Seeking sustainable growth:

Our approach to responsible investing

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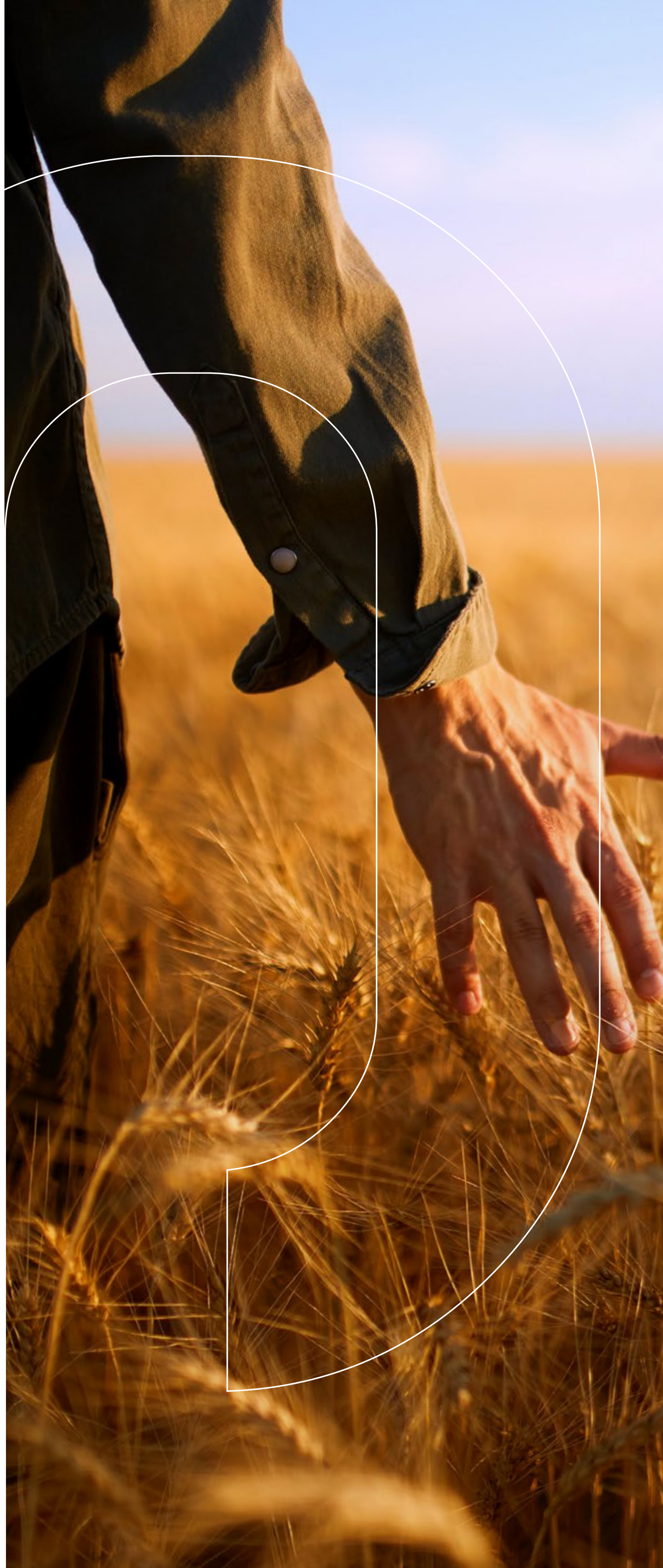


Our corporate sustainability mission statement

The melting of the polar icecaps is just one of the visible signs of the impact global warming is having on our world. It is a reminder that our actions as human beings have very real consequences on the health of the natural world. However, climate change and environmental degradation also threaten the future of our own economic prosperity.

As an investment manager our purpose is to create better financial outcomes for our clients. We therefore have a duty to think carefully about the risks posed by climate change to every investment we make. As shareholders we can make a difference and bring about positive change by encouraging companies to cut emissions and support the transition to a low carbon economy.

