UK Stewardship Code Report

FOR THE 12 MONTHS FROM

01 January 2024 to 31 December 2024

A message from our CEO and CIO

Caroline Stokell
CEO

Ross Ciesla
CIO

Our stewardship work starts with a simple question: how can we meaningfully help our investee companies and, therefore, enhance our clients' investments? Our answer is to focus on what is material – areas where we can make a real, positive difference – for each of the companies in our portfolios.

We are picky stock pickers who want to truly know what we own. We invest only in high-quality, well-run companies that meet our strict quality of business and financial requirements. When we do choose to invest in a company, we fully expect to be long-term shareholders and we behave as active owners of the business. When it comes to deciding where to focus our stewardship efforts, knowing our companies in intimate detail is invaluable.

The golden thread running through all this is the remarkable power of partnership to achieve better outcomes for our clients and the companies we invest in. We aim to build trusting relationships and engage with companies to contribute to their long-term success and promote sustainable value creation. This means encouraging them to pursue strategic objectives that build long-term, successful business models. It means encouraging effective risk management, appropriate capital structures, strong corporate governance, appropriate remuneration, and clear and transparent communication.

Our starting point is always to be supportive of company management. It makes for stronger relationships and the resulting dialogue enhances our understanding of the challenges and opportunities they face. We consider it an accolade to have been invited by companies to contribute to their materiality studies to help them assess the risks they face and how we might best support them.

When all's said and done, we have just one objective: to deliver inflation-beating returns for our clients for years to come. In doing so, we have a responsibility to consider anything that might affect our ability to protect and grow the value of our clients' assets. Many of our clients are investing not only for their own lifetimes, but for generations ahead. From this perspective, stewardship's long-term focus is common sense.

So much for big picture. Putting stewardship into practice requires a lot of dedicated hard work, in some cases over several years. It's a truly team-wide effort, not the preserve of stewardship specialists. Our investment team make hands-on decisions about what is most material for specific companies, whether and how we should engage, and how we should vote on behalf of our clients.

This report's executive summary gives a flavour of the extent and depth of this activity, but please do delve further. Throughout, you'll find case studies of our engagement work – real-world examples of how stewardship makes a tangible, positive difference.

We hope you find this report informative and illuminating. If you would like to discuss its contents, or any other aspects of our stewardship work, please contact Sam Cotterell on the email address below.

This report was written by

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The report has been reviewed and approved by members of the Navera Investment Management Stewardship Working Group and NIML board.

navera
INVESTMENT MANAGEMENT

At a glance

WHO WE ARE

£8bn
assets under management
as at 31 December 2024

EST. 1993
First fund launched in 2018

100%
employee owned

74
employees
including a 26-person investment team

WE OFFER CLIENTS

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

Personal service
delivering a partner-ship approach between our clients and our investment team

Tailored
client service and reporting

Stewardship
information and analysis

OUR INVESTMENTS

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

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

ESG fully integrated
in all investment decisions

Conviction-led
global best-ideas investing

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Report overview and executive summary

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

Highlights from our stewardship work in 2024

We had over

150 **company meetings**

including

86 one-to-one meetings with companies we hold or are considering for our portfolios

of which

35 focused on governance, social or environmental issues

We voted on over

740 **proposals**

at **42** company meetings, meaning we voted on over **97%** of core holdings in client portfolios

We sent

28 **letters**

to our equity holdings

We spoke or wrote directly to

97 **% of our core equity holdings** in client portfolios

Our **26** investment team members

focusing on

25–40 equity holdings

means we can engage on any material issue at our companies

We maintained our commitment to **collaborative engagement** when appropriate including both corporates and regulators or governments.

We upgraded our **engagement tracker** to allow for better internal monitoring and enhanced reporting.

We carried out a comprehensive **internal review** and update of our engagement and voting policies.

Our stewardship work contributes to our **strong investment performance** of delivering above-inflation returns to our clients both in 2024 and over five years.

To deliver long-term returns ahead of inflation, we invest only in high-quality, well-run companies. These need to meet our strict quality of business and financial requirements. As an active long-term shareholder, we aim to build trusting relationships. We engage with companies in order to contribute to their long-term success and promote long-term value creation. Stewardship is therefore central to delivering good client outcomes.

As long-term shareholders in a focused list of companies, we have a responsibility to consider any factor that might impact our ability to serve our purpose: to protect and grow the value of our clients' assets for the future.

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

1. Pursue strategic objectives that build long-term, successful business models and prioritise the achievement of these strategic objectives over short-term performance.
2. Manage risk effectively, as seen from the perspectives of multiple stakeholders.
3. Implement an appropriate capital structure and sound capital allocation.
4. Promote good corporate governance, including strong corporate cultures and appropriate remuneration and incentives.
5. Implement high-quality business practises, referencing global standards such as the UN's guiding principles and OECD guidelines.
6. Communicate transparently and produce high-quality disclosures and reporting.

The main topics covered in 2024

Board composition Exploring whether board members have the range of expertise and independence required and provide constructive challenge and strategic vision	**Supply chains** Understanding the impact of China/US trade wars, including tariffs, as well as environmental and social practices in supply chains
Capital allocation Understanding priorities between driving organic growth through employees, research & development or capex, M&A opportunities and returning capital to shareholders	**Environmental issues, including carbon** Understanding companies' preparedness for the shift to a low-carbon economy, including opportunities and risks, and consideration of other material risks such as water, waste and biodiversity
Audit quality Encouraging companies with long-tenured auditors to consider putting the audit contract to tender to ensure best practice, cost effectiveness and no conflicts of interest	**Automation and artificial intelligence** Opportunities and threats from increased use of automation and AI, both to increase productivity in our companies and where they have new opportunities or risks to their business from technological developments
Employee welfare and inclusion Understanding the culture of a company, employee retention, how employees are treated and fairness of pay in a competitive landscape for talent	**Regulation** Particularly readiness and the impact of European regulation and potential changes in the US made by the Trump administration

We are pleased that over the past year our stewardship activities have generally been well-received by company management and an opportunity to strengthen our relationships with our investee companies. Our interactions have given us the chance to share our thoughts on best practice and to encourage long-term value creation. They have also given us the opportunity to increase our understanding of the challenges companies are facing and the opportunities available to them.

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

"Engagement strengthens our understanding of our investee companies."

Principle 1

Purpose, strategy and culture

Context and activity

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

Everything we do is guided by three principles:

1 **Real returns**

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

2 **Partnership**

We believe in the power of partnership. This cultural mindset is deep-rooted in our team. The investment team comprises 26 experienced investment professionals who are committed to providing a personal service to all our clients. We are 100% owned by our team, creating stability and focusing us on achieving our clients' objectives.

3 **Stewardship**

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

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

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

- Our culture of partnership, independence and employee ownership creates stability and aligns the company's long-term interests with those of our clients.
- Successful long-term investing takes good judgement. It is a balance of our different skills and experience which enables us to identify great investment opportunities. We continuously question and learn, rigorously analysing opportunities and leaving no stone unturned.
- Our focus on a simple investment offering with the objective of achieving real returns by investing in global equities, fixed income and cash, provides a transparent and understandable solution for clients.
- As long-term investors, we believe we have a responsibility to consider any factor that might impact the durability or value of our clients' investments. Alongside rigorous financial and strategic analysis, governance is considered for all companies and material environmental and social issues are considered that are relevant to each individual company.
- Risk management is inherent in everything that we do. We define 'risk' as the potential for permanent capital loss and each part of the portfolio construction process is focused on managing this risk.
- Clients have direct access to their designated investment managers, who are responsible for suitability, portfolio construction and investment outcomes. This further aligns interests and accountability to clients.
- Finally, our sole business is the provision of discretionary global investment management, ensuring that our clients are at the centre of our business.

Our culture of partnership extends to our investee companies and guides our approach to our stewardship activities.

As long-term investors in a focused list of 25-40 companies, we take the time to understand each business in which we invest. When we buy shares in companies, we become business owners. Through open and constructive dialogue, we seek to build lasting relationships with company management to support their ongoing success. Stewardship activities are not outsourced. They are undertaken by our investment team who are knowledgeable and familiar with each business. Further information on our approach to integrating our stewardship activities in our investment approach is set out under Principle 2 and Principle 7.

Responsibility in our own business

Just as we expect our investee companies to consider their environmental and social impact, we also strive to behave as responsible global citizens.

Our people

Our people are central to protecting and growing our client's wealth. We have a strong commitment to fostering a culture of openness and inclusivity to drive business success.

Diversity of thought and good judgement are essential to our investment process. Therefore, within the investment team and across the business, we aim to embrace and develop diverse talent – and create an environment that supports high performance. As well as age and gender diversity, as shown in the tables below, we also value different backgrounds. Our team of 70 employees includes 14 nationalities and attendance at 43 different universities for a multitude of courses including economics, modern languages, chemistry, physics, history, international relations and sustainable development.

Diversity by age:

	Company	Investment team	Executive team
20-29	8%	15%	0%
30-39	36%	35%	0%
40-49	28%	27%	40%
50-59	23%	12%	40%
60-69	4%	12%	20%

Diversity by gender:

	Company	Investment team	Executive team
Male	54%	62%	40%
Female	46%	38%	60%

During 2024, we continued to communicate our strategy and ensure the whole team are updated on key initiatives. This included different forums, such as monthly cross-team lunches hosted by senior leaders, business strategy meetings and weekly 'Friday Feelings' updates from our CEO. We also developed our employee intranet, the Hub, to enable strong communication across the business as we grow in number.

We are solely owned by employees and management, with over 70% of staff owning shares in the business. Our independence allows us to focus on our core beliefs and values in support of our three principles of real returns, partnership and stewardship outlined above. These include our focused and 'simple' approach, providing a sense of security through common-sense investing and seeing opportunity in a changing world. We aim to relate our investments to the real world and increase understanding of the investments we make on our clients' behalf.

We recognise that we can only achieve our purpose by constantly developing and supporting our team. We offer team members career development through training and new opportunities to develop critical skills. We also support employees who are promoted into management or leadership roles to assist continued high performance.

As a relatively small but growing team, we also recognise that having fun and connecting socially is a crucial part of building trust, teamwork and a sense of belonging. Through our social committee, we celebrate our team members' milestone life events, run pub quiz and games nights, theatre trips, art gallery tours, walking history tours and events such as Christmas wreath making.

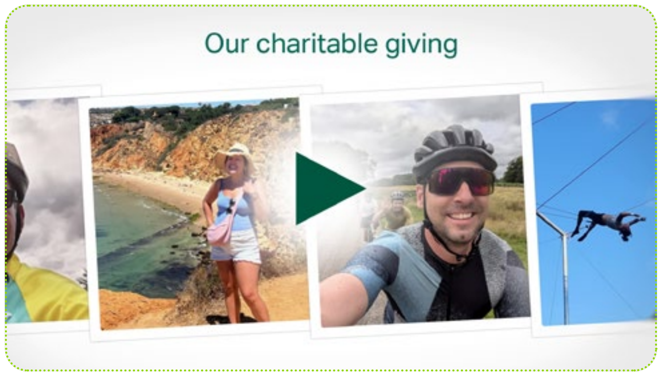
Our 'Working Well' guide details expectations for flexible and hybrid working patterns to ensure commitments outside of work can be met while meeting the requirements of our business.

Supporting others

We have a history of charitable giving, both as private individuals and as a business. We have an annual budget for corporate charitable giving, for which charities are suggested by employees, and everyone in the company is offered the ability to donate privately to charities directly though the Give-As-You-Earn scheme. We are committed to matching individual charitable fund raising and we fund annual team charity events.

We support paid leave for staff volunteering, contributing to non-executive or other community-based roles. In 2024, for the first time, we organised a volunteering opportunity close to our office in Southwark. Over 40% of employees took part and the feedback was that this was a very positive experience for all. We intend to broaden engagement with some of our charitable-giving initiatives in 2025.

See our latest charity video on our website:



In 2024, we reappraised our work experience programme. Our commitment to advancing diversity in our industry through broad and equitable access remains, alongside new ambitions to increase impact in our local community and to promote greater financial literacy in young people. We established a relationship with a Southwark secondary school to support delivery of their careers and personal, social, health & education (PSHE) curriculums, as well as hosting an on-site event for more than 20 students studying financial economics at a local university.

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

Our environment

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

We have been **carbon neutral since 2018**.

We have committed to reducing our own business emissions with approved targets set for 2030 and to reach net zero targets by 2050.

Remaining emissions are double offset using high-quality, vetted projects.

We have chosen a **renewable energy tariff** to provide electricity to our office.

We encourage everyone in our offices to **recycle** by providing facilities to do so.

All our paper is recycled and comes from Forest Stewardship Council certified sources; it is also carbon neutral.

We source goods from **independent, local and fair-trade** suppliers wherever possible and expect our suppliers to manage their own environmental impact.

We use environmentally friendly **cleaning** products.

We are involved in a project to protect wildflower habitats for **bees**.

Outcome

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

As described above, we have continued to enhance our communications across the team. From its launch in April 2024, the Hub has become a timesaving, email-reducing, trusted source of information. Our business updates and community corner (incorporating the social committee, charity committee and office updates) regularly have over 100 views, meaning the vast majority of the team are engaging with the posts and many are doing so more than once. We have also continued with our staff surveys and the results show our wellbeing ratings remain in the top quartile of all companies.

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

In 2024 and, more importantly, over a five-year period and longer, we have delivered portfolio returns ahead of our clients' inflation-plus targets. Despite no team member having sales targets, our focus on strong investment returns and excellent client service has led to our assets under management growing by 16.6% over the calendar year, including 4.4% from net new business[1].

We continue to look ahead to ensure our portfolios are well positioned for the next three to five years to meet our clients' objective of long-term returns ahead of inflation.

> "Our clients benefit from our diverse perspectives, skills and experience in the team."

1. Net new business is won and funded new clients plus enrichments from existing clients minus withdrawals and terminations.

Principle 2

Governance, resources and incentives

Context

Governance structure

As highlighted under Principle 1, we have a deep-rooted culture of partnership. The investment team comprises 26 experienced investment professionals who are committed to delivering results for our clients and providing a personal service. The average investment experience in the team is around 19 years. We are an independent business, 100% owned by our employees. This directly incentivises staff to focus on the long term and creates stability for our clients.

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

> "Our team are incentivised to focus on the long term."

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

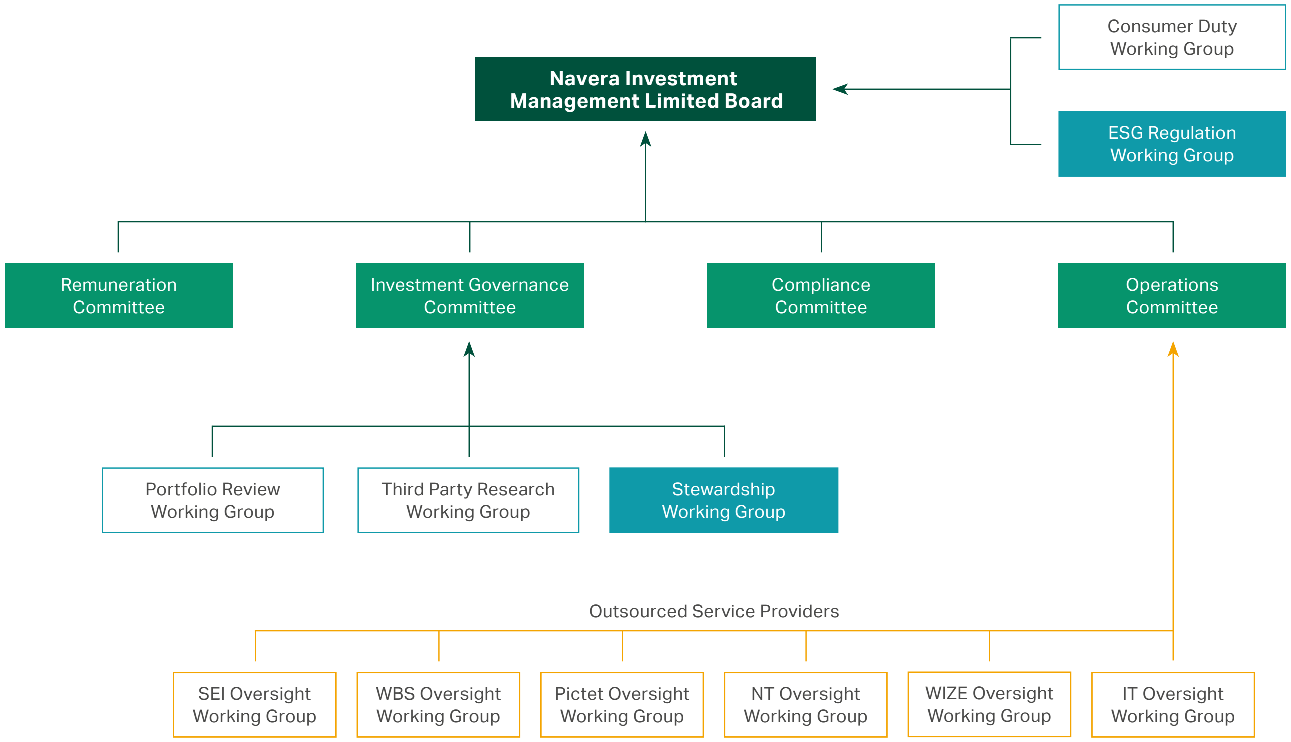
- Our **Stewardship Working Group**, chaired by Sam Cotterell, meets at least twice a year and more frequently if required. It is made up of members of the investment team, including our Chief Executive Officer, Deputy Chief Investment Officer, Head of Research, Investment Partners and two investment analysts who focus on stewardship and ESG. This group focuses on the administration, policies and processes for our stewardship work and on ensuring consistency of practices across the investment team. Any activities carried out by this group are communicated to the wider investment team during our weekly investment team meetings, as well as to our compliance and operations teams where necessary.

  During the last year, the group was responsible for updating our voting and engagement policies and reviewing our involvement in collaborative engagements. The group also had responsibility for leading our client and investment consultant roundtable meetings to discuss our stewardship work in more detail and garner their perspectives. Further details are included under Principle 6.

- Our **ESG Regulation Working Group** meets twice a year, or as necessary. It was formed in 2021 to ensure we have the resources, policies and processes to meet our obligations as regulation evolves. The group is chaired by Sam Cotterell and includes our Executive Chair, Chief Executive Officer, Chief Investment Officer and our Compliance Officer. In 2024, this group focused on the anti-greenwashing rule to ensure compliance and the Sustainable Disclosure Regulations and Investment Labels rule. The group was also responsible for producing our Climate Report.

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

Chart 1. Governance structure



Resources – our people

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

We strongly believe that having a diverse team and inclusive culture is crucial to the success of our business. This means we can harness the diverse skills, knowledge and experience of the team. We are proud of the strong risk-adjusted returns and service we have consistently delivered for our clients. Please refer to Principle 1 for more details.

We have continued to strengthen both the investment team and our support functions to ensure excellent client service as we grow. We have added four people to the investment team, including an investment analyst with a particular focus on stewardship.

> "All stewardship work is done by the investment team."

Resources – research and data

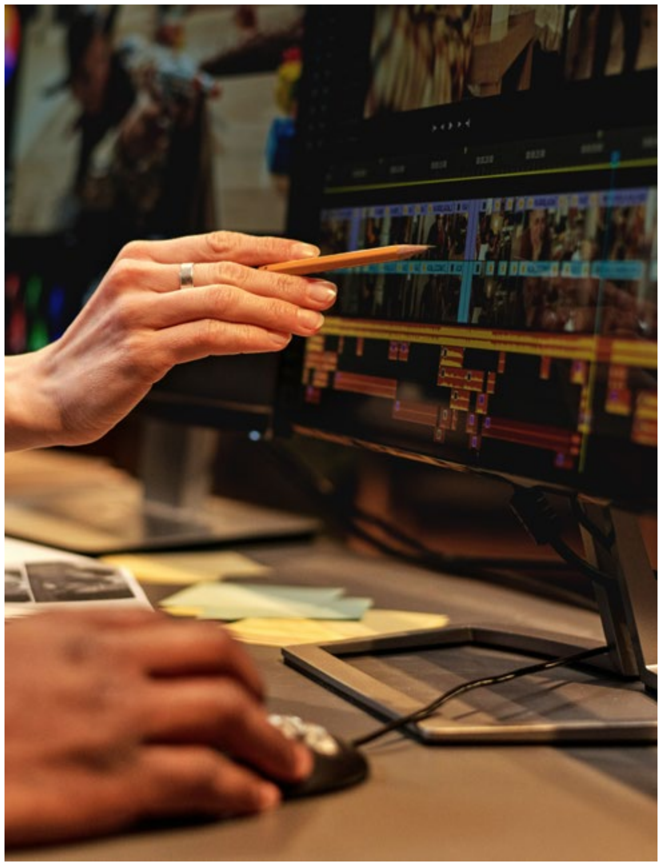
We use a variety of data sources to help us assess the long-term outlook and likely future value creation of our investee companies and to support our stewardship work. Our primary source of information is that provided by companies themselves, such as annual reports, corporate social responsibility (CSR) reports, proxy statements and company websites, enhanced by direct engagement with company management, board directors and investor relations teams.

We speak to broker analysts and specific experts through networks such as Third Bridge or individual contacts to gain further insight into management, culture, company positioning in a sub-industry and the viability of medium to long-term targets. In a world where the technological pace of change is seemingly ever increasing, we are constantly reassessing our companies' moats and 'right to win' in order to assess their long-term potential. We run 'negspressos' (meetings specifically to challenge our positive view of a company), aiming to revisit each company held or company we are considering adding to our portfolios every couple of years to fully reassess our thinking. These are facilitated by an external expert to ensure we are considering all relevant issues.

We also use information from several ESG data providers as part of our investment process. These include Morningstar Sustainalytics, ISS, UBS HOLT, Bloomberg and the CDP. We also use information from the World Benchmarking Alliance, such as their Corporate Human Rights Benchmark and Nature Benchmarks, and information from other specialist organisations such as Know TheChain where relevant. We also use international reporting frameworks and standards to inform our views on best practice for company reporting. This includes the International Sustainability Standards Board (ISSB) and Taskforce on Nature-related Financial Disclosures (TNFD), among others.

It is important to note that:

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



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

Resources – training

All members of the investment team attend conferences and training sessions relevant to our stewardship work and ESG integration. During 2024, sessions attended included those organised by:

- **Brokers**: Bernstein, TD Cowen, Jefferies, JP Morgan, Redburn Atlantic, Stifel and UBS.
- **Industry bodies and regulators**: The CFA Institute, Investment Association (IA), Principles for Responsible Investment (PRI), Institute of Chartered Accountants in England and Wales (ICAEW), International Corporate Governance Network (ICGN), Personal Investment Management & Financial Advice Association (PIMFA), Financial Conduct Authority (FCA) and Financial Reporting Council (FRC).
- **Global organisations**: Taskforce on Nature-related Financial Disclosures (TNFD).
- **ESG data providers**: Morningstar, MSCI ESG.

