James Hambro & Partners

Stewardship Report 2021

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MESSAGE FROM OUR CEO

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

When we founded James Hambro & Partners in 2010, it was on the principle that trust, partnership and alignment form the bedrock of any sustainable relationship: with our clients, with our employees and with those companies in which we invest. These values remain at least as important now we are a business of 130 people managing £5 billion of assets for our clients as they were when we were only 10 people managing £50 million.

At the centre of our business is an investment philosophy whose time horizon and principles are deliberately matched to the needs of our clients. Responsible investment and long-term stewardship sit at the heart of how we manage our clients' assets. Not simply because it is the right thing to do but because we believe that responsible and sustainable companies are more likely to deliver enduring value for our clients.

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

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

Our own business has grown rapidly by being forward thinking and entrepreneurial. Our culture, driven by our partnership structure, is open, honest and ambitious. I have given my own commitment that we will judge ourselves by the same rigorous standards by which we hold others, constantly striving for better ways to look after our clients, each other, the wider community and hopefully the planet.

Andy Steel, CEO

1

Purpose, strategy & culture

James Hambro & Partners (JH&P) is an independent wealth manager providing tailored solutions for UK and international private clients, charities and professional advisers. Our business was established in 2010 as a private partnership and today we are 88% owned by our employees.

JH&P's purpose is to create long-term value for our clients through two simple but fundamental goals: the provision of excellent client service and the delivery of strong investment performance on a consistent basis.

CONTEXT & ACTIVITY

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

Our business structure and investment philosophy is built around what is best for our clients. At our core is an independent partnership model, a structure which brings both freedom and responsibility. As our business is owned by the Partners and wider team who work within it, we only make decisions for the long-term benefit of our clients and the Partnership.

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

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

WE THINK THAT THE PEOPLE WHO ARE ADVISING AND MANAGING PORTFOLIOS SHOULD BE DIRECTLY ACCOUNTABLE

A strong relationship with our clients is vital. This creates the trust and confidence that allows us to deploy the long-term perspective so essential to effective engagement and a successful investment strategy. That is why we do not place relationship managers between the client and the people managing their assets. We also believe in placing teams around clients to ensure that there is continuity in the relationship and multiple points of contact.

With a pure focus on investment for private clients and charities and by limiting the number of relationships our portfolio managers look after, we can ensure that the quality of service for our clients is never compromised.

SUPPORTING OUR TEAM TO SERVE THE BEST INTEREST OF CLIENTS

Our recruitment process is essential to attract the right talent to fit the client-centric culture at JH&P. We ensure there is a cross section of ages within each department as part of a proactive succession plan. There is no positive discrimination overlay in our recruitment process; obtaining diversity is a function of employing the best people in the industry – driving an equal gender split of employees on our management committee.

To nurture talent and encourage professional development, employees are given significant support in undertaking professional qualifications should they wish to do so. This includes, but is not limited to:

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

Alongside the support with professional qualifications, JH&P also organises a range of internal courses and workshops to further promote personal and professional development. We recently ran eight workshops with an external trainer, delivering sessions including accountancy, management skills and training on financial balance sheets.

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

JH&P offers segregated and pooled portfolios invested across a range of multi-asset frameworks, each built around a core of direct global equities which we believe offer compelling opportunities for wealth creation and income growth over the long term.

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

We look for companies with:

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

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

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

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

THIRD-PARTY FUNDS PROVIDE EXPOSURE TO SPECIALIST AREAS

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

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

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

FIXED INCOME AND ALTERNATIVE ASSETS USED TO BALANCE EQUITY RISK

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

As with direct and funded equity investment, an understanding of ESG-related risks forms a core part of our fundamental analysis when considering our investments in diversifying assets. This includes fixed interest at an asset class, issuer, and security level.

Further information on how responsible investing sits at the core of our investment analysis is set out under **Principle 7**.

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

Unconstrained portfolios typically contain around 50-60 holdings, consisting of 30-40 direct investments across global equities and government bonds, and 10-15 pooled investments. This third-party fund exposure is focused on specialist equity, fixed interest and alternative investments such as property, infrastructure and absolute return funds.

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

OUTCOME

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

The nature of our partnership structure, and the allocation of equity to non-partners, provides the incentives that align our employees with the long-term success of our clients. Our portfolio managers are both the relationship manager and the investment professional. This simple structure creates a culture of accountability while aligning all our managers behind a single investment philosophy and process with sustainable growth and consistent performance at its heart.

We believe the effectiveness of our structure and approach have been borne out in our low turnover – both in clients and employees – and in our strong risk-adjusted performance to date relative to our peers. Only one portfolio manager has left in the more than 10 years since the business was founded, over which time JH&P has grown to manage over £5bn of assets and employ over 130 people. Over the last five years to 31st December 2021, each of our four core mandates has delivered first quartile performance at lower-than-average risk as measured by ARC[1].

We also received external recognition of our approach during the reporting period. JH&P was named Impact/ESG manager of the year at the 2021 Magic Circle Awards.

[1] ARC Research Limited (ARC) is an independent research firm specialising in the analysis of private client investment portfolio performance. See www.suggestus.com for more information. JH&P Cautious Mandate performance since inception on 1st Dec 2018 – 31st Dec 2021.

2 Governance, resources & incentives

ACTIVITY

GOVERNANCE

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

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

Sarah Goose, JH&P's Responsible Investment Lead, is a further key member of the Committee. Sarah sits across the asset groups to ensure JH&P's responsible investment standards and policies are maintained and works closely with other members of the RIC to develop and enhance JH&P's approach to responsibleinvestment. She also leads JH&P's industry-wide collaborative efforts on key issues – see **Principle 10** for further information.

Finally, the RIC also includes a member of our compliance team to ensure our direction is aligned with wider regulatory goals within the ESG space.

The RIC sits as a subcommittee to the Investment Oversight Committee (IOC). The IOC meets once a month to review all aspects of the investment process. In addition to the Head of Investments and heads of each asset class, the IOC also includes JH&P's CEO, Head of Private Clients, Head of Charities and Deputy Chairman.

KEY MEMBERS OF THE RIC

NICOLA BARBER

RIC CHAIR, HEAD OF CHARITIES, PARTNER

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

JAMES BECK

HEAD OF INVESTMENTS, PARTNER

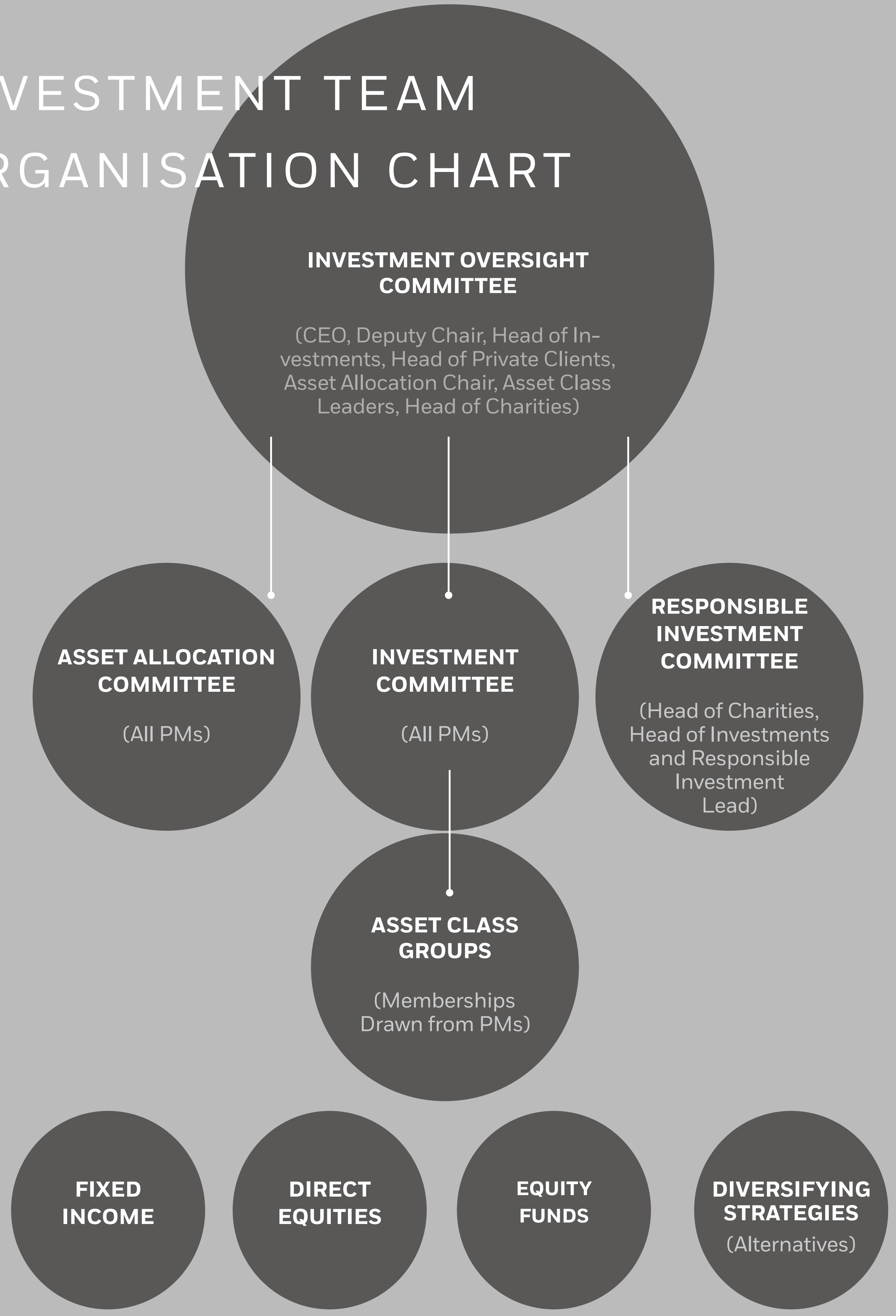
James joined James Hambro & Partners in July 2017 and became Head of Investments in 2019. He also chairs the Investment Oversight and Investment Committees. James looks after portfolios for onshore and offshore private clients, trusts and charities. James began his career at James Capel Investment Management (latterly HSBC Investment Management) and was a founding partner of Cheviot Asset Management in 2006. James is a Chartered Fellow of the Chartered Institute for Securities and Investment.

SARAH GOOSE

RESPONSIBLE INVESTMENT LEAD, PORTFOLIO MANAGER

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

INVESTMENT TEAM ORGANISATION CHART

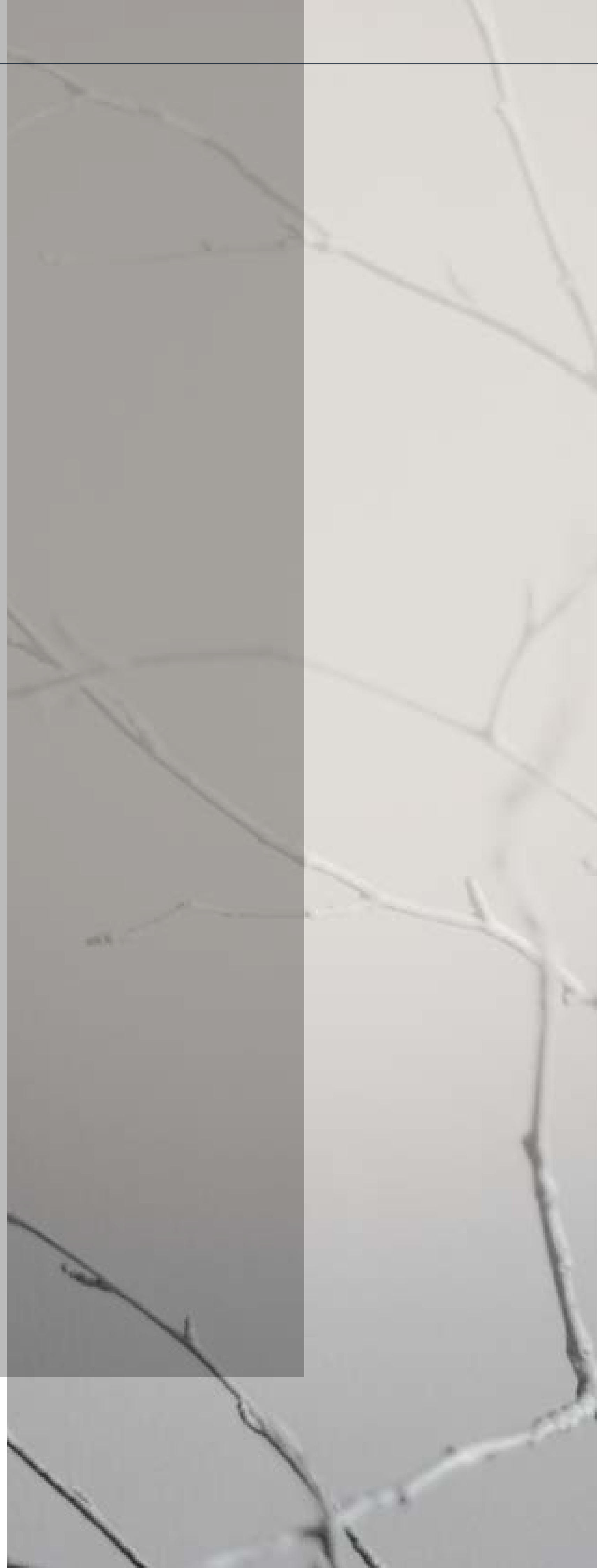


THE MAIN PURPOSE OF THE RIC IS TO:

- **Ensure responsible investing and ESG considerations are at the centre of our investment process and analysis and applied in line with JH&P's sustainable investment philosophy.**
- **To periodically review responsible investing and ESG policies and make recommendations to the IOC of any changes.**
- **To ensure our ESG policy is clearly understood and communicated to all stakeholders.**
- **To consider any regulatory changes that impact the investment process from a responsible investment perspective.**
- **The RIC also provides a forum to address any other ESG-related topics that have been raised by members of the Investment Team.**

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

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



RESOURCES

PEOPLE

All investment analysis is undertaken by members of our Investment Committee. The team includes 20 investment professionals, with an average industry tenure of almost 20 years, supported by seven assistant portfolio managers. The Investment Committee is split down into smaller teams organised by asset class: direct equity investment, equity funds, diversifying strategies and fixed interest.

We only have one dedicated Responsible Investment analyst as we believe it is vital that every portfolio manager understands and integrates stewardship and responsible investing within their research. Our day-to-day stewardship and engagement is embedded within existing investment and oversight structures rather than a distinct ESG or stewardship department.

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

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

RESEARCH AND DATA PROVIDERS

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

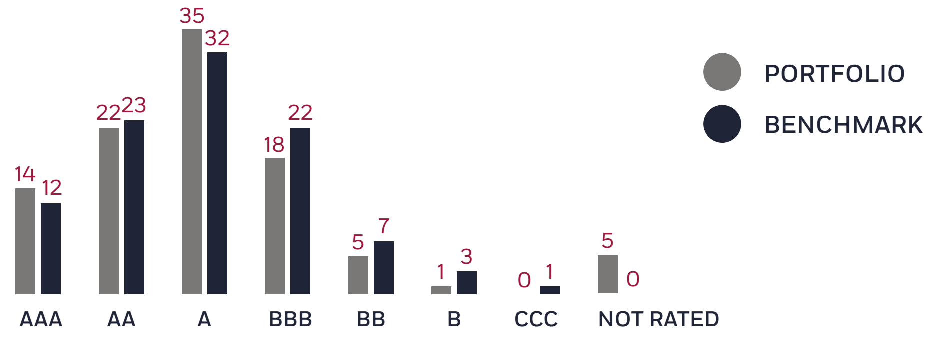
Over the last two years, we have also added significantly to our sustainability and governance research resource through MSCI and ISS. These platforms were chosen to provide additional independent quantitative and qualitative information on companies' sustainability factors and governance policies. This has several important uses, including improving our communication to clients on portfolios' exposure to ESG factors such as overall portfolio ESG ratings and carbon footprint, and helping us to identify, quantify and track investment-related sustainability risks (in turn helping us to prioritise areas for engagement).