The move to a more sustainable economy is gaining momentum and this is presenting exciting opportunities for us as investors. We are encouraged by the increased interest in responsible investing by our clients and their advisers. In a world where rapid change and unpredictability are constant, our sustainable growth investment philosophy equips us to avoid the short-term noise of markets and to focus on investing in the long-term winners.

At the heart of our approach, we've built our own simple framework that encapsulates what sustainability means to us. It allows us to embed material environmental, social and governance (ESG) factors into our investment process, and our framework is aligned with the United Nation's 17 Sustainable Development Goals. These goals provide a common language and a blueprint to develop a more prosperous world for all.

Our business has grown rapidly since inception 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 the planet.

Andy Steel, CEO

Seeking sustainable growth

Responsible investing sits at the heart of our investment philosophy. It places our clients' capital in the best position to make attractive economic returns whilst supporting a fairer and more sustainable world for current and future generations.

Our commitment to responsible investing

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

"For a holistic understanding of any investment opportunity, incorporating sustainability is crucial."

Mark Leach, Partner

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 that do not adapt.

Those companies that recognise the need for change and allocate capital responsibly, by putting environmental, social and governance (ESG) considerations at the centre of their strategic frameworks, are more likely to succeed over the long term. As long-term investors, we need to be confident that the firms which we back can deliver sustainable growth. This is why ESG consideration is a core part of our investment analysis, allowing us to identify the long-term winners and avoid firms exposed to potential risks and vulnerabilities.

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.

Embedding sustainability in our investment process

We seek to apply a consistent, rather than homogeneous, approach to responsible investing across asset classes and investment structures. The standards and principles that are established for equities, fixed interest and alternative assets are clear and not contradictory and are applied whether investing directly or through collective investments.

Our sustainability framework
At the heart of all our investment decision making is a qualitative assessment of every investment and its potential. Each asset, industry and company is different, with its own unique set of challenges, and we seek to understand the risks and opportunities specific to that investment when it comes to assessing sustainability.

"Sustainability is about a pathway to growth, which doesn't compromise the future health of the planet or society. Our sustainability framework helps us to identify the companies best placed to navigate this paradigm."

Patrick Trueman, Portfolio Manager

We build a framework of key risk factors and engage with companies to understand their strategy to mitigate these risks and improve the potential for higher economic returns. 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.

Assessing ESG

Five-point sustainability framework

Our sustainability framework provides us with the ability to integrate ESG factors into our analysis of a company to support our investment decision making. It provides us with the tools to make a qualitative assessment of a firm's ESG-related risks or opportunities and their materiality to the investment case alongside the quantitative financial analysis we undertake.

The five pillars that underpin our analysis draw on the UN's 17 Sustainable Development Goals (SDGs). The SDGs seek a more humane approach to growth and prosperity which does not lead to the degradation and destruction of the environment. These pillars 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.

Decarbonisation

Climate change is the most pressing threat facing the world today. We expect companies to measure and report on their carbon and greenhouse gas emissions in all parts of the value chain and to have credible plans to reduce these.

Transition to a circular economy

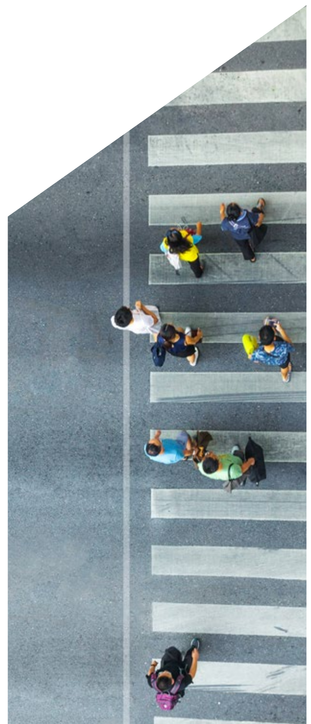
To reduce the impact of society on the planet, companies must begin to transition to a more sustainable use of the world's resources and take ownership of the impact of their products from creation to consumption.

Protection and restoration of biodiversity and ecosystems

Companies must act to mitigate their impact on 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.

