J O Hambro
Capital Management Group

Regnan

2022 Stewardship Report

Delivering resilient, sustainable returns

Contents

Submitted to the Financial Reporting Council (FRC) by J O Hambro Capital Management Limited (JOHCML)

Foreword

James Firn
Chairman & Director
(Independent Non-Executive)

As we look back on 2022, it is easy to forget that the year began on an optimistic note with markets globally having recovered their poise as the COVID crisis receded and expectation of a return to more normal conditions abounded.

The year proved to be anything but normal. The invasion of Ukraine by Russia and the subsequent war sent equity markets reeling and compounded already developing challenges in the global economy. Energy prices soared, fragility in supply chains was further exposed and developed world inflation reached levels not seen in a generation. Yields on fixed income securities followed inflation and cash rates relentlessly higher, and outside of energy-related assets, it was hard to generate positive returns in any asset class.

Against this backdrop, it was imperative to remember the responsibility to act as engaged stewards of clients' assets. Central to this was J O Hambro Capital Management Limited's (JOHCML) commitment to active management as the best mechanism to navigate our way through rapidly evolving economic, geopolitical and market conditions to meet the long-term savings and retirement objectives of clients. During tumultuous times like those seen in 2022, it was important to maintain active, open dialogue with clients on how their assets were being managed. With a global client base, with increasingly divergent perspectives on the world, this was no simple task, yet our clear sense of purpose helped ensure that this objective was met.

In 2022, it would have been easy to become overly focused on short-term market fluctuations at the expense of constructively engaging with the big challenges facing the world. I am pleased to report that JOHCML was not deflected from its strategy and continued to actively participate in a broad range of stewardship initiatives.

Direct involvement in the Diversity Project through mentorship and contributing to the delivery of investment masterclasses, the launch of a collaboration agreement with the University of Exeter, leading a symposium on sustainable food systems across multiple stakeholders, and helping clients understand ever evolving regulatory challenges in sustainable investing, were all tangible examples of client engagement activities undertaken. The launch of Affinity, JOHCML sustainability data platform, is an example of investing in new technology to provide the investment teams with tools to meet evolving client and regulatory needs in stewardship and sustainable investing.

JOHCML has a differentiated culture, as our portfolio managers act with investment autonomy in their pursuit of long-term sustainable financial returns for clients. There is no centralised research, and each team has its own distinct approach to meeting their investment objectives, including how stewardship activities are undertaken.

Core to our approach is the recognition that disciplined capital allocation underpins the generation of resilient financial returns. During the economic and financial tumult of 2022, the need for good governance as central to effective strategy management was brought into sharp relief. The end of the easy money era and a sharply higher cost of capital for the corporate sector underscored the need for good capital management.

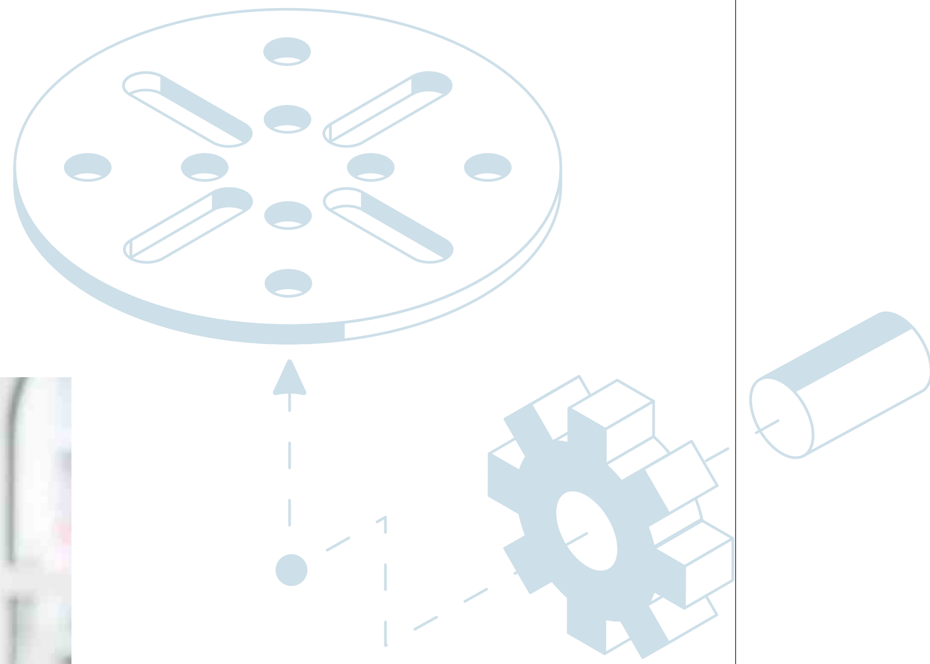
Stewardship activities at JOHCML aim to support good capital discipline in pursuit of delivering sustainable long-term investment returns. As an active manager, the portfolio managers make positive, selective choices when investing, which means a natural alignment with the management strategy of the investee companies. Increasingly, resilient corporate strategy management extends beyond a narrow focus on financial matters to include environmental and social considerations, which are increasingly important forces reshaping economic risks and opportunities. The stewardship activities, therefore, aim to be broad, collaborative and constructive in nature, which was evidenced in the engagement and voting activities in 2022.

At the heart of successful engagement at JOHCML is recognition of the business case for change. The pursuit of effective corporate strategy to support shareholder value creation is best achieved by acting as a robust, yet supportive partner with management. This requires acknowledging the complexity of business transformation and taking a long-term perspective. Once this understanding of the business case has been achieved, it is possible to set pragmatic engagement objectives and to monitor progress towards their achievement, which may take years to be fully realised. Such an approach requires a collaborative mindset, where escalation, including voting, is designed to enable better shareholder outcomes. As active managers, the ultimate sanction is to sell a position and reinvest in a more attractive and aligned business.

This report sets out in more detail the evolving approach to stewardship: how JOHCML engages with customers; delivers new initiatives and collaborations to engage more effectively with the wider system; its engagement and voting activities designed to support sustainable shareholder value-creation; and how the firm behaves as a responsible investor for a broad, diverse range of global clients.

01 Our approach

Delivering Sustainable Returns



Andrew Parry
Head of Investment

PRINCIPLE 1

PRINCIPLE 5

PRINCIPLE 7

Against the backdrop of the challenges the world confronted in 2022, which encompassed rising interest rates, accelerating inflation, geopolitical tensions, and armed conflicts, we have taken significant steps to enhance our existing stewardship capabilities:

- The newly established Sustainable Investments team now serves as a centre of excellence to bolster our data and technology reporting and insights.
- The Affinity platform, which integrates structured and unstructured sustainability metrics, was launched.
- We introduced a new data science environment dedicated to crafting innovative approaches for modelling GHG emissions data, thereby enhancing investment and client insights.
- In a strategic move, we entered into a partnership with the University of Exeter.
- We were active contributors to the Diversity Project.
- We conducted several collaborative engagements, such as organising a Sustainable Agriculture Roundtable, which gathered a diverse array of stakeholders to gain deeper insights into the risks and opportunities for engagement within the broader system.

These developments and more are elaborated upon in greater detail below. We greatly value transparency, feedback, and open discussions with our community of clients and broader stakeholders and we eagerly anticipate the year ahead.

Effective Stewardship for Sustainable Outcomes

J O Hambro Capital Management Limited ("JOHCML") has a history of acting as trusted stewards of client assets. Our ability to manage, grow and protect client wealth lies at the core of our approach to investing. Through geopolitical upheaval, recessions and financial crises, we have continually evolved to meet the challenges of social, technological and economic change.

Investing client assets comes with great responsibility. Central to that responsibility is supporting clients in the achievement of their savings, retirement, and wealth management objectives, some of the most important goals in their lives. Put in its simplest form, responsible investing is about generating sustainable financial returns for our clients to maintain and enhance the future purchasing power of their wealth.

Over the last hundred years or so there has been a rapid expansion in global prosperity that has progressively lifted over a billion people out of poverty, increased life expectancy and delivered a broad range of social reforms. Human endeavour has generated dramatic scientific and technological advances that have supported this improvement in the collective wellbeing of society. Yet, over that same period, investors also had to endure the ravages of war, periods of prolonged economic hardship and uneven distribution of the prosperity created.

More latterly, we are witnessing visible consequences for the natural world and the climate from meeting the needs of human society. Left unchecked, these pressures may have significant impact on our collective economic wellbeing and leave a heavy environmental debt for future generations to bear.

The last two decades alone have demonstrated the interconnectivity of social and environmental issues with other powerful forces, such as the socioeconomic cost of Covid, technological disruption, economic shocks, and demographic shifts. Traditional geopolitical considerations are set alongside the evident challenges of climate change and emerging social and economic concerns. The war in Ukraine, and subsequent rise in inflation and focus on energy security by governments, demonstrated the complex interaction of conflicting forces.

The complexity and interdependence of our system is a reminder that the economy does not operate in isolation from the society it is meant to serve and the planet that supports its functioning. The feedback loops between the different parts of the system are becoming more visible and disruption is a growing part of economic and hence, financial life. Sustainability considerations, therefore, are part of understanding the fluid set of forces shaping future economic and financial outcomes and are increasingly entangled with economic and political choices.

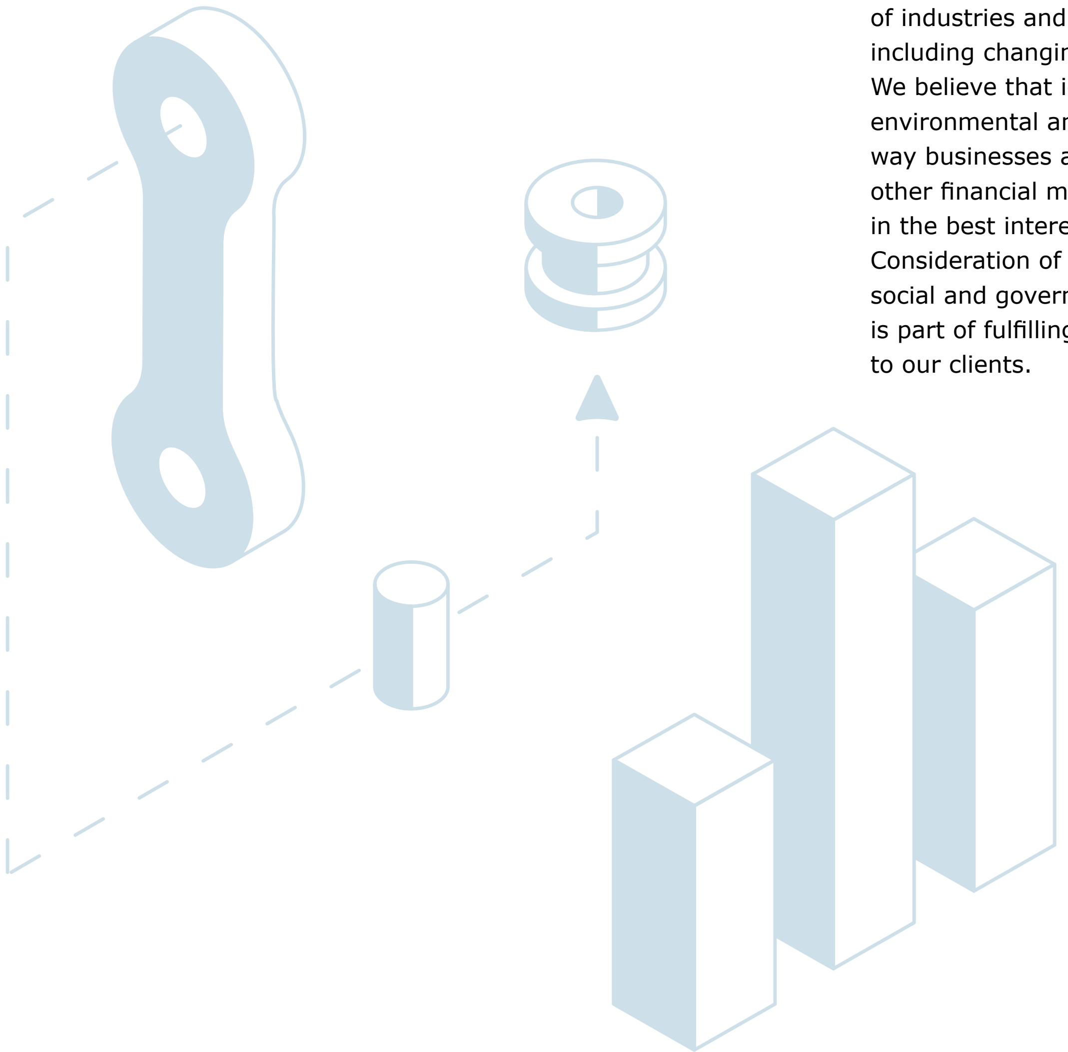
All these challenges and opportunities create a complex set of influences on financial markets and economic conditions. As responsible investors, our role is to navigate our way through these ever-changing influences in the best interests of our clients and the communities we support to ensure a positive impact and support a sustainable financial future.

Our distinctive culture

JOHCML is a performance-led active investment management company, offering its institutional and wholesale client base differentiated regional equity, global equity, impact and sustainable thematic strategies. JOHCML's portfolio managers have investment autonomy within their mandates, subject to meeting regulatory and our internally agreed and client-led investment restrictions. We have no 'house' view on economies, markets, sectors or stocks. This leads to a diversity of views and approaches across our investment teams. It allows each investment team to integrate material environmental and social issues, and how they are governed, in a manner that reflects their own outlook and investment philosophy and to align them to the objectives of the fund's or strategy's specific guidelines.

Partly because of evolving environmental and social perspectives, there has been a significant rise in interest in recent years in the different forms of responsible investing across our global client base. Climate change, once viewed as an externality to the fossil fuel industry, is progressively becoming internalised into business models, national strategic priorities, and industry regulation; the Covid crisis recalibrated the way that millions think of work and the value of labour; and our interaction with technology and AI is raising ethical challenges alongside creating new avenues for growth.

Put another way, investors recognise the evolving economic power of sustainability-related issues and their influence on demand across a wide range of industries and economic activities, including changing consumer preferences. We believe that ignoring significant environmental and social issues, and the way businesses are governed, alongside other financial matters, would not be in the best interests of our clients. Consideration of material environmental, social and governance issues, therefore, is part of fulfilling our fiduciary obligations to our clients.



01 | Our Approach | Delivering Sustainable Returns

Purpose

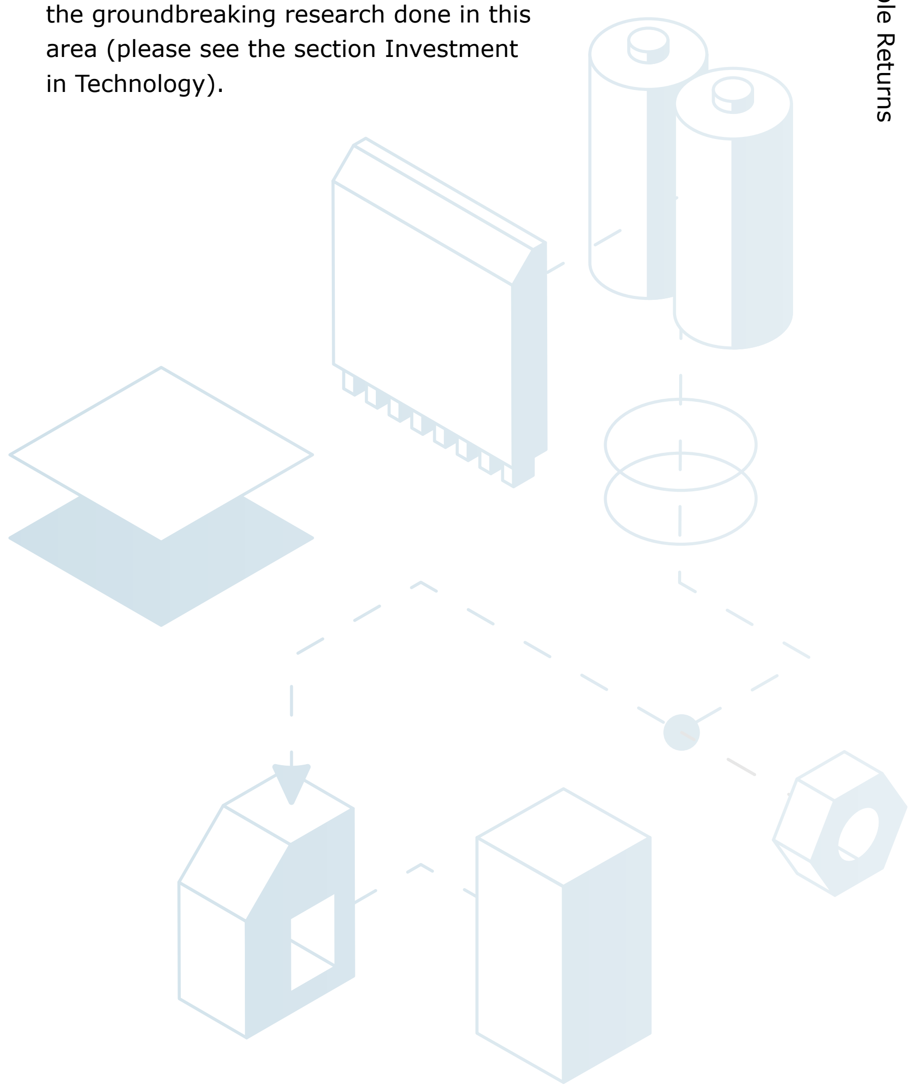
JOHCML's ever evolving approach to responsible investing links directly to our corporate purpose to manage, grow and protect the wealth of our clients. Central to that commitment is recognising that good investment outcomes are paramount to meeting the savings and retirement needs of clients. All our investment teams take an active approach to investing, striving to achieve high performance standards as a core element of our strategic imperatives.

As a global asset management company, our clients come from a broad range of countries and communities and bring a wide range of objectives and values that they wish to be reflected in the investment products they choose. Our clients include global institutions, not-for-profit organisations, financial advisers, individuals and private wealth firms. We provide them with an extensive range of investment solutions to meet their diverse needs: these span country, regional and global strategies, growth and value styles of equity investing, small and large capitalisation focused universes, impact and sustainable thematic funds.

This diverse set of client solutions and products reflects the plurality of investment approaches available to investors. There is no single way of investing and that is part of the healthy functioning of markets and the efficient pricing of securities as evolving perspectives on issues are assimilated into security prices. Each of our teams have their own distinct approaches and market segments. They operate independently and in the best interest of their client bases, solving investment challenges in ways that resonate with the objectives of clients, including still evolving sustainability-related preferences.

Our investment teams have a clear sense of their own purpose which shapes the solutions provided to meet the specific investment needs of clients, an increasing proportion of which include sustainability orientated characteristics. Investment objectives at the strategy and fund level clearly set out the purpose of the product and how this determines eligible activities. As active managers, we make positive choices of which securities to own based on their merits and aligned to achieving the objective and style characteristics associated with the stated investment philosophy.

A growing number of our clients want products aligned to specific sustainability outcomes or with their own values. For example, we are creating investment solutions that help our clients profitably navigate the risks and opportunities from the transition to a low carbon future. Our Horizon emissions model is an example of the groundbreaking research done in this area (please see the section Investment in Technology).



Our Approach to Stewardship

As responsible investors, we recognise our broader responsibility to act as good stewards of other people's assets. This involves using (where appropriate) the proxy votes granted to us and engaging with company management to ensure that these entities have the right governance approaches in place to deliver sustainable financial returns to shareholders and to support the objectives of our investment strategies. Central to this is the appropriate allocation of capital and resources to manage long-term risk and opportunities. Sustainable shareholder value-creation implicitly recognises the important contribution of other stakeholders – employees, customers, suppliers, and communities – to the delivery of resilient financial outcomes.

Engagement provides diverse perspectives from investors (and the clients that they represent) to company management on how the market perceives the effectiveness of the way risks and opportunities are being managed in the interests of shareholders. As active, engaged shareholders, the feedback we provide to management is designed to support good capital allocation and stakeholder management to sustain or improve future financial returns. Engagement also provides a mechanism for reflecting evolving social norms that may have an influence on emerging risks or opportunities within business activities, such as climate change.

As a result, environmental and social issues represent potential risks that may become internalised into business models with potential consequences for the future resilience of shareholder returns. Furthermore, poor standards of corporate governance are often associated with impairment of shareholder value through the ineffective management of material risks or poor awareness of changing market opportunities. Good governance practice, therefore, is about the implementation of effective corporate strategy in the interest of long-term shareholder value creation.

Successful engagement with company management needs to be rooted in understanding the business case for change. This requires that we are well informed on the issues being addressed and acknowledge the multifaceted complexities that businesses face, including external factors, such as regulation or economic conditions.

By taking a long-term perspective, we can act as robust yet supportive partners to encourage improvements aligned to shareholder value creation. Business transformation, especially when companies are facing financial challenges, takes time to enact and brings uncertainty on the likelihood of success.

It is important that we monitor a company's progress on achieving its goals and have a plan to escalate our concerns if actions fail to address the issues identified. This escalation approach should also acknowledge that not all companies can or will change, and that selling to preserve the capital of our clients remains an important option.

The concept of "escalation", however, needs to be managed appropriately and proportionately to the specifics of each issue being addressed. Escalation can carry an association with conflict. Our learning over many years, especially through the stewardship work done by Regnan, suggests that the best outcomes are achieved through constructive dialogue and fostering collaboration in achieving a shared outcome (please see section "What is Systems Engagement?").

Client Alignment

Some of our clients also want to ensure that that their own personal values are appropriately aligned with the investment products that they choose and the values of the firms with whom they wish to do business. Our core values – excellence, integrity and partnership – and financial principles have endured through time and provide our clients with clarity on our purpose.

Within our investment products, our starting point is always the positive choice to include securities to meet an investment objective. For some products, especially those that carry an "impact" or "sustainable" label, there may be associated areas of activity that are avoided (at various threshold levels) as part of the investment objective. These are designed to meet the specific needs of clients who want clarity on how their values can be aligned with their investment choices, or to meet the specific requirements of regulators in the countries in which we operate.

Regnan, our sustainable systems arm, with a history dating back to 1996 when its antecedent group was spun out of the School of Geography and Environmental Science of Monash University, takes a sustainable systems approach to investing, which provides valuable insights that drive their thematic and impact strategies. JOHCML is committed to expanding the range of products in this area.

The sustainable systems approach is a differentiated way to think about the next iteration of responsible investing, as it embraces the rapid changes across many complex and interconnected economic systems. A system-thinking approach can be successfully applied to stewardship activities and is illustrated in the case study on the work undertaken by Regnan on sustainable agriculture. Collaboration is at the heart of the approach The aim is to foster a constructive approach across multiple actors in a system to identify the best ways to improve outcomes.