We are not led by MSCI's scoring methodology but use their output as another resource to complete our own sustainability framework and provide direction for further analysis. MSCI's ability to provide portfolio-level data across our client base was a key factor in our decision to partner with them. Similarly, while ISS is a useful resource and guide, we are not bound by their voting recommendations, preferring to vote according to our own internal standards and beliefs. We often vote against management and contrary to ISS where we deem it appropriate. Further information on our voting activities is included under **Principle 12**.

Our third-party fund research aims to hold external managers up to the same standards we set for ourselves. We ask each fund under consideration for investment to complete a comprehensive due diligence questionnaire, allowing us to build a full understanding of how the manager integrates sustainability into their process and philosophy. The additional resource of Style Analytics gives us a complete picture of the underlying holdings and whether the nature of the fund matches the philosophy of the manager. Style Analytics offers insight into over 130 different factors and ESG metrics (linked to MSCI's ESG datasets), as well as performance attribution and risk analytics.

A TYPICAL JH&P PORTFOLIO - SUSTAINABILITY CHARACTERISTICS

ESG RATING DISTRIBUTION - PORTFOLIO

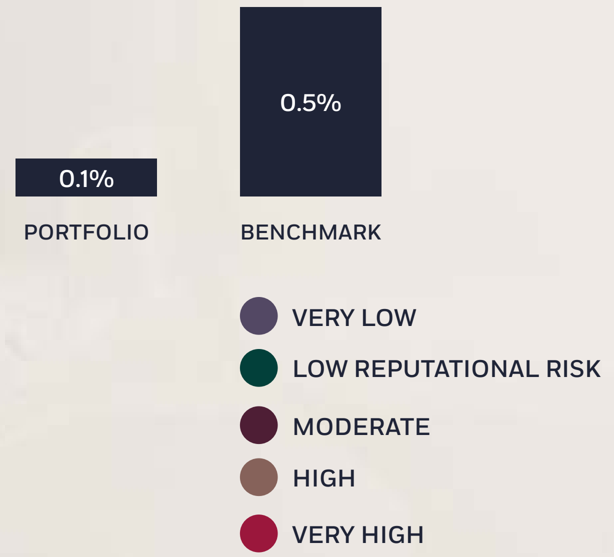


CARBON FOOTPRINT

		PORT-FOLIO	BENCH-MARK	ACTIVE
WEIGHTED AVERAGE CARBON INTENSITY				
CORPORATE CONSTITUENTS TONS OF CO2E / SM SALES	SCOPE 1+2	120.6	168.5	-28.4%
	SCOPE 3 - UPSTREAM	253.0	254.8	0.7%
	SCOPE 3 - DOWNSTREAM	635.6	507.4	25.3%

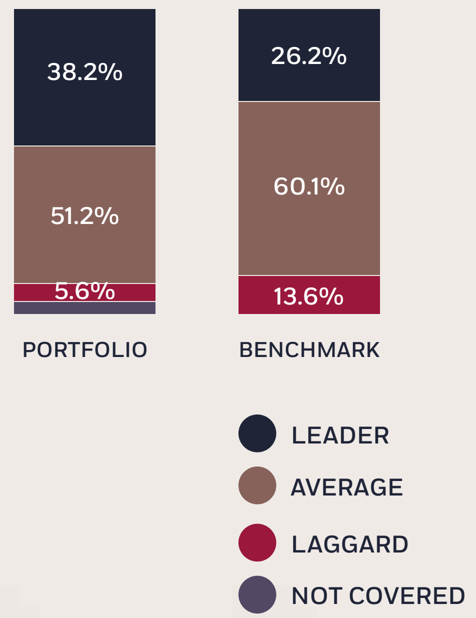
REPUTATIONAL RISK

LOW REPUTATIONAL RISK
(0.39% LESS THAN THE BENCHMARK)



GOVERNANCE RISK

LEADERS: 12.08% GREATER THAN THE BENCHMARK
LAGGARDS: 8.02% LESS THAN THE BENCHMARK



Source: MSCI ESG Portfolio Summary Report & Client Risk Report[1].
Portfolio used is the JH&P Harrier Growth Fund, holdings as as 31.07.2022.

TRAINING

The Investment Team attend conferences on stewardship and ESG topics, with feedback provided to the wider team via emailed notes and updates at our weekly meetings. Over the course of the last year, we have also organised more than 20 one-on-one meetings with ESG and sustainability analysts from our list of research providers. Topics covered include the energy transition, alternative proteins and the EU Taxonomy as well as training related to the functionality of our ESG-focused research platforms (MSCI, ISS, StyleAnalytics).

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

INCENTIVES

No employees within our business are incentivised solely by growing assets under management. All our investment team members are remunerated using a holistic framework covering contribution to company growth, client management and research input. As sustainability is integrated into our Sustainable Growth framework, we believe that assets that enable improvements across the ESG spectrum will provide the best outcomes for our clients. Ensuring our employees are sensitive and proactive to this strategy is part of their overall incentive framework.

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

OUTCOME

Responsible investing is integrated within our day-to-day processes and research, and the longer-term aims and benefits of effective stewardship are well aligned with our culture and investment philosophy. However, the growing level of company disclosure and the fast-paced development of regulatory change related to ESG issues means that keeping track of engagement progress and priorities has become increasingly resource-intensive.

The formation of the RIC in 2020 has improved our governance of these processes and allowed greater oversight, management and accountability of our overall responsible investment activities and achievements, particularly in the case of controversial topics or issues: for example, our decision to exclude Chinese bonds from our investable universe in early 2021 (see **Principle 7** for more information).

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

While much progress has been made since the establishment of the RIC, areas of future development are targeted around improving overall internal and external communication of our ongoing engagement activities and progress. The RIC has recently established an internal engagement and sustainability database, pulling together all our work on portfolio companies into a single place to help the Investment Team keep track of current areas of focus. This has improved communication of ongoing stewardship efforts across the investment team while also helping to ensure that timelines for follow-up engagement do not drift.

We are developing new materials to help communicate our process and progress externally with clients and advisers, including dedicated ESG and sustainability reporting pages within quarterly client valuations. We look forward to updating progress on these areas in future reports.

3

Conflicts of interest

CONTEXT, ACTIVITY & OUTCOME

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

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

Our Conflicts of Interest Policy, which can be found on our website, sets out how the conflicts are identified and managed. The policy is owned by Compliance, who at least on an annual basis take steps to assess current and identify new conflicts of interest to ensure that our organisational and administrative arrangements are sufficient to prevent or manage each conflict. All employees are required to sign an annual attestation that they have read and understood the policy. Employees are alerted via email prompt on an annual basis. The policy is also included in the staff handbook for new joiners and within the internal company sharepoint.

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

1

STEWARDSHIP

Some conflicts of interest may arise when the firm is executing its rights and obligations to participate in stewardship of companies, where our clients or their connected parties are Persons Discharging Managerial Responsibilities (PDMRs). To identify these situations, the Responsible Investment Committee checks the firm's discretionary holdings against the PDMR log on a quarterly basis.

Where matches are identified, the Responsible Investment Committee reviews each case to identify whether the interests of the client are at odds with JH&P's voting recommendations and the interests of the firm's broader client base. The information is then passed to Compliance to be added to the Conflicts of Interest Log.

JH&P has not identified any potential conflicts of interest within the stewardship process during the reporting period.

2

EMPLOYEE PERSONAL DEALING

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

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

3

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

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

Promoting well-functioning markets

ACTIVITY & OUTCOME

Our multi-asset approach to investment involves the identification of, and response to, market-wide risks such as changes in interest rates, inflation rates and geopolitical issues as well as the consideration of systemic risks such as climate change or the Covid-19 pandemic.

An emphasis on portfolio diversification, liquidity and security above unrealistic investment returns provides the first defence against unexpected risks. We only invest our clients' portfolios in markets and asset classes that we fully understand and that we believe will deliver strong, risk-adjusted long-term returns. All our client portfolios adhere to strict liquidity provisions, and we aim to ensure that over 90% of client assets can be liquidated within 10 working days. We avoid overly complex financial instruments that may carry hidden risks and instead invest in assets that are more easily understood as well as being easily traded so that clients can access their money when required.

MARKET-WIDE RISKS ADDRESSED THROUGH USE OF DYNAMIC ASSET ALLOCATION

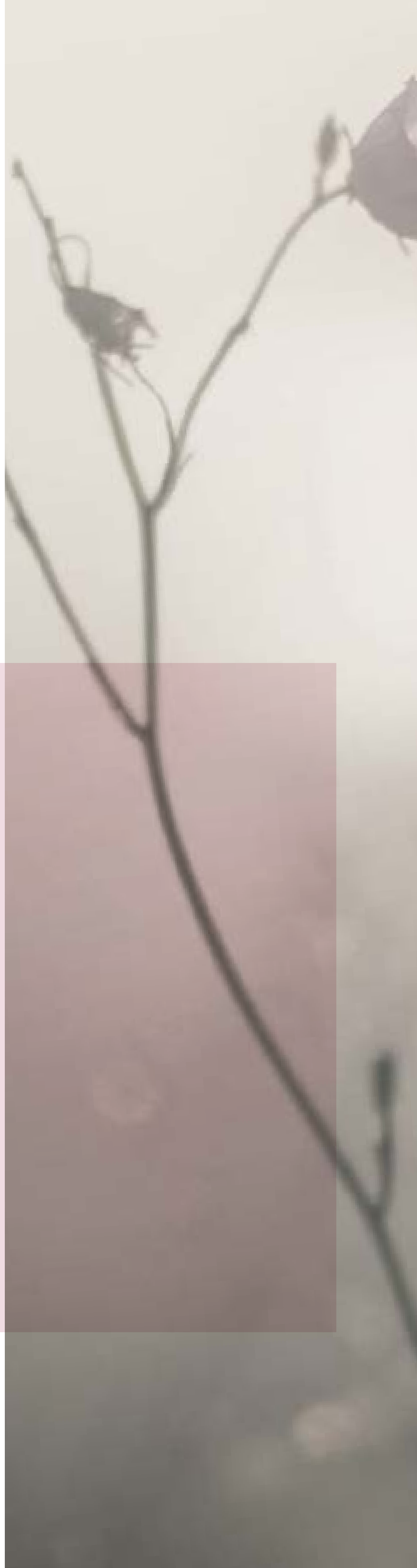
Once we have established the long-term strategic asset allocation profile for a client, we then apply our ‘real world’ tactical asset allocation overlay to reflect the prevailing market risks and opportunities. Adjustments are made within the asset class ranges as agreed.

The core of all our client portfolios is listed, liquid, developed market equities but at times of heightened market risk we can increase portfolios’ allocation to defensive asset classes to mitigate the impact of potential market drawdowns. These defensive assets include government bonds, gold, inflation-linked securities and alternative investments, and are assessed on their ability to provide protection against risks such as rising interest rates, inflation, currency movements or equity market weakness. Our primary aim is to build portfolios that are resilient to a range of potential scenarios without sacrificing the potential to deliver growth ahead of inflation over the longer term.

We hold a monthly asset allocation meeting, with all our key investment personnel present, to assess where the best long-term investment opportunities lie in each asset class and adjust the weightings in the underlying assets, if needed.

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

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



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

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

Climate change is the most pressing and universal threat faced by the world today. As investors we have a duty to manage the risks associated with global warming and to look for the opportunities presented by the shift to a lower carbon economy.

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

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

Alongside this intent, we expect them to measure and report on their greenhouse gas emissions in accordance with a widely accepted reporting framework such as the TCFD and have in place a clear strategy to reduce these outputs in accordance with global efforts to limit temperature rises in line with the UN Paris Agreement.

If we have concerns about the commitment of a business to reduce their environmental impact and report on their emissions and climate-related risks, we will engage with them to push for change. We recognise the important role that active ownership can play in driving positive outcomes and ultimately promoting well-functioning, more resilient markets as a result. Please see one such engagement, with Rio Tinto, included within **Principle 9**.

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

COLLABORATION

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

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

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

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

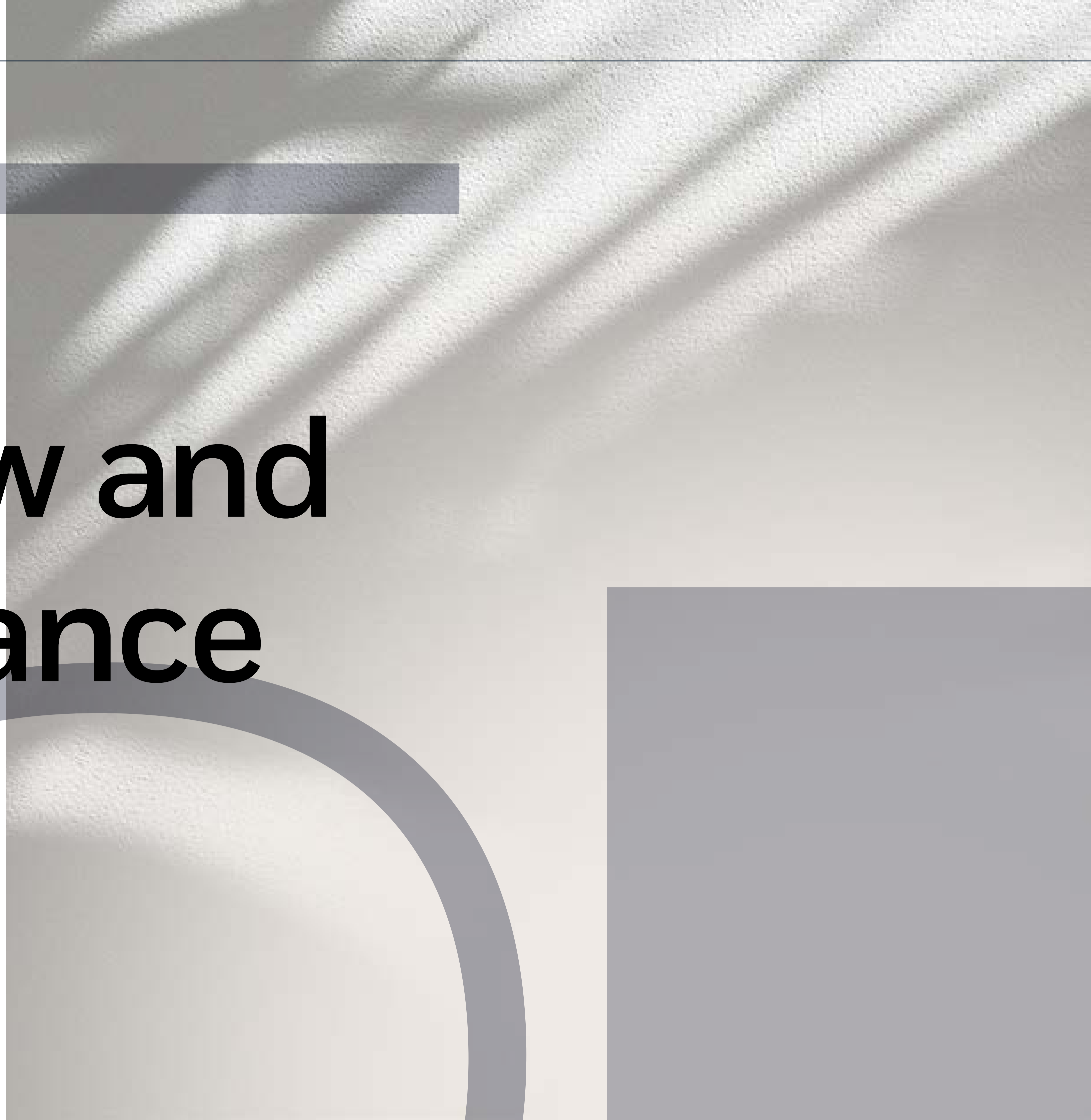
AIMS FOR THE YEAR AHEAD

Our approach to identifying and measuring climate-change risk, particularly at the portfolio level, continues to evolve. While our investment philosophy and approach typically lead us to have lower exposure to carbon-intensive industries than benchmark indices, we are increasingly using new tools to help quantify and respond to our climate risks, such as MSCI's Climate Value at Risk (Climate VAR). Climate VAR is designed to provide a forward-looking assessment of how climate-related risks could affect company valuations.

In the year ahead we also intend to learn more about how asset markets and our portfolios may be exposed to risks relating to biodiversity and natural capital. To date there has been significant regulatory and corporate focus on climate change, with relatively little discussion on all other forms of nature-related risk from water to landscapes and oceans. Our investment style typically leads to lower exposure to carbon-heavy sectors; wider impacts on biodiversity and natural capital may be a greater threat to the competitive position of many of our investments in the future.