Equitable, healthy and safe society

Businesses can play a part in creating a fairer society and embracing a purpose beyond pure profit maximisation. A truly sustainable firm considers those impacted by its activities and enriches its shareholders without exploiting its direct and indirect labour force.



Strong governance and accountability

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

Classifying companies for sustainability

We look to classify all the companies that we invest in according to their sustainable credentials.

Based on our analysis of companies' core operations, we classify them with regard to their contribution towards achieving the UN Sustainability Goals. Firms in the three different categories will require different levels of scrutiny and analysis from an ESG perspective.

Mitigating
There are many companies which offer products and services that are embedded in modern society. However, the manufacture and distribution of these products often have a negative impact on the environment, or on those involved in their supply. Our framework recognises the role that companies, through proper management, have to provide solutions to the problems they create. To be mitigating, these companies must have a roadmap towards sustainability and a credible plan for improvement.

Transitioning
Companies in this category are providing goods and services that are critical to the functioning of the economy now and potentially into the future. These businesses provide products or services which will be needed as we transition to a more sustainable economic model. They may rely heavily on finite natural resources and so must have credible strategies in place to ensure they can contribute to a more sustainable future economy.

Enabling
Some companies are already established to provide solutions to the challenges facing societies and the environment. These firms are enabling the transition towards a more sustainable and equitable world directly through the sale of their products of services.

"All companies need to incorporate sustainability into their long-term strategic thinking. Our framework allows for a pragmatic assessment of those most likely to navigate this new and exciting trend."
Sarah Goose, Portfolio Manager

Incorporating sustainability into our investment process

Our five-point sustainability framework forms an integral part of our investment process. The framework is part of the qualitative assessment of every company into which we consider investing. It contributes to the analysis of the risks to a business model, the opportunities for future growth and the ultimate sustainability of that growth.

The classification of companies into mitigating, transitioning and enabling allows us to consider our exposure to different types and degrees of ESG-related factors across a diverse number of sectors and geographies. This informs the balance of our portfolio construction and the focus of our stewardship and future engagement with companies in our portfolios.

Market dynamics
- *Secular growth trends*
- *Competitive backdrop*
- *Position in the value chain*

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Company characteristics
- *Mission critical, recurring revenues*
- *High returns on capital*
- *Strong balance sheet*
- *High quality management*

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Sustainable framework
- *Decarbonisation*
- *Circular economy*
- *Biodiversity and ecosystems*
- *Equitable and healthy*
- *Strong governance*

Sustainable growth
Mitigating – Transitioning – Enabling

Portfolio construction
Diversified drivers of demand – liquidity – style characteristics

Our approach across asset classes

Third party funds

We ensure managers of third party funds that we use share our commitment to investing responsibly. 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.

Our fund research includes an assessment of the parent company alongside an analysis of how ESG is incorporated into the 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.

Our formal due diligence process includes a specific analysis of each company and fund's approach to ESG. As part of our investment review we also undertake a qualitative analysis of the importance and effectiveness of the incorporation of ESG factors into each fund's underlying investment strategy.

We expect all of the fund managers with whom we invest to be signatories to the Principles for Responsible Investment (PRI), as are we. In doing so, they have made a commitment to incorporate environmental, social and governance issues into their investment process.

Fixed income

For sustainable economic growth to become a reality, the financial markets must be aligned with the idea that growth cannot be at any cost. This is relevant for the debt markets as it is for the equity markets. Ratings agencies are increasingly reporting on ESG risks, recognising that this is a material factor for investors to consider. Issuers of debt who do not address these considerations will see their cost of capital rise and find it harder to fundraise or re-finance.

Our approach to sustainable investing applies equally to our investment in bonds as it does to 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. At its core, analysing the ESG implications on any investment is about sensible due diligence and sound risk management.

Sovereign bonds have historically received less analysis of ESG factors, but this is likely to change over time. For an asset often viewed as very low risk, governance factors such as rule of law, political stability and regulatory effectiveness will remain of critical importance in assessing investment risk. However, over time social and environmental factors will have an increasing impact on the pricing of bonds and future issuance and potentially a sovereign's ability to meet its liabilities.