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

In addition, we view our meetings with investee companies as opportunities to increase our knowledge of industry-specific sustainability challenges or new ideas, recognising that individuals working on the frontline may be better-placed than us to understand these issues. One such example was a meeting with **Labcorp** in 2024, who have introduced a negative ESG modifier in their executive compensation plans. Up to 10% of the annual bonus for executives could be cut if they do not achieve a number of qualitative ESG targets. We appreciate this approach as it treats material ESG issues as an essential part of managing the business for long-term success. We have since mentioned it to other companies as an example of what we consider best practice in this area.

Incentives

Our incentive policy focuses on aligning our interests with those of our clients. All senior staff, including all eligible members of our investment team, are equity holders in the business, facilitating an appropriate level of long-term incentive. All short-term incentives are discretionary and based on investment results including stewardship work, teamwork, client service and compliance. We introduced a deferred element of any variable remuneration awarded in 2024 for material risk takers to align with long-term client objectives. None of our staff have sales targets or targets for growth in assets under management.

> "Meetings with companies are opportunities to increase knowledge."

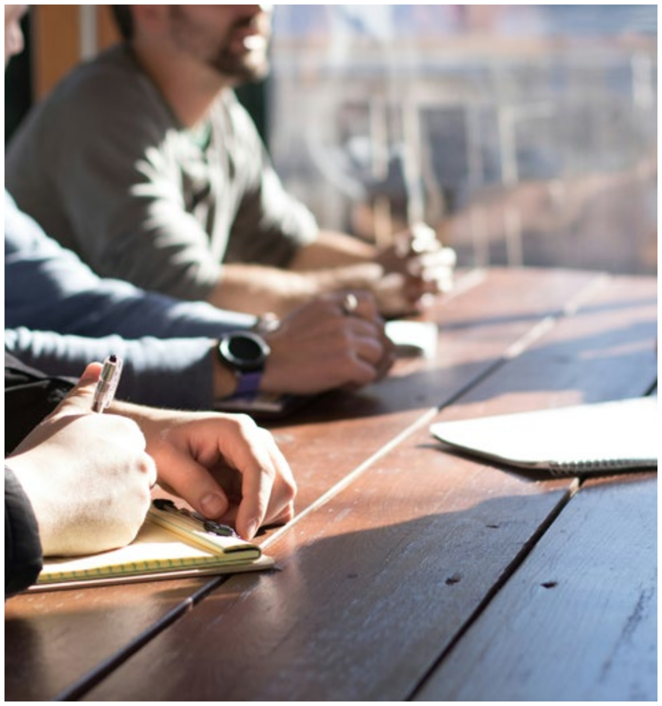
All our staff (including senior managers) discuss teamwork and collaboration during the annual review process, as well as integrity and their contribution to sustainability, where relevant, both for our investments and for our own business. For board, committee and working group members, their contribution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

Activity and outcome

We believe our culture and governance structures and resources give us the knowledge, experience and flexibility to carry out effective stewardship on behalf of our clients.

We have focused portfolios of 25-40 equity holdings with a high ratio of investors to investee companies. Our stewardship activities are carried out by the investment team, who are responsible for all research work on our investee companies. This means we know our companies in detail and are best placed to identify and focus on the issues that are material to each individual company.

Strengthening our skills and knowledge remains a focus. Examples of some of the training/ knowledge-building sessions on stewardship and non-sector-specific issues are set out below.



International Corporate Governance Network conference

We attended the ICGN's annual conference, which focused on international trends in stewardship and engagement. We were reassured that many of the topics discussed are issues that we are already considering in our engagement work. This was particularly the case in discussions around the importance of boards and how they drive company culture.

It was highlighted that there has been a huge expansion in director responsibilities over the past decade. As well as their own company and sector-specific knowledge, board members are now required to have a holistic understanding of issues including cyber security, AI, sustainability, climate, workforce engagement and culture. Strong reporting into boards has become more important and the time commitment has increased. It was recognised that boards need to be able to challenge and speak out against management where necessary and it was noted that this was difficult as there can be pressure to conform, particularly when board members have long-standing relationships. We continue to spend time understanding the board composition of our companies, encouraging diversity of skillsets and encouraging an appropriate mix of tenure and independence to ensure the right level of knowledge and ability to constructively challenge with new ideas and viewpoints.

The conference provided a helpful reminder of how far we have come in terms of standardising reporting globally. For example, over 55% of world GDP has committed to using the ISSB rules, and the ISSB ensures their rules link with EU regulations and the Global Reporting Initiative (GRI) and Task Force on Climate-related Financial Disclosures (TCFD) frameworks. We still have a way to go to enable further standardisation globally and individual jurisdictions need to be encouraged to remain aligned rather than forge their own paths, but we are in a much better place than five years ago.

It was also useful to understand the requirements for assurance in sustainability reporting for companies and the difficulties this represents. As assurance becomes required, we should expect a period where more companies have qualified or modified conclusions in assurance reports. This is part of ensuring a robust procedure as both corporates and assurance professionals strive to create an ecosystem of trusted information for capital markets.

Changing regulatory landscapes

Given the continued pace of change in regulation, we often seek external guidance and training to ensure we understand the latest developments and implications for our holdings. In 2024, the areas we concentrated on were EU regulations and artificial intelligence (AI) governance and lawsuits in the US affecting large technology companies.

We attended several calls on upcoming regulations that are likely to be material for our companies, including the EU Corporate Sustainability Reporting Directive (CSRD), and the EU Deforestation Regulation (EUDR). These regulations cover European companies and also non-European companies that have significant business in the EU. We also attended sessions on the EU Carbon Border Adjustment Mechanism (EU CBAM), which will apply to applicable goods imported into the EU. In early 2025, the EU announced their proposed Omnibus package, designed to simplify EU sustainability rules and reduce the reporting burden, particularly for smaller companies.

One call focused on the breadth and depth of the CSRD compared to the Non-Financial Reporting Directive (NFRD) it replaced. The CSRD covers 10 categories, 80 disclosure topics and 1,100 datapoints, including carbon, biodiversity, circular economy, water, waste, pollution, workforce and business conduct. Companies must apply a double materiality assessment when considering which topics to disclose against. Following on from the double materiality assessments we participated in with **DSM-Firmenich** and **Kerry** in 2023, in 2024 we participated in a double materiality assessment for **Experian** at the company's request.

Other sessions focused on the EUDR (delayed until at least December 2025) and its potential implications for our portfolio companies. The regulation imposes a reporting burden on companies importing any of the listed products or derivative products into the EU market. To satisfy this reporting burden, companies are increasingly having to conduct full mapping of their supply chains into all tiers.

The EU CBAM will initially focus on cement, iron, steel, aluminium, fertilisers, hydrogen and electricity. We are currently in a transitional phase, with financial obligations now delayed until 2027. Importers of these products will be required to purchase and surrender CBAM certificates based on the embedded emissions of their imported goods and the prices are tied to the average auction prices of the EU Emissions Trading System (EU ETS) allowances from the previous week. The proposed Omnibus regulation reduces the companies required to fulfil this regulation by 90%, even though approximately 99% of carbon should still be covered. In conjunction, EU ETS free allowances will phase down, with substantial impact on EU manufacturing

companies producing these products. It is interesting that other countries, particularly in Asia, are taking note of the impact of this on companies that supply into the EU market. According to Jefferies, eight other countries are also considering a similar strategy to the EU CBAM.

The EU Digital Services and Digital Market acts came into more focus after the EU announced the first probes of big tech companies under these regulations. These centre on privacy to protect consumers and anti-trust to encourage more competition. This is concurrent with the US Department of Justice (DOJ) and the Federal Trade Commission (FTC) also pursuing the big tech companies on anti-trust and privacy issues. As well as attending calls with lawyers on these issues, we had a detailed session with a technology specialist to understand the differences in focus between the jurisdictions. This was very helpful to understand the potential impacts on the large tech companies, with particular relevance to **Alphabet**, and what we should be looking for in any remedies or agreements.

In the run-up to and post the US election we also attended several calls on the likely changes to regulations under a Trump administration. It is clear to us that the politicisation and debate over environmental and social issues and the role of companies will continue. We continue to encourage companies to consider environmental and social factors that are *material* to their businesses. Importantly, they will need to clearly communicate the rationale behind these decisions and the impact on the long-term success of their company. We would also note that although the US will not be furthering climate disclosures, given that regulators in Europe, Asia and even some US individual states do require disclosure, US companies with global revenues will still be required to collect, monitor and disclose data on these issues.

Indigenous people's rights

We attended a call on indigenous rights organised by the PRI Advance programme, for which we are Endorsers. This topic is typically considered to be only a material issue for metals and mining related companies, which we do not own. However, it is becoming necessary for other corporates to understand the potential issues given the increased awareness of activities in supply chains and also the overlap between climate and nature-based strategies with indigenous lands.

Indigenous people constitute 6% of the global population. Through their knowledge about their land and ecosystems, often developed through generations of sustainable practices, they tend to have excellent knowledge about environmental stewardship, climate change mitigation and holistic approaches to living in harmony with nature. They are also recognised as having strong communities and promoting social responsibility.

The call focused on the international frameworks on indigenous rights, such as the ILO convention 169 and the UN Declaration on the Rights of Indigenous Peoples (UN DRIP). Through the FPIC rules (free, prior and informed consent) indigenous people should have full transparency of any project affecting their land and be allowed to make informed decisions to grant or withhold consent.

Although this can be time consuming for corporates, who are encouraged to consult with relevant groups early and build relationships, it can also be costly if they ignore indigenous rights and the FPIC rules. As well as legal, financial and reputation risk, there can be operational delays from protests and from legal challenges.

Unions in the USA

We continued to improve our understanding of unionisation in the US with a call from an expert at the American Worker Project. He explained that two thirds of the public now support unions in the US, with young people the most in favour. 50% of workers would like to be part of a union but only 10% are (approximately 6% in the private sector and closer to 30% in the public sector).

Most companies see unionisation as losing some control and the potential for increased costs. The positive effects of unions are that they potentially increase communication and collaboration between workers and managements, enhance productivity and help train and recruit workers. This may not mean there is a profitability increase as improvements are often offset by increased employee costs and benefits. However, unless unions and company management are prepared to work together for the long-term benefit of companies, it is often an adversarial relationship and increases costs overall. **Microsoft** has indicated a 'neutral' stance to unions whereas other companies such as **Amazon** and Starbucks (not held) openly prefer to retain direct lines of communication with workers rather than through a union.

Rules in the US differ by state and there is little enforcement of existing rules. Under a Republican administration it is unlikely that we see much change in this area.

Internal resources to inform the investment team

Members of the team also frequently provide presentations and training sessions to colleagues. In 2024, these included:

- European regulation updates on areas such the EU Digital Services Act, EU Digital Markets Act, Corporate Sustainability Due Diligence Directive, EU Deforestation Regulation and the UK Online Safety Act and their relevance to our holdings.
- Updates on regulatory and policy developments such as the UK anti-greenwashing and Sustainable Disclosure Regulations.
- Importance of corporate culture and a case study of where breakdowns in governance and culture led to value destruction.
- The importance of moats in the businesses we invest in and the need to regularly assess their effectiveness in a rapidly changing world.
- Analysis of how today's younger demographic cohorts spend their time and money, compared to older cohorts when they were at similar life stages.
- The outlook for Europe in a globally competitive landscape, with particular reference to the Draghi Report.
- Update on China and how it has changed over the last decade, including the focus on high-end value-added manufacturing and the energy transition.
- Updates on our broader engagement activities such as industry group commitments and collaborative engagements.
- Reporting for our own business such as our Climate Report and progress against our net zero commitments.

Principle 3

Conflicts of interest

Context

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

That said, we still have an obligation to act in the best interests of our clients and treat them fairly in all circumstances, including where there are, or could be, potential conflicts of interest.

We seek to organise our business activities, including external arrangements, such as to avoid conflicts. However, our aim is to ensure that where conflicts do occur, the policies, procedures and controls needed to manage the situation are already in place. These procedures are designed to ensure that the management of any conflict takes place in such a way that the firm or its employees are not advantaged, and that no client is disadvantaged. Our Conflicts of Interest summary is available on our website and provides more details on the steps we take to identify, consider, mitigate, manage, disclose and record all conflicts.

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

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

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

Any potential conflicts of interest which arise are recorded in the Conflicts of Interest Register with the relevant risk mitigations. The register is reviewed regularly by the compliance team and periodically by the board.

Activity and outcome

In the period under review we did not identify any conflicts of interest related to stewardship. However, should we encounter an actual or potential conflict of interest, this would be dealt with according to the principles and policies set out above.

> "We are an independent business, focusing only on investment management."

Principle 4

Promoting well-functioning markets

Activity and outcome

Risk management is inherent in everything that we do. We recognise that no company operates in a vacuum: each part of our research and portfolio construction process focuses on identifying and managing risks, including market-wide and systemic risks.

Our clients have long-term investment horizons that generally exceed five years and, in many cases, are multi-generational. We therefore have a responsibility to identify and respond to risks that could affect the value of our clients' investments and our ability to deliver a real return over the long term.

Our investment process focuses on identifying companies with predictable and durable business models, which lead to strong cash flow generation. We aim to find companies that are experiencing increasing demand for their products or services, often due to positive structural changes in the way the world lives and works. While economic or political cycles are almost impossible to predict, structural demand can be both long-term in nature and relatively insulated from the economic cycle.

Relatively few companies have the strong financial characteristics and resilient business models that we seek. Should our investment research indicate that a company is exposed to long-term risks, including market-wide or systemic risks that are likely to affect the viability of its business, then we will not buy shares in that company.

When we do invest in a company, we consider ourselves as business owners and act accordingly, working in partnership with company management to promote long-term value creation. We believe that encouraging investee companies to take a long-term approach helps build resilience into their business models. In turn, this increases the resilience of the economies and financial markets in which they operate.

The market-wide and systemic risks we focused on in 2024 included:

Geopolitical issues, particularly ongoing tensions between the US and China and the implications of any tariffs applied by the new US administration.
Macroeconomic risks, such as sovereign debt levels and the outlook for interest rates.
Demographic changes, particularly issues associated with ageing populations and a shrinking global workforce.
The disruptive effects of new technology, such as the rapid emergence and use of generative AI, increasing cyber security risks and weight-loss drugs such as GLP-1s.
Ensuring access to energy given the trend towards electrification and expected power demands of generative AI.
Climate change, in terms of transition risks and physical climate risks such as the increased likelihood of more frequent extreme weather events.
Human rights issues in both companies' operations and their supply chains.
Nature-based capital, including biodiversity loss, water security and the impact of water shortages.

Each member of our investment team is responsible for identifying market-wide and systemic risks. Risks are discussed at our daily investment team meetings and at our longer weekly investment meetings, and all members of the team are encouraged to share their views.

Specialist analysts are drawn on for areas of expertise. For example, our technology specialists have highlighted risks relating to technological disruption, trade restrictions and cyber security, while our healthcare specialist has spoken about the risks associated with healthcare inequality and the effect of climate change on the spread of vector-borne diseases. We have discussed the potential effects of the growing use of weight-loss drugs such as GLP-1s on consumer behaviour and healthcare. One of our investment analysts focuses on risks associated with our fixed income holdings, such as interest rates, currency and credit ratings, and also provides regular macroeconomic updates.

We work collaboratively with wider stakeholders and industry groups to understand and tackle market-wide and systemic risks. This work includes:

- Senior managers taking part in industry networks, such as those organised by the Investment Association (IA), PIMFA and Private Asset Manager Directory (PAM).
- Engaging with regulators in conjunction with industry bodies such as the IA and PIMFA.
- Contributing to initiatives run by organisations, such as the PRI and Ceres.

Further details of our collaborative work are set out in the examples below and under Principle 10.

In addition, we seek input from sector and industry experts to help us assess market-wide and systemic risks and to inform team discussions about actions to take. We intentionally do not have in-house economists and prefer to be aware of a wide range of macroeconomic viewpoints.

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

We raise market-wide and systemic risks directly with investee companies, where appropriate. Over the past two years, our discussions with companies have included the resilience of supply chains, the potential impact of trade wars and the importance of preparing for physical risks of climate change. For further information, see Principle 7 and Principle 9.

Risk case study

Issue

Macroeconomic and geopolitical risks

Actions and outcomes

In 2024, two members of the team visited China to see at first-hand how its economy is changing and the implications of this for the rest of the world.

We also had a number of sessions with economists on a range of topics, including:

- China's changing role in the global economy as it focuses on more advanced industries and finished goods, and the challenges this poses to industries in the West.
- The impact of potential tariffs and changes to global trade, particularly between China and the US.
- Rising levels of global debt and the effect of higher interest burdens on economies.

As a result of these sessions and following internal discussions, we decided to increase our gold exposure. Gold has served as a hedge against heightened geopolitical tensions and may help protect against a resurgence in inflation or currency derating resulting from increasing government debt. We also increased the overall duration of our fixed income holdings to lock in higher yields as we reached the peak of the rate cycle.

As always, we are mindful of valuation in our equity holdings. In relation to this, we have continued to assess our overall Chinese exposure and carried out scenario analysis of various trade restrictions for specific stocks and their implications for long-term valuations. We have also gained a better understanding of where China is prioritising its investments and the implications of this for our portfolios. One outcome of our trip to China was our decision to exit our position in Infineon. China's advancement in power semiconductor manufacturing has accelerated beyond previous estimates and poses a credible threat to Infineon's competitive advantage over our investment time horizon.

Risk case study

Issue

Disruption from new technology, such as the rapid development and use of generative AI, and increasing cyber security risks.

Disruption from technology represents a specific risk to the companies we invest in and a systemic or market risk. To mitigate potential for individual company risk, we regularly challenge our view of company moats and their 'right-to-win' in a particular market. This includes any disrupting technology such as generative AI.

Generative AI poses several systemic risks, such as potential reduction in the workforce and changes in the skillsets required for jobs, as well as potential for misinformation and bias, copyright issues and higher energy usage.

Cyber security also continues to be an important issue, with McKinsey projecting an economic cost of $10.5 trillion per annum from 2025. Cybercrime is difficult to address and police given the complexity of the global digital landscape, the multiple legal jurisdictions involved and potential involvement of state actors. The increasing availability and capabilities of AI compounds these issues.

We also monitor emerging technologies such as quantum computing.

Actions and outcomes

- Engaging with investee companies on the issues.
- Sessions with experts on disruptive technology such as cyber security, generative AI and quantum computing.
- Internal cyber security training in order to protect our own business.

We engage with our companies on their real-world use cases of AI, as well as with companies involved in providing AI capabilities, such as cloud providers and consultants such as Accenture. Many companies are still in the process of moving onto the cloud and getting their data in the right format to use AI in their operations.

We will continue to monitor whether increased AI usage has an effect on workforces and is delivering improvements in productivity. We always encourage training and upskilling of company employees, and this is certainly the case where roles could be threatened by changes in technology. We continue to be of the view that in the long term, technology advancements create more jobs than they replace. However, we acknowledge that dislocations in skills and physical work locations can also occur, which is why re-training and upskilling are so critical.

As discussed in last year's report, issues such as misinformation and copyright continue to be of concern, although fears of deepfakes affecting the numerous elections in 2024 appear to have been overdone. Concerns over energy usage when training and using AI models also continue and are discussed separately below.

We engage with many of our companies to understand more about how they are approaching cyber security and improving their skills. During an engagement with **Marsh & McLennan** we discovered that some members of the board and management teams were briefed by the head of the FBI's cybersecurity team. It is increasingly expected that all members of the board (rather than a specific sub-committee such as the audit committee) take responsibility for cyber risk. This view was reiterated at **Avery Dennison**, with one board member telling us that 'you can never have enough focus and time on cyber, however much time you give'.

This is a sentiment that **UnitedHealth Group** certainly shared: a recent acquisition suffered a hack in March 2024, even though they had increased the board's focus on cyber security. They have since built up security further, including by strengthening their internal cyber team. They also have a long-term transformation project for technology used throughout the company that will enable best-in-class cyber programmes. They recognise their significant role in the US healthcare system and intend to ensure that that nothing like this happens again.

Some of our holdings are seeing strong growth in their fraud detection and prevention and ID verification businesses. For example, **Mastercard**'s AI-powered cyber security products are increasingly used by banks for fraud detection and prevention. During 2023, Mastercard prevented $20bn in fraud losses. **Experian** is also enjoying strong growth in its ID verification and fraud detection businesses.

We supplement our company engagements with updates from cyber experts. We use this information to ensure that we are up to date with best practice and expectations, both for the companies in which we invest and also for our own business. As a financial services provider we have a duty to protect our clients' financial and personal data. We aim to ensure that our approach remains comprehensive, adaptive and collaborative. By implementing continuous improvement and having a resilience by design model, we stay abreast of change. Resilience of our systems is everyone's business and to that end, we require all our employees to take part in regular training to refresh their knowledge and awareness.

Risk case study

Issue

Ensuring access to energy given the trend towards electrification to aid decarbonisation and expectations that generative AI will greatly increase energy consumption.

Actions and outcomes

- Engaging with our companies on the issue.
- Attending non-finance industry conferences focused on R&D in technology.
- Expert and broker sessions on capex expectations and energy demands from data centres, including for generative AI use.
- Expert and broker sessions on electricity grids, permitting developments, generation capacity (including nuclear) and developments in battery technology and other energy storage solutions.

Electrification has been key to decarbonisation efforts for many years. Now, in response to the rapid development of generative AI, the hyperscalers (Amazon Web Services, Microsoft Azure, Google Cloud Platform, IBM cloud and Oracle) are building many more datacentres, which are greatly increasing demand for electricity. Total capex spending by the hyperscalers rose from $156bn in 2023 to over $250bn in 2024, and is expected to reach $350bn in 2025. While electricity capacity has grown at about 3% per annum, demand from datacentres, AI and crypto is growing at over 20%. If this continues, by 2040 electricity will be scarce and increasingly expensive, even in the US, which currently enjoys significantly lower power prices than the UK and Europe.

We have engaged with companies on this issue, including **Microsoft** and semiconductor software design companies **Cadence** and **Synopsys**. We also attended a technology R&D conference that focuses on finding solutions to major emerging tech problems. Energy requirements were a key part of the discussions, and it was clear that substantial efforts are being made to reduce the energy used by semiconductors and AI models. This can already be seen in steep declines in energy required to train models and, importantly, for inferencing (AI models' responses to queries).

Both Cadence and Synopsys are key players in the drive to design less energy intensive chips. Meanwhile, in an engagement with Microsoft, it was clear that the company remains committed to its climate goals, despite the increase in data centre energy demand, although they admit this will now be even more challenging, as discussed in Principle 9.

The issue is also being discussed in terms of how to improve energy grids, for example by reducing bottlenecks in permitting projects and connecting completed projects to the grid. The US has over 2,600GW of clean energy capacity awaiting connection to the grid, twice their total capacity at the end of 2023 of 1,280GW. We continue to monitor developments in battery and other storage technologies.

Nuclear power is increasingly being discussed as a solution that provides low-carbon baseload energy, and the largest cloud hyper-scalers announced nuclear energy partnerships and projects in 2024. Cost and time are still the main challenges for nuclear energy. Although it is increasingly understood that the localised cost of energy (LCOE) does not encapsulate total cost when intermittency and grid connections are considered, nuclear is still an expensive power source. This is compounded by lengthy approval processes. However, scale and efficiency in China have enabled them to make the LCOE of nuclear more competitive. Meanwhile, in the US, siting new nuclear plants at former coal plants is a cost-saving Inflation Reduction Act (IRA) initiative that has gained traction.