Collaboration

Collaboration is another form of engagement that is a key component of JOHCML's approach to sustainability. Our vision is to act as trusted advisors and partners with clients, where the service provided goes beyond solely the delivery of good products. Providing clear, unbiased insights and identifying solutions for clients is an important part of the overall relationship.

To achieve this outcome, we strive to improve our own understanding of the big issues influencing the functioning of the financial system. This involves engaging with leading academic institutions such as the Global Systems Institute at the University of Exeter (please see section "University of Exeter – a strategic partnership"). These collaborations provide helpful frameworks for the management of our business, as well as providing insights to clients. We also collaborate with industry initiatives, such as the Diversity Project to support better market practice, which often involves engaging with regulators and policy makers on the evolving norms that shape the broader economy. With sustainability issues increasingly an element of financial and government policy globally, it is important to be actively involved in the debate on the rules shaping the way our industry is governed.

Our approach to stewardship involves not only direct interactions with companies on specific issues, but also takes a system-wide perspective to consider how best to promote positive change. The podcast hosted by our Head of Investments, "Organising the Future", is another important forum for discussing diverse insights on sustainability matters from academics, companies, industry experts and other sustainability experts (please see section "Launch of Organising the Future with Andrew Parry"). In talking to the heads of sustainability at Phillip Morris and BP on the podcast, we demonstrate our willingness to engage on some of the difficult issues facing responsible investors.

Our Principles

We recognise that bringing these broad and complex sustainability influences together in a multi-team framework with a diverse global client base and a range of investment approaches is not a simple matter and cannot be about convenient product labels and overly simplified "best in class" exclusionary approaches to sustainability. Central to our approach is our clarity of purpose: to deliver enduring prosperity to our clients. We take seriously our responsibility to be trusted and effective stewards of clients' wealth and recognise that they will have different objectives and values in the pursuit of investment returns to support their savings or retirement objectives.

Our approach to sustainable investing is underscored by the focus on striving to generate good investment outcomes that meet clearly stated investment objectives. Products with sustainable labels are managed to the same standard of care as other strategies with traditional investment approaches. This means that although approaches to demonstrating our stewardship may vary by strategy and geography, all our investment teams undertake stewardship using the same principles-based framework. An example of this is where there is lower availability of environmental and social company data in emerging markets compared with the developed world. This has led to lower levels of disclosed data from our emerging market strategies, however, this does not mean environmental and social issues are any less considered in their investment processes. In some cases, these issues can be more material to financial outcomes than in developed markets.

Our principles-based approach is designed, as is true for all our investment products, to provide a framework for clients to understand the characteristics of each strategy. These principles are set out below:

- Provide clear investment objectives that define the sustainable approach and how it defines eligible securities
- Demonstrate how eligible characteristics are identified and the alignment of a strategy with these characteristics
- Ensure that there are no overwhelming negative impacts that undermine the fund or strategy objective
- State clearly if any activities or characteristics are avoided
- Describe how voting and engagement (if applicable) are used to support shareholder value creation in line with the investment objective
- Provide transparent reporting based on data and opinions used in the investment process

These principles allow us to show a clear intention to use sustainability considerations as part of the investment objective and how they can be demonstrated throughout the investment process. The objective is to demonstrate how capital is allocated in pursuit of measurable financial returns that are supported by sustainability outcomes.

Ensuring an Effective Service to Clients

Our client needs are rapidly changing due to increasing awareness of the climate crisis, global regulation and an underlying demand for choice and transparency. Clients are no longer looking for a transactional relationship based on a single product alone. Increasingly, they expect their asset managers to act as trusted advisors and work in collaboration with them in finding solutions to achieving both their sustainability and and financial objectives.

Recognising the need to build dedicated resources to meet these evolving client needs, JOHCML created the Sustainable Investments team in 2021 to enhance and further the levels of stewardship already being undertaken by the investment teams. Based in London, the team were tasked with creating a centre of excellence to explore how sustainable investing and stewardship can support and encourage forward-looking, long-term approaches across our investment strategies. Given the unique, multi-boutique, portfolio-manager-led culture at JOHCML, it was important that the Sustainable Investment's team was multi-disciplinary in skill-set and approach so as to unlock enhancements across all of the firm, not just within the investment teams.

Central to the Sustainable Investments team's strategy has been the belief that understanding sustainability requires a holistic approach to investing: investment teams need to be able to consider material environmental, social and governance factors along-side financial data points whilst, at the same time, the reporting and evidencing of these considerations to clients must be transparent and frictionless. It is our duty as responsible stewards of our clients' capital to ensure our clients are comfortable that their investments are being managed in a way that reflects their sustainability preferences. To enable this, a broad spectrum of sustainability data needs to be available to the investment teams and new, innovative sources constantly sought. It was this belief that led the Sustainable Investments team to develop and launch Affinity, JOHCML's proprietary sustainability data platform, in 2022 and to sign a strategic relationship with the University of Exeter's Global Systems Institute (please see section "University of Exeter – a strategic partnership"").

Affinity – a new platform

In 2022 JOHCML developed and launched its proprietary sustainability data platform, Affinity. Affinity brings together in one place a wide variety of structured and unstructured sustainability metrics, many of which are required under diverging global regulations. The platform allows teams to record how sustainability characteristics are considered, adverse impacts assessed (and recorded), and sustainability assessments achieved. Voting and engagement activities are recorded directly on the platform.

Importantly, Affinity allows for 'front-to-back' reporting meaning that the sustainability data that we report to our clients is the same data the investments teams use in their capital allocation decisions. This data can be updated daily and can be accessed in real-time by both the investment teams, our risk teams and client facing teams. This ensures there is only one source of truth and full transparency for our clients.

In 2022, the Sustainable Investment team also launched a new data science environment which will form the foundation for building novel approaches to modelling environmental data to enhance investment team and client insights. The data science environment contains over 20 years of financial and sustainability data on approximately 47,000 listed companies. This has created the foundations for the development of new proprietary tools, such as our emissions forecasting tool, Horizon, built in partnership with the University of Exeter.

The team

The Sustainable Investments team report directly to Andrew Parry, Head of Investments at JOHCML, underlining the importance put on integrating sustainability factors into our investment strategies. In 2022, the team was joined by Nikolaos Dimakis, senior data scientist, and Dr Edward Geall, senior research analyst, who have been instrumental in creating the new data science environment which is creating the foundations for the development of proprietary tools (please see section "University of Exeter – a strategic partnership").

Tom Matthews – Senior Manager
18 years of industry experience. Former Senior Analyst on the JOHCM UK Dynamic fund for eight years, a £2 billion strategy focused on strategic change. Responsible for designing the Fund's integrated approach to ESG and sustainability. Tom completed the postgraduate certificate in Sustainable Leadership at the University of Cambridge and is a qualified accountant.

Nikolaj Babic – Senior Manager
16 years of industry experience. Former Head of Projects at JOHCML, leading the firm's implementation of SFDR. Prior to this, Nikolaj worked as a business strategy consultant across multiple industries and is a qualified lawyer.

Nikolaos Dimakis – Senior Data Scientist
14 years' industry experience and 11 years in academia. Former quantitative analyst at Federated Hermes focused on creating tools to support ESG integration. Nikolaos has a BSc in Computer Science and Informatics from the University of Patras, an MSc in Information Networking from Carnegie Mellon University, and an MPhil in Electrical and Electronic Engineering from Imperial College London.

Dr Edward Geall – Senior Research Analyst
7 years' industry experience and 7 years in academia. Former thematics and sustainable research analyst at Newton. Prior to this, Ed was a lecturer at the University of Warwick where he completed his PhD sponsored by the Economic and Social Research Council (ESRC).

Utkarsh Katyaayun – Analyst
8 years' experience and 6 years in academia. Previously worked in macroeconomic research and data analytics. Utkarsh completed an MBA at the University of Cambridge where he received a distinction.

What is systems engagement

Systems level engagement is a necessary evolution in stewardship. Traditional methods of engagement – identifying issues at a company and talking to the business about them – will only get us so far. We must recognise these methods are not fully mitigating risks or realising opportunities. Annual global greenhouse gas emissions have never been higher, inequality has increased, and high-profile examples of poor corporate practice continue. There are limits on what individual companies or actors can do. What is needed is a broader approach in our engagement perspective, to identify all of the useful levers for achieving change in issues that will otherwise bring risks to portfolios. The complexity of the challenges to future returns means a single-issue focus is less likely to work. We need a multidisciplinary approach that thinks about the interconnected nature of the world we exist in. We need engagement at both the portfolio and system level.

The aim of systems level engagement is to bring decision-making and the impacts on the real economy closer together to reduce actual risk holistically. For example, engagement that goes beyond looking at a company's own operations, to the role they can play in public policy discussions to support a more consistent set of rules for all players. As good stewards we want to help encourage the tilting of the playing field towards a better system for everyone.

Collaboration across the value chain – from producers and growers, to suppliers, purchasers, manufacturers, and retailers – is key. Companies have supply chain relationships with each other, but have not typically structured themselves to work together to solve wider problems. We, as asset managers and good stewards, can help with that.

We recognise that just talking to individual sectors is not going to make much of a difference. Instead we should bring together senior leaders from across a value chain, to try and tease out the big areas creating difficulties, and what is needed to act on the long term risks attached to them. As asset owners we can create a forum of interrelated parties to have those conversations, with a common level of awareness of what is needed. Then we can try and identify where each company is inadvertently creating barriers to progress for other participants within the value chain. Financers play a huge role in backing investments in change at every level, and in creating positive incentives to alter the system. Combined with public policy action, the potential increases for a more consolidated voice of business, fostering a much more collaborative approach on highly interconnected issues.

Systems level thinking is not just about changing the system for the better. It is a way of being better informed to assess fully the 360 degree and aggregate risks to a portfolio. With the increased interest in environmental, social and governance-focused investing, we are at the intersection between what investors might call for in terms of the practices that they want to see from companies or any investment that they hold, and real change in the real economy. Diversifying out of risks is a short-term solution that will have limited impact if the whole system breaks. Investors can choose to decarbonise their portfolios and not hold some stocks because they have high emissions attached to them. But those emissions will still happen and are still creating risks. Unless the underlying factors are addressed, the ability to be able to construct a portfolio around them will become increasingly constrained. It is not possible just to divest from these problems. Systems level engagement recognises that a healthy financial or economic system relies on a healthy social and environmental system.

- Understanding the business case for transformation
- Acting as a robust yet supportive partner
- Acknowledging the complexities of change
- Taking a long-term perspective
- Monitoring progress against objectives
- Escalation plan if progress falters
- Collaboration to help reshape the enabling environment

01 | Our Approach | What is systems engagement

Collaborative Engagements

PRINCIPLE 10

Collaborating for change: Sustainable Agriculture & Food Production

Collaborating with leaders from the public and private sector in order to build a framework to deliver systems-level change in the complex agriculture and food production sector

Teams: Regnan Global Equity Impact Solutions, Regnan Insight and Advisory Centre and Sustainable Investments team
External collaborators: Public and private sector, industry associations, not-for-profits, and academia
Collaborative engagement: Environmental: Greenhouse Gas Emissions, Water Access, Social: Social Responsibility

Issue

The agriculture and food production system has an outsized impact on emissions and resource usage relative to its economic contribution. Collectively, agricultural and food production account for around 12% of gross domestic product (GDP) but are responsible for more than one-quarter of total global greenhouse gas emissions with emissions occurring across the value chain: crop production (~25%), livestock (~30%), transportation and processing (~20%) and land-use (~25%). The agricultural sector also ranks as the largest user of freshwater accounting for 70% of global withdrawls, of which approximately half is wasted.

Notwithstanding its negative environmental impact, the sector accounts for ~40% of total employment globally and its growth is essential if it is to feed a growing population that increasingly consumes more meat and dairy products. This means attempts to remedy environmental issues must also fit within a wider understanding of the social context. The size and complexity of these issues means a systems-level, collaborative approach to engagement is required if there is to be any chance of positive change.

Collaboration

In 2022, JOHCML's sustainability brand, Regnan, hosted a Sustainable Food System Roundtable, based in Australia. This was led by researchers from both J O Hambro Capital Management (JOHCML) and the Regnan Insight and Advisory Centre (RIAC) and brought together over 40 senior leaders from the public and private sector, industry associations, not-for-profits, and academia.

Attendees from JOHCML/Regnan included Alison Ewings, Head of Engagement at RIAC, Alison George, Head of Research at RIAC, and Mohsin Ahmed, portfolio manager for the Regnan Global Equity Impact Solutions strategy. External stakeholders included Anna Skarebek, CEO of Climateworks, Dr Liz Goodwin from the World Resources Institute, and Dr Steven Lapidge of Fight Food Waste Limited. A number of Australian listed companies also attended from across the agriculture and food production value chain, including AACo, Appen, Bendigo and Adelaide Bank, Blackmore, Coles, Commonwealth Bank of Australia, Costa Group, Graincorp, National Australia Bank, Pact Group, and Woolworths.

Objectives

The scope of the roundtable was to identify opportunities for systems-level engagement across the value chain and identify the tools and resources companies require to improve their environmental performance and reporting. By identifying key barriers for stakeholders operating within the value chain and, crucially, potential areas for action, the attendees could begin to build a basis for a series of focused engagements, with these learnings shared by the RIAC team across the Regnan investment teams and, where applicable, JOHCML funds.

Outcomes

Feedback from the corporate attendees was positive with companies welcoming the opportunity to take a more strategic, systems-level, view of the issues facing the sector. This helped them to better understand their wider impact and that of their suppliers and customers; many reflected that they had not discussed these issues previously and that this would form the basis for ongoing efforts to redress issues. It also served to help companies better understand how investors might engage on these issues and what, if any, escalations might be forthcoming.

The output from the roundtable, combined with the feedback from the external stakeholders, provided vital insights into the RIAC team creating a framework for engagement with portfolio companies operating within the food and agricultural sectors. Although still early days, the framework has already begun to be used by the Regnan Global Equity Impact Solutions, working in close collaboration with Dr Edward Geall of the Sustainable Investments team.

A notable example is a series of pre-investment engagements with Cordiant Capital to discuss a potential investment into their Global Agricultural Income Fund in 2022. The engagements with senior management focused on disclosure on issues associated with farmer financing, the measurement of the impacts of this financing, Sustainable Development Goal (SDG) impact tracking, and measurement of greenhouse gas emissions.

Action

The engagements did not result in any material changes to disclosure and, without the relevant reassurances and data, the Regnan Global Equity Impact Solutions team decided against pursuing the investment. The investment team outlined to Cordiant Capital that they felt more needed to be done to allay the concerns raised and proposed approaches discussed at the roundtable event where the issue of measuring and tracking impacts of financing had formed a key point of discussions.

Unilever External Collaboration

Teams: JOHCM UK Opportunities Fund
External collaborators: Institutional investors in UK equities
Collaborative engagement: Governance: Financial

About Unilever

Unilever is one of the world's biggest consumer goods companies. It was founded in the UK over a century ago and now has products in over 190 countries with a turnover of over €60 billion in 2022.

Issue

Unilever is held by the JOHCM UK Opportunities Fund. The investment team became concerned about Unilever's capital allocation and the potential impact on its long-term financial health when organic growth began underperforming its own targets and peers. Concerns stemmed from several areas including:

1. Underinvestment in organic growth to protect an arbitrary margin target.

2. Over-distributing profits that may lead to unsustainable increases in earnings per share growth.

3. Pursuing inconsistent mergers and acquisitions to offset lower growth and market share losses.

These concerns came to a head in January 2022 when it was reported that Unilever had attempted to acquire GSK's Consumer Health division for £50bn. The team felt their issues needed to be raised with the company but also understood that creating the required pressure for change would require a significant proportion of stakeholders and, therefore, collaboration. The UK Opportunities team chose to engage with a well-known collaborative engagement facilitator to seek shareholder collaboration on an agenda for change. The team believed that other shareholders would likely be looking to raise similar concerns and, given corporate access to Unilever was typically limited to group meetings, the Investor Forum could create a more appropriate forum for this type of engagement.

Objectives

The collaborative engagement facilitator formed a group of Unilever shareholders who had shared concerns and objectives. The shared objectives of the engagement were to push Unilever to:

1. Improved operational performance

2. Improved transparency in capital allocation

3. Build a more engaged board

On 7 April 2022 a call was held with the CEO and Chair to address concerns and outline the group's objectives. Over 30 investors attended the call. Unilever presented its strategy and answered shareholder questions.

A follow-up letter was issued to the Chair to reiterate these requests and to encourage a constructive dialogue with an activist shareholder who was pushing for similar changes at the company.

Escalation

The team felt that further escalation of their issues was also needed and voted against the re-election of most of the executive and non-executive board members at the 2022 AGM, including voting against the re-election of the Chairman and the CEO.

Outcomes

Results reported in July 2022 suggested that management had recognised the concerns outlined in the collaborative engagement. It was announced that internal investment would be increased to deliver organic growth, with higher capex and marketing spend. Margin targets were also removed and a new organisational structure announced.

In July 2022 the team also supported the successful election of the activist investor to the Board. In September 2022, the company announced the intention of the CEO to retire by the end of 2023, suggesting that the Board had also recognised the need for a change in approach.

Action

The refresh of the most significant Board members demonstrates the willingness of the Board to increase its engagement with shareholders and is a necessary step to achieving the remaining engagement objectives of the collaborative engagement. The team, and fellow collaborators, continue to engage with the company to push for a strategy that focuses on greater internal investment capable of delivering faster organic growth. The recent Board changes have led to an increase in conviction in Unilever for the team. The team continue to own a position in Unilever.

Launch of "Organising the Future with Andrew Parry"

The objective of the podcast was and remains to provide real world insights into sustainable investing in a way that makes sense to investors. A key aim is to offer insights that inform and support robust investment decisions, tailored for investment professionals working in institutions with considerable assets to deploy. We aim get beyond ESG as a marketing label, to avoid cliché and to tackle greenwashing. We are especially aware that investment requires a real return and that those returns pay for pensions and other vital social benefits. If sustainable investing is to mean anything, it must satisfy both sides of the equation – it needs to provide both meaningful pensions and a world in which to enjoy them.

Given the sophisticated, highly-informed audience we sought, we felt it was important to offer differing perspectives rather than easy answers. For this, we cast a wide net in seeking guests, with the key provision that we wanted people who had evident expertise and a passion to share it. Guests have included:

- Robert Eccles, a professor at Said Business School,
- Aniket Shah, head of sustainability at Jeffries Investment Bank,
- Desiree Fixler, a whistleblower at DWS and now a consultant on sustainability to the FCA,
- Tim Lenton, director of Global Systems Institute at Exeter University,
- Denise Hearn, author of The Myth of Capitalism,
- Jennifer Motles, head of sustainability at Philip Morris International and
- Guilia Chierchia, head of sustainability at BP.

A podcast was the ideal form as it allows long-form and nuanced conversations, which we felt the subject needed and deserved. It gives scope to bring in diverse voices, while allowing the presenters room for spontaneity and to express their enthusiasm and personality in ways that would engage an important but hard-to-reach audience on a topic that is complex but urgent.

The podcast developed on the recognition that there was a gap in the discourse connecting real-world investment challenges, such as strong long-term returns, including the need for income, with the evolving narrative on sustainability, in particular the move from marketing-led labelling to more challenging regulatory requirements. We felt that institutional investors would appreciate a forum where these current, important and urgent issues could be properly addressed.

There have been a number of challenges. We wanted guests from all sides of the argument. We wanted to draw on the expertise of our guests and give them a space to develop their ideas, but keeping the conversation focused on issues relevant to the audience and to the purpose of the podcast. We wanted frank and relevant conversations while adhering to boundaries relevant to a number of stakeholders, including compliance, invested clients and the guests themselves. We wanted to allow guests to express strong but thoughtful and relevant opinions while maintaining fairness and balance.

University of Exeter – a strategic partnership

In 2022 JOHCML entered into a strategic partnership with the University of Exeter to collaborate on new research and executive education in the fields of systemic risk and sustainability (the link to the press release can be found here). The long-term agreement will see both institutions work together to enhance understanding on how the latest thinking on global systems risks related to climate change and sustainability can be integrated into company boardrooms across the world.

World-leading climate researchers from the University of Exeter Business School and the University's Global Systems Institute (GSI) led by Professor Alexandra Gerbasi and Professor Tim Lenton, will explore the systems thinking of climate change and sustainability and the implications for business alongside industry experts from JOHCML and its sustainable systems investing arm Regnan. The partnership started with the sponsorship of the conference 'Tipping Points: From Climate Crisis to Positive Transformation', a global meeting held from 12-14 September 2022 at the University of Exeter that explored ways of averting the climate crisis through positive tipping points.

Biodiversity is an area of focus for investors, which has gained greater prominence with the launch of the Taskforce for Nature-related Financial Disclosures (TNFD). As an expanded part of our collaboration with the University of Exeter, JOHCML have sponsored a PhD student who will be researching the interconnection between nature and economic systems.

2022 also saw the running of a number of executive education programmes led by GSI academics and involving JOHCML's Executive Committee, Board, investment and distribution staff. The sessions were designed to enhance access to the latest research, discussions, and training on the science of sustainability and their relevance to investment management.

02
Our organisation

Corporate governance

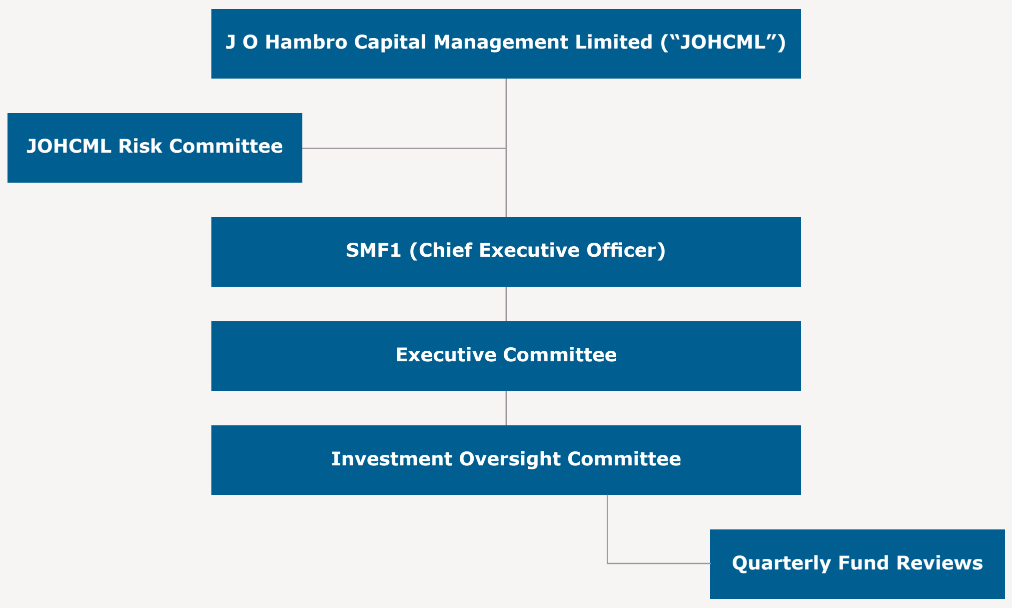
PRINCIPLE 2

Governance, Resources and Incentives

The JOHCML business has operated as an investment boutique within the Pendal Group since 2011. In January 2023, Pendal Group Limited was acquired by Perpetual Limited. Perpetual is listed on the Australian Securities Exchange (ASX Code: PPT) and is a diversified financial services company providing asset management, private wealth and trustee services. There are no changes to key investment teams or capabilities and JOHCML maintains its investment autonomy and unique value proposition.