Climate change investment policy

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 through the use of data provided by external analysts including specialist ESG providers.

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.

Our sustainability framework is built on five pillars that help us to identify firms that will benefit from the transition to a cleaner and more resilient means of economic growth.

Our decarbonisation pillar emphasises the importance of avoiding investments that are most at risk from global efforts to transition to a net zero economy. We are looking for firms that recognise this trend and are adapting their business models accordingly. Alongside this intent, we expect them to measure and report on their greenhouse gas emissions[1] 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.[2]

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

1 We support the use of widely accepted frameworks for quantifying and disclosing climate risks such as the TCFD.
2 The Paris Agreement's central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius (UN CC).

Exclusions

Our investment process is built around the concept of sustainable growth. 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 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 are fundamentally at odds with our investment approach. On this basis we will not invest in businesses involved in the production of tobacco or controversial weapons.

Tobacco

The World Health Organization estimates that tobacco is responsible for the deaths of some 10 million people worldwide each year and will become the biggest single cause of death by 2030. The cultivation of tobacco is also 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.

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

Controversial weapons

A number of categories of weapons are considered to be 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.

"Asset owners and managers have the opportunity and the responsibility to engage and drive change to benefit not only their clients, but all of society."

James Beck, CIO

Our approach to stewardship

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

James Hambro & Partners takes its stewardship responsibilities seriously and believes proxy voting together with considered corporate engagement forms to be a core pillar in our goal of maximising client returns with an acceptable level of risk over the longer term.

Voting rights give us the opportunity to participate in the stewardship of the companies in which we invest on our clients' behalf. We look forward to continuing to engage with the management teams and non-executive directors of our portfolio companies as we seek to help them build long-term sustainable value for all their stakeholders.

Combined with active engagement on key issues, James Hambro & Partners' (JHP) voting policy aims to encourage best-practice and positive change, while placing our clients' capital in the best position to make attractive economic returns at a lower level of risk in the future.

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. In certain circumstances we may decide to diverge from our stated guidelines where there is a compelling reason to do so and it is in our clients' best interests.

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

"The challenges of climate change and rising social and economic inequality impact every business model across every industry. Engagement and stewardship ensures the companies we invest in are taking steps to address these issues, and have ambitious plans to capitalise on the significant opportunities these megatrends are creating."

Dan Zegelman, Portfolio Manager

Best practice and external partnerships

There is a range of organisations established to support the transition to a more sustainable economy. At JH&P we recognise the benefit in collaborating on areas of common interest to bring about change.

We are active supporters and signatories of a number of key organisations.

Signatory of:

PRI | Principles for Responsible Investment

PRI

The PRI is the world's leading responsible investment organisation. Founded in 2005 with 20 large asset managers and asset owners and the support of the United Nations, the PRI has grown to represent more than 3,000 signatories with assets of more than $103 trillion. James Hambro & Partners is proud to be a signatory of the PRI.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD

The TCFD champions a consistent approach to the measurement and reporting of climate-related risks by businesses globally. As a signatory, we seek to encourage greater transparency on climate-related risks and improved disclosure by the firms we invest in.

IIGCC
The Institutional Investors Group on Climate Change

IIGCC

Bringing together investment firms with a shared goal of working towards a net zero world, the Institutional Investors Group on Climate Change (IIGCC) is made up of members in 22 countries with more than €37 trillion in assets under management.

JH&P and corporate social responsibility

We recognise the importance of corporate social responsibility. We strive to operate transparently and fairly in all dealings with clients and third parties. We seek to create a positive impact on our community and minimise our impact on the environment. We invest in the personal development of our staff and are a living wage employer.

This means that we will:
- treat our clients and our partners with the highest level of respect
- foster a culture among our employees to encourage aspiration, opportunity and personal development
- manage our business in a transparent and socially responsible manner
- contribute our time and resources to our nominated charities and the wider community, and encourage our staff to volunteer and participate in these activities
- engage fully in our environmental responsibilities, whether through recycling initiatives or encouraging employees to cycle to work. We will help every employee to recognise their individual duty to consider their impact on our environment.