Risk case study

Issue
Nature-based risks

Actions and outcomes

- Natural Capital Opportunities, Risks and Exposure (ENCORE) Nature Module to assess broad natural-capital risks and opportunities.
- Preparation for CERES Valuing Water Finance Initiative (VWFI) engagement with Microsoft.
- Several engagements with investee companies on water and nature.

We attended the Jefferies Nature Capital Conference, which had speakers from the UK Centre of Ecology and Hydrology. They highlighted that according to the World Economic Forum Global Risks Perception Survey, biodiversity loss and natural resource shortages rank as the 3rd and 4th most severe risks in the next 10 years. The World Wide Fund (WWF) estimates that the total quantifiable economic value of water to be around $58tn per year. These insights point to potentially material financial dependencies that are relevant to our investee companies.

In 2024, we began exploring the potential use of ENCORE to assess the impact and dependency of our investee companies on nature and ecosystem services. While ENCORE provides a great starting point to understand our exposure, it has several limitations.

- Nature in its essence is a location-specific risk and dependency, while ENCORE is based on industrial activity rather than a location-specific analysis.
- ENCORE is based on International Standard Industrial Classification of All Economic Activities (ISIC), while several of our investee companies can be categorised into different ISICs.
- ENCORE does not consider the nuances of company activities and operations.

That said, it is still a helpful tool that could be applied in future engagements and research for initial screening to understand where risks and dependencies exist for current or future investments.

We also began preparations for a collaborative engagement with **Microsoft** through the CERES Valuing Water Finance Initiative, as described in Principle 10. Preparations included reviewing the CERES VWFI benchmark and assessing Microsoft's performance against this benchmark. This will allow us to focus on financially material aspects of water where Microsoft is behind industry standards, such as on water quality. Separately, in our own engagement with Microsoft in 2024, we were pleased to hear that their new AI datacentres will not use water for cooling. We asked them to provide more details in their next report about how this technology will work and whether older datacentres can be retrofitted with this technology.

In an engagement meeting with **Tractor Supply** we discussed their water usage, which has ticked up over the years. It was reassuring to hear that Tractor Supply is in active partnership with local authorities in drought-stricken areas to reduce their water consumption. Tractor Supply also works on restoring wetlands around rivers and lakes to replenish water.

Principle 5

Review and assurance

Context

Internal structures and processes

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

Stewardship activities are carried out by our investment team and not a separate department. The Stewardship Working Group is overseen by our Investment Governance Committee.

External review

We have periodic external reviews of our stewardship activities. In 2019, our policies, processes and effectiveness of our stewardship activities were reviewed by Arkadiko Partners. In 2022/2023, we engaged Mercer to conduct a thorough review of our investment process and approach. This included an in-depth review of our stewardship and ESG integration work, as discussed in last year's report.

We believe this approach of regular internal reviews involving senior members of staff, complemented by periodic (but not annual) external input, is appropriate given the size of our organisation and the fact that we have 25-40 equity holdings in portfolios. Our engagement and voting activities are discussed regularly at our investment team meetings and any changes to our policies and processes are highlighted to the team, who also have an opportunity to comment on the changes.

Activity

During 2024, we carried out a comprehensive internal review of our voting and engagement policies, incorporating some of the feedback from the external review in 2023. The most recent versions of our policies are published on our website. Our revised engagement policy provides additional clarity regarding when and how we engage, and the differences between the types of engagements (for information or for change) we undertake. It also provides more detail about areas we engage in and vote on, and what we consider to be best practice. Specifically, we included more information about our expectations for disclosure, policies and any targets relating to climate change considerations, employee welfare and human rights in supply chains. We also give more detail on our views on corporate governance including board composition, auditors and remuneration policies.

We did not have a formal external review during 2024, however we did receive useful input provided by a secondee from a specialist stewardship consultancy who joined our team for three months. This was a mutually beneficial experience. They appreciated seeing stewardship in action and how we integrate material ESG issues and our stewardship work into our investment discussions and decision making. We benefited from a helpful review of our philosophy and processes, discussions on best practice in stewardship for fixed income and its relevance to our investment approach, and a presentation on what asset owners are really looking for from asset managers.

Communication and reporting

To ensure our stewardship reporting is fair, balanced and understandable, all stewardship communication is shared with the investment and compliance teams prior to publication or distribution to clients. Team members can highlight any areas of reporting they believe to be unclear or that could misrepresent our activities. During 2024, we reviewed all our presentation materials and communications with specific regard to the anti-greenwashing rule. We also seek feedback on our reporting from longstanding clients and others in the investment industry to ensure that our reporting is understandable and also relevant.

Following our successful client roundtables for the preceding two years, we held a further client roundtable and our first roundtable for investment consultants during 2024. Further details are included under Principle 6.

Outcome

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

We continue to embed reporting on our stewardship work throughout our investment communications. Updates on outcomes of our ESG integration and our stewardship work are included in our quarterly client investment reports and discussed in face-to-face meetings with clients. During 2024, we added to the third-party sustainability metrics in our client presentation packs by including information on each pillar of sustainability risk (governance, social and environmental).

We continue to provide all clients with a standalone annual stewardship report that includes a summary of all votes which were not in line with management recommendations. It also includes details of various engagements and splits all our engagements for change by milestone and by the main issues we engage on. We believe this enables our clients to better understand how we are using our influence as shareholders to have a positive impact on investee companies and track progress on our engagement work.

Clients who would like further information about our stewardship activities can opt to receive our full Stewardship Code response and more detailed quarterly voting data. Clients also receive our climate report and can request individual portfolio climate reports. We believe this provides a good balance between informative overviews and access to more detailed or portfolio-specific information. For more information about how we communicate our stewardship activities to clients, see Principle 6.

Principle 6

Client and beneficiary needs

Context

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

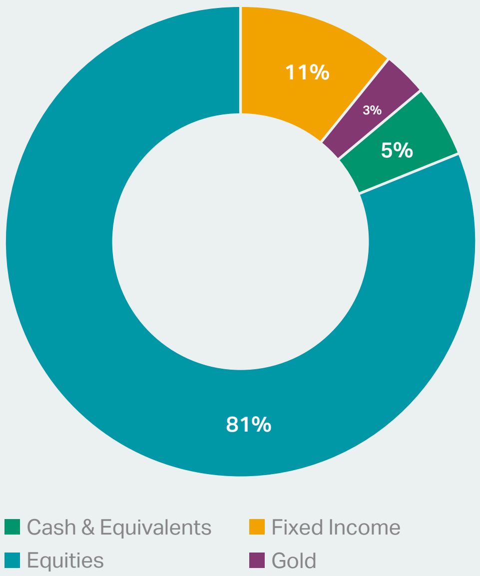
Our stewardship activities and ESG integration, as set out in Principle 7, are therefore applied across all portfolios managed for our clients. We do not run separate ESG or stewardship-focused investment strategies. As long-term shareholders in a focused list of companies, we believe we have a responsibility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

At 31 December 2024, our assets under management stood at £7.95 billion across approximately 530 client relationships. Most of our clients are individuals and families, but we also manage portfolios on behalf of charities and other institutions. Most of our clients are based in the UK, followed by the Channel Islands and Isle of Man. We have a 26-strong investment team, 18 of whom are each responsible for an average of 30 client relationships. This means we can interact personally and regularly with our clients, enabling us to fully understand their requirements and discuss their portfolios' progress, including stewardship of their assets.

Our clients share a common objective – to protect and grow their assets ahead of inflation – but their risk tolerances vary. We discuss our clients' detailed requirements before we sign an investment management agreement with them and continue to monitor the suitability of the investment strategy provided for the duration of our relationship. These discussions form a critical part of the asset allocation decisions taken on their behalf, informing the asset classes we hold, as detailed below. Additionally, some clients have ethical investment policies or tax requirements to be taken into consideration.

We invest predominantly in listed equities, fixed income, gold and cash. An overall breakdown of assets held as at 31 December 2024 is shown below and more detailed breakdowns of our listed equity and fixed income assets are also included. Our approach to stewardship for these asset classes is set out in Principle 7.

Chart 2. Breakdown of assets under management by asset class as at 31 December 2024



Listed equities

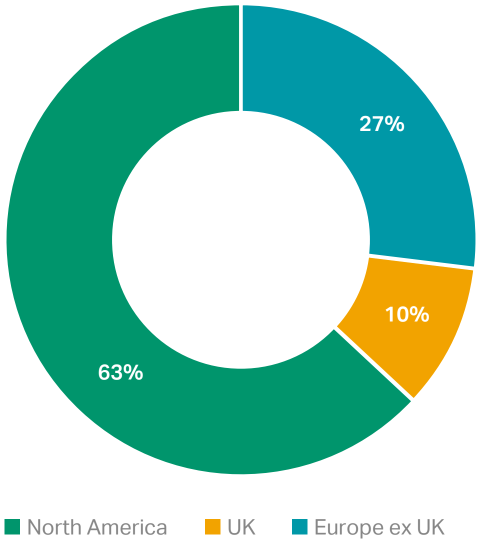
We believe that well-chosen equities that benefit from structural tailwinds will, if bought at a reasonable valuation, be the main driver for achieving our clients' objectives of long-term real returns. Our investment philosophy and strategy are centred on bottom-up stock selection, driven and supported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

Within equities, we consider the long-term structural shifts taking place around the world. For example, we spend more of our lives online. In fact, the average adult spends more time online than sleeping! At the same time, demographics are changing. Some predictions estimate that by 2050, over 20% of the global population will be over 65. We seek to identify companies which are likely to benefit from these structural shifts and, if bought at a reasonable valuation, will be the main drivers for delivering returns ahead of inflation over the long term.

We generally hold between 25-40 equity positions in client portfolios, which bear no relation to any index, but reflect the fruits of our research. However, we do seek prudent geographic and industry diversification. We believe that owning a focused list of companies that we know well is lower risk than managing a widely diversified portfolio where not every stock is held with conviction.

A geographic breakdown of our listed equity holdings is shown below. Our holdings are listed on recognised exchanges in developed markets.

Chart 3. Breakdown of listed equities (by market value) by geographic listing region as at 31 December 2024*



Fixed income

As set out above, our fixed income holdings account for approximately 11% of our total assets under management. Our fixed income strategy focuses on delivering cash-plus returns, risk control, a source of some income, hedges against inflation/deflation and transparent diversification.

We currently favour investment grade sovereign or corporate bonds, and prefer short and medium-dated maturities in order to reduce duration risk. A more detailed breakdown of our holdings as at 31 December 2024 is included below.

Fixed income holdings breakdown (by market value)

Chart 4. By issuer type

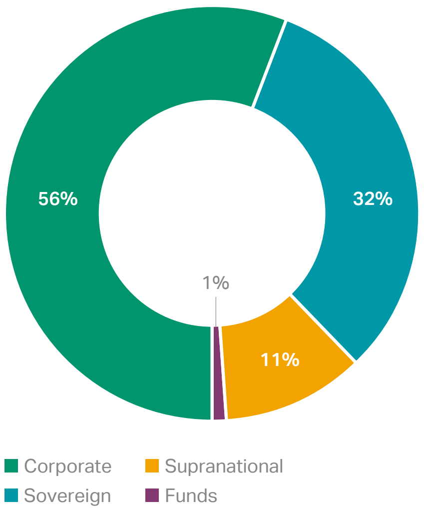


Chart 5. By maturity date

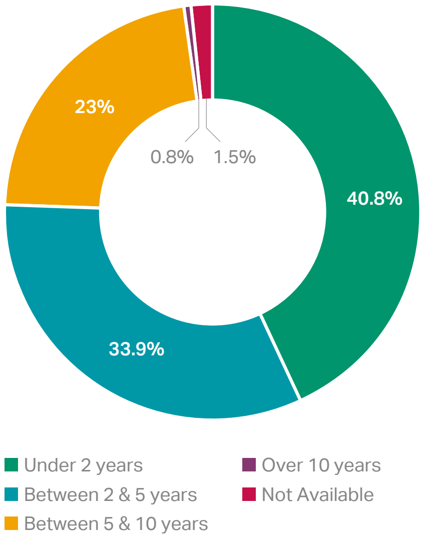
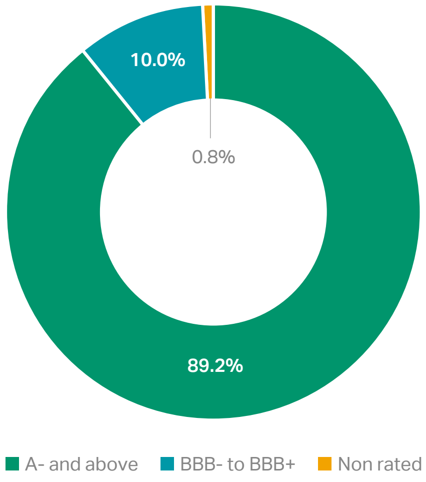


Chart 6. By credit rating



Nearly 75% of our fixed income holdings have a maturity of less than five years and under 1% have a maturity of over 10 years.

The credit rating of our fixed income portfolio also remains very high, with nearly 90% of holdings rated at A- or above. We have minimal exposure to sub investment grade bonds or non-rated bonds.

Bonds are predominantly held in the base currency of a client's portfolio. These are GBP, USD, EUR and CHF. We do not hold emerging market debt.

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

Funds

Third-party funds are not part of our core offering. We only utilise funds for specialist investment exposure, such as to **gold** (see Principle 7).

Cash

We consider cash as a risk diversifier that serves to dampen the overall volatility of the portfolio. It is generally held in the base currency of a client's portfolio. These currencies are GBP, USD, EUR and CHF. We have no emerging market exposure in our cash holdings. We do not hedge currencies.

We do not invest in other asset classes.

Activity and outcome

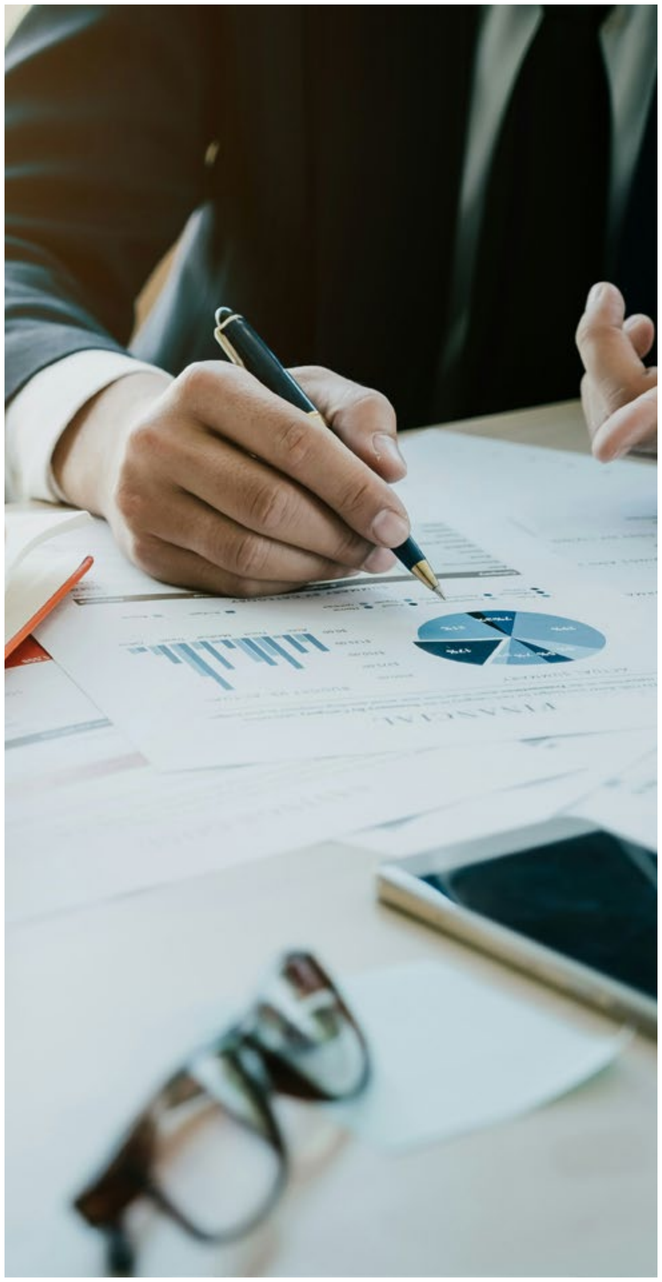
The needs of our clients and beneficiaries are central to all our investment decisions. Our clients' objectives are to protect and grow the value of their assets ahead of inflation over a five-year or longer timeframe. As their discretionary investment manager, we are therefore required to assess all risks and opportunities relating to potential investments and select investments that will enable our clients to achieve their aims. This includes detailed analysis of each company's financials and strategy as well as the quality of their management, competitive positioning, governance, resilience and relevant social and environmental issues. All of this is factored into our investment view and valuation work.

In 2024 and – more importantly – over a five-year period, we are pleased to have delivered portfolio returns ahead of our clients' inflation-plus targets.

Our investment managers have a direct relationship with clients, so we can tailor our service and communication to ensure we meet our clients' evolving needs. We discuss our clients' requirements before we sign investment management agreements with them, and the suitability of our investment approach and strategy is monitored continuously throughout the relationship.

We place great importance on delivering excellent client service. Each discretionary client is assigned a dedicated lead portfolio manager who is supported by a named investment manager's assistant. The investment team are directly accountable to clients and spend time ensuring that they understand each client's investment objectives, risk profile, tax considerations and income requirements. We encourage our clients to meet with us at least annually to discuss their portfolios and requirements.

It is also important that we understand our clients' ethical investment policies, where relevant. Approximately 45% of our charity clients and a number of our private clients apply ethical restrictions to their portfolios. Where ethical restrictions are applied, our investment managers ensure they understand the reasons for the restrictions and encourage clients to focus on materiality. We aim to ensure that beneficiaries' wishes are reflected without compromising investment objectives. Given our investment approach, which focuses on 25-40 high-quality companies with predictable growth to match our clients' inflation-plus objectives, the most common ethical restrictions, such as tobacco or fossil fuel companies, are simply not part of our investment universe.



To ensure that our clients' ethical restrictions are being reflected in their portfolios, we use controversial activities screening from Sustainalytics as outlined in Principle 8. Client restrictions are also coded into our dealing system as an additional safeguard.

Stewardship roundtables

Following on from successful roundtables with our clients in 2022 and 2023, we held another client roundtable in 2024 to discuss our stewardship work and principles in more detail. As highlighted previously, working in partnership with our clients to achieve their long-term goals has always been central to our investment philosophy and process. Gathering clients' thoughts on our stewardship work has strengthened this partnership and given us invaluable insights.

Roundtables offer our clients an opportunity to discuss stewardship work in a small group setting and hear from other clients who may have different experiences or views. Among other things, we enjoyed discussing executive pay and the gap between UK- and US-based companies, as well as differences in opinion and local or cultural differences around topics such as diversity and inclusion. Many of our clients are or have been board members or senior executives, and can offer insights into how to improve evaluation of boards and the relationships between board directors and executives.

Our clients were also interested to hear more about our own business, particularly in terms of shareholding (we are fully owned by employees and directors) and how we are supporting the growth of our business (as discussed in Principle 1 and Principle 2).

We also held our first stewardship roundtable for investment consultants. This was a valuable exercise, enabling our attendees to gain a fuller understanding of our approach to stewardship and ESG that should be helpful in matching our strategies with appropriate clients. We had an interesting debate about the differences between ESG integration, ethical restrictions and the pursuit of sustainability objectives. It also gave us an opportunity to remind the group about communications we provide for clients, such as the Stewardship Report, Climate Report and related portfolio-specific information, our commitments such as to the UN PRI, NZAM initiative and our responses to regulators and governments (as discussed in Principle 10).

Both roundtables were opportunities to remind clients and investment consultants that our stewardship activities focus on material issues and support companies' resilience, long-term strategic plans and financial performance. They are therefore supportive of our investment process and integral to the pursuit of our clients' long-term real return objectives.

Client reporting

We seek to hold face-to-face meetings with our clients at least once a year, where we have the opportunity to expand on our stewardship activities. The subjects we discuss include company engagements, insights from meetings with company management or board members, and how we have voted on behalf of our clients.

Our client meeting presentation packs include a third-party sustainability risk score and Scope 1 and 2 emissions intensity for each portfolio. Clients also receive our annual Stewardship Report and Climate Report, and can opt to receive our full Stewardship Code response. These documents are publicly available on our website. In addition, clients can request voting data relating to their accounts and an annual portfolio-specific climate report.

We believe this approach of providing firm-wide information to all clients and additional details for individual portfolios on request strikes a good balance, providing informative overviews while also ensuring access to more detailed information. As our clients have direct relationships with our investment team, they can always request further information or an in-depth discussion of our stewardship activities.

Any feedback that our investment managers receive about our stewardship activities and how we communicate them is shared with relevant members of the investment team. Where appropriate, feedback is also shared at our regular investment team meetings so that any changes needed can be addressed by the team. For example, following feedback from last year's reports, we will ensure that portfolio-specific climate reports are easier for clients to interpret.

> "Clients have direct relationships with the investment team."

Principle 7

Stewardship, investment and ESG integration

Context

We have a responsibility to consider any factor that might impact our ability to protect and grow the value of our clients' assets for the future.

Our investment process focuses on identifying companies with durable business models and strong cash flow generation. As our sole aim is to deliver long-term returns ahead of inflation for our clients, we will only invest in companies that our internal research indicates have strong fundamental characteristics, including good corporate governance structures.

In the long term, we believe that well-chosen equities, benefiting from structural changes and bought at a reasonable valuation, will be the main driver for achieving real returns. We look for high-quality companies where positive structural change creates durable demand for their products or services and provides insulation against the economic cycle.

For example, many of our portfolio companies enable electrification and digitalisation, providing key components or infrastructure to support the shift to a digital and data-driven economy. Demographics also provide powerful insights: historically about 50% of global GDP growth has been attributable to population growth. By 2050 there will be a smaller global workforce and many more people over the age of 65. Technology developments such as AI and automation will need to do the heavy lifting if economic output is to increase, or even stay at current levels. Healthcare needs to be more effective in terms of lower costs, patient outcomes that extend working careers and good-quality care for the elderly.

Poor governance and environmental and social risks are business risks. We look for management teams that understand and plan for these risks; given rapidly changing regulation and consumer preferences, we believe companies need to maintain their social licence to operate.

As an active long-term shareholder, we aim to build trusting relationships with our investee companies. When we engage with companies our aim is to contribute to their long-term success and promote long-term value creation. Stewardship is therefore central to delivering good client outcomes.

Our stewardship principles

We are guided by four principles

1. **Invest in high-quality companies:**
   We will not hold shares in companies where we see material risks to the long-term success of the business.

2. **Culture of partnership with management teams:**
   We value progress in pursuit of long-term improvements.

3. **An aversion to box ticking:**
   We focus on what is important to each business.

4. **A focus on all stakeholders:**
   We recognise that businesses exist within society and therefore have a duty to all stakeholders, not just shareholders.

Our stewardship activities include monitoring and engaging with companies on issues that we consider to be material to their long-term success. These include strategy, financial performance, capital allocation, business practices, social and environmental risk management and opportunities, remuneration and corporate governance. All these factors are key considerations in each new investment and in our ongoing decision to hold shares in a company.

