Barclays Investment Solutions Limited **Stewardship Code** Report

October 2023

BARCLAYS

Barclays plc is a British multinational universal bank, headquartered in London. Barclays has a primary listing on the London Stock Exchange and is a constituent of the FTSE100 index. Barclays' investments offerings operates through various entities including Barclays Bank PLC. Barclays Investment Solutions Limited (BISL) is a non-bank investment firm and a wholly owned UK subsidiary of Barclays Bank PLC. BISL was relocated in mid-2023 to sit within the Private Bank & Wealth Management (PBWM) division of Barclays Bank plc. Its primary activity is discretionary investment services, and those are the focus of this report, but BISL also comprises some investment advisory and execution-only activities.

The discretionary activities essentially take two forms – discretionary portfolio management (DPM) and unitised Barclays-branded funds. BISL has been appointed as the investment manager for three fund ranges (including those where BAML is the Authorised Fund Manager) within PBWM and is responsible for making all day-to-day investment decisions on behalf of every fund. Barclays Asset Managment Limited (BAML) is the Authorised Fund Manager of the UK-domiciled fund range within PBWM. For these fund ranges, BISL delegates the selection of assets, including shares, to other investment managers, by either investing into a fund or by giving a number of managers a portion of the money raised to invest on behalf of BISL (by means of segregated mandates). The DPM portfolios typically contain third-party funds and BISL's own funds, but there is a small portion of direct equities held. We vote and engage on those direct holdings in DPM and on the holdings, held within the mandates, within all the BISL funds. Federated Hermes EOS assists BISL with these two activities. Notable products include the Multi-Asset Sustainable Fund (MASF) and the GlobalAccess range of funds. The latter is a range of single-asset class UCITS domiciled in Ireland.

This document has been reviewed at the Responsible Investing Forum, the Investment Committee and the Board of Barclays Investment Solutions Limited (BISL) and approved by the CIO and CEO of BISL.

Next >

Foreword

The UK Financial Reporting Council (FRC) defines stewardship as "the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment, and society." We align with this perspective and aim to elaborate on how we embody this ethos within our operations, workforce, and strategies in this document.

The landscape of the wealth management industry holds the potential for profound impact, capable of instigating transformative change to address our planet's sustainability challenges. Our clients' investments span a diverse array of companies operating both nationally and internationally, encompassing a wide spectrum of products and services. Thus, as dedicated investment professionals, we are acutely aware of the profound influence our decisions have on society.

The last 12 months have been turbulent to say the least. The convergence of factors such as soaring inflation, supply chain disruptions, and the Russia-Ukraine conflict has cast a glaring spotlight on the energy trilemma. Amidst these complexities, the world confronts the intricate task of ensuring energy security, affordability, and sustainability. Countries globally are at the crossroads, grappling with weighty choices. The COP27 summit held in Sharm El-Sheikh has highlighted these challenges. The agreement regarding a "loss and damage" fund for developing nations emerged as a notable development, potentially smoothing the path toward realizing the objectives set forth in the 2015 Paris Agreement. However, the road ahead remains extensive and intricate, calling for concerted efforts.

As you read through this report, we trust you will discover insights that shed light on our efforts, supported by illustrative examples. We take pride in the work we carry out and hope this document gives you a better understanding of how we value Stewardship across the business.

Ian Aylward

BISL Head of Manager Selection & Responsible Investment

Will Hobbs

BISL Chief Investment Officer

Note: this report relates to the activities undertaken by BISL between 1 July 2022–30 June 2023. Any use of the words "we", "our" or "us" in the context of the organisation refers to Barclays Investment Solutions Limited (BISL), unless stated otherwise.

Contents

Principle 1

Our purpose, strategy and culture

Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Our purpose

Our Purpose is the reason we exist; the societal need we fulfil. It encapsulates what we are fundamentally here to do. It provides a clear expression of the kind of business we want to be, and what we care about, which in turn helps guide us in the decisions we make. The respective Purpose of Barclays Group (of which Barclays PLC is the parent company) enables us to be committed to serving customers' and clients' best interests, as does our investing purpose.

Barclays Group has the overarching Purpose to deploy finance responsibly to support people and businesses, acting with empathy and integrity, championing innovation and sustainability, for the common good and for the long term. Barclays Group's model and strategy are designed to ensure we remain resilient through market cycles and long-term trends, and there is a purpose, energy, and creativity in the people of Barclays which will continue to be deployed for the benefit of the communities which Barclays Group serves.

Our investing purpose is to make money work for UK based clients and prospects with investments and/or savings, or with an interest in starting to invest. We help our clients to become strategic, confident investors by providing access to relevant information, financial expertise, quality products and services; delivering their financial goals and managing their wealth in a safe place. Our investment process is led by our Chief Investment Office team, aiming to deliver dependable, consistent and strong risk adjusted returns, backed by institutional quality process and execution via easily explainable investment solutions – which we offer through Barclays Investment Solutions Limited (BISL). BISL provides investment services to a range of customers and clients including individuals, corporates, trusts, charities and funds. BISL is a centre of investment expertise, delivering risk profiled, globally diversified multi-asset class investment strategies, and providing access to institutional quality investment solutions to its customers and clients. Further details on the entity and governance can be found under Principle 2. Our effectiveness in serving the best interests of customers and clients is supported by the Barclays Group's culture and strategy, and BISL's investment beliefs, as highlighted below.

Our culture

Barclays Group success cannot be separated from its culture. And the power of who we are is greatest when we are bound together by a common Purpose, shared Values and a single Mindset. As a subsidiary of Barclays Group, BISL aims to align its culture with that of Barclays Group. A shared set of Values and Mindset help us to service client interests. Our culture, via our Values, is also embedded in our incentive structure, discussed later within Principle 2.

Our five Values – Respect, Integrity, Service, Excellence, and Stewardship – are our moral compass; the fundamentals of who we are and what we believe is right.

Our Values are:

- **Respect**
  We harness the power of diversity and inclusion in our business, trust those we work with, and value everyone's contribution.
- **Integrity**
  We operate with honesty, transparency and fairness in all we do.
- **Service**
  We act with empathy and humility, putting the people and businesses we serve at the centre of what we do.
- **Excellence**
  We champion innovation, and use our energy, expertise and resources to make a positive difference.
- **Stewardship**
  We prize sustainability, and are passionate about leaving things better than we found them.

Our mindset is:

To Empower, Challenge, and Drive encompass the Barclays Group Mindset. This Mindset shapes how we take action, living by our Values, driven by our Purpose, always with our customers and clients at the heart of what we do.

- **Empower**
  Trust and support each other to deliver. Make decisions with those closest to the topic. Include diverse perspectives. Celebrate success and learn from failure.
- **Challenge**
  Question whether things can be done better. Use insights based on data to inform decisions. Be curious about how we can adapt and improve. Speak up and be open to alternative viewpoints.
- **Drive**
  Focus on outcomes. Deliver with pace. Be passionate and ambitious about what we do. Take personal responsibility. Actively build collaborative relationships to get things done.

Our strategy

We are part of a British universal bank, Barclays PLC (the "Barclays Group" or "Group") with a diversified and connected portfolio of businesses, serving retail and wholesale customers and clients globally. There are 3 pillars to the Group's strategy:

Deliver next-generation, digitised consumer financial services
As technology transforms consumer financial services, we are building and delivering enhanced products and services for our customers, leveraging our payments interconnection and improving our efficiency.

Deliver sustainable growth in the Corporate and Investment Banking
As the capital markets grow, we will seek to maintain our market position as a top six global investment bank while investing in new capabilities to serve our clients.

Capture opportunities as we transition to a low carbon economy
We want to work alongside customers and clients as they transition to a low carbon economy, using our advisory and financial expertise to help them navigate this period of extraordinary change.

Barclays Group financial performance and our progress against our strategic priorities is inextricably linked to the global economy and the financial wellbeing of our customers and clients. Each of these strategic priorities are delivered though Group synergies, working as one organisation to enhance these synergies and deliver greater value. This creates better outcomes for customers and clients, colleagues, society, and investors alike.

Additionally, Barclays Group also has 3 strategic pillars reflecting the approach Barclays Group is taking towards addressing climate change, aligning client interests with our social responsibility towards climate-related risk. These are as follows:

1. **Achieving net zero operations**
   Barclays Group is working to reduce its Scope 1, Scope 2, and Scope 3 operational emissions consistent with a 1.5˚C aligned pathway and counterbalance any residual emissions.
2. **Reducing our financed emissions**
   Barclays Group is committed to aligning its financing with the goals and timelines of the Paris Agreement, consistent with limiting the increase in global temperatures to 1.5˚C.
3. **Financing the transition**
   Barclays Group is helping to provide the green and sustainable finance required to transform the economies, customers, and clients we serve.

As previously stated, BISL now sits within PBWM. With respect to the Private Bank and Wealth Management business, our aim is to become the provider-of-choice for banking, lending, advice and investments. We believe this can be achieved by enhancing and widening the services offered to existing clients, in parallel with efforts to welcome more new-to-bank clients.

BISL is the standalone investment entity within PBWM that has been appointed as the delegated investment manager for three funds ranges within PBWM. BISL is responsible for making all day-to-day investment decisions on behalf of each fund range. As such it plays a key part in supporting this stated strategy by, for example, providing the requisite investment products.

Our investment beliefs

We believe that we have a unique approach to wealth management. Our pioneering approach uses behavioural finance – how emotions can impact investment decisions – to help improve long-term returns. Over the years, we've found that investors consistently struggle to get the sort of investment returns they should. We created a dedicated team of behavioural finance specialists to find out why and what we could do to improve our clients' investment decision-making and returns. Our unique investment approach is the result of their research.

We're often not aware of it, but sometimes individuals' own emotions – rather than practical reasoning – are the biggest driver of people's investment decisions.

The traditional approach to creating an investment portfolio focuses almost entirely on an investor's attitude to risk and ignores the other emotional factors at work. Our investment philosophy approach measures five different aspects of an investor's personality that relate to their financial behaviour and decision-making. These five aspects include an investor's Composure, Risk Tolerance, Market Engagement, Desire for Delegation, and Belief in Skill. We believe this enables us to develop more effective individual investment solutions that seek to reduce the negative impact on returns caused by investor emotions. The three steps of our investment philosophy are:

Understanding our client's wealth
We start by using our expertise across our whole business to look at every aspect of our clients' wealth. This allows us to see if they're over-exposed to risk or missing out on opportunities for better returns. It also helps us to provide the right level of support and services.

The Financial Personality Assessment
Once we've completed the wealth review, clients are invited to take our Financial Personality Assessment. This unique tool measures five key personality attributes as noted previously in a robust, objective and scientific manner. The results help us understand how our clients think and feel about wealth and investments, and what influences their decision-making.

Creating the Individual Portfolio
We use the information from the wealth review and Financial Personality Assessment to create an individual investment portfolio that matches our clients' situation, objectives and personality. We continually monitor and manage portfolios and adapt to new opportunities as they arise or when markets change.

With regards to the underpinning investment philosophy, we focus where we believe we add the most value i.e. in designing risk profiled Strategic Asset Allocations (across 5 risk levels) and adding a Tactical Asset Allocation overlay, consistently applied across our range of multi asset class funds and discretionary portfolios, with our Chief Investment Officer (CIO) being accountable for investment outcomes across all of our BISL investment solutions.

We aim to source the best Fund Managers from the open market to populate the 8 asset classes, within our asset allocation, that are blended to deliver our funds and portfolios. We delegate the selection of assets, including shares, to other investment managers, by either investing into a fund or by giving a number of managers a portion of the money that we raise to invest on our behalf via mandates. These third-party managers are selected via a thorough due diligence process and are subject to ongoing monitoring. The due diligence process focuses on identifying managers that we believe can generate the best risk-adjusted returns in the asset class or strategy, which we are seeking to delegate, as well as ongoing monitoring.

The first part of our selection process is employing a strict Investment Due Diligence process in selecting managers, following a tried and tested approach which looks beyond strong performance. In particular, we focus on the Parent company; the People managing the assets; the investment Philosophy employed; the robustness of the Process; as well as the Performance achieved ('The 5 P's'). Alongside this, we internally assess every manager on their ESG (Environmental, Social, and Governance) credentials with a separate rating between A–C. We engage with each of our managers to help them to understand our expectations and policies in relation to responsible investment (further details can be found within Principle 7). We believe that the incorporation of ESG risks not only preserves, but also enhances long term client interests. In our view, building ESG considerations into an investment process seeks to mitigate and consider long-term risks, and this is something we expect from all our chosen managers.

We favour selecting highly experienced managers; preferring teams and individuals working in a transparent culture that encourages and attracts talent, and avoiding small funds which may become difficult to exit. We believe that there is a group of managers in the investment community who, over reasonable time frames, may be expected to outperform their respective peers and participate less in sustained negative markets. No one firm can be amongst the best in all asset classes so a non-restrictive approach is taken. These managers may work within any type of company, from a small boutique to a very large investment house, but we would typically require some embedment of ESG considerations. We won't necessarily exclude managers with the lowest ESG rating of C but will certainly work with them to improve their credentials. These managers may work as individuals or in teams, adopt a qualitative or quantitative approach and have one of many investment styles. There is no one simple way of verifying the presence of skill and hence the manager selection process draws on both qualitative and quantitative techniques. This approach allows us to identify managers with an explainable and repeatable process, leading to consistent investment outcomes for our clients.

The second component of our selection process is Operational Due Diligence (ODD). ODD focusses on the business resources, operational know-how and processes that third party managers need to support their investment activities and execute and sustain their investment strategy. Areas such as trading and execution, reconciliation, pricing, custody and compliance/governance are areas of potential risk that benefit from the focus of a dedicated team.

As a signatory of the UN Principles for Responsible Investing (UNPRI), we adopt a responsible approach to investing. ESG is an integral part of our selection and ongoing monitoring process, with each active manager explicitly assessed according to our own ESG criteria. Additionally, we have the Multi-Asset Sustainable Fund that incorporates not just responsible principles but investments targeting specific sustainability and societal outcomes. Whilst we entrust our managers to take a responsible approach to investment, incorporated through for example, their investment process and actively engaging with companies they are invested in, we retain voting rights for our clients' holdings – this includes both direct holdings within DPM and holdings within the segregated mandates that form part of BISL funds. This means we can continue being strong stewards of capital, serving client interests in what we consider to be the best possible way. We ensure our voting rights serve clients effectively by aligning ourselves with Federated Hermes EOS' voting principles. We believe these voting principles provide long-term protection and enhancement of client interests.

We vote and engage on those direct holdings within DPM and on the holdings within the segregated mandates that form part of BISL funds. Our Commercial Management Team continually drive value for money for our clients, by ensuring that we negotiate the best rates possible with our managers, often achieving fees that are exclusive to our clients.

Having selected what we consider to be the best products, at the best price, we continually monitor every aspect of the investment process (performance, investment, concentration, liquidity and credit risk) to check that each aspect is explainable, appropriate for the client base and behaving the way we expect. This has been further supported through our recent enhancements to align with the new Financial Conduct Authority (FCA) Consumer Duty regulation, which has led to a higher level of consumer protection than before, especially for clients with characteristics of vulnerability. We will continue to take action as appropriate, including the removal of managers and products from our recommended lists, should they no longer meet our criteria.

Our investment beliefs drive our actions which we believe continue to be effective in serving the interests of our clients and beneficiaries, seen through our investment philosophy for choosing managers as mentioned above, as well as our additional work alongside Federated Hermes EOS for voting and engagement.

We are forward looking in implementing new ways in which we can better consider and advance client interests, constantly looking to take advantage of services provided by third parties, as well as developing and enhancing our own internal functions.

The most tangible examples of where our investment beliefs have guided stewardship and the actions we have taken as a result over the reporting period are:

- The transition of 9 funds within our Irish-Domiciled GlobalAccess fund range to EU Sustainable Finance Disclosure Regulation (SFDR) Article 8*. This means the funds now promote environmental or social characteristics, provided that the companies in which the investments are made follow good governance practices. In addition to the existing steps already in place, such as the assessment of external managers' ESG credentials and our voting and engagement programme, the conversion of the 9 funds to SFDR Article 8 involved the introduction of several exclusionary screens. The screens applicable to these funds exclude any investment in firms which:
  - Generate any revenue from controversial weapons (including cluster munitions, biological or chemical weapons, landmines, depleted uranium, white phosphorous munitions).
  - Generate greater than 10% revenue from: fossil fuels; production of nuclear weapons or components exclusively manufactured for the use of nuclear weapons; tobacco production, distribution, and/or retailing; gambling operations or products, or providing key products to gambling operations; adult entertainment production, distribution, and/or retailing.
- Enhancing the Multi-Asset Sustainable Fund (MASF), our specialist sustainable investment fund, through introducing a number of changes. These included:
  - Exiting the remaining passive funds in the MASF due to BISL's evolving view that a purposeful and measurable impact is better led through active funds.
  - Making several changes to which active funds are held within the MASF. This was motivated by the Fund and Manager Selection team believing the stated objectives of the MASF could be served even better by other active funds which were previously not available for selection.
  - Change of name from the "Multi-Impact Growth Fund" to the "Multi-Asset Sustainable Fund", in light of the FCA's consultation paper on its upcoming Sustainability Disclosure Requirements (SDR) regulation.
  - Enhancing the annual Impact report for the fund to better bring to life the impacts, characteristics, and engagements of the chosen fund managers which make up the Multi-Asset Sustainable Fund.
- The continued and enhanced use of Federated Hermes EOS for voting and engagement activities, alongside the engagement carried out by our chosen third-party fund managers.
- Support and funding for specialist colleagues pursuing ESG and Sustainability related professional qualifications.

* Sustainable FInance Disclosure Regulation (SFDR), Regulation (EU) 2019/2088 of the European Parliament and of the Council, aims to increase transparency in relation to sustainability amongst financial institutions and market participants so that clients can make informed investment decisions. It consists of disclosure requirements at firm and service and/or product level to standardise sustainability disclosures, which aims to improve industry-wide comparability and help prevent greenwashing. An Article 8 Fund under EU SFDR is defined as "a Fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices".

Principle 2

Our governance, resources and incentives to support stewardship

Principle 2: Signatories' governance, resources and incentives support stewardship.

Our governance

Barclays plc is a British multinational universal bank, headquartered in London, England. Barclays operates as two divisions, Barclays UK and Barclays International, supported by a service company, Barclays Execution Services. Barclays has a primary listing on the London Stock Exchange and is a constituent of the FTSE100 index .

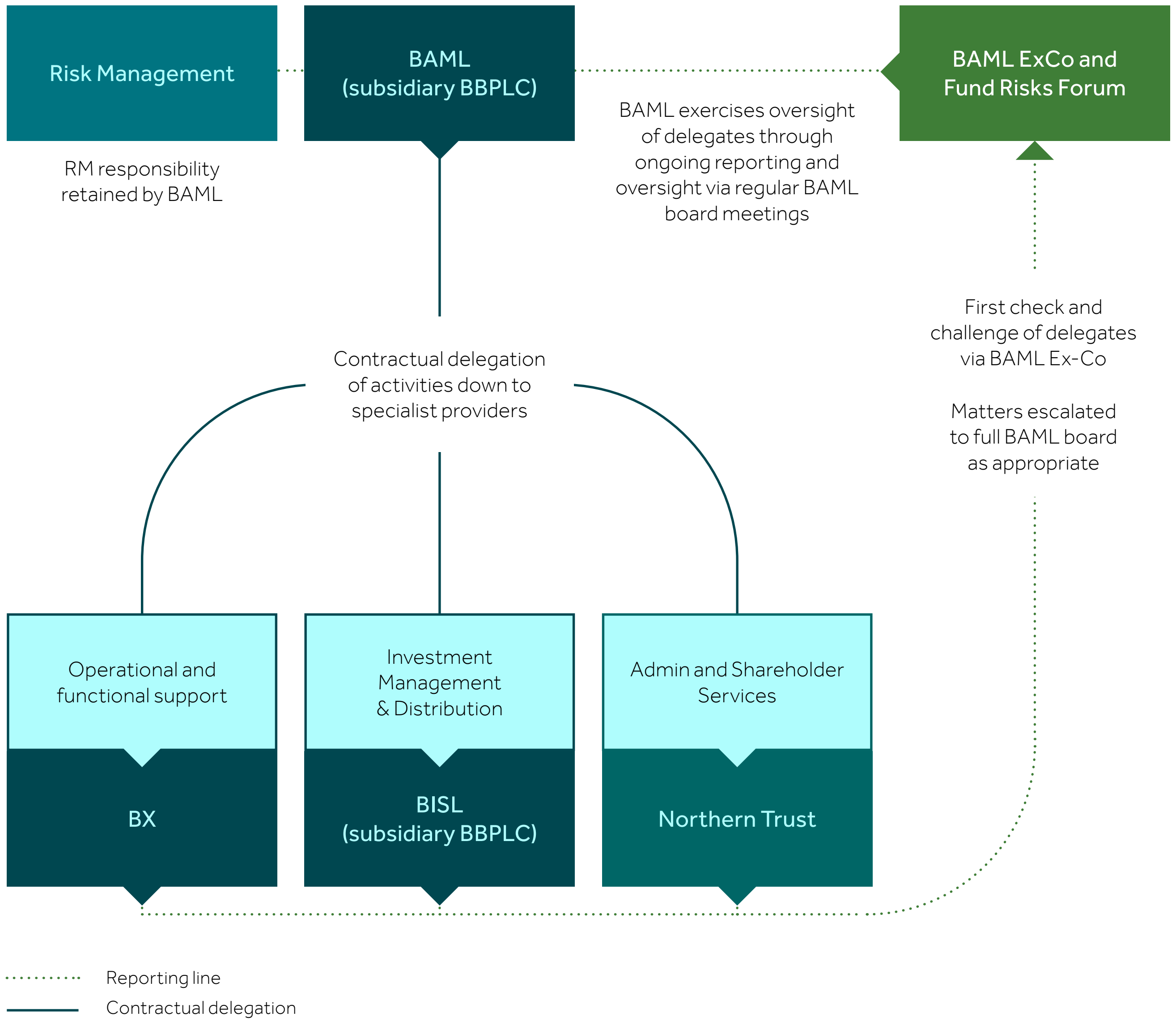
Barclays Group investment offerings operate through various entities including Barclays Bank PLC and its subsidiaries, including BISL and Barclays Asset Management Limited (BAML).

BISL is a non-bank investment firm and a private limited company within the Barclays Group (and a wholly owned UK subsidiary of Barclays Bank PLC). BISL is authorised and regulated by the Financial Conduct Authority (FCA) and is a member of the London Stock Exchange and Aquis. BISL has been appointed as the investment manager by BAML, as well as by fund companies in Ireland and Luxembourg. BISL is responsible for making all day-to-day investment decisions on behalf of each fund.

BAML is an asset management firm and the Authorised Fund Manager ("AFM") of a range of investment funds domiciled in the UK (a private limited company within the Barclays Group, and a wholly owned subsidiary of Barclays Bank PLC). BAML is responsible for the investment management, risk management, distribution and administration of those funds - though delegates all day-to-day activities to third parties. BAML is the sole legal entity within the Barclays Group with the regulatory permissions to operate a UK-based retail collective investment scheme and regulatory accountability for the operation of the fund resides primarily with BAML and its board. BAML discharges its obligations through appointment and oversight of delegates including BISL which has been appointed lead investment manager and distributor.

BISL operates its own independent Board structure with Non-Executive Directors. This is supported by an Executive Committee and two supporting sub-committees including the BISL Investment Committee, which is responsible for the governance of all investment decisions end-to-end. This includes stewardship matters. A number of forums report into the BISL Investment Committee including the Asset Allocation Forum and the Manager Selection Forum. The day-to-day oversight of stewardship considerations rests with the Responsible Investing Forum. This also reports into the BISL Investment Committee. This, and other relevant reporting lines, are shown on the, highly simplified, diagram [on the left].

The relationship between BAML and BISL is shown below:



In addition to the Board level committees, highlighted in the chart above, additional Group level committees and business level meetings exist which set the Barclays Group strategy, to which BISL and BAML refer in setting their objectives. A good example is the Group Board Sustainability Committee, established in March 2023, which has the specific role of supporting and advising the Group Board in its oversight of climate matters and the Board's sustainability agenda. At BISL level, the Executive Committee oversees two sub-committees - the BISL Investment Committee and BISL Product Committee. The BISL Investment Committee is chaired by the CIO and oversees multiple forums including the Responsible Investing Forum. The BISL Risk Committee is chaired by the BISL Chief Risk Officer (CRO).

BISL's governance structures support BISL to be effective stewards of capital through clear lines of accountability (described in the terms of reference) for each committee, its Chair, and its respective members.

In addition, each committee's operational effectiveness is subject to an internal annual review. Each committee's annual review is carried out through a detailed consideration of the following: Committee Structure; Committee Role and Duties; Committee Reporting, Escalation, and Oversight; Operation of the Committee. Feedback from numerous stakeholders, including existing committee members and attendees is gathered, analysed and then discussed amongst meeting attendees. This contributes to changes being made where necessary and appropriate. Year-on-year, these annual reviews enhance each committee's operational effectiveness within its designated remit.

BISL became subject to the Senior Managers & Certification Regime (SMCR) on 9th December 2019 and has in place a governance structure with relevant Senior Manager Functions (SMF). This currently comprises 9 Senior Managers (SMs), holding between them five Governance Functions and eight System & Control Functions. This has further embedded accountability and oversight arrangements by named SMs.

Our people and incentives

Every employee that directly works on behalf of BISL has a number of pre-set high level annual objectives. One of these all-colleague objectives relates to enhancing awareness of and championing sustainability matters, whilst another relates to Diversity, Equity, and Inclusion (DEI). Personal sustainability objectives are commonplace throughout the investment team. For example, multiple senior Portfolio Managers have the specific objective of proactively looking to embed further sustainability considerations into the way their respective teams operate, engaging with stakeholders on sustainability considerations where appropriate. The assessment of performance against these objectives contributes to each person's annual performance review, which in turn contributes to the level of any annual discretionary bonus award. This ensures these objectives provide incentives to integrate strong stewardship of client capital through, for example, responsible investment decisions. Several of the investment team are 'Sustainability Champions' with an even more heightened focus on how we embed sustainability within our business, participating in a bi-monthly Sustainability Forum to discuss sustainability-related issues and developments. We have a diverse investment team with the majority having either the CFA (Chartered Financial Analyst) or CAIA (Chartered Alternative Investment Analyst) in addition to first or second degree. Additionally, during the past year, some colleagues have either passed or signed up to study the CFA UK Level 4 Certificate in ESG Investing. Many of our investment teams are involved in our stewardship efforts such as:

Investment Risk team – who produce ESG metrics on our funds and portfolios such as carbon emissions.

Fund selection team – who assess the external managers that we employ including assessing their ESG credentials.

Portfolio Construction team – who consider ESG characteristics when blending managers within our clients' portfolios and funds.

Barclays Group attaches great importance to DEI within its business. At Barclays Group, the focus is on six areas of DEI – disability, gender, LGBT+, multicultural, multi-generational, and socio-economic. We believe that creating an inclusive and supportive culture is not only the right thing to do, but also what is best for our business. We believe it creates a sense of belonging and value that enables our colleagues to perform at their best. We also believe having an inclusive and supportive culture fosters a stronger environment for diversity of thought, allowing us to make the right decisions for our customers, clients and communities, and develop inclusive products and services. For more details on our culture, and our commitment to our DEI, please see the latest edition of Barclays Group's annual Diversity, Equity, and Inclusion Report:

EXAMPLE

Private Bank and Wealth Management: The Work Well Charter

To further support the inclusive and supportive culture at Barclays Group, in summer 2023, PBWM launched the Work Well Charter. This sets out how PBWM are empowering and helping colleagues to continue working as effectively and efficiently as possible, whilst giving employees the flexibility to manage their time in the way that best suits them. The Charter sets out a framework broken down into five key areas:

- Work-Life Balance
- Business and Email Etiquette
- Meetings that Matter
- We do fewer things, better
- Leadership Principles

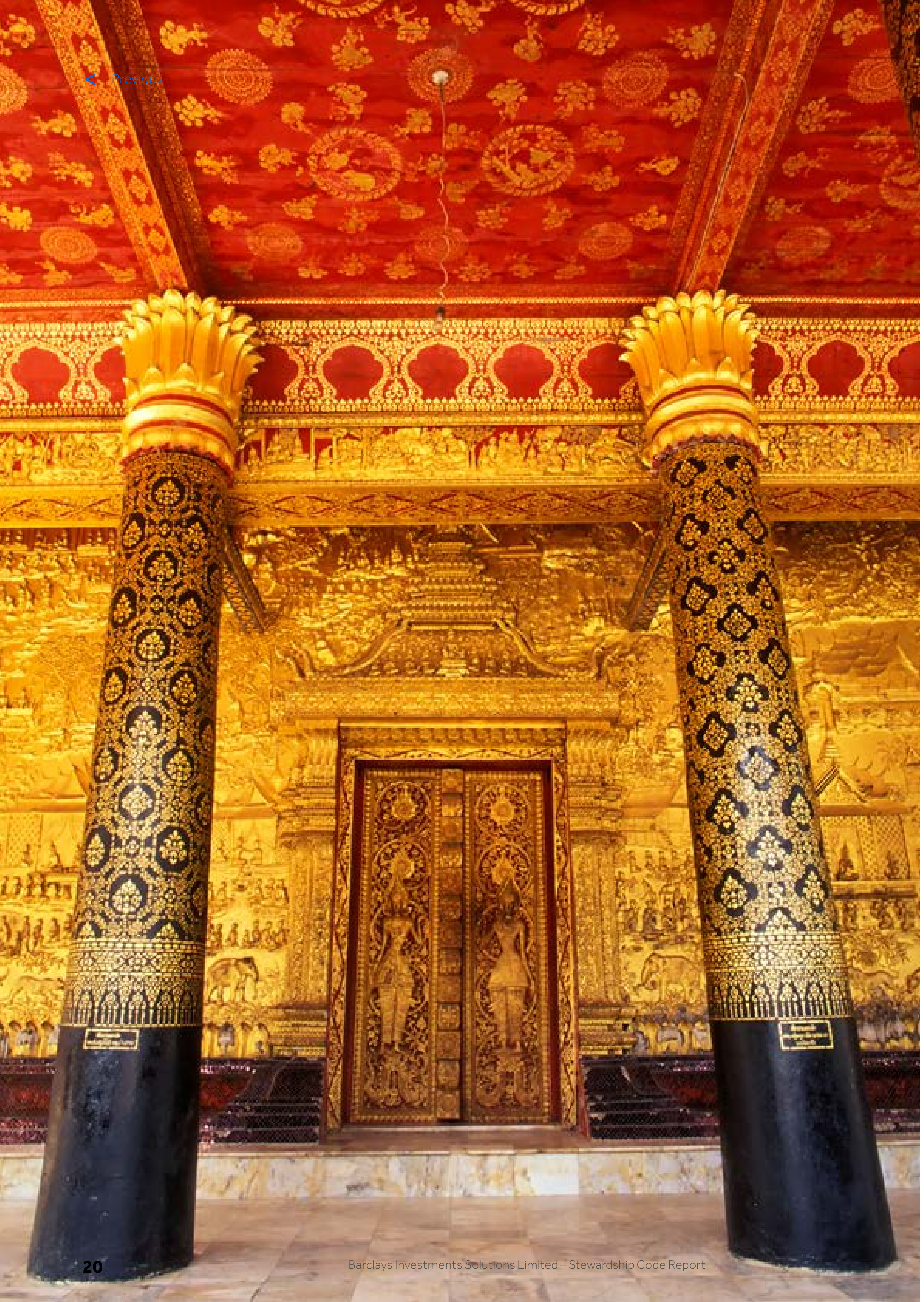
Our leaders actively promote and engage on DEI matters. BISL's CEO recently attended the Barclays Group's annual Inclusion Summit 2023. The summit provided a platform for leaders to hear from our clients, explore external trends, and understand each leader's role in driving progress against our DEI strategy. This summit aimed to mobilise a critical mass of leaders to step up and hold themselves accountable to execute their DEI business plans, and be active advocates of our DEI strategy, both internally and externally. The summit provided significant food for thought through a mix of panel sessions with internal and external thought leaders contributing throughout. With regards to the Manager Selection and Responsible Investing team itself, as of the end of the reporting period, 20% are female whilst 30% are from an ethnic minority (one of whom is the most recent hire to the team). The average tenure on the team is over a decade each, with the head of the unit having over 25 years of investment and ESG experience. Multiple languages are spoken and the staff have graduated from different universities in a wide variety of disciplines. This all helps ensure diversity of thought amongst the stewards of our clients' capital.

During 2022, Barclays Group renamed and refreshed its 12 Employee Resource Groups (ERG). ERGs are colleague networks which not only create communities and foster belonging, but also act as sounding boards for Barclays Group, driving a better understanding of the needs of our customers, clients, and communities. Examples now include the Black Professionals Resource Group and Spectrum – the LGBT+ Resource Group. Barclays Group also launched Inspire, the ERG which aims to amplify the voices of those who identify as coming from a lower socio-economic background. Just one example of the Group's various DEI targets is achieving our Gender Ambition of 33% female representation in senior leadership roles (MDs and Ds) by the end of 2025.

Our resources

Within our CIO unit, in addition to our 'bottom up' in-house Manager Selection and Responsible Investing team of 11 people, there are 8 staff involved in the 'top-down' activity of asset allocation and behavioural finance. The CIO has over 25 years of investment experience and most of the investment staff are also seasoned having well over a decade of experience each. These staff have numerous degrees and post-graduate qualifications such as the CFA (10) and CAIA (4). Additionally, during the past year, some colleagues have either passed or signed up to study the CFA UK Level 4 Certificate in ESG Investing. We also employ a number of external providers and participate in industry bodies, as is show below:

Associations	UNPRI	IA	UKSIF	
	TISA	TCFD	BEI	
Voting Recommendation	ISS	Hermes EOS		
Broker Research	Goldman Sachs	Barclays	JP Morgan	
	Morgan Stanley		UBS	
Engagement	Hermes EOS			
ESG Research Providers	MSCI			
Database Providers	Factset	Style Reserch	Morningstar Direct	



We pay for research from the brokers shown above, in addition to specialised ESG research from MSCI and ISS. We also utilise specialised ESG data from Sustainalytics. We employ Federated Hermes EOS to provide stewardship services to us, which includes voting recommendations and engagement on our behalf, in addition to using ISS research and reports to support voting decisions as appropriate. Bloomberg terminals and FactSet allow the CIO team the capability to monitor markets and investments minute-by-minute, whilst the team consult Style Analytics and Morningstar Direct when selecting and blending external managers. Our ongoing discussions with each research and analysis provider encourages their systems' continual improvement and contributes to these systems remaining appropriate for our team to carry out their roles. We believe the internal and external resources shown here ensure that we are appropriately resourced for our stewardship activities.

Members of the CIO unit frequently present in both of our weekly internal calls with colleagues across the BISL business on stewardship matters to provide education right across the business. Example topics include explaining the content of our impact reporting and explaining the significance of the UNPRI. They also feature very regularly on our weekly external podcast – 'Word On The Street'.

We have continued enhancing resources available to us as well as upskilling colleagues to carry our stewardship activities. In 2022 and 2023, we continued to support colleagues with their professional qualifications, including colleagues pursuing ESG and Sustainability related qualifications such as the CFA's Certificate in ESG Investing. We have also continued to take advantage of improvements and new developments made available to us by our existing resource providers, some of which for example were used to support the enhancement of the Multi-Asset Sustainable Fund's annual impact report in 2023. Recent improvements over the past year have particularly helped BISL improve its transparency, supporting the publication of our first internal Climate Report to the BISL Board in 2023. Improvements such as these continue to support our stewardship activities.

We remain committed to further improving our resource capabilities which support our stewardship activities. Increasing the accessibility of ESG training to colleagues continues to be an area of focus within our business. Furthermore, our communication with clients remains a focal point for improvement, most particularly with regards to informing them on more of the ESG metrics relevant to their investment holdings in a straightforward and accessible way.

EXAMPLE

Multi-Asset Sustainable Fund Impact Report

In the latest edition of the Multi-Asset Sustainable Fund (MASF) Impact report, the report was significantly revamped from previous iterations to bring greater clarity and insight to investors. This included using a new tool developed by MSCI's ESG Research; the Sustainable Impact Portfolio Snapshot. This tool enabled the authors to report on how much revenue from equity holdings within the fund were directly related to Sustainable Impact Solutions. These included solutions targeting Improved Wellbeing, Nutrition, Education, Affordable Real Estate, Sanitation, Alternative Energy, Energy Efficiency, and Sustainable Water Management.

Principle 3

Managing conflicts of interest to put the best interests of clients and beneficiaries first

Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Barclays Group has a Policy and associated Standard to identify and manage potential conflicts, explaining roles and responsibilities. In addition, the Private Bank & Wealth Management business has a Conflicts of Interest Register which provides macro conflict themes applicable to the business, the conflict type and the associated inherent risk, mitigating/ preventative controls and residual risk associated with each. There is a conflicts of interest log to capture individual instances of conflicts and the associated actions and controls to describe how these are mitigated from arising. The register is maintained in line with Group Standard requirements and outlines mitigants to conflicts that might arise from :

- Where a Customer has an interest which is incompatible with/competes with the interests of another Customer.
- Where Barclays Group has an interest which is incompatible with/competes with the interests of another Customer.
- Where an Employee has a business or personal interest which is incompatible with/competes with the interests of a Customer.
- Where an Employee has a business or personal interest which is distinct incompatible with/ competes with the interests of Barclays Group.
- Where an Employee has a business or personal interest which is incompatible with/competes with the interests of another Employee.
- Where Barclays Group has an interest which is incompatible with/competes with the interests of a Regulator.
- Where the activities undertaken by a Business or part of a Business conflict with the activities undertaken by another Business or part of a Business.

The Market Integrity Policy supports the Conduct Risk Management Framework and aligns to Barclays Group overall Enterprise Risk Management Framework. The Conflicts of Interest Management Standard provides requirements for the proactive identification and appropriate management of business and personal Conflicts of Interest.

The provisions of the Standard are mandatory and are used to implement a Group approach for managing the Governance, Risk and Control Processes. Any deviations from these Control requirements must be escalated to the Policy and/or Standard Owner in line with the Barclays Group Control Framework and associated documents.

Managing our conflicts of interest

Consistent with our commitments and responsibilities, Barclays Group has developed a robust Conduct Risk Control framework to manage our regulatory and reputational risks. This Control framework adopts a risk-based and proportionate approach to meet regulatory expectations. There are four key pillars in the Barclays Group approach to Conflicts of Interest, which are as follows:

- Identify actual or potential Conflicts of Interest
- Prevent Conflicts of Interest wherever possible, or have procedures to manage and mitigate them
- Maintain records of identified Conflicts of Interest and steps taken to prevent or manage them
- Monitor and review identified Conflicts of Interest.

Employees are required to:

- Adhere to any local Business Procedures and Controls, in addition to the applicable requirements and obligations in the Conflicts of Interest Management Standard
- Complete all mandatory Conflicts of Interest training which is assigned to them.

This Group Standard applies to:

(a) Barclays PLC and all its subsidiaries (including any consolidated entity where Barclays Group has legal or operational control)

(b) All employees and workers (as per the definitions below) of any entity within paragraph (a) above. "Employees" means permanent employees and fixed term employees of all in scope entities. "Workers" means contingency workers (also referred to as agency workers) of all in scope entities and secondees from a third party to all in scope entities, irrespective of their location, function, grade or standing.

The control requirements of the Standard cover:

- **Conflicts of Interest Governance and Oversight** – The Business has procedures and processes in place, designed to provide a consistent approach for the management of business and personal Conflicts of Interest
- **Conflicts of Interest Register and Trigger Events** – The Business assesses and documents its Conflicts of Interest, and also carries out ad-hoc reviews that may be triggered by relevant events
- **Compliance Systems for Employee Disclosures & Approvals** – Systems are in place to facilitate disclosure and approvals for specified categories of personal Conflicts of Interest.

Whilst a couple of stewardship specific examples are given below, examples of broader topics on the Register include Gifts and Entertainment, Personal Investments, Political Activities and Employee Personal Relationships.

EXAMPLE

Sub theme	Description	Context
Voting on behalf of BISL clients	Conflicts of interest can arise where BISL as investment manager for BISL funds and DPM client portfolios undertake company voting which is different to other parts of Barclays Group. This creates a conflict of interest where BISL may vote in a manner that prioritises the interests of Barclays Group to the detriment of clients, or vice-versa.	The Responsible Investing Forum is in place as a sub-meeting to BISL Investment Committee where specific conflicts can be discussed. BISL will use Federated Hermes EOS as an external provider to apply an independence to their voting and Engagement activities. Contractual documentation indicates where voting by BISL is to be abstained on to avoid specific and more material conflicts with regards to voting e.g. Barclays Group stock. BISL as investment manager makes decisions independently for the best outcomes for their clients and thus may not be in line with other parts of Barclays Group.

EXAMPLE

Sub theme	Description	Context
BISL vs. Barclays BISL vs Barclays Group: The activities of a business or part of a Business actually or potentially conflicts with the activities of another Business or part of a Business.	Included in the Voting Framework is that Federated Hermes EOS recommendations related to voting at Barclays Group Annual General Meetings or Extraordinary Meetings will always be abstained upon. The framework is part of the legal contract between BISL and Federated Hermes EOS.	Included in the Voting Framework is that Federated Hermes EOS recommendations related to voting at Barclays Group Annual General Meetings or Extraordinary Meetings will always be abstained upon.

As at Barclays Group, Federated Hermes EOS conflicts are maintained in a group conflicts of interest policy and conflicts of interest register. As part of the policy, staff report any potential conflicts to the Compliance team to be assessed and, when necessary, the register is updated. Additionally, the conflicts of interest register is subject to an annual review.

EXAMPLE

From our stewardship services provider – Federated Hermes EOS

A potential conflict of interest arose between the Federated Hermes EOS voting policy and the views of Federated Hermes' investment team. The EOS voting policy suggested a recommendation to vote against the re-election of a company chair due to the tenure exceeding nine years and concerns over shareholder rights. The EOS template also recommended support for the remuneration policy. After discussions between EOS and the investment team, it was agreed to recommend supporting the chair's re-election, as the investment team's engagement with the company suggested that sufficient plans were in place. It was also agreed to recommend voting against the remuneration policy due to the substantial increase in the annual bonus as a percentage of base salary.

Source: Federated Hermes EOS, EOS Stewardship Report 2022.

EXAMPLE

From Barclays Investment Solutions Limited (BISL)

The Barclays Group Annual General Meeting (AGM) occurred in May 2023. During AGMs, resolutions are passed to make changes to companies. This can include a range of topics, from Board nominations to shareholder-submitted resolutions. BISL funds hold equity in Barclays Bank PLC, through third-party fund managers. As such, a potential conflict of interest was crystalised given that BISL pays EOS for services, which would mean BISL is paying for voting recommendations on Barclays Group resolutions to a Barclays entity. In order to mitigate any conflicts, we abstained on all resolutions at the Barclays AGM.

Data privacy

There are potential conflicts surrounding data privacy if customer information is misused, e.g. passing it on to a different entity within the Barclays Group or a 3rd party. To prevent these conflicts, there are group wide standards in place on the rules of engagements relating to use of customer data. In addition, all employees undertake mandatory training on data privacy to understand their obligations. Data privacy conflict themes and individual conflicts identified would be captured within the register.

Training

For regulated activities, employees are required to meet the regulatory Training & Competence (T&C) rules and expectations under the 'FCA Training & Competence Handbook', the 'Markets in Financial Instruments Directive (MiFID II)' and the 'Insurance Distribution Directive (IDD)' to ensure our employees and supervisors are trained and competent for their role. The three key areas of T&C are: Assessing Competence, Maintaining Competence and Record Keeping.

Assessing Competence is the first stage of training scheme. New joiners are assigned a T&C supervisor whilst the attaining of competence is undertaken. It is their own supervisor (typically their line manager) who is responsible for them and ensures that evidence is completed and stored. They ensure that the right level of supervision/control is applied whilst the new joiner works through their competence requirements. For inexperienced new entrants, the training period is a minimum of 6 months. The T&C manager is the owner of the Training and Competence Scheme, processes, controls, reporting and information and will be responsible for supporting the colleague and supervisor and identifying any gaps or breaches in this process.

Employees performing regulated activity must continue to maintain their competence. Appropriate training is required to maintain product knowledge, regulatory changes and legislative changes. In addition to this, skills, expertise and technical knowledge, behaviour of employees and their ability to apply these in practice are also reviewed. This includes 1:1's, sampling reviews, observations and CPD (Continued Personal Development). Evidence of this must be recorded.

Individuals who provide support on ESG matters are also required to attain competence knowledge requirements and for example, would need to complete training sessions such as how to use and interpret MSCI ESG data.

How long records are kept will depend on the type of business the records relate to. For example, for MiFID II business, records must be kept for at least 5 years after an employee or supervisor stops performing the activity. Evidence is submitted to a system which allows for the management, monitoring and maintaining compliance of regulatory activities.

The training supports our stewardship endeavours by providing new entrants with a broad understanding of products, processes and ESG investing. The training provides more experienced entrants with knowledge and testing on our principles and ethos notably in respect of stewardship.

For relevant product specialists and people leaders, we are also providing support and funding for professional qualifications related to ESG and Sustainable Investing. We have already supported some colleagues through these pursuits, and plan to provide support and funding to more colleagues. The training described above enables all employees to be better prepared against conflicts of interest, both through the identification of these conflicts, but also through mitigation against these conflicts. Specialised employee training, as noted above, supports the protection of the business, its clients, staff, and operations.

Remuneration

Whilst remuneration is not a T&C Requirement, the T&C scheme, knowledge requirements and appropriate supervision should deter the creation or promotion of unsuitable products to our clients. Employees are not directly remunerated based on revenue or profits, therefore are not incentivised to create or promote unsuitable products for our clients. Remuneration outcomes flow from the end of year Performance Management Process which assesses performance based on both "What" an employee deliver, and "How" they deliver it, independently assessing individual performance on both financial and non-financial objectives

Principle 4

Management of market and systemic risks and the promotion of a healthy financial system

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Identifying risks and responding to them

In being a wealth manager, a key objective is to manage financial risks and returns. We consider macroeconomic factors when assessing risk as this is embedded along with valuation considerations in our asset allocation framework. We also believe that it is important to bear in mind a wide range of environmental, social and governance factors.

Our asset allocation process takes account of market and systemic risks in several ways. First, when designing our strategic asset allocation (SAA), we use a long history of asset class returns, which covers very different market regimes (rising and falling interest rates, volatile and stable inflation, etc) each with their own risks and challenges. We acknowledge that the realised path of historical returns is just that, one realisation out of many possible outcomes. That is why we re-sample historical asset class returns many times over. This adds robustness to our SAA as it results in allocations that take the risks of many different futures into account. We know that investors perceive market risk in a way that is not reflected by two-dimensional metrics, such as the Sharpe ratio which simply compares the return of an investment with its risk. Therefore, we have developed a utility function that captures the whole distribution of possible investment outcomes and is aligned with how investors experience market risk. We have additional risk controls imbedded into our SAA process in the form of volatility bands, which are dependent on a client's risk profile. Clients are mapped to five risk profiles based on a financial personality questionnaire, which takes the ability and the capacity to take risk into account. This contributes to clients being more likely to stay with their investment plan and not sell when asset prices are depressed. At the margin, this helps to mitigate systemic risks in the market by not forcing prices down even lower. By reducing the allocation to risky assets for more risk-averse investors we seek to lessen the exposure to equity market risks within their portfolios.

The SAA reflects our long-term risk and return outlook. Short-term risk is managed by our tactical asset allocation (TAA), where we analyse a broad range of macroeconomic, fundamental and sentiment indicators to take advantage of any market dislocations. Asset prices have many different drivers, which is why we look at economic forecasts, trade flows, interest rate projections, purchasing manager indices, foreign exchange rate projections, political risks, market liquidity, default risks, inflation forecasts, commodity price trends, etc. Any positioning will also take into account how portfolio risk is likely going to be affected. There is additional oversight from the Investment Risk department, who track the trailing volatility of clients' portfolios.

EXAMPLE

Strategic Asset Allocation (SAA)

Although we have over a decade of experience with the SAA model, we continuously seek to innovate and improve processes and models to get the best client outcome possible. This year has been no different, and we have further refined the SAA modelling this year. Instead of using Entropy to address potential concentration, we now use Enhanced Herfindahl. The Enhanced Herfindahl method groups similar assets (such as emerging market equities and developed market equities) closer together than differentiating assets (such as cash and emerging markets). This contrasts with the Entropy methodology, which takes each asset class as wholly independent of other asset classes. A stylized example of this in action would be a portfolio of Emerging Market equities, Developed Market equities, Bonds, and Cash. In Entropy terms, each of these asset classes would get a quarter of the weight allocated. With Enhanced Herfindahl methodology, it may be suggested that Developed Market and Emerging Market equities are more similar compared to bonds or cash and group the Emerging Market and Developed Market equities closer to each other (thus giving these two asset classes a slightly smaller allocation, while giving bonds and cash a slightly larger allocation). In summary, this refinement addresses concentration whilst being sensitive to asset class behaviours (in contrast to Entropy which is insensitive to asset class behaviours).

EXAMPLE

Banking Crisis – March 2023

The characteristics of a well-functioning financial system include the application of good governance principles, a prudent risk management approach focusing on investor protection, open dialogue with industry stakeholders, timely decision-making within regulatory frameworks and reporting to regulatory bodies, especially in the face of uncertain and volatile conditions.

These attributes drove our response to the market stress in March 2023 triggered by the collapse of Silicon Valley Bank, the ensuing US regional bank crisis and subsequent collapse of Credit Suisse and its acquisition by UBS. An exposure analysis was undertaken across the business to understand the extent of the direct impact on our products and services and stress testing data was collated to identify potential weakness areas in our manufactured retail investment funds. Information was reported to senior management, internal governing bodies and the external management company in a prompt manner as the situation evolved in the market.

Monitoring and managing risks

The Investment Risk team is a distinct team sitting alongside the investment managers and analysts. It operates functionally and hierarchically independent control processes designed to "check and challenge" our investment and portfolio management teams. The output of these processes is fundamental to the governance of our BISL business.

The Investment Risk Framework (IRF) seeks to challenge each layer of the investment process. This includes the strategic asset allocation (SAA) designed by the Chief Investment Officer, the shorter-term tactical asset allocation (TAA) overlays, the stock selection process and the implementation decisions in both client models and individual portfolios.

The IRF seeks to identify, monitor and address systematic and idiosyncratic risks arising from investment activity in diverse global multi-asset class portfolios. This is achieved by ensuring that this activity operates within the confines of a stable and orderly market (for instance, via the assessment of asset-side and liability-side liquidity, exchange eligibility, best execution and the safe custody of client assets). It is also important that the risk to clients is aligned with their stated preferences and consequently, the applicable acceptable risk tolerances.

The IRF operates on a quarterly basis with ongoing reporting obligations to Senior Management and its frequency can be increased should the underlying market conditions warrant greater scrutiny. The framework focuses on a defined list of key risk indicators (KRIs) and the implementation of guidelines and limits within which the investment activity can operate. These risks are mapped to the investment process with risk ownership attributed at each step of the client investment journey. Two-way dialogue between the risk and investment teams is key to the sound functioning of the IRF. This interaction supports the exception management process and allows for a clear understanding of risk attribution and onward actions.

In addition to a variety of quantitative risk models, Barclays Group has at its disposal, many decades of relevant investment and risk expertise help apply a qualitative overlay. Both are essential to discharge our client fiduciary responsibilities, as well as to contribute to efficiently operating capital markets.

The IRF also monitors and supports the management of risks relating to the retail investment funds that BISL manufactures. This includes the analysis of valid exceptions to the funds' compliance with the UCITS investment and borrowing rules and investment policies, analysis of stress testing data and market, counterparty, credit and liquidity risk analysis, including investor-facing risk indicators. As the liquidity of retail investment funds has been a key focus for regulators, industry bodies and fund managers alike in recent years, the Investment Risk team continues to undertake enhanced fund liquidity analysis, with particular emphasis on liquidity stress testing, in an effort to provide more transparency on the portfolios, potential scenarios and to assist with contingency planning. We also continue to undertake detailed reviews on the exchanges that our funds trade on. This includes an assessment of the legal and regulatory frameworks that the exchanges are subject to, the frequency and nature of their operations, the availability of financial instruments and their liquidity, as well as monitoring developments in pertinent jurisdictions on an ongoing basis. Proactive risk analysis, governance and oversight in this space supports the operational and investment processes in place and ultimately contributes to better overall client outcomes.

EXAMPLE

Market eligibility

Recent examples of these were the UCITS market eligibility reviews undertaken of the stock exchanges in Nigeria and Egypt. Following announcements of delays to FX repatriation in both markets, reviews were undertaken and both were marked as ineligible for investment by the internally manufactured retail investment funds. This decision contributes to better overall client outcomes as marking the exchanges as ineligible means that the funds are not permitted to trade on those exchanges and can therefore avoid any potential repatriation delays on the sale of the assets, delays in investor redemptions or changes to fund liquidity profiles.

At Barclays Group level, risks are identified and overseen in accordance with the Enterprise Risk Management Framework (ERMF), which supports the business in its aim to embed effective risk management and a strong risk management culture. The ERMF governs the way in which Barclays Group identifies and manages its risks. The management of risk is then embedded into each level of the business, with all colleagues being responsible for identifying and controlling risk. Given the increasing risks associated with climate change, and to support the Group's ambition to be a net zero bank by 2050, Climate risk became a Principal Risk at the start of 2022. Barclays Group has taken steps to comply with the EU SFDR and EU Taxonomy regulatory initiatives and works to embed environment, social and governance factors into its investment process.

Market-wide risks are continually evaluated by our Asset Allocation team to assess whether the potential reward is compatible with the risk taken. Our investment process and risk framework aim to position our clients in the best possible way so as to generate a return based on an investment strategy aligned with their preferences. This is all within an overarching principle of sound market conduct and long-term positive client investing.

A robust governance framework (including meetings focused on risk and controls) - adhering to the principles of the Barclays group-wide ERMF; comprehensive processes; and ongoing interaction with internal and external stakeholders allow us to assess the impact of identified risks and the effectiveness of our actions. These are highlighted below:

Activity undertaken by the business:

- All key committees within the BISL Governance Framework are required to undertake an annual operating effectiveness review. For more information, please see this discussed within Principle 2.
- Controls frameworks are in place to monitor key risk indicators and controls, and whether these key risk indicators and controls are within appetite. This contributes to identifying any needed remedial action as appropriate and reporting to senior management.
- Annual risk and control self-assessment (RCSA) undertaken by business units attesting as to whether actions listed under their controls have been completed in an effort to identify any emerging business or operational risks and maintain operational efficiency.

Interaction with internal stakeholders:

- Oversight, challenge and expertise provided by our second line of defence Risk and Compliance functions, from stakeholders on an ongoing basis contributes to the effectiveness of risk identification and monitoring.
- Periodic internal audits assessing operational effectiveness of units in the division provide an in-depth assessment of any findings, materiality rating and agreed remedial action plan (as appropriate).
- Periodic conformance reviews of teamprocedures, suggesting enhancements as appropriate.
- Interaction with external stakeholders and governing bodies:In the manufactured retail investment funds space, ongoing discussions and annual due diligence reviews undertaken by the fund depositaries, management companies and auditors and any feedback implemented (as appropriate).
- Involvement with industry initiatives and cross-sector collaborations on a range notable of issues, as mentioned below.

Industry initiatives to promote a well-functioning financial system

On behalf of its clients, including BISL, Federated Hermes EOS regularly engages with a wide range of stakeholders, including government authorities, trade bodies, unions, investors and NGOs, to best identify and respond to market-wide and systemic risks. From time to time they will also collaborate with other investors in pursuit of improved outcomes. Our Stewardship and Engagement provider, Federated Hermes EOS, is involved in a number of regional and industry initiatives including the UN Principles for Responsible Investment (PRI), Climate Action 100+, Institutional Investors Group on Climate Change, Asia Investor Group on Climate Change, Ceres, International Corporate Governance Network (ICGN), Council of Institutional Investors, Eumedion, Focusing Capital on The Long Term, Corporate Governance Forum and Investor Forum. Below are some specific participations:

PRI: Federated Hermes EOS are a founding member and chair of the drafting committee that created the PRI. The six principles were partly drafted in their offices in London – given Federated Hermes EOS helped to write them, the alignment to these principles is well understood.

Climate Action 100+: Federated Hermes EOS support the Climate Action 100+ investor collaboration (CA100+) by acting as the engagement lead or co-lead for a considerable number of the top systemically important emitting companies. They apply escalated engagement techniques, including raising issues at annual shareholder meetings and supporting shareholder resolutions which support positive change. They also support effective policy making aligned to the goals of the Paris Agreement, including through adoption of net-zero greenhouse gas reduction targets by national governments. Federated Hermes EOS are currently leading or co-leading engagement at over 25 of the 167 focus companies across Europe, North America, and Asia.

Institutional Investors Group on Climate Change (IIGCC): Federated Hermes EOS is squarely focussed on the mission of IIGCC which is that investors will deliver significant real economy progress towards a net zero and resilient future by 2030. Bruce Duguid, the Head of Stewardship at Federated Hermes EOS, is on the Board.

EXAMPLE

Contribution to COP15

Federated Hermes EOS attended COP15, the 15th United Nations Biodiversity Conference, as part of the Finance for Biodiversity Foundation delegation, actively participating in their capacity as co-chair of the Public Policy Advocacy working group with the Foundation. For a year and a half leading up to COP15, the Public Policy Advocacy working group followed negotiations, engaged bilaterally with member states, and provided suggestions for the draft text. Federated Hermes EOS developed three position papers ahead of each round of negotiations to explain the position and rationale behind the text suggestions. The core goal was to ensure that the Global Biodiversity Framework captured and emphasised the important role that the private finance sector must play in halting and reversing biodiversity loss. Federated Hermes EOS advocated for the framework to require the alignment of public and private financial flows with biodiversity goals and targets.

Source: Q1 2023 Federated Hermes EOS Public Engagement Report

EXAMPLE

Using Industry Initiatives to Engage on Hazardous Chemicals

Federated Hermes EOS has been engaging on hazardous chemicals for over a decade. Recently, this engagement has been in collaboration with the Independent Chemical Secretariat (ChemSec), an independent non-profit organisation that wants to see toxic and persistent chemicals replaced by safer alternatives.

In 2023, Federated Hermes EOS joined the Investor Initiative on Hazardous Chemicals (IIHC), as one of 50 signatories representing more than US$10tn in assets under management of advice. The IIHC was formed primarily to encourage manufacturers through engagement to increase their transparency on hazardous chemicals and cease producing 'forever chemicals' such as PFAS (Perfluoroalkyl and Polyfluoroalkyl Substances).

The IIHC builds on action from 2022 when Federated Hermes EOS wrote to over 50 companies regarding their involvement in the manufacture of hazardous chemicals. The companies were targeted based on their ChemScore, a system administered by ChemSec that ranks the world's 50 largest chemical producers on their work to reduce their hazardous chemical footprint.

Federated Hermes EOS are asking companies to improve their transparency around the chemicals they produce globally, including by disclosing any action taken to improve their ChemScore rankings. Federated Hermes EOS also want them to set and disclose a time-bound commitment to phase out PFAS from production. In the first half of 2023 and in conjunction with IIHC signatories, Federated Hermes EOS engaged with Bayer, DuPont de Nemours, Dow, Solvay, Sika, Shin-Etsu, and Umicore on their ChemScores, focusing on increased transparency, and eliminating PFAS and hazardous chemicals.

Source: Q2 2023 Federated Hermes EOS Public Engagement Report

Industry and regional initiatives which Federated Hermes EOS are involved with

30% Club

Advance (PRI collaborative social issues and human rights stewardship initiative)

Asia Investor Group on Climate Change

Asian Corporate Governance Association

Associação de Investidores no Mercado de Capitais

Best Practice Principles Group for shareholder voting research (BPPG)

Biopharma Sustainability Roundtable

Canadian Coalition of Good Governance

CDP

CECP: The CEO Force for Good

Ceres

Climate Action 100+

Council of Institutional Investors

Dansif

Enacting Purpose Initiative

Eumedion

Eurosif

FAIRR (Farm Animal Investment Risk & Return)

Finance for Biodiversity

Financial Sector Deforestation Action (FSDA) initiative

FIR (French Social Investment Forum)

Global Canopy ForestIQ Project

Global Institutional Governance Network

Global Network Initiative

Healthy Markets Initiative (ShareAction)

HMT Asset Management Taskforce

Human Capital Management Coalition

Institute of Business Ethics

Institutional Investors Group on Climate Change (IIGCC)

International Corporate Governance Network

Investment Association

Investor Action on Antimicrobial Resistance (AMR)

Investor Alliance for Human Rights

Investor Initiative on Hazardous Chemicals (IIHC) Steering Group

Investors in Nutrition and Health (Access to Nutrition Index)

Investor Forum

Investors and Indigenous Peoples Working Group

Investors for Opioid and Pharmaceutical Accountability

The Investors Policy Dialogue on Deforestation

ISSB Investor Advisory Group (formerly Value Reporting Foundation/SASB)

Japan Climate Initiative

Japan Corporate Governance Network

JapanSIF

Land, Nature and Adapted Systems Advisory Group

Partnership for Biodiversity Accounting Financials

Pensions and Lifetime Savings Association

PRI (Principles for Responsible Investment)

ShareAction Investor Decarbonisation Initiative

ShareAction Long-term Investors in People's Health Initiative

ShareAction Good Work Coalition

Social Purpose Ecosystem Research Investor Purpose Action Group

Supporter Network of SPOTT

Transition Pathway Initiative (TPI)

TNFD Forum

UK-China Green Finance Task Force

UK Sustainable Investment and Finance Association (UKSIF)

UN Global Compact

Workforce Disclosure Initiative

World Benchmarking Alliance Investor Alliance

Barclays Bank PLC, our parent company, is involved in a number of industry initiatives. Many are detailed below, followed by a case study on Barclays Group approach to Nature and Biodiversity::

External body		Barclays engagement
	Banking Environment Initiative (BEI)	Barclays Group is a founding member of the Banking Environment Initiative (BEI), a group of global banks working on actionable pathways towards a sustainable economy, convened by the Cambridge Institute for Sustainability Leadership (CISL). In 2022, Barclays Group engaged with member banks on the topics of just transition and nature.
	CERES	Barclays Group has been an active member of Ceres since 2019, participating in various working groups across environmental and climate justice, climate-related disclosures, policy engagement and biodiversity. In 2022, the Group partnered with Ceres to integrate a US perspective on just transition, conducting research to organise a stakeholder dialogue on the topic and spoke at their Financing a Net Zero Economy conference during New York Climate week on a Just Transition panel.
	Net-Zero Banking Alliance	In 2021, Barclays Group was a founding member of the Net-Zero Banking Alliance (NZBA), the flagship climate initiative under the UN Principles for Responsible Banking . Since 2022 Barclays Group has co-led the Sector Work Track within the NZBA.
	Oxford Sustainable Finance Group and the UK Centre for Greening Finance and Investment	In October 2022, Barclays Group announced a three-year partnership with Oxford to work on developing a credible methodology for monitoring emissions and creating transition pathways in the agriculture sector.
	PRA/FCA Climate Financial Risk Forum (CFRF)	The Climate Financial Risk Forum (CFRF) brings together UK regulators and senior financial sector representatives to share their experiences in managing climate-related risks and opportunities. During 2022, Barclays Group chaired the Transition to Net Zero Working Group (TNZWG).
	RMI – Centre for Climate Aligned FInance	In September 2022, Barclays Group became a Strategic Partner of Rocky Mountain Institute's (RMI) Center for Climate Aligned Finance (CCAF), which acts as an implementation partner to banks to align their investments with a net zero future.
	Sustainable Markets Initiative	Barclays Group is a member of SMI's Financial Services Taskforce (FSTF). The Sustainable Markets Initiative (SMI) was launched in 2020 by His Majesty King Charles III when in role as the Prince of Wales.

	The Partnership for Carbon Accounting Financials	Barclays Group has been a member of The Partnership for Carbon Accounting Financials (PCAF) since 2020. During 2022, Barclays Group Co-Chaired a Capital Markets Working Group of eight global banks that have developed a proposed methodology to account for the emissions associated with capital markets transactions.
	United Nations Environment Programme – Finance Initiative	Barclays Group has been a member of United Nations Environment Programme - Finance Initiative (UNEP FI) for more than 20 years and was a founding signatory of the Principles for Responsible Banking (PRB) as well as joining the Net-Zero Banking Alliance in 2021. From 2021, Barclays Group Head of Sustainability has sat on the Western Europe Banking Board and our CEO joined the Leadership Council in 2022.
	Center for Climate and Energy Solutions	Barclays Group became Business Environmental Leadership Council (BELC) members in August 2022. Center for Climate and Energy Solutions (C2ES) gathers and shares insights on the policy landscape to identify policies needed to help companies, and the broader U.S. economy, reach net-zero. The Group ise actively engaged in these strategy sessions and actively seeking alignment within the group on key issues and prioritization. We have also been participating in their bi-monthly engagement series.
	Equator Principles	The Equator Principles aim to establish a financial industry benchmark for determining, assessing, and managing environmental and social risk in projects. Barclays Group was one of the four banks which collaborated in developing the principles, ahead of their launch in 2003 and have been a member since. We have aligned our policies and procedures to the fourth iteration of the Equator principles (EP4, 2020) now that it has been introduced.
	Taskforce on Nature-Related FInancial Disclosures	Barclays Group is a member of the Taskforce on Nature-related Financial Disclosures Forum (TNFD), which is a consultative network of institutional supporters who share the vision and mission of the TNFD. In 2022, we participated in a pilot led by UNEP FI to test the draft TNFD framework.
	World Business Council for Sustainable Development (WBCSD)	In 2021, Barclays Group became a member of the Banking for Impact on Climate in Agriculture (B4ICA) initiative which brings together banks to develop technical data-solutions to support themselves and their clients to align their financial portfolios in the food, agriculture, and land use space towards net zero and Paris Agreement goals. In December 2022, the group published non-binding guidance for financial institutions aimed at supplementing existing guidance relating to agriculture and climate change.

EXAMPLE

Nature and Biodiversity

Banks have an important role to play in stewarding nature-positive finance and managing their nature-related risks. Nature and biodiversity is a growing ESG focus for Barclays Group and the wider industry, given that nature and its ecosystem services fundamentally underpin economies and societies. Nature and biodiversity are also important to the sector due to their interlinkages with climate change. The Convention on Biological Diversity (CBD) COP15 in December 2022 saw the agreement of the new Global Biodiversity Framework, which will be the framework for national and international action. Barclays Group recognises the important role of the finance sector in stewarding responsible finance towards a nature-positive future.

Barclays Group continues to work to build an understanding of the ways in which financing activities impact nature, as well as the ways in which Barclays Group and Barclays Group clients depend on nature. This includes engaging with industry groups such as the Sustainable Markets Initiative's Financial Services Task Force, where Barclays Group co-lead a workstream on Nature-based Solutions and are participating in groups on deforestation. Barclays Group is also a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum as part of which Barclays Group has provided feedback to the TNFD on their draft framework both individually and collectively with other banks. In April 2023 Barclays Group signed up to the UK Transition Plan Taskforce's Nature Working Group which seeks to develop advice on how nature should be addressed in the context of a wider transition. Additionally, in February 2023 Barclays Group joined the UN Principles for Responsible Banking's (UNPRB) Biodiversity Target Setting Working Group which aims to set guidance for financial institutions. Barclays Group continues to review the ways in which financing activities can help to facilitate a nature-positive future. Barclays Group recognises interlinkages across environmental and social themes, in particular key crossovers with the business' approaches to climate change and human rights. Given these interdependencies, it continues to be important for banks to consider nature-related considerations alongside other ESG factors, such as climate change and social considerations.

BISL is also involved in a number of industry initiatives. Examples include the United Nations Principles of Responsible Investments (UNPRI) where BISL or BAML have been a signatory for over 5 years[2] and are 4* rated for our manager selection activities. We take part in a number of its roundtables and working groups, where relevant. We are also members of various TISA (The Investing and Saving Alliance) Committees including the Responsible Investing Committee. A member of BISL's investment team is part of a global group of 8 industry experts for the Certificate in Quantitative Finance (CQF) Institute, the Portfolio Management Industry Group, where our colleague advises CQF on thought leadership and curricular content. The CQF Institute Industry Group is responsible for advising on the delivery of thought leadership, events, and research focusing on specific areas within quantitative finance. Formed of subject matter experts, the Group provides advice and guidance on current and emerging themes and topics in their respective sectors.

[2] In 2023 we expanded the scope of our UNPRI submission to BISL. The original prior signatory was BAML for several years. We previously reported as BAML but, as previously explained, because BISL carries out all the investment activity for BAML, BAML is still covered by this submission. The reason for the change is because we are now looking to report on more of our investment activities – all the discretionary activity conducted by BISL. In summary, this submission covers BISL's investment activities including Discretionary Portfolio Management (DPM) activity, own funds (wherever they are domiciled: UK, Ireland, Luxembourg) and third party funds selection. Advisory activity or Execution Only activity such as Smart Investor are not covered.

Principle 5

Stewardship policy review and monitoring

Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.

As shown by the charts in chapter 2, our stewardship governance structure is driven day-to-day from the Responsible Investing Forum (RI Forum). This reports directly into our Investment Committee, which meets at least monthly, and then upwards to various boards. The Head of Responsible Investing chairs the RI Forum whilst the CIO chairs the Investment Committee (IC). Many areas of the business are represented at the RI Forum such as Risk Analytics, Behavioural Finance, Fund Managers, Portfolio Construction, Performance Analytics, Group Sustainability, Compliance, Legal, Business Operational Control and Product Specialists. We are pleased to be 4* rated by the UNPRI for our manager selection activities – independent recognition of the effectiveness of our stewardship activities (note that this was awarded before we commenced the voting and engaging with our clients' underlying holdings).

The Terms of Reference for the RI Forum state that its key functions include:

- Overseeing and regularly reviewing the Responsible Investing Policy and Federated Hermes EOS Voting Policy
- Overseeing and regularly reviewing our relationship with Federated Hermes EOS
- Production of our Responsible Investing (RI) literature such as the Impact Report for our Multi-Asset Sustainable Fund
- Production of our annual UNPRI and Stewardship Code submissions
- Promoting RI techniques and working to embed ESG principles across the business
- Overseeing and providing guidance to the TCFD reporting within BISL
- Overseeing and providing guidance on any exclusionary screening matters
- Supporting wider RI related matters across BISL such as with Asset Allocation or Charities

As an asset manager it is our duty to promote effective stewardship and long-term investment decision making by enhancing the transparency of our investment processes. Our Responsible Investing Policy, SRD II statement and voting records are publicly available here.

Whilst we can be effective with our stewardship activities for assets that are directly held in our segregated managed accounts, it is less straightforward to be so where we invest in pooled third party funds. Nonetheless, as discussed in chapter 7, we do assess and score all such managers on their ESG credentials and seek to engage with them to improve their commitment to being good stewards of capital.

There are three layers of assurance and oversight within our business in relation to the effectiveness of our activities, as follows:

1st Line of Defence – Control Monitoring Unit
Primary responsibility for ensuring strong internal controls rests with the first line of defence. The first line undertakes controls assurance and testing across BISL in line with a defined and agreed testing plan. Implementing assurance testing meets the following requirements for our business:

- It is an explicit requirement of the Barclays Group Assurance and Controls Testing Standard under the Barclays Group Control Framework
- It improves the overall quality of governance, risk, and control management.
- It enables proactive early identification and remediation of process gaps.
- It provides evidence to support the self-assessment activities carried out by management, particularly control effectiveness assessments as part of the annual One Risk Assessment (OneRA) process. Additionally, Chief Controls Office (CCO) Testing provides independent validation to Business Management that our control environment is designed and operating effectively. They will test an end-to-end process, reviewing the way controls are designed and how they work operationally. Reviews will be delivered in line with Controls Testing Methodology which aligns to the requirements of the Barclays Control Framework Controls Assurance & Controls Testing Standard.

2nd Line of Defence – Compliance Assurance
Compliance Assurance (CA) is a global team, responsible for the execution of independent, risk-based Conduct and Financial Crime reviews. The team supports Barclays Group Compliance strategy by examining Barclays Group's defences against risks, offering insightful analysis and providing expert advice.

Conduct: The team performs assurance over the Conduct and Reputation Principal Risks across Barclays Group first and second lines of defence. Conduct reviews and issue closure validation activities assess whether the required outcomes are being achieved through effective controls, culture and behaviours.

Financial Crime: The team undertakes assurance over the Financial Crime risk (part of the Conduct Principal Risk) within Barclays Group. Financial Crime reviews and issue closure validation activities assess whether Barclays Group is effectively managing the risks posed by money laundering, bribery and corruption, terrorist financing and sanctions violations.

3rd Line of Defence – Internal Audit
Internal Audit is an independent control function which supports our business by assessing how effectively risks are being controlled and managed. It is a regulatory requirement for all banks to have an independent audit function and contributes to good corporate governance.

The objective of Internal Audit is to provide independent assurance to the BISL Board and Executive Management of the effectiveness of governance, risk management and controls over current, systemic and evolving risks.

This will be achieved through the provision of independent, objective, reliable, insightful and timely assurance to the Board and Executive Management over the effectiveness of governance, risk management and control over current, systemic and evolving risks.

How we ensure our reporting is fair, balanced and understandable

Discussions in the RI Forum have prompted improvements to our stewardship policies. Results of these discussions include transitioning one of our fund ranges to become Article 8 under SFDR in this period.

The BISL business has an Interim WM Communications Approval forum dedicated to client communications which will transition to a permanent forum by the end of this year. It seeks to ensure that client facing communication is fair, balanced and understandable. It is crucial that whenever we engage our clients, we do not harm, exploit or mislead them. We need to exhibit the fact that we are good stewards of their capital. We need to ensure that we clearly understand our clients' needs and priorities prior to making recommendations to them. One of the key components of treating our clients fairly is ensuring that the communications we provide help them make informed decisions. Our clients rely on us to provide clear information to help them understand the risks and benefits of the Products and Services we are offering. The purpose of the Interim WM Communications Approval forum is to ensure that:

- Client communications are fit for purpose and meet client needs
- Client communications are not misleading and are well informed
- Client communications take appropriate consideration of the needs of clients in vulnerable circumstances
- Clear records of the approval of client communications are maintained.

We make our reporting (for example our client communications) fair, balanced and understandable in the following four methods:

1. Financial Promotions training

The training included the following aspects:

- **'Fair Balance'**
  Within this training is the view that all of the content we produce is balanced and, in particular, does not emphasise any potential benefits of a product or service without also giving a fair and prominent indication of any relevant risks.

- **'Fair Opinions'**
  If an opinion is given, it must be a reasonable one, based on evidence and honestly held. If we communicate a third party's opinion we must consider the effect that it might have on the reader. Notwithstanding that it might be an opinion that's honestly held, we must consider whether it is a valid one or one that if followed is likely to harm the reader.

- **Comparisons**
  If we compare our services to another firm's or one product to another, we must ensure that the comparison is fair – it must be on a "like for like" basis or we must make clear the difference provided that the comparison is still meaningful.

- **Understandable**
  Our communications must be comprehensible to the average member of the audience likely to receive them. In general we need to follow conventional grammar and syntax or recognised language usage and avoid jargon or unduly "complex" language i.e. use plain language.

2. Technical Reviews

In addition to our self-attestation, content that is published on barclays.co.uk public websites will still go through a full technical review by subject matter experts. We have a number of stakeholders across the business who hold the responsibility to make sure that content is correct as and when it is created. This forms part of our BAU ('business as usual') sign off process. We keep a Compliance control document (sometimes referred to as a cover sheet) attached to all web page copy docs which lists the technical reviewer for each page. The 'copy doc' audit history also shows who has been involved in each review; any amendments they make are documented as tracked changes and stored in a separate file on the shared drive. All approval emails are also kept in these files on the shared drive.

3. Annual Content Reviews

For Wealth Management and Digital Investing within PBWM, we have a full content library which lists all content pages across barclays.co.uk (operational and editorial). We use this library to ensure every page is looked at every 12 months and updated or removed if necessary. We now have a full time copywriter in place to support with the review of existing content as part of the annual review. Content updated with technical corrections only can be self-attested, whereas full page rewrites are subject to a full review by our dedicated compliance team solely focused on content, as per our normal processes.

4. Tone of Voice Guidelines

Our tone of voice toolkit was created and rolled out in 2019 to help us consider our audience in the often complicated world of investing and enable us to make the complex simple, which subsequently should mean that all our readers could understand how investing can be for them. A checklist was created on the back of this which served as a quick reminder of the techniques to consider before we start writing something for the reader.

Review and assurance at Federated Hermes EOS

With regards to the review and assurance process at EOS:

- EOS perform a sample-based audit of approximately 50 meetings every 6 months where an EOS engager professional has manually entered vote recommendations for clients
- The audit is performed by the Voting and Engagement Support Team and reviewed by the Regional Team Leads. The main purpose of the audit is to look at these against policy instances to ensure they were intentional. The process has been reviewed and agreed as appropriate by EOS Internal Audit function
- EOS ask ISS to provide evidence of a selection of auto-instructed meetings in order to ensure accuracy of EOS policy interpretation and operational workflow
- EOS provide a range of qualitative and quantitative reporting for clients on the engagement and voting activities undertaken on their behalf

EXAMPLE

Since 2020, Barclays Group has been an active member of the Partnership for Carbon Accounting Financials (PCAF), an industry-wide initiative which aims to build consensus on approaches to carbon accounting, disclosure and portfolio alignment. In 2022, and for the second year running, Barclays Group co-chaired the PCAF Capital Markets working group which is tasked with formulating an industry-wide standard for accounting for the emissions associated with capital markets activity. This year the working group built on the feedback from their November 2021 discussion paper and put out a proposed methodology to public consultation in September 2022. Final discussions are ongoing, and a finalised methodology is expected to be published in 2023.

EXAMPLE