"CSR is embedded in our firm's culture and has been for many years. We want to give something back to the communities in which we live and work, and have a range of initiatives to support and encourage our staff to actively engage in volunteering opportunities."

Nicola Barber, Head of Charities

Important disclaimers and disclosures

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The performance information herein has been prepared by or on behalf of JH&P and has not been independently audited or verified except for certain year-end data. As with any investment vehicle, past performance cannot assure any level of future results.

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Investments in alternative investments entail substantial risk and are not intended as a complete investment programme. Alternative investments are designed only for sophisticated investors who are able to bear the economic risk of losing all of their investment. Alternative investments: (I) may engage in leveraging and other speculative investment practices that may increase the risk of investment loss; (2) can be highly illiquid; (3) are not required to provide periodic pricing or valuation information to investors; (4) may involve complex tax structures and delays in distributing important tax information; (5) are not subject to the same regulatory requirements as mutual funds; and (6) often charge high fees.

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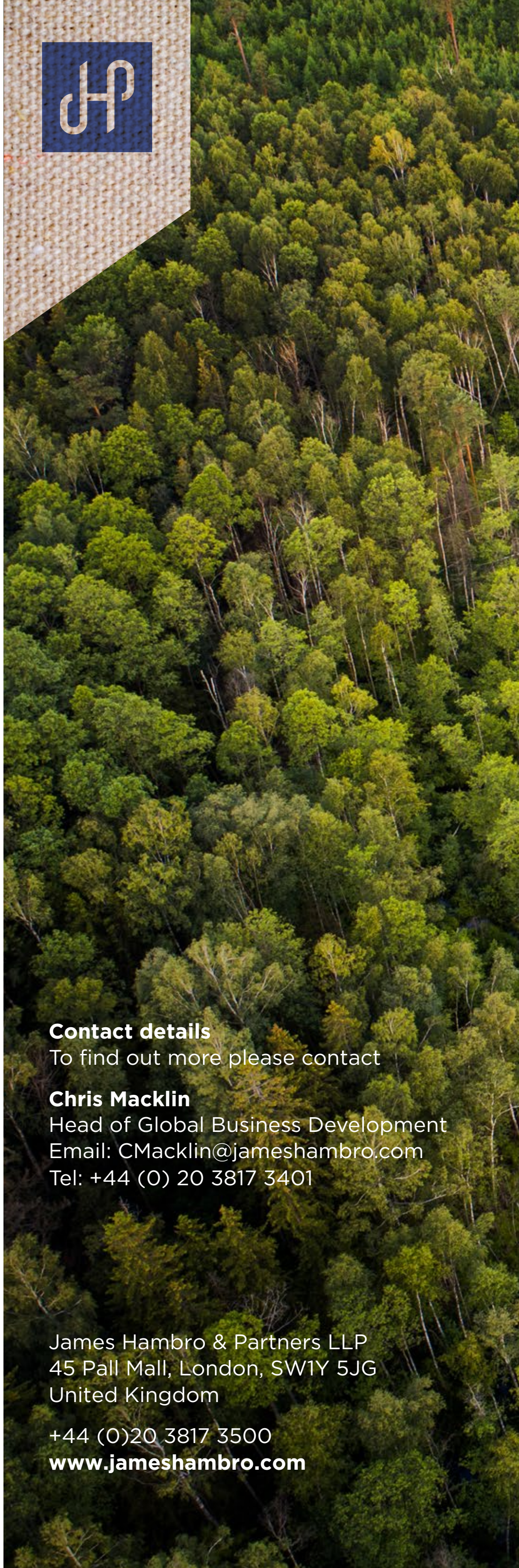
The value of an investment and the income from it can go down as well as up and investors may not get back the amount invested. This may be partly the result of exchange rate fluctuations in investments that have an exposure to foreign currencies. You should be aware that past performance is not a reliable indicator of future results.

Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.



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