As part of our initial investment research and ongoing monitoring, we consider the extent to which companies:

1. Pursue strategic objectives that build long-term, successful business models and prioritise the achievement of these strategic objectives over short-term performance.
2. Manage risk effectively, as seen from the perspectives of multiple stakeholders.
3. Implement an appropriate capital structure and sound capital allocation.
4. Promote good corporate governance, including strong corporate cultures and appropriate remuneration and incentives.
5. Implement high-quality business practises, referencing global standards such as the UN's guiding principles and OECD guidelines.
6. Communicate transparently and produce high-quality disclosures and reporting.

Our stewardship activities are an integral part of our approach to responsible investment. When we buy shares in companies, we become business owners. How we behave as shareholders is closely aligned with the long-term nature of our clients' objectives. Our engagements are undertaken in a spirit of partnership, whereby we work with companies to promote long-term value creation and resilience. Our voting and engagement activities work hand-in-hand to promote good stewardship of our clients' assets.

All research is done by our in-house investment team, not a separate ESG department. As set out under Principle 2, we use a range of sources to obtain information, with a preference for information directly from companies themselves. We supplement this with information provided by a range of third-party providers that we typically use to see where more investigation may be needed. Our focused investment style (whereby we hold 25-40 equity holdings in client portfolios) allows us to know our investments inside out, focusing us on what is material, and enabling us to punch above our weight in terms of influence.

Investment process

Stewardship and integration of material ESG issues feature at each stage of our investment process. When we first consider a new equity investment opportunity, our internal Quality of Business checklist includes:

- Industry dynamics.
- Understanding the competitiveness and resilience of the company's business model.
- Quality of management, including capital allocation decisions, management incentives and governance structures.
- Management's track record in setting and progressing relevant targets, including material environmental and social issues.
- Historical financial performance and cash generation over an economic cycle.

> Just as we would not invest in a company that fails to meet our financial criteria, we avoid companies facing environmental or social risks that are not being addressed effectively by their management.

If a company passes the investment team's initial assessment, we continue with our full initiation process. This includes more robust research, input from sector specialists and, where possible, meeting company management. As well as rigorous financial and strategic analysis, we carry out detailed work on a company's approach to managing ESG risks. Where necessary, we engage with the company to gain a better understanding of their approach to ESG risks and, if needed, encourage greater disclosure.

Once an investment has been made, we monitor investee companies and engage with them at least annually. Furthermore, we always respond when companies write to us or request a meeting.

If our monitoring or engagement work indicate that the investment case for a company has changed, or if we make insufficient progress on an engagement, we will reassess our options and may choose to sell our holding. Where we sell our position in a company, including following unsuccessful engagement activity, we write to company management to explain our reasons for exiting.

Activity and outcome – listed equities

All research is carried out by our in-house investment team, and any material factors that could detract from an investment's potential to create value for our clients will be considered. Our collegiate approach to decision-making is based on a shared understanding of characteristics that constitute an attractive investment. Investment decisions, including decisions around stewardship and engagement, are taken by the investment team reaching a consensus and not by separate investment committees. Individual analysts are supported by members of the Stewardship Working Group to ensure consistency of approach and provide specialist knowledge of ESG factors, where appropriate.

We aim to engage with the management of all our investee companies at least annually. We may also engage with companies we are researching or monitoring for potential inclusion in portfolios. In 2024, we had 154 company meetings, of which 86 were 1:1 meetings.

As well as meetings with executive management, which typically focus on long-term strategy, we also benefit from more targeted meetings. In 2024, 40% of our 1:1 company meetings focused on governance, social and environmental issues. This ensures our discussions are with the most relevant people, including board members or executives in specific departments, for issues such as board composition and independence, emissions and other environmental issues, supply chain management and employee wellbeing.

Overall, our conversations with companies over 2024 were positive and reassured us that management teams understand the risks they are facing and are taking action to address them.

Examples of the main ESG issues we consider are listed below.

- **Long-term strategy and corporate culture**

  We seek companies with cultures that encourage management to plan for the long term rather than focus on short-term results. We look at a range of factors, including: how the purpose of the company is defined and communicated throughout the business; board structure and director tenure; board diversity and range of expertise; committee structure; management compensation structures; talent management programmes; management's history of setting and meeting targets; capital allocation discipline; and auditor tenure. We also consider the quality and nature of the dialogue we have with management and the board.

- **Environmental sustainability**

  We want to invest in companies whose management teams understand the environmental opportunities and risks that are material to their businesses. These may include greenhouse gas emissions or waste, water usage and other scarce resource usage. We encourage companies to focus on potential financial benefits, such as lower costs and avoiding financial penalties that may arise from regulation, such as carbon taxes, or customer preferences for lower-carbon products. Some companies benefit from enabling their customers to be more energy or resource efficient. Financial loss from failing to adequately prepare for the physical risks of climate change is also becoming a reality.

- **Talent management and workforce welfare**

  We believe that boards and management teams should understand the benefits of attracting, retaining and developing diverse talent, and have policies and procedures in place to enable this. We like to see that senior management and/or board directors have ultimate responsibility for employee engagement, talent development, fair pay, diversity and inclusion, and have policies in place to ensure the health, safety and welfare of all employees.

- **Supply chains – environmental risks**

  For many of our investee companies, the biggest environmental and social risks they face are in their supply chains. We encourage our companies to gather data from suppliers for GHG emissions and other relevant environmental issues such as deforestation, water resources, waste or hazardous chemical use. We also expect companies to be prepared to comply with increasing regulation regarding their supply chains.

- **Supply chains – social risks**

  We expect companies to be vigilant for human rights issues in their supply chains. We acknowledge that many companies have to take a risk-based approach and expect companies to have robust monitoring procedures and formal processes for dealing with any issues identified. Ensuring correct remediation is of critical importance to us. We encourage companies to work with suppliers to resolve issues rather than immediately ending contracts with them. If a supplier is not able to meet a company's requirements, we ask the company to exit responsibly. Ensuring correct remediation is of critical importance to us: simply stopping using a supplier can severely affect the local community in terms of lost jobs and well-being. Furthermore, divesture from a supplier does not ensure that the supplier will improve their working conditions.

We generally apply the same standards to all companies, regardless of where they are located or listed. While the regulatory backdrop for ESG varies around the world, our investee companies' operations, supply chains and customer bases tend to be global and similar companies face similar material risks, irrespective of location of headquarters. However, we have no direct exposure to emerging markets and China, where we have been unable to get comfortable with their governance structures.

As part of our ongoing analysis of a potential investment opportunity in Japan, we had a call with a Japanese corporate governance expert. The call enabled us to understand several different aspects of Japanese best practice, including important divergences from US, UK, and EU best practices, as well as local culture and norms regarding communication with boards and management.

During 2024 the US became more politically divided on ESG, specifically environmental and social issues. With the incoming Trump administration and Republicans controlling the House of Representatives and the Senate, further debate about the role of ESG and whether it conflicts with fiduciary duty is likely to increase rather than dissipate. We continue to encourage companies to consider environmental and social factors that are *material* to their businesses. More than ever, they will need to clearly communicate the reasons for these decisions and how they support the long-term success of the company.

Although it appears that the US will not be furthering climate regulations or required disclosures, many European, Asian and even some individual US states do require disclosure. US companies with global revenues will therefore still need to collect, monitor and disclose data on these issues.

Before the election and increasingly afterwards, we have seen various companies step back from their diversity, equity and inclusion (DEI) programmes. This included **Tractor Supply**, which was targeted by an activist over DEI issues. While we firmly believe in equal opportunities, equal pay for equal work and the right for all to work with dignity in a respectful environment, we do not ask companies to set DEI targets. We prefer to see policies and programmes that improve equity and inclusion, such as training, mentorship and upskilling opportunities, and encourage disclosure of adjusted pay gaps signifying equal pay for equal work. We also encourage disclosure of informed unadjusted gender/racial pay gaps and gender/racial representation across levels of seniority over time. This allows stakeholders to judge opportunity, equality and inclusion progression rather than assuming there is a 'magic percentage' of diversity statistics, regardless of a company's industry, history or location.

Case study

Company
Tractor Supply

Asset class	Sector	Geography
Listed equities	Consumer discretionary	USA

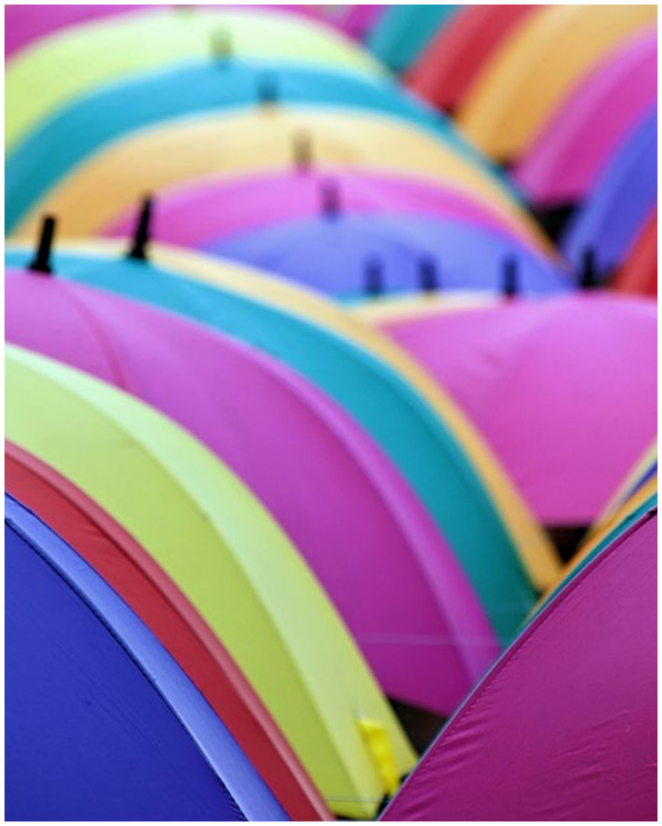
Engagement for information

After Tractor Supply was targeted by an activist over their DEI policies, we met with the CEO to discuss the reasons why they decided to drop their DEI targets and their process for doing so. Although much of the meeting was confidential, it provided useful information about the challenges of operating amid polarised views on these issues. It was also an opportunity to understand the company's approach to resolving the issue. This included taking into consideration the views of its rural and largely conservative customer base, acknowledging some over-reach of policy and recognising that many of the benefits of specific policies to foster inclusion have been incorporated into standard company policy. It was also reassuring to hear that they had listened to employee perspectives collected via an employee survey.

We have been actively engaging with our companies to understand how they are responding to the changing environment in the US to ensure that material risks continue to be managed appropriately. Clear communication with stakeholders about why certain issues are value creative for a company in the long-term is essential in this environment. We continue to promote a focus on materiality for each individual business model and not box-ticking exercises.

In the light of continued extreme weather events and increasing global temperatures, we are having more discussions with companies about the resilience of their businesses and supply chains. Examples of climate preparedness in some of our healthcare companies' supply chains are given in Principle 9. We also discussed resilience and disaster planning with **Tractor Supply** as nearly 80% of its merchandise comes from just nine distribution centres, making it potentially vulnerable to disruption.

Case study		
Company Tractor Supply		
Asset class Listed equities	**Sector** Consumer discretionary	**Geography** USA
Given the likelihood that extreme weather events will become more frequent due to climate change, we discussed business continuity with Tractor Supply. Their ability to operate successfully through the pandemic showed that their plans and processes allow them to adapt quickly, but they have also put their business continuity plans to the test during several tornadoes. As part of its customer-centric approach, the company aims to be the last store to close during emergencies and first to reopen. Tractor Supply's logistics teams monitor the weather and global events for anything that might disrupt their supply chains. They also have processes to check on team members when extreme weather events hit and can offer practical and financial assistance if necessary. As they have grown, they have increased their number of distribution centres, so deliveries can be managed from different centres when necessary. They also have 16 smaller mixing centres that can cover distribution. The company also commented that, in addition to financial benefits, investing in renewables has helped them to cope with grid failures.		



Human rights abuses in supply chains are also a risk for companies and one which is difficult to fully exclude in complex, global supply chains.

Risk analysis, consistent monitoring and appropriate timely action when inconsistencies are found are essential to ensure that companies' reputations are not threatened by issues such as child labour.

Stewardship case study		
Company DSM-Firmenich		
Asset class Listed equities	**Sector** Materials	**Geography** Europe

In May 2024, an investigative media report found evidence of child labour being used in the jasmine supply chain in Egypt. We immediately contacted DSM-Firmenich, a supplier of ingredients to the beauty industry. We were pleased to receive detailed information from them about their human rights due diligence in Egypt.

The company explained that they had conducted a thorough social assessment of their jasmine supply chain in Egypt in 2022. The results showed certain non-conformities to their policy by their supplier at that time. This was immediately addressed by proposing remediation activities and targeted efforts. However, they decided to change supplier during 2023 as they were still not satisfied with the response. They have transitioned to a new supplier that is committed to abide by their supplier code and are continuing to engage with this new supplier on human rights issues. DSM-Firmenich also joined a coalition including the ILO, the government of Egypt, purchasers and producers of jasmine and local civic organisations. Their goal is to improve labour rights and working conditions in the jasmine supply chain, including strengthening child protection measures and improving access to education.

As in previous years, in 2024 we paused work into a potential investment opportunity partially based on governance concerns. While the technology hardware company in question had an excellent growth track record and innovative products, we were concerned about their ability to manage their growth successfully going forward. This was due to a lack of management systems and governance structures, as well as the ability of the board to effectively challenge executive management.

Further examples of our engagement work in 2024 are included under Principle 9.

Internal data

As our data on ESG issues comes from multiple sources, we continue to build our internal ESG database to track numerous data points for investee companies and companies we are monitoring for potential inclusion in portfolios. The data points we monitor vary by company to ensure that the most material ESG risks for each company are captured. They include:

- Ratings from ESG data providers.
- Carbon emissions and carbon intensity.
- Whether the company has a net-zero target and if so, whether this has been approved by the Science-Based Targets initiative (SBTi).
- CDP and Nature Benchmark scores.
- Renewable energy usage and targets.
- Whether the company is a signatory to the UN Global Compact or conforms to the UN Guiding Principles.
- Gender diversity at different levels of seniority (where disclosed) and any information on pay gap reporting.
- Key governance information, such as auditor tenure, appropriate executive compensation and any issues with ownership and share class structures.
- Whether human rights policies conform with ILO labour standards.

During 2024, we added:

- Voluntary attrition data.
- Whether the company applies third-party cyber security risk management.

We have also upgraded our engagement tracker to allow for better filtering of information by topic, milestone and company. This enhances our monitoring and reporting, as shown in Principle 9.

> "The data points we monitor vary by company to ensure the most material ESG risks are captured."

Activity and outcome – fixed income

As set out under Principle 6, fixed income assets make up around 11% of our assets under management. 56% of our fixed income holdings are corporate debt (i.e. 6% of total AUM) and 43% of our fixed income holdings (5% of total AUM) are sovereign or supranational debt.

The purpose of our fixed income holdings is to deliver cash-plus returns, risk control, a source of income, hedges against inflation and deflation, and transparent diversification. Fixed income and cash are predominantly held in the base currency of each individual portfolio. Approximately 90% of our fixed income holdings are A- rated or above and nearly 75% of our holdings have a maturity of less than 5 years.

Given the purposefully low risk profile in our fixed income holdings and % of our total AUM, we have prioritised our stewardship work on our listed equities. Listed equities comprise the majority of our assets under management and are where we have the greatest exposure to long-term risk. However, we also assess our risk exposure in our bond holdings.

Sovereign and supranational debt

Our sovereign debt holdings are issued by developed market sovereigns (UK, European and US) and our supranational debt issues such as International Bank for Reconstruction & Development are backed by developed market governments. These all have high credit ratings and tend to score well in screenings from the ESG data providers we use.

Corporate debt

Our ability to engage with fixed income issuers directly is limited, as we do not have the right to vote and the best opportunity to engage is normally when a new bond is issued. As a result of our relatively short time horizon for fixed income investments, we typically do not invest in new issues. However, for over 25% of our corporate fixed income holdings by assets under management, we also hold (or are actively monitoring for inclusion) the equity of the issuer. This includes **Accenture**, **Amazon**, **Avery Dennison**, **Amphenol**, **ADP**, **Bunzl**, **Experian**, **Fiserv**, **Intuit**, **Kerry Group**, **LSEG**, **Marsh & McLennan**, **Mastercard**, **Next**, **Thermo Fisher Scientific**, and **UnitedHealth Group**. For these companies, we apply our detailed research and engagement work to both asset classes.

For companies where we hold debt but not equity assets, we monitor third-party ESG metrics alongside financial measures to ensure we are comfortable with the full range of potential risks over the timescale of our bond holdings. If this indicates that the company has high exposure to ESG risks that are not being properly managed, we discuss the appropriate action to take at our investment team meeting. During 2024, we sold our holdings of **Intel** bonds due to concerns over the company's strategic direction and governance, which we believed could lead to the company's debt being downgraded.

As discussed in last year's report, when selecting bonds, assuming the expected financial returns and credit ratings are equal, we would prioritise bonds with better carbon intensity and ESG credentials. Basic third-party ESG data (such as overall risk score and carbon metrics) is therefore available in standard bond information sheets for portfolio managers to consider alongside financial data.

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

We do not hold emerging market debt.

Activity and outcome – gold

As set out under Principle 6, we have exposure to gold primarily through the **WisdomTree Core Physical Gold ETC**. Our due diligence for gold instruments is similar to that for individual equities. We gather sufficient information on which to base a sound investment decision, meet with the managers of the fund and carry out ongoing due diligence to ensure our investment view remains valid, current and appropriate.

The underlying securities in the WisdomTree Core Physical Gold ETC are backed by physically allocated, segregated and individually identified gold bullion held by HSBC and secured by an independent trustee. The security is listed and tradable on the London Stock Exchange, and issue and redemption rights ensure that the security closely reflects the value of the underlying gold. Additionally, this gold ETC has a commitment to target post-2019 responsibly sourced gold and promote high ethical standards in the gold market.

Principle 8

Monitoring managers and service providers

Context

We use a variety of data sources in our investment research process to help with our assessment of a company's approach to ESG factors and in our stewardship work. We do not invest in third-party funds other than for specific exposures, such as to gold, as described in Principle 6. This section therefore focuses on service providers rather than third-party investment managers.

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

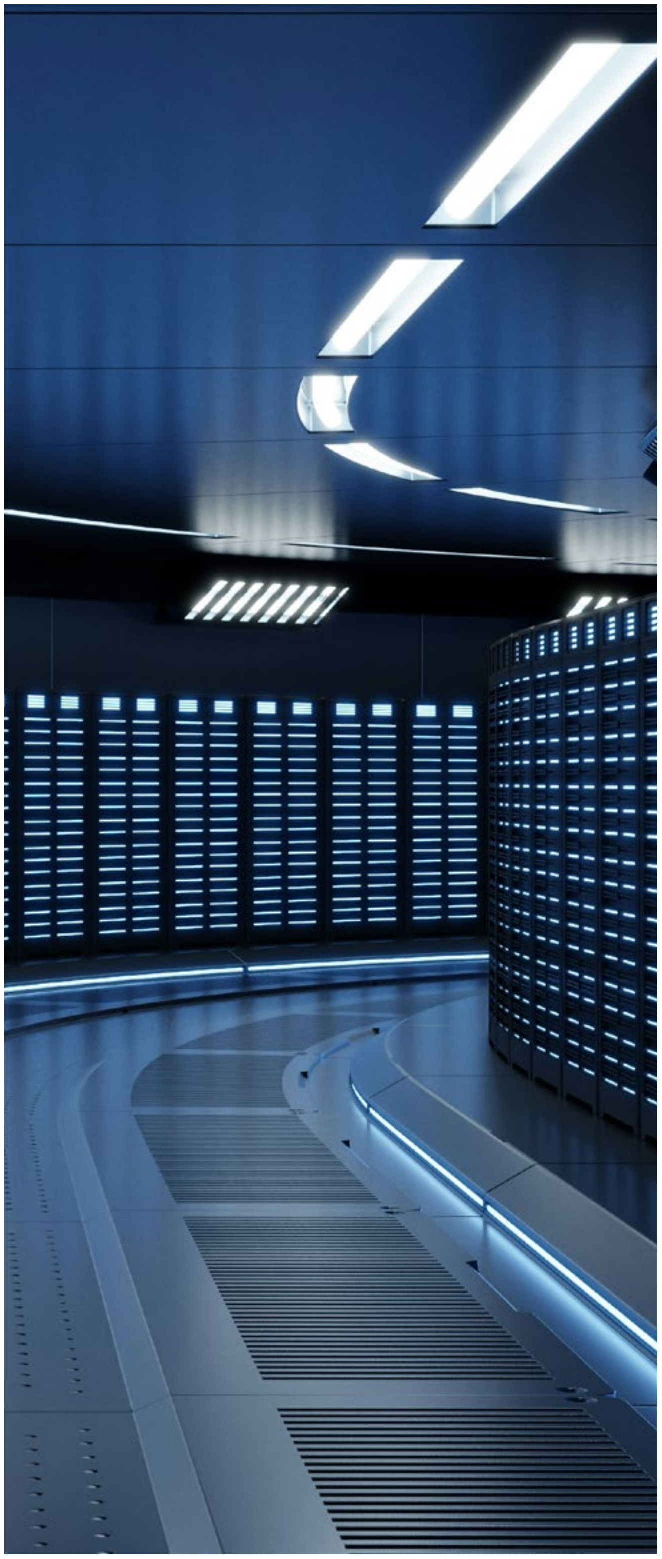
We supplement this research with information provided by third parties, including ESG data providers, sell-side analysts, industry specialists and proxy advisers. The information obtained from these providers is used alongside our analysts' own research and information available directly from our investee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

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

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

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

- **Sustainalytics**: Company ESG risk research, climate data including emissions and transition climate value at risk, and screening for involvement in controversial activities.
- **Morningstar**: Portfolio ESG risk scores powered by Sustainalytics data, aggregated on the Morningstar platform.
- **CDP**: information on a company's approach to managing environmental risks.
- **ISS**: proxy voting administration and analysis.
- **Investment brokers**: ESG information about individual companies, research and access to expert speakers on regulations or thematic research into areas that may feed into our stewardship work.
- **UBS HOLT**: information on company governance structures, compensation and financial resilience.



Monitoring data providers

Our stewardship activities are constantly evolving as best practice develops. For this reason, our data requirements in relation to ESG research and stewardship are continuously reviewed by our Stewardship Working Group. The group discuss the quality and accuracy of the information received from third parties, the timeliness of the information and the relevance it has for our investment process. Should any issues with our current providers be identified, such as inaccurate information, we contact the provider directly to raise our concerns and to find a solution.

Our Third-Party Research Working Group assessments of the quality and value of our brokers includes their ESG-related work and UBS HOLT.

Where necessary, issues relating to data providers are escalated to the Investment Governance Committee. If issues are not addressed in a timely manner, we may seek an alternative data provider.

Monitoring voting activity

For clients with UK and Guernsey-based custody, voting choices are submitted via our custodian (SEI Investments Ltd). After each vote has been submitted, we obtain confirmation from the custodian that the vote has been processed correctly.