To help build greater knowledge in this area we organised an interactive webinar with Andrew Mitchell in March 2022 for the benefit of both JH&P employees and our wider client base.

Andrew is an international thought leader on sustainable finance and natural capital. Through his consultancy, Equilibrium Futures, he provides strategic advice to the finance sector on environmental risks and opportunities. He is Senior Adviser to Oxford think tank, Global Canopy, which he founded in 2001, and is now a leading provider of data on supply chain risk and deforestation. We look forward to providing an update of our progress in understanding our biodiversity and natural capital risks in future reports.



Review and assurance

ACTIVITY

Our policies are subject to continual review by our investment committee, operations department and compliance teams. In 2022 we engaged with NorthPeak Advisory to provide an assessment of JH&P's overall stewardship processes.

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

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

The Responsible Investment Committee is then tasked with the following review and assurance responsibilities:

- Establishing and maintaining an appropriate Sustainability framework and related policies to meet JH&P's regulatory and compliance obligations
- Ensuring compliance with regulatory parameters that are aligned to the UNPRI, Stewardship Code and other practices as they arise
- Reviewing and approving the voting and engagement policy on an annual basis or ad hoc in the event of any changes to policies (e.g., after ISS's 2021 survey and benchmark policy changes)
- Providing oversight for implementation of client ethical policies and restrictions

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

All policies and activities are communicated internally across the investment and compliance teams, with key process and milestones being shared with clients and external advisers via our website. This includes our voting policy and activity, as well as JH&P's overarching approach to responsible investment. In 2022, we have updated these to include our new engagement policy and are exploring ways to increase transparency of reporting on engagement activities and wider responsible investment achievements to clients.

To help ensure our reporting is fair, balanced and understandable, we carried out a client survey in partnership with AON in September 2021 to understand what clients valued and where we could improve. A total of 285 client respondents completed the survey representing a 26.9% response rate from 1,059 links sent. Feedback suggested that while overall our communication with clients was transparent and informative, the functionality and useability of our digital reporting tools was seen as an area for improvement.

OUTCOME

In 2021 we improved the way we communicate our responsible investment strategy to clients, with key processes now embedded within client materials and discussed during regular updates. In 2022 we are working on improving communication of our more detailed policies and activities across voting and engagement, with the aim of including these as standard within all client reporting.

In 2022 we have begun the roll-out of a new online client reporting portal. The early stages have focused on improving the clarity with which we present portfolio data, including asset allocation, individual holding information and transaction data, while also improving ease of use. While still in early stages, we also aim to increase the functionality in time to include enhanced performance reporting and more detailed information on each portfolio's sustainability factors and stewardship outcomes.

6

Client and beneficiary needs

CONTEXT

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

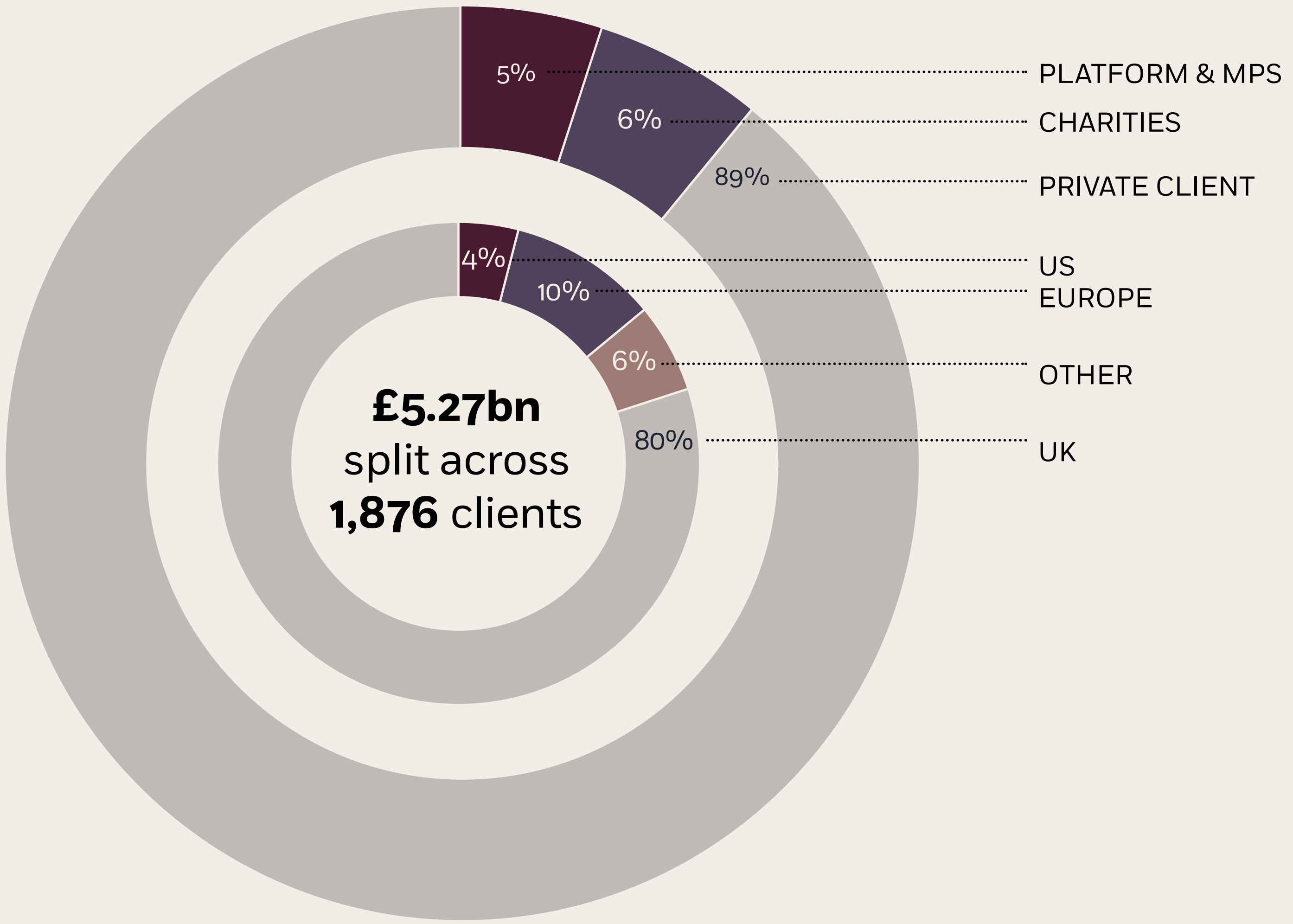
Our clients have long-term investment time horizons, with the majority five-years plus and in many cases much longer. As noted in **Principle 1**, we believe companies which recognise the need for change and allocate capital responsibly, by putting environmental, social and governance considerations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

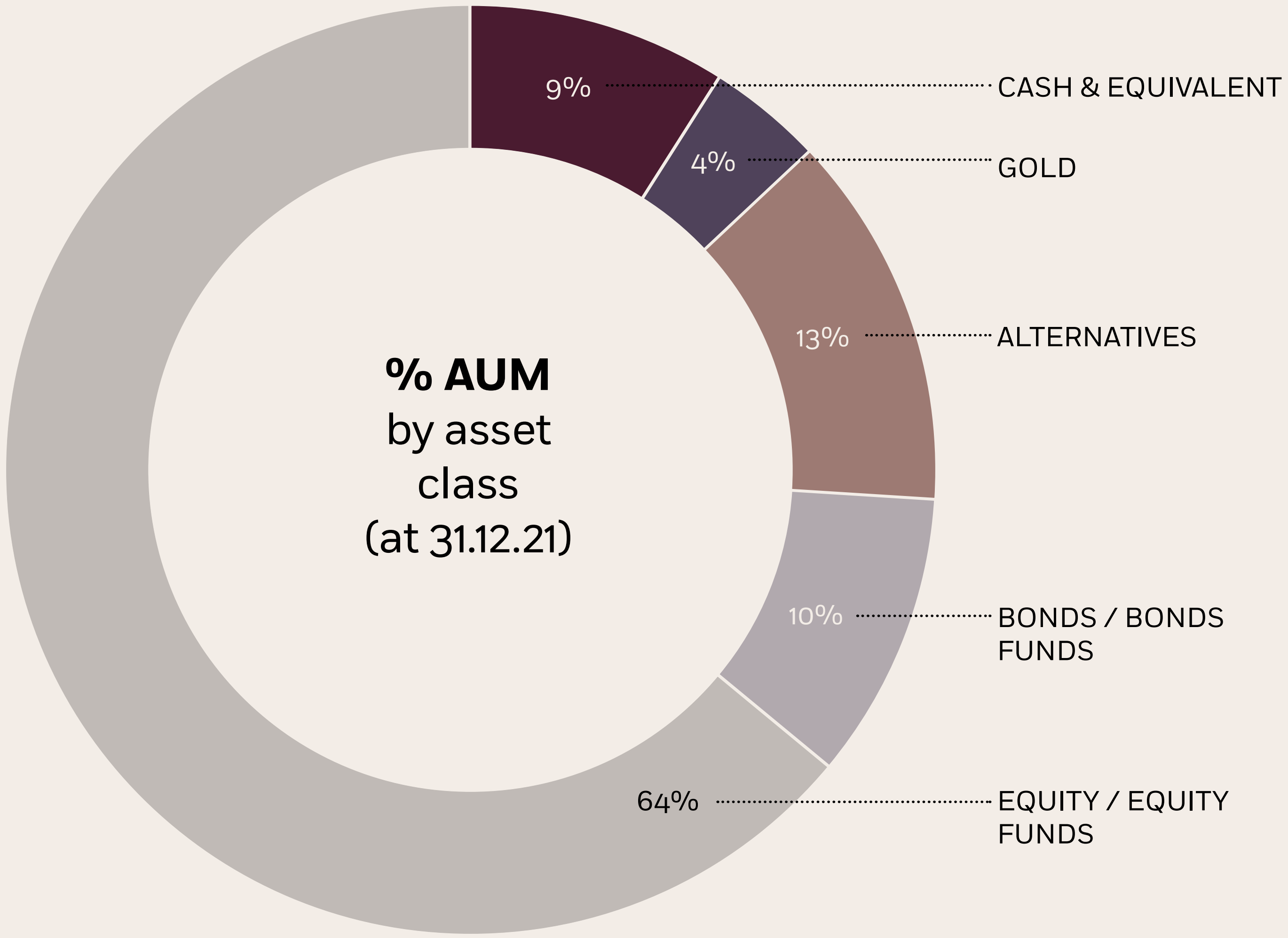
We believe this approach is essential to mitigate ESG-related risks and in doing so help to maximise long-run financial returns at a lower level of risk. We therefore apply our ESG integrated investment philosophy across all portfolios managed for our clients and do not run separate ESG or engagement-focused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

As of 31 December 2021, JH&P's assets under management, advice and administration was £5.27bn, split across 1,876 client relationships by geography and type as follows: Client relationships under £5m represented almost 40% of our AUM, relationships between £5m and £10m a further 21% and relationships over £10m accounted for 39%.

While individual clients have varying investment objectives and risk tolerances, all have the common objective of at least protecting the real value of their assets over the longer term. This means that even our lower-risk portfolios have a sizeable allocation to listed equities, balanced with holdings in fixed income assets, alternatives and cash. An overall breakdown of assets held on 31 December 2021 is shown below.

Direct investments represent 60% of our asset base, with 40% invested via third-party funds including ETFs.





ACTIVITY & OUTCOME

TAKING ACCOUNT OF CLIENT NEEDS AND VIEWS

When meeting a potential new client, we carry out extensive due diligence to understand their financial requirements and to ensure that the investment approach is suitable. As we do not recommend investment in any of our mandates for clients with time horizons of less than three years, we consider all our clients to have at least a medium-term investment horizon. In practice, most of our clients have a time horizon considerably longer, often multi-generational. Given we believe ESG-related risks and opportunities are material for even medium-term business prospects, we apply our ESG integrated investment philosophy across all portfolios.

However, in addition to our standard approach, part of the client onboarding process involves a discussion on ethical investing. We offer our clients the opportunity to screen out direct investment in sectors that are at odds with their principles or ethical beliefs. Eleven per cent of our clients have provided us with specific ethical screens and we manage portfolios for several clients (generally charities) that have very detailed screening requirements to ensure their portfolios are not at odds with their charitable purpose. Where clients have requested certain investment exclusions, these are coded into our dealing system and a monitoring process allows us to block any purchases which might breach a client restriction and to monitor any issues which might result from a company becoming involved in a potentially banned activity. The firm accesses ESG data from the research provider MSCI which allows us to build and manage specific negative screens requested by clients. Material changes to the ESG rating or a new and significant controversy relating to a company on our buy list can be tracked using data provided by MSCI.

COMMUNICATION AND OUTCOMES

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

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

We regularly update clients on our approach to responsible investing and stewardship. In early 2021, we wrote to all clients to update them on the growing importance and meaning of responsible investing and stewardship more widely at JH&P, setting out our commitment and approach in a dedicated brochure included with client quarterly valuations. This brochure can also be found on our website here:

www.jameshambro.com/about-us/sustainability

Where clients have specific ESG requirements which go beyond business-as-usual activities, these are escalated to the Responsible Investment Committee (RIC). This group can provide specific guidance on ESG-related matters such as engagement priorities and ongoing active engagement activities, material changes to the ESG score or controversy alerts for a stock on the firm's buy list and any action that might be required. As mentioned in **Principle 5**, we carried out a client survey in 2021 to gain a greater understanding of how clients view the service we are providing and to gauge any specific feedback. This provides another route for clients to communicate any specific requirements. We are now rolling out an improved digital portal which will offer increased functionality and greater ease of use as a result of survey feedback.

We publish details of our voting annually via a report which is made available to clients and published on our website. We are currently investigating whether to include this information on a quarterly basis in our quarterly reporting pack which goes to all clients. Please see **Principle 12** for more information on our voting guidelines and activities.

7

Stewardship, investment and ESG integration

CONTEXT

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

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

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

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

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

ACTIVITY & OUTCOME

As long-term investors, we need to be confident that the firms which we back and the funds we allocate to can deliver sustainable growth. Therefore, ESG consideration is a core part of our investment analysis across all asset classes and investment structures. We believe this helps us identify the long-term winners and avoid firms exposed to potential risks and vulnerabilities.

DIRECT EQUITIES

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

1) THE BEST BUSINESSES MAKE THE BEST INVESTMENTS

In the short term, share prices are predominantly driven by changes in sentiment and valuation. The longer the holding period, the more profit growth and cash returns, in the form of dividends or buybacks, drive shareholder returns.

2) THINKING LONG TERM IS A GROWING COMPETITIVE ADVANTAGE

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

Our analysis focuses on finding companies with the following attributes:

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

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

Our philosophy on sustainability is nuanced and pragmatic, not rules-based or dependent on a third-party scoring system. We expect our approach to continue to evolve over time. Except for tobacco and controversial weapons (see more detail below), we have decided not to take stringent ethical views on specific products or services. Instead, we look at every investment along the lines of what is mostly likely to provide the highest economic returns to our clients within the framework of a world that is moving to a more sustainable future.

EXCLUSIONS

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

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

TOBACCO

The World Health Organization estimates that tobacco is responsible for the deaths of 10 million people worldwide each year and will become the biggest single cause of death by 2030. Furthermore, the cultivation of tobacco is linked to poor environmental standards and there are concerns about the exploitation of workers involved in its production.

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

We will therefore exclude direct investment into the securities of businesses involved in the production of tobacco.

CONTROVERSIAL WEAPONS

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

We will not knowingly invest in companies involved in the manufacture and production of cluster munitions, anti-personnel landmines, and biological and chemical weapons.

INTEGRATION OF SUSTAINABILITY

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

1. Company description
2. Why does the customer buy the product or service?
3. Why is it difficult to compete?
4. Does the existing business earn high returns on investment?
5. What is the growth opportunity within the company's core business, and can they continue to reinvest at high rates?
6. Are the management team aligned with long-term shareholders? Is the culture distinctive?
7. Why now?

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

Below we provide an example of where our early screening caused us to abandon a potential new position.