JOHCML recognises the importance of stewardship practices and considers these to be a fundamental aspect of the firm's corporate governance arrangements. Clear and robust decision-making and lines of responsibility have been implemented to ensure that the organisation is well-placed respond to evolving stewardship and sustainable investing practices and regulatory developments.

Sustainability governance structure



JOHCML's Board and Executive Committee retain overall responsibility for the implementation of the strategy of the Company, including the integration of stewardship principles. This is achieved through the adoption of a number of policies and procedures, including the Stewardship policy (link) and Sustainability Risks policy (link). In addition, the Board and its Risk Committee also regularly monitor the level of responsible investing risk. The Head of Investments and the co-heads of Sustainable Investment team regularly attend these meetings to provide specific insights into our evolving practices on managing specific sustainability risks and evolving regulatory guidance or rules. In particular, climate change has been a specific topic of focus for the Board.

Frontline oversight of the sustainable investment practices of each investment team, including stewardship matters such as proxy voting, is conducted by our Investment Oversight Committee. This forum, comprising subject matter experts, reviews, and monitors key sustainability indicators generated through our proprietary Affinity platform (discussed further on page 14), and takes any action as appropriate.

Feedback from Internal Audit and the Funds' Depositories on the management of sustainability matters is actively sought and integrated into our governance structure.

At a more granular level, sustainability factors are considered as part of the quarterly portfolio review process by the Risk, Trading and Sustainable Investing teams in conjunction with the Head of Investments and individual portfolio management teams; Compliance attend these meetings as observers. The output from these meetings is fed into the Investment Oversight Committee which is responsible for prioritising, tracking and completing any initiatives arising from the reviews. On a quarterly basis, the Investment Oversight Committee reports on all matters within its duties and responsibilities, including stewardship and sustainability matters, to the Executive Committee, including specific action points.

We believe that the governance approach for the oversight and management of our stewardship and sustainability activities is effective and proportionate to the size and culture of the firm.

Developments to governance structure

In 2022, we made a number of enhancements to the investment governance oversight following the hire of Andrew Parry as the Head of Investments in February of that year and Simone Guidi as Head of Investment Risk in September. Please see Andrew's biography which details extensive investment industry experience. Following the creation of the Sustainable Investments team in 2021, the consideration of sustainability risks was formally integrated as a separate section to the quarterly portfolio reviews, alongside performance, risk and liquidity considerations.

The approach to the meetings has also changed, with the reviews focusing on providing portfolio managers with insights on performance, risk and sustainability matters that were forward looking and aligned to achieving better investment outcomes. This included identifying stewardship opportunities to address specific issues. Affinity has aided this enhancement and provided a consistent view of the sustainability characteristics across strategies and a common platform for recording the progression of stewardship activities. With growing regulatory scrutiny and evolving sustainable investing frameworks, it was important to have a data-led approach to reviewing sustainability characteristics and how they aligned to strategy investment objectives. The response from the portfolio managers to these changes has been positive.

A further enhancement in 2022 was the creation of the Investment Oversight Committee (IOC), chaired by the Head of Investments. The aim of the IOC was to provide a more effective governance framework for the consideration of performance, risk, trading, stewardship, and compliance matters, with appropriate escalation to the Executive Committee, where necessary. The growing complexity of regulation within and across these areas, and divergence between jurisdictions, required an enhanced structure for consideration, recording and escalation of any issues arising. As JOHCML operates a decentralised approach to investing, with the investment teams operating independently of each other, the IOC has been structured to provide a consistent framework for evaluating a plurality of approaches, without imposing a centralised determination of what good looks like.

Investment in Technology

Building on the creation of the Sustainable Investing team in 2021, we embarked on the development of new tools and capabilities to provide regulatory agnostic sustainable data for all teams on a common internal platform, managed by that team. In 2022, we launched the Affinity sustainable data platform and our our first data science team. The volume of sustainable data, structured and unstructured, is growing exponentially, which poses a challenge as well as an opportunity. The Sustainable Investments team were tasked with building new tools to better analyse and manage sustainable data and to link it to traditional financial data, which is generally missing from existing ESG-related third-party services.

The first model that the team began building in 2022 was Horizon, a probabilistic GHG emissions model that looked at the likely trajectory of a company's future emissions and alignment with different climate scenarios. The model was built in collaboration with the Global Systems Institute at University of Exeter. Using this model, we look at future cumulative emissions and apply a carbon price to look at the potential carbon liability of a company and portfolio. Horizon will form a central part of our future TCFD reports and by embracing the inherent uncertainty associated with emissions and the climate, it will provide a more nuanced assessment of climate risk than existing models.

Stewardship training

In recognising the importance of stewardship and wider sustainability considerations in Board discussions and decision-making, sustainability forms part of the Board's collective skills assessment which feeds into the annual training schedule produced by the Company Secretary. In 2022, we commissioned the Business School of University of Exeter to provide training on climate change to the Board and Executive Committee. The training was designed to enhance their understanding of the science of climate change and the business risks and responsibilities that they need to manage. The University also provided training on climate change to the investment and commercial teams.

Upskilling our staff in their understanding of environmental, social and governance risks has remained a key focus throughout the year. Training stretches beyond the investment teams, as we believe a best-in-class stewardship approach requires a sustainable mindset to be instilled throughout the organisation, including those staff running the day-to-day operations of the business. We continue to offer our employees the opportunity to undertake company-funded external qualifications and training, and the business continues to sponsor any employee wishing to embark on the CFA Certificate in ESG Investing or other sustainable investing courses.

JOHCML Limited Board of Directors (as of 31 December 2022):

Alexandra Altinger – Director

31 years of industry experience, joined JOHCML in September 2019

Alexandra Altinger has over 30 years' experience in the wealth and asset management industry across Europe, Asia and the US. She previously spent four years as CEO of Sandaire Investment Office, a UK multi-family office, where she led the business integration process after Sandaire acquired Lord North Street Private Office in 2014. Prior to Sandaire, Alexandra worked within the executive team of Lansdowne Partners International, helping to lead the firm's repositioning efforts for its long-only products in global institutional markets. Previously she was at Wellington Management International where she had a number of senior roles and led Wellington's European sub advisory and mutual fund business. Alexandra has also served as an Equity Research Analyst at John Hancock in Boston and has worked in Japanese equities research sales for Goldman Sachs in Tokyo and London. She started her financial career as a Proprietary Trader on the arbitrage desk with Banque Nationale de Paris (Securities) in Tokyo. Alexandra has a Bachelor of Arts and a Master of Arts in International Economics from Université de Paris-Dauphine, Paris and is a CFA Charterholder and member of the CFA UK Advisory Council. She is also a founding member of the Advisory Committee of The Diversity Project, an ambitious initiative to promote diversity in all its forms across the UK asset management sector. She is fluent in English, German, Italian and French and proficient in Dutch and Japanese.

Stephen Lynn – Director

29 years of industry experience, joined JOHCML in November 2015

Before joining JOHCML, he worked for the Mirvac Group where he was Group Financial Controller. Prior to this he has held a number of senior financial and accounting roles for Babcock & Brown (UK and Australia) and Baker Tilly (Eastern Europe). Stephen holds an MBA in Business Administration and is a fellow of the Association of Chartered Certified Accountants, having qualified in 1997, and is a Chartered Manager.

Jane Leach – Director (Independent Non-Executive)

36 years of industry experience

Jane has over 30 years' experience in UK financial services, and has held senior leadership roles in the industry since 2000, most recently as Group Capital Controller at HSBC , and before that as a partner at KPMG. She is a Fellow of the Institute of Chartered Accountants in England and Wales, and currently serves in a non-executive role as a senior adviser on a part-time basis to The Bank of England, and is Deputy Chair of the trustee board of a UK registered charity working for children's rights.

James Firn – Chairman & Director (Independent Non-Executive)

38 years of industry experience

James, both an American and a British citizen, is a member of the Washington State, American and International Bar Associations. He began his career as an employee of Russell Investments from 1988 and worked there until his retirement in June 2014. In that time, James managed various departments within the Adviser's

EMEA team including Legal, Compliance, Risk Management, Internal Audit, Product Development and Marketing. He also acted as principal liaison with government, regulatory and industry groups in EMEA and advised members of senior management in other regions in which the Russell Group operates on business, product and legal matters. He was also associate attorney of a US law firm. Currently, James is an independent non-executive director of a number of fund management, administration and distribution companies, and of collective investment schemes authorised by the Central Bank and in the Cayman Islands.

JOHCML Limited Executive Committee (as of 31 December 2022)

Alexandra Altinger – Chief Executive Officer – UK, Europe & Asia

(see Alexandra Altinger's biography on page 29)

Markus Lewandowski – Chief Operating Officer – UK, Europe & Asia

27 years of industry experience, joined JOHCML in May 2017

Markus initially joined JOHCML as an external consultant. He was later appointed as JOHCML's Head of Change Management in April 2018 and subsequently appointed as Chief Operating Officer in March 2019. Before joining JOHCML, Markus spent four years working as an independent consultant specialising in the delivery of operations-related change programmes for companies located in the United Kingdom and Europe. Prior to this, he worked for Marathon Asset Management for over 12 years. As Head of Information Technology, Markus was responsible for the maintenance, management and development of the organisation's network and application architecture. While in Australia, he worked as a Fund Accounting Manager for Colonial First State. Markus holds a Bachelor of Commerce – Accounting from the University of Western Sydney.

Christina Grove – Head of Legal and Compliance – UK, Europe & Asia

30 years of industry experience, joined JOHCML in June 2015

Christina is a qualified English Solicitor who has been practicing for almost 30 years, entirely in Financial Services. She trained and qualified at Clifford Chance, where she advised a wide range of international clients in the Investment Management, Global Custody, Banking and Fund Sponsor sectors. Post-qualification, Christina moved out of private practice to pursue an in-house career in the investment management field, working first for Credit Suisse Asset Management followed by Citigroup Asset Management and Legg Mason. Prior to joining JOHCML, Christina led the London Legal team at Wellington Management, a role she held for seven years. Throughout her career as Legal Counsel within these global organisations, she has provided service and advice across a broad spectrum of legal, regulatory, contractual, litigious and governance matters. Christina holds a BA (Joint Hons) in Modern Languages from Oxford University and completed her legal studies at the College of Law in London.

Stephen Lynn – Chief Financial Officer

29 years of industry experience, joined JOHCML in November 2015

(see Stephen Lynn's biography on page 29)

Dee Hogan – Head of Human Resources – UK, Europe & Asia

11 years of industry experience, joined JOHCML in April 2016

Prior to joining JOHCML, Dee worked for Chubb Insurance in the role of Human Resources Consultant. Having joined JOHCML in 2016 and being appointed to the role of Head of HR in 2020, Dee has responsibility for all employment related matters and Human Resources policies and practices. Dee holds a BA in History and a PGDip in Business Studies from University College Dublin, a PGDip in Human Resources Management from the London Metropolitan University and is chartered MCIPD.

Steve Alexander – Head of Risk

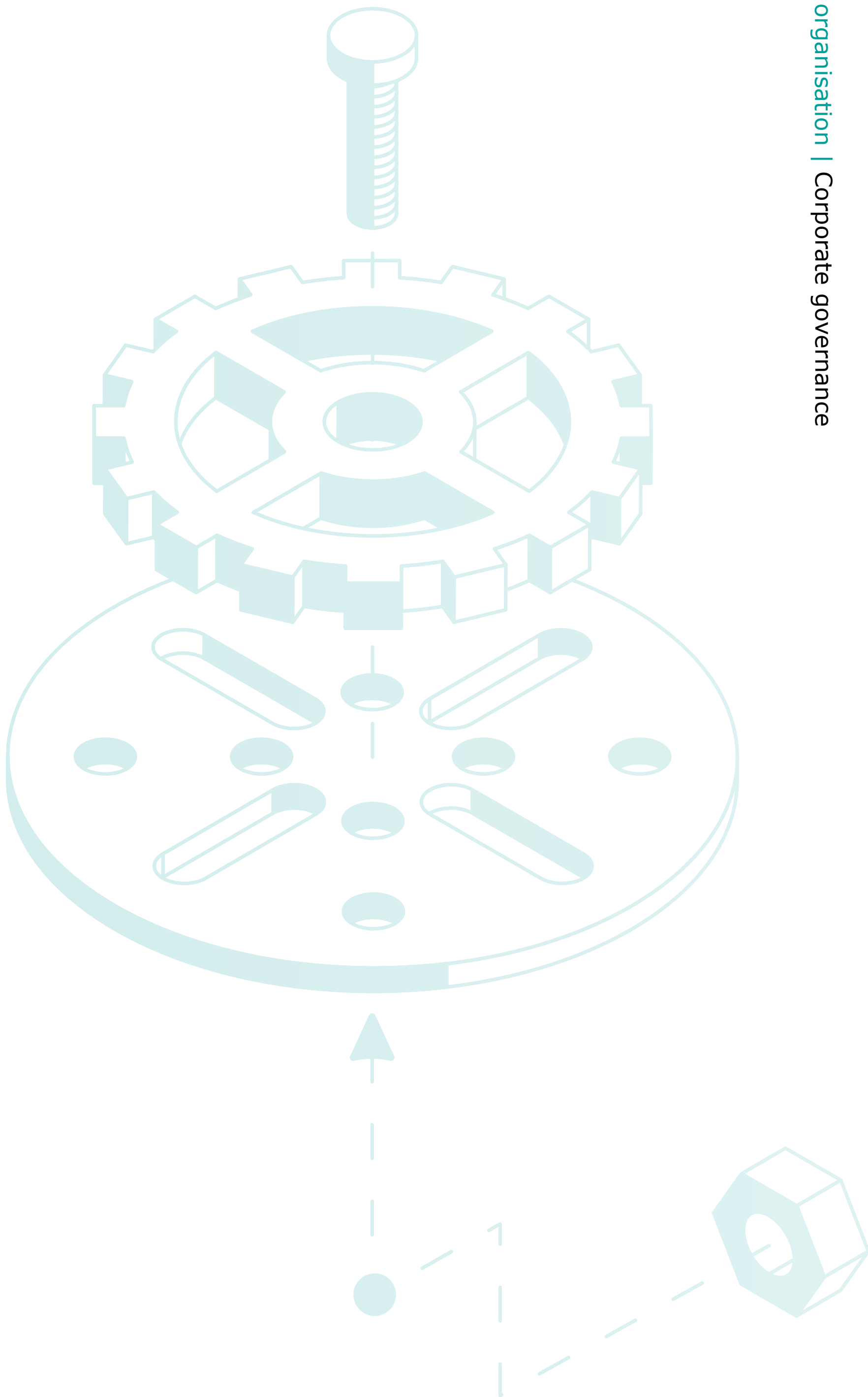
25 years of industry experience, joined JOHCML in August 1997

Steve is responsible for the coordination of risk management activities at JOHCML. He has held this role since September 2013 when the firm established a functionally independent risk management function. He has more than 20 years of asset management experience accumulated in a diverse range of roles at JOHCML since joining in 1997. Prior to his current role Steve was responsible for investment risk analytics. He has previously managed the firm's hedge fund operations and established the firm's Performance Analytics function.

Andrew Parry – Head of Investments

38 years of industry experience, joined JOHCML in February 2022

Andrew is the Head of Investments at J O Hambro Capital Management and Regnan. He is responsible for the oversight of the investment functions within these businesses, he also sits on the executive committee. Andrew is a highly respected investment expert with over 30 years' experience. He has held senior roles at a number of leading asset management companies including Lazard, Barings and Hermes and was most recently, prior to joining J O Hambro, the Head of Sustainable Investment at Newton Investment Management. He is a member of a number of investment bodies, he sits on the CFA UK Society Committee on Diversity and Inclusion and is a Trustee Director of the Trafalgar House Pension Trust. He was a former co-chair of the UNEP FI Positive Impact Initiative.



Risk governance

PRINCIPLE 2

PRINCIPLE 5

PRINCIPLE 7

PRINCIPLE 4

Corporate Governance

Three lines of defence

JOHCML operates a continuous risk management life-cycle, whereby all material risks within the firm are identified, assessed, managed, monitored and reported. JOHCML seeks actively to identify all material risks that may affect the business, and to ensure that these are managed appropriately in line with the Three Lines of Defence model:

1) First line of defence

(1LoD) is the identification, implementation, evaluation and ownership of risks and controls by front-line staff.

- Top-down risk identification and assessment is performed by senior management at JOHCML.
- Bottom-up business area risk registers reinforce ownership and accountability of risks.

2) Second line of defence

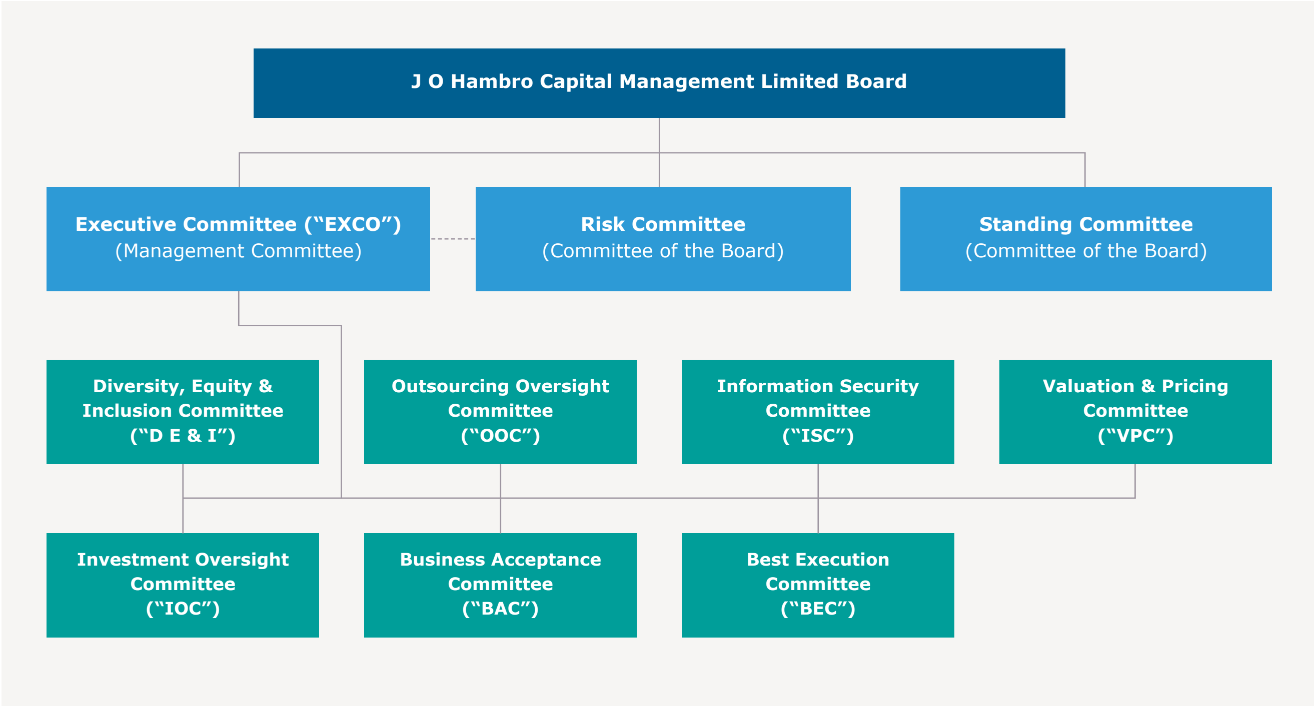
(2LoD) is the independent oversight of the risk management activities performed by 1LoD.

- The Risk team is responsible for the day-to-day oversight and implementation of the Risk Management Framework (RMF) which consists of the identification, assessment, management, monitoring and reporting of risks across JOHCML.
- Risk & Control Self-Assessments (RCSAs) completed by the 1LoD provides ongoing risk identification and assessment, including assessment of the design and operating effectiveness of associated controls.

3) Third line of defence

(3LoD) is provided by Internal Audit, which independently assesses and makes recommendations to improve the effectiveness of 1LoD and 2LoD.

- KPMG were appointed as JOHCML's Internal Auditors in January 2019 until January 2023. Internal Audit services are now provided by Perpetual's Internal Audit function, who report directly to the Audit and Risk Committee. The independent Internal Audit function provides the JOHCML Board and senior management with a comprehensive assurance service, based on the highest level of independence and objectivity.



Key Personnel

JOHCML has a hierarchically and functionally separate dedicated risk management function, led by the Chief Risk Officer UK & Europe (Steve Alexander), who is responsible for the implementation of the Risk Management Framework (RMF). The Chief Risk Officer UK & Europe (Steve Alexander) reports regularly to the risk focused meeting of the Executive Committee and JOHCML Risk Committee, providing an assessment of the firm's risk position against its RAS.

Risk monitoring

Risk and control monitoring is the ongoing responsibility of individual business managers in the 1LoD, with oversight and support provided by the Risk team. The Risk team reports at least quarterly to the risk focused meeting of the Executive Committee and JOHCML Risk Committee via its risk report. This report includes analysis of the current risk position against the risk appetite set out for all risks as defined in the RAS, enabling effective risk-based decision making through aggregated risk reporting.

Senior members of the Risk team also engage in the continuous scanning of the exogenous risk environment, with any material issues identified being reported. The risk taxonomy for JOHCML lists the material risks identified as part of the top-down risk identification process. As at 31 December 22, this included:

A. Strategic & business risks: Strategy alignment and execution; business model; people (investment team concentration risk); transformation (change management); group risk; responsible investing.

B. Product & performance risks: Product and investment performance risk (portfolio performance, investment risk, liquidity, credit & counterparty and product governance); distribution.