If any issues are identified, we work with the custodian to understand the reasons for them and to ensure that a solution is found for future votes, escalating the issue to senior staff at the custodian, if necessary.

For clients with custody at Pictet and Cie, and also for our fund holdings, voting choices are submitted through the ISS online voting platform. After each vote has been submitted, we obtain a vote confirmation report to ensure that the votes have been approved. If any issues are identified, we contact our relationship manager at ISS to resolve the issue as soon as possible. We also use voting analytics provided by ISS to track our voting activity.

There were no issues identified with voting in 2024.

Activity and outcome

Monitoring data providers case study

Timeliness of greenhouse gas datasets

In 2024, we engaged with Morningstar Sustainalytics regarding the timeliness of their greenhouse gas emissions data and accuracy of some company data. We queried why some of their company data was estimated, despite finalised data having been published by the companies concerned several months before. Working with Sustainalytics we were able to ensure the correct data was in their datafeeds and available for use in our climate reporting. We acknowledge that as companies expand their reporting scope, data analysts do need to check reported data. However, we have had assurances from Morningstar that the 2024 reporting cycle will be more efficient. We will continue to monitor timeliness and accuracy of the data they provide.

Monitoring data providers case study

Engaging on watchlist status

One of our investee companies, **Thermo Fisher Scientific**, is currently on Sustainalytics' watchlist regarding United Nations Global Compact Principle 2, which states that "Businesses should make sure that they are not complicit in human rights abuses in the Global Standards Screening".

Sustainalytics states that: "Thermo Fisher provides biomedical and bioinformatics technology to the Chinese government authorities in Xinjiang and Tibet, which allegedly uses it to conduct compulsory mass DNA collection, expanding its capacity for biometric surveillance and other potential human rights abuses."

We have received confirmation from Thermo Fisher Scientific that they have ceased sales of human identification products to the Tibet Autonomous Region:

> *"Our human identification (HID) technology is used for important forensic applications, from tracking down criminals, to stopping human trafficking and freeing the unjustly accused. While our sales of this technology in the Tibet Autonomous Region are consistent with routine forensic investigation in an area of this size, based on a number of factors we made the decision in mid-2023 to cease sales of HID products in the region and no longer sell our human identification technology in the Tibet Autonomous Region."*

Sustainalytics acknowledges that Thermo Fisher Scientific ceased sales of DNA identification kits in Tibet as of December 2023. However, it still has concerns regarding the monitoring of compliance with the sales ban among third-party distributors, given that Thermo Fisher continues to sell HID products in other regions of China and these could be re-directed to Tibet or Xinjiang. We believe the company is acting responsibly by ceasing sales in Tibet and monitoring whether usage levels appear normal or indicative of compulsory mass DNA collection. We continue to monitor this situation.

Principle 9
Engagement

Context

Engagement activities are an integral part of our investment process and are carried out by our investment team. Throughout our engagement work, we follow our four stewardship principles as explained in Principle 7.

Our investment approach and in-depth research make it unlikely that we would become shareholders in companies facing significant, material risks that are not being adequately addressed by their management. Furthermore, our focused investment style (we hold shares in 25-40 high-quality companies) allows us to know our investments inside out, focusing us on what is material for each company.

Our engagement with companies starts before we become shareholders and continues throughout our investment process. Having a 26-strong investment team and portfolios of 25-40 stocks gives us the capacity to engage with all of our investee companies, whether to address a potential material risk or to learn more about a particular issue. We therefore do not need to prioritise certain companies or engagement topics. Instead, we can focus our efforts on what we believe is material for each individual company.

Through our stewardship activities we aim to gather information, identify opportunities and build trusting relationships. We see stewardship as central to delivering good client outcomes: our objective in engaging with companies is to contribute to their long-term success and promote sustainable value creation.

We apply the same stewardship principles and practices to listed equities across all geographies. However, we acknowledge there are sometimes differences of opinion about best practice across borders (and particularly oceans). This is particularly relevant in terms of governance issues such as independence of directors and differences between UK/European and American standards of good audit tenure.

Form of engagement

We seek to engage with all our investee companies at least annually. Our engagements are undertaken in a spirit of partnership, whereby we work with companies to promote long-term value creation. We therefore aim to engage directly with company executives, specialised senior management and board members. Our engagements take the form of meetings, both in person and virtual, and through written correspondence. We primarily write letters when we initiate a position, after a company's AGM, and when we exit a position. We commit to responding to companies when they write to us about an issue or request a meeting.

Introductory letter

When we initiate a position in a new company, we introduce ourselves in writing to the chair of the board and CEO (and, in companies where this role is combined, to the lead independent director) to outline our investment strategy and approach to stewardship. This letter sets out what we expect of companies and what they should expect from us. We will also raise any initial queries on the governance of the company and/or any environmental or social issues that we would like to discuss in more detail.

Engagement for information

In some cases where we do not have specific concerns, we may still engage for information when we are interested to learn more about a company's thoughts and processes around a particular issue. This is often the case when doing initial research on a company or for ongoing topics such as cybersecurity or human rights in supply chains.

Engagement for change

Where we identify an area that, if addressed by a company, could improve long-term real returns and enhance the strength of a business, we will engage for change. We monitor the progress of our engagements for change by setting clear objectives at the outset and measuring progress against four milestones:

1	Raising the issue with the company.
2	Receiving acknowledgement from the company that our concerns are valid.
3	Receiving confirmation from the company that it is developing a plan to address the issue.
4	Receiving confirmation from the company that the plan is implemented and the objective is delivered.
Closed	No longer hold the company in client portfolios or no longer consider the issue material.

Where a company does not respond constructively or we believe they will not take action to address our concerns, we will reassess our approach and options. Depending on the nature and severity of the issue, we may decide to escalate our engagement activities, which we describe further in Principle 11. However, as set out in our stewardship principles, we value progress in pursuit of long-term positive change, and we recognise that it can take time for companies to implement change.

However, should there be a fundamental change to our investment case for a company, or we identify an issue that puts our clients' capital at risk that is not being effectively addressed, then we would sell the holding rather than initiating a potentially lengthy engagement. We are active investors, but not activist investors.

Engagement around AGMs and proxy voting

We view voting at company meetings as an important part of our engagement work. Further details of how this interacts with our broader engagement work are included under Principle 12.

Where necessary and possible, we engage with companies before voting to discuss any concerns and our voting intentions, understand their perspective and finalise our voting decision. When we do not vote in accordance with management recommendations, we write a letter to the chair of the board and CEO to outline our reasons. This is often an opportunity to request a meeting with company management to discuss our concerns further.

Responding to companies

We always respond when companies write to us or request a meeting. These requests have included discussion of issues ahead of an AGM and invitations to participate in double materiality studies. We view these communications as positive indicators of our constructive relationships with companies.

Further details of our approach to engagement is set out in our engagement policy.

> "We value progress in pursuit of long-term positive change, and we recognise that it can take time for companies to implement change."

Activity and outcome – listed equities

In 2024 we engaged with 97% of our core equity holdings. We held 154 company meetings. 86 of these were 1:1 meetings, of which 35 focused on governance, environmental or social issues, and the others focused primarily on long-term strategy, moats and growth potential. We also sent 28 letters as part of our ongoing engagements to encourage long-term value creation.

For the second year, we are disclosing our milestones and progress in each main topic where we engage for change. Chart 7 shows, by engagement topic, engagements that progressed by at least one milestone, versus those where there was no change. Chart 8 shows a snapshot of our total current engagements for change, split by issue and milestone, as at December 31 2024.

Chart 7. Progress by engagement topic

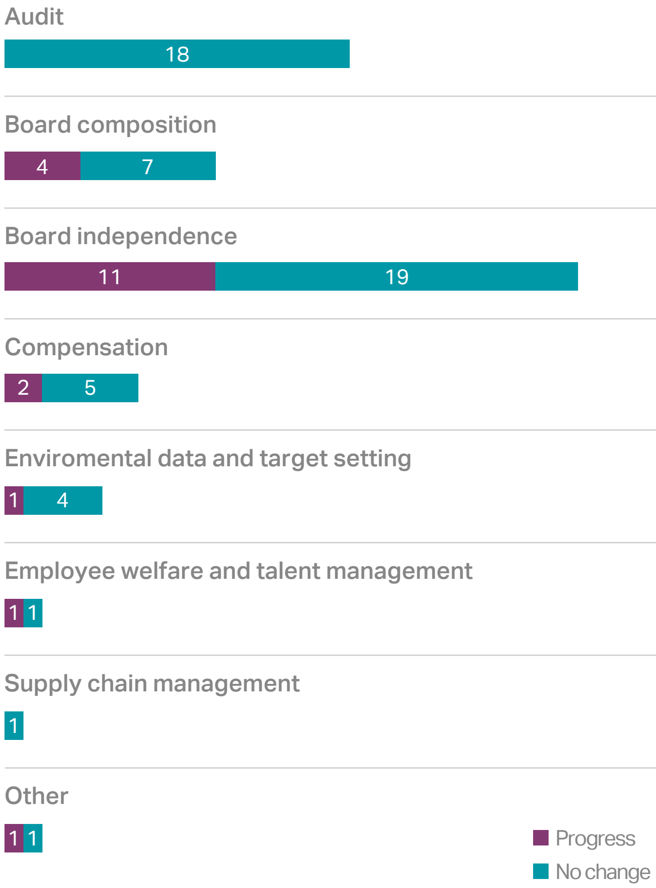


Chart 8 shows that a number of engagements under audit and board independence remain at milestone 1, while much progress has been made under environmental data and target setting. Further details of some of these engagements is given in the case studies throughout this report.

Chart 8. Snapshot of engagements for change by engagement topic and milestone

Snapshot at 31st December 2024

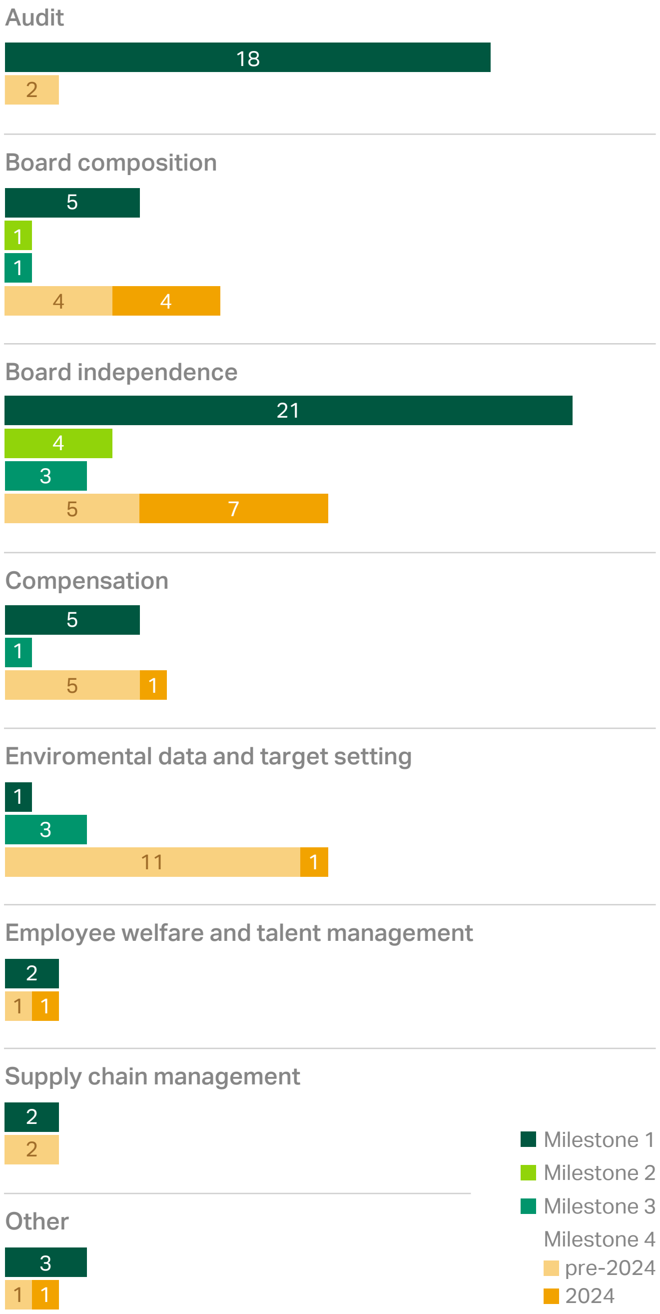
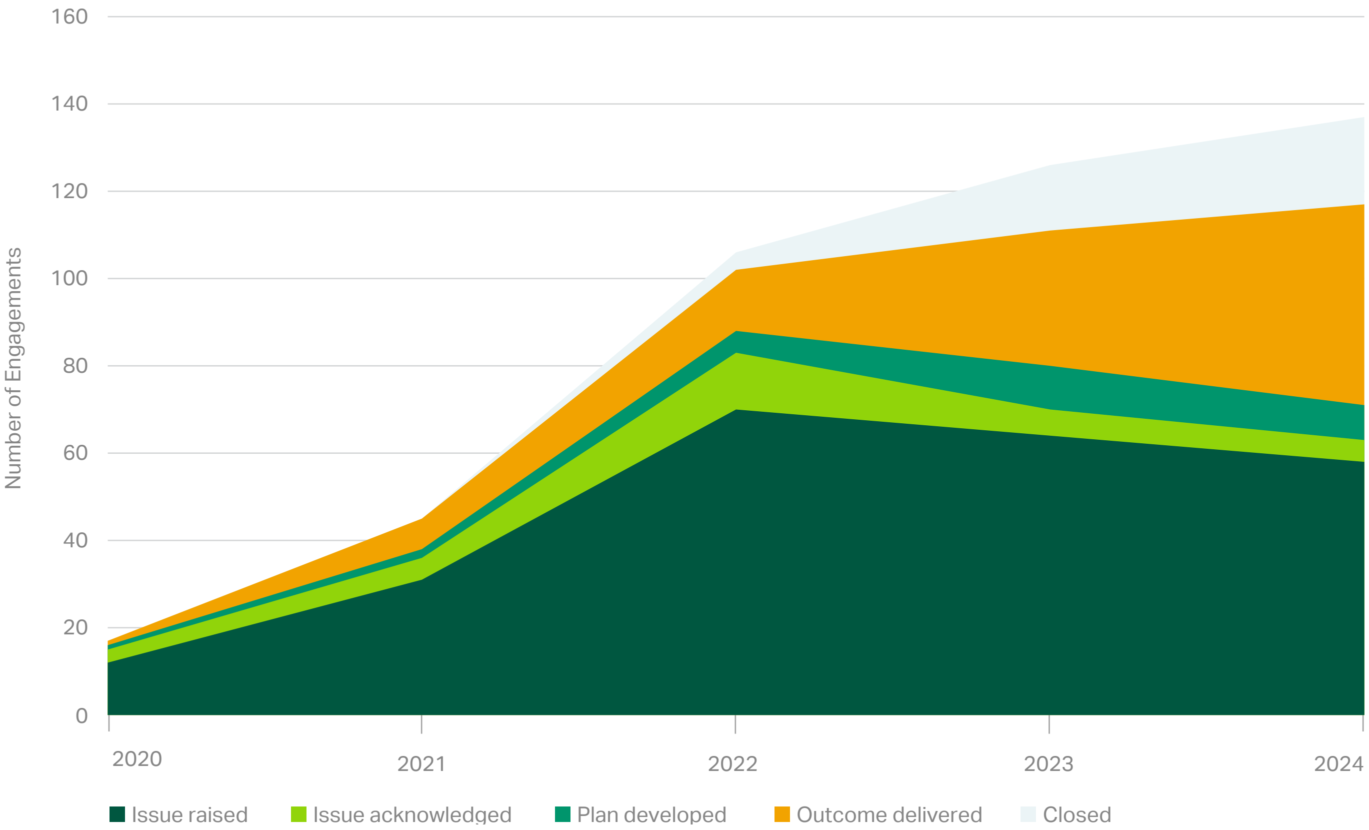
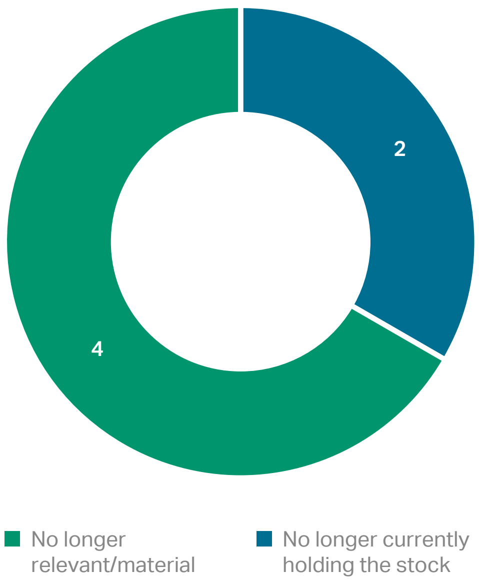


Chart 9. Cumulative engagement progress since 2020



Our cumulative progress to the end of 2024 is shown in chart 9. Our closed positions denote companies we exited during an engagement, or topics we have chosen to no longer engage on because we no longer believe the topic is material for that company (see chart 10).

Chart 10. Rationale for closed engagements in 2024



Written engagements

As in previous years, our letters included:

- Introductory letters to companies we added to portfolios, such as **Cadence** and **AMETEK**.
- Exit letters to companies we sold (**Infineon**, **Nike** and **Kuehne & Nagel**) with explanations of our decisions.
- Letters explaining why we chose not to support management for certain proposals at AGMs.

Some of our introductory letters prompt immediate engagement, whereas others simply serve as a tool to introduce Navera and our approach to our investment companies. An example of a letter explaining our votes at **Sonova**'s AGM is included in Principle 12.

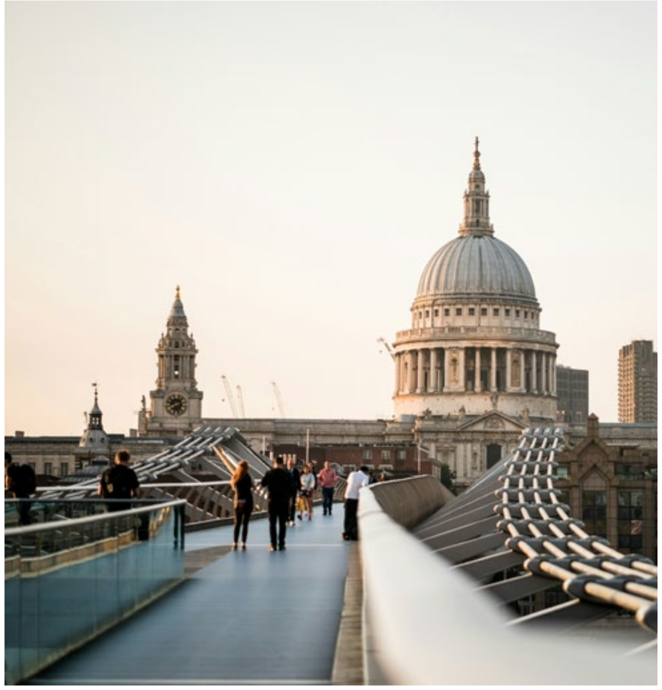
As long-term shareholders, we consider all the opportunities and risks that could have a material impact on companies. These naturally include governance and some environmental and social issues. As with prior years, these factors featured heavily in our engagement work. This is not because we believe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

1. Board composition – exploring whether board members have the range of expertise and independence required and provide constructive challenge

Effective governance is a framework for better decision making. It results in greater business durability and should run through all levels of an organisation. Every company should be headed by an effective board, which is collectively responsible for the long-term success of the company.

As well as their own company and sector-specific knowledge, board members are now required to have a holistic understanding of issues including cyber security, AI, sustainability, climate, workforce engagement and culture. Strong reporting into boards has become more important and the time commitment has increased.

We believe it is essential that board directors have not only management and sector-specific expertise but also that the board has experience of dealing with the full range of risks companies face. The skills and experience that are most relevant will vary by company, but we would generally like to see a board composed of directors with appropriate



experience in fields such as cybersecurity, environmental sustainability, human capital management and supply chain management. We would also expect directors to have relevant geographic experience reflecting the global operations and customer base of the company.

We expect that board directors have enough capacity to contribute effectively to the board and meet all their responsibilities. We generally consider directors with positions on more than four public boards to be over-boarded. However, this is not a hard rule and we also consider whether the director also holds positions on multiple private boards, leadership roles on other boards or an executive position.

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

We do not subscribe to the view that director tenure needs to be capped, as we recognise the benefits to the board, company and shareholders that come from the retention of knowledgeable and experienced directors. However, while we appreciate the experience that long-tenured directors can bring, they could lack the ability to approach board issues with an independent perspective, challenging past decisions or providing new insights. We therefore prefer to see a mix of tenures on the board.

We acknowledge that views of what counts as an independent director differ between the UK, Europe and the US. We follow the European view that directors can no longer be considered truly independent once they have been on a board for 12 years. This contrasts with the view held more widely in the US, where directors are considered independent if they have never held an executive role at the company or had a significant business relationship with it, regardless of their tenure on the board.

Importantly, we expect significant board sub-committees (such audit and remuneration committees) to be chaired by truly independent, non-executive directors to ensure there is sufficient oversight with minimal risk of conflict of interest from extended relationships with executive management. As set out under Principle 12, as a result of this approach, we abstained or voted against the reappointment of directors at the AGMs of several of our US holdings.

In each case we wrote to the company to express our views, and in many cases we subsequently met with the company to discuss the issues further.

Engagement case study

Company		
Mastercard		
Asset class	**Sector**	**Geography**
Listed equities and fixed income	Financial services	North America
Issue		
Overboarding		

Engagement for information

In our pre-AGM meeting with the general counsel at Mastercard we discussed one of their directors due to our concerns that she was overboarded. The director in question sits on four public boards, four private boards and works at a private equity firm.

The general counsel explained that the nominating and corporate governance committee reviews the director's roles every year and is comfortable with her attendance and contributions in meetings. They explained that she is a dedicated and involved director and continues to go above and beyond, including speaking at panels.

While we are comforted by the board's confidence in the director's performance, we will continue to monitor her attendance and commitments going forwards.

Engagement case study		
Company Intuitive Surgical		
Asset class Listed equities	**Sector** Healthcare equipment	**Geography** North America
Issue Board composition		

Engagement milestone: 4

Beginning in 2022, we have been abstaining on the vote to re-elect the chair of the audit committee. Due to his long tenure on the board, we no longer consider him to be fully independent and therefore suitable to hold a board leadership position. However, in our post-AGM letters to the company we also highlighted that there was no other director on the board with adequate financial experience to replace the current chair. This was both a skills gap on the board and presented a key person risk.

As such, we chose not to escalate in 2023 by voting against the chair of the audit committee, as he was the only director with relevant financial expertise. Voting against him while there was no other director on the board with sufficient experience would not have been in shareholders' best interests.

We were therefore pleased when, in 2024, Intuitive appointed a new member to the board with CFO experience, removing the skills gap. We wrote to Intuitive following their AGM and communicated that we were pleased to see this new member on the board and expressed our hope that he could in due course be considered a replacement for chair of the audit committee, sentiments that we reiterated in a later engagement meeting with investor relations.