CASE STUDY

UK FAST FASHION INDUSTRY

In 2018, we carried out a review of the fast fashion industry, primarily focused on UK names Associated British Foods (Primark), ASOS and Boohoo.

At the initial smell test stage, we established two areas of concern that led us to abandon any further work. The first was a continued suggestion that labour conditions for apparel manufacturing in the fast fashion industry were sub-optimal.

The second was the carbon and water impact of making clothes that were increasingly bought to be worn only a few times. We had clear ethical views on this, but our decision was driven from an economic standpoint that gradually the consumer was becoming more discerning about shopping sustainably, which had the potential to challenge the differentiating factors of these companies' business models.

We felt both areas were at risk of controversy and consumer backlash. We therefore felt these businesses had a fundamental flaw that could become exposed as the market matures.

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

The Responsible Investment Lead, who sits on both the equity team and the Responsible Investment Committee, oversees the completion of all Sustainability Reviews, ensuring best practice is maintained. This structure avoids creating a sustainability silo, ensuring knowledge and competency in this area is built across the team. The Responsible Investment Lead also collates the output from the Sustainability Reviews and builds the priority of action points for engagement and voting presented to, and actioned by, the Responsible Investment Committee.

Once added to our recommended list of direct equities, the lead analyst is expected to monitor the performance of the companies they cover and ESG considerations are an integrated part of this ongoing review, including a full update of the Sustainability Review on an annual basis. Regular monitoring of any ESG-related controversies is also carried out by the Responsible Investment Lead who ensures that any significant ratings changes are identified for further investigation. These are then discussed at the weekly equity meeting.

JH&P SUSTAINABILITY REVIEW

The purpose of the review is:

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

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

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

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

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

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

OUR 5-POINT SUSTAINABILITY FRAMEWORK

Each sustainability review is structured as a 5-Point Sustainability Framework. The five pillars that underpin the analysis draw upon the UN Sustainable Development Goals and capture the major themes that we believe are most important to determine those companies best placed to benefit from the transition towards a cleaner and more resilient path of economic growth.

For each of the five areas shown on the opposite page, the analyst assesses the materiality of the risks to the investment case (high, medium, low) as well as an assessment of how well the company is addressing the risks and opportunities against several underlying questions (+, -, =). The full list of questions including the underlying 5-point framework along with an example of a JH&P sustainability review is included on page 64.

1

DECARBONISATION

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

2

TRANSITION TO A CIRCULAR ECONOMY

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

3

PROTECTION & RESTORATION OF BIODIVERSITY & ECOSYSTEMS

Companies must be aware and take steps to mitigate their impact of the wider environment. This includes how they consume raw materials, their use and treatment of water and their impact on local ecosystems, including air quality.

4

EQUITABLE, HEALTHY & SAFE SOCIETY

We look at sustainability in the context of all stakeholders including any person that is impacted by the activities of the enterprise.

We believe gender and ethnic diversity are core corporate values, which lead directly to positive outcomes.

5

STRONG GOVERNANCE & ACCOUNTABILITY

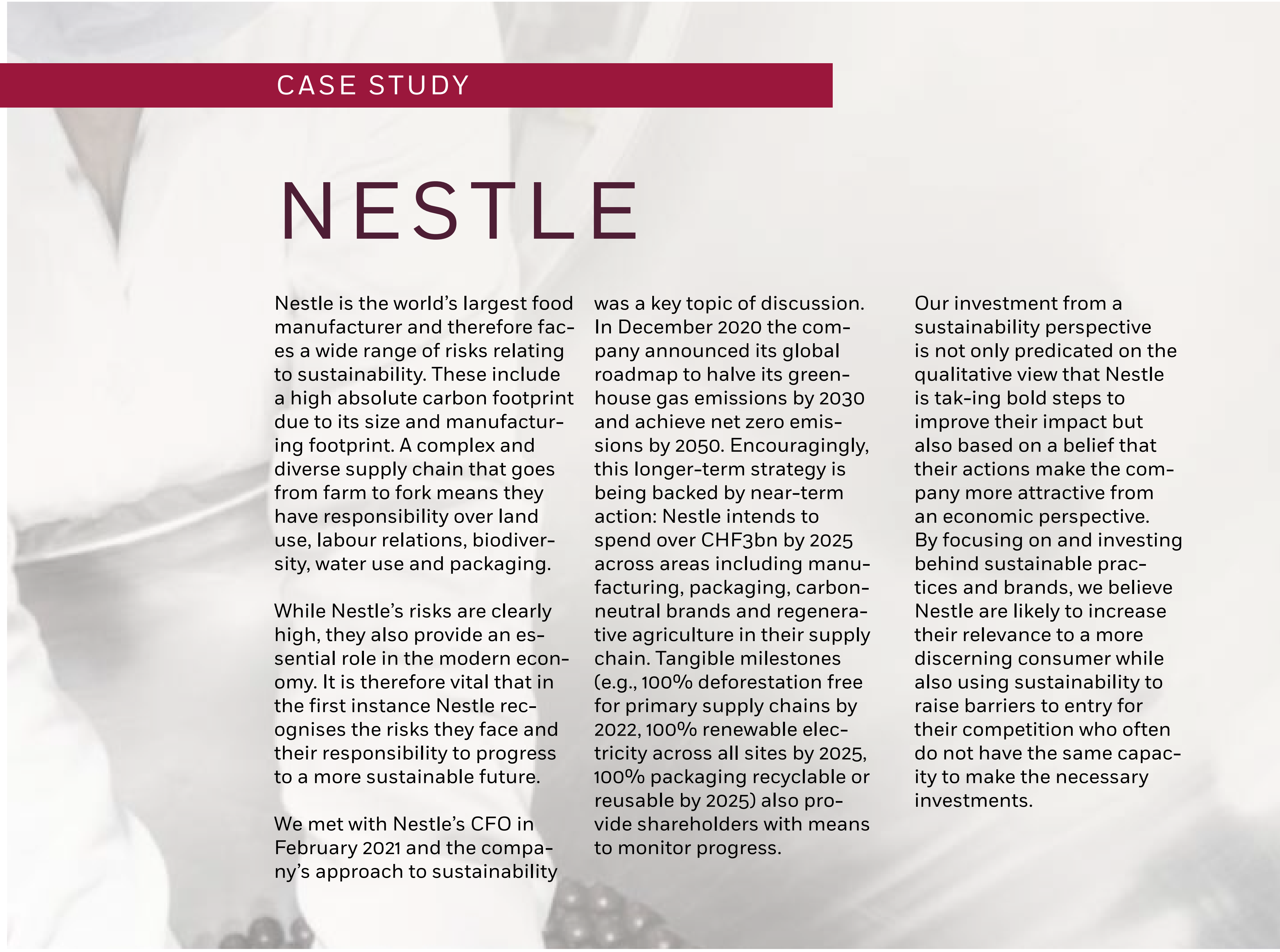
Strong corporate governance is an essential quality for corporate success. Without corporate controls and accountability, the sustainability factors are less likely to be achieved.

CATEGORISING COMPANIES TO PROVIDE A RISK-BASED APPROACH TO ENGAGEMENT

Based on what the company does and how they do it, we then categorise each company under three headings: **Mitigating**, **Transitioning**, **Enabling**. This simple risk-based framework has a key influence on the conviction we build on the long-term success of the company and therefore the price we are willing to pay. It also helps inform our overall portfolio construction and drives our engagement priorities and areas of focus; we expect to dedicate more of our engagement activities to companies we classify as Mitigating and Transitioning.

1. MITIGATING

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



CASE STUDY

NESTLE

Nestle is the world's largest food manufacturer and therefore faces a wide range of risks relating to sustainability. These include a high absolute carbon footprint due to its size and manufacturing footprint. A complex and diverse supply chain that goes from farm to fork means they have responsibility over land use, labour relations, biodiversity, water use and packaging.

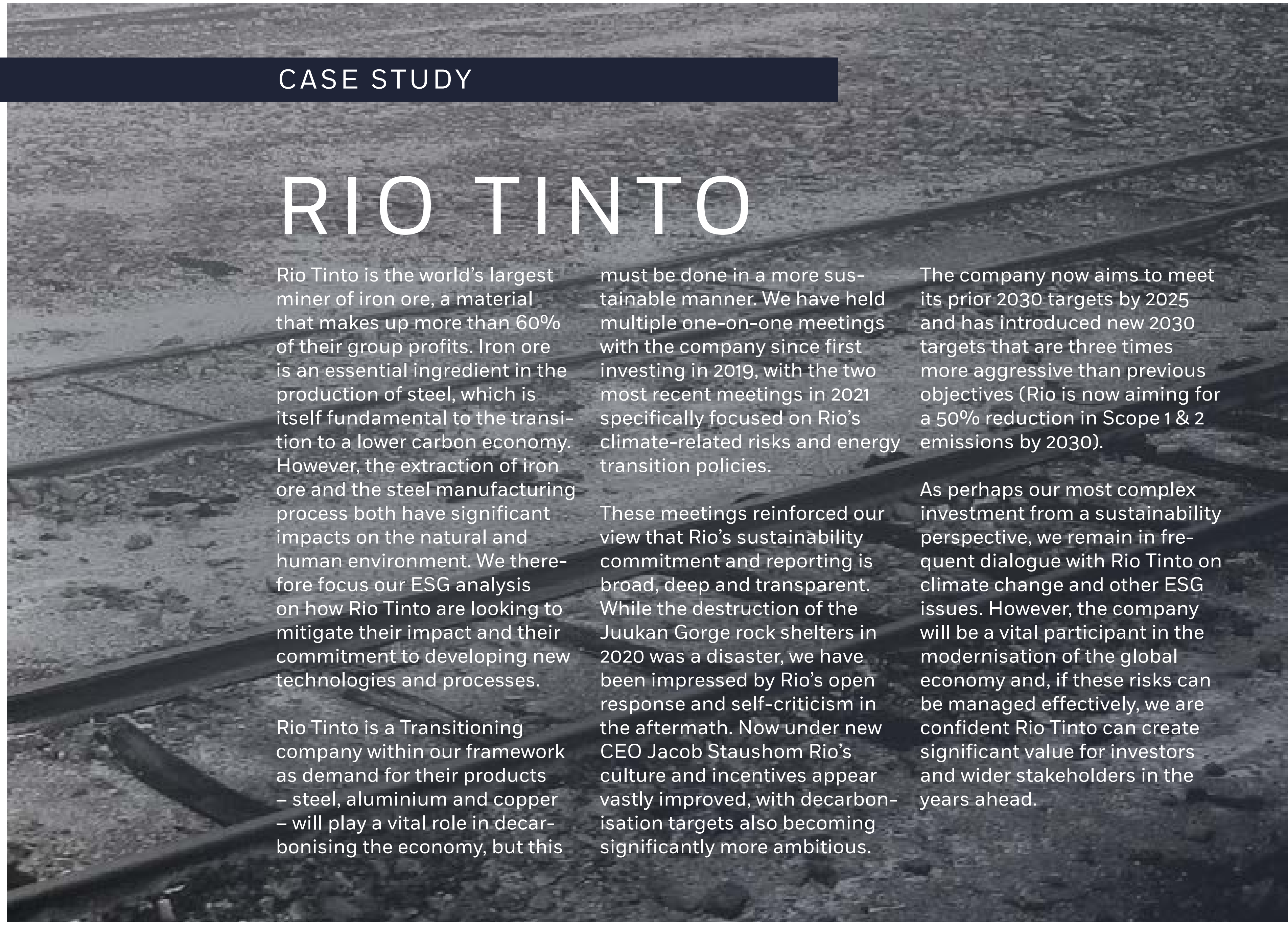
While Nestle's risks are clearly high, they also provide an essential role in the modern economy. It is therefore vital that in the first instance Nestle recognises the risks they face and their responsibility to progress to a more sustainable future.

We met with Nestle's CFO in February 2021 and the company's approach to sustainability was a key topic of discussion. In December 2020 the company announced its global roadmap to halve its greenhouse gas emissions by 2030 and achieve net zero emissions by 2050. Encouragingly, this longer-term strategy is being backed by near-term action: Nestle intends to spend over CHF3bn by 2025 across areas including manufacturing, packaging, carbon-neutral brands and regenerative agriculture in their supply chain. Tangible milestones (e.g., 100% deforestation free for primary supply chains by 2022, 100% renewable electricity across all sites by 2025, 100% packaging recyclable or reusable by 2025) also provide shareholders with means to monitor progress.

Our investment from a sustainability perspective is not only predicated on the qualitative view that Nestle is tak-ing bold steps to improve their impact but also based on a belief that their actions make the company more attractive from an economic perspective. By focusing on and investing behind sustainable practices and brands, we believe Nestle are likely to increase their relevance to a more discerning consumer while also using sustainability to raise barriers to entry for their competition who often do not have the same capacity to make the necessary investments.

2. TRANSITIONING

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



CASE STUDY

RIO TINTO

Rio Tinto is the world's largest miner of iron ore, a material that makes up more than 60% of their group profits. Iron ore is an essential ingredient in the production of steel, which is itself fundamental to the transition to a lower carbon economy. However, the extraction of iron ore and the steel manufacturing process both have significant impacts on the natural and human environment. We therefore focus our ESG analysis on how Rio Tinto are looking to mitigate their impact and their commitment to developing new technologies and processes.

Rio Tinto is a Transitioning company within our framework as demand for their products – steel, aluminium and copper – will play a vital role in decarbonising the economy, but this must be done in a more sustainable manner. We have held multiple one-on-one meetings with the company since first investing in 2019, with the two most recent meetings in 2021 specifically focused on Rio's climate-related risks and energy transition policies.

These meetings reinforced our view that Rio's sustainability commitment and reporting is broad, deep and transparent. While the destruction of the Juukan Gorge rock shelters in 2020 was a disaster, we have been impressed by Rio's open response and self-criticism in the aftermath. Now under new CEO Jacob Staushom Rio's culture and incentives appear vastly improved, with decarbonisation targets also becoming significantly more ambitious.

The company now aims to meet its prior 2030 targets by 2025 and has introduced new 2030 targets that are three times more aggressive than previous objectives (Rio is now aiming for a 50% reduction in Scope 1 & 2 emissions by 2030).

As perhaps our most complex investment from a sustainability perspective, we remain in frequent dialogue with Rio Tinto on climate change and other ESG issues. However, the company will be a vital participant in the modernisation of the global economy and, if these risks can be managed effectively, we are confident Rio Tinto can create significant value for investors and wider stakeholders in the years ahead.

For further detail on our engagement with Rio Tinto please see **Principle 9**.

3. ENABLING

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

CASE STUDY

INTUITIVE SURGICAL

Intuitive's robotic-assisted surgical platforms have many positive impacts on society. At the outset they can help reduce the total cost of care in hospitals through faster patient recovery times, reduced rates of complications and lower levels of readmission. In addition, they are helping address a global shortage of surgeons by allowing existing surgeons to perform more operations and increasing their career-span. Through increasing levels of data, Intuitive is also well placed to keep improving the medical outcomes for patients over time, providing a higher quality of life.

While we believe Intuitive's impact on society to be overwhelmingly positive, the company still has risks from an environmental, labour and product safety perspective. These form the focus of our engagement with the company, albeit we deem most of the risks as somewhat immaterial relative to many other companies with which we invest.

PRINCIPLE SEVEN

Prior to investing we aim to engage with companies to address any concern we have from a stewardship perspective. For example, ahead of our initial investment in Pool Corp, a US-based distributor of pool supplies and equipment, we met with the company to assess how they were addressing issues including energy and water usage, as well as their plans for improved company disclosure on sustainability metrics. While at the highest level, swimming pools increase the resource intensity of society and have a negative impact upon the planet, we came away from the meeting with greater confidence that Pool Corp's growing range of products can help customers save energy, water and money which should benefit the environment, customer and Pool Corp over the longer-term.

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

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

RESOURCES

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

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

An example of a JH&P sustainability review from the reporting period is shown on pages 63 and 64.