C. Operational risks: Behaviour and conduct (including internal fraud); people; regulation and legislation; supplier management (including outsourcing); business resilience, cybersecurity, data management, systems and processes.

D. Financial risks: Firm liquidity, credit & counterparty, capital management and market risk.

Qualitative statements and quantitative limits, including Key Risk Indicators (KRIs) with defined thresholds, are detailed within the JOHCML RAS.

Management of investment risk and stewardship

The JOHCML Board has overall responsibility for the management of risk. It formally owns the Risk Management Framework ("RMF"), risk policies and is responsible for setting the risk appetite with associated limits. This provides the context for senior management to manage risk and report regularly to the JOHCML Board on risk position against defined parameters.

The JOHCML Board is assisted in its risk management activities by the JOHCML Risk Committee which meets quarterly and is chaired by an independent non-executive director.

A formal terms of reference is in place detailing its responsibilities, which include:

- Oversee, and advise the JOHCML Board, on overall risk appetite, limits and risk strategy.
- Review the effectiveness of, and recommend updates to, the risk appetite statement and RMF.
- Monitor key risks and movements in risk profile.
- Ensure adequate action is taken to address adverse findings and monitor the risk culture.

The JOHCML Risk Committee is in turn supported by a risk focused meeting of the Executive Committee which acts as an executive management review forum for matters within the JOHCML Risk Committee's purview.

The heads of JOHCML's Investment, Risk and Performance teams provide comprehensive oversight of the investment teams and their strategies. Each team attends a formal quarterly review which incorporates an analysis of the performance, decision-making, risk profile, fund liquidity, compliance, and a sustainability risk review.

These quarterly reviews provide comprehensive oversight of investment teams and their corresponding funds and strategies, including monitoring the attainment of any environmental and/or social characteristics they may promote or sustainable investment objectives. Any matters arising from these meetings are escalated to the Investment Oversight Committee, which monitors any exceptions.

JOHCML's proprietary sustainability data platform supports the firm's monitoring process as it brings together data from several third party and open-source providers to create a range of sustainability indicators and metrics.

These metrics are available to the firm's monitoring and control functions on a real-time basis at an individual company level and at the aggregated portfolio level. Please see section "Affinity".

Market-wide and systemic investment risk

Market-wide risks are captured as part of the Risk team's top-down risk identification process; however, insight into identifying and responding to these emerging risks is best provided by the investment teams. With established track records, long investment horizons and strategies spanning the world, the investment teams' knowledge of news flow provides the most timely and informed approach to managing most market risks. Market-wide risks are usually considered under investment risks, including the macroeconomic environment and systemic risks. JOHCML's Head of Investments reviews the investment teams assessments of market risks on a quarterly basis (see the section "Management of Investment Risk and Stewardship"). The Head of Investment further chairs a monthly Portfolio Management Forum to discuss both market-wide and systemic risk and risks that may be specific to asset classes and/or strategies.

Systemic and systematic risks at the individual strategy and market level are also reviewed at the quarterly Investment Oversight Committee ("IOC") meetings, which is chaired by the Head of Investments. Any material issues that require further action can be raised to the JOHCML Executive Committee for further investigation.

Integrating material environmental and social factors into investment processes is essential in ensuring that systemic risks are identified and included in investment risk. The plurality of investment approaches across JOHCML brings diversity of thought on how best to mitigate these complex risks for our clients. Many of our investment teams have opted into the European principal adverse impact regime (PAIs) under the SFDR. At a firm level, PAIs have been prioritised to determine whether the mitigating actions taken by our investment teams are sufficient in relation to the identified sustainability indicators.

JOHCML uses the World Economic Forum (WEF) annual Global Risks Report (GRR) as the basis for its prioritisation of sustainability indicators (these can be found at www.weforum.org/reports/). Since 2006, the GRR has been underpinned by the WEF's Global Risks Perception Survey (GRPS), which draws insights from the responses of nearly 1,000 global experts and leaders, representing one of the most comprehensive, independent and global assessments of global risks available.

The GRR details a Global Risk Severity top ten; to create this directory, respondents are asked to choose nine risks from a list of 37 global risks and rank them from 1 to 9 according to their perceived severity of impact. The 'most severe' is defined as having the potential to yield the most damage on a global scale within the next ten years. Respondents are also asked to value the impact of risks considering multiple criteria, including:

- human suffering;
- societal disruption
- economic shock

- environmental degradation
- political instability

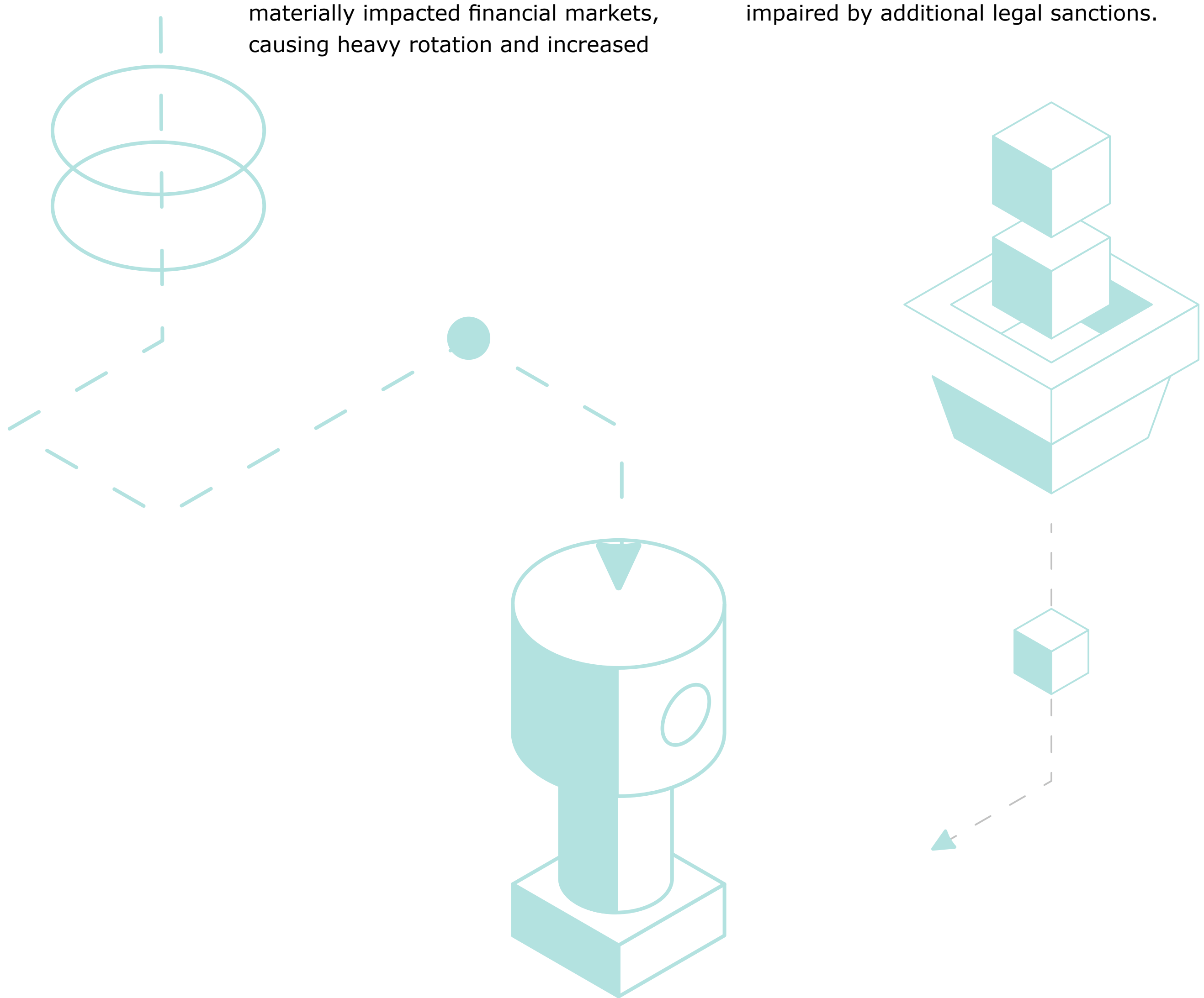
JOHCML then identifies if the global risks from the GRR's Global Risk Severity top ten have any relevant sustainability indicators related to them. The sustainability indicators are then mapped to these global risk categories and prioritised according to the GRR. In 2023, JOHCML will be reporting on TCFD for 2022 at a firm level and integrating TCFD recommendations into the firm's oversight structures. This will bring a deeper understanding of systemic risks posed by climate change into the firm's governance model, thereby influencing not just investment insight but JOHCML's strategy.

Invasion of Ukraine by Russia

The Russian invasion of Ukraine has materially impacted financial markets, causing heavy rotation and increased market volatility. The elevated geopolitical and economic risk created an uncertain outlook, and in response, risk identification and management was coordinated across the firm.

By 1st March, Head of Risk and Group Head of Legal & Compliance, submitted an report to the JOHCML Executive Committee confirming all the actions taken and to be taken relating to the Russian/Ukraine war and consequent sanctions imposed on Russia.

Ultimately, in anticipation of more comprehensive restrictions coming into force against Russian individuals and entities and against those connected with the Russian claimed regions in Ukraine, we widened our review beyond the above steps. This action provided mitigation against the risk of new assets becoming impaired by additional legal sanctions.



Human resources

PRINCIPLE 2

Training and Development

A key component to a best-in-class stewardship approach is ensuring all staff are trained to understand and handle the constantly emerging risks and issues that come with managing our clients' assets. We continue to support our staff in further learning and development, through a central budget dedicated to staff training and professional qualifications.

Upskilling all our staff in their understanding of environmental, social and governance risks has remained a key focus throughout the year. Training stretches beyond just the investment teams, as we believe a best-in-class stewardship approach requires a sustainable mindset to be instilled throughout the organisation, including those staff running the day-to-day operations of the business. Following a successful uptake last year, in 2022, two people from our RFP and Secretarial Support teams participated in the CFA Society UK's Certificate in ESG Investing and two people from our US Product and Fund Managements teams participated in the CFA UK Certificate in Climate and Investing. We will continue to support our people in studying these important areas of investing on an ongoing and voluntary basis.

Monitoring and improving employee wellbeing is another key component of a best-in-class stewardship approach. Building on the suite of education and training opportunities focused on increasing understanding of mental health and wellbeing last year, in 2022 we partnered with medical and topic experts to host focused sessions on Managing Grief and Creating an Inclusive Working Environment.

Diversity, Equity and Inclusion

The success of our business relies on valuing every employee for their distinctive skills, experience and perspective. We believe that divergent views promote creative thinking and innovation, which in turn strengthen decision-making, risk management and business performance.

Supported by the work of the JOHCML Diversity, Equity and Inclusion Committee, we continue to focus efforts on fostering a truly diverse and inclusive organisation, in which fairness and transparency are valued and promoted. We recognise that a culture of diversity and inclusion requires clearly defined KPIs, embedded from the top of the organisation, that are regularly reviewed and refined, plus a programme of targeted activity. Key partnerships and initiatives we participate in include:

- DE&I diagnostics. JOHCML has an established Diversity, Equity and Inclusion Committee which drives the ongoing efforts towards a diverse and inclusive workplace.
- To build on these efforts, in 2022 the firm engaged with external consultants who specialise in DE&I to assist in analytical support and help the firm perform diagnostics to inform its DE&I priorities and develop a clear and measurable action plan as the firm

considers it's DE&I strategy over the long-term.

- The Diversity Project Pathway programme. In September 2022, we committed to this new initiative, which commenced in January 2023. It is a targeted programme aimed at developing female fund management talent.
- Moving Ahead Mentoring. We are participants in the MissionINCLUDE mentoring scheme, a cross-company initiative focused on improving diversity across organisations, by offering mentorship opportunities and championing diverse talent within organisations. Building on this, an internal mentoring programme is being established with plans for a pilot programme to go live Q1 of 2023.
- Diversity Project. We are a member firm of the Diversity Project, which is a cross-company initiative championing a more inclusive culture within the savings and investment industry. Our CEO, Alexandra Altinger, sits on the CEO Advisory Board.
- Investment20/20. JOHCML has been a supporter of this initiative for a number of years. Investment20/20 is a sector-led talent service for the investment management industry, providing a platform for our industry to reach and develop capable young people from more diverse backgrounds.
- Remote Working Policy. In recognition of and to support the work-life balance of our people, JOHCML has implemented a Remote Working Policy which is practiced across all levels of the Company.
- Diversity data collection. As part of the Company's ongoing commitment to diversity, equity and inclusion, we have actively focused efforts on the collection and maintenance of diversity data across the organisation. Through targeted campaigns, our staff are encouraged to disclose diversity data and significant progress has been made in the gathering of such data.

Remuneration practices

The remuneration structure for investment professionals includes a base salary, a revenue share (proportion of the management fee generated), and a share of performance fees (on selected vehicles). A significant proportion of any variable award is deferred into a combination of group equity and holdings in the funds managed by the team. These awards are subject to malus and clawback provisions and all remuneration is overseen and approved by the Board of JOHCML.

The approach taken to remuneration is to support the strategy of generating successful long-term sustainable investment returns for clients. Incentives are designed to align the remuneration of investment managers with investment outcomes for clients and is linked directly to our purpose to achieve attractive long-term returns through active portfolio management. Each investment team has its own independent approach to generating returns driven by their clearly stated investment objective and style. This independence of thought and focus on performance is part of the culture of the firm and the remuneration structure provides clarity and simplicity on how success is rewarded.

There is no specific reference to stewardship in our remuneration policy, as we believe that the assessment of material governance issues should naturally form part of a responsible investment process and should not be made divisible or separate from good investment practice.

As allocators of capital with the intent to generate good investment outcomes, portfolio managers and analysts are best placed to engage with corporate management. They take an integrated approach to understanding the interplay between financial performance and how the governance of material environmental and social issues influence sustainable shareholder value-creation. Each team interprets these insights aligned with the investment objective of their strategy.

Active, constructive engagement, and how we subsequently vote the proxies granted to us, is an integrated and explicit part of the investment process for many of our teams and is an indivisible part of how strategies are managed. For other strategies, with higher levels of portfolio activity, for example, stewardship activities take a different form that is aligned to the particular investment style and objective of the team. In all cases, our approach to stewardship and consideration of material financial, environmental and social issues, and how these are governed, form part of our primary purpose of striving to achieve sustainable long-term investment returns for our clients.

Conflicts of Interest

Organisational Approach

PRINCIPLE 3

Managing conflicts of interest, including those related to engagement and voting, is critical to JOHCML's culture and reputation. We operate within a conflicts management framework that enshrines the core values of honesty, fairness and professionalism. These underpin our relationship with our clients and reflect the trust that our clients place in us in our role as investment manager and adviser. These values are in turn articulated in the various regulatory regimes to which we are subject in doing business across the globe, and our conflicts management framework is therefore also designed to meet those regulatory standards on an ongoing basis.

We maintain a Conflicts of Interest Policy which is appropriate to our size and organisation and to the nature scale and complexity of our business. We also publish a Conflicts of Interest summary on our website which sets out the type of conflicts which may arise within JOHCML and the ways in which they are managed (link to 'Conflicts of Interest summary' found here). The key organisational and administrative elements of our conflicts management framework are set out below.

- Identification and recording of the types of conflicts of interest to which the business may be prone, and actual conflicts as they arise.
- Implementing appropriate procedures and measures to prevent or manage both potential conflict scenarios and actual conflicts of interest which have been identified.
- Monitoring the effectiveness of JOHCML's conflicts management arrangements.
- Reporting to senior management and governing bodies in relation to conflicts of interest and where necessary seeking approval from those bodies with respect to managing a particular conflict of interest.
- Disclosure to clients (as a last resort).

JOHCML ensures that all staff receive periodic training on the identification, prevention, management and monitoring of conflicts of interest. Conflicts management is further reinforced by all staff, including the investment teams, being subject to a Personal Account Dealing Policy which sets out the procedures in place prevent conflicts related to personal investments. Additionally, all staff are subject to a Code of Ethics, a Gifts and Entertainment Policy and procedures designed to manage conflicts around outside business interests and political contributions.

Conflicts Scenarios

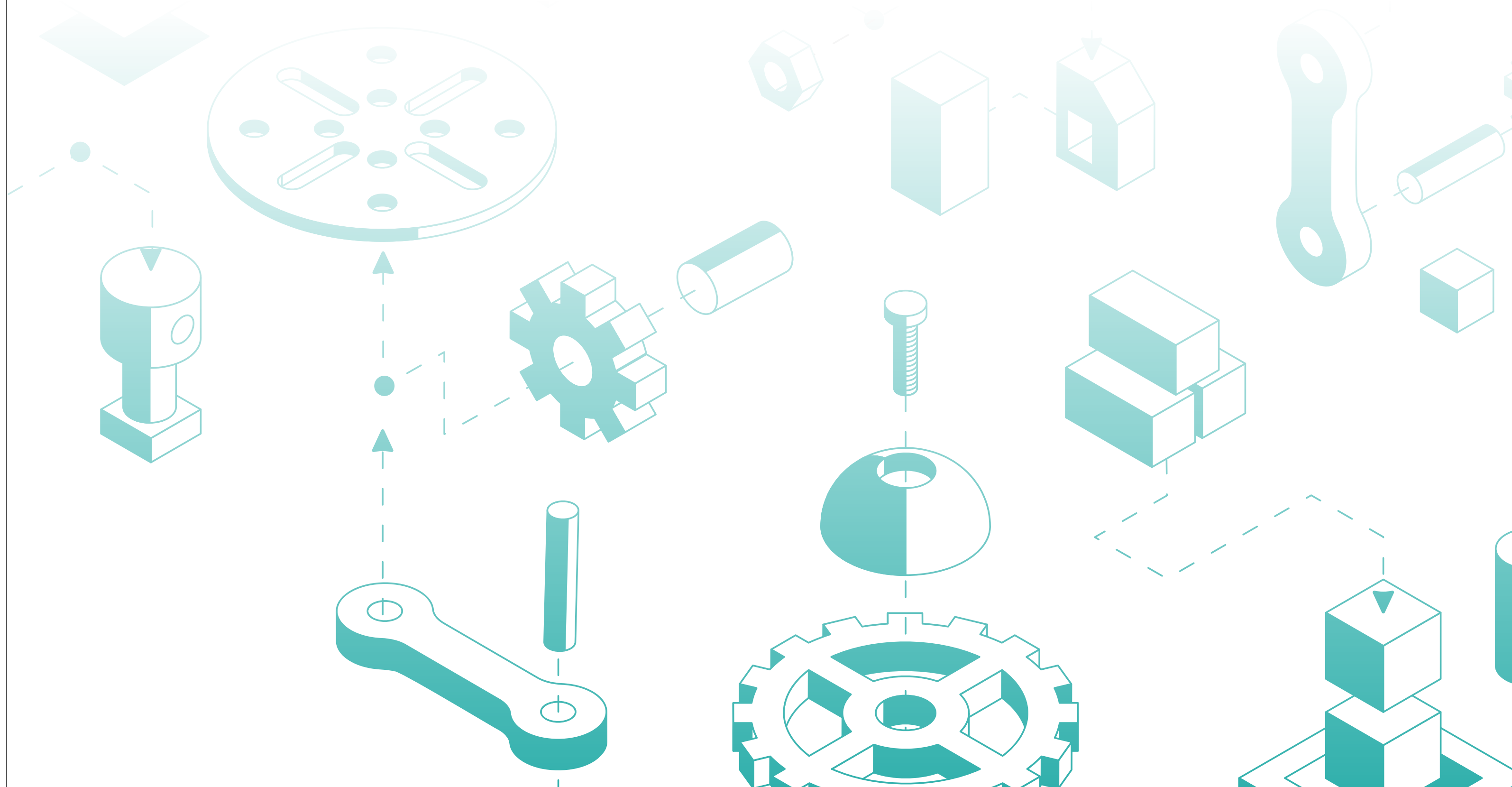
Voting

Engaging with investee companies is a natural extension of JOHCML's active approach to investment management and proxy voting is an important engagement tool. JOHCML understands the importance of carrying out its responsibilities under the proxy voting arrangements and ensures that it takes into account the best interests of the client when it votes. Should a conflict of interest arise between JOHCML's interests and those of a client, or between clients, JOHCML shall take reasonable steps to ensure, and must be able to demonstrate, that those steps resulted in a decision to vote the proxies in the best interests of the client. We provide full transparency on our voting activity which we publish on our website (link to 'Voting' summary found here).

Investee Companies – Corporate Activity

An example of where conflicts could arise is where the firm is invested for our clients in companies that are on both sides of the same corporate transaction, e.g., a takeover or merger. Our Conflicts Register sets out the measures in place to manage this risk, specifically, the firm's market conduct procedures. It is recognised that while this risk cannot be eliminated, given the relative infrequency with which these types of transaction are entered into and the size of the issuers involved, our positions are unlikely to be the sole influence on the outcome of any transaction. There have been no instances where this has occurred during 2022.

02 | Our organisation | Conflicts of Interest



Service providers

Onboarding

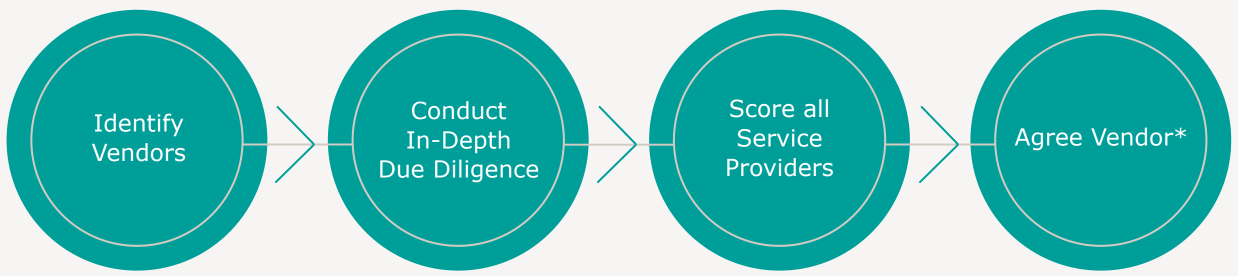
PRINCIPLE 8

All our service providers are subject to JOHCML's Vendor Management Framework. We seek to ensure that any third party that supports our day-to-day activities is held to the same high standards against which we are measured. The selection process is broken down into four key stages, as shown in Figure 1. In order to obtain the relevant information from service providers to conduct a risk assessment, third parties are asked to complete a Due Diligence Questionnaire (DDQ). The DDQ is designed to allow us to perform an assessment and ensure that a set of minimum criteria is met to support:

- Our regulatory obligations (for example, this will include Australia's Modern Slavery Act, the European Union's and United Kingdom's GDPR regulations, and the FCA's rules on outsourcing).
- Our understanding of the third party's operational model and legal structure.
- Our understanding of a service provider's associated suppliers that it itself relies upon.
- Our assessment of any other relevant services or solutions the service provider may be required to provide, that are linked to the core service or solution proposition.

When onboarding technology and data to support our sustainability strategy: each provider is asked to provide a proof of concept that we can test and verify internally. Given the fast-moving pace of technology, data and solutions in stewardship, we believe it is critical that we also operate in an environment that allows us to prototype new technology, while also managing a rigorous and effective due diligence process

Figure 1: JOHCML's onboarding framework



* Finalise commercial negotiations.

The ongoing relationship with service providers

We aim to implement a collaborative partnership with our third-party service providers that is supported by a robust oversight process. This process starts with the establishment of metrics and targets, with appropriate assessments then being made to ensure that our goals are aligned with service providers.

The assessment can include annual visits and quarterly calls or meetings to ensure that standards are being met and maintained. The frequency and type of assessment will depend on the type of service provider and its importance and materiality to our operations. When reviewing two prospective vendors within 2022 our DDQ included questions on:

- Modern slavery, bribery and corruption and the processes that govern how these risks are managed
- Approach to ESG integration and whether this includes an assessment of modern slavery (or human rights) risks in the companies or assets in which they invest

Key Service Providers

Outside of our normal business infrastructure, we use a range of important service providers for sustainability, governance and stewardship activities; more details of these providers and how they are used are set out below. Our key service provider for stewardship activities is ISS, whose platform we use for lodging our proxy voting, as detailed below.

Third-Party Investment Research

Portfolio management teams are allocated individual budgets to pay for third-party research, including sustainability and stewardship insights, to meet the specific needs of their strategy. Third-Party research is part of a range of inputs used by the teams and is paid for directly by JOHCML* as part of the resources provided for the delivery of sustainable long-term returns to our clients. In serving the interests of clients, it is therefore vital for us to source and evaluate the best possible research that we can find to provide real and cost-effective benefits for our clients' portfolios.

All investment teams have access to a research library covering a range of areas, such as macroeconomics, sectors, regions, themes, as well as sustainability and governance insights. This library contains research from a broad range of third-party providers and offers insights that are valued across management teams. This part of the research budget also includes specialist independent research providers that cover areas of interest, such as impact or company valuation models. The budget for this library is agreed ex ante on an annual basis by the Head of Investments and approved by the Executive Committee of JOHCML.

The other part of the research budget is the variable component, which is used by individual teams to pay research providers for the quality of specific investment research received in each review period.

The value of research is determined not just by time spent or effort expended by investment research providers, but by whether the research generates original insights on investment opportunities. We have a centralised resource, overseen by the Head of Investments (Andrew Parry), that is responsible for collating the review of broker research, the contracts governing the relationships, and ensuring that appropriate payments are made for the quality of the service received. This review is undertaken on a semi-annual basis with input provided by all members of the investment teams. Splitting the research budget between the fixed cost of a library of universally available research and a variable element based on the quality of the specific research received by each investment team provides a balanced range of inputs.

These third-party research services are supplemented by a growing range of new data-centric proprietary tools, such as our sustainability data platform (Affinity) and our probabilistic corporate GHG emissions model (Horizon). These tools provide additional insights to supplement third-party research. Affinity allows teams to record the information required to meet the sustainable investing commitments of specific strategies, to record engagement and voting activities (and subsequent escalation and outcomes) and to create bespoke sustainability scorecards (where appropriate).

Data service providers, such as Bloomberg and Factset, are paid by JOHCML independently of the investment research budget.

* Please note, following the reforms to the EU's MiFID II, which came into effect on 3 January 2018, JOHCML directly pays for external research used by our portfolio management teams.

TCFD reporting

As JOHCML prepares to publish its first TCFD report for 2022, the Sustainable Investments team carefully reviewed the top 5 data providers in the market. Unfortunately, none of them fully met the TCFD requirements or provided the practical insights our investment teams, Board, and clients needed. After considering all options, the SI team believes that our own tool, Horizon, along with our in-house screening tools and an existing third-party data provider, will offer better real-world insights. You can find more details about Horizon's improvements in the 'Enhancing our approach' section.

Engagement tracking

JOHCML originally used Salesforce, a major CRM software, for engagement tracking. However, as the importance of tracking grew, we realised it was not the right approach. So, we teamed up with the technology provider we used in building Affinity, to create a custom engagement tool. In July 2022, we seamlessly integrated this tool into Affinity, giving our investment teams the features they needed. This has provided investment teams with the functionality they required, including integration in to Microsoft Outlook which enables emails and calendar invites to be tagged and included in all records where required.

With regard to our sustainability data providers, we run a rolling due diligence to assess whether our data packages are meeting the ongoing regulatory requirements. This approach will ensure that we are providing our investment teams with cutting-edge data solutions in a world of constantly evolving regulatory standards, including the mandatory reporting of sustainability data by companies.

We currently access sustainability and stewardship data from Net Purpose, Sustainalytics, ISS, MSCI, CDP, and FactSet, all of which can be accessed through the Affinity platform. The aim is to provide the investment teams with underlying data and to avoid normalised scores or ratings, which are little more than opinions stripped of their context.

One important feature of Affinity is an analysis of consistency of data across different providers. GHG emissions are some of the most commonly used sustainability data points used by the industry, but our research has shown that even this information can vary dramatically for a company's Scope 1 and 2 emissions according to which service provider is used. By highlighting discrepancies in data, we can have a more informed dialogue with company management and engage with the data providers to encourage better standards. We welcome the work being done by the International Sustainable Standards Board to ensure that there are consistent standards for sustainability data issued by companies based on sound accounting principles. We believe that this will be an important step forward in democratising sustainable data and providing enhanced insights for stewardship activities.

Proxy Voting providers

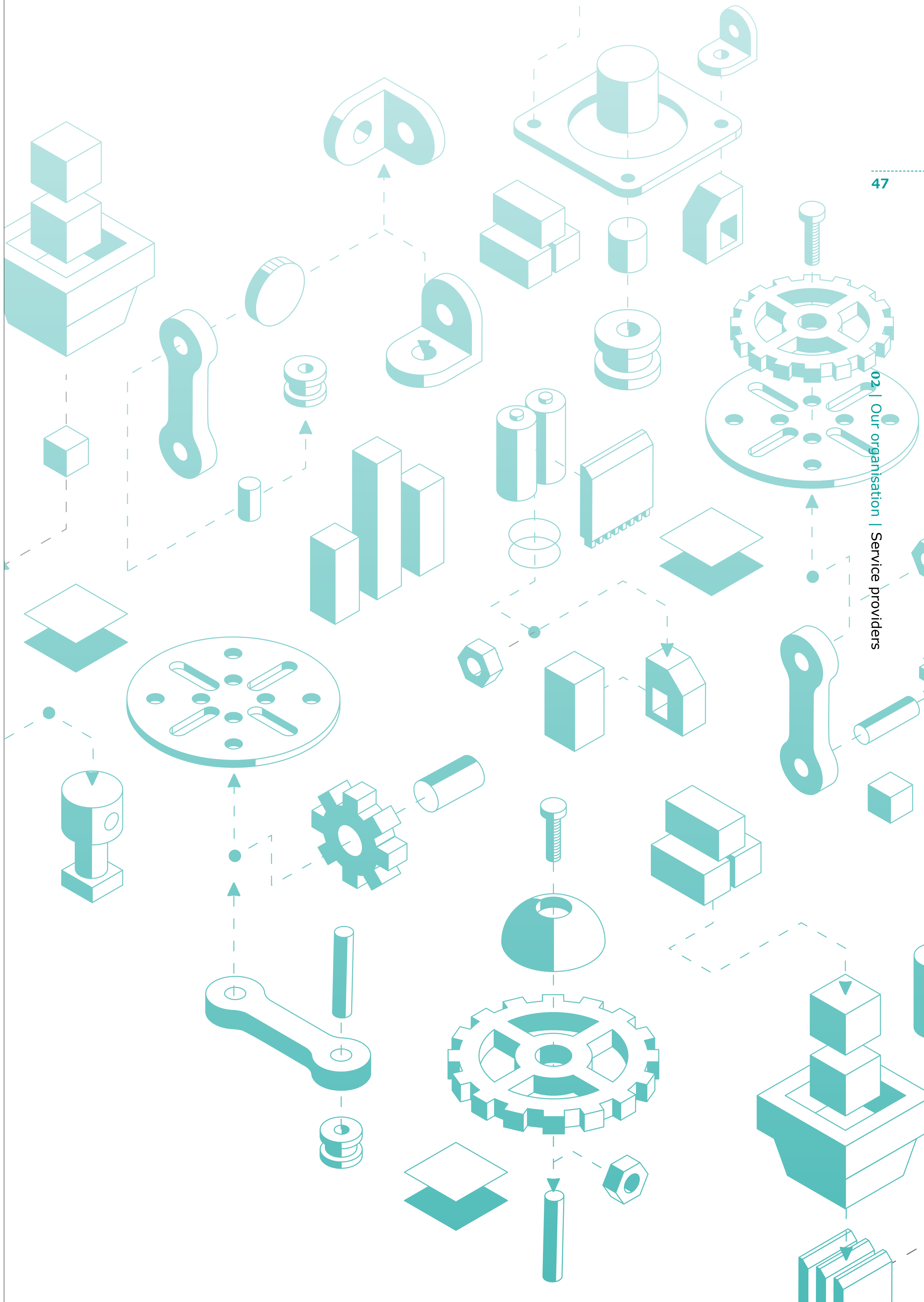
We use ISS as our proxy voting provider for lodging our votes. The research on individual resolutions provided by ISS is one of the inputs into our voting decisions alongside the analysis done by each team in accordance with their investment style and objective. Portfolio managers make the decision on all voting based on their assessment of the merits of each resolution. As an active manager, running concentrated portfolios with the objective of outperforming a benchmark or client objective, we generally purchase the securities of a company because we have a positive view on management and business performance. This positive disposition typically means we have a higher probability of voting in line with management than a highly diversified or passive manager. All voting and engagement activities are designed to enhance long-term shareholder returns and focus on how a company is governed to best deploy a strategy that most effectively manages risk and opportunity aligned to sustainable growth.

Investing for the Future – Enhancements for the Next Year

We are continually assessing our technology, data, and processes within our sustainability and stewardship capabilities to enhance our approach. Throughout 2023, we have pinpointed several key initiatives:

- Creating an interactive and real-time sustainability risk dashboard that can produce reports from our internal governance processes and offer valuable insights to our clients and portfolio managers.
- Integrating our Horizon data science model within our Affinity platform to provide portfolio managers with real-time TCFD (Task Force on Climate-Related Financial Disclosures) core metrics, value-at-risk, and GHG emissions forecasting.
- Initiating the development of an end-to-end reporting capability, empowering our client experience teams to deliver sustainability data, engagement and voting, using predefined templates to our clients on request.

In January 2023, JOHCML's parent company, Pendal, was acquired by Perpetual Group, a global diversified financial services company listed on the Australian stock market. With seven boutique investment firms, including JO Hambro and Regnan, the Group is investigating whether Affinity could be deployed as a shared resource across the boutiques for the collection and reporting of sustainability data and stewardship activities. This will not only bring efficiency benefits, but will also allow us to explore ways of enhancing our stewardship activities through collaborative group-wide engagements (subject to regulatory and client requirements).



03

What we do

Active ownership

PRINCIPLE 1

PRINCIPLE 5

PRINCIPLE 7

What is active ownership?

Active ownership refers to the use of the rights and position gained from the ownership of securities to influence the activities or behaviour of investee companies or issuers to support long-term shareholder value creation. This can occur through corporate engagement and proxy voting, or other engagement and advocacy activities undertaken more broadly, such as with policymakers. As an active and responsible investment manager, we believe that such practices are critical to support the investment goals of our clients.

Our engagement approach

Consistent with our multi-boutique structure, we do not subscribe to a "house" approach to investee company engagement. We believe the best framework is for each investment team to develop and undertake its own engagement, tailored to its strategy and jurisdiction and, importantly, each products investment objective. However, our investment teams often collaborate internally where there are common shareholdings and an alignment of interests (please see our Vodafone engagement case study).

When engaging directly with investee companies, we focus on those where we have identified areas of concern, or where the size of our shareholding affords us greater influence. As responsible stewards of our clients' investments, our engagements with companies seek to encourage improvement in environmental and social outcomes, and how associated risks are governed to deliver resilient shareholder returns.

In practice, while our investment teams may discuss similar issues with a range of companies, their approach is guided by the nature of the risks, the amount of progress already demonstrated, and an assessment of what a suitable response might look like, recognising that this may vary between companies, even within the same sector. We seek to avoid being prescriptive in seeking change and to always acknowledge the business case and the complexity of transforming operating models. The typically long-term nature of our teams' investments means engagement with their investee companies is an ongoing process over a number of years, with milestones along the way.

Quality, not quantity

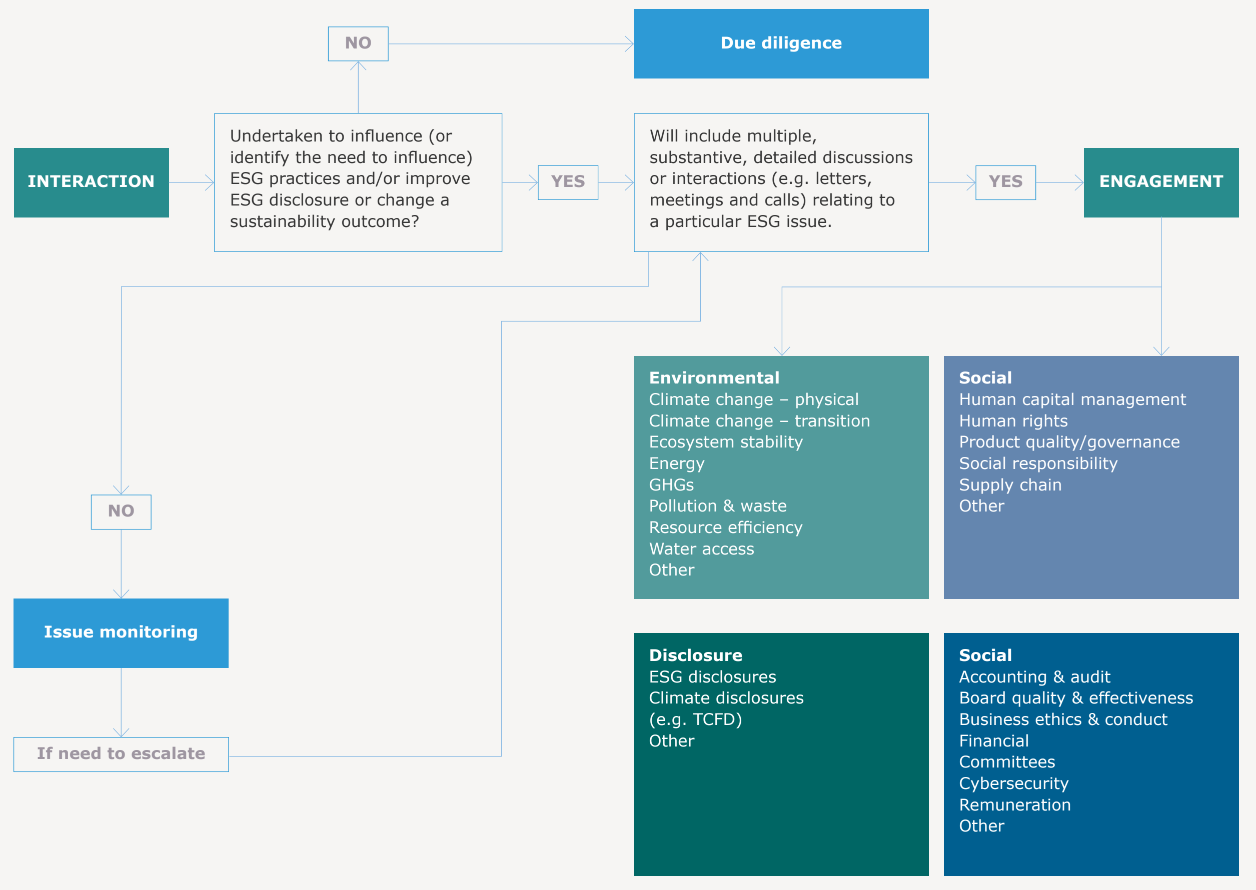
As responsible investors, we take the recording and reporting of our engagements seriously. Our standardised definition of engagement aligns with that outlined by the UN Principles of Responsible Investing (please see chart below).

To aid standardisation and ensure consistent reporting, the Sustainable Investments team launched a bespoke engagement tool on Affinity, our proprietary sustainability data platform, in 2022. This tool enables investment teams to capture and record all interactions (e.g. emails, meetings, calls), escalations, objectives and outcomes. This has created full transparency and enabled standardised, real-time reporting of engagements to our clients. These numbers for 2022 can be seen in 'Our engagements in numbers'.

Engagements should not be judged on their quantity but on their quality. Even the outcomes of engagements should not be used to judge their merit, as often the most important issues are the most contentious, and therefore carry an inherently higher failure rate. This is why escalation is always an important lever for our investment teams (please see 'Our approach to escalation' below).

All investment teams have access to the Sustainable Investments team for additional support on their engagements and some teams also draw upon the knowledge and expertise of the Regnan Insight and Advisory Centre (RIAC) of Pendal Institutional Limited (Pendal) for research and best practice.

Our recording of engagements



Regnan: an early pioneer

The Regnan Insight and Advisory Centre (RIAC) has been influencing and shaping the responsible investment movement since its inception in 1996. RIAC can trace its roots back to a collaboration between Pendal Institutional Limited and the Monash University's Centre for Environmental Management. The collaboration sought to investigate and address environmental, social and corporate governance related sources of risk and value-creation for long-term shareholders. This led to the launch of a dedicated engagement and research advisory service focused on providing sustainable insights to the investment management industry.

In 2020, RIAC's work became directly linked to JOHCML's new range of sustainability-focused equity strategies with the launch of Regnan Global Equity Impact Solutions. This was followed by the launch of Regnan Water & Waste in 2021. These strategies use research and insights from RIAC both in their approach to engagements, escalations and stock selection. An example of this work can be seen in Collaborating for change: Sustainable Agriculture & Food Production.

Our approach to escalation

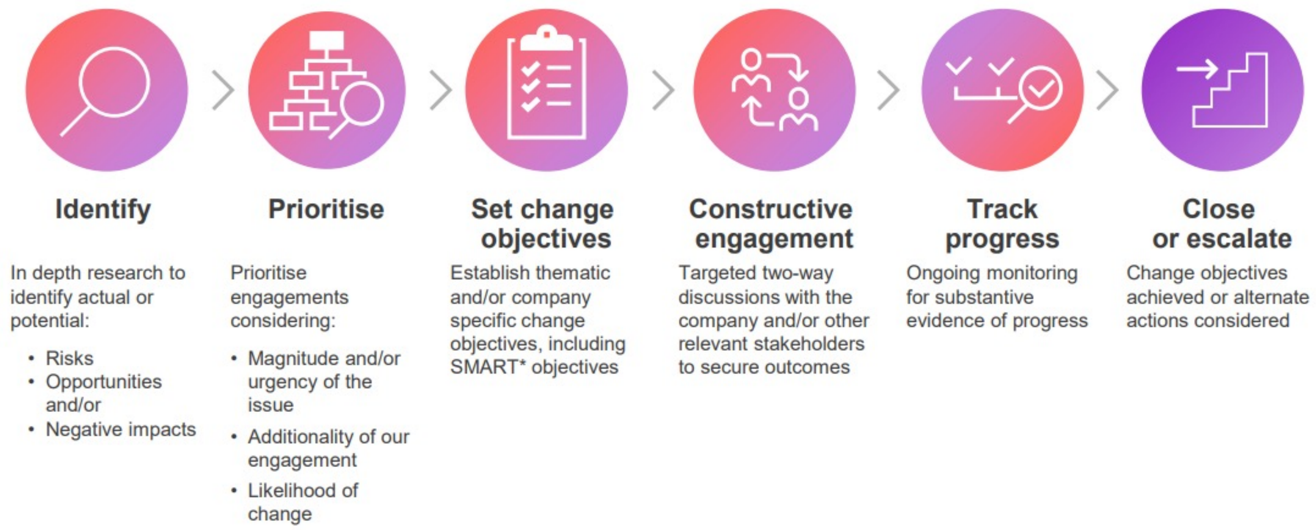
Consistent with our approach to engagement being led by each investment team and there being no "house" view, we believe the best framework for escalations and voting (please see 'Our approach to voting' for further details) is for each investment team to develop and undertake its own escalations, tailored to its strategy and jurisdiction.

Despite this, processes do exist where it is required for either brand or regulatory reasons such as with the sustainability-focused Regnan global equity strategies and those strategies that have opted in to the European Union's Principle Adverse Impacts (PAI) regime, respectively. These processes touch strategies investing in all of JOHCML's geographic regions meaning geography is not a determinant of differing approaches.

The Regnan-branded funds have available to them their proprietary Sustainability Value Assessments (SVA) framework and the expert views of the Regnan Insight and Advisory Centre (RIAC) to determine whether a company demonstrates potential for improvement in sustainability attributes. Engagement for change forms an important part of the investment process for these strategies and, at the outset of each engagement, the team defines the engagements objectives – the specific changes sought - to assist in pursuing and monitoring the engagement progress. Subsequently, issues are monitored and escalated where required with strict sell disciplines attached (see graphic below).

How we engage

We engage for protection and enhancement of portfolio and stakeholder value using the following engagement process:



With the majority of JOHCML's investment teams opting into the European Union's Principle Adverse Impacts (PAI) regime in November 2022 (approximately half of eligible assets under management at the time), evidencing and monitoring engagement and escalation has become an important part of our investment, risk and reporting process. The Affinity platform is used to record all pre-due diligence, on-going monitoring and escalations using a bespoke PAI due diligence module created by the Sustainable Investments team in 2022. This module enables all commitments to engagement and escalation to be tracked and reported in Quarterly Fund Reviews chaired by the Head of Investments.

For those teams that have opted in to the PAIs, pre-investment due diligence must evaluate each company on a variety of environmental and social factors as identified in their fund disclosures. Where any adverse impacts are observed, the investment team has discretion as to what decision to take including mitigating actions, such as not investing, investing only with a limited position size, or investing with an intention to engage with management to encourage improvement of their business from a sustainability perspective as part of increasing future shareholder value. Investment teams are required to record their mitigating actions, if any, and undertake on-going monitoring.

If on-going monitoring suggests that there is a risk of an investment resulting in a significant adverse impact, then the investment team is required to determine what the consequences of that shall be. This may include divestment, reducing the position size and deciding to engage with management to improve their business from a sustainability perspective. The investment teams are required to record at the Quarterly Fund Review conducted chaired by the Head of Investments.

Our client base

PRINCIPLE 6

Client base figures

AUM by client type (Millions of GBP)	Dec 2022
Insurance	82
Multi-manager	773
Pension fund	2,776
Pooled vehicle	13,779
Sovereign Wealth Fund	247
Sub adviser	5,312
Total	**22,968**

AUM by strategy type (Millions of GBP)	Dec 2022
Asia	576
Emerging Markets	2,702
Europe	748
Global	14,846
UK	4,097
Total	**22,968**

AUM by Asset Class (GBP) (Millions of GBP)	Dec 2022
Equity	22,814
Multi Asset	149
Fixed Income	5
Grand Total	**22,968**

AUM by client type (Millions of GBP)	Dec 2022
Insurance	82
Multi-manager	773
Pension fund	2,776
Pooled vehicle	13,779
Sovereign Wealth Fund	247
Sub adviser	5,312
Sub adviser	5,312
Total	**22,968**

AUM by client domicile (Millions of GBP)	Dec 2022
Asia	0
Australia	1,117
Canada	248
Cayman Island	0
Europe	84
Ireland	74
Japan	59
Middle East	294
Mixed	6,850
Netherlands Antilles	42
UK	4,931
USA	10,525
Total	**22,968**

Our engagements

PRINCIPLE 6

PRINCIPLE 9

Client engagement

Stewardship continues to grow in importance for our clients, and we recognise that our communications with them play a critical role in delivering this effectively. JOHCML is recognised for its long-term investment approach, so our clients understand the importance we place on building lasting relationships. We continuously engage with our clients to gather thoughts and feedback, so as to ensure reporting activities are delivered in accordance with their expectations, and assets are managed in line with their preferences.

We do not market our funds to retail investors, but through wholesale distribution platforms or financial institutions. Offering direct contact with our investment teams is an important part of our client experience, and forms the basis of ensuring client preferences are correctly reflected in our stewardship approach. Clients have access to each investment team via email requests, quarterly update meetings and regular webinars. Client feedback is always shared with the appropriate investment teams and, where relevant, with our Sustainable Investments team, so our approach to stewardship continues to evolve to meet clients' needs. Client ESG and sustainability questions embedded within RFPs are also monitored and collated to identify stewardship priorities and emerging trends.

Where differences are identified between a client's preferences and the investment team's approach, direct contact between both parties will be the first port of call. It can only be through better understanding our clients' objectives that investment teams can best learn how to serve them. For example, with increasing client requests for environmental and social data, it has been important to engage with and educate our clients on the inherent limitations of incomplete data sets and inaccurate measurement methods. Our client base is predominately institutional and wholesale, and in our view, clients are most likely to benefit from our strategies where they have an investment time horizon of over 3 years. As long-term investors, helping our clients to avoid adverse decisions through pointing out the short-fall of overly prescriptive approaches to investing, forms an important part of our role as responsible stewards. For clients invested in our funds, we are responsible for all aspects of their stewardship. For our segregated account clients, we offer two approaches: first, a full service where, as with our funds, we manage all aspects of stewardship; second, a partnership approach where the client may choose to appoint a third-party agent or retain control of the shareholder voting process.

When onboarding segregated account clients, we review which approach the client wishes to take. Institutional clients can require a tailored approach to stewardship, to ensure their voting is aligned with their internal stewardship requirements.

Client communication

We provide monthly and quarterly reporting for both our funds and segregated accounts, as well as statutory annual and interim reports, for our funds. On a quarterly basis, we provide segregated clients with a detailed performance report, which includes investment team commentaries. We also share voting activity on a quarterly basis, and from May 2022 we will be publishing all proxy voting outcomes on our website, and engagement and stewardship information is available on request. JOHCML recently conducted a survey among our professional UK intermediaries as part of the Assessment of Value of UK domiciled funds. We feel it is vital to ask our clients their views on the services we provide and the information we share.

The nature of client interaction is evolving with clients seeking more of a trusted advisory relationship with their investment managers. Beyond the reporting schedules set out above, we have quarterly review meetings with our segregated and key clients. These are usually in person or virtually, with the Portfolio Managers in attendance. We use these opportunities to discuss engagement and stewardship examples, whilst exploring the clients own stewardship objectives, to see how we can help meet their goals.

Our Engagements in numbers

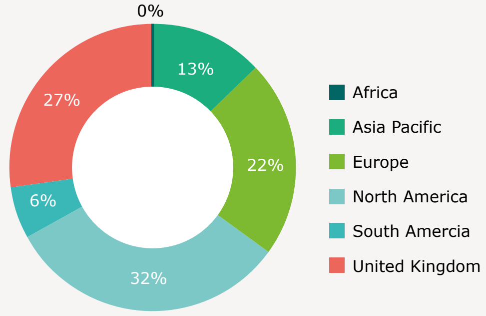
The following data provides an overview of engagement activities. However, we would urge readers to seek out the case studies within this document or to arrange meetings with any of the investment teams to understand the real-world impacts of these numbers:

197
Engagements

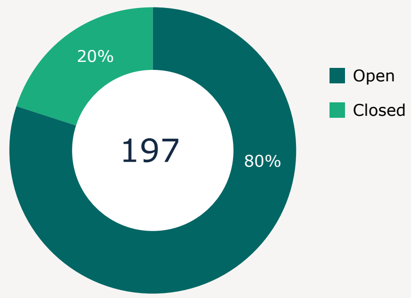
100
Companies engaged with

27
Countries

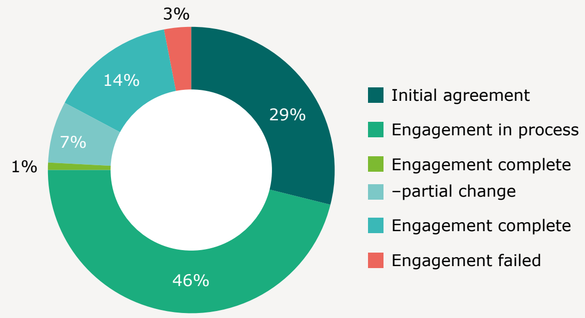
Percentage of engagements by region

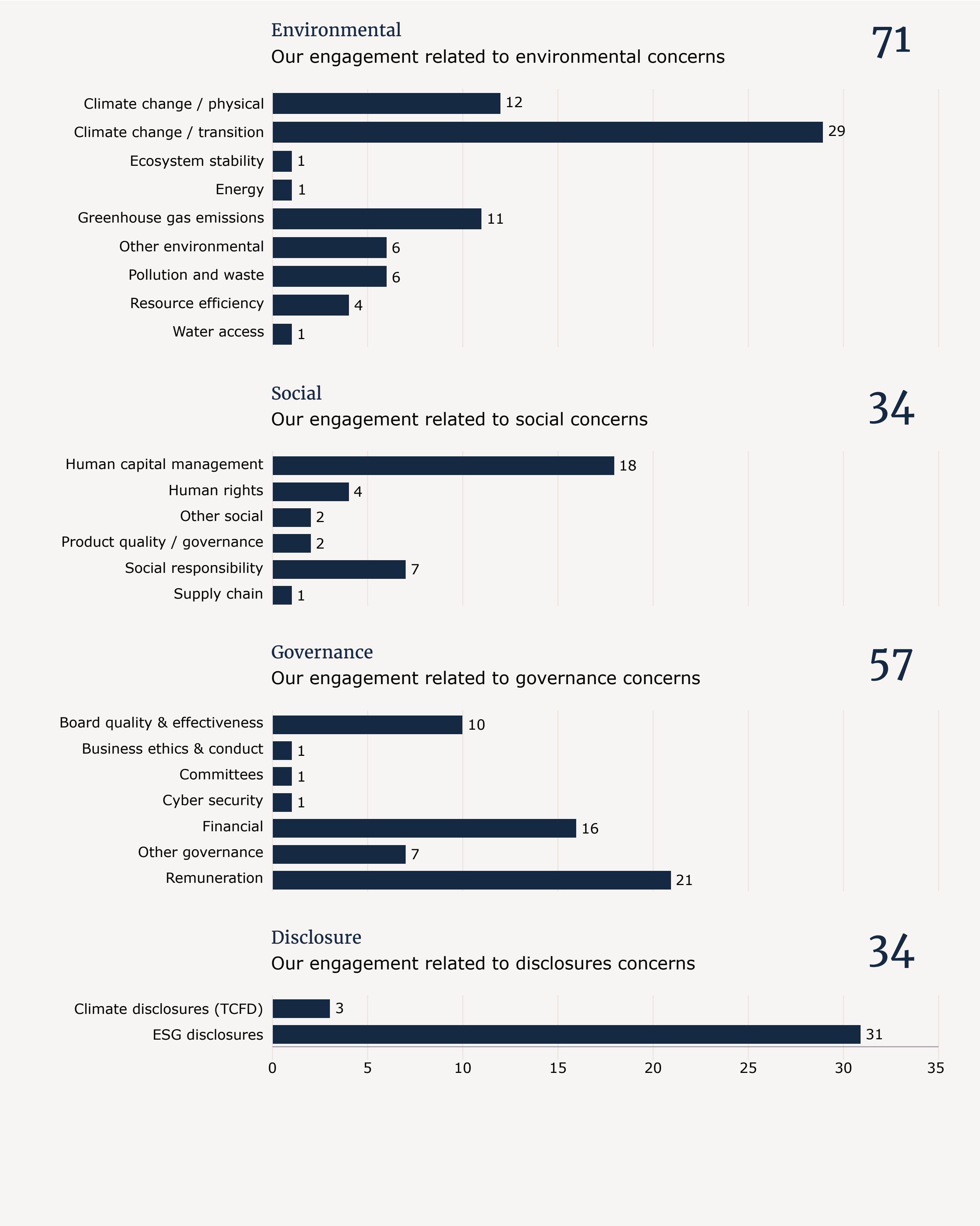


Status of engagements



Percentage of engagements by outcome





Voting

PRINCIPLE 6

PRINCIPLE 12

PRINCIPLE 11

Why do we vote

Shareholders are entitled to a say in some aspects of how the company in which they own shares is run. Expressing their views through voting of their shareholder rights is an integral part of the governance process.

As stewards of our clients' capital, we have an obligation to our clients to vote responsibly on their behalf at company meetings.

We have robust written policies and procedures designed to ensure that, when voting proxies in respect of the securities that we manage for our clients, we:

- Do so in the best interests of our clients, addressing any conflicts that may arise between our interests and those of our clients.
- Disclose to our clients how they may obtain information from us about how we voted with respect to their securities.
- Describe to our clients our proxy voting policies and procedures and, upon request, provide further details of these policies and procedures to clients.

In 2022, JOHCML voted over 97% of the votes that it was eligible to cast.

Proxy voting and research

Institutional Shareholder Services Inc. (ISS) is our sole proxy voting and research service provider. This service provides us with granular reporting on our voting and hosts our publicly accessible voting disclosure capability on the JOHCML website (this can be found here).

Our approach to voting

Consistent with our multi-boutique structure, we do not subscribe to a "house" approach to voting. We believe the investment teams are best placed to undertake their own voting and therefore we do not have policies that prescribe how they should vote on certain issues. Investment teams have discretion to make voting decisions based on their analysis of proposals, their engagements with companies and/or any available third-party research. They can also seek the advice and counsel of the Sustainable Investments team or Regnan Insight and Advisory Centre if required.

Where the investment teams agree the proposals are in investors' best interests, they will vote in favour of them. When proposals do not reflect the best interests of stakeholders, the investment teams may choose to escalate these concerns to the senior independent director or company chairman. Our investment teams may also engage in discussions with other investors where appropriate and in compliance with market conduct rules.

Investment team voting decisions are communicated to our Operations team, where an authorised individual will submit the proxy vote using the ISS system. Our voting records are held on ISS's secure system and accessible to investment teams via Affinity.

Voting forms an important part of the escalation process for our investment teams and our reporting of these escalations are captured in our Significant Votes analysis (please see the 'Voting data' section for further information).

Directed voting in segregated accounts

The same approach to voting is used for segregated account clients as for our funds. For accounts where we hold the authority to vote, managers will vote the same way on segregated accounts as they do on their "master" pooled fund strategy. It is at the investment team's discretion if they want to deviate from that and vote differently on a segregated account.

Significant votes

In analysing the votes cast by our investment teams and reporting these to our clients, we believe the focus should be on "significant votes" as required by the Shareholders Rights Directive under UK law. While the directive does not define "significant", we define this as votes where:

1. Votes relating to any resolution proposed by shareholders; OR
2. Withheld votes; OR
3. Abstained votes; OR
4. Any votes where either ISS or the investment team has recommended voting AGAINST management.

Investment teams may also add any votes they deem significant.

Approach to stock lending

A stock lending programme is operated by a third-party administrator for several of our client accounts. The programme is elective, and many of our investment teams choose not to loan out their securities. For those that do join in stock lending, it is again at their discretion if they wish to recall stock on loan ahead of a vote and ensure their full holding is voted. The default state is not to recall lending ahead of voting – therefore, if an investment team wishes to vote shares which are on loan, the team needs to request that the lending be recalled in advance of the vote. This is only likely to be the case on significant votes, and we do not believe that our stock lending activities compromise our ability to engage effectively with investee companies.

Voting data

Total number of meetings
1,043

Total number of significant votes
4,262

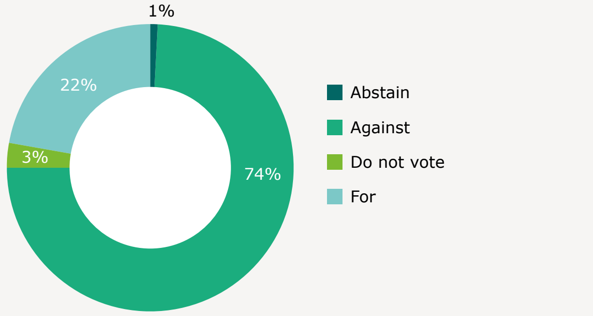
Total number of proposals
12,256

Total number of meetings voted on
97%

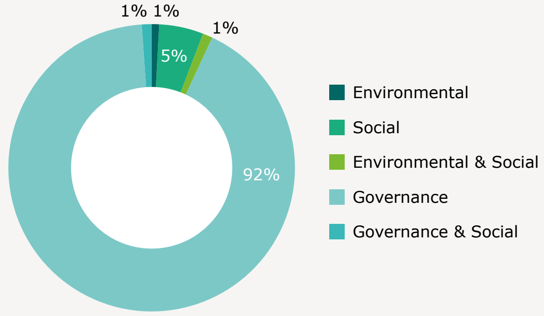
Percentage of significant votes
10%

Significant votes breakdown

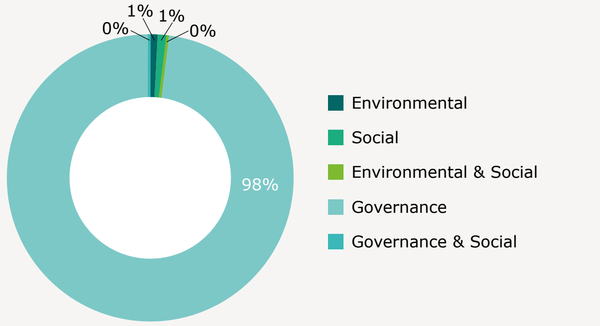
How we voted



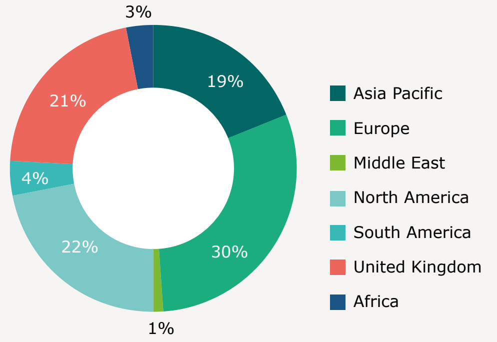
Votes against by category



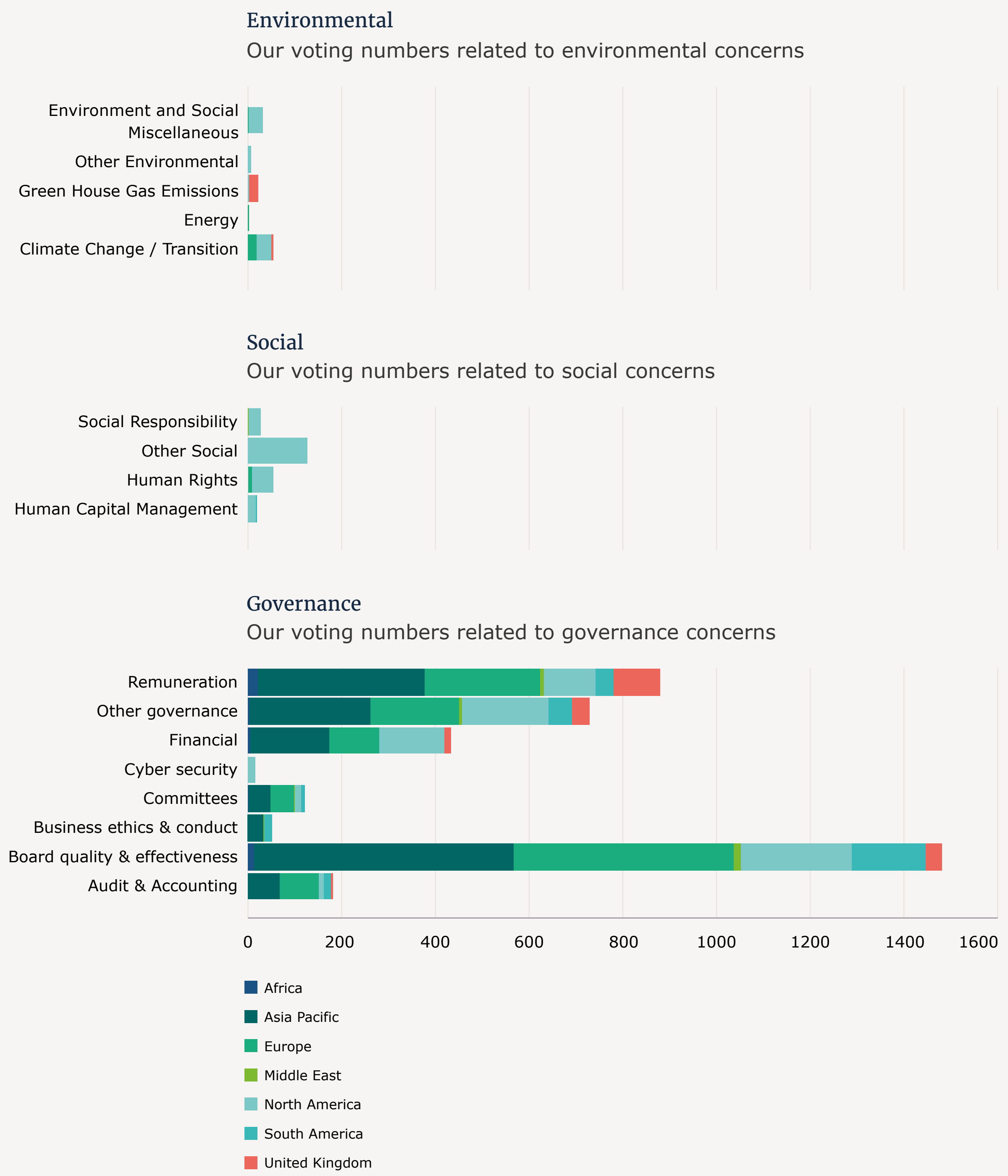
Votes by category



Votes by region



Significant Votes by category and region



Significant Votes

PRINCIPLE 12

The tables below detail significant votes related to specific ESG issues during the given period.

Environmental

Royal Dutch Shell	Date of Vote: 24-May-22
Resolution	
Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	
Vote Instruction	**Abstain**

Rationale

Shell has made improvements to their targets:

- Removed the condition tying meeting targets to societal progress.
- Set a 2030 absolute target to reduce Scope 1-2 emissions by 50% (aligned with BP's target).
- Advanced flaring reduction targets.
- Aims to allocate 50% of total expenditure to low/zero carbon by 2025 (compared to BP's 40%).

However, Shell still lacks a short-term Scope 1-2 absolute reduction target, aligning with BP for 2030 and 2050 targets.

Shell is using intensity targets for Scope 3 reductions, accompanied by absolute reductions (this is acceptable under SBTi standards), but vigilance is needed regarding the absolute numbers being published going forward.

In exploration, BP have stated they will not explore new countries without an existing presence, and they have evidenced a reducing exploration capex (£250m in 2021). Shell plans to decrease exploration capex to £1.5 billion by 2025 and halt exploring new frontiers after 2025, but this does not align with the latest IEA climate reports.

Shell relies somewhat on offsets to achieve 2030 targets, unlike BP, who will not rely on offsets before 2030.

Both companies have methane emission targets (<0.2 intensity), but BP emphasises the need for better measurement and data and are investing accordingly.

Climate Action 100 rated Shell higher in 2022 assessments, although these assessments were conducted before new transition reports were published, addressing some criticisms of BP.

Outcome	**20.3% For**	**79.7% Against**

Implication of outcome

The team will continue to review the situation and will consider their position further on receipt of the new climate strategy as and when released.

Significant Criteria

Abstained from voting in line with management recommendation

Social

Waste Management, Inc.

Date of Vote: 10/05/2022

Resolution

Report on Civil Rights Audit

Vote Instruction	For	

Rationale

The team voted FOR this resolution as a report on an independent audit analyzing the adverse impacts of the company's business practices on the civil rights of its stakeholders would be additive to the company to better understand nature of the risks emergent from stakeholder related issues and for shareholders to gain visibility on how the company is managing related risks.

Outcome	Passed - 54.46% For	45.54% Against

Implication of outcome

We engaged with the company to reiterate our view that enhanced analysis by a third-party on the issue would be additive to the analysis and initiatives undertaken by the company. We will continue to engage with the company and use sharehodler rights including voting

Significant Criteria

Voted against Management recommendation

American Water Works Company, Inc.

Date of Vote: 11/05/2022

Resolution

Report on Third-Party Racial Equity Audit

Vote Instruction	For	

Rationale

The team voted FOR this resolution as a report on an independent audit analyzing the adverse impacts of the company's business practices on the civil rights of its stakeholders would be additive to the company to better understand nature of the risks emergent from stakeholder related issues and for shareholders to gain visibility on how the company is managing related risks.

Outcome	Failed - 40.02% For	59.98% Against

Implication of outcome

We will monitor how the company progresses on enhancing its approach to racial/civil rights and will engage with the company where we identify any gaps in its approach.

Significant Criteria

Voted against Management recommendation

Republic Services, Inc.

Date of Vote: 16/05/2022

Resolution

Report on Third-Party Civil Rights Audit

Vote Instruction	For	

Rationale

The team voted FOR this resolution as a report on an independent audit analyzing the adverse impacts of the company's business practices on the civil rights of its stakeholders would be additive to the company to better understand nature of the risks emergent from stakeholder related issues and for shareholders to gain visibility on how the company is managing related risks.

Outcome	Failed - 39% For	61% Against

Implication of outcome

We engaged with the company to reiterate our view that enhanced analysis by a third-party on the issue would be additive to the analysis and initiatives undertaken by the company. We will continue to engage with the company and use sharehodler rights including voting in line with our sustainbility framework.

Significant Criteria

Voted against Management recommendation

Governance

Smartspace Software Plc

Date of Vote: 03/07/2022

Resolution

Accept Financial Statements and Statutory Reports

Vote Instruction	For

Rationale

Accept Financial Statements and Statutory Reports

Outcome	Passed - 100% For

Implication of outcome

We decided to vote inline with management recommendations. We appreciate there needs to be an improvement in board structure to meet UK guidelines, but given the size of the business, we believe they need to be given time to get there in the most capital efficient manner.

Significant Criteria

Voted against ISS recommendation

National Grid

Date of Vote: 11/07/2022

Resolution	
Vote to approve remuneration policy	
Vote Instruction	**Against**
Rationale	
National Grid's debt continues to increase. There is no leverage component in the remuneration structure. RoE, which can encourage higher leverage, is the most significant metric. Appropriate leverage is a key component of our sustainability framework	
Outcome	**Passed - 93% For**
Implication of outcome	
We continue to monitor National Grid's leverage. We have been assured by the company that they intend to maintain their current credit rating.	
Significant Criteria	
Voted against Management recommendation	

Homeserve

Date of Vote: 22/07/2022

Resolution	
Vote to approve sale of the company	
Vote Instruction	**Against**
Rationale	
We believe that the bid undervalues the long term prospects of the business. The bid is opportunistic at a time when the share price has been weak, alongside many other UK stocks. The Chair confirmed that the Board took no independent advice and were heavily influenced by the views of their investment banks who stood to make significant fees from the deal.	
Outcome	**Passed - 97% For**
Implication of outcome	
Key lesson is that the market remains incredibly focused on short term performance. We also approached Investor Forum to establish the prospect for a collaborative engagement, however, other shareholders did not share our view.	
Significant Criteria	
Voted against Management recommendation	

Homeserve

Date of Vote: 22/07/2022

Resolution	
Advisory Vote to approve the remuneration report - key issue was increase in pay of CEO of North American division.	
Vote Instruction	**For**
Rationale	
ISS objected to the increase in pay for Tom Russin who runs Homeserve's North America business, which is the company's largest profit contributor. The division has grown profits by 67% is the five years of his tenure. We voted in favour as the new level of pay looks appropriate for a CEO of a business that is likely to generate over £200m of annual profits by end of 2023. Retention of this executive in the highly competitive US market is a key issue for the business.	
Outcome	**Passed - 64% For**
Implication of outcome	
This is evidence of the benefits of maintaining communication with the board. We were made aware of the planned changes months in advance and were able to research comparator pay levels, discuss the changes with the board and assess the policy well ahead of the vote.	
Significant Criteria	
Voted for Management recommendation, vote against ISS recommendation	

Molten Ventures Plc

Date of Vote: 03/08/2022

Resolution		
Approve Remuneration Policy		
Vote Instruction	**Against**	
Rationale		
Following a review of the report, we agreed with issues raised by ISS		
Outcome	**Passed - 79% For**	**21% Against**
Implication of outcome		
The position was sold completely from the fund		
Significant Criteria		
Voted against Management recommendation		

Ashtead

Date of Vote: 06/09/2022

Resolution

Approve Remuneration Report and re-election of the Chair of Remcom

Vote Instruction	For

Rationale

ISS recommended voting against on the basis of significant dissent in a prior vote related to the quantum of pay. We believe the policy is appropriate given the CEO is based in the US, the vast majority of pay is performance linked, and the targets are well balanced and stretching

Outcome	Passed - 67% For

Implication of outcome

No obvious implications

Significant Criteria

Voted against ISS recommendation

Hargreaves Landsdown

Date of Vote: 19/10/2022

Resolution

Resolution to approve remuneration report

Vote Instruction	Against

Rationale

Despite the positive tone from the Rem Chair about future changes to the policy, we still disagree with the current remuneration policy. Therefore it would be wrong to vote for something we fundamentally disagree with. The lack of long term incentives for the CEO and CFO is a major concern which is further compounded by the lack of shareholdings by the CEO. There has been no action in the year to remedy this (i.e. no open market purchases or increased deferral of bonus in shares).

Outcome	Passed - 93% For	7% Against

Implication of outcome

It is important to align incentives to the long term strategy of a company and ensure management have skin in the game. We have raised this issue in multiple meetings with Chair, Rem Chair and management since we invested. We will be engaging with the company in March 2023 when the begin their consultation on their new remuneration policy. Voting on this will be at the 2023 AGM.

Significant Criteria

We voted against ISS and management recommendation and this is linked to a ongoing engagement.

03 | What we do | Significant Votes

Renishaw Plc

Date of Vote: 28/11/2022

Resolution

Re-elect Sir David McMurtry as Director

Vote Instruction	For

Rationale

We voted in line with management as we believe Sir David McMurtry is a staunch advocate for stakeholder values and culture preservation. It is very important from a governance perspective that they remain involved in the business.

Outcome	Passed - 85% For	15% Against

Implication of outcome

Every vote needs to be looked at with context, and vanilla adoption of ISS recommendations is not appropriate from our perspective.

Significant Criteria

Voted against ISS recommendation

Copart, Inc.

Date of Vote: 02/12/2022

Resolution

Advisory Vote to Ratify Named Executive Officers' Compensation

Vote Instruction	Against

Rationale

A vote AGAINST this proposal is warranted. The new co-CEO received a large, front-loaded equity grant, only slightly more than half of which is performance-vesting. Given that the award is intended to cover four years of equity pay, investors likely expected a more substantial portion of the award to be performance-based. Further, the performance-vesting condition carries certain risks, as the structure may reward for short peaks in stock price performance near the time of exercise. In addition, although the committee took the positive step of disclosing a more formulaic annual incentive program, a significant portion of the annual incentive remained tied to subjective individual criteria, and the company did not disclose any financial or non-financial performance targets or achievements under the program. The lack of these key disclosures inhibits an assessment of goal rigor.

Outcome	Passed - 62% For	38% Against

Implication of outcome

We will continue to monitor the company's remuneration plans and will continue to actively consider alignment with minority shareholder rights and vote on remuneration plans.

Significant Criteria

Voted against Management recommendation

04
Case studies

Issues

Mining companies have a significant impact on the communities in which they operate. The industry has been responsible for many avoidable controversies and has often missed the opportunity to deliver positive impacts for host communities.

Human rights have been part of an ongoing engagement the team have had with Barrick Gold. The rationale for the engagement is (i) the significant impact that mine sites have on local communities, (ii) the lack of disclosure from mining companies in this area, (iii) the economic impact through its licence to operate, and (iv) increased demands from end customers for audited compliance with best practice.

Objectives

The team initially engaged with Barrick at the end of 2021. The engagement included a number of predominantly social objectives that had been identified as shortcomings using the team's proprietary sustainability framework. These included:

- i) that companies should undertake and report local community engagement surveys;
- ii) that reporting on results from grievance mechanisms should be improved;
- iii) that community health assessments should be undertaken and disclosed;
- iv) that levels of local procurement and employment should be defined and disclosed on a country level basis;
- v) levels of community investment should be defined and disclosed on a country level basis; and
- vi) results of mine site rehabilitation programmes should be disclosed.

The engagement included a number of meetings with Barrick's sustainability executives and the CEO. The team also undertook a full review of Barrick's policies and sustainability reports against the recommendations of relevant standards organisations, including the International Council on Metals and Mining (ICMM), the Initiative for Responsible Mining Assurance (IRMA), the Local Mining Procurement Reporting Mechanism (LMPR), and the Global Reporting Initiative Metals and Mining Supplement (GRI). The team also met with representatives from the Responsible Mining Federation and were supported by the Regnan Insight and Advisory Centre, who had relevant experience with Australian mining companies (please see 'Fortescue Metals Group' case study).

Outcome

The company made a number of improvements. The results of a stakeholder survey were published, and while the survey does not meet all of the team's objectives on disclosure, it is a positive first step. Barrick published its 2021 sustainability report in April 2022, which included better disclosure of site level grievances, particularly in relation to a resettlement in the Democratic Republic of Congo.

Although pleased by the direction of travel, the team continued to contact the company to push their objectives, particularly around improved disclosure. The team met again with Barrick's sustainability executives in August 2022 to highlight specific areas and push for more disclosure on the resolution of grievances and the publication of findings from independent NGO reports that relate to significant grievance issues.

Barrick has committed to publish clearer definitions of community related spend, more meaningful disclosure of site rehabilitations, and an increase in both the consistency and quantity of site level social outcomes.

Action

The team will review the 2022 sustainability report for continued signs of progress when published in 20203. The team remain shareholders as pleased with the trajectory of change and do not, at this stage, feel issues need to be escalated beyond the channels already being used.

PRINCIPLE 9

PRINCIPLE 11

Barrick Gold Corporation

JOHCM UK Opportunities

Human Rights

Barrick Gold Corporation is a mining company that produces gold and copper with 16 operating sites in 13 countries. It is headquartered in Toronto, Canada. In 2022, JOHCM UK Opportunities sought engagement with the company in the areas of human and labour rights, including supply chain rights and community relations.

Next Plc

JOHCM UK Opportunities

Environmental: Pollution and Waste

PRINCIPLE 9

PRINCIPLE 11

Issues

Plastic packaging is a feature of most clothing retailers and has become an increased issue with the growth of online shopping. The JOHCMUKO team became concerned by the potential environmental and reputational implications of the rising levels of disposable plastics being used by businesses, so they conducted an assessment of the disclosure of plastic-related data and the implementation of plastic reduction targets across their portfolio holdings where the use of disposable plastics may be a material issue. The team utilised the objectives outlined in the Ellen MacArthur Foundation's New Plastics Economy Global Commitment as a guide on best practice and engaged with several companies to encourage them to commit to aligning their business with these objectives.

One of these companies was Next, who did have relevant targets related to increasing the recycled content of plastic packaging, and ensuring packing was recyclable, but did not have targets that encouraged an overall reduction in plastic packaging and lacked the disclosure that would be necessary for external stakeholders to track progress.

Objectives

The JOHCMUKO team's objectives included encouraging the setting of specific targets aimed at reducing the volume of plastic packaging, initiatives to eliminate unnecessary plastic packaging, and disclosure against these targets to enable investors to monitor progress. Given the complexity of gathering data and formulating achievable targets, the team expected progress to take three years.

The JOHCMUKO team first contacted Next's Company Secretary in September 2021, outlining their objectives. This was followed by a visit by the team to Next's Head Office to meet with Senior Executives to discuss the issue. The company acknowledged the team's concerns and advised that they were undergoing a review of their plastics strategy.

Escalation

Having reviewed the progress on the issue following results in early 2022, the JOHCMUKO team met again with the company in September 2022, this time with senior employees involved in purchasing and product compliance. The team were updated on progress made with specific

Next Plc is the UK's largest online clothing retailer, with around 500 stores in the United Kingdom. The JOHCM UK Opportunities (JOHCMUKO) team first held a position in Next in 2009 and considers the company to be one of the UK's best run retail businesses, with a market-leading approach to financial transparency and a clearly articulated long term strategy. Despite this, in 2021, the investment team identified that the company was lagging behind best practices regarding some environmental targets and disclosures, specifically around plastics.

initiatives and on the company's intention to improve data collection with a view to providing better disclosure. Whilst the team were encouraged by this update, they decided to escalate the engagement to the Board to ensure momentum was maintained. A meeting was held with the Chairman in October 2022 in which the JOHCMUKO team highlighted the details of their engagement and encouraged the Board to support further progress and disclosures.

Outcomes

Whilst by the end of 2022, the company had yet to make any material changes to its targets or disclosures, the team were encouraged by management's willingness to engage, the commitments to collect better data, and news on specific initiatives to reduce plastic waste with further details and targets likely in 2023.

Actions

2023 will be an important year for Next to demonstrate its commitment to reducing plastic waste. The JOHCMUKO team are and confident with the direction of change remain shareholders. The team will continue to monitor Next's disclosure and ultimately progress in reducing plastic usage.

Chart Industries

JOHCM Global Select & Regnan Insight and Advisory Centre

Disclosure: ESG disclosures

PRINCIPLE 9

PRINCIPLE 11

Issue

Chart is a leading independent global manufacturer of highly engineered equipment servicing multiple market applications in the Energy and Industrial Gas sector. Many of its products and services have the potential to create significant environmental impacts, in particular, those related to the distribution of industrial and medical gases such as nitrogen, oxygen, argon, carbon dioxide, hydrogen and natural gas, typically at ultra-low temperatures. It also services flammable gases such as propane and butane.

The high environmental risks associated with Chart's products and services have led JOHCM Global Select (JOHCMGLS), with support from the Regnan Insight and Advisory Centre, to engage with the company to ensure that best practices are followed regarding environmental and social policies and disclosures. Engagement activity began with an initial meeting with the CEO in September 2021.

Objectives

Throughout 2022, the two teams continued to meet with management to seek enhanced practices in several key areas, including:

- Workplace health and safety;
- Chart's transition to clean energy;
- Diversity, Equity and Inclusion;
- Alignment of climate change disclosure with Task Force on Climate-related Financial Disclosures (TCFD);
- A commitment from Chart to regular ESG reporting.

Outcomes

Chart's third sustainability report was released in April 2022. The teams were encouraged to see that the report included a number of disclosure enhancements that were consistent with the issues raised in meetings. Importantly, the report's release confirmed Chart's commitment to timely annual ESG reporting, enabling the market to take these practices more effectively into consideration.

Further enhancements also included improved safety, diversity, and climate change disclosures, including moves to adopt reporting more consistent with the TCFD. The latter is viewed as especially timely given recent moves by the SEC on climate disclosure and the prevalence of the TCFD within the first exposure draft on climate reporting from the International Sustainability Standards Board (ISSB).

Whilst the team were pleased with the direction of travel, there remained significant work still to be done by the company to fully adopt TCFD reporting recommendations, including Scope 3 greenhouse gas reporting.

Escalation

In June 2022, the team wrote to the Director of Sustainability and Marketing, the Company Secretary and General Counsel, and Head of Investor Relations to reinforce their key priorities for the company's forthcoming disclosures, including on climate change.

While climate change disclosure has improved, there remains room for improvement in TCFD and Scope 3 reporting so that Chart can enhance investor understanding of its strategic refocus in support of the transition of the energy sector and meet the SEC's expectations.

TCFD reporting should include credible scenario analysis and provide useful guidance for internal decision making as the company pivots to new energy sectors and to greater value-add service models. These new markets will attract greater scrutiny from a range of stakeholders who will seek enhanced assurances on its current practices via its public disclosures.

The team's letter provided the company with a sample of detailed 'investor useful' examples of TCFD and Scope 3 reporting to aid it in delivering best practices.

Actions

Although there is much for Chart Industries still to achieve, the progress to-date has been encouraging and JOHCMGLS remain committed shareholders'. The team voted in line with ISS recommendations at the last AGM but continues to closely monitor progress and will assess their engagement priorities following the release of Chart's next sustainability report.

Fortescue Metals Group (FMG)

JOHCM Global Select & Regnan Insight and Advisory Centre

Social: Social Responsibility

PRINCIPLE 9

PRINCIPLE 11

Issues

Resource extraction in Australia, typically focused at remote sites, has a long history of conflict with Aboriginal peoples. The issue attracted significant attention in 2020 when Rio Tinto, the British mining conglomerate, destroyed 46,000-year-old cave shelters at Juukan Gorge in the Western Australian Outback. The incident led to a parliamentary inquiry and considerable adverse publicity for Rio Tinto.

The JOHCM Global Select (JOHCMGLS) fund, with support from the Regnan Insight and Advisory Centre, took the initiative to engage directly with Fortescue Metals Group (FMG), a mining group active in Australia held by the fund. Analysis by the teams suggested that FMG lagged behind its peers in its policies on Indigenous rights, and that this put it at risk of conflict with Indigenous groups should it fail to observe cultural heritage in its own operations.

The release of a report by Rio Tinto into workplace culture highlighted the likely widespread incidence of racism, discrimination and sexual assault in the Australian mining industry, with FMG amongst a number of companies potentially exposed to the associated workplace safety, reputation and legal risks.

Objectives

Regarding cultural heritage, the teams sought improvements to FMG's practices on cultural heritage protection to meet the examples set by leading industry peers.

On mining culture, the teams sought:

- Clarity on Board committee oversight of cultural issues, including reporting lines;
- Improved disclosure on reported incidents;
- Adoption of additional feedback mechanisms for employees and contractors as recommended by the Western Australian Parliament Sexual Harassment Inquiry;
- The use of independent mechanisms to validate the findings of its own internal investigations and feedback mechanisms.

Outcomes

Cultural heritage
Noting that Rio Tinto's Juukan Gorge incident revealed broader cultural heritage issues for which much of the responsibility lay with the board, the teams encouraged FMG's board to pay attention to peer examples where independent Non-executive directors (NEDs) have direct, unscripted interactions with key stakeholders, enabling them to validate the perspectives offered via management. The teams conveyed that the lack of direct contact and resultant reliance on management perspectives was a clear area where FMG lagged behind peer companies.

Mining culture
The teams engaged extensively with the FMG board and CEO in 2022, focusing on cultural issues within the sector and testing board oversight thereof.

In these meetings, the company was able to demonstrate board oversight of culture and stressed the distinctiveness of its culture in mitigating against the worst examples of practice seen in the industry. FMG advised that it has implemented several good practice examples, including further limits to alcohol consumption on remote worksites and expanded CCTV coverage.

Escalation
FMG remained reluctant to use independent mechanisms to validate the findings of its own internal investigations and feedback mechanisms. However, we were able to win acknowledgement that management prioritises scrutiny to areas of under rather than outperformance. In our view, good practice includes a healthy scepticism of strong performance. Following recent executive changes at the company, the teams are seeking to re-engage to reinforce and escalate these views. The teams believe culture is an important foundational element underpinning other key areas of ESG performance for the company, including its management of Indigenous relations and talent attraction – especially in support of its much-publicised shift to reposition for climate opportunities given likely expectations of strong ESG performance from this cohort.

Action

Whilst there is still further work that can be done to improve the company's approach to Indigenous rights, the teams have been pleased by the interaction and progress on issues raised to date and remain committed shareholders. The team voted in line with ISS recommendations at the AGM but will continue to monitor its activity with respect to Indigenous rights and to engage actively as necessary.

04 | Case studies | Fortescue Metals Group (FMG)

Evoqua is a leader in sophisticated water treatment solutions and is providing service-based solutions for companies to implement better water treatment in their operations.

Evoqua

Regnan Global Equity Impact Solutions

Environmental: Climate Change – Transition, Social: Human Capital Management Disclosure: ESG Disclousures

PRINCIPLE 9

PRINCIPLE 11

Issues

Evoqua has been in the early stages of establishing a sustainability strategy and reporting: its first sustainability report was published in 2021. This means that processes and reporting on key sustainability issues can be improved to align the company with the sustainability strategy and reporting practice of industry leaders such as Xylem. This matters particularly to the most material issues: measurement of product impacts, human capital management, and decarbonisation of operations and supply chain. The team believes that the company's adoption of a more systematic and transparent approach to sustainability issues will contribute to unlocking further value creation through higher operational quality recognised by the market.

Objectives

The engagement has had three priorities since initiating a position in 2020: systematic measurement and reporting of product impact metrics such as avoided water use; establishment of a comprehensive decarbonisation plan covering Scope 1, 2 and 3 emissions; improvement of human capital management notably related to diversity, equality and inclusion (DEI).

The team held private calls with Evoqua's senior management team and the company's sustainability team, a continuation of engagement level from the previous year. Our discussions focused on deeper integration of product impacts (which the company refers to as "handprint"), not only in external reporting, but also throughout the company's R&D and product development processes. The team emphasised that this approach enables deeper integration of sustainability issues from the design stage and is particularly important as the company has been investing more in R&D, notably opening a new R&D centre.

The team praised the company's improvements in reporting but also stressed the need to improve climate disclosures, notably by providing more granularity on scope 1 and 2 emissions and starting to disclose scope 3 emissions. The team also discussed the potential to establish DEI targets to track progress on the company's DEI initiatives. Given the significant progress achieved, the team believed none of these issues required further escalation at this point.

Outcomes

Some of the engagement objectives have already been met: in 2021, the company appointed a senior executive in charge of sustainability, expanded its internal capabilities with a better-resourced sustainability team, and improved sustainability reporting. This has been externally validated by upgrades in ESG ratings. In 2022, the company began evaluating scope 3 emissions to determine how to include them in their science-based targets, although they have not yet provided external disclosure. They achieved a significant reduction in CO2 intensity scope 1 and 2. They rolled out several DEI initiatives in 2022, such as unconscious bias training and an inclusion network, and carried out a review of their hiring processes to ensure that there is no bias against diverse talent.

Actions

In January 2023, Xylem announced the acquisition of Evoqua, which it completed in May 2023. Prior to the acquisition of Evoqua by Xylem, the team did not see a need to escalate further due to the consistent progress being made by the company and the openness and willingness to engage exhibited by the company throughout our interactions and our discussions with senior management.

The acquisition of Evoqua by Xylem, an established sustainability champion with a clear strategy with quantified targets and industry-leading performance, validates Evoqua's improving performance. The team has also held Xylem since inception and has been engaging with the company as well.

04 | Case studies | Evoqua

Befesa

Regnan Global Equity Impact Solutions

Social: Human Capital Management

Befesa recycles hazardous waste from secondary aluminium and steel production processes while extracting and reselling valuable materials such as zinc contained within it.

PRINCIPLE 9

PRINCIPLE 11

Issues

Befesa's health and safety performance has been materially below comparable waste management and metals companies, with a lost-time injury rate (LTIR) above 2 before 2019, generally considered a high level. Although the LTIR has significantly improved to below 1 in 2022, Befesa should aim for industry leading performance. This can be achieved by building a strong safety culture in the organisation. Aside from the welfare of employees, safety performance is an indicator of wider operational performance and tends to have a significant impact on productivity and revenues due to negative operational impacts. While other investors have focused engagements on GHG emissions reduction, an issue the team have also engaged upon, safety performance seems to have not been prioritised by those investors, thus providing an opportunity for the team to provide additionality through this engagement programme.

Objectives

At first glance, Befesa's LTIR targets looked ambitious. From 2019 to 2024, Befesa aims to reduce LTIR by another 50% from 2019-2024, which would translate into a total reduction of more than 80% from 2015 to 2024. In the long term, Befesa aspires to achieve zero accidents. However, the team consider the implied LTIR still to be high in absolute terms. In addition, Befesa had set no concrete date to achieve its zero-accident ambition. The team set the objective of encouraging Befesa to significantly exceed the reduction target and aim for industry-leading performance.

Escalation

The team had private calls with the company's senior management to discuss concerns over safety issues and targets. They also requested more evidence to support the company's claim that steel dust recycling plant lifecycle carbon emissions are among the world's cleanest by providing data from an independent assessment.

Outcomes

As anticipated, Befesa met its 2024 LTIR reduction target ahead of time, although further work is needed to improve safety performance beyond the initial target to align the company with industry-leading performance. Befesa has continued to reduce its LTIR, falling from 2.1x in 2019 to 0.8x in 2021. The team are encouraged by Befesa's enhanced investor communication on its health and safety progress, notably the disclosures in quarterly reports.

Actions

The company is demonstrating evidence of progress through improvement in key safety metrics. The team continue to engage directly with senior management but believe further escalation is not considered necessary at this point and remain committed shareholders. The team continue to promote further reduction in safety metrics and the establishment of more ambitious targets.

Mobico

(formally National Express)

JOHCM UK Equity Income

Governance: Financial

PRINCIPLE 9

PRINCIPLE 11

Issues

One of the investment focus points for the JOHCM UK Equity Income (JOHUKEI) team are strong balance sheets. Strong balance sheets are essential to businesses generating sustainable returns for equity investors as they provide headroom for a business to weather changes in cashflow caused by exogenous shocks. The JOHUKEI team identified that financial leverage at Mobico, a portfolio holding, had become too high, following COVID. This 'debt jacket' was likely to create a number of issues if the executive team and board did not act proactively to resolve it, especially in light of the recent rises in interest rates.

Mobico is a major supplier of public transport in a number of countries so concerns over the financial health of the company has implications for a wide range of stakeholders globally. With this in mind the JOHUKEI team felt it important to escalate the issue.

Objectives

The JOHUKEI team sent a detailed letter to the board in the autumn of 2022 that detailed their concerns and had a number of meetings with the Chief Executive, the Finance Director and the new Chair to discuss these. The JOHUKEI team outlined that Mobico has (once all debt instruments, including the hybrid bond, are considered) c.£500m of excess debt. This creates restrictions on investing in new growth options, e.g. the EV bus transition, bolt-on acquisitions, etc. The high debt level is also a restrictor of a proper valuation being placed on the company by the stock market, especially at a time of rising interest rates. The team outlined that non-organic ways to address the debt would need to be explored, thus allowing the stock to be properly valued and create enough balance sheet capacity to invest in the growth options available. The team were clear that a rights issue, at the current valuation, was not an option. In the team's opinion, a more viable option the board should actively consider is the sale of the US businesses. The rationale for this is (a) the clear value tramlines that recent transactions have highlighted (e.g. First Group's recent sale of its similar business), (b) the attractiveness of it to a range of different bidders and (c) the discrete nature of the US businesses.

Such a sale would have the immediate benefit of both highlighting and locking in part of the value gap that exists in the current share price. The other benefit is it would create the ability to transform the balance sheet position and potentially even lead to some capital being returned to shareholders. The team's analysis suggested it could leave the rump business with a more appropriate c.1.5x net debt to EBITDA, leaving it well positioned to take advantage of both inorganic and organic growth options and better weather any further exogenous shocks.

Outcomes

The Mobico board acknowledged the team's communications and recognised that an appropriate balance sheet is required to enable the company to deliver full value from the opportunities ahead. In September 2022, the Mobico board and executive team assured the JOHUKEI team that they remain rigorous in their ongoing review of capital allocation, and that the composition of their portfolio is a topic which is high on their agenda.

Escalation

In December 2022, the JOHUKEI team were disappointed to see a number of large earnings downgrades made by analysts after meetings with the company. The new expected profit levels (and resulting higher near-term debt) brought the leverage issue to the fore as the team had feared.

The team decided to escalate the issue further through another round of engagement with company to highlight that the arguments they made previously were now even more relevant and again urged the board to get ahead of the leverage issue by considering selling part of the business with a pragmatic view on value.

Actions

No actions have yet been undertaken by the Mobico executive or Board to address the JOHCM UKEI team's concerns. This has led the team to explore ways to further escalate their issues including considering actions to be taken ahead of the AGM in April 2023. (Note: The team subsequently voted against remuneration, where the bonus outcomes did not link, in the teams view, to the fall in profit expectations during the 2022 fiscal year).

Rank Group

JOHCM UK Growth

Environmental: Environmental Disclosures,
Social: Human Capital Management

Issues

Rank Group has been held by the JOHCM UK Growth (JOHCMUKG) team for over five years. The JOHCMUKG team believe that an important determinant of portfolio companies achieving superior long term capital growth is a company acting as a good corporate citizen. Demonstrating and evidencing these credentials to investors requires capital and resources, which are often not available to smaller businesses such as those that make up the majority of UK growth companies. As such, the team have looked to work with their portfolio holdings to aid them in focusing on improvements in disclosure of the most material and relevant environmental and social metrics to aid third-party data providers and fellow investors.

These disclosures are particularly important for companies like Rank Group, who operate in regulated sectors where there is already a lot of government focus, including potential further regulation as associated with affordability checks and safer gambling.

Objectives

Analysis by the JOHCMUKG team identified that Rank Group's metrics and disclosures needed improvement in several key areas:

1) Ambitions around energy efficiency and carbon footprint reductions. Third-party data sources suggested electricity use was 100% from non-renewables
2) Female representation on the board, executive and senior management. In 2002, female representation in senior roles was just ~30% and at the board level was ~37%.
3) Monitoring and detail of employee engagement.
4) Publishing of a Group-wide sustainability report for investors

The team has engaged with the company over a consistent period during its ownership, including numerous meetings with the CEO, CFO and the Chairman, including three in 2022. In addition, a specific ESG focused meeting with business communication specialists Buchanan, who were hired by the company to specifically shape their sustainability strategy, allowed JOHCMUKG to provide feedback post-publication of Rank's first sustainability report and keep the business on a pathway of continuous improvement. The JOHCMUKG team used analysis from the Sustainable Investments team to support them in their approach.

PRINCIPLE 9

PRINCIPLE 11

Outcomes

The JOHCMUKG team were pleased to see Rank Group publish its first sustainability report in September 2022 and also learn from the company that JOHCMUKG were the only asset manager to contribute to its publication.

Female representation on the board has also improved, with two new female non-executive directors joining within the last 18 months. During the same time, changes were made in terms of management remuneration, specifically long-term incentive plans, which now have more ESG criteria attached to them as part of the qualitative criteria.

The JOHCMUKG team were pleased to learn that a new Employee Value Proposition (EVP) to enable monitoring of internal culture would be formed in 2023 and has encouraged management to spend more time addressing employee engagement scores, employee satisfaction scores, and employee churn scores in its next sustainability report. These metrics are very relevant not just for Rank Group, but to all stakeholders. The feedback from management is that it recognises why these issues are important and relevant. As such, the JOHCMUKG team think it will see changes in this area in the next 12 months, including how Rank is trying to improve the lifecycle of employees.

The team JOHCMUKG have also continued to engage with the company on its non-renewable energy usage following pushback that the issues stem from its leased estate, rather than its own sites. The JOHCMUKG have discussed how, as key tenants, Rank Group can exert its influence on its choice of energy provider. The JOHCMUKG team are pleased to see some traction with the formation of a new Net-Zero Working group on SBTi data to drive the groups' decarbonization agenda, although the significant number of sites and small locations mean it will take time to fully execute a transition. The team continues to monitor the situation, but given the progress made by the company so far, it has not felt the need to escalate any of its issues beyond the channels already being used.

Actions

The JOHCMUKG team have been impressed by the holistic approach undertaken by Rank Group and believes the company is increasingly well set up to be a beneficiary of any new legislation the UK Government enacts. Whilst there is still work to be done, the team have voted in line with management recommendations and, despite a tougher trading environment and weaker-than-expected capital generation, remain committed shareholders.

The Rank Group is an entertainment company based in the United Kingdom. Its brands now include Mecca Bingo and Grosvenor Casinos, the UK's largest casino operator. In the UK, it operates Grosvenor Casinos, Mecca Bingo, and Rank Interactive online gaming and betting. It also operates additional Grosvenor Casinos clubs in Belgium, and Rank España in Spain. Rank is listed on the London Stock Exchange.

Vodafone

JOHCM UK Dynamic & JOHCM UK Equity Income

Governance: Financial

PRINCIPLE 9

PRINCIPLE 11

Issues

Vodafone is a long-standing position in the JOHCM UK Dynamic fund, but in recent years the share price has languished compared to the FTSE All Share and FTSE Telecoms Service Providers index. Vodafone has faced a number of challenges in recent years that have weighed on the share price, including scrutiny over historical M&A activity that has failed to deliver operationally and resulted in a highly levered balance sheet. The acquisition of European assets in Germany, Hungary, Czech Republic and Romania from Liberty Global in 2018, have notably failed to deliver value to shareholders through management's strategy to bolster its cable and broadband assets.

After three years under CEO Nick Read's tenure, the team began an in-depth analysis in September 2021, aided by meetings with divisional management teams within Vodafone Group, and began a line of engagement with the then CEO, Nick Read, and Chairman Jean-Francois van Boxmeer in October 2021. The purpose of the engagement was to explore if a more prudent strategy of simplification and focus could create value for the Group.

To maximise the potential impact of the engagement, the investment team acted in collaboration with JOHCM's UK Equity Income team, another long-standing shareholder, with the discussions and analysis led by JOHCM UK Dynamic's Senior Fund Manager, Alex Savvides.

Objectives

The focus of the initial engagement that began at the end of 2021 via several meetings with both the Group CEO and CFO and a number of business unit heads centred on four themes:

1. The **African Assets**, with a focus on the inherent value of M-Pesa. The team explored if a sell down in Vodafone's stake would highlight the growing value and differentiation of M-Pesa and the other mobile payment provider assets in the Group. Additionally, the team suggested creating better understanding on the opportunity within Africa more broadly to the analyst community would be beneficial to improving narrative.
2. The **Tower Assets** (predominantly Vantage Towers). Focus of discussions centred on whether Vodafone should retain a majority stake in these assets, given recent activity from other European Tower owners (Orange and Deutsche Telekom) to demerge or sell comparable assets at attractive valuations.
3. Operational trends and the future investment requirements within **Germany**.
4. **Capital structure**. Given persistently high leverage and complexity within the group, resulting in a lack of sustainable growth, the team explored if selling down one or more of these assets might create a new narrative for the Group, whilst de-levering the balance sheet and creating more focussed organisation.

Escalation

Following FY22's half-year results, the investment teams felt the need to escalate their issues further via investor relations. In November 2022, the teams wrote to express concerns of a lack of strategic progress in relation to exiting assets and repairing the balance sheet. Whilst there had been some progress, deals were often complex, long-dated and subject to regulatory approvals, leaving investors disappointed. The introduction of two further JVs added to the complexity issues already noted. Additionally, the JOHCM UK Dynamic team voted against the authorisation of equity issuance without pre-emptive rights attached at the 2022 AGM.

Outcomes

The team's engagements to date suggest that management understands the imperative to simplify and de-risk the balance sheet however, progress has been slower than hoped. Evidence that the company recognises the need for change was demonstrated by the Board appointing a new CEO in January 2023.

Actions

Both JOHCM UK Dynamic and JOHCM UK Equity Income teams continue to own Vodafone and actively engage with both the Board and the newly appointed CEO with expectations being signs of decisive action in the form of a refreshed strategy.

Waste Connections

Regnan Sustainable Water and Waste

Environment: Greenhouse Gas Emissions

Issue

Operations in the waste services sector are associated with high greenhouse gas (GHG) emissions, particularly methane emissions from landfills and collection. As such, the Regnan Sustainable Water and Waste (RSWW) team expect waste management companies to have well evidenced decarbonisation goals with comprehensive plans and targets, including interim targets.

Objectives

While the Regnan Sustainable Water & Waste (RSWW) team view Waste Connections' emissions reduction activities as well tailored to its operations linked to biogas recovery, recycling efforts and carbon offsets, the team tested the potential for the company to enhance its approach by introducing an absolute emissions reductions target in addition to its intensity targets.

The company indicated its desire to first, better understand its carbon profile, given the company's growth aspirations (including via acquisitions), before setting absolute or intensity targets. The RSWW team supported the company's efforts to better understand its carbon profile and emphasised the importance of considering emissions in strategic decision-making, including acquisitions. The team also committed to providing feedback as the company develops its targets, processes, and strategy on emissions and has since further engaged with the company at its request.

Given the medium-term timeframe of the targets (10 years) interim targets were deemed by the company to be unnecessary. However, in the absence of interim targets, the team sought confirmation that targets are regularly reviewed to ensure they remain sufficiently ambitious and that this process be disclosed to investors. The company agreed with our suggestion.

Outcomes

In its 2022 sustainability report, the company committed to add a new target to reduce scope 1 and 2 emissions by 15% in absolute terms, along with a goal to continuously improve emissions intensity.

The company's sustainability disclosures in 2022 included an additional section 'Target Progress'. Here, the company detailed current progress against the targets set as well as the management process for reviewing the appropriateness of current targets and the rate of progress.

PRINCIPLE 9

PRINCIPLE 11

Waste Connections is a North American integrated waste services company that provides waste collection, transfer, disposal and recycling services, primarily of solid waste. It has operations in both the United States and Canada, and is headquartered in Texas.

The company informed the RSWW team that it had received positive feedback from investors on the communication of its emissions targets.

Actions

Meaningful progress has been achieved with the company committing to add a new target to reduce scope 1 and 2 emissions by 15% in absolute terms along with a goal to continuously improve emissions intensity. However, the company does not yet appear to provide adequate and explicit detail around the timeframe within which it would reduce scope 1 and 2 emissions. In the team's view, the company has made substantial progress on its approach to climate transition planning to date, and although the team will continue to engage with the company to enhance its approach to climate transition planning, it does not believe any of the issues need escalation at this stage.

Waste Connections

Regnan Sustainable Water and Waste

Social: Human Capital Management

04 | Case studies | Waste Connections

Waste Connections is a North American integrated waste services company that provides waste collection, transfer, disposal and recycling services, primarily of solid waste. It has operations in both the United States and Canada, and is headquartered in Texas.

PRINCIPLE 9

PRINCIPLE 11

Issue

Analysis undertaken by the Regnan Sustainable Water & Waste (RSWW) team identified that Waste Connection's disclosure of its Work Health and Safety policy was not readily accessible to its stakeholders. In the team's view, the public disclosure of policies provides transparency and comfort to stakeholders that the company has the necessary procedures to ensure that work health and safety is adequately managed.

Objective

Disclosure of Work Health and Safety policy
The RSWW engaged with the company to encourage it to adequately disclose its Work Health and Safety (WHS) policy publicly, including specific reference to the coverage of contractors.

Outcomes

The company noted the team's suggestion and subsequently made the required public disclosure of the WHS policy.

Actions

No further action was required as the engagement was complete.

Waste Management Inc.

Regnan Sustainable Water and Waste

Social: Social Responsibility

Waste Management, Inc., trading as WM, is a waste management, comprehensive waste, and environmental services company operating in North America. Founded in 1968, the company is headquartered in Houston, Texas.

PRINCIPLE 9

PRINCIPLE 11

Issue

Waste management companies are increasingly expected by stakeholders and shareholders (as evidenced by well supported shareholder proposals) to consider and manage environmental justice, defined as "the fair treatment and meaningful involvement of all people regardless of race, colour, national origin, or income, with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies".

In early 2022, The International Brotherhood of Teamsters General Fund submitted a shareholder proposal urging the Board of Directors at Waste Management to oversee a third-party audit analysing the adverse impact of Waste Management's policies and practices on the civil rights of company stakeholders, above and beyond legal and regulatory matters, and to provide recommendations for improving the company's civil rights impact. The proposal sought input from civil rights organisations, employees, customers, and other stakeholders that should be considered in determining the specific matters to be analysed. It was also requested that a report on the audit, prepared at a reasonable cost and omitting confidential or proprietary information, should be publicly disclosed on Waste Management's website.

Objective

The Regnan Sustainable Water and Waste (RSWW) team supported the resolution proposed by The International Brotherhood of Teamsters General Fund on the basis that enhanced analysis by a third-party on the issue would be additive to the analysis and initiatives undertaken by the company. The team followed up on this by directly engaging with the company to share their view that meaningful stakeholder consultation and initiatives to manage emergent issues coupled with disclosure are key to stakeholder, regulatory and shareholder concerns on environmental justice.

Outcome

The company provided assurances this was top of mind and the company is advancing its thinking on how to further enhance its approach. While the company shared that they started work on this back in 2010, its work has become more sophisticated, including working with the US Environmental Protection Agency to develop the Environmental Justice Mapping tool. The mapping tool uses public information to map the environmental justice impact of their sites. The company also enhanced its disclosure of facility level data.

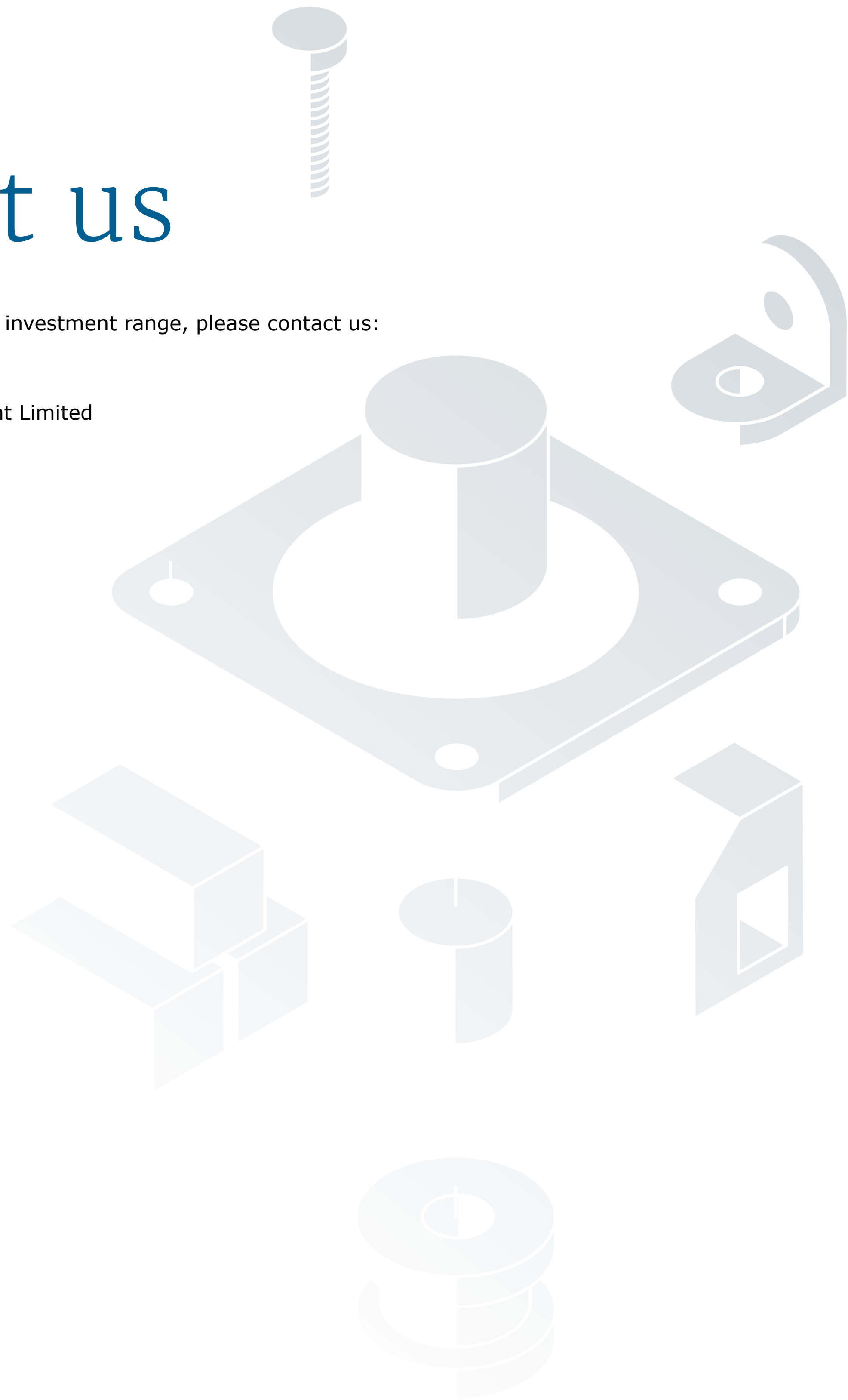
Action

While the team were encouraged by the work being undertaken by management, they supported the shareholder resolution proposed by The International Brotherhood of Teamsters General Fund, on the basis that it would be additive to the company's understanding of the issue.

With the shareholder resolution receiving majority support, the team expects the company to enhance their approach regarding civil rights. The team will continue to monitor the company's progress and further engage with the company where they identify gaps.

Contact us

For more information about our investment range, please contact us:



London
J O Hambro Capital Management Limited
1 St James's Market
London SW1Y 4AH
Tel: +44 (0) 20 7747 8969
Email: info@johcm.co.uk
www.johcm.com

New York
437 Madison Avenue
Suite 3603
New York, NY 10022
USA

Boston
53 State Street
13th Floor
Boston, Massachusetts 02109
USA

Dublin
24 Fitzwilliam Place
Dublin
Ireland
D02 T296

Prague
Vaclavske nam. 17
4th floor
Prague – 1
11000 Czech R

Singapore
138 Market Street
#15-04 Capitagreen
Singapore 048946

This report has been prepared and approved by J O Hambro Capital Management Limited, whose role in compiling the report has been overseen by our UK authorised fund manager and authorised corporate director (ACD), JOHCM Funds (UK) Limited. This report also complies with certain requirements of our regulator, the Financial Conduct Authority (FCA), to report under the Shareholder Rights Directive II.