2022
AGM
Abstained on vote to re-elect audit chair (Milestone 1)

2022
Post-AGM letter
We identified that there is a skills gap on the board

2023
AGM and post-AGM letter
We repeated our abstention and again highlighted the lack of financial expertise on the board

2024
AGM
A new member was appointed to the board with strong financial expertise (Milestone 4)

2024
Meeting
Expressed we were pleased with new appointment, and suggested he could be considered as replacement chair of audit

2. Capital allocation – understanding priorities between driving organic growth through employees, research and development or capex, M&A opportunities and returning capital to shareholders

We generally invest in companies that have attractive organic growth prospects over many years, as this is typically a lower-risk route to value creation. These growth prospects are often supported by at least one of our structural growth drivers such as demographics, regulation or the rewiring of the global economy. We like to understand a company's growth model, including organic growth split by volumes and pricing, and how this is funded in terms of research and development (R&D), capital expenditure or investment into staff. We also like to understand each company's stance on M&A and whether we should expect small bolt-on acquisitions, periodic larger acquisitions or whether a company is more focused on returning capital to shareholders via buybacks or dividends.

Engagement case study

Company		
Sonova		
Asset class	**Sector**	**Geography**
Listed equities	Healthcare	Europe
Issue		
Capital allocation		

Engagement for information

During 2024, we had a series of meetings with Sonova management which included discussions on management changes, profitability, distribution channels, their IntACT sustainability programme and particularly discussions around capital allocation, specifically to drive innovation.

As one of the leading hearing aid manufacturers, Sonova realises that innovation is vital to maintain and improve its market share. R&D spend is critical to this and our meetings gave a strong sense of excitement and confidence from management for upcoming product launches. R&D spend increases competitive advantage and supports steady share gains to the two scaled industry players (including Sonova).

Sonova has dedicated resources to ensure it stays at the forefront of innovation:

- Academic sponsorships – collaborations with major hospitals in Australia and US.
- Chip design – employees tracking developments in the wider environment to ensure they stay at the cutting-edge, plus a team near EPFL in Lausanne for chip design. Focus is on miniaturisation, low energy and high performance.
- A hearing instruments 'scouting' team looking for licensing and patent deals. This has most recently focused on sensors that can be incorporated into hearing instruments, e.g. accelerometers and heartbeat monitoring.
- Two biotech specialists, e.g. evaluating gene therapies for hearing loss to be aware of any potential disrupting technology.

The IntACT sustainability programme, centred around transparency and caring, has also been a driving force behind innovation as the workforce related projects create an engaged front-line to service customers and build on their R&D talent.

Sonova's focus remains bolt-on M&A because large transactions like their 2022 acquisitions in audiological care are rare. They will be selective about the countries and regions they acquire assets in going forward as they look to complete their audiological care network.

We also discussed the balance sheet to understand their current debt levels versus the supervisory board target range and their ability to resume share buybacks.

3. Audit quality – encouraging companies with long-tenured auditors to consider putting the audit contract to tender to ensure no conflicts of interest, best practice and cost effectiveness

As highlighted in our previous reports, we believe the appointment of auditors is a key shareholder responsibility, and one we take seriously given past instances of high-profile failures. In cases of long audit tenure, audit firms have a vested interest in maintaining their reputations and this can create a significant conflict of interests. Auditor rotation potentially has compelling benefits for companies and shareholders, such as quicker identification of misstatements, greater independence and lower audit fees.

For these reasons, we follow European best practice, which is to re-tender audit contracts after 10 years and change auditor firm every 20 years. In the US, however, indefinite tenure is common. We have raised this issue with several of our US-based companies that have a long-tenured auditors. We endeavour to speak to the audit committee chair or members of the committee to qualitatively assess the level of challenge between management/board and auditors, and to ensure that appropriate checks and balances are in place.

Further examples of our approach to this issue, our voting and our escalation process are included under Principle 11 and Principle 12.

4. Employee welfare and inclusion – understanding the culture of a company, employee retention, how employees are treated and fairness of pay in a competitive landscape for talent

For all our companies, attracting, retaining and developing talent is vital for long-term success and a critical responsibility of senior management and the board. According to research from McKinsey, employee disengagement and attrition could cost a median-sized S&P 500 company between $228 million and $355 million a year in lost productivity[2].

We therefore seek to understand the policies and procedures that are in place to ensure employee engagement, talent development, fair pay, diversity and inclusion, health, safety and welfare. We believe attracting and retaining talent from a range of backgrounds, with different skillsets and perspectives relevant to the company's business model improves judgement and decision making and avoids groupthink, thus supporting long-term business performance. Importantly, we do not expect companies to have targets for specific levels of employee diversity, as these lack sector or regional nuance. Instead, we look for improvement in employee diversity which demonstrates that opportunities for career progression are open to all.

Engagement case study

Company
UnitedHealth Group

Asset class	Sector	Geography
Listed equities and fixed income	Healthcare	North America

Issue
Voluntary attrition

Engagement for information

In a call with senior managers at UnitedHealth, we asked about the policies they have implemented to support low levels of voluntary attrition. We were pleased to hear that the company uses a variety of methods that not only keep attrition low, but also helped encourage four million people to apply for roles at the company in 2023.

Some of these measures include granting equity to lower-grade employees and focusing on employee career paths, ensuring that employees who are looking for new opportunities can navigate through the company. This allows the company to retain talent that would otherwise would have left the firm for a new challenge. UnitedHealth also introduced 'inclusion' as a value in 2023, to embrace inclusion across the business. They relaunched their employee resource groups, which have seen good growth in the number of employees participating. These groups also provide valuable insights that management can use to design products and solutions that better address their diverse membership and customers.

In addition, within Optum, where UnitedHealth employs its medical practitioners, the company introduced new benefits, initially to address the mental and physical ramifications of COVID among healthcare workers. This includes new benefits, such as mental and behavioural health services to tackle anxiety and burnout. They are also trialling AI solutions to address administrative workload, such as an application that takes notes during patient appointments, enabling the practitioner to focus on the patient during consultations.

2. https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/some-employees-are-destroying-value-others-are-building-it-do-you-know-the-difference

5. Supply chains – understanding the impact of China/US trade wars as well as environmental and social practices in supply chains

After years of offshoring supply chains and a focus on efficiency, tariffs implemented during the first Trump presidency, the pandemic and now the likelihood of further tariffs being implemented in Trump's second presidency have highlighted the need for resilience as well as efficiency. Since the pandemic we have therefore discussed resilience of the supply chain with our investee companies. In 2024, we continued to discuss geopolitical issues and implications of the trade restrictions in high-end semiconductor technology and biotech equipment. With the new Trump administration, further potential tariffs and changes to programs such as the Inflation Reduction Act continue to be discussed and monitored.

For many of our investee companies, supply chains also represent a significant source of potential environmental and social risks. For example, from an environmental perspective, extreme weather events and rising sea levels could threaten manufacturing sites, significantly impact supply chains and raise insurance costs. Any links to deforestation could pose reputational and regulatory risks, especially as regulators in the EU, UK, US and China are imposing new authentication standards to ensure that commodities linked to illegal deforestation are not imported. From a social perspective, allegations of forced or child labour within supply chains could result in a significant reputational hit for a company. In addition, failure to look after workers properly can lead to product quality issues because of higher turnover of staff and disengaged employees.

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

Given the importance of this issue, we are an Endorser to the PRI's Advance programme, as set out in the collaborative engagement section under Principle 10.

Engagement case study		
Company Next		
Asset class Listed equities and fixed income	**Sector** Retail	**Geography** Europe
Issue Human rights in supply chains		

Engagement for information

We met with the CEO and head of Code of Practice team responsible for supply chains at Next during a visit to their headquarters. This was an opportunity to continue our discussions with the company regarding how they ensure fair pay and treatment of workers in their vast supply chain.

The head of Code of Practice explained that the apparel industry is a complex web of companies across a global supply chain making it difficult to achieve a level playing field amongst different retailers. He noted that paying all workers in their supply chain the living wage would raise Next's costs by 25-30%, putting them at a significant disadvantage if other apparel retailers did not follow suit. Raising wages but going out of business would not be a sensible strategy. However, Next will argue for higher pay for workers if this is universally adopted. During negotiations between unions and the government over minimum wages in Bangladesh, Next sided with the workers and pushed for a higher wage increase than the rest of the industry. The workers achieved a 56% increase in pay which has raised Next's and their competitors' costs. This is an industry-wide issue and Next are playing a leadership role in addressing it fairly.

6. Environmental issues including carbon – understanding companies' preparedness for the shift to a low-carbon economy, including opportunities and risks, and consideration of other material risks such as water, waste and biodiversity

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

We strongly believe that all companies need to be aware of their physical and transition risks with regards to climate change. Collecting data and building robust policies and processes to reduce emissions, as well as disclosing this information, can offer financial advantages. We encourage companies to focus on potential financial benefits, such as lower costs and avoiding financial penalties that may arise from regulation, such as carbon taxes, or customer preferences for lower-carbon products. Financial loss from failing to prepare adequately for the physical risks of climate change is also fast becoming a reality.

Engagement case study

Company
Fiserv

Asset class	Sector	Geography
Listed equities and fixed income	Financial services	North America

Issue
Environmental data and target setting

Engagement milestone: 4

In 2021, at our first meeting with Fiserv's Head of CSR, we discussed their efforts on ESG and reporting. Their existing report focused heavily on social issues and lacked any substantial quantitative data. Fiserv assured us that they were working to collect this data and aimed to submit emissions data to the CDP in 2022.

This disclosure was achieved as promised, which we raised in our post-AGM letter to the chair in 2022. We also noted that they had begun reporting in line with SASB and GRI frameworks, in which they disclosed their greenhouse gas emissions across Scope 1 and 2 for the first time.

When we met with the head of CSR again, he highlighted that our feedback had been important and helpful, and he encouraged us to continue sharing our thoughts. Now that Fiserv had begun measuring its emissions and established a baseline, we asked them to begin setting GHG emissions reduction targets. We were told that this was already being considered and could be in place within two years.

In Fiserv's 2024 CSR Report we were delighted to see a GHG target aiming to achieve a 50% absolute reduction in Scope 1 and 2 emissions by 2030 compared to a 2019 baseline published. The head of CSR again mentioned the role that our discussions played in highlighting the importance of these targets and encouraging management to set them.

2021
Initial meeting
We asked for more environmental data (Milestones 1, 2, 3)

2022
Post-AGM letter
We praised first CDP disclosure and improved disclosure in their own report.

2022
Meeting
We highlighted that the company should now consider setting GHG emissions reduction targets.

2023
Post-AGM letter
We repeated our request for targets to be set.

2024
CSR report
Fiserv set their first GHG emissions reduction targets (Milestone 4).

Engagement case study		
Companies Labcorp and Intuitive Surgical		
Asset class Listed equities	**Sector** Healthcare	**Geography** North America
Issue Climate preparedness		

Engagement for information

In our meetings with the teams at Labcorp and Intuitive Surgical we wanted to be sure that they were preparing for extreme weather events, which are becoming more frequent in the US. Senior leaders at both companies reassured us that this was indeed being considered.

As a critical provider of diagnostic testing in the US, Labcorp has focused on site-by-site resilience against hurricanes and floods (e.g. sandbags, boarding and back-up generators), whereas Intuitive Surgical's efforts have been around diversification of its supply chain to ensure vital medical supplies reach hospitals. For example, basic drapes (essential plastic sheets that keep surgical robots sterile during procedures) were solely sourced in the Dominican Republic. Hurricanes could disrupt this vital supply chain so Intuitive Surgical is now manufacturing small volumes of drapes in their Mexicali factory. Both also referenced the need to utilise data centres in multiple locations on different electricity grids.

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

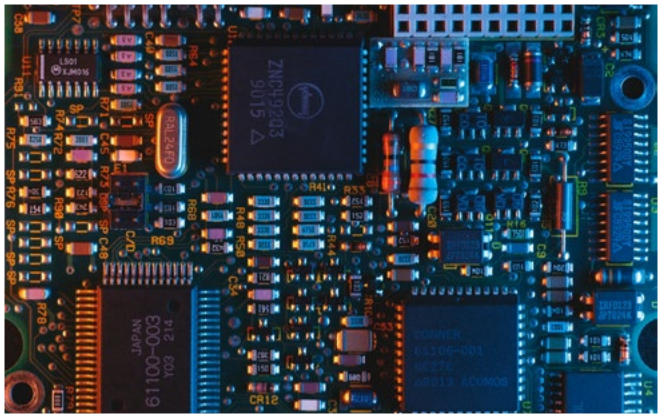
In addition to the collaborative engagements highlighted under Principle 4 and Principle 10, we have engaged with companies individually on these topics. We acknowledge that the most material issues in this area will vary by company, as will the actions they need to take. For example, for some companies their manufacturing footprint will be most material, while for others their supply chain structure will be more relevant. Our focused approach and deep understanding of our investee companies' operations helps us to identify these differences.

We acknowledge that it takes time for companies to put systems in place to measure, monitor and manage their broader environmental risks. In many cases our engagements in this area are currently focused on finding out what steps the companies are taking to collect the data they need.

> "Our focused approach helps us identify material issues."

7. Automation and artificial intelligence – opportunities and threats from increased use of automation and AI, both to increase productivity in our companies and where they have new opportunities or risks to their business from technology developments

2024 was another important year in the development of AI. While we are excited about the investment opportunities that AI presents, there are genuine causes for concern to monitor. We discussed these with several of our companies in 2024, including Microsoft – which published its first Responsible AI Transparency Report.



Engagement case study		
Company Microsoft		
Asset class Listed equities	**Sector** Technology	**Geography** North America
Issue Responsible AI		

Engagement for information

We were delighted to discuss responsible AI with an executive at Microsoft. The company had published its first Responsible AI Transparency Report, which includes case studies of how they ensure generative AI products are tested to responsible AI standards.

The report highlights the quantitative metrics assessed for each model, such as groundedness, relevance, similarity, context risks and jailbreak success rate. While our discussion and the report gave comfort that the company is taking these issues seriously, we asked that they provide some metrics and more detail around these measures. We were also pleased to hear that, although AI is significantly increasing the energy requirements for Microsoft's cloud business, they remain committed to meeting their carbon pledges and are actively continuing to promote low-carbon solutions.

8. Regulation – particularly readiness for European regulation and its impact, and in the US, potential changes made by the Trump administration

For a number of years, regulation related to environmental and social issues has been growing. In 2024, however, it was clear that the US was becoming even more politically divided over ESG. With the incoming Trump administration and Republicans controlling the House of Representatives and the Senate, further debate about the role of ESG and whether it clashes with fiduciary duties is likely to continue rather than dissipate. We continue to encourage companies to consider environmental and social factors that are *material* to their business. More than ever, they will need to clearly communicate the rationale behind these decisions and their contribution to the long-term success of their company.

While it appears that the US will not be furthering climate regulations or required disclosures, after once again withdrawing from the Paris Agreement, many European, Asian and even some US individual states do require disclosure. US companies with global revenues will therefore still need to collect, monitor and disclose data on these issues.

During 2024 we asked applicable companies, including Thermo Fisher Scientific and Avery Dennison, about their preparation for Europe's Corporate Sustainability Due Diligence Directive (CSDDD). This regulation requires both European companies and foreign entities that generate significant revenues within Europe to assess and mitigate as far as possible human rights and environmental risks throughout their supply chain. While many of companies were in the early stages of preparing for the regulation, it was clear that it would be an extensive undertaking for any company affected, making early preparation essential.

Responding to company requests for input

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

We therefore took part in a third-party survey to assess double materiality this year, initiated by one of our investee companies, **Experian**. We also engaged with **London Stock Exchange Group** (LSEG) and **Sonova** on executive compensation after they requested our input.

As explained in Principle 12, when we assess executive compensation, we prefer a majority weighting towards long-term performance incentives, especially those that align shareholder and management incentives through share ownership plans. Awards should be based on a range of targets (appropriate to the individual business) with high pay-outs only available for exceptional performance. We review peer-group comparisons for relevance and to identify unexpected inclusions and exclusions.

Engagement case study		
Company LSEG		
Asset class Listed equities and fixed income	**Sector** Financial services	**Geography** Europe
Issue Providing input into consultation on new renumeration policy		
Early in 2024, at the company's request, we met with the chair of LSEG's renumeration committee to discuss the proposed changes to their renumeration policy designed to reflect LSEG's transformation from traditional stock exchange to a global data business. We supported their proposal to align the CEO's compensation with global peers, which we believe is a critical step in retaining talent in a highly competitive global market. However, we highlighted that we would like to see cash and/or return on capital metrics incorporated into the plan rather than adjusted EPS, as these are better aligned to shareholders. This decision aligns with the IA's guidelines, which were updated in October 2024. They now allow for UK companies that generate a significant proportion of their revenues in overseas markets to benchmark remuneration against international rivals, to ensure they can attract global talent. We were not the only shareholders in favour of these changes: the proposal passed at the 2024 AGM with 89% support.		

Activity and outcome – fixed income

Because of a lack of voting rights, bondholders are unlikely to have the same access to company management as shareholders. We continue to be open to further opportunities for engagement in fixed income through, for example, collaborative engagement.

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

As highlighted in the examples above and under Principle 7, where we hold a company's shares and its bonds, we apply our engagement work to our research for both asset classes. This applies for approximately 25% of our corporate bond holdings by AUM. Some of the examples in this report of engagement with companies therefore also apply to our equity and corporate bond holdings. These include **Experian**, **Fiserv**, **LSEG**, **Mastercard**, **Marsh & McLennan** and **Next**.

As detailed under Principle 10, we continued collaborative engagements that include some of our fixed income holdings during 2024.

Principle 10

Collaboration

Context

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

We recognise that there are occasions when it is appropriate to work with others when engaging with companies, regulators or governments to increase the likelihood of achieving a long-term positive impact. This is particularly the case when we are asked for input into regulation of our own industry, as well as market or systematic risks described in Principle 4. These include climate change, biodiversity and water security, human rights in supply chains and also the risks from the rapid development in technology on our mental health and wellbeing.

We focus on high-quality companies with predictable growth and strong financial characteristics that match our clients' inflation-plus objectives. This naturally precludes us from investing in some higher-risk sectors from an ethical or ESG perspective or in companies where we do not believe they are managing material ESG risks effectively. As a result, we do not currently invest in the equities of oil and gas, cement, chemicals or mining companies where company results are often highly influenced by factors out of their control such as commodity prices. Many environmental-focused initiatives predominantly target companies of which we are not shareholders. As a result, we participate in a small number of collaborative initiatives that are relevant to our current holdings.

We are investor participants of Nature Action 100 and the Ceres Valuing Water Finance Initiative. We are also participants of a 'Technology, Mental-Health and Wellbeing' initiative through the PRI's collaboration platform and an Endorser of the PRI's Advance programme. Being members of these initiatives improves collective understanding of these issues, which are directly relevant to some of our holdings. We continue to consider other opportunities to join collaborative engagement initiatives that are relevant to our investee companies.

Activity and outcome – all assets

Collaborative engagement: regulators and governments

We contribute to industry discussions on regulations, such as the IA and PIMFA on discussion papers, consultation papers and final policy statements issued by the FCA for UK regulation. In 2024, we participated in industry group sessions and a roundtable with the FRC on potential changes to the Stewardship Code. Senior managers also take part in industry networks, such as those organised by Private Asset Manager Directory (PAM) and a stewardship network organised by a specialist stewardship consultancy. One of our executive team is a member of the FCA Smaller Business Practitioner Panel which is an independent statutory body set up to provide input to the FCA from the industry in order to help it meet its strategic and operational objectives.

Members of our team were also involved in industry group discussions about the anti-greenwashing rule and the Sustainability Disclosure Requirements (SDR), including a discussion with the relevant team at the FCA.

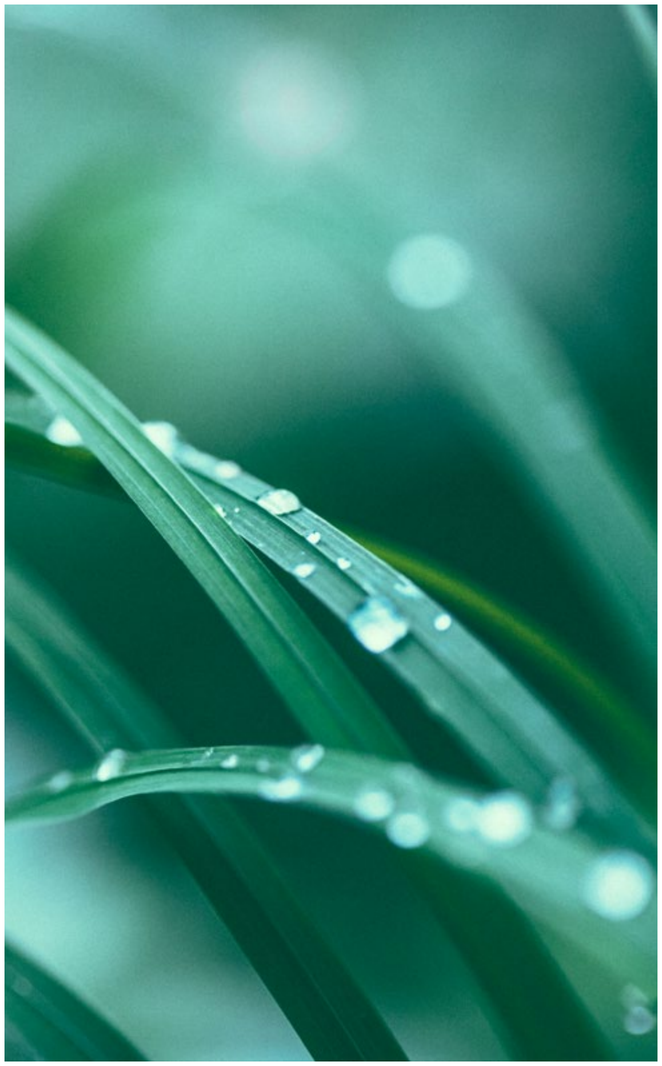
We signed the Global Investor Statement to Governments on Climate Change to encourage governments to set credible, clear pathways and regulations to help economies move towards net zero.

Collaborative engagement: corporates

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

Ceres Valuing Water Finance Initiative

In late 2024, Ceres published their methodology and assessment benchmark detailing their expectations for company disclosures and risk assessment. We have continued our collaborative efforts in relation to water security and made some initial progress. After engaging with **Kerry** in 2023 as part of the Ceres Valuing Water Finance Initiative, we received confirmation from the company in a meeting with senior management that they will be doing an in-depth assessment of the water risks in their supply chains in the second half of 2024. We will continue to monitor progress with management and await publication of their next sustainability report. As part of the Ceres Valuing Water Finance Initiative, we also joined the investor group collaborating with **Microsoft** particularly with regard to water used for cooling data centres. This engagement is in its early stages, and we hope to report on our progress in next year's report. The collaboration has proved additionally valuable as it has given us access to different members of the management team, beyond investor relations, that we currently meet with in our own engagements.