FULL 18 QUESTIONS UNDERLYING THE 5-POINT FRAMEWORK

DECARBONISATION

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

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

3. Do they report on GHGs and have a clear strategy to limit global temperature rise to 1.5°C by 2050 or before?

TRANSITION TO A CIRCULAR ECONOMY

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

PROTECTION & RESTORATION OF BIODIVERSITY & ECOSYSTEMS

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

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

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

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

EQUITABLE, HEALTHY & SAFE SOCIETY

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

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

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

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

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

STRONG GOVERNANCE & ACCOUNTABILITY

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

15. Is the role of chairman and CEO split?

16. Is the majority of the board classed as independent?

17. Are any of the board of directors over boarded?

18. Is there sufficient diversity at board and management level?

PRINCIPLE SEVEN

AN EXAMPLE OF A JH&P SUSTAINABILITY REVIEW FROM THE REPORTING PERIOD IS SHOWN HERE:

Sartorius Stedim Biotech	**Review Date: June 21**		
With a focus on the culture of the company, outline how sustainability is embedded within the business and how it poses both a threat and an opportunity	The convergence of scientific advances with huge leaps in computing power, automation and AI is fuelling a new wave of drug discoveries, with biopharmaceuticals poised to grow ahead of traditional chemically-synthesised drugs for the foreseeable future. The covid pandemic has highlighted the need for public investment to support ongoing private investment in making healthcare systems more resilient, cost effective and innovative. SSB's strengths in equipment for biologics production and single-use technologies leave it well positioned to benefit from these trends. In past years, technologies from Sartorius have been used in the development and production of vaccines to combat various diseases, such as Ebola, Zika and H1N1. In 2020, the company's products and process knowledge made a significant contribution towards fighting the Covid-19 pandemic: Sartorius is involved in most vaccine projects throughout the world.		
Mitigating/Transitioning/Enabling	**Enabling**		
Explanation	SSB is a key enabler of healthcare innovation, helping to produce new treatments that offer the promise of greater precision and the ability to treat previously unmet medical need.		
1. Decarbonisation		**Materiality (H,M,L)**	**Score (+,=,-)**
Assess the company's carbon intensity in absolute terms and relative to peers. Is the company measuring and reporting their emissions and climate related risks utilising a widely accepted framework such as the Task Force on Climate-related Financial Disclosures (TCFD)?	Emissions caused by the direct operations of Sartorius are comparably low and the impact of their activities is also low by industry standards (18% lower than industry average per MSCI). Emissions from the consumption of electricity at Sartorius accounts for two-thirds of its climate-change-producing emissions. SSB's largest site in Göttingen uses 58 percent of the total energy from all manufacturing plants combined, therefore this site plays a leading role in SSB's energy saving measures. In 2020, Sartorius prepared a balance of its CO2 emissions and set science-based targets for the Scope 1 and 2 emissions, which are based on the 1.5°C target and the Science Based Targets (SBT). For Scope 3 emissions, Sartorius have set a qualitative target to reduce the emissions. By 2030, Sartorius will reduce its direct emissions and emissions from bought-in energy by around 45 percent in comparison to 2019. Sartorius does not seem to measure or report to a widely accepted framework at this point; the new science-based targets will be used in the company's planning from Q1'21 and reported in the next annual report. Current targets are vague: *Despite substantial expansion of our manufacturing operations, both our energy consumption and gas emissions have remained below proportionate levels with respect to revenue growth.*	L	=
Do they have a clear and current strategy to reduce emissions in accordance with global efforts to limit global temperature increase?	SSB describe their environmental aims as: *We strive to reduce the greenhouse gas emissions produced in our business operations steadily. Our goal is to keep increases in energy consumption and greenhouse gas emissions below proportionate levels with respect to revenue growth.* At the Göttingen site, SSB use four eco-friendly combined heat and power (CHP) plants fuelled by natural gas. As a result, this site generates 22 percent of its own electricity needs, using the heat produced to cover 24 percent of its heating requirements. SSB also apply ecological criteria when selecting partners for storage and transportation. Each must offer a spectrum of services that clearly reduces greenhouse gases, from their fleets to their equipment. More broadly, the industry shift to single-use solutions (where SSB is a market leader) is helping to significantly reduce the environmental impact of biopharmaceutical processes of their customers. Relative to traditional stainless steel facilities, single-use technologies can reduce energy and water consumption by over 50% and 60% respectively.		
Monitoring/Focus Points	Lack of quantified targets and no clear reporting to any widely accepted framework. No discussion of role of renewable energy.		
2. Transition to a Circular Economy		**Materiality (H,M,L)**	**Score (+,=,-)**
Does the company source raw materials responsibly and what are they doing to acknowledge and reduce the impact of their products on the environment?	While the shift to single use has environmental benefits, it does result in an increased use of plastic (albeit biopharma disposable plastic accounts for less than 0.01% of annual volume of plastic waste). SSB was the first company in its industry to join the European Plastics Pact, whose aim is to improve the use and recycling of plastics. The environmental footprint of its single-use products is considered as early as the product development stage: The materials used are carefully selected to keep their impact on humans and the environment as low as possible. The plastics consist of recyclable standard polymers and contain few additives. Whenever technically possible, the materials meet Pharmacopeia requirements. All materials can be safely burnt and used as energy. Filters are a key product in the Bioprocess Solution Division. With the packaging redesign in the reporting year, Sartorius pursued its plastics and climate strategy and minimized the ecological impact of the packaging. Compared to the previous model, a significant amount of material was saved and the weight was reduced considerably. The result is 55 to 60 percent less waste. In addition, unavoidable waste is completely recyclable. Packaging dimensioning was also adapted and optimized for logistics.	M	+
Monitoring/Focus Points	What is being done in terms of recycling? Further information on use of materials being burned and used for energy.		

3. Protection and restoration of biodiversity and ecosystems		**Materiality (H,M,L)**	**Score (+,=,-)**
Does the company consume significant volumes of water, are they monitoring and reporting their water usage and what steps are they taking to mitigate this?	SSB's manufacturing processes for membranes and membrane products are optimized for minimal consumption of rinsing water. Organic solvents are processed and largely recycled. Shift to single-use technologies lowering water demand across customer base.	L	=
Aside from raw materials and water does the company have any other impacts on local environments and what measures are being taken to reduce this?	SSB complies with German and international regulations in their use and handling of hazardous materials, and aim to reduce the use of hazardous materials when developing new products.		
Is animal welfare an issue in their supply chain, what steps are they taking to mitigate this?	N/A		
Monitoring/Focus Points			
4. Equitable, healthy and safe society		**Materiality (H,M,L)**	**Score (+,=,-)**
What labour policies does the company employ, are they high risk in terms of health and safety and asses their historic performance?	Sartorius pursues a goal of filling most management positions from within its own ranks. All four top executives have been with the company for at least 15 years. Planned, mandatory employee training on topics of occupational health and safety and environmental protection ensure that our staff members recognize risks and avoid them accordingly. SSB offers a wide range of management and communication training opportunities as well as practical training at all its sites.; during 2020, 92,180 hours were invested in training measures – on average 8.9 training hours per employee. In addition to flexible work schedules, SSB's response to the need for work-life balance includes child care opportunities. In Göttingen, for example, there are offers for children during school vacations, and a day care centre is available close to the company on the Sartorius Campus. As an inclusive day care centre, it is also open to children with disabilities. It's part of SSB's corporate culture that fathers also take family leave at Sartorius.	M	+
Does the company have a significant impact on their local community or their customers, what steps are they taking to address this?	SSB's products and services enable their customers to bring new medicines to market faster and to make production of biopharmaceuticals more efficient and flexible - and ultimately lower cost.		
Assess the company's risks and performance with regards to corruption, lobbying and tax contribution.	*No material issues.*		
Does the company openly address diversity issues and what policies do they have to improve diversity?	Yes. Annual report has detailed data on existing employee split across gender and age group. Almost 40% of workforce is female.		
Monitoring/Focus Points			
5. Governance			**Score (+,=,-)**
Are there strong governance controls over the sustainability goals, are senior management aligned and incentivised on these sustainability goals?	Sartorius's Corporate Responsibility Steering Committee meets annually and is led by the CEO. Items discussed include the current sustainability and responsibility issues, data structure and collection, derivation of objectives, and action items. Sustainability criteria are not currently linked to incentive programmes.		-
Is the role of chairman and CEO split?	No		
Is the majority of the board classed as independent	Yes (parent company). SSB is majority owned by Sartorius AG.		
Are any of the board of directors over boarded	No		
Is there sufficient diversity at board and management level	Women represent 30% management positions and almost 40% of the workforce is female.		
Monitoring/Focus Points	Longer term share structure post 2028 lock-up of family ownership. Potential to split Chair & CEO roles to provide robust challenge to management team. Integration of sustainability policy and incentive policy to ensure alignment.		

FUND INVESTMENT

We expect managers of third-party funds to share our commitment to investing responsibly. This includes equity and fixed interest funds, as well as our investments in alternative asset classes such as absolute return funds and infrastructure, albeit the nature of the fund and strategy will impact the relative importance of responsible investment factors during our due diligence and ownership. For example, the focus placed on a UK equity fund with a large allocation to sectors such as energy and mining will be significantly greater than an absolute return fund engaged in short-term trading of rates and currencies.

We expect the firms we work with to take account of environmental, social and governance (ESG) risks in their investment process in the belief that this is an essential part of assessing risk and opportunity in investment and will ultimately improve the long-term performance of their portfolios whilst aligning with our own approach.

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

We expect all the fund managers with whom we invest to be signatories to the Principles for Responsible Investment (PRI), in line with our own commitment. In doing so, they have made a commitment to incorporate environmental, social and governance issues into their investment process. Where they are not, we seek to understand the rationale and whether they have plans to become signatories.

INTEGRATION INTO THE PROCESS

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

A qualitative approach is undertaken to assess the relevance of an ESG approach to a fund's investment strategy. We recognise that different asset classes require different approaches. Within our equity and bond fund universe, analysis of a manager's responsible investment process is more easily applicable and relevant than for some of our Alternative funds – for example a macro hedge fund predominantly focused on trading rates and currencies. Here, our focus is weighted to other topics such as the fund's structure and liquidity (in particular any mis-match between the fund structure and its underlying investments), key individual turnover and prospective fees (including performance fees). A flexible qualitative assessment allows for the consideration to reflect the range of fund strategies and asset classes covered by third-party funds.

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

We meet the managers of all funds we invest in as part of our initial due diligence and post investment engage with them on a regular basis. Discussion on material changes to the fund's ESG approach forms a core part of this ongoing engagement, along with other key issues such as investment team turnover, fund structure and manager incentivisation, and ensuring our clients benefit from fair and transparent charging structures.

An important stage of our initial assessment process of a third-party fund involves a qualitative and quantitative scoresheet completed by the investment team following a meeting with the manager. In 2021, we added new questions to our scoring framework specifically addressing the fund manager's approach to ESG:

- How credible is the PM's approach and commitment to ESG in the context of the strategy?
- How effectively are ESG considerations integrated into the investment process given their relevance to the strategy?

The introduction of these questions has led us to spend a larger proportion of fund manager meetings discussing responsible investment-related areas, with a particular focus on how ESG factors are integrated into the specific fund investment approach and how these have changed over time.

Prior to progressing to the investment stage, we require each fund to complete a Due Diligence Questionnaire (DDQ) which is reviewed by the funds team. Our formal due diligence process includes a specific analysis of each fund's approach to ESG. The DDQ requires questions to be answered at a firm or institution level as well as at the individual fund level. The DDQ allows the funds team to assess the importance of integrating ESG into the fund process, the level of engagement from a fund manager, whether positive or negative screens are implemented, and the measurement of emissions and certain risks posed by portfolio holdings.
In addition to the responsible investment process of the fund, the DDQ also assesses material ESG factors related to human capital and governance, such as investment team turnover and incentivisation, relevant share class terms and liquidity policies.

A MSCI Funds Rating Report is run for each third-party fund on our buy list where available to be used as an input to our process alongside our own internal approach and is reviewed regularly. The report provides an ESG rating, an ESG quality score and a percentile versus peer group ranking which are evaluated on a standalone basis and relative to the peers. We incorporate the MSCI Funds Rating Report score on our internal funds buy list.

ENGAGEMENT

Where there are controversies or a fund is an outlier relative to its peers this is investigated, through engagement with the fund house and fund manager, to understand the position and address what action is undertaken, where appropriate, to remedy the position. Where there are concerns or areas which require further detail and clarification the funds team will liaise with the fund house and the sales team to ensure that we have the required information on the third-party fund's position and approach to ESG integration. We address the fund manager's approach to engagement and draw upon examples of their engagement at a company level, which is provided in the third-party fund's ESG policy.

DIRECT FIXED INCOME

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

SOVEREIGN DEBT

Sovereign debt markets are generally deep and liquid, providing opportunities for lower risk investment strategies. Furthermore, up to 90%* of a country's ESG score is explained by its national income so analysis of sovereign bonds requires a different perspective given the influence of national political, social and economic factors. The dynamics between sustainability metrics and government bond spreads can be overshadowed by higher level factors.

Attention is focused on ESG risks that could impact an issuer's credit rating or solvency and therefore return on capital. We are particularly conscious of the risks to the return of and access to capital. We pay attention to the risk that a sovereign issuer may limit external access to investors' assets through the imposition of capital controls or that national governments or the international community may impact a sovereign issuer through the imposition of sanctions.

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

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

Source: World Bank Equitable Growth, Finance and Institutions Insight

An example of MSCI's ESG Government Report is shown on p. 70

These resources help us identify key categories of risk and areas of focus regarding our sovereign areas of investment. We typically allocate to investment grade issues in politically stable developed economies including the UK, US and EU.

At each fixed interest team meeting there is a standing agenda point to review the MSCI output for any sovereign debt exposure we hold within client portfolios. The fixed interest team will then refer any concerns to the Responsible Investment Committee before a decision is taken and communicated to the wider investment team.

ESG GOVERNMENT REPORT

UNITED KINGDOM (GB)

ESG RATING A
RATING OUTLOOK: NEGATIVE

REGION: NORTHERN EUROPE
MARKET PEER GROUP: DEVELOPED MARKET

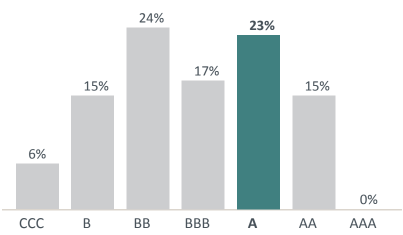
RATING DATE: January 26, 2022
LAST UPDATE: September 07, 2022

GOVERNANCE SNAPSHOT

Level of democracy	LOW RISK
Press freedom	LOW RISK
Rule of law	LOW RISK
Political rights	STRONG MGMT
Civil liberties	STRONG MGMT
Corruption perception	STRONG MGMT
UN Sanctions	NO
EU Sanctions	NO

RATING TREND

GLOBAL RATING DISTRIBUTION



TOP AND BOTTOM MARKET PEERS*

COUNTRY/REGION	RATING	OUTLOOK
TOP RATED PEERS		
Norway	AAA	Neutral
New Zealand	AA	Neutral
Sweden	AA	Neutral
BOTTOM RATED PEERS		
Hong Kong	BBB	Neutral
Italy	BBB	Neutral
Spain	BBB	Neutral

ESG SCORE CARD

	WEIGHT	SCORE	GLOBAL MEDIAN**
Environment	**25.0%**	**4.6**	**5.2**
Natural Resources	18.0%	3.8	4.4
Env. Vulnerability	7.0%	6.5	6.4
Social	**25.0%**	**7.5**	**5.8**
Human Capital	15.0%	8.2	6.0
Econ. Environment	10.0%	6.5	5.6
Governance	**50.0%**	**6.8**	**5.7**
Financial Governance	20.0%	4.2	5.9
Political Governance	30.0%	8.4	5.9

RATING COMMENT

United Kingdom maintained its rating of A, with a constant negative outlook. The country has a strong management performance related to providing for the basic needs of its population; increasing the education rate and life expectancy; improving the country's investment in R&D; and improving health and education infrastructure. This performance is in line with the median level relative to other countries in Northern Europe. Conversely, United Kingdom has a high exposure to risks related to energy security; lack of productive land and of mineral resources per capita; and, lack of water resources per capita. This risk exposure is in line with the median level relative to other countries in Northern Europe. Additionally, United Kingdom has experienced adverse events that have deteriorated its profile with respect to economic environment risk exposure and financial governance risk exposure.

MOST SIGNIFICANT RECENT EVENTS

MSCI ESG Research tracks high-impact global events and incorporates the impact of such events in ESG Government Ratings on a monthly basis. The following recent events were incorporated in the assessment of the Government Rating.

Risk Factor	Deduction
Economic Environment risk	-2.0
Financial Governance risk	-1.0

Note: The scores and ratings in this report are based on 96.9% of the 98 data points available for this country.
**Peer set is based on the combination of MSCI Market Classification and World Bank Income Classification.*
***Throughout the report, "Median" indicates the simple median of the corresponding metric for all 198 countries rated using MSCI ESG Government Ratings, unless otherwise stated.*

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ESG GOVERNMENT REPORT

UNITED KINGDOM (GB)

ESG RATING A
RATING OUTLOOK: NEGATIVE

			Country/Region (GB)	Global Median	
ENVIRONMENT					
Natural Resources	Risk Exposure	Energy Security Risk	7.3	7.4	High risk
		Productive Land and Mineral Resources	9.0	6.6	High risk
		Water Resources	7.9	7.4	High risk
	Risk Management	Energy Resource Management	5.2	5.6	Med mgmt
		Resource Conservation	4.3	4.5	Med mgmt
		Water Resources Management	7.7	5.7	Strong mgmt
Environmental Externalities & Vulnerabilities	Risk Exposure	Vulnerability to Environmental Events	6.2	4.1	Med risk
		Environmental Externalities	2.9	2.6	Low risk
	Risk Management	Environmental Performance	7.4	5.9	Strong mgmt
		Management of Environmental Externalities	7.1	5.7	Strong mgmt
SOCIAL			**Country/Region (GB)**	**Global Median**	
Human Capital	Risk Exposure	Basic Human Capital	2.9	3.3	Low risk
		Higher Education and Technology Readiness	1.0	4.7	Low risk
		Knowledge Capital	3.6	9.7	Med risk
	Risk Management	Basic Needs	9.9	8.9	Strong mgmt
		Human Capital Performance	9.6	7.9	Strong mgmt
		Human Capital Infrastructure	6.7	5.4	Strong mgmt
		Knowledge Capital Management	8.3	1.2	Strong mgmt
Economic Environment	Risk Exposure	Economic Environment	3.3	5.9	Med risk
	Risk Management	Wellness	8.3	6.1	Strong mgmt
GOVERNANCE			**Country/Region (GB)**	**Global Median**	
Financial Governance	Risk Exposure	Financial Capital	5.0	3.6	Med risk
	Risk Management	Financial Management	4.5	4.6	Med mgmt
Political Governance	Risk Exposure	Institutions	1.3	4.7	Low risk
		Judicial and Penal System	1.5	5.4	Low risk
		Government Effectiveness	1.9	6.2	Low risk
	Risk Management	Political Rights and Civil Liberties	9.6	6.2	Strong mgmt
		Stability and Peace	7.6	6.4	Strong mgmt
		Corruption Control	8.2	3.4	Strong mgmt

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Source: MSCI ESG Manager.[1]

CASE STUDY

CHINESE GOVERNMENT BONDS

In early 2021 we initiated a review of Chinese sovereign bonds with a view to their potential inclusion within the fixed interests allocation of client portfolios. This was a result of the low levels of yield on offer from developed market sovereigns, historic diversification benefits and a desire to improve the potential for return without a marked increase in the risk being taken.

Financial analysis of Chinese sovereign bonds confirmed their ability to offer an improved return profile in the form of a better running yield as well as yield to maturity across most of the maturity curve. The yield spread on the Chinese 10-year bond versus the 10-year US treasury was close to a decade higher and Chinese interest rates were at a much higher level than in all developed markets. In addition, analysis of historic data showed that Chinese government bonds had provided greater protection at times of market stress over recent years than UK gilts and had behaved more akin to the US treasuries.

Based purely upon financial metrics, the Fixed Interest committee was supportive of the inclusion of Chinese government bonds within portfolios.

The subsequent broader discussion with the Responsible Investment Committee, the Investment Committee as well as the Investment Oversight Committee, looked at Chinese bonds from the perspective of ESG and the government's historic track record in these areas, as well as its stated future commitments (or lack thereof). Given the continued concerns held by the team over several high profile issues such as pollution and persecution of minorities, and an apparent lack of change in approach to these areas of risk, it was decided that Chinese bonds should not form part of our investable universe at that time.

CORPORATE CREDIT

We take the same approach to directly investing in corporate credit as we do to investing in equities. Thinking about the durability of a business model in the context of important structural ESG trends is as relevant for bondholders as it is for shareholders.

When investing directly into corporate credit, we will apply the same five-point sustainability framework in both corporate credit and equities to understand the risks to a business model, the opportunities for future growth and the sustainability of that growth. We are looking to understand the security and financial durability of the business and a company's ability to meet its financial obligations. The considerations that enable us to evaluate an attractive equity investment from an ESG perspective are appropriate for assessing those securities higher up in the capital structure.

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

We expect that ESG factors are a fundamental part of the manager's critical assessment of an issuer of debt, alongside a thorough financial analysis.

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

8

Monitoring managers and service providers

CONTEXT

As discussed throughout this report, we undertake our own research, voting and engagement. Our internal research is supplemented by a variety of data sources and information provided by third parties to help with our assessment of a company's approach. This means we are not overly reliant on any one provider. Please see **Principle 2** for more information on the third-party providers we use as part of our investment research and stewardship process.

ACTIVITY & OUTCOME

MONITORING DATA PROVIDERS

Our data and research providers have been chosen to be additive to our investment process. In recent years this has included an increased focus and spend on data providers to support the integration of explicit analysis of ESG risks and opportunities into our primary research process. These data providers have also been used to enhance our stewardship processes, particularly helping to monitor and quantify ESG-related policies and progress at our underlying investment companies and funds.

The data provided in relation to ESG research and stewardship is continuously reviewed by the RIC and formally reviewed as part of our annual Broker Review in December each year. This involves canvassing the full investment team for their view on the quality and relevance of all external research providers that we have partnered with over the prior 12-month period. This involves both a quantitative ranking of providers against similar peers and qualitative discussion on their strengths, weaknesses and overall importance to our investment process.

RECENT ACTIVITY

In the first half of 2021 we undertook a thorough due diligence process to review both our existing and potential new ESG data providers. This process involved:

- A review of the range and quality of information provided by various platforms, and its relevance to JH&P's investment approach
- An assessment of the underlying research and methodology used to produce ESG ratings
- The ability to integrate data with our existing systems to produce discrete portfolio-level datasets
- The ability to analyse both direct and funded investment to provide 'look-through' level analysis of overall portfolio exposures
- Platform functionality and ease of use

The group involved in the process included Head of Investments, Head of Charities/Chair of the Responsible Investment Committee, CEO, COO-Investments, and senior members of the investment team. The group conducted a whole market review culminating in a formal RFP and DDQ process. This resulted in the identification of a shortlist of two providers. These two providers were then subject to in-depth testing by members of the JH&P team, following which a preferred provider was chosen. We identified MSCI as our chosen provider (replacing our previous provider Vigeo Eiris) and we have significantly increased our spend to ensure we have access to the relevant data and research we need.

MONITORING VOTING ACTIVITY

Voting choices are submitted via ISS. We carry out monthly compliance monitoring on proxy voting. As part of this test we ensure that all votes have been submitted and that they have been voted in accordance with our recommendation. We also receive a quarterly voting report confirming that our votes have been processed correctly.
If any issues are identified, we will work with ISS to understand the reason and to ensure that a solution is found for future votes, escalating the issue to senior staff at ISS if necessary. For example, early in our relationship with ISS, we had several issues related to our sub-custodians, whereby different nominees had different voting cut-off dates for the same AGM. In these instances, ISS enacted our aggregated votes at the earliest cut-off date among our sub-custodians, meaning that we did not always receive ISS's research early enough to help inform our vote (and potentially over-ride ISS's recommendations) before the voting cut-off had passed. This issue was raised with our Relationship Manager at ISS by our Responsible Investment Lead with the support of our Compliance and Operations teams. This was in turn escalated with our primary custodian RBC and Broadridge (the latter handles RBC's outsourced proxy voting and custodian activities).

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

We have also engaged with ISS via surveys, both for their Benchmark Policy and their Climate Change survey, and we are pleased to see that investor responses were taken on board with the publication of their updated 2022 Benchmark Policy.

MONITORING EXTERNAL MANAGERS

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

Engagement

ACTIVITY & OUTCOME

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

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

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

Our ability to influence change will be impacted by several factors, including security type, the size of our investment within a company or fund and our access to key decision-makers. The resource-intensive nature of engagement means we must prioritise those instances where we believe change will be most impactful or where we deem the risks to be greatest. The importance of an issue to our investment thesis, the extent of our investment across JH&P and the likelihood of effecting change are key aspects we consider when committing to engage. In practice, this means most of our engagement is focused on our direct equity investments, and within that, those mitigating and transitioning companies where we deem ESG risks most material to our investment case.

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

OUR APPROACH

Engagement is an essential part of our investment strategy across both direct and third-party investments.

DIRECT INVESTMENT

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

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

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

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

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

FUNDED INVESTMENT

We expect the firms we work with to take account of environmental, social and governance (ESG) risks in their investment process. We believe that this will improve the long-term performance of their portfolios and ensures a better alignment with our own approach.

We meet the managers of all funds we invest in on a regular basis. Where relevant, discussion on material changes to the fund's ESG approach forms a core part of this ongoing engagement, along with other key issues such as ensuring our clients benefit from fair and transparent charging structures. Where possible, we strive to push the benefits of our scale onto our clients through negotiation of lower fees.

HOW WE ENGAGE

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

BUSINESS-AS-USUAL ENGAGEMENT

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

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

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

CASE STUDY 1

‘BUSINESS AS USUAL’

DIAGEO

The company has several targets and initiatives in place to reduce the water intensity of the business and its relationship with local communities around the world. For example:

- **by 2030 Diageo targets a reduction of water intensity of its operations by 40% in water-stressed areas, and by 30% across the company as a whole**
- **by 2026 the company aims to replenish more water than it uses for their operations in 100% of water-stressed areas in which it operates**
- **the company is investing in improving access to clean water, sanitation and hygiene in areas near their sites**

As a leading producer of premium spirits and beers, Diageo is exposed to several ESG-related risks that may impact the long-term success of the business. We met with the company to discuss their approach to sustainability across key issues, including water use, packaging, and the broader impact of their products on society.

On packaging, the company aims to use 100% recycled content in plastic packaging and that 100% of packaging will be widely recyclable. Different facilities and technologies in different parts of the world make this more challenging and will be an area for further engagement in the future to track progress.

We were particularly interested to discuss how the company was balancing the success and growth of its brands with the potential negative impacts associated with alcohol abuse. As a provider of premium alcoholic brands, Diageo is relatively well positioned to benefit from broad trends including a shift towards drinking less volume but higher quality. The company also has a strong focus on campaigns and brand work to help encourage responsible drink such as Guinness Clear and, more recently, the ‘Know When to Stop’ campaign, and provides annual training for employees to ensure marketing is within the group’s guidelines.

By 2030 Diageo aims to have reached more than one billion people with messages of moderation from its brands and is trying to change attitudes towards drink driving through their award-winning alcohol education awareness programme, ‘SMASHED’.

Our meeting reinforced our confidence that Diageo is an industry leader in addressing its sustainability-related risks and that its policies and activities in these areas increase the likelihood of continued long-run success of the business.

TARGETED ENGAGEMENT RELATED TO RESPONSIBLE INVESTMENT AND STEWARDSHIP

Potential areas for more targeted ESG-led engagement can be raised by any member of the investment team. These are then considered by the Responsible Investment Committee (RIC) and assessed against the factors outlined above before a decision is made to engage.

Targeted engagement can be triggered by several factors:

- To address issues identified during our 5-point sustainability analysis (e.g. climate policy that is lacking or of limited ambition, complex local community impacts and relationships, governance issues related to remuneration policies)
- A controversy alert by MSCI Analytics
- Where a fund has made material changes to its responsible investing approach
- A significant company-specific event (e.g. Rio Tinto Juukan Gorge disaster, see next slide)
- Where we vote against management on a material issue (depending on the severity of the issue, votes against the Board of a company can either be addressed through business-as-usual engagement or a specific engagement related to the decision. e.g. Wolters Kluwer remuneration policy change, see example below)

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

Any engagement driven by areas of significant concern or ESG-specific issues is then led and managed by the company or fund's dedicated analyst in combination with the RIC.

CASE STUDY 2

TARGETED ESG-LED ENGAGEMENT

RIO TINTO

As a global mining company operating in challenging environments across the world, Rio Tinto is arguably our most exposed business to risks involving climate change (and associated regulation), local community relationships and workforce conditions.

Given this backdrop, we held two one-on-one meetings with Rio Tinto in 2021 that were specifically focused on ESG issues.

Our first, in May 2021, centred on the fall-out and company response to the Juukan Gorge disaster in 2020 where Rio destroyed rock shelters that were of exceptional significance to the Puutu Kunti Kurrama and Pimikura people.

Notwithstanding the serious nature of the incident, we came away from the meeting impressed at the extent of change within the organisation that has been enacted since. The disaster prompted a change in both Chairman and CEO, and a complete restatement of the company's operating principles and culture. Under new CEO Jakob Stausholm, two of Rio's four areas of focus are explicitly tied to sustainability, namely 'To have impeccable ESG credentials' and 'To develop a social license, earning trust by building meaningful relationships and partnerships.' Improved behaviour is also now explicitly linked to remuneration, with management bonuses reduced in cases of reputational harm.

Our second meeting with the company in November 2021 focused on Rio's recently updated climate transition plan. The company's ambition is to reach net zero by 2050, but now aims to meet its prior 2030 targets by 2025 and has introduced new 2030 targets that are 3 times more aggressive than previous objectives (now aiming for a 50% reduction in Scope 1 & 2 emissions by 2030). Rio will spend $7.5bn as part of this updated strategy. Whilst we applaud the improved targets, most of Rio Tinto's emissions are Scope 3 in nature and there is as yet no firm quantifiable commitment to reduce these. The company admitted that its ability to directly influence the decarbonisation of their customers' hard-to-abate processes was limited, but that it recognised it had a role to play. Rio's current approach is based on collaboration and partnerships with their customers, suppliers and even competitors, with the aim of developing innovative solutions to reduce carbon emissions across their value chain. Lack of progress in this area remains a key risk for the business in the medium term. We plan to press for updates on Rio's strategy for reducing its Scope 3 emissions in future engagements.

Where we vote against the Board on a material issue, we will seek to engage with the company before and/or after our vote, communicating our concerns and aiming to understand the company's approach for improvement.

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

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

CASE STUDY 3

VOTING-LED ENGAGEMENT

WOLTERS KLUWER

At Wolters Kluwer's 2020 AGM we voted against the company's proposed long-term incentive plan given concerns over potential quantum of rewards available relative to the company's immediate European peer group. The lack of inclusion of any return-on-investment metrics or ESG goals within the policy also contributed to our decision to vote against the plan.

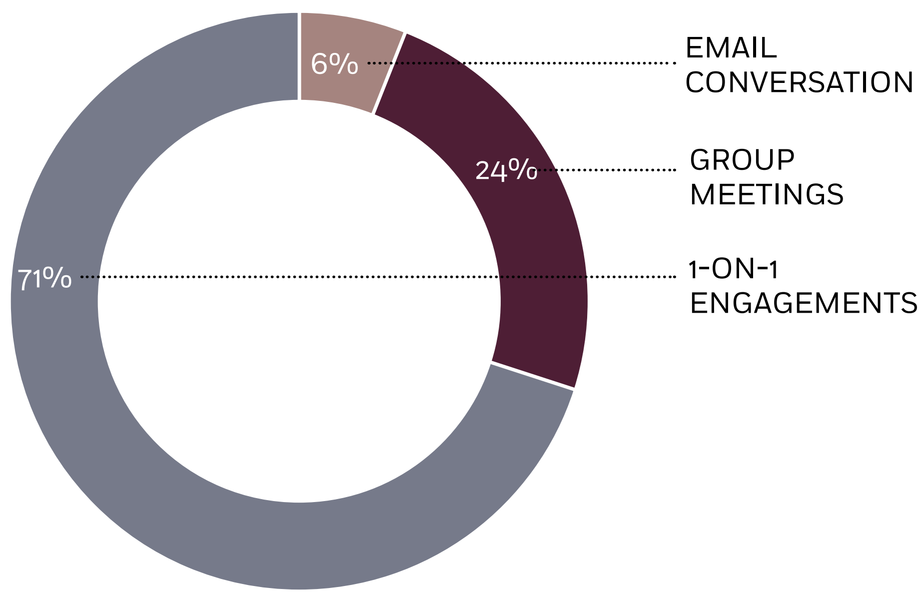
We were invited to meet with the company in late 2020 to discuss our reasons for voting against the plan and suggestions for improvement. We were therefore delighted to see a new long-term incentive policy proposed at the AGM in April 2021 which addressed all issues raised. The benchmark peer group within the policy has been amended to include a greater number of European peers (likely leading to a lower overall award of pay for management) and return on invested capital and ESG metrics are now included within the management targets (likely leading to increased focus on the sustainability of growth rather than simply the pace).

We voted in favour of this updated remuneration policy in 2021.

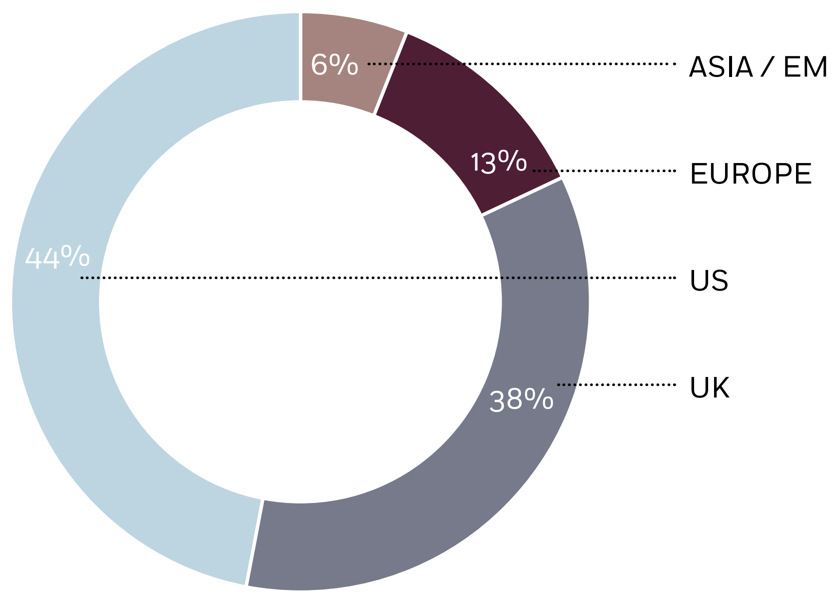
ENGAGEMENTS IN 2021

A breakdown of our engagement activity where responsible investing issues formed a significant part of the discussion is shown below.

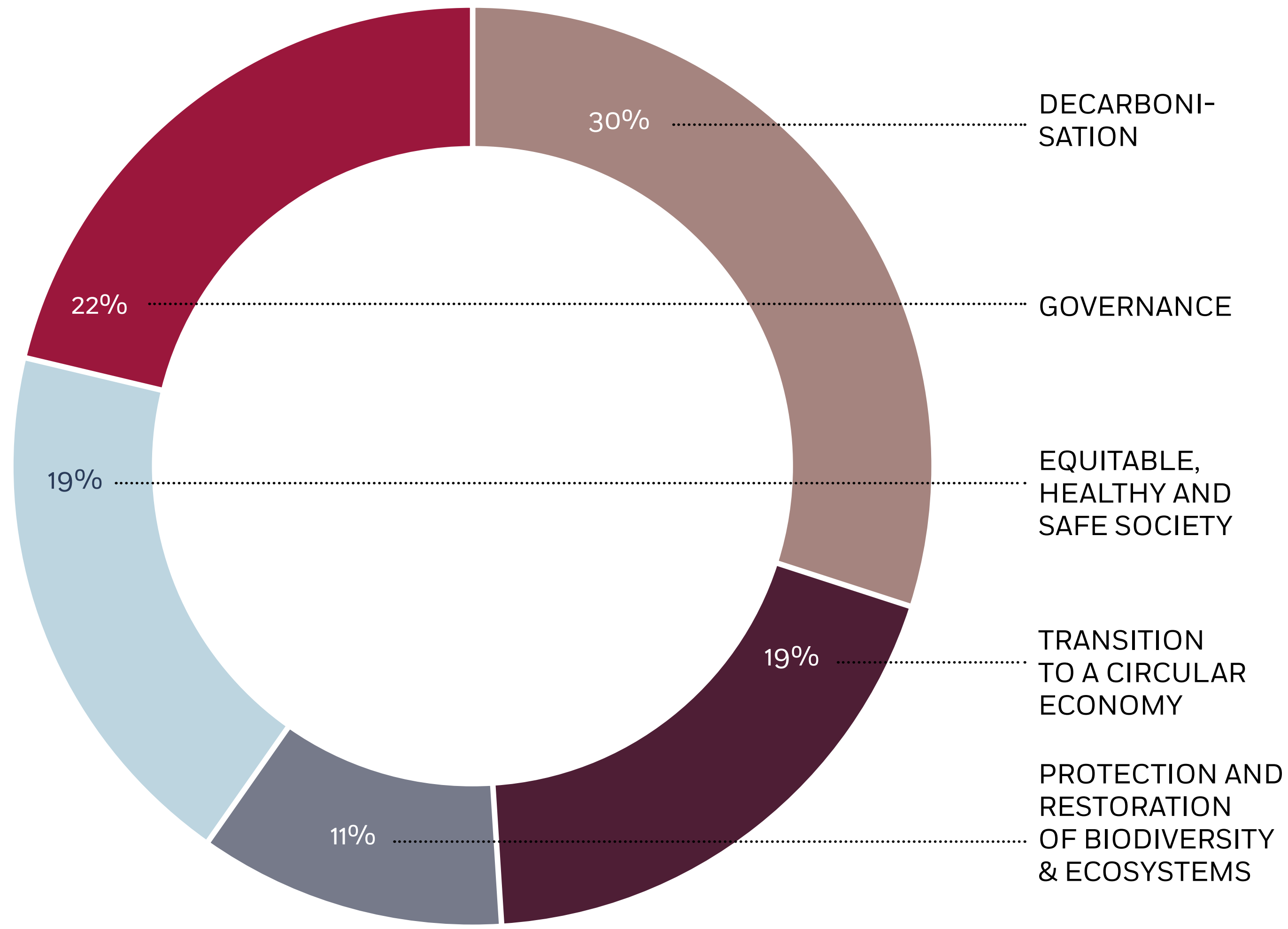
TOTAL ENGAGEMENTS



GEOGRAPHIC BREAKDOWN



BREAKDOWN OF ENGAGEMENTS GROUPED UNDER OUR 5-PILLAR FRAMEWORK



Decarbonisation and the impact on investee companies was the most frequent discussion topic in 2021.

We explored climate strategy with companies as diverse as consumer staple giant Nestle, pool supply company Pool Corp and UK-based logistics business Tritax Big-Box. While most of these conversations focused on the risks of climate change either to future revenue or cost growth, we also discussed areas where an increased focus on the impacts of climate change is creating tailwinds.

For example, our meeting with S&P Global in February 2021 highlighted the fast-growing opportunity the business has in providing ESG-related ratings, indices and datasets. The company is creating new ESG products around energy transition, climate, nature and biodiversity, while extending and integrating ESG factors into traditional data sets for clients.

Governance issues (most of which related to remuneration) were also a common topic during our meetings.

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

Areas of focus in 2021 were on how companies had adapted remuneration policies in response to the Covid-19 pandemic in 2020 (see Thermo Fisher example under **Principle 12**) and how sustainability factors (particularly climate change) were linked to executive compensation, if at all. This will continue to be an area of focus in 2022.

10

Collaboration

ACTIVITY & OUTCOME

COLLABORATION

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

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

Through our membership of the UN PRI and the IIGCC we have developed our understanding and involvement in the wider policy framework.

Our most notable collaborative involvement is with the IIGCC's Net Zero Stewardship Working Group, where our Responsible Investment Lead has been engaging in the discussion and development of a net-zero aligned stewardship toolkit for investors.

Through the IIGCC we also supported two collaborative movements:

2021 GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON THE CLIMATE CRISIS

- Joint statement to all world governments urging them to raise their climate ambitions and implement robust policies.
- The statement was signed by 587 investors representing over $47 trillion in assets.
- The statement was released before COP26 to coincide with the time when countries and governments should be making enhanced efforts to reduce emissions.
- An outcome from COP26 was a step up in ambition for those countries who previously submitted nationally determined contributions to the Paris agreement and also from countries who previously had no target set.
- We will be signing the same statement in 2022 in advance of COP27.
- A link to the letter is included here.

PROXY ADVISOR LETTER ON NET ZERO

- Prepared by investors in the Net Zero Stewardship group who need solutions from their service providers to help them deliver their commitments.
- The need is acute in proxy voting, given that stewardship is, for most investors, the principal means of effecting real world decarbonisation.
- The letter outlined four key areas of further action required by our proxy advisor ISS:
    - Systematically considering and progressively incorporating the transition to a net zero economy into the ISS benchmark policy
    - A specialty Net Zero Policy
    - Custom net zero solutions
    - A public commitment to support net zero investing
- In addition to the letter, JH&P also took part in both the climate and benchmark surveys that ISS held, and took advice from IIGCC in how to respond to these to ensure commonality and alignment between IIGCC investors.
- In December 2021, ISS published their updated benchmark policy and we were pleased to see more focus on environmental/climate-factors and Say on Climate votes.
- ISS have yet to sign up to the Net Zero Service Providers Group; this is something we plan to continue addressing.
- JH&P have (October 2022) signed on to become members of the Net Zero Proxy Advisor Working Group having previously been members of the Net Zero Stewardship Working Group. This will ensure we are involved in future development and continue to collaborate with other investors and ISS.

Within the UN PRI, JH&P is part of the Wealth Manager collaboration group. In 2021 our focus was primarily on information sharing rather than active engagement, for example our Responsible Investment Lead took part in a call with the PRI's lead on biodiversity, with areas discussed including mapping, measuring and managing biodiversity issues. We are currently looking into collaborations with the PRI team, with the aim of taking part in collaborative action in 2022.

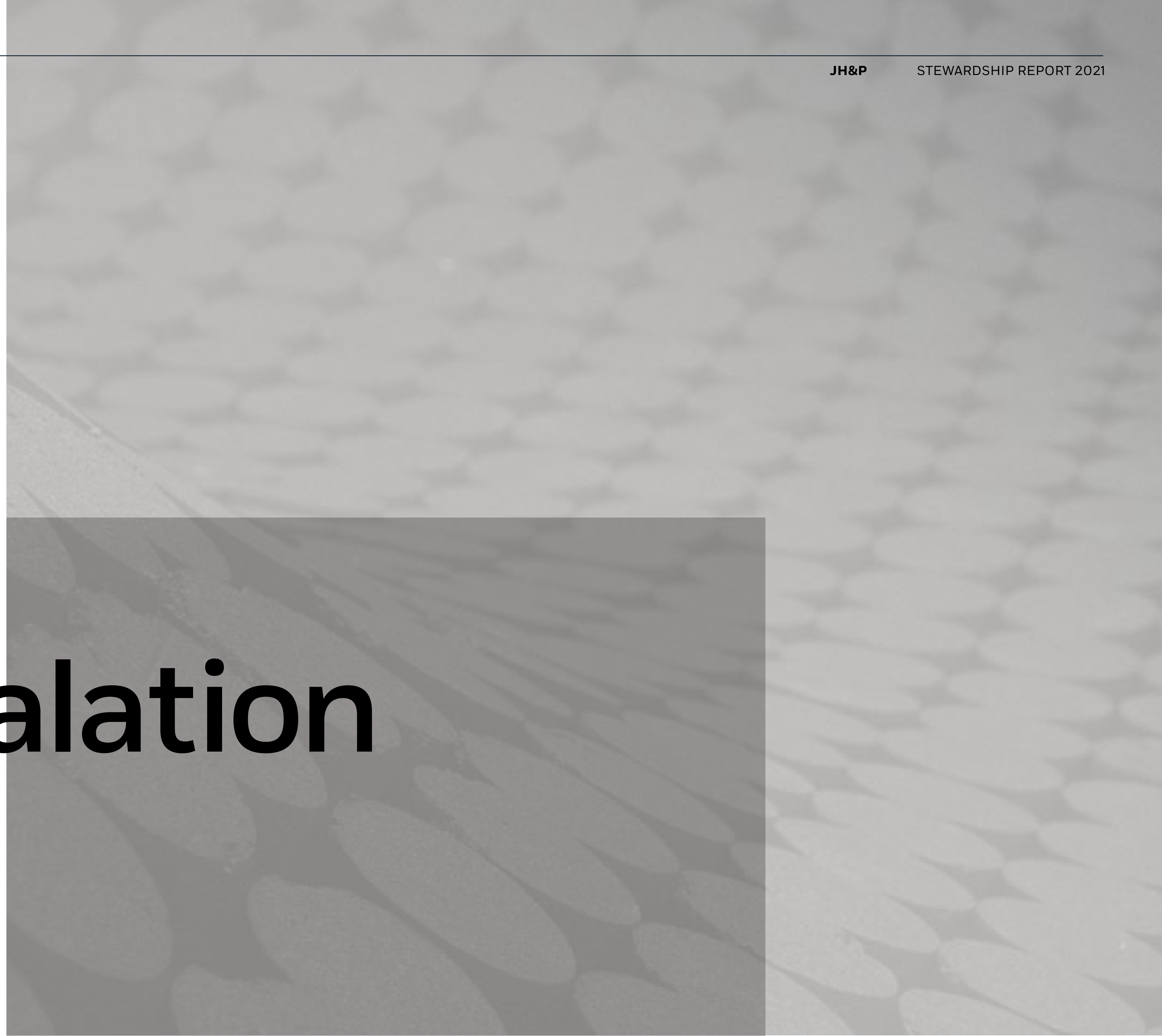
We also plant to cooperate with initiatives such as Climate Action 100+ when there are campaigns which are aligned with our own stewardship objectives and relate to companies we own on behalf of our clients. Other organisations aiming to coordinate shareholder activities are gaining momentum.

The 'Say on Climate' movement is one such group which is aligned with our own climate objectives, and we have engaged with the founders behind the initiative.

We look forward to updating on our progress in these areas in future stewardship reports.

11

Escalation



ACTIVITY & OUTCOME

ESCALATION – EQUITIES & FUNDS

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

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

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

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

While engagement is ongoing, we will also determine whether the failure to address our concerns would significantly impact our investment thesis for the company or fund in question. If we conclude that it does, we will exit the position. If not, we may review the level of existing exposure and record the issue for priority monitoring and discussion during future interactions with the company or fund.

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

We have detailed below an example of our escalation policy as applied to our holding in BH Macro, a UK-listed absolute return fund held as part of our Alternative Assets allocation.

Within our direct equity positions, our engagements have generally been well received by companies and a constructive dialogue opened. As such we have not been required to move beyond our existing engagement activities as detailed in **Principle 9**.

This year we have engaged with several investee companies (including Intuitive Surgical, Amphenol and Allegion) that as yet do not have in place a clear plan to adjust their businesses in line with global aims to limit global temperature rise to 1.5°C by 2050 or before. Should a credible strategy not be forthcoming we will look to escalate our concerns in accordance with the above steps. We will report on this engagement and escalation in our 2022 Stewardship Report.

CASE STUDY

BH MACRO

In March 2021, the boards of BH Macro and BH Global proposed a combination of the two investment trusts into a combined vehicle wholly invested into the BH Master Fund following the existing strategy of BH Macro.

Prior to the merger going ahead Brevan Howard, the appointed investment advisor to BH Macro, proposed an increase in fees without which they would force the liquidation of the underlying fund positions and terminate the underlying investment agreement. We engaged with both Brevan Howard to understand their position and with the Board of BH Macro to express our view that any increase in fees should be accompanied by an opportunity for shareholders to exit their positions at a fixed asset value.

At the subsequent EGM, alongside the increase in fees BH Macro offered shareholders the opportunity to tender their shares at a modest discount to net asset value. We were therefore able to vote in support of the changes at the EGM. We ultimately elected to tender our shares given concerns that the underlying manager might seek to further vary terms in the future over which the Board and shareholders would have little influence and reservations about the ongoing liquidity given the potential reduction in size of the merged fund.

ESCALATION – FIXED INCOME

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

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

12

Exercising rights and responsibilities

CONTEXT

Voting rights give us the opportunity to participate in the stewardship of the companies in which we invest on our clients' behalf. We believe companies that allocate capital responsibly, by putting environmental, social and governance considerations at the centre of their strategic frameworks, are more likely to succeed in the longer term than those companies that do not.

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

For voting on direct equities, the lead analyst, if not already a member of the Responsible Investment Committee (RIC), is also canvassed as part of the voting decision process, as it forms another key source of information for the companies in which we invest. For our fund holdings, we gather information in our due diligence process on stewardship, engagement and voting practices at the fund house level and the individual fund level. A sub-group of the RIC reviews and ratifies voting decisions, and the implementation of votes is carried out by ISS.

JH&P VOTING POLICY

CONTEXT

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

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

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

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

1

BOARD OF DIRECTORS

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

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

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

2

REMUNERATION

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

3

ACCOUNTS, AUDIT & OPERATIONAL ITEMS

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

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

4

SHAREHOLDER RIGHTS & CAPITAL STRUCTURE

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

5

ENVIRONMENTAL & SOCIAL ISSUES

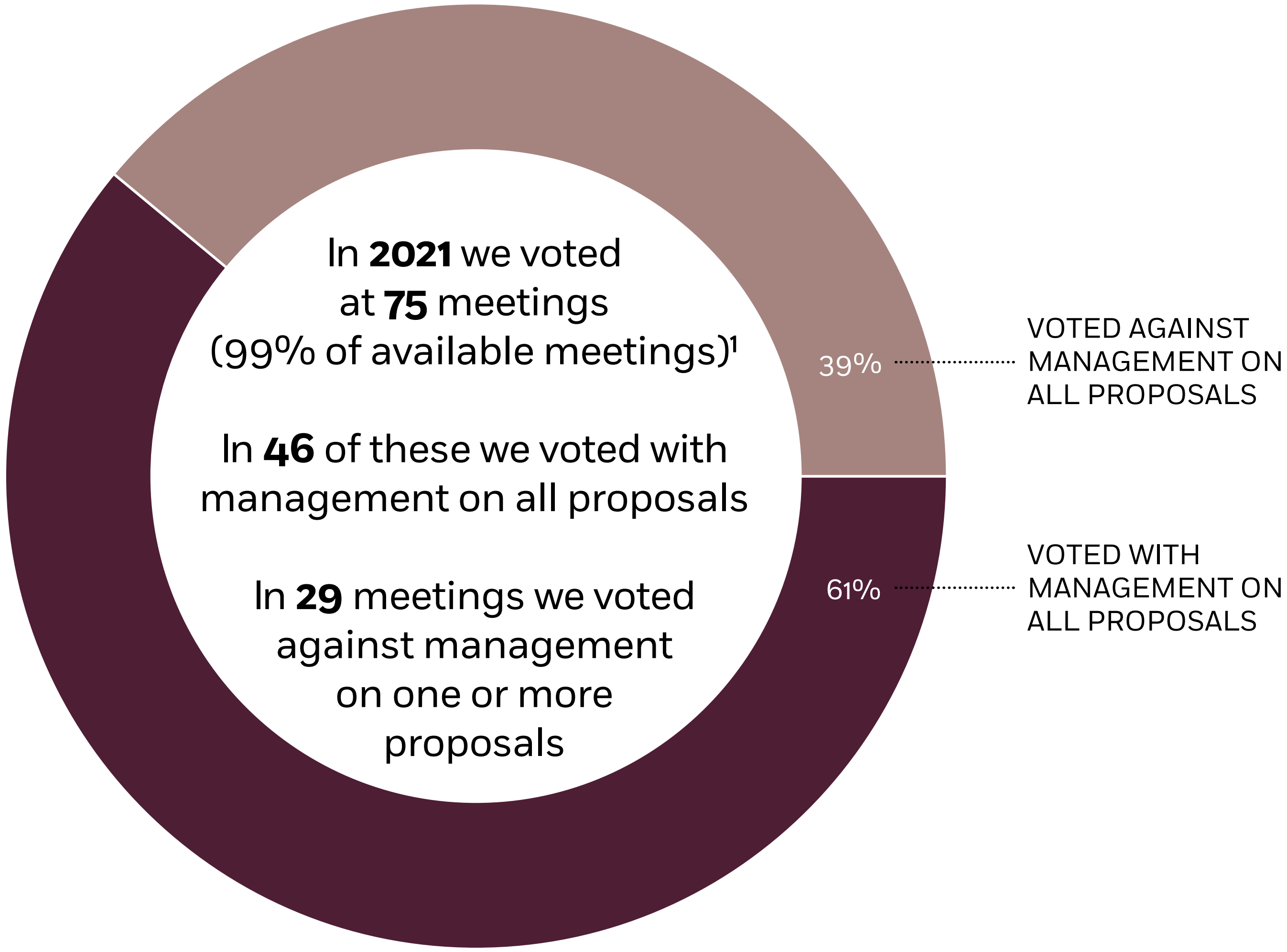
Consistent with our ESG integration philosophy, we assess companies' performance on environmental and social issues we deem to be material to long-term financial performance, and we support shareholder proposals where we think doing so can encourage improvement on relevant issues.

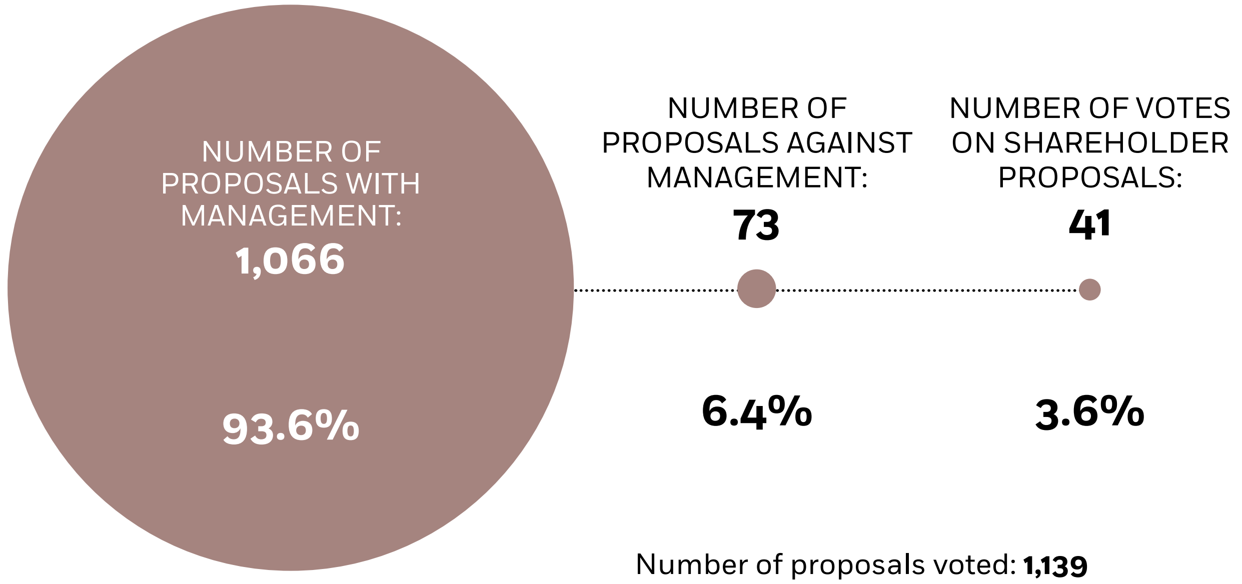
Further information can be found in our voting policy, which is on our website.

ACTIVITY & OUTCOME

Voting activities and outcomes are outlined in our annual and quarterly voting and engagement summary reports, excerpts from which are included below. The annual report provides summary statistics of our voting activities across all direct investments held on our recommended lists, including details of votes both against management and against ISS recommendations.

MEETING OVERVIEW 2021





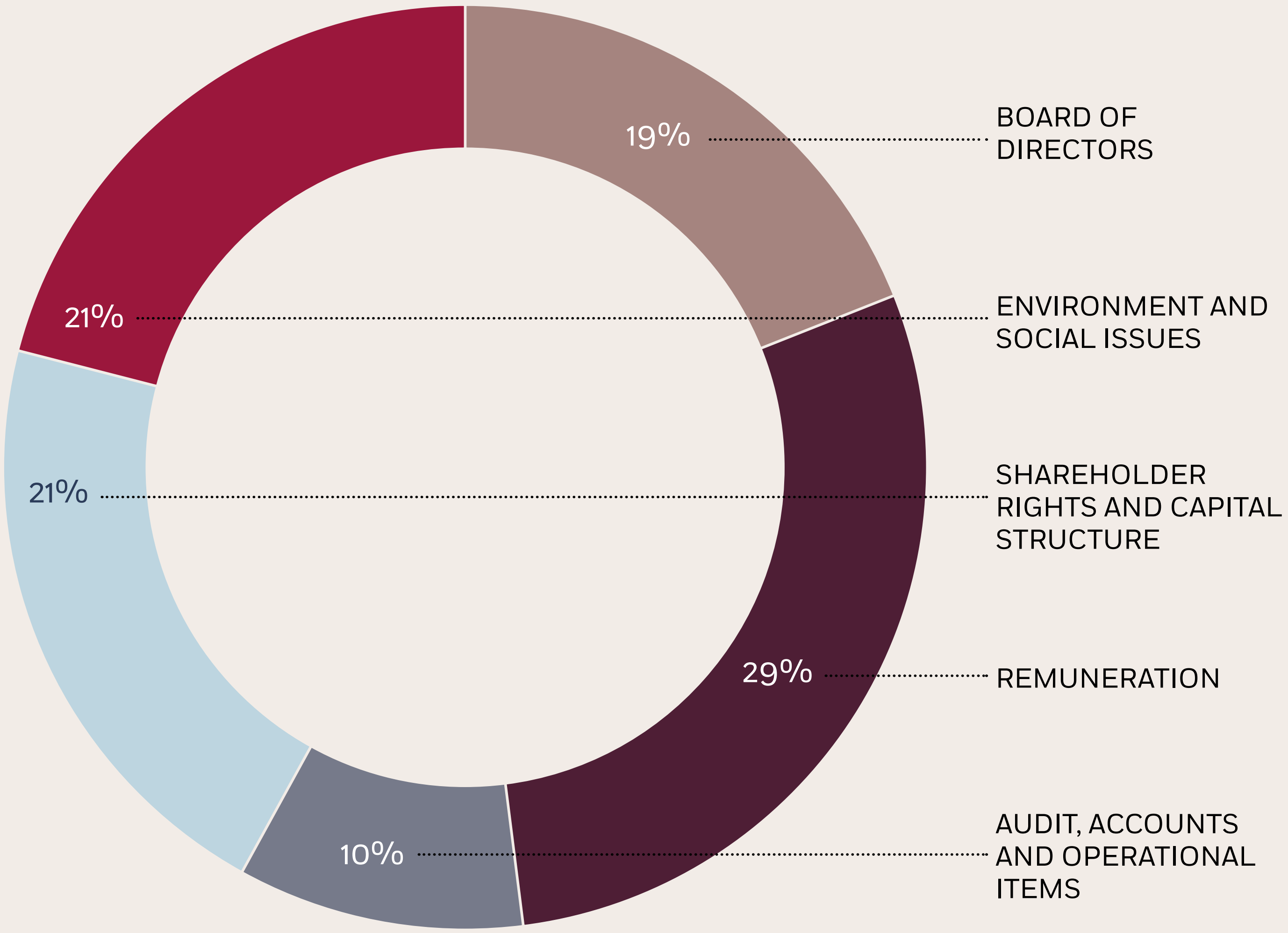
Number of proposals voted: **1,139**

[1] We seek to exercise our clients' voting rights at every opportunity. However, we were unable to to vote at one company meeting in 2021 due to the requirement for us to establish Power of Attorney arrangements which due to our small shareholding, would not have been cost effective for our clients.

VOTES AGAINST MANAGEMENT

This chart shows how we voted against management. We have broken the proportion of votes to correspond with the five sections of our voting policy.

Votes related to remuneration were most common, which is perhaps to be expected considering the Covid-19 pandemic, and the exceptional circumstances that altered business-as-usual operations for most companies. We elaborate more on this below.



EXAMPLES OF SIGNIFICANT VOTES

Given our sustainable growth investment philosophy, we tend to have little exposure to companies with significant areas of concern and would expect to vote with company management teams on most items. However, in instances where we do vote against management on a material issue, we will seek to engage with the company before and/or after our vote, communicating our concerns and aiming to understand the company's approach for improvement. We define instances such as this as significant votes and provide examples of some of our votes against management in 2021 below.

BOARD OF DIRECTORS

ALIBABA

We voted against the re-election of two directors for failing to our definition of independence according to our voting policy. We also do not have sufficient comfort with the company's environmental and social stance and disclosure; this would normally lead us to vote against the re-election of the Chair of the Board; however at the company's September meeting he was not up for re-election, which adds weight to our votes against the two aforementioned directors.

REMUNERATION

RIO TINTO

We voted against the approval of the 2020 remuneration report; allowing J-S Jacques to retain significant value in outstanding LTIP awards where malus and clawback provisions perhaps could/should have met the definition for enactment (covering "a catastrophic safety of environment event" and "an exceptional event which has had, or may have, a material effect on the value of reputation of the Group").

AUDIT, ACCOUNTS AND OPERATIONAL ITEMS

LVMH

We voted against approval of the auditor's special report on related third-party transactions, for two reasons: one calls into question the independence of a NED entering into a consulting agreement with the firm, and one is regarding the opacity of the transaction/service agreement with Agache, one of the main shareholders of LVMH.

SHAREHOLDER RIGHTS AND CAPITAL STRUCTURE

RECRUIT

We voted against a proposal seeking to amend the Articles to allow virtual-only shareholder meetings.

ENVIRONMENT AND SOCIAL ISSUES

AMAZON

We voted for a shareholder proposal requesting a report on the company's gender/racial pay gap, as we believe shareholders would benefit from additional information to measure Amazon's diversity and inclusion initiatives.

Depending on the severity of the issue, votes against the Board of a company can either be addressed through business-as-usual engagement or a specific engagement related to the decision, as seen in the case of Thermo Fisher described below.

As outlined above, we produce annual voting records and a summary report to ensure transparency for clients and intermediaries. These reports are also published on our website.

CASE STUDY

THERMO FISHER SCIENTIFIC

At Thermo Fisher Scientific's AGM in May 2021 we voted against the Board's decision to modify 2020 executive compensation to allow above-maximum performance-linked bonuses in response to the company's strong response to the early stages of the Covid-19 pandemic. This was also a vote against ISS' recommendations.

Having informed the company of our decision, we had an in-depth discussion with Thermo Fisher's Head of Investor Relations in H2 2021 to understand further context behind the Board's decision-making process. While recognising the exceptional performance delivered during an unprecedented environment, we communicated that we remained uncomfortable about the decision given the ongoing pandemic backdrop.

The risk of Thermo Fisher being accused of profiting from a health crisis is real and may have negative implications for the company's brand and culture in the future, in turn having a tangible detrimental impact on the company's future value and prospects. In a highly politicised industry such as healthcare this is particularly important.

The company took on board our concerns about culture and how this decision may have been perceived externally, adding that it aimed to prove to us over time that the business will make the right decisions for all stakeholders. In justifying the Board's decision, the company was noted as standing up to unique challenges and delivering for multiple stakeholders in a time of urgent need. Employees were asked to work extra hours and took pay reductions during the early stages of the pandemic (these were then made up in September 2020 and additional workforce-wide bonuses were paid in 2021 to reflect the company's exceptional performance).

While the additional context helped clarify the modification, following our meeting, we wrote to the company to inform them that we would still uphold our vote against management if asked again and that our concerns be considered in future compensation decisions. We will continue to engage with Thermo Fisher in the future to ensure that they fully consider all stakeholders, particularly around sensitive areas such as remuneration.

REFERENCES

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