shown below. Most of our clients are retail clients, but we also manage portfolios on behalf of institutional investors. Our largest client group is UK based, followed by the Channel Islands and Isle of Man.

Breakdown of assets under management by client type and geography as at 31 December 2023



Client Classification
- Professional
- Retail

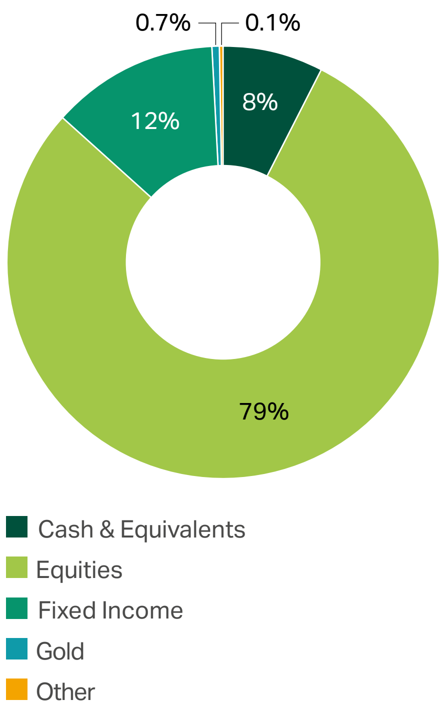


Client Tax Residency
- Channel Islands and Isle of Man
- European Economic Area
- Rest of World
- UK

Whilst our clients share the common objective of protecting and growing their assets ahead of inflation, individual risk tolerance varies. Additionally, many clients have ethical investment policies to be taken into consideration. We discuss our clients' detailed requirements before we sign an investment agreement with them and continue to monitor suitability for the duration of our relationship. These discussions form a critical part of the asset allocation decisions taken on their behalf, informing the asset classes we hold, as detailed below.

We invest predominantly in listed equities, fixed income, gold and cash on behalf of our clients. An overall breakdown of assets held as at 31 December 2023 is shown below and more detailed breakdowns of our listed equity and fixed income assets are also included. Our approach to stewardship for these different asset classes is set out in **Principle 7**.

Breakdown of assets under management by asset class as at 31 December 2023*



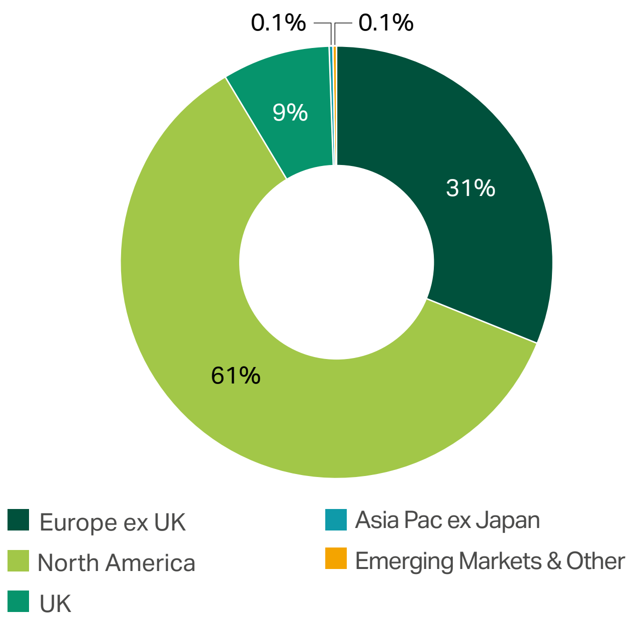
Listed equities

In the long term, we believe that well-chosen equities, benefiting from structural tailwinds and bought at a reasonable valuation, will be the main driver for achieving real returns. Our investment philosophy and strategy are centred on bottom-up stock selection, driven and supported by a rigorous research process. We invest globally on an unconstrained basis, i.e. with no reference to an index or benchmark.

Within equities, structural shifts shape the context within which we invest. We believe that no company operates in a vacuum, and each will benefit from tailwinds and face headwinds that may be common to other organisations. We seek to identify companies which are likely to benefit from these structural tailwinds and, if bought at a reasonable valuation, will be the main driver for achieving real returns. We generally hold between 25-40 equity positions in client portfolios, which bear no relation to any index, but reflect the fruits of our research. However, we do seek prudent geographic and industry diversification. We believe that owning a focused list of companies that we know well is lower risk than managing a widely diversified portfolio where not every stock is held with conviction.

A geographic breakdown of our listed equity holdings is shown below. As you can see, the majority of our holdings are listed in developed markets, predominantly the US and Europe.

Breakdown of listed equities (by market value) by geographic listing region as at 31 December 2023*

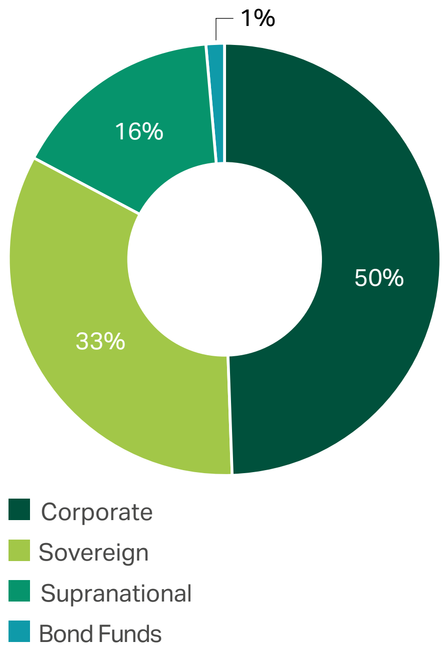


**Numbers may not add to 100% due to rounding*

Fixed Income

As set out above, our fixed income holdings account for approximately 12% of our total assets under management. Our fixed income strategy focuses on delivering cash-plus returns, risk control, a source of some income, hedges against inflation/deflation and transparent diversification. The result of this approach is that we currently target investment grade sovereign or corporate bonds. We also prefer short and medium-dated maturities in order to reduce duration risk. A more detailed breakdown of our holdings as at 31 December 2023 is included below.

Fixed Income holdings by type (by market value)



Maturity Date	Percentage of fixed income holdings (by market value)*
Under 2 years	50.5%
Between 2 & 5 years	29.1%
Between 5 & 10 years	18.1%
Over 10 years	1.0%
Not Available	1.2%
Total	**100%**

Rating[16]	Percentage of fixed income holdings (by market value)*
AAA	25.7%
AA+	1.8%
AA	2.0%
AA-	34.2%
A+	6.7%
A	9.3%
A-	9.3%
BBB+	5.7%
BBB	2.4%
BBB-	2.0%
Not Rated	1.0%
Total	**100%**

[16] Ratings are based on S&P ratings, or Moody's and Fitch ratings for holdings where S&P ratings are unavailable

**Numbers may not add to 100% due to rounding*

We note that the percentages in the tables above categorised as "Not Available" and "Not Rated" have decreased compared to last year. This is because we have significantly sold our exposure to bond funds in favour of direct exposure. Funds do not generally have a defined maturity and are unrated by the credit agencies. The direct holdings are rated and do have a defined maturity.

As the tables above show, over 80% of our fixed income holdings have a maturity of under five years and nearly 90% of holdings are rated A- or above. We have minimal exposure to holdings with a rating of BB+ or below.

As set out in more detail under **Principles 7 and 9**, the proportion of AUM, nature of our fixed income assets, and the purpose they serve in portfolio has informed our approach to ESG integration and engagement for this asset class.

Funds

Third-party funds are not part of our core offering. We only utilise funds for specialist investment exposure, such as to the gold price (as set out below).

The due diligence is similar to that for any individual equity purchased. We gather sufficient information on which to base a sound investment decision. We meet with the management of the fund. Ongoing due diligence is undertaken to ensure our investment view remains valid, current and appropriate.

Cash

Cash is considered a risk diversifier within the context of our investment process and serves to dampen the overall volatility of the portfolio. It is generally held in the base currency of a client's portfolio. These currencies are GBP, USD, Euros and Swiss Francs. We have no emerging market exposure in our cash holdings. Longer term strategic allocations to non-equity assets will, as far as possible, be invested in appropriate fixed interest investments, seeking returns superior to those available on cash, but with consideration to investment risk. We do not hedge currencies within portfolios.

Gold

We have long had exposure to gold in client portfolios through a gold-royalty company, included in our listed equities. However, in 2020 as Covid-19 took hold and governments and companies struggled to adjust, we increased our exposure to gold through an ETC (Exchange Traded Commodity) to provide an additional hedge against extreme inflationary or policy scenarios. The securities are backed by physically allocated, segregated and individually identified gold bullion held by HSBC and secured by an independent trustee. The security is listed and tradable on the London Stock Exchange, and issue and redemption rights ensure that the security closely reflects the value of the underlying gold.

We do not invest in other asset classes.

Activity and Outcome

The needs of our clients and beneficiaries are central to all our investment decisions. Our clients want to protect and grow the value of their assets ahead of inflation which therefore means assessing all risks and opportunities for potential investments, including ESG ones, and focusing on investing in assets that will enable them to achieve this aim. ESG factors are therefore considered for all client portfolios as a result of our multi-year investment horizons.

Importantly, our investment managers have a direct relationship with clients so we can tailor our service and communication to ensure we meet the evolving needs of clients. We discuss our clients' requirements before we sign investment management agreements with them and the suitability of our investment approach and strategy is monitored continuously throughout our relationships with our clients. We place great importance on delivering excellent client service. Portfolios are managed by two dedicated investment managers, a lead and a co-manager. The investment team are directly accountable to clients and spend time ensuring that they fully understand clients' investment objectives, risk profile and income requirements.

This process also involves ensuring that we understand clients' ethical investment policies, where relevant. Over 40% of our charity clients and a number of our private clients apply ethical restrictions to their portfolios. Where ethical restrictions are applied, our investment managers spend time ensuring they understand the reasons for the restrictions and encourage clients to focus on materiality. We can therefore ensure that beneficiaries' wishes are reflected without compromising investment objectives. Given our investment approach, focusing on 25-40 high-quality companies with predictable growth to match our clients' inflation plus financial objectives, many of the most common ethical restrictions, such as tobacco or fossil fuel companies, are simply not part of our usual investment universe. To ensure we include our clients' ethical restrictions, we also use Controversial Activities screening from Sustainalytics as referred to in **Principle 8**. These are also coded into our dealing system as an extra layer of ensuring compliance.

Client roundtables on our stewardship work

Following on from the success of our first roundtables with clients in 2022, we held two more client roundtables to discuss our stewardship work and principles in more detail. As highlighted previously, working in partnership with our clients to achieve their long-term goals has always been central to our investment philosophy and process. Gathering clients' thoughts on our stewardship work has strengthened that partnership and given us invaluable insights.

During small group face-to-face meetings in November, we had the opportunity to discuss stewardship in more detail with clients who expressed an interest in doing so.

> *We thoroughly enjoyed conversations with clients on topics such as governance, human rights in supply chains, and how new technology developments such as AI are being considered.*

Many of our clients are or have been Board members and we always enjoy hearing their ideas as to how we can evaluate boards better from an external perspective. While clients were generally very happy with our approach, there are inevitably some differences of opinion, and it is also interesting for our clients to hear differing client views. Our conversations have prompted further discussions on issues such as whether we should vote against Audit Committee Board directors in the US purely for reasons of long tenure of auditor and how we consider the privacy issues of monitoring supply chains.

This process also gave us the opportunity to reassure clients that our stewardship activities are part of our work to achieve their long-term real return goals and is not in place of long-term strategic and financial analysis.

We very much look forward to continuing this dialogue with clients in the years ahead.

Client reporting

This more formal feedback process on stewardship activities has not replaced any of our previous reporting processes. It was put in place in addition to our existing communication channels with clients on our stewardship work. We continue to hold face-to-face meetings with most clients at least once a year, often more frequently, where we have the opportunity to discuss our stewardship activities. This information can take many forms including engagement case studies, highlighting the ESG factors that are most material to a new equity purchased or an overview of the voting decisions made on behalf of our clients. In addition, we continue to provide all clients with a sustainability risk score for their portfolios and the carbon intensity of the portfolio for Scope 1 and 2 emissions using the Sustainalytics data we obtain through the Morningstar platform. We are providing this information to clients on an annual basis, so they have a better understanding of how the portfolio looks from a third-party sustainability perspective over time.

We also provide updates on our ESG integration and stewardship work in our quarterly investment update report. In addition, all clients can receive our annual stewardship report which sets out the engagement and voting activities we have carried out on their behalf. Given the nature of our client base and the focused nature of our portfolios, we believe that this is the most appropriate reporting frequency. As clients have direct access to our investment managers, they can request more frequent and detailed updates on our stewardship activities, if required.

When client feedback on our stewardship activities and communication approach comes directly to our investment managers, usually either by email or in our face-to-face meetings, this feedback is shared with the relevant members of the investment team. Where appropriate, it is usually also shared during our weekly investment team meetings so that any changes needed can be discussed and addressed by the team.

Principle 7

Stewardship, investment and ESG integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues and climate change, to fulfil their responsibilities.

Context

As long-term shareholders in a focused list of companies, we have a responsibility to consider any factor that might impact the durability or value of our clients' investments.

Environmental, Social and Governance (ESG) matters are all factors that might impact the long-term value of a company. The opportunities and risks related to ESG are key considerations in every new investment we make, as well as our ongoing decision to hold shares in a business.

In the long term, we believe that well-chosen equities, benefitting from structural changes and bought at a reasonable valuation, will be the main driver for achieving real returns. We look for high quality companies that benefit from opportunities arising from significant and durable shifts, such as meeting the demands of an increasing global population with the sustainability of our planet's resources in mind. For example, many of our portfolio companies are exposed to ESG-related opportunities as they enable electrification and digitalisation, help other companies assess, monitor and reduce their environmental impact, or promote sustainable consumption. At the same time, poor governance, and environmental and social risks are business risks. We look for management teams that understand and plan for these risks; we believe companies need to maintain their social licence to operate given rapidly changing regulation and consumer preferences.

All research is done by our in-house investment team, not a separate ESG department. As set out under Principle 2, we use a range of sources to obtain this information, predominantly the information we obtain directly from companies. Throughout the year, we have therefore been actively encouraging companies to be more transparent in their disclosure of ESG metrics. We supplement this with information provided by a range of third-party providers. Our focused investment style (whereby we hold only 25-40 companies in client portfolios) allows us to know our investments inside out, focusing us on what is material, and allowing us to punch above our weight in terms of influence.

Our stewardship activities are also an integral part of our approach to responsible investment. When we buy shares in companies, we become business owners. How we behave as shareholders is closely aligned with the long-term nature of our clients' objectives. Good stewardship involves voting and engaging on issues that will impact the long-term durability of a business.

Our stewardship principles

We are guided by four principles:

1. **Invest in high quality companies:** we will not hold shares in companies where we have identified a material risk to the long-term viability of the business.
2. **An aversion to box ticking:** we focus on what is most material to each business.
3. **A culture of partnership with management teams:** we value progress in pursuit of long-term sustainability.
4. **A focus on all stakeholders:** we recognise that businesses exist within society and therefore have a duty to all stakeholders, not just shareholders.

Further information can be found in our stewardship policy which is available on our website.

Activity and Outcome – Listed Equities

Stewardship and ESG integration feature at every stage of our investment process.

Our process for considering new equity investment opportunities has two stages. Firstly, the investment team assesses key pieces of information on a company including our internal Quality of Business checklist which, amongst other things, considers factors such as the track record on setting and progressing relevant environmental or social targets, management compensation and governance structures. As highlighted previously, in order to make these assessments, we use a range of sources, including information from companies themselves and select third-party data providers.

We consider ESG factors (and other non-financial factors) just as we consider financial factors. In the same way that we would not do further work on a company that did not meet our financial criteria, so we would not do further work on a company that has large ESG/non-financial risks where company management are not taking steps to effectively address these. We know that over time, what may start off as a non-financial risk can easily become a financial one too. As described above, nature-based capital is an emerging discussion point with our companies. One example of how these issues can become a financial risk is highlighted in relation to **LabCorp** in the example below:

Stewardship Case Study

Company: **LabCorp (Laboratory Corporation of America Holdings)**

ASSET CLASS	SECTOR	GEOGRAPHY
Listed Equities	Healthcare	North America

ISSUE

IMPACT OF BIODIVERSITY (NON-HUMAN PRIMATES) ON FINANCIALS

Engagement milestone: NA – engaging for information

In early 2023, one of LabCorp's competitors received a subpoena from the US Department of Justice (DoJ) relating to the supply of non-human primates (NHPs) from Cambodia for use in pre-clinical trials for human medicines. The DoJ was taking enforcement action against an international primate smuggling ring for bringing wild, long-tailed macaques into the US, a species protected under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Consequently, the US Fish & Wildlife Service began to deny requests to import any long-tailed macaques to the USA.

Notably, beyond biodiversity concerns, using wild monkeys is an issue for clinical researchers since they may harbour diseases or have compromised immune systems.

LabCorp was not issued with a subpoena, nor were there any reports of animal testing violations in its business or supply chain. However, this issue impacted its financial results by prompting an industry-wide shortage of NHPs, delaying the start of toxicology studies, and reducing revenues and profits in the Drug Discovery division.

We engaged with LabCorp management on this topic on several occasions. Firstly, to better understand policies and procedures around animal sourcing and welfare, and to receive assurance there had been no wrongdoing in LabCorp's supply chain. LabCorp has American Association for Lab Animal Science (AALAS) accreditation and has systems in place to ensure they only source purpose-bred NHPs. Secondly, we spoke in response to a shareholder proposal at the 2023 AGM asking for detailed disclosures on the transportation of NHPs in the US. Following this discussion, we chose to support management by voting against the proposal because the additional disclosure would be onerous and would not add value for shareholders.

Examples of the main non-financial issues we consider are listed below.

- **Environmental sustainability:** We want to invest in companies whose management teams understand the environmental opportunities and risks that are material to their business. These may include greenhouse gas emissions or waste, water usage and other scarce resource usage, or enabling their customers to be more energy efficient. We expect management to take steps to address the risks by setting long-term and interim targets appropriate for their business and put in place credible strategies and processes to enable these targets to be met.
- **Talent management and workforce welfare:** We believe that Boards and management teams should understand the opportunities available through attracting, retaining and developing talent, and have policies and procedures in place to enable this. We like to see that senior management and/or Board Directors have ultimate responsibility for employee engagement, diversity and inclusion, and there are policies in place to ensure the welfare of individuals throughout the supply chain.
- **Long-term strategy and corporate culture:** We want to ensure that the culture of the company is one which encourages management to plan for the long term rather than focusing on quarterly results. We look at a range of factors which include, but are not limited to, how the purpose of the company is defined and communicated throughout the business, the Board structure and the tenure of directors, Board diversity and the range of expertise on the Board, the committee structure, management compensation structures, talent management programmes, management's history of setting and meeting targets, capital allocation discipline, and auditor tenure. We also consider the quality and nature of dialogue we have with management and the Board when assessing culture.
- **Consider their supply chains:** We encourage our companies to gather data on their supply chains for environmental issues and where appropriate, to help them understand the importance of and how to measure relevant metrics. This may include GHG emissions, deforestation issues, water resources, waste or hazardous chemical use, for example. For many of our companies, their supply chains are more resource intensive than the company's direct operations. We also expect companies to be vigilant for human rights issues in their supply chains. We speak to relevant companies about how they monitor their supply chains, conduct audits, and how they remediate any issues found.

We apply the same standards to all companies, regardless of where they are located or listed. While we acknowledge that the regulatory backdrops for ESG issues vary around the world (for example, the US currently has no equivalent of the EU's Taxonomy), companies around the world are facing similar ESG risks, and we believe all companies should be taking steps to monitor and manage these risks. This is increasingly important in a world where companies operations, supply chains and customer bases tend to be global. Adopting the same ESG standards across all geographies is one of the reasons why we have no direct exposure to emerging markets and China in client portfolios: to date, we have been unable to get comfortable with the governance structures that tend to exist in these markets. Moreover, regulation is increasing. The SEC has published draft climate disclosure rules for US companies and the EU's new Corporate Sustainability Reporting Directive (CSRD) will apply to global companies with significant business activities in Europe, regardless of where those companies are based.

As in previous years, we have chosen not to pursue investment opportunities because of ESG factors among others. For example, we chose not to conduct further research into a digital business process outsourcing company due to some quality of management, employee welfare and overall culture concerns.

If a company passes the investment team's initial assessments, we will then continue with our full initiation process which includes more robust research, input from sector specialists and meeting company management where possible. This includes detailed work on a company's approach to managing ESG risks and, where necessary, engaging with the company to gain a better understanding and encouraging greater disclosure.

We 'Engage for Information' when we are interested to learn more about a company's thoughts and processes around a particular issue rather than having a particular concern or addressable outcome. This is often the case as we go through our initiation process. We had initial engagement meetings with new holdings **LSEG** and **Sonova** in 2023 and these helped shape our overall investment thesis on each company.

Once an investment has been made, we continue to monitor companies and we seek to have dialogue with all our investments at least annually. Furthermore, we always respond when companies write to us or request a meeting. As part of our ongoing monitoring process, we consider the extent to which companies are:

- Pursuing strategic objectives that sustain a long-term successful business model and prioritise the achievement of these strategic objectives over short-term performance.
- Implementing high quality business practices.
- Managing risk effectively, as seen from the perspective of multiple stakeholders.
- Implementing an appropriate capital structure, through a process of sound capital allocation.
- Promoting good corporate governance, including strong corporate cultures and appropriate remuneration and incentives.
- Communicating transparently and producing high quality, consistent disclosures and reporting.

Should our monitoring or engagement work lead us to conclude that the investment case for a company has changed or should we make insufficient progress on an engagement, we will reassess our options and may choose to sell our holding. When we choose to sell for ESG reasons or following an attempt at engagement, we inform the company in writing of our reasons for doing so. We had no such reasons for sales in 2023.

While we do not separate financial and non-financial issues, we have increased our use of ESG-specific meetings with investee companies to ensure that sufficient time is allocated to these topics. Having meetings focused on particular issues also means we can ensure that the most relevant people, both from our own business and from the investee company, are included in the meeting. In 2023, over 25% of the 1:1 meetings we held with companies were focused on ESG issues, such as board composition and independence, setting and disclosing net-zero targets, supply chain management and employee wellbeing. Increasingly, we are engaging with executives in departments such as Legal & Compliance, Technology, Human Resources and Facilities.

Overall, our ESG conversations with companies over the last year were generally positive and reassured us that management teams understand the risks they are facing and are taking action to address these. Examples of how ESG factors have featured as part of our stewardship work in 2023 are included under **Principle 9**.

In order to better manage and monitor the ESG information we have on companies, we have continued to build out our internal ESG database. This tracks numerous data points for the companies in which we invest as well as for companies that we are monitoring for inclusion in portfolios. The data points we monitor vary by company to ensure that the most material ESG risks for each company are captured, but the metrics we monitor for all companies include the following:

- Ratings from ESG data providers.
- The carbon emissions and carbon intensity of the company.
- Whether the company has a net-zero target and if so, whether this has been approved by the Science-Based Targets initiative (SBTi).
- Whether the company discloses climate, forest and water information to the CDP and if so, what scores they received.
- Whether the company is a signatory to the UN Global Compact.
- The gender diversity of the company at different levels of seniority (where disclosed).
- Key governance information, such as auditor tenure, whether ESG factors are included in executive compensation and any issues with ownership and share class structures.

During 2023, we added the following information to our database:

- Renewable energy usage.
- Information on internal carbon pricing (from CDP).
- Information on water targets set by our companies.
- 2023 Nature Benchmark scores.
- Information on whether our companies' human rights policies confirm with ILO Labour Standards.
- Information on gender pay-gap reporting.
- Whether companies conform with the UN Guiding Principles.

This internal database also links to records of our engagement work and allows us to track company progress on ESG issues more easily.

Activity and Outcome – Fixed Income

As set out under Principle 6, fixed income assets make up around 12% of our assets under management. As a result of the fact that listed equities make up the majority of our assets under management, we had prioritised our ESG integration work for these assets over the last few years as this is where we have the greatest exposure to ESG risk. However, we are also pleased that over the last year we have continued to make progress in developing our ESG integration process for our fixed income holdings.

As a reminder, approx. 90% of our fixed income holdings are A- rated or above and 80% of our holdings have a maturity of less than 5 years.

Nearly 50% of our fixed income holdings are corporate debt. Included in this are several companies for which we hold both the listed equities and debt securities. These include **Amazon**, **Avery Dennison**, **Bunzl**, **Experian**, **Fiserv**, **LSEG**, **Kuehne + Nagel**, **Marsh McLennan**, **Nestle**, **Next**, **Thermo Fisher Scientific**, **Tesco** and **UnitedHealth Group**. For these companies where we hold listed equity and fixed income assets, we apply our research and engagement work to both asset classes. This applies to around 20% of our total fixed income assets.

For companies where we hold debt but not equity assets, we have continued to monitor third-party ESG metrics (alongside financial measures) to ensure we are comfortable with the full range of potential risks over the timescale of our bond holdings. Should this information reveal that the company has high exposure to ESG risks which are not being sufficiently managed, we would raise this at our investment team meeting and discuss the appropriate action to take with the investment team. We have not yet identified any bond holdings where we have concerns about how ESG risks are being managed within our investment time horizon.

As discussed in last year's report, when looking at possible bonds to buy, assuming the expected financial return and credit rating are equal, we would prioritise bonds which have better carbon intensity and ESG credentials. We have added some of the basic ESG data (such as overall risk score and carbon metrics) to our standard bond information sheets in order to make this easier for portfolio managers when they consider their bond holdings. As set out previously, the purpose of our fixed income holdings remains to deliver cash-plus returns, risk control, a source of some income, hedges against inflation/deflation and transparent diversification.

As set out in Principle 10, we have increased our collaborative efforts to include topics that are material for some of our fixed income holdings. We intend to participate in engagements with some of our fixed income corporate holdings during 2024.

Around 49% of our fixed income holdings are developed market sovereign bonds (predominantly UK and US) or supranational bonds (for example, the European Investment Bank). These all have high credit ratings and tend to score well in screenings from the ESG data providers we use. We therefore believe that the ESG risk posed by these assets is lower than for our corporate debt holdings, so we have prioritised the development of our ESG integration process for our corporate debt holdings.

We do not hold emerging market debt.

Activity and Outcome – Gold

As set out under Principle 6, we have exposure to gold through the **WisdomTree Physical Gold ETC**. Our due diligence is similar to that for any individual equity purchased. We gather sufficient information on which to base a sound investment decision. We also meet with the management of the fund. Ongoing due diligence is undertaken to ensure our investment view remains valid, current and appropriate.

In 2021, we switched our holdings to a new product, the WisdomTree Core Physical Gold ETC which has a commitment to target post-2019 responsibly sourced gold and to promote high ethical standards in the gold market. We continue to hold this product in client portfolios.

Principle 8

Monitoring managers and service providers

Signatories monitor and hold to account managers and/or service providers.

Context

We use a variety of data sources in our investment research process to help with our assessment of a company's approach to ESG factors and in our stewardship work. We do not invest in third-party funds except for specific exposure such as to the gold price as described in **Principle 6**. In this section we are therefore focusing on service providers rather than third-party investment managers.

Companies themselves are our primary source of information (through annual reports, CSR reports, proxy statements and on company websites). We also use information obtained through directly engaging with company management and investor relations teams. All research is done by our in-house investment team, not a separate ESG department. Our focused investment style (25-40 companies) allows us to know our investments inside out, focusing us on what is material on a case-by-case basis.

We supplement this research with information provided by third parties including ESG data providers, sell-side analysts, industry specialists and proxy advisors. The information obtained from these providers is used alongside our analysts' own research and information available directly from our investee companies, and we often use it as a guide to show where more investigation is needed.

Specifically, while ESG data from third-party providers can be useful in highlighting areas that require further research, the data has several limitations including inconsistent ratings methodologies across different providers, a reliance on backward looking data, and the application of arbitrary rules and standards. As a result, we prefer to engage with investee companies directly to gain a broader understanding of the policies and processes they have in place to measure and manage ESG risks. This allows for a more nuanced and company-specific approach.

It is important to note that we do not make investment or voting decisions based solely on information provided by third parties.

As set out under **Principle 2**, the third-party providers we use as part of our investment research and stewardship process are:

- Sustainalytics for ESG risk research and screening for involvement in controversial activities.
- Credit Suisse's HOLT for information on company governance structures and compensation.
- CDP (formerly Carbon Disclosure Project) for information on a company's approach to managing environmental risks.
- ISS for proxy voting recommendations and environmental data.
- Sustainalytics ESG data provided through the Morningstar platform for portfolio level aggregated data used in client communications.
- Investment research from brokers includes ESG information about individual companies as well as regulation or thematic research into areas that may feed into our stewardship work.

Monitoring data providers

The data provided in relation to ESG research and stewardship is continuously reviewed by our Stewardship Working Group because our research process and stewardship activities are constantly evolving and therefore so too are our data requirements. Twice a year, the group will discuss the quality and accuracy of the information received from third parties, the timeliness of the information and the relevance it has for our investment process. Should any issues with our current providers be identified, for example, inaccurate information is provided, we will contact the provider directly to raise our concerns and to find a solution. Our Third Party Research Working Group assesses the quality and value of our brokers and this includes their ESG related work.

If the issue is not addressed in a timely manner, then we may look to find an alternative data provider. Where necessary, any issues in relation to data providers will be escalated first to the Investment Governance Committee, if needed.

Monitoring voting activity

For clients with UK and Guernsey-based custody, voting choices are submitted via our custodian (SEI Investments Ltd). After each vote has been submitted, we obtain confirmation from the custodian that the vote has been processed correctly. If any issues are identified, we will work with the custodian to understand the reason for them and to ensure that a solution is found for future votes, escalating the issue to senior staff at the custodian, if necessary.

For clients with custody at Pictet and Cie, and also for our fund holdings, voting choices are submitted through the ISS online voting platform. After each vote has been submitted, we obtain a vote confirmation report to ensure that the votes have been approved. If any issues are identified, we would contact our relationship manager at ISS to resolve the issue as soon as possible. There were no such issues in 2023. We also use the voting analytics provided by ISS to track our voting activity.

Activity and Outcome

Monitoring data providers

In 2023, after reviewing several providers, we finalised our transition to a new ESG data provider. The reasoning behind the transition was multi-purpose:

- Higher consistency of information between data used by our analysts and data used to communicate portfolio sustainability-related metrics to clients from the Morningstar Direct platform.
- More comprehensive climate data sets that facilitate our TCFD disclosures and compliance.
- Enhanced data delivery of ESG metrics through FTP files which provide adaptability and flexibility in which the data can be used, such as ingestion into Excel and Python.
- More detailed and frequently updated ESG risk reports which provide preliminary indicators of risks that we need to investigate.
- Wider Controversial Activities screening universe with an alert service, allowing for enhanced screening of holdings.
- Ensuring cost effective use of our resources.

We will continue to review whether the information we receive is meeting our requirements and those of our clients.

We were also able to vote on some of our Swiss-based holdings in our funds, where we have not been able to do before. This is explained further under **Principle 12**. We continue to work with our custodian to extend this to Swiss holdings in segregated portfolios and hope to provide further information about this in our next report.

Monitoring data providers case study: correcting information

During 2023, and in our initial checks on our new data provider for controversial activity screening, we realised that **DSM-Firmenich** was being flagged as being involved in oil and gas due to a subsidiary they had sold in 2022. We informed Sustainalytics of this and after investigation, they confirmed that we were correct and amended the assessment.

Monitoring data providers case study: enhanced Controversial Activities Screening

We reviewed the Product Involvement analysis on our new ESG data provider ahead of our annual engagement call with **Thermo Fisher Scientific**. The Controversial Activities screen is more sensitive than our prior tool for highlighting controversial activities and picked up several new topics on which we wished to engage for information. One topic was providing products and services supporting the nuclear power industry, which can be an ethical issue for some clients. We were reassured that their product range relates to radiation measurement and protection, and water and environmental monitoring. As such, this is not an area of concern or exclusion for any client portfolios.

Principle 9

Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Context

Our engagement activities are an integral part of our investment process and are carried out by our investment team. Throughout our engagement work, we follow our four stewardship principles as highlighted in **Principle 7**. Our focused investment style (whereby we hold shares in 25-40 high quality companies) allows us to know our investments inside out, focusing us on what is material for each company.

As outlined previously, engagement occurs at all stages of the investment process including before becoming shareholders. For example, if the company does not disclose much information about managing environmental risks or if we have questions in relation to governance structures.

On initially investing in a company, we introduce ourselves in writing to the Chair of the Board and CEO and, in companies where this role is combined, to the Lead Independent Director, outlining our investment strategy and approach to stewardship. This letter sets out what we expect of companies and what they should expect from us. Following investment, we engage with companies on issues which, if addressed, will further protect the durability of their businesses over the long term and therefore increase the likelihood of real returns.

We seek to engage directly with company management, the Chair of the Board and other Board members.

Our investment approach and the in-depth research that we carry out prior to becoming shareholders, both in relation to financial and non-financial issues, make it unlikely that we would become shareholders in a company which faces significant, material risks. Our stewardship activities are, therefore, generally focused on information gathering or mitigating potential risks to further strengthen a company, but if not addressed, would not necessarily change our investment thesis. We work with already good companies to make them better.

We apply the same stewardship principles and practices to listed equities across all geographies, although we acknowledge there are sometimes differences of opinion on best practise across borders (and particularly oceans). This is particularly relevant in terms of some governance issues, such as independence of directors or views on audit tenure between UK/European and American standards. We discuss some of these in the case studies below.

There are different types of engagement that we do with our companies. Sometimes, and particularly while we are doing our initial detailed analysis on a company, we will 'Engage for Information'. This means that we are interested to learn more about a company's thoughts and processes around a particular issue rather than having a particular concern or addressable outcome. We had initial engagement meetings with both **LSEG** and **Sonova** in 2023 and these helped shape our overall investment thesis on each company.

We also have various companies where we will be continuously monitoring and discussing best practice and developments in a particular area. We call these 'Ongoing Engagements' and are likely to be issues where there is no pre-defined target or resolution, such as monitoring the supply chain for human rights issues and taking responsible action when such an issue is discovered. During 2023, we discussed human rights in the supply chain with **Nike** and **Next**, discussing the extent to which they monitor their supply chain and the remedial actions taken when problems are found. We expect this to be an ongoing conversation with both companies.

As set out under **Principle 5**, where we do engage with companies to encourage improvements, we monitor the progress of our engagements by setting ourselves clear objectives at the outset and measuring progress against four milestones:

Engagement milestones:

1. Raising the issue with the company.
2. Receiving acknowledgement from the company that our concerns are valid.
3. Receiving confirmation from the company that it is developing a plan to address the issue.
4. Receiving confirmation from the company that the plan is implemented, and the objective is delivered.

Where we make insufficient progress on an engagement, we will reassess our options, and depending on the long-term impact on the future viability of the business, we may choose to sell our holding. When we choose to sell following an attempt at engagement, we inform the company in writing of our reasons for doing so. However, as set out in our stewardship principles, we recognise that it can take time for companies to make changes and we value progress in pursuit of long-term sustainability.

We view voting at company meetings as an important part of our engagement work and further details of how this interacts with our broader engagement work are included under **Principle 12**. Further details on our overall approach to engagement is set out in our Stewardship and Engagement Policy which is available on our **website.**

As set out under **Principles 5 and 6**, we communicate our engagement activities to clients through our annual stewardship report, our quarterly newsletters, and throughout the year in client meetings. Our stewardship report to clients and Stewardship Code reports are available on our **website.**

Activity and Outcome – Listed Equities

2023 was another busy year. We held 152 company meetings of which 72 were 1:1 meetings and 21 of these were wholly focused on governance, environmental and social issues. We voted on over 680 proposals at Annual General Meetings and sent 20 letters as part of our efforts to work with companies for long-lasting change. Overall, we engaged with 97% of our core equity holdings, including 79% of our core holdings having ESG focused meetings or letters sent about specific issues. We voted on 97% of our core holdings.

As an improvement to our disclosure, for the first time we are showing our milestones and progress in each main topic. We intend to show this over time so that clients can see more easily our engagements by topic and progress against these milestones.

Current engagements by milestone

Source: Meridiem Investment Management Ltd

As in previous years, our letters included introductory letters to companies we added to portfolios, such as **LSEG** and **Sonova**, "exit" letters to the companies we sold explaining our reasons for doing so (**Hasbro**), and letters explaining why we chose not to support some Board/management voting recommendations at recent AGMs. Some of our introductory letters prompt immediate engagement as described below.

Engagement Case Study

Company: **LSEG**

ASSET CLASS	SECTOR	GEOGRAPHY
Listed Equities and Fixed Income	Financials	UK

ISSUE
INTRODUCTORY CALL

Engagement milestone: Engaging for information

Following our introductory letter to LSEG's management, we were offered a follow up call with LSEG's Head of Sustainability and Investor Relations team. It was an overall effective call in which we covered various topics such as cybersecurity, the impact of the merger with Refinitiv on culture and human capital. It was also interesting to hear how sustainability is embedded in the LSEG corporate purpose in promoting economic growth. They believe they are uniquely placed to be an enabler of longer term sustainable growth given the breadth of business across capital markets. They can both support customers in the transition to a net zero world as well as engage for policy developments that encourage this.

We also discussed their work on culture, particularly after the Refinitiv merger. They have reset their corporate values, including a survey of staff in which they received 30,000 staff feedback items. This is important to make people feel part of LSEG rather than the legacy businesses.

They are also working through the organisational structure to ensure consistency of approach in terms of pay policies etc. They have global pay and annual compensation review policies. Members of ExCo meet with 12-14 colleagues from the business on a monthly basis as well as larger scale engagements, such as townhalls.

We also discussed their three-line defence mechanism on cybersecurity and it was interesting to note that one of the areas Microsoft[17] has had an impact on is cybersecurity. LSEG have updated many of their processes and policies to match the best practice of Microsoft.

Later in 2023, the company directly reached out to ask for feedback on the proposed changes to the executive compensation package for their new CEO. As part of the outreach, we had a call scheduled with the Chair of the Renumeration Committee for the beginning of 2024 which we expect to report on in next year's report.

As highlighted previously, as long-term shareholders, we consider all the opportunities and risks associated with ESG factors as part of our investment case because these are factors which could have a material impact on companies. Once again, ESG factors featured heavily in our engagement work. This was not because we believe ESG factors matter more than other issues, such as capital allocation or balance sheet strength. Rather, as the long-term financial risks posed by these factors become increasingly apparent, we believe this is where our companies can make some of the biggest improvements to ensure the long-term durability of their business models. Some examples are set out below.

[17] Microsoft owns 4% of LSEG and has a seat on the board

1. Board composition – exploring whether companies have the range of expertise they need, including directors who have experience in fields such as cyber security, environmental sustainability and supply chain management where relevant

Given the increasing importance of non-financial issues to the long-term viability of companies, we believe it is essential that Board directors have experience of dealing with the full range of risks companies face. The skills and experience that are most relevant will vary by company, but we would generally like to see Board directors with appropriate experience in fields such as cybersecurity, environmental sustainability, human capital management and supply chain management. We would also expect directors to have relevant geographic experience reflecting the global operations and customer base of the company.

Engagement Case Study

Company: **Align Technology**

ASSET CLASS	SECTOR	GEOGRAPHY
Listed Equities	Healthcare	North America

ISSUE
BOARD COMPOSITION

Engagement milestone: 4

At the AGM of Align Technology earlier this year, we abstained on the appointment of the Chair and committee members of the Nominations and Governance Committee. This decision was because the Board of Align had reduced in size from 10 to 8 members and no new directors had been appointed for several years. We wrote to the company to explain our reasoning and ask for engagement to understand how they approach succession planning.

We had a meeting with the company's CFO, VP Associate General Counsel and VP Investor Communications to discuss these concerns. We were comforted to hear that the Board would be looking at succession planning at its next meeting, specifically with a view to considering the skills needed. We were very pleased that in December 2023, Align announced that they have appointed two new directors to the Board, bringing it back to its usual size. The additional members bring highly relevant skillsets to the Board, adding sought after experience in materials science (relevant to their efforts to advance the field of 3D printing) and human capital management.

2. Director independence – ensuring Board directors have a mix of tenures and that key positions, such as committee Chairs, are held by directors who are truly independent

We believe that boards should have a majority of non-executive directors able to hold executive management to account. Directors should be re-elected with sufficient frequency to provide shareholders with the opportunity to support those performing their role responsibly and to remove those not promoting best practice.

We do not subscribe to the view that director tenure needs to be capped, as we recognise the benefits to the Board, company and shareholders that come from the retention of knowledgeable and experienced directors. If you impose a rigid limit to tenure, there would be no-one on Boards who had seen companies through the global financial crisis in 2008. However, we believe it is important for Boards to have a mix of tenures and that there should be balance between directors who have long-term experience of the company's operations and those who can bring a fresh, independent perspective.

We acknowledge that views on what counts as independent differ between the UK, Europe and the US. We follow the European view that directors can no longer be considered truly independent once they have been on a Board for 12 years.

This contrasts with the view held more widely in the US, where directors are independent if they have never held an executive role at the company or had a significant business relationship with it, regardless of their tenure on the Board.

Importantly, we expect significant Board sub-committees (such as the Audit Committee and Remuneration Committee) to be chaired by truly independent, non-executive directors to ensure there is sufficient oversight with minimal risk of conflict of interest from extended relationships with executive management. As set out under Principle 12, as a result of this approach, we abstained or voted against the reappointment of directors at the AGMs of several of our US holdings. These included **Broadridge**, **UnitedHealth Group**, **Marsh McLennan**, **Hasbro**, **Amphenol**, **Fiserv**, **Align Technology**, **LabCorp**, **Intuitive Surgical**, **Avery Dennison**, **Synopsys** and **Intuit**. In each case we wrote to the company to express our views which in many cases was then followed up with a meeting with the company to discuss the issues further.

Engagement Case Study

Company: **Marsh McLennan**

ASSET CLASS	SECTOR	GEOGRAPHY
Listed Equities & Fixed Income	Financials	North America

ISSUE

DIRECTOR INDEPENDENCE AND COMMITTEE LEADERSHIP ROLES

Engagement milestone: 2

In 2023, we abstained on the votes to reappoint the Chair of the Board of Marsh McLennan due to his tenure and the fact that there is no Lead Independent Director on Board. We also voted against 3 directors due to leadership roles as Chairs of Board committees and long tenure. In October 2023, we engaged with the company on a call with various senior managers including Assistant General Counsels, specialists in Executive Compensation as well as the Head of Sustainability.

This meeting focused on governance issues, especially where we were unable to support the Board at the 2023 AGM. It was reassuring to hear that Marsh McLennan is working on Board refreshment, both bringing in younger talent and rotating leadership roles. They continually look to recruit new directors and the Nominations & Governance Committee assesses skill sets twice annually to guide recruitment efforts. Marsh McLennan is serious in its commitment to a minimum of 30% female directors but will hire men if they bring the right skills. They target 10-14 directors to staff the 3 SEC-mandated committees plus their extra finance and sustainability committees.

Whilst it was unclear if there would be more progress by the 2024 AGM, the Board is active. We were assured that our perspectives on issues around director independence, the potential role of a LID and importance of external evaluation will be shared with the Board.

We also took the opportunity to discuss issues, such as auditor rotation and Executive Compensation. We explained our view on the benefits of auditor change but recognise the company are unlikely to act on this issue. We also discussed their say on pay vote which received lower support than the company expected, although it passed. We had voted in favour of the company (against the ISS recommendation) as we had taken the time to understand the company's position and in recognition of the performance of the former CEO on his retirement, bringing slightly forward an award he would have qualified for shortly. We do not have concerns with Marsh McLennan's compensation as it is sufficiently long term and linked to performance.

We also commented that disclosure around diversity changes over time would be helpful for tracking direction of travel and similarly, time series data for employee turnover. The company commented that this was very helpful feedback and they would consider this as they prepare for the publication of the 2023 report.

3. Audit quality – working to encourage US companies with long-tenured auditors to consider putting the audit contract to tender

As highlighted in our previous reports, we take our responsibility for auditor appointment seriously, especially as several high-profile failures over the past two decades have highlighted the importance of this issue. Most notable among them is the Enron scandal which cost shareholders over $70 billion when the company collapsed and resulted in employees losing billions in pension benefits[18]. More recently we have seen cases involving Wirecard and Carillion. Changing audit firm can help to highlight any issues within a business before they get this extreme. Best practice in Europe is to re-tender audit contracts after 10 years and change auditor firm every 20 years. However, in the US indefinite tenure is common and we have been raising this issue with several of our US-based companies. While there will always be some exceptions, in 2021 we updated our voting policy in this area: for companies with auditor tenure over 20 years, we will abstain and engage for a maximum of two years. If there is still no change, while we will continue to engage with companies, we will start to vote against proposals to reappoint auditors. However, we acknowledge that we are unlikely to convince all companies to change, so we aim to get reassurance from our US companies that there is sufficient challenge in place, where the same auditor has been in place for several decades. This remains an important component of our engagement work.

As part of our annual engagement with **Avery Dennison**, we have consistently flagged our concern about their long tenured auditor. Our engagement in June 2023 indicated they were at the exploratory stages for putting their auditor contract out to tender but wanted to better understand the logistics and benefits for doing so and asked us if we had any good examples. We put them in touch with **LabCorp**, who had recently changed auditors and were kind enough to take up the offer to engage with Avery. Unfortunately, this process has not, as yet, lead to any progress on auditor rotation.

Further, examples of our voting on this issue and escalation process are included under **Principles 11 and 12**.

4. Supply chains – understanding what companies are doing to monitor environmental and social practices throughout their supply chains and how they deal with any issues identified

For many of our investee companies, the biggest environmental and social risks they face come, not from their direct operations, but from their supply chains. For example, from an environmental perspective, extreme weather events and rising sea levels could threaten manufacturing sites, particularly in Asia and emerging markets. Any links to deforestation could pose reputational and regulatory risks, especially as regulators in the EU, UK, US and China are imposing new authentication standards to ensure that commodities linked to illegal deforestation are not imported. From a social perspective, allegations of forced labour within supply chains could result in a significant reputational hit for a company. In addition, failure to look after workers properly can lead to product quality issues because of higher turnover of staff and disengaged employees.

We acknowledge that managing these risks is not easy and that companies have to take a risk-based approach to overseeing their supply chains, but we expect companies to have robust procedures for monitoring practices at all levels of their operations and formal processes in place to deal with any issues identified. We encourage companies to work with suppliers to resolve issues rather than simply ending contracts with them as soon as issues are identified. In instances where a supplier is not able to meet a company's requirements, we ask companies to enact a responsible exit.

Given the importance of this issue, we are an Endorser to the PRI's Advance program as set out in the Collaborative Engagement section under **Principle 10**.

[18] https://www.investopedia.com/updates/enron-scandal-summary/

ESG Meeting Case Studies

Company: **Nike**

ASSET CLASS	SECTOR	GEOGRAPHY
Listed Equities	Consumer Discretionary	North America

ISSUE
INTEGRATION OF SUSTAINABILITY FACTORS THROUGHOUT THE SUPPLY CHAIN

Engagement milestone: Ongoing

Nike informed us that long-term relationships with its supply chain help integrate its supplier Code of Conduct. To that end, they have contracted with 90% of their footwear and apparel manufacturers for over 10 years. Nike is also auditing ever deeper into its supply chain with continued expansion in their Tier 2 (suppliers) and pilot audits of their Tier 3 (raw inputs) suppliers. If breaches of Nike's Supplier Code of Conduct are found, remediation is encouraged. However, if the required changes are not made, Nike will undertake a responsible exit. This, in the short term, reduces the company's overall compliance scores as issues are uncovered. Over the long term however, this extra auditing protects all stakeholders and ultimately makes their supply chain more resilient.

Looking beyond auditing of working conditions, material usage is another key focus for Nike and the industry as a whole. 70% of Nike's total emissions come from materials and it is therefore an area where shifting towards more sustainable options can have a significant impact. For a company the size of the Nike, usage of, for example, recycled polyester requires investment but it is making good progress. Usage of recycled polyester is now at 60% in apparel, up from 38% just 2 years ago. In addition, material innovation is allowing the company to experiment with more sustainable product ranges. Nike Forward, which launched in 2022, was a collection that comprised of 70% recycled content by weight and was made with an average of 75% less carbon compared to Nike's traditional knit fleece. All these incremental improvements by Nike give us confidence that the company takes these issues seriously and is investing to deliver on its targets.

5. Broader environmental issues – asking companies what they are doing to measure, monitor and manage environmental risks beyond carbon emissions (such as water use, waste and their impact on biodiversity)

As set out under **Principle 4**, we are increasingly concerned by the long-term systemic risks posed by environmental issues beyond carbon emissions and climate risks. These include water security, biodiversity loss, waste and pollution, and the human rights impact associated with these issues.

Those who rely on natural resources, from technology companies who use water to cool data centres to clothing companies who rely on pollination and soil quality for cotton plants, could see supply chains seriously disrupted if there is long-term damage to the natural environment. At the same time, as consumers become more aware of the need to protect nature, companies that fail to take steps to address their environmental footprint could see their social licence to operate increasingly under pressure. We also note that increasing regulation in this area could add costs for companies that fail to act.

In addition to the collaborative engagements highlighted under **Principles 4 and 10**, we have engaged with companies individually on these topics. We acknowledge that the most material issues in this area will vary by company, for example, depending on the business model, manufacturing footprint and supply chain structure. So the actions needed by companies will vary too. Our focused approach and deep understanding of our investee companies' operations is helping us to identify these. We also acknowledge that it will take time for companies to put systems in place to measure, monitor and manage their broader environmental risks, so for many companies our engagements at this stage are focusing on finding out what steps the companies are taking to collect this data. As our engagements in this area progress, we hope to be able to include more details and specific examples in next year's report.

As highlighted under **Principle 6**, engaging with companies on broader environmental issues and the transition to a more circular economy is an important issue for our clients so stepping up our engagements in this area is also a direct response to the views they shared with us.

Engagement Case Study

Company: **Next**

ASSET CLASS	SECTOR	GEOGRAPHY
Listed Equities & Fixed Income	Consumer Discretionary	UK

ISSUE
SUPPLY CHAIN AND PRODUCT LIFECYCLE MANAGEMENT

Engagement milestone: Polyester – 2, Water – 3

As mentioned in our example case study in last year's report, we do not believe that Next is likely to meet their responsibly sourced polyester target of 100%. During our annual engagement in December 2023, we heard that the company acknowledged our perspective and that they themselves have realised that the target was too ambitious.

The company do believe that ambitious targets drive progress, however, and they are currently working on a revised internal roadmap for this target. For example, we were told that they have a live progress dashboard, updated on a weekly basis, that is helping to drive proactive measures and more interest from their procurement teams.

Next have also evaluated water risk in areas of high water stress and hope to publish results in their 2024 Sustainability Report. Rather than setting out broad water targets, they are planning to focus on their most material locations.

We also had an interesting discussion around circularity, with Next noting that many retailers with takeback schemes for recycling have had issues with clothing ending up on landfills. There is very low traceability in these schemes. Next has decided not to progress with a takeback scheme and is engaging in collaborative efforts to find a solution that works. They highlighted that many innovative start-ups make impressive promises but when you get into the technical details, many do not deliver. Next is focusing on durability of their products and how to create durability standards which will reduce the need for recycling.

6. Artificial intelligence - including responsible development, issues around bias and misinformation, responsible employee talent management and energy implications

2023 was the year that AI, particularly Gen AI, hit the headlines. While we are excited about the opportunities that this presents our companies, there are genuine causes for concern to monitor as discussed in **Principle 4**. We were pleased to discuss these with some of our companies including **Microsoft** during 2023.

Engagement Case Study

Company: Microsoft

ASSET CLASS	SECTOR	GEOGRAPHY
Listed Equities	Information Technology	North America

ISSUE
DISCLOSURE OF MATERIAL ENVIRONMENTAL AND SOCIAL METRICS

Engagement milestone: Disclosure of metrics – 4, Target-setting – 3

Given the speed of developments in technology, particularly with the emergence and rapid take up of Gen AI, we found our conversation with the ESG lead at Microsoft particularly helpful. They assured us that responsible AI development was high on their agenda with two members of the board having specific responsibility for this area. We were assured that they have various guardrails in place and have previously used experts to help them address societal bias and inequities in speech-to-text technology. We also note that they are applying their guardrails to their Custom Neural Voice product to protect against deepfakes.

We discussed mental health implications of analysing and tagging vast amounts of potentially distressing data from the internet on workers. The company confirmed that these workers are covered by their supply chain policies, taking guidance from the UN Guiding Principles to formulate their Code of Conduct.

Although the fast growth of AI use in products is rapidly increasing datacentre energy requirements, they remain strongly committed to their 100/100/0 vision of 100% electricity consumption, 100% of the time being matched by zero carbon energy. They plan to achieve this through continued focus on efficiency and an increase in renewable energy projects.

Clearly this is a rapidly developing area and Microsoft will continue to monitor developments and the impact of these. As well as their 'Governing AI: A Blueprint for the Future' document released in May 2023, focusing on Responsible AI, we were pleased to note that Microsoft released a Human Rights Report in December 2023 that included a section dedicated to human rights in the era of AI. We expect to see further information on how AI is impacting various aspects of their business and targets in their 2023 Sustainability Report.

Responding to company requests for input
Our commitment to partnering with our companies means we always respond if they ask for our input. We believe this gives us the opportunity to strengthen relationships with companies and contribute to their long-term sustainability.

We therefore took part in third-party surveys to assess double materiality initiated by two of our investee companies, **DSM-Firmenich** and **Kerry**.

On request we also gave feedback to **Experian** on its tax reporting. We were particularly pleased to hear back from them that "we really appreciate your partnership in progressing our ESG performance".

Engagement Case Study

Company: Experian

ASSET CLASS	SECTOR	GEOGRAPHY
Listed Equities & Fixed Income	Industrials	Europe ex UK

ISSUE
PROVIDING FEEDBACK ON TAX TRANSPARENCY REPORT

Engagement milestone: NA – responding to the company's request for feedback

Members of the investment team have a longstanding relationship with **Experian**, and we were delighted to be able to provide positive feedback on the 2023 Tax Transparency report, with an improvement in the quality and depth of content year on year.

Drawing on the PRI recommendations for Tax Transparency, some of the specific points we highlighted as best practice included:

- Greater insight into how the Board determines the company's overall risk appetite. While the report mentions the Board's role in setting the risk appetite, providing examples of acceptable and unacceptable practices would offer a more nuanced perspective.
- Disclosure regarding any lobbying activities related to tax.
- Country-by-country reporting details, including a comprehensive list of all subsidiaries, as outlined in the OECD-BEPS (Base Erosion and Profit Shifting) guidelines. We note that while Experian currently provides a breakdown by large geographies, such as North America, Latin America and EMEA, a more granular country-by-country breakdown aligning with OECD-BEPS recommendations would be appreciated.
- Details about financially significant tax incentives, such as tax holidays offered by various jurisdictions. This should include information on the expiration dates of each incentive, the associated investment requirements, and commentary on the likelihood of renewal. While we acknowledge that Experian mentions its prudent use of tax incentives for shareholder benefit, providing these additional details would enhance investor understanding and confidence regarding potential tax changes.

We believe that companies such as Experian, who are considering these issues and looking to engage with their investors in advance, are well-placed for upcoming legislation.

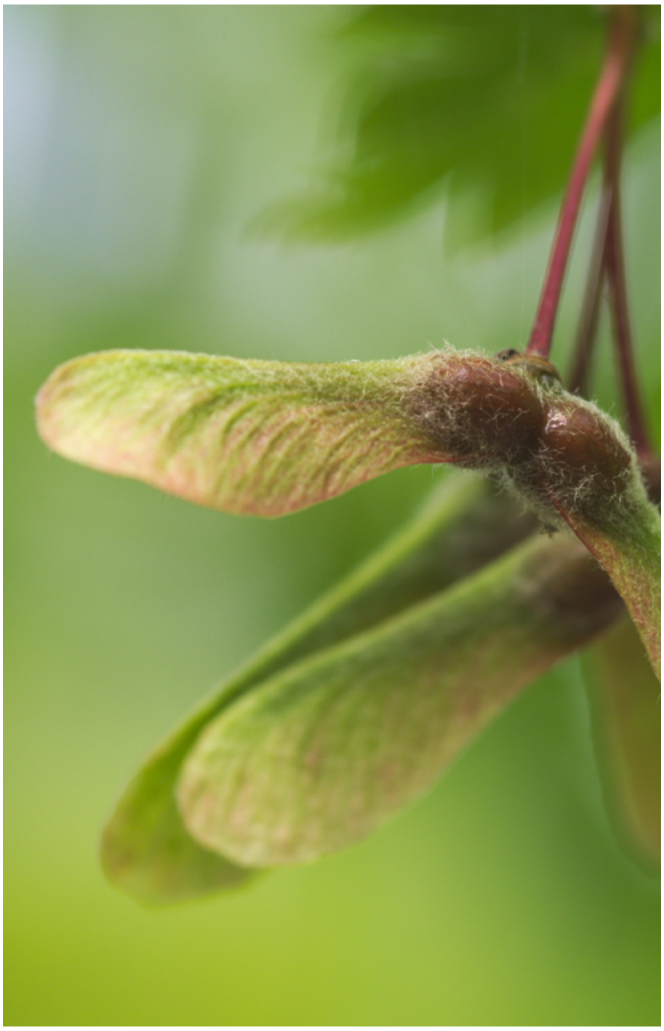
Activity and Outcome - Fixed Income

Because of a lack of voting rights, bondholders are unlikely to have the same access to company management as shareholders. We are exploring options for extending our engagement work to cover this asset class in the years ahead, for example, through collaborative engagement.

As set out under **Principle 6**, listed equities make up the majority of our assets under management, so we have focused on enhancing our engagement work for these assets over the last few years as this is where we can have the biggest impact for our clients. It is also worth noting that nearly half of our fixed income holdings are developed market sovereign bonds or supranational bonds (for example, the European Investment Bank) so as a first step, we are focusing on our corporate debt holdings.

As highlighted in the examples above and under **Principle 7**, where we hold both listed equity and fixed income assets for a company, we apply our engagement work to our research for both asset classes. This applies for approximately 20% of our corporate bond holdings. Some of the examples referred to in the Listed Equities section therefore also apply to our corporate bond holdings (including **LSEG**, **Experian**, **Marsh McLennan** and **Next**).

As detailed under **Principle 10**, we have continued to explore collaborative engagement options for our fixed income holdings during the reporting period.



Principle 10

Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Context

As shareholders, we seek to build long-term, direct relationships with our investee companies. Our focused portfolios (25-40 holdings), high number of investment professionals to investee companies, in-depth research process and long-term approach mean we can get to know our investee companies in great detail, something which we believe is vital for successful engagements. We are therefore confident that where we choose to pursue engagements with investee companies on our own, we can reach a successful outcome for our clients.

However, where appropriate, we will engage with other investors. We may also consider collaborative engagement to influence both issuers and supervisory bodies, such as regulators or governments.

To facilitate collective engagement, we are members of the Principles for Responsible Investment and are investor signatories to the CDP (formerly Carbon Disclosure Project).

Our investment approach means that we do not invest in companies in sectors we believe to be fundamentally challenged in the longer term or where we believe companies are not managing ESG risks sufficiently. This approach means that we currently do not invest in the equities of any oil and gas, cement, chemicals or mining companies and so we have found that, to date, many of the environmental-focused initiatives predominantly target companies of which we are not shareholders. However, we are continuing to look for other opportunities to join collaborative engagement initiatives that are relevant for our investee companies and have had some success in finding new opportunities for collaboration in 2023. Further details of this are included in the Activity and Outcome section below.

Activity and Outcome

All assets

We recognise that there are occasions when it is appropriate to work with others when engaging with companies, regulators or governments to increase the likelihood of having a long-term positive impact.

We contribute to industry discussions on regulations, such as the IA and PIMFA[19] on discussion papers, consultation papers and final policy statements issued by the FCA for UK regulation. In 2023, we contributed to discussions and letters written to the FCA on the Sustainable Disclosure Regulations and Investment Labels.

Listed Equities

As set out under **Principle 4**, we believe that increasing corporate environmental transparency around climate change, biodiversity and water security is crucial if we are to meet the goals set out under the Paris Climate Change Agreement and the Kunming-Montreal Global Biodiversity Framework.

In 2023, we took part in the CDP's Non-Disclosure Campaign by co-signing letters to the small number of our listed equity holdings who did not respond to the CDP's carbon disclosure requests. We were very pleased that one of the companies we addressed in this campaign (**Intuitive Surgical**) has submitted their data for the first time in 2023. **Amazon** and **Kuehne + Nagel** were both scored for the first time in 2023. We now only have 2 portfolio companies that are not disclosing their carbon data to the CDP. We will continue to engage directly with those companies (although we note that one of them has excellent disclosure through its own Sustainability Report) to encourage further disclosure. We will also expand our requests to ask companies to disclose their water and forests data where requested by the CDP. We will continue to engage directly with companies to encourage broader disclosure around environmental issues.

We have also further broadened our collaborative work to environmental issues beyond climate change.

We became an Investor Participant of the Nature Action 100 initiative which is aiming to drive greater corporate ambition and action on tackling nature loss and biodiversity decline.

[19] Personal Investment Management and Finance Advice Association

While this initiative does encompass some of our equity holdings (**Amazon**, **DSM-Firmenich** and **Roche**), it is particularly relevant to some of our fixed income holdings. We have chosen to participate in some of the collective engagements for some of these fixed income holdings as these are harder for us to engage with directly. We will report back over time, noting that we expect these engagements to be multi-year in producing outcomes.

As highlighted under **Principle 4**, we have stepped up our collaborative efforts in relation to water security. We continue to engage with companies directly on this issue and have been encouraging companies to respond to the CDP's water disclosure campaign. Towards the end of 2022, we were delighted to sign up to the Ceres Valuing Water Finance Initiative. The Initiative aligns with the UN Sustainable Development Goal for Water (SDG 6) and aims to engage with 72 companies with a high water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems. We engaged with **Kerry** to encourage them to improve their existing practices around water. The company has already performed a water risk assessment on their own operations' activities, and we have asked that they undertake a similar assessment for their supply chain. The company responded that this is on their agenda and we will engage with them after their 2023 Sustainability Report is published to monitor developments. This was fed back to the Ceres led initiative. We also discussed water with both **Kerry** and **DSM-Firmenich** as part of their outreach to us on double materiality, discussed under **Principle 9**.

As highlighted under **Principles 4 and 9**, we have increased our engagements with companies on issues to do with supply chains, particularly understanding what companies are doing to monitor practices throughout their supply chains and how they deal with any issues identified. We have signed up as an Endorser to the PRI's Advance program and remain committed to becoming more involved in the future once the initiative begins to target other sectors, as currently none of our holdings are being targeted by this engagement,

Given the ever-increasing role that technology plays in our daily lives, we were also pleased to sign up as a participant to a 'Technology, Mental-Health and Wellbeing' initiative through the PRI's collaboration platform, which is a forum allowing like-minded investors to work together and support initiatives. While we will be participating in engagements that reflect our current technology holdings (**Microsoft**, **Amazon** and **Alphabet**), we also believe that collaborations such as this are important to address potential systemic risks as technology is embraced globally and, in many cases, used excessively. This is particularly true to ensure that more vulnerable segments of society, such as young people, are not being disadvantaged through unanticipated consequences or properly monitored aspects of technology that can pose risks to mental health. This initiative looks to ensure companies in the media, internet and gaming sectors are monitoring these impacts and sharing best practises. We look forward to providing details of this initiative in future years.

Fixed Income

As set out under **Principle 9**, we recognise that as bondholders we are unlikely to have the same access to company management as shareholders. We therefore believe that collaborative engagement is an effective means to increase our influence when it comes to our engaging with companies in which we only hold bonds. As mentioned above, we are pleased that being an Investor Participant in the Nature Action 100 collaboration will include some of our fixed income holdings and we look forward to reporting further on this work as it progresses.

Principle 11

Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

Context

Our stewardship work is always undertaken in the spirit of partnership. We recognise and value progress in pursuit of long-term sustainability and with any interaction, our goal is to work with companies and to encourage improvement over the long term. While we track all engagements using our engagement milestones, as set out under **Principle 9**, we understand that it can take time for companies to make the changes we are seeking, and we take this into consideration when setting our engagement objectives.

Because of our investment approach and the in-depth proprietary research that we carry out prior to becoming shareholders, both in relation to financial and non-financial issues, it is unlikely that we would become shareholders in a company which faced significant, material risks. Our stewardship activities are, therefore, generally focused on issues which will further protect the durability of their business over the long term but if not addressed by the company, would not change our investment thesis.

Where we have concerns, we aim to raise these through the introductory letter we send to companies when we first become shareholders and through our regular meetings with company management and investor relations teams. However, we recognise that there may be instances where a company does not respond constructively to the issues raised in our engagements and where we believe the company will not take any action to address concerns. In such circumstances, depending on the nature and the severity of the issue, we may decide to escalate our engagement activities.

As a first step, escalation would normally involve holding additional meetings with company management to better explain our position and to improve our understanding of the company's position. Should this step not be successful, we will consider further escalation including:

- Writing to or meeting with senior Board members, such as the Senior Independent Director or the Chairman.
- Abstaining or voting against management, including the reappointment of specific directors, at general meetings.
- Collaborating with other investors.
- If we identify an issue that poses a threat to achieving our clients' financial objectives that is not being adequately addressed by the company, we will consider voting with our feet and selling our shares.

Where we vote against company management with whom we have been in dialogue, we aim to communicate with the company prior to casting our vote to restate our concerns and explain our voting intention. In addition, for all companies where we vote against a management recommendation, we aim to write to them to inform them of our decision, explain our reasons, and encourage future dialogue on the issue.

Should we decide to sell our shares following unsuccessful engagement activity, we will again write to the company to explain our actions and the reasons for the sale.

Asset classes

We expect to apply this policy to listed equities held across all sectors and geographies. However, there may be instances where direct access to company management and directors is more limited, for example historically we have held the American Depositary Receipt (ADR) shares for Asian companies. At the current time and in 2023, we had no such holdings.

As highlighted under **Principle 9**, where we only hold bonds in a company, our rights and access to management will not be the same as for shareholders. Given more limited engagement opportunities, divestment is more likely to be the escalation action pursued for any fixed income holding found to have a sustainability issue that posed a threat to achieving our clients' financial objectives.

Activity and Outcome

During the past year, our stewardship activities have been well-received by company management and in most cases, we have not felt it necessary to move beyond our initial engagement activities of seeking meetings with company management and investor relations teams.

However, we have escalated our voting activities when it comes to auditor tenure. As set out under **Principle 9**, we believe that changing audit firm can help to highlight any issues within a business before there are serious financial implications.

Best practice in Europe is to re-tender audit contracts after 10 years and change auditor firm every 20 years. However, in the US, indefinite tenure is common and we have been raising this issue with several of our US-based companies. While there will always be some exceptions, our voting policy in this area is as follows: for companies with auditor tenure over 20 years, we will abstain and engage for a maximum of two years. But if there is still no change, while we will continue to engage with companies, we will start to vote against proposals to reappoint auditors. In many cases, we have asked for specific meetings on this issue with members of the Board and particularly those on the Audit Committee. While we understand that US companies are unlikely to change their view, this enables us to explain our reasoning and assess the level of challenge given to the auditor and mitigations against complacency.

In 2023, the number of companies that we have engaged with on the issue and seen no change has increased and we voted against the reappointment of the auditors for the following companies:

- **Align Technology**
- **Fiserv**
- **Amphenol**
- **Mastercard**
- **Microsoft**
- **Marsh McLennnan**
- **Amazon**
- **Thermo Fisher Scientific**
- **Alphabet**
- **UnitedHealth Group**
- **Nike**
- **Automatic Data Processing**

In each case, we again wrote to the company explaining our reasons for our votes and emphasising the benefits we believe changing audit firm can bring to a company, such as the opportunity to lower fees, increase transparency, and gain exposure to new perspectives and audit practices.

There are similar differences of opinion between the US and European companies on director independence. We have also abstained or voted against directors who have a combination of leadership positions (eg. Chair of the Board or Chair of a Board Committee) and long tenure. This is explained in more detail in **Principle 9**.

Principle 12

Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

Context

We believe shareholder voting is an important way of communicating with companies and helps in our efforts to build long-term partnerships. Although separated here for reporting purposes, voting is not an isolated act and therefore goes hand-in-hand with our broader engagement work as the examples below will hopefully demonstrate.

We seek to understand each company's individual circumstances and history, enabling us to apply our voting principles flexibly, where appropriate, and consistent with supporting the company's long-term success.

In line with our stewardship principle of focusing on materiality, each voting decision is taken on a case-by-case basis by our investment managers, based on independent judgement, analysis and the outcome of engagements with companies. As we aim to invest only in well-run companies which have strong management teams and governance structures, we typically expect to vote with the board recommendations.

Further details are set out in our Voting Policy which is available on our **website.**

This policy includes details of our voting policies in relation to Board directors, shareholder voting rights, remuneration, auditors and capital allocation. In general, we support diverse Boards with a majority of independent non-executive directors, remuneration packages which use share rewards and ownership plans to align management's incentives with those of long-term shareholders, and the re-tendering of audit contracts on a regular basis.

Use of proxy advisors

We subscribe to a proxy voting service provided by Institutional Shareholder Services (ISS)[20], a global leader in corporate governance and responsible investment advice. ISS provides us with in-depth analysis of shareholder meeting agendas and voting recommendations based on its Sustainability Policy.

However, we do not automatically follow ISS's recommendations. As noted above, each in-depth voting decision is taken on a case-by-case basis. Investment managers consider ISS reports, alongside their own analysis, experience and dialogues with the company concerned, and apply their independent judgement when reaching each voting decision. Should ISS recommend voting against company management, where appropriate we will engage with company management to improve our understanding prior to voting.

Client views on voting decisions

As part of our discretionary investment management agreements, our clients have given us voting authority for the equities we hold on their behalf. To date, we have had no voting directions from clients for shares held in discretionary portfolios.

Our clients understand that we aim to invest in well-run companies which have strong management teams and governance structures, so we would not expect to have many votes on contentious issues for which clients may have strong views. We are mindful that, with the increasing number of shareholder proposals, this may change.

Our client roundtables have provided an opportunity for clients to discuss our voting policies in more depth. It is also interesting for them to hear from other clients who may hold a slightly different view to theirs. Please see **Principle 6** for more details.

Stock lending

We do not lend stock.

Reporting on voting

We provide our clients with an annual stewardship report, detailing our voting and engagement on their behalf. This report is also publicly available on our **website.** We also provide regular updates during our client meetings.

Our report includes an overview of our voting record and, in line with the Shareholder Rights Directive II, detailed case studies of any significant votes. Given that we only make an investment when we are satisfied that appropriate governance structures are in place, and we therefore typically expect to vote with company management, we define significant votes as those where we voted against company management or abstained.

[20] Institutional Shareholder Services https://www.issgovernance.com/solutions/proxy-voting-services/

Activity and Outcome

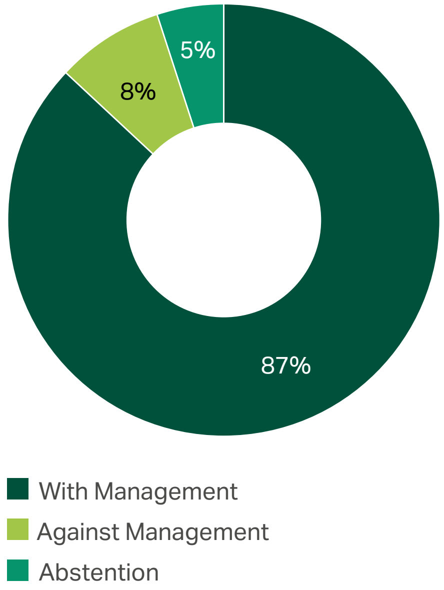
Our focused investment approach means we only hold 25-40 companies in portfolios. In 2023, we voted on 680 proposals at 39 company meetings across six different countries. This means we voted over 97% of core equity holdings held in client portfolios at the time of the AGM/EGM.

We aim to vote on all equities for which clients have given us voting authority. However, we recognise this may not always be possible. For example, because of share registration requirements, we are currently unable to vote our shares in segregated accounts at meetings for Swiss-listed equities. We have, however, managed to improve our process by voting for Swiss equities in our pooled funds for the first time in 2023. We continue to work with our custodian to try to find a solution to this for our segregated accounts. We were also unable to vote at the 2023 AGMs of two new holdings in portfolios as we bought the shares after the AGM had taken place.

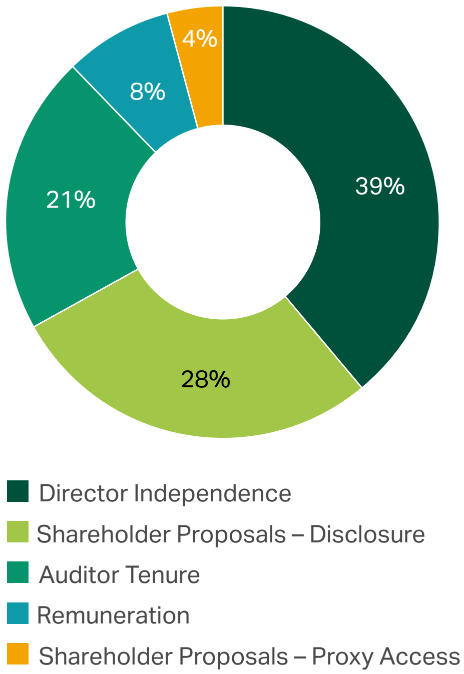
An overview of how we voted and the reasons for our votes against management and abstentions are included below. Our full voting record for 2023 is available in the appendix to this document and we can provide more information on request.

As we aim to invest only in well-run companies which have strong management teams and governance structures, we typically expect to vote with Board recommendations. But as in previous years, there have been cases this year when we felt it necessary to vote against certain management proposals and for some shareholder proposals.

Overall voting record for 2023



Breakdown of votes against management and abstentions for 2023 by theme



We firmly believe voting is not an isolated act and therefore goes hand-in-hand with our broader engagement work. Whenever possible, we will engage with companies prior to voting. For example, although our usual view on director independence for sub-committee chairs would have required us to vote against management on the re-election of a director at **Franco-Nevada**, after talking to the company we supported his nomination. This was after consideration of their arguments around the dynamics of their sub-industry and need for a highly experienced board member to lead on the recruitment of new directors, as well as the work already done to refresh the Board structure over the last few years. However, we did request in writing that the role of Lead Independent Director be rotated to a truly independent director given they do not have an independent Chair of the Board.

Furthermore, in each case where we voted against company management, either on a management proposal or on a shareholder proposal, we wrote to the company to explain our decision and to encourage dialogue with the company. This has yielded results. During 2023, we had our first engagement meeting with **Mastercard**. In the meeting, the company mentioned that our post-AGM letter had been seen by the Board and specifically the Nominations & Governance Committee given that it was largely Governance related. Our letter contributed to us being included in their shareholder outreach program for the first time in 2023. It was helpful to hear their perspective on auditor tenure, over-boarding, and particularly on a shareholder proposal on lobbying payments and policy, where we were pleased to learn they were checking alignment of trade associations with Mastercard's values. The meeting was very open and informative, and we hope that this is the beginning of a closer relationship with the company.

Voting case studies, giving specific examples of our voting activity and the outcome of this, are included below.

Voting Case Study

Company meetings: **Multiple**

ISSUE

SHAREHOLDER PROPOSALS – USING OUR DISCRETION AND APPLYING MATERIALITY

As we highlighted in last year's report, when it comes to shareholder proposals, we take the same approach as we do for company proposals: decisions are made on a case-by-case basis particularly as voting for shareholder proposals often means voting against company management.

As a percentage, our voting for shareholder approvals (i.e. against management) declined in 2023 over 2022, we voted for 47% of shareholder proposals down from 66% in 2022. This is due to our focus on materiality and wanting management to focus resources where they are most useful and effective. We believe that some shareholder proposals are politically motivated or that the companies are already providing much of the information and further requests would be burdensome without creating additional value.

This was the case for a **LabCorp** proposal requesting a report on transport of non-human primates within the US. There are no significant controversies relating to animal welfare at LabCorp. LabCorp already discloses significant information about its animal welfare practices and we did not think that the additional disclosure would add value for the company or shareholders. **Mastercard** and **Adobe** also had shareholder proposals asking for reports (on risks relating to discrimination, lobbying payments and policy at Mastercard, and hiring of people with arrest or incarceration records at Adobe) where we felt that the companies already provided clear disclosure on the topics and neither are a material issue for the company. On many of these issues, we engaged with the company before voting to understand their approach to each area. We supported management and voted against shareholder proposals on pay equity at **Nike** and **UnitedHealth Group**, as we believe that both companies provide disclosure on the issues raised. UnitedHealth Group has also already commissioned third-party reports on some of these issues. However, we did follow up in our post-AGM letters to both companies that we would like to discuss these issues further and would welcome seeing the outcomes of the third-party reports when available.

Voting Case Study

Company meetings: **Multiple**

ISSUE
SHAREHOLDER PROPOSALS – SUPPORTING ADDITIONAL DISCLOSURE

We supported a number of shareholder proposals (therefore voting against management) around disclosure, particularly at our big tech holdings. These included voting in favour of third-party reports on working conditions and an assessment of commitment to Freedom of Association and Collective Bargaining at **Amazon**. These are issues that we have raised in engagement meetings with the company and discussed with the PRI and UNI Global (as discussed in Principle 2). While we believe progress is being made, we would welcome the transparency of a third-party report. We also supported shareholder proposals at the Amazon AGM calling for further disclosure on pay equity and tax transparency (among others).

Similarly, we voted in favour of many shareholder proposals at the **Alphabet** AGM. The most important of these was, once again, asking for all share classes to have one vote per share. We also supported eight proposals around greater disclosure or third-party audits covering areas such as lobbying payments and policy, and doing business in countries with significant human rights concerns, as well as more specific tech platform concerns such as a human rights impact assessment of targeted advertising technology, disclosing more information on algorithmic systems, and alignment of YouTube policies with online safety regulations.

At the **Microsoft** AGM, we supported three shareholder proposals which were around tax transparency, operating in countries with significant human rights concerns, and a report on risks related to AI generated misinformation. We believe that additional disclosure or the transparency of a third-party report in these instances would be helpful as these companies are under intense scrutiny and hold significant power in a rapidly developing technology focused world.

Voting Case Study

Company meetings: **Multiple**

ISSUE
DIRECTOR INDEPENDENCE

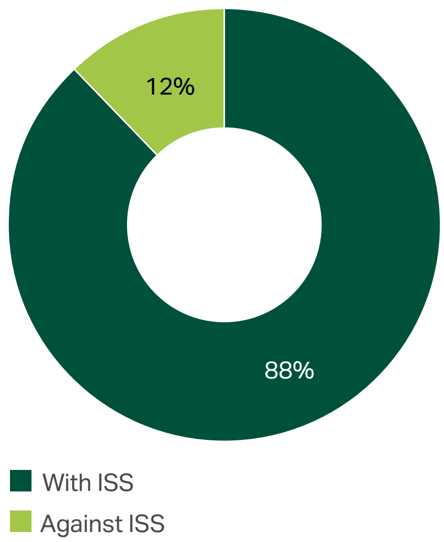
An area of difference between the US and the UK/Europe is what classifies as 'independent' for a Board director (as described in Principle 9). We fully acknowledge the benefits to both companies and shareholders of having experienced directors on the Board. However, we expect certain Board sub-committees (such as the Audit Committee and Remuneration Committee) to be chaired by truly independent directors to ensure there is sufficient oversight of risks and processes, free from the potential conflict of interest that could arise from long associations.

Companies where we voted against or abstained on directors who we consider not independent included **Broadridge**, **UnitedHealth Group**, **Marsh McLennan**, **Hasbro**, **Amphenol**, **Fiserv**, **Align**, **LabCorp**, **Intuitive Surgical**, **Avery Dennison**, **Synopsys** and **Intuit**.

In each case, we wrote to the company to explain our views and have already had several constructive follow-up discussions.

As well as voting against company management, our approach means we sometimes vote against the recommendations of proxy services provider ISS.

Breakdown of votes in line with and against ISS recommendations in 2023



Numbers may not add to 100% due to rounding

As set out in our Voting Policy, we read ISS's recommendations as helpful guides, but make our own voting decisions to take account of our in-depth knowledge of company-specific circumstances and ensure we focus on issues that are material to the company and its stakeholders.

As well as supporting management (i.e. voting against) on some of the shareholder proposals mentioned above that ISS recommended voting for, we also chose to vote differently for three executive compensation proposals. At **Kuehne + Nagel** and **Alphabet** we abstained on proposals relating to executive compensation because of a lack of performance conditions for long-term pay awards and little transparency in compensation plans. We also abstained on the Executive Committee compensation plan at the **DSM Firmenich** AGM because of an over-use of ESG metrics. While we are supportive of improvements in material ESG factors at companies, in this case ESG metrics made up 30% of the proposed short-term and long-term incentive plans and would be rewarding the executive team for activities where they are already industry leading (e.g. greenhouse gas emissions reductions). Over the long term, operating in a sustainable way and providing sustainable solutions will come through in the company's financials and operational resilience.

Reporting outcomes of our votes against management
As in last year's report, we have improved our disclosure by reporting on the outcomes of votes when we voted against management. Going forward, for clients who have asked to receive full details of our voting each quarter, we will also be disclosing outcomes of the votes directly to them where we have voted against management. We think this gives a balance between relevant information and an overload of data.

As seen in prior years, the management proposals which we did not support mostly passed at the 2023 AGMs and the shareholder proposals we chose to support generally did not pass. But there are some signs of progress. For example, while they are still comfortably being reappointed, some long-tenured directors with positions of responsibility are starting to see their approval ratings fall. We discussed this with some of our US-based companies (such as **ADP** and **Marsh McLennan**) during the year and are optimistic that these trends will inform Board refreshment planning.

Voting outcomes for our votes against management

Company & Meeting Details	Proposal(s) where we voted against management	Voting result*
Synopsys, AGM, 12 April	Shareholder proposal (proxy access) – supported the shareholder proposal calling for a reduction in the ownership threshold required for shareholders to call a special meeting.	Passed (50%)
Intuitive Surgical AGM, 27 April	Director independence – voted against Chair of the Nominations and Governance Committee due to long tenure.	Passed (93%)
	Shareholder proposal (disclosure) - supported the proposal asking for a report on the gender and racial pay gap at the company.	Failed (35%)
Unilever AGM, 3 May	Remuneration – voted against the remuneration report because the incoming CEO's salary has been set significantly higher than his predecessor's without adequate justification from the company.	Failed (40%)
Fiserv AGM, 17 May	Auditor – Deloitte first appointed in 1985.	Passed (95%)
	Director independence – LID not truly independent due to tenure.	Passed (95%)
	Shareholder proposal – call for Independent Board Chairman given LID. is no longer truly independent.	Failed (31%)
Amphenol AGM, 18 May	Auditor – Deloitte first appointed in 1997.	Passed (95%)
Hasbro AGM, 18 May	Auditor – KPMG first appointed in 1968.	Passed (94%)
	Director independence – voted against Chair of Compensation Committee due to long tenure.	Passed (92%)
Marsh McLennan AGM, 18 May	Auditor – Deloitte first appointed in 1989.	Passed (95%)
	Director independence – Chairs of Committees on long tenure.	All passed (89-92%)
Amazon AGM, 24 May	Auditor – E&Y appointed in 1996.	Passed (97%)
	Remuneration – lack of performance metrics in executive compensation plan.	Passed (68%)
	Shareholder proposals – supported 11 of 18 proposals including third party assessments on the company's commitment to Freedom of Association and Collective Bargaining, Working Conditions, Risks associated with use of Rekognition and plastic use as well as reports from the company on Tax Transparency and Gender/Racial Pay equity.	All failed (approval ratings ranged from 1% to 38%)
Thermo Fisher Scientific AGM, 24 May	Auditor – PwC were first appointed in 2002.	Passed (90%)
	Director independence – voted against LID on long tenure.	Passed (94%)
Alphabet AGM, 2 June	Auditor – E&Y were first appointed in 1999.	Passed (98%)
	Corporate structure – voted against the re-election of members of the Nomination's Committee as there has been no progress on addressing the multi-class share structure with disparate voting rights.	Passed (84%)
	Director over-boarding – voted against a director due to over-boarding concerns.	Passed (90%)
	Shareholder Proposals – supported 9 of 13 shareholder proposals. These included the one vote per share vote as well as proposals on lobbying, human rights concerns and for more information on algorithmic systems and alignment with Online Safety Regulations.	Failed (approval rating for one vote one share was 31%, other ratings ranged from 1% to 18%)
UnitedHealth Group AGM, 5 June	Auditor – Deloitte were first appointed in 1992.	Passed (95%)
	Shareholder proposal – voted for a proposal requesting greater disclosure on political contributions, lobbying and alignment with company values.	Failed (28%)
Mastercard AGM, 27 June	Auditor – PwC were first appointed in 1989.	Passed (95%)
Nike AGM, 12 Sept	Auditor – PwC were first appointed in 1974.	Passed (96%)
ADP AGM, 8 Nov	Auditor – Deloitte were first appointed in 1968.	Passed (95%)
Microsoft AGM, 7 December	Auditor – Deloitte were first appointed in 1983.	Passed (95%)
	Shareholder proposals – supported 3 of 9 shareholder proposals asking for reports on Tax Transparency, Risks of Operating in Countries with significant human rights concerns and risks related to AI Generated misinformation.	Failed (ratings ranged from 21 to 34%)

*Vote result and votes cast for this proposal (% votes cast in favour of the proposal)

Appendix

Voting data table 01 January to 31 December 2023

With = with company management
Against = against company management

Company Name	Meeting Type	Meeting Date	Voting Cast: With	Voting Cast: Against	Voting Cast: Abstentions	Additional Details
Intuit	AGM	19.01.23	10	0	2	Audit quality – EY were first appointed in 1990. Director independence – Chair of the Board not truly independent because of long tenure.
DSM	EGM	23.01.23	3	0	0	Meeting was held to approve DSM's merger with Firmenich.
Accenture	AGM	01.02.23	14	0	1	Director over-boarding – Chair of the Compensation, Culture and People Committee abstention due to over-boarding concerns.
Infineon Technologies	AGM	16.02.23	33	0	0	
Synopsys	AGM	12.04.23	10	1	3	Audit quality - KPMG were first appointed in 1992. Director independence - Lead Independent Director not truly independent because of long tenure. Director over-boarding – one Director abstention due to over-boarding concerns. Shareholder proposal (proxy access) – supported the shareholder proposal calling for a reduction in the ownership threshold required for shareholders to call a special meeting.
British American Tobacco	AGM	19.04.23	20	0	0	
Adobe	AGM	20.04.23	16	0	1	Audit quality - KPMG were first appointed in 1983.
Bunzl	AGM	26.04.23	19	0	0	
Avery Dennison	AGM	27.04.23	10	0	3	Audit quality - PwC were first appointed in 1960. Director independence - Lead Independent Director and the Chair of the Compensation Committee not truly independent because of long tenure.
Intuitive Surgical	AGM	27.04.23	11	2	2	Director independence – abstentions for Chair of the Audit Committee and the Chair of the Compensation Committee because of long tenure and therefore not truly independent. Director independence – vote against Chair of the Nominations and Governance Committee because of long tenure and therefore not truly independent. In addition, we feel he is not delivering on his role to lead Board recruitment and succession planning. Shareholder proposal (disclosure) - supported the proposal asking for a report on the gender and racial pay gap at the company.
Kerry Group	AGM	27.04.23	22	0	0	
Franco-Nevada	AGM	02.05.23	11	0	0	Voted for Lead Independent Director despite tenure and Leadership position (against normal policy) following engagement meeting. See report for more details.

Appendix

Voting data table 01 January to 31 December 2023

With = with company management
Against = against company management

Company Name	Meeting Type	Meeting Date	Voting Cast			Additional Details
			With	Against	Abstentions	
GSK Plc	AGM	03.05.23	23	0	0	
Unilever	AGM	03.05.23	22	1	0	Remuneration – voted against the remuneration report because the incoming CEO's salary has been set significantly higher than his predecessor's without adequate justification from the company.
Phoenix Group	AGM	04.05.23	19	0	0	
Kuehne + Nagel	AGM	09.05.23	18	0	6	Remuneration – abstained on proposals relating to executive compensation and the re-election of the Compensation Committee because of a lack of performance conditions for long-term pay awards and little transparency in compensation plans.
Derwent London	AGM	12.05.23	22	0	0	
LabCorp	AGM	12.05.23	16	0	1	Director independence – Chair of the Audit Committee not truly independent because of long tenure.
Tractor Supply	AGM	12.05.23	10	0	1	Audit quality - E&Y were first appointed in 2001.
Align Technology	AGM	17.05.23	8	3	2	Audit quality – PwC were first appointed in 1997. Director independence – voted against Chair of the Nominations & Governance Committee and the Chair of the Compensation Committee because of long tenure and therefore not truly independent. ESG disclosure and succession planning – abstained on the re-election of the other members of the Nominations & Governance Committee because of a lack of progress on ESG disclosure and Board succession planning and recruitment.
Fiserv	AGM	17.05.23	9	3	0	Audit quality – Deloitte & Touche were first appointed in 1985. Director independence –Lead Independent Director not truly independent because of long tenure. Shareholder proposal (Board structure) – supported the shareholder proposal calling for an Independent Board Chairman given that the Lead Independent Director is no longer truly independent.
Amphenol	AGM	18.05.23	11	1	1	Audit quality – Deloitte & Touche were first appointed in 1997. Director independence – abstained on Chair of the Audit Committee because of long tenure and therefore not truly independent.
Hasbro	AGM	18.05.23	12	2	1	Audit quality – KPMG were first appointed in 1968. Audit quality – abstained on the re-election of the Chair of the Audit Committee as we have raised the issue of KPMG's tenure many times with the company, but the company has taken no action to address the issue. Director independence – Chair of the Compensation Committee not truly independent because of long tenure.

Appendix

Voting data table 01 January to 31 December 2023

With = with company management
Against = against company management

Company Name	Meeting Type	Meeting Date	Voting Cast With	Voting Cast Against	Voting Cast Abstentions	Additional Details
Marsh McLennan	AGM	18.05.23	12	4	1	Audit quality – Deloitte & Touche were first appointed in 1989. Director independence – voted against Chairs of the Audit, Compensation and Nominations & Governance Committees because of long tenure and therefore not truly independent. Director independence – abstained on Chair of the Board because of long tenure and therefore not truly independent.
Next Plc	AGM	18.05.23	23	0	0	
Amazon	AGM	24.05.23	20	13	0	Audit quality –Ernst & Young were first appointed in 1996. Remuneration – voted against the executive compensation plan because of a lack of performance criteria in incentive programmes. Shareholder proposals (disclosure) – supported 11 of 18 shareholder proposals. These included third party assessments on the company's commitment to Freedom of Association and Collective Bargaining, Working Conditions , Risks associated with use of Rekognition and plastic use as well as reports from the company on Tax Transparency and Gender/Racial Pay equity.
Thermo Fisher Scientific	AGM	24.05.23	13	2	1	Audit quality – PwC were first appointed in 2002. Director independence – voted against Lead Independent Director because of long tenure and therefore not truly independent. Director independence – abstained on the re-election of the Chair of the Audit Committee because of long tenure and therefore not truly independent.
Alphabet	AGM	02.06.23	14	14	1	Audit quality – E&Y were first appointed in 1999. Corporate structure – voted against the re-election of members of the Nomination's Committee as there has been no progress on addressing the multi-class share structure with disparate voting rights. Director over-boarding – voted against a Director due to over-boarding concerns. Remuneration – abstained on the executive compensation plan because of a lack of performance criteria and little transparency around incentive programmes. Shareholder proposals – supported 9 of 13 shareholder proposals. These included the one vote per share vote as well as proposals on lobbying, human rights concerns and for more information on algorithmic systems and alignment with Online Safety Regulations.

Appendix

Voting data table 01 January to 31 December 2023

With = with company management
Against = against company management

Company Name	Meeting Type	Meeting Date	Voting Cast: With	Voting Cast: Against	Voting Cast: Abstentions	Additional Details
UnitedHealth	AGM	05.06.23	11	2	2	Audit quality – Deloitte were first appointed in 2002. Director independence – abstained on Chair of the Board and Lead Independent Director because of long tenure and therefore not truly independent. Shareholder proposal (disclosure) – supported the shareholder proposal asking for a report on the extent to which political spending and lobbying aligns with company values.
Tesco Plc	AGM	16.06.23	21	0	0	
Mastercard	AGM	27.06.23	20	1	0	Audit quality – PwC were first appointed in 1989.
DSM Firmenich	EGM	29.06.23	6	0	1	Remuneration – abstained on the Executive Committee's compensation plan because of an over-use of ESG metrics as discussed in report.
Pacific Assets Trust	AGM	03.07.23	17	0	0	
Experian	AGM	19.07.23	20	0	0	
Biotech Growth Trust	AGM	27.07.23	15	0	0	
Nike	AGM	12.09.23	8	1	0	Audit quality – PwC were first appointed in 1974.
Automatic Data Processing	AGM	08.11.23	14	1	0	Audit quality - Deloitte were first appointed in 1968.
Broadridge Financial Solutions	AGM	09.11.23	12	0	2	Director Independence – Lead Independent Director and the Chair of the Nomination and Governance Committee not truly independent because of long tenure.
Microsoft	AGM	07.12.23	20	4	0	Audit quality – Deloitte were first appointed in 1983. Shareholder proposals – supported 3 of 9 shareholder proposals asking for reports on Tax Transparency, Risks of Operating in Countries with Significant Human Rights Concerns and Risks Related to AI Generated Misinformation.

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