Given the ever-increasing role that technology plays in our daily lives, we continued our participation in a technology, mental health and wellbeing initiative through the PRI's collaboration platform, a forum allowing like-minded investors to work together and support initiatives. We are in the investor groups for our current technology holdings (**Microsoft**, **Amazon** and **Alphabet**). This initiative aims to ensure that companies in the media, internet and gaming sectors are monitoring these impacts and sharing best practice. Progress over 2024 has been slow, as we have received little engagement from Microsoft, Amazon and Alphabet. However, we recognise engagements can take years to gain traction. We will continue to approach these companies on the topic both individually and as part of these groups. There has been interesting feedback that enhances our understanding of this issue from other investor groups engaging with companies where they have had more success. We hope that we will be able to publish more progress in next year's report.

Nature Action 100

As set out under Principle 9, we recognise that as bondholders we are unlikely to have the same access to company management as shareholders. However, collaborative engagement does offer an effective means to increase our influence in relation to companies where we are bondholders, but not equity holders. As such, we became investor participants of Nature Action 100, an initiative aiming to drive greater corporate ambition and action on tackling nature loss and biodiversity decline. In 2024 we joined two investor groups under this initiative, representing two of our larger US-based bond holdings. During the year we held initial engagement calls with both companies that gave deeper insight into their current approach to nature and existing targets. Towards the end of the year, Nature Action 100 released its company benchmark, which assesses company performance for metrics under six broad criteria (including assessment, targets and governance). We are currently reviewing the benchmark in relation to our focus on materiality and prioritising improvements. We also joined the Taskforce on Nature-related Financial Disclosures (TNFD) forum to further our knowledge of these issues.

advance

As highlighted under Principle 4 and Principle 9, we have increased our engagement with companies on issues relating to supply chains. We are particularly keen to understand what companies are doing to monitor practices throughout their supply chains and how they deal with issues that arise. In 2023 we became an Endorser of PRI's Advance programme, a collaborative engagement initiative aiming to protect and enhance risk-adjusted returns by advancing progress on human rights through investor stewardship. None of our current holdings are included in this engagement, but we are committed to closer involvement once the initiative extends to other sectors.

CDP

In a departure from previous years, we decided to not participate in the CDP's 2024 Non-Disclosure Campaign. The campaign has been incredibly successful, with over 23,000 companies, representing two thirds of global market capitalisation, now reporting through CDP on climate change, forests and/or water security.

However, the CDP has made changes to the campaign's approach. Unlike previous years, where we could selectively target companies in which we hold investments, investors are now required to sign letters addressed to all the approximately 1,500 companies in the campaign. This strategy does not align with our targeted approach to engagement, given we run a focused portfolio of 25-40 equity holdings. Only two companies we hold do not report their carbon data to the CPD. One provides excellent disclosure through its own sustainability report and the other has recently significantly improved its disclosures. For this reason, along with the progress we have achieved, we have chosen to withdraw from the campaign.

That said, our commitment to improving corporate transparency, where material, remains. We will continue to encourage companies to report to the CDP and improve their overall disclosure, as well as expand our requests to ask companies to disclose their water and forests data, where requested by the CDP. We continue to engage directly with companies to encourage broader disclosure around environmental issues, and we continue to be a CDP investor signatory.

Principle 11

Escalation

Context

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

Because of our investment approach and the in-depth proprietary research that we carry out prior to becoming shareholders, it is unlikely that we would become shareholders in a company facing significant, unaddressed material risks. Our stewardship activities are, therefore, primarily focused on issues that can contribute to a company's resilience over the long term but, if not addressed by the company, would not change our investment thesis.

Where we have suggestions about how a company could move towards best practice or where we would benefit from further disclosure, we aim to raise these in the introductory letter we send to companies when we become shareholders, and through our regular meetings with company management and investor relations teams. However, we recognise that there may be instances where a company does not respond constructively and where we believe the company will not take action to address concerns. In such circumstances and depending on the nature and the severity of the issue, we may decide to escalate our engagement activities.

As a first step, escalation would normally involve holding additional meetings with company management to clarify our position and improve our understanding of the company's view. If this does not progress or resolve the issue, we will consider further escalation, including:

- Writing to or meeting with senior board members, such as the lead independent director or the chair.
- Abstaining or voting against management, including the reappointment of specific directors, at general meetings.
- Collaborating with other investors.

- Selling our position if an issue jeopardises our clients' financial objectives and is not being adequately addressed by the company.

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

Should we decide to sell our holding following unsuccessful engagement activity (or for other reasons) we will write to the company to explain our actions and the reasons for the sale.

Asset classes

We expect to apply this policy to listed equities held across all sectors and geographies. However, there may be instances where direct access to company management and directors is more limited. For example, we have at times held American depositary receipts for Asian companies or other non-voting equity securities. We currently hold non-voting **Roche** equity securities, but we are nonetheless able to engage with company management.

As highlighted under Principle 9, where we hold a company's bonds but not its shares, our rights and access to management will not be the same as for shareholders. Given more limited engagement opportunities, divestment is more likely to be the escalation action we pursue for any fixed income holding where we believe there is a threat to achieving our clients' financial objectives.

Activity and outcome

Listed equities

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

However, we continued to escalate our voting activities when it comes to auditor tenure. As set out under Principle 9, we believe that changing audit firms can help to highlight issues in a business before there are serious financial implications.

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

In 2024, we voted against the reappointment of auditors at the following companies:

- Intuit
- Synopsys
- Adobe
- Avery Dennison
- Tractor Supply
- Fiserv
- Amphenol
- Marsh & McLennan
- Align Technology
- Amazon
- Thermo Fisher Scientific
- UnitedHealth Group
- Alphabet
- Mastercard
- Nike
- Automatic Data Processing
- Microsoft

For five of these votes, our action was an escalation from 2023, when we abstained on votes to reappoint auditors. In each case, we wrote to the company to explain our voting decision and emphasise the benefits of changing auditor, including opportunities to reduce fees, increase transparency and gain exposure to new perspectives and audit practices.

There are similar differences of opinion between US and European companies on director independence. We abstained or voted against directors who have a combination of leadership positions (e.g. chair of the board and chair of a board committee) and long tenure. This is explained in more detail in Principle 9. In 2024, we abstained or voted against the re-election of 25 directors at 12 companies.

Fixed income

We sold our holdings of **Intel** bonds due to concerns over the company's strategic direction and governance, which we believed could lead to their debt being downgraded. This is in keeping with our escalation approach within this asset class of divestment to protect our clients' assets when we believe there is a threat to their financial objectives.

Engagement case study

Company Marsh & McLennan		
Asset class Listed equities and fixed income	**Sector** Financial services	**Geography** North America
Issue Board independence		

Engagement milestone: 4

We first had a call with Marsh & McLennan in 2020 to get to know the team (chief counsel and IR) and how they think about various topics, including tenure of directors and its implications on independence. Marsh & McLennan explained that they follow NYSE guidance for board independence and tenure, while recognising that many European and UK investors have different expectations in these areas.

However, we continued to have concerns regarding the independence of long-tenured directors who also chair sub-committees. We highlighted these concerns in a meeting in 2021 and indicated that we might abstain on the re-elections of these directors at the next AGM. In 2022, we began voting against three directors with leadership roles on the board and long tenures.

Following this vote, we met with Marsh & McLennan's investor relations, who highlighted that they do have plans for rotations but they do not want them to disrupt smooth operation of the board. We continued to escalate our engagement in 2023, including a call with the assistant general counsel and other members of the team. From our discussions, it was clear that Marsh & McLennan recognised the value of board refreshment.

During our 2024 pre-AGM call with the deputy general counsel, they noted that Marsh & McLennan had rotated the chair of the audit committee to a less-tenured director who has been on the board for seven years. They highlighted that the board will meet to conduct an annual review of chair positions. Regarding ongoing refreshment, they will be training the right people to take on these positions. We continue to monitor this topic and engage on the rotation of two directors.

2020
Introductory call
Discussed MMC's approach to board independence

2021
Meeting
Highlighted concerns and warned of escalation (Milestone 1)

2022
AGM
Abstained on the re-election of three directors

2022
Meeting
MMC explained they have plans for rotation, but do not want to be disruptive (Milestone 3)

2023
AGM
Escalated and voted against all three directors

2023
Meeting
MMC recognised internally that the board would benefit from continued refreshment

2024
Pre-AGM call
The chair of the audit committee rotated (Milestone 4)

Principle 12

Exercising rights and responsibilities

Context

When we buy shares we become business owners with rights and responsibilities. We spend time developing relationships with the companies we invest in and use our influence as shareholders to contribute to their overall success. We regard shareholder voting as an important means of communicating with companies. Although separated here for reporting purposes, voting is not an isolated act and therefore goes hand-in-hand with our broader engagement work – as the examples below demonstrate.

We aim to vote across all our core equity holdings, where possible within administrative and regulatory requirements. Our investment analysts are responsible for reaching voting decisions through a combination of our voting guidelines, our own analysis, experience and dialogue with the companies concerned.

As we aim to invest only in well-run companies which have strong management teams and governance structures, we typically expect to vote with the board recommendations. When necessary, we engage with company management to improve our understanding prior to voting. Communicating our voting decisions to management is an essential element of our partnership approach. In each case where we voted against management, we write to the company to explain our decision and encourage dialogue. This often yields further opportunities to engage with the company.

We aim to vote consistently with our guidelines across all our core investments, while recognising the limitations of a policy to consider all specific circumstances and scenarios. To arrive at voting decisions that are most likely to promote long-term value creation, our analysts use their own discretion when assessing and deciding how to vote.

All decisions are informed by our analysts' in-depth knowledge of the company and our ongoing engagement with management teams and reflect what they consider is in the best long-term interests of shareholders.

We consider the central tenets of good corporate governance to be universal, as outlined in the G20/OECD Principles of Corporate Governance (2015) and ICGN Global Corporate Governance Principles (2017). At the same time, we recognise the existence of different global cultures and approaches. While we aim to vote consistently, we also seek to understand each company's individual circumstances and history, enabling us to apply our voting principles flexibly, where appropriate, and support each company's long-term success.

Our full voting policy is available on our website with the key elements below.

Voting rights

Our approach to voting rights can be summarised as 'one share, one vote'. We prefer simple capital structures and do not support anti-takeover devices.

Board of directors

We follow the European position that directors can no longer be considered independent once they have been on a board for 12 years. This contrasts with the view held more widely in the US that directors are independent if they have not held an executive role at the company within the past three years.

We are constructive on boards that have an appropriate mix of tenured and recently appointed directors, provided the chair or the lead independent director (where applicable) are truly independent directors (as defined above). In addition, we strongly prefer that the chairs of sub-committees are independent.

We consider separate CEO and chair roles to be best practice. However, where there is a joint position, we expect to see a truly independent lead independent director. We believe that boards should have a majority of independent non-executive directors who are able to hold executive management to account.

We encourage board diversity in all forms: professional skills, gender, ethnicity, experience and age, relevant to the stakeholder base of the individual company. This brings varied perspectives, creativity and insights that are much needed in a rapidly changing world.

Directors should be re-elected with sufficient frequency to provide shareholders with the opportunity to support those who are performing their roles responsibly and remove those who are not promoting best practice.

We generally consider directors with positions on more than four public boards to be over-boarded, especially if this includes executive roles.

Remuneration

Management should be motivated over a long-term horizon. We prefer a majority weighting towards long-term performance versus short-term incentives. We support the alignment of shareholder and management incentives through share rewards and ownership plans. However, we are cautious of overly dilutive schemes and those that vest over short time periods.

We prefer to see a majority weighting towards performance-linked compensation rather than fixed or time-based compensation. We consider the resetting of targets to meet minimum thresholds for performance-linked pay to be a red flag and would not support this practice without further discussion.

We look for awards based on a range of targets (as appropriate to the individual business), with high pay-outs only available for exceptional performance. We review peer-group comparisons for relevance and to identify unexpected inclusions and exclusions.

We look for the inclusion of ESG metrics where these are relevant to the business in question. We expect ESG metrics to encourage progress on stated strategic and financial targets, but not to encourage changes that are already required due to regulatory change or reward behaviours that should be ordinarily expected of management.

Auditor tenure

The appointment of auditors is a key shareholder responsibility, and one we take seriously given past instances of high-profile failures.

We expect auditors to be re-appointed annually. The audit should be re-tendered on a periodic basis, ideally every 10 years, and audit firms changed every 20 years, in line with European best practice.

Non-audit fees should be minimised. We regard high payments for non-audit work as a red flag that calls auditor independence into question.

Capital allocation

We prefer that resolutions to approve dividends and share repurchase programmes are proposed separately, as both represent a meaningful tool for efficient capital allocation. We generally invest in companies that have attractive organic growth prospects over many years, as this is typically a lower-risk route to value creation. However, we would expect to vote in support of management on significant mergers and acquisitions if the financial rationale is compelling.

Shareholder proposals

Shareholder proposals are reviewed on a case-by-case basis.

We typically support proposals that increase shareholder rights (e.g. supporting lowering the threshold to call a special meeting) or improve company disclosure on material issues (e.g. requests for gender pay gap reports).

We support management against proposals that are immaterial, could prove overly onerous for the board, or allow excessive influence of larger shareholders.

Client views on voting decisions

As part of our discretionary investment management agreements, our clients have given us voting authority for the equities we hold on their behalf. In 2024, we had no voting directions from clients for shares held in discretionary portfolios.

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

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

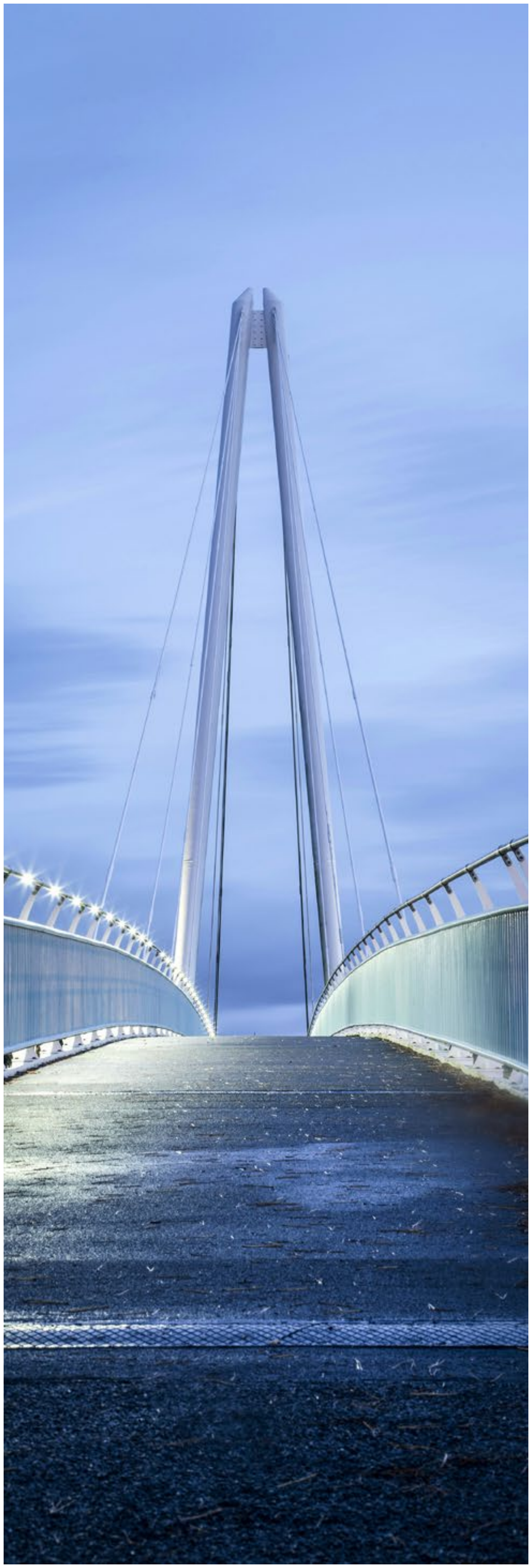
Stock lending

We do not lend stock.

Reporting on voting

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

Our Stewardship Report includes an overview of our voting record and, in line with the Shareholder Rights Directive II, details of any significant votes. We only invest when we are satisfied that appropriate governance structures are in place, and we therefore expect to vote with company management. We define significant votes as those where we voted against company management or abstained.



Activity and outcome

Our focused investment approach means we only hold the equity of 25-40 companies in portfolios. In 2024, we voted on 749 proposals at 41 company meetings across 6 different countries. We voted on 29 of 30 core equity holdings held in client portfolios at the time of the AGM/EGM.

2023 was the first year when we were able to vote on Swiss holdings in our pooled funds. In 2024 this was further expanded to include Swiss holdings in segregated portfolios with most of our custodians, covering over 85% of our AUM in these equities. We are unable to vote at **Roche**'s AGM because we hold non-voting equity securities.

We were also unable to vote at the 2024 AGMs of two new holdings in portfolios (**Cadence** and **AMETEK**) because we bought the shares after the AGM had taken place.

An overview of how we voted and the reasons for our votes against management and abstentions are included below. Our full voting record for 2024 is available in the appendix. Further information is available on request.

As we aim to invest only in well-run companies with strong management teams and governance structures, we typically expect to vote with board recommendations. But as in previous years, in some cases we felt it necessary to vote against certain management proposals and for some shareholder proposals. In 2024, we voted with management for 88% of total proposals, as shown in chart 11 below.

Chart 11. Overall voting record for 2024

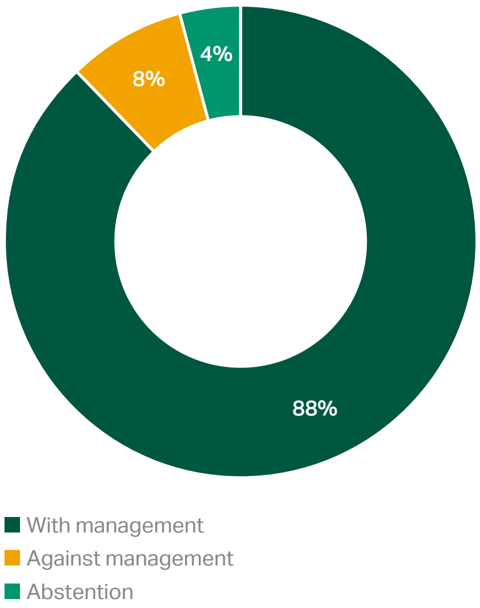
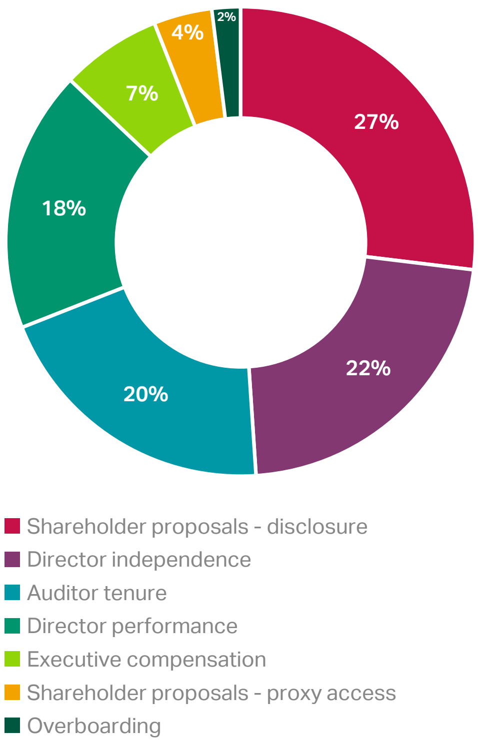


Chart 12. Breakdown of votes against management and abstentions for 2024 by theme



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

Management proposals

As expected, we voted with management for the vast majority of management proposals. However, we were unable to support management on 9% of them. As can be seen in chart 12, these relate to auditor tenure, executive compensation and director approvals (for reasons including independence, director performance and overboarding concerns).

Examples of voting against management on auditor tenure are given in Principle 11 and director independence is discussed in Principle 9 and Principle 11. Other examples are given below.

Voting case study
Company meetings Sonova
Issue Executive compensation
We believe voting is not an isolated act and therefore goes hand-in-hand with our broader engagement work. Whenever possible, we will engage with companies prior to voting. For example, we were contacted by Sonova ahead of their AGM to discuss their level of compensation disclosure in response to ISS (proxy voting service and advisor) recommending that investors vote against their compensation report. Our conversation with the head of compensation and benefits highlighted their concern that disclosing management incentive targets would share too much information with competitors about their long-term expectations. We pointed out that most companies do provide target ranges that help shareholders gain comfort that top pay awards are for stretch goals and aligned with commitments made to the financial markets. Given that we had no concerns on the quantum of pay, we chose to abstain rather than vote against and sent a letter to the chair to explain our decision. We received a response from the chair thanking us for our transparency and informing us that the board had set up a taskforce to improve disclosure of financial targets in the executive compensation plan from 2025. We also held a follow-up meeting with the chair of the compensation committee, to discuss the recommendations for changes proposed by the taskforce to the board.

> "We voted with management for the vast majority of management proposals."

Voting case study
Company meetings Multiple
Issue Director independence
As described in Principle 9, an area of difference between the US and the UK/Europe is what classifies as 'independent' for a board director We fully acknowledge the benefits to both companies and shareholders of having experienced directors on the board. However, we expect certain board sub-committees (such as audit and remuneration committees) to be chaired by truly independent directors. This is to ensure sufficient oversight of risks and processes, free from conflicts of interest that could arise from long associations. Companies where we voted against or abstained on directors who we do not consider to be independent included: Intuit, Synopsys, Avery Dennison, Intuitive Surgical, Fiserv, Marsh & McLennan, Align Technology, Amazon, Thermo Fisher Scientific, UnitedHealth Group and Broadridge. In each case, we wrote to the company to explain our views and have already had several constructive follow-up discussions.

Shareholder proposals

When it comes to shareholder proposals, we take the same approach as we do for company proposals. Decisions are made on a case-by-case basis, particularly as voting for shareholder proposals normally means voting against company management.

As a percentage, our voting for shareholder approvals (i.e. against management) stayed in line with 2023, where we voted for 46% of shareholder proposals compared to 47% in 2023. We continue to focus on materiality and want to ensure that management is able to focus resources where they will be most useful and effective. We believe that some shareholder proposals are politically motivated, and that some requests by shareholders for additional information are unnecessarily burdensome, do not create additional value and add little to information already provided by companies.

Voting case study
Company meetings Align Technology
Issue Proxy access
We voted for the shareholder proposal at Align Technology's AGM to adopt a simple majority vote requirement after engaging with the company to understand their rationale for retaining some supermajority provisions. Align still required 66.67% shareholder approval for changes to elements in their charter or bylaws. This includes votes to allow shareholders the right to call a special meeting. Following our meeting with the company prior to the AGM, we noted than none of our other US companies retain any supermajority provisions. We could not identify a situation where, even with the simple majority vote requirement, shareholders would vote for proposals against their own interests. The proposal was successful, passing with 86.7% of the vote.

Voting case study

Company meetings
Multiple

Issue
Shareholder proposals – using our discretion and applying materiality

Microsoft received two shareholder proposals relating to AI. We decided to support one, which requested a report on AI data sourcing accountability that would give us additional insight into an emerging risk for the company, given existing copyright lawsuits. We voted against the second shareholder proposal, which requested a report on risks related to AI-generated misinformation and disinformation. We believe this proposal to be unnecessary because Microsoft published their first (and industry-leading) Responsible AI Transparency Report during 2024. During an engagement call with the company we suggested that, as a further improvement, they provide quantitative metrics in future issues of this report. This would enable us to track progress.

We voted against proposals at Nike and Mastercard that we found were politically motivated and did not represent material risks for the companies. In the case of Mastercard, we voted against a shareholder proposal asking for a report on the congruency of the company's human rights statement with its charitable contributions and voluntary partnerships. This proposal was essentially asking the company to distance itself from contributing to organisations providing humanitarian relief in the Israeli-Gaza war, such as the United Nations Relief and Works Agency and other NGOs. We surmised that this was not a material issue for Mastercard as they publicly state that their donations are guided by their own human rights statement and the UN Global Compact.

At Nike's AGM, we voted against a proposal asking for a report on the congruency of voluntary partnerships with the company's fiduciary duties. The proponent's objection stemmed from Nike's donations to LGBTQ organisations and claimed that, contrary to the wishes of the wider US public, Nike is motivating men to get into women's sports. Nike discloses its donations and makes clear that these donations are used to support all people and to increase access to sport as part of their mission statement "to bring inspiration and innovation to every athlete in the world".

There have been cases where we voted in favour of certain proposals for some companies but against similar proposals at other companies. Our decisions were guided by whether a material risk exists and/or, companies are already making progress and further disclosure would be unnecessary.

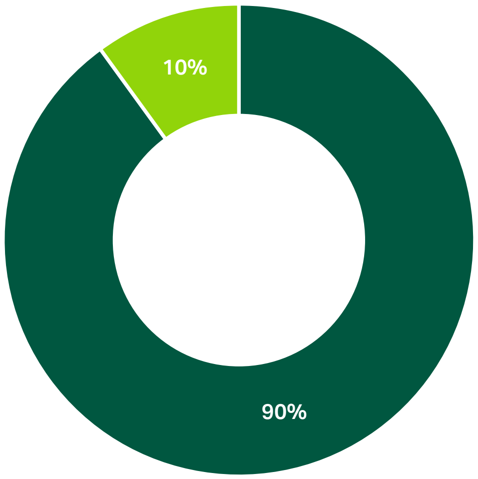
This was the case for Amazon, Alphabet and Mastercard which all received proposals asking for a report on lobbying payments and policy. We generally support these proposals because they can improve transparency of how a company's political lobbying payments align with its mission statements and operations. We voted in favour of the proposal at the Amazon and Alphabet AGMs, but voted against the same proposal at Mastercard's AGM. This was for three key reasons. First, Mastercard has made various improvements to their political lobbying report in recent years. Secondly, management have been responsive to our engagements and offered us a meeting to understand our concerns. Thirdly, during our meeting with company management they assured us that they are taking our feedback on board.

Voting case study
Company meetings Multiple
Issue Shareholder proposals – supporting additional oversight
We supported two shareholder proposals for creating additional AI oversight at board level. At Amazon we voted in favour of establishing a board committee on artificial intelligence. At Alphabet we voted in favour of amending their audit and compliance committee charter to include artificial intelligence oversight. We recognise that AI is a fast-moving field and the risks stemming from its rapid evolution require board and management oversight. We believe making these risks an explicit part of each board's responsibility will improve accountability and the effective management of these risks, helping to safeguard long-term shareholder value and the reputations of both companies.

Independent decision-making

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

Chart 13. Breakdown of votes in line or against ISS recommendations in 2024



As set out previously, we read ISS's research and recommendations as sources of information but make our own voting decisions. In doing so, we apply our in-depth knowledge of company-specific circumstances and ensure we focus on issues that are material to each company and would benefit shareholders.

As well as voting against some of the shareholder proposals mentioned above that ISS recommended supporting, we also chose to vote differently for a second year on **DSM-Firmenich**'s executive compensation plan. We chose to abstain because of over-use of ESG metrics whereas ISS recommended voting in favour. We are generally supportive of including improvements in material ESG factors in executive compensation plans. However, in this case ESG metrics made up 30% of the proposed short-term and 50% of the proposed long-term incentive plans. While we applaud DSM-Firmenich's efforts, it is already well on track to achieve a number of these targets and others relate to regulatory requirements that must be achieved. Over the long term, operating in a responsible manner and providing sustainable solutions will be reflected in the company's resilience and financials. We prefer the approach of companies such as **Labcorp**, who have introduced a negative ESG modifier. Up to 10% of the annual bonus for executives could be cut if they do not achieve a number of qualitative ESG targets. We appreciate this approach as it treats material ESG issues as an essential part of managing the business for long-term success.

We are continuing to engage with DSM-Firmenich on this issue.

Reporting outcomes of our votes against management

As in previous years, we continue to provide a high level of disclosure by reporting voting outcomes in cases where we voted against management. Our Stewardship Report includes an overview of our voting record and, in line with the Shareholder Rights Directive II, details of any significant votes. We define significant votes as those where we voted against company management or abstained. This report is sent to our clients and is publicly available on our website.

In addition, we provide regular updates during our client meetings and can also provide quarterly voting details directly to clients who request them, including voting outcomes in cases where we voted against management. This approach ensures that clients receive information that is appropriate for their needs.

> "We continue to provide a high level of disclosure to our clients."

Appendices

Voting outcomes for our votes against management

01 January to 31 December 2024

With = with company management
Against = against company management

Company name & meeting details	Proposal(s) where we voted against management	Voting results*
Intuit AGM, 18th January	Audit quality – voted against the reappointment of EY (first appointed 1990)	Passed (94.4%)
	Director independence – voted against reappointment of the chair of the board, who has been on the board for 15 years and is therefore not considered independent	Passed (93.3%)
Synopsys AGM, 10th April	Audit quality – voted against reappointment of KPMG (first appointed in 1992)	Passed (93.8%)
	Shareholder proposal (director independence) – supported the shareholder proposal requiring an independent board chair	Failed (32.7%)
Adobe AGM, 17th April	Audit quality – voted against the reappointment of KPMG (first appointed 1983)	Passed (92.9%)
Intuitive Surgical AGM, 25th April	Director independence – voted against the re-election of the Chair of the Compensation Committee, who has been on the board for 14 years and is therefore not considered independent	Passed (94.9%)
	Shareholder proposal (disclosure) – supported proposal asking for a report on the company's gender and racial pay gap	Failed (33.1%)
Avery Dennison AGM, 25th April	Audit quality – voted against the reappointment of PwC (first appointed 1960)	Passed (94.0%)
Tractor Supply Company AGM, 9th May	Audit quality – voted against the reappointment of E&Y (first appointed 2001)	Passed (94.8%)
Fiserv AGM, 15th May	Audit quality – voted against reappointment of Deloitte & Touche (first appointed 1985)	Passed (94.6%)
	Director independence – voted against the re-election of the lead independent director, who has been on the board for 17 years and is therefore not considered independent	Passed (93.7%)
Amphenol AGM, 16th May	Audit quality – voted against the reappointment of Deloitte & Touche (first appointed 1997)	Passed (94.0%)
	Shareholder proposal (proxy access) – voted for share-holder proposal requesting to reduce the ownership threshold for shareholders to call a special meeting from 25% to 15%	Failed (40.3%)
Marsh & McLennan AGM, 16th May	Audit quality – voted against the reappointment of Deloitte & Touch (first appointed 1989)	Passed (93.2%)
	Director independence – voted against re-election of the chairs of the Compensation and Nominations & Governance committees, who have been on the board for 13 and 22 years respectively and are therefore not considered independent	Passed (93.3% and 91.3% respectively)

Company name & meeting details	Proposal(s) where we voted against management	Voting results*
Align Technology AGM, 22nd May	Audit quality – voted against reappointment of PwC (first appointed 1997)	Passed (94.4%)
	Director independence – voted against re-election of the chair of the Nominations & Governance Committee and the chair of the Compensation Committee, who have been on the board for 26 and 18 years respectively and are therefore not considered independent	Passed (80.1% and 86.1% respectively)
	Shareholder proposal (proxy access) – voted for the shareholder proposal to adopt a simple majority vote requirement	Passed (86.7%)
Thermo Fisher Scientific AGM, 22nd May	Audit quality – voted against the reappointment of PwC (first appointed 2002)	Passed (89.1%)
	Director independence – voted against the re-election of the lead independent director, who has been on the board for 17 years and is therefore not considered independent	Passed (94.6%)
Amazon AGM, 22nd May	Audit quality – voted against the reappointment of Ernst & Young (first appointed 1996)	Passed (95.2%)
	Remuneration – voted against the executive compensation plan because of a lack of performance criteria in incentive programmes	Passed (77.7%)
	Shareholder proposals (disclosure) – supported the following 9 shareholder proposals asking for greater disclosure and /or third-party audits on material ESG risks, many of which we have discussed with the company: • Report on customer due diligence • Report on lobbying payments and policy • Report on median and adjusted gender/racial pay gaps • Report on impact of climate change strategy consistent with just transition guideline • Report on efforts to reduce plastic use • Commission third-party assessment of the company's commitment to freedom of association and collective bargaining • Commission third-party study and report on risks associated with use of Rekognition • Establish a board committee on AI • Commission a third-party audit on working conditions	Failed (ranges from 9.7% to 31.8%)
UnitedHealth Group AGM, 3rd June	Audit quality – voted against reappointment of Deloitte (first appointed 2002)	Passed (95.2%)
	Director independence – voted against re-election of the lead independent director, who has been on the board for 16 years and is therefore not considered independent	Passed (95.4%)
	Shareholder proposal (disclosure) – supported shareholder proposal asking for a report on the extent to which political spending and lobbying aligns with company values	Failed (25.3%)
Alphabet AGM, 7th June	Audit quality – voted against the reappointment of E&Y (first appointed 1999)	Passed (97.5%)
	Corporate structure – voted against re-election of members of the Nominations Committee because of lack of progress in addressing the company's multi-class share structure with disparate voting rights	Passed (ranges from 83.1% to 88.3%)
	Shareholder proposals (disclosure) – supported the following 7 shareholder proposals asking for greater disclosure and /or third-party audits on material ESG risks, many of which we have discussed with the company: • Report on lobbying payments and policy • Approve recapitalisation plan for all stock to have one-vote per share • Report on reproductive healthcare misinformation risks • Amend audit and compliance committee charter to include AI oversight • Report on risks related to AI-generated misinformation and disinformation • Publish human rights risk assessment on AI-driven targeted ad policies • Adopt targets evaluating YouTube child safety policies	Failed (ranges from 6.4% to 31.3%)

Company name & meeting details	Proposal(s) where we voted against management		Voting results*
Mastercard AGM, 18th June	Audit quality – voted against the reappointment of PwC (first appointed 1989)		Passed (95.3%)
Nike Inc AGM, 10th September	Audit quality – voted against the reappointment of PwC (first appointed 1974)		Passed (94.3%)
	Board composition – abstained on the re-election of Mr John Rogers Jr as he is the only member of the Nomination and Governance Committee that class B shareholders can vote on. We also have concerns regarding the independence of the lead independent director		Failed (26.0%)
	Shareholder proposals (disclosures) – supported proposals asking for disclosure of median pay gap and a report on the effectiveness of supply chain management on equity goals and human rights commitments		Failed (13.2%)
Automatic Data Processing AGM, 4th November	Audit quality – voted against the reappointment of Deloitte (first appointed 1968)		Passed (92.9%)
Microsoft AGM, 10th December	Audit quality – voted against reappointment of Deloitte (first appointed 1983)		Passed (94.3%)
	Shareholder proposals (disclosures) – supported the following two proposals seeking greater disclosure that would be beneficial for shareholders:	• Report on risks of operating in countries with significant human rights concerns	Failed (32.0%)
		• Report on AI data sourcing accountability	Failed (36.2%)

Voting summary

01 January to 31 December 2024

With = with company management
Against = against company management

Company name	Meeting type	Meeting date	Votes cast		
			With	Against	Abstentions
Intuit	AGM	18.01.2024	14	2	0
	• Audit quality – voted against the reappointment of EY (first appointed 1990) • Director independence – voted against reappointment of the chair of the board, who has been on the board for 15 years and is therefore not considered independent				
Accenture	AGM	31.01.2024	16	0	2
	• Board composition – abstained on reappointment of the chair of the Compensation, Culture and People Committee. We were concerned about over-boarding: in addition to her role at Accenture, she is also the CEO of a large, listed company and chairs the audit committee at a third listed company • Audit quality – abstained on the reappointment of KPMG (first appointed 2002)				
Infineon Technologies	AGM	23.02.2024	33	0	0
Synopsys	AGM	10.04.2024	11	2	2
	• Audit quality – voted against reappointment of KPMG (first appointed in 1992) • Director independence – abstained on the re-election of the lead independent director, who has been on the board for 20 years and is therefore not considered independent • Board composition – abstained on re-election of another director due to over-boarding concerns. He sits on four boards, two of which he chairs • Shareholder proposal (director independence) – supported the shareholder proposal requiring an independent board chair				
Adobe	AGM	17.04.2024	16	1	0
	• Audit quality – voted against the reappointment of KPMG (first appointed 1983)				
ASML Holdings NV	AGM	24.04.2024	13	0	0
British American Tobacco	AGM	24.04.2024	18	0	0
Bunzl	AGM	24.04.2024	20	0	0
Heineken Holding NV	AGM	25.04.2024	8	1	0
London Stock Exchange Group	AGM	25.04.2024	25	0	0
Intuitive Surgical	AGM	25.04.2024	12	2	2
	• Director independence – abstained on the reappointment of the chair of the Audit Committee, who has been on the board for longer than 15 years and is therefore not considered independent. We did not escalate to vote against because we do not consider there is enough experience on the board to replace him • Director independence – voted against the re-election of the Chair of the Compensation Committee, who has been on the board for 14 years and is therefore not considered independent • Executive compensation – abstained on the proposal to amend the omnibus stock plan as it was not clear to us why the board needs to add shares to its stock plan on such a regular basis • Shareholder proposal (disclosure) – supported proposal asking for a report on the company's gender and racial pay gap				

Company name	Meeting type	Meeting date	Votes cast		
			With	Against	Abstentions
Avery Dennison	AGM	25.04.2024	11	1	1
	• Audit quality – voted against the reappointment of PwC (first appointed 1960) • Director independence – abstained on the re-election of the lead independent director, who has been on the board for 19 years and is therefore not considered independent				
Franco-Nevada	AGM	01.05.2024	10	1	0
Unilever	AGM	01.05.2024	22	0	0
Kerry Group	AGM	02.05.2024	24	0	0
Berkshire Hathaway	AGM	04.05.2024	11	3	6
DSM-Firmenich	AGM	07.05.2024	24	0	1
	• Executive compensation – abstained on the executive compensation vote due to overuse of ESG metrics				
GSK	AGM	08.05.2024	23	0	0
Kuehne+Nagel	AGM	08.05.2024	23	0	5
	• Executive compensation – abstained on re-election of member of the Compensation Committee due to lack of disclosure of performance metrics				
Wolters Kluwer NV	AGM	08.05.2024	15	0	0
Tractor Supply Company	AGM	09.05.2024	10	1	0
	• Audit quality – voted against the reappointment of E&Y (first appointed 2001)				
Derwent London	AGM	10.05.2024	20	0	0
Labcorp	AGM	14.05.2024	15	0	0
Phoenix Group	AGM	14.05.2024	24	0	0
Fiserv	AGM	15.05.2024	10	2	0
	• Audit quality – voted against reappointment of Deloitte & Touche (first appointed 1985) • Director independence – voted against the re-election of the lead independent director, who has been on the board for 17 years and is therefore not considered independent				
Amphenol	AGM	16.05.2024	12	2	0
	• Audit quality – voted against the reappointment of Deloitte & Touche (first appointed 1997) • Shareholder proposal (proxy access) – voted for shareholder proposal requesting to reduce the ownership threshold for shareholders to call a special meeting from 25% to 15%				
Marsh & McLennan	AGM	16.05.2024	10	3	1
	• Audit quality – voted against the reappointment of Deloitte & Touch (first appointed 1989) • Director independence – voted against re-election of the chairs of the Compensation and Nominations & Governance committees, who have been on the board for 13 and 22 years respectively and are therefore not considered independent • Director independence – abstained on re-election of the chair of the board. He has been on the board for 14 years and is therefore not considered independent. The board does not have a lead independent director				
Next	AGM	16.05.2024	23	0	0

Company name	Meeting type	Meeting date	Votes cast		
			With	Against	Abstentions
Align Technology	AGM	22.05.2024	8	4	1
	• Audit quality – voted against reappointment of PwC (first appointed 1997) • Director independence – voted against re-election of the chair of the Nominations & Governance Committee and the chair of the Compensation Committee, who have been on the board for 26 and 18 years respectively and are therefore not considered independent • Director independence – abstained on the reappointment of the chair of the board. He has been on the board for 20 years and is therefore not considered independent. The board does not have a lead independent director • Shareholder proposal (proxy access) – voted for the shareholder proposal to adopt a simple majority vote requirement				
Thermo Fisher Scientific	AGM	22.05.2024	11	2	1
	• Audit quality – voted against the reappointment of PwC (first appointed 2002) • Director independence – voted against the re-election of the lead independent director, who has been on the board for 17 years and is therefore not considered independent • Director independence – abstained on the re-election of the chair of the Audit Committee, who has been on the board for 13 years and is therefore not considered independent				
Amazon	AGM	22.05.2024	15	11	2

	• Audit quality – voted against the reappointment of Ernst & Young (first appointed 1996)
	• Remuneration – voted against the executive compensation plan because of a lack of performance criteria in incentive programmes
	• Director independence – abstained on reappointment of the lead independent director and the chair of the Nomination and Governance Committee because they have been on the board for 12 and 13 years respectively, and are therefore not considered independent
	• Shareholder proposals (disclosure) – supported the following 9 shareholder proposals asking for greater disclosure and /or third-party audits on material ESG risks, many of which we have discussed with the company:
	  • Report on customer due diligence
	  • Report on lobbying payments and policy
	  • Report on median and adjusted gender/racial pay gaps
	  • Report on impact of climate change strategy consistent with just transition guideline
	  • Report on efforts to reduce plastic use
	  • Commission third-party assessment of the company's commitment to freedom of association and collective bargaining
	  • Commission third-party study and report on risks associated with use of Rekognition
	  • Establish a board committee on AI
	  • Commission a third-party audit on working conditions				

UnitedHealth Group	AGM	03.06.2024	9	3	1
	• Audit quality – voted against reappointment of Deloitte (first appointed 2002) • Director independence – abstained on re-election of the chair of the board, who has been on the board for 24 years and is therefore not considered independent • Director independence – voted against re-election of the lead independent director, who has been on the board for 16 years and is therefore not considered independent • Shareholder proposal (disclosure) – supported shareholder proposal asking for a report on the extent to which political spending and lobbying aligns with company values				

Company name	Meeting type	Meeting date	Votes cast		
			With	Against	Abstentions
Alphabet	AGM	07.06.2024	10	10	3
	• Audit quality – voted against the reappointment of E&Y (first appointed 1999) • Corporate structure – voted against re-election of members of the Nominations Committee because of lack of progress in addressing the company's multi-class share structure with disparate voting rights • Executive compensation – abstained on the reappointment of all members of the Compensation Committee due to issues with the renumeration plan, including a 3-year say on pay and lack of disclosure on targets and thresholds used • Shareholder proposals (disclosure) – supported the following 7 shareholder proposals asking for greater disclosure and /or third-party audits on material ESG risks, many of which we have discussed with the company: • Report on lobbying payments and policy • Approve recapitalisation plan for all stock to have one-vote per share • Report on reproductive healthcare misinformation risks • Amend audit and compliance committee charter to include AI oversight • Report on risks related to AI-generated misinformation and disinformation • Publish human rights risk assessment on AI-driven targeted ad policies • Adopt targets evaluating YouTube child safety policies				
Sonova	AGM	11.06.2024	23	0	1
	• Executive compensation – abstained on the vote to approve the renumeration report, as the company does not disclose targets or thresholds for their compensation plans				
Tesco	AGM	14.06.2024	22	0	0
Mastercard	AGM	18.06.2024	18	1	0
	• Audit quality – voted against the reappointment of PwC (first appointed 1989)				
Experian	AGM	17.07.2024	19	0	0
Nike Inc	AGM	10.09.2024	6	3	1
	• Audit quality – voted against the reappointment of PwC (first appointed 1974) • Board composition – abstained on the re-election of Mr John Rogers Jr as he is the only member of the Nomination and Governance Committee that class B shareholders can vote on. We also have concerns regarding the independence of the lead independent director • Shareholder proposals (disclosures) – supported proposals asking for disclosure of median pay gap and a report on the effectiveness of supply chain management on equity goals and human rights commitments				
Automatic Data Processing	AGM	04.11.2024	13	1	0
	• Audit quality – voted against the reappointment of Deloitte (first appointed 1968)				
Broadridge Financial Solutions	AGM	14.11.2024	11	0	1
	• Director independence – abstained on re-election of the chair of the Nomination and Governance Committee, who has been on the board for 15 years and is therefore not considered independent				
Microsoft	AGM	10.12.2024	17	3	0
	• Audit quality – voted against reappointment of Deloitte (first appointed 1983) • Shareholder proposals (disclosures) – supported the following two proposals seeking greater disclosure that would be beneficial for shareholders: • Report on risks of operating in countries with significant human rights concerns • Report on AI data sourcing accountability				
Kerry Group	EGM	19.12.2024	4	0	0

Abbreviations

AGM	annual general meeting
AI	artificial intelligence
CBAM	Carbon Border Adjustment Mechanism
CDP	formerly the Carbon Disclosure Project, now the CDP
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	EU Corporate Sustainability Reporting Directive
CSR	corporate social responsibility
CVaR	climate value at risk
DEI	diversity, equity and inclusion
DOJ	US Department of Justice
ENCORE	Natural Capital Opportunities, Risks and Exposure
ETC	exchange-traded commodity fund
EU	European Union
EU CBAM	EU Carbon Border Adjustment Mechanism
EU ETS	EU Emissions Trading System
EUDR	EU Deforestation Regulation
EGM	extraordinary general meeting
ESG	environmental, social and governance
FCA	Financial Conduct Authority
FPIC	free, prior and informed consent
FRC	Financial Reporting Council
FTC	Federal Trade Commission
GDP	gross domestic product
GHG	greenhouse gas
GRI	Global Reporting Initiative
HID	human identification technology
IA	the Investment Association
ICAEW	Institute of Chartered Accountants in England and Wales
ICGN	International Corporate Governance Network
IGC	Investment Governance Committee
ISIC	International Standard Industrial Classification of All Economic Activities
ISS	Institutional Shareholder Services
ISSB	International Sustainability Standards Board
LCOE	localised cost of energy
LSEG	London Stock Exchange Group
M&A	mergers and acquisitions
NFRD	Non-Financial Reporting Directive
NZAM	Net-Zero Asset Managers initiative
OECD	Organisation for Economic Co-operation and Development
PAM	Private Asset Manager Directory
PIMFA	Personal Investment Management & Financial Advice Association
PRI	Principles for Responsible Investment
R&D	research and development
SASB	Sustainability Accounting Standards Board
SBTi	Science-Based Targets initiative
SDR	Sustainability Disclosure Requirements
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UN DRIP	UN Declaration on the Rights of Indigenous Peoples
UN PRI	United Nations Principles for Responsible Investment
VWFI	Valuing Water Finance Initiative (CERES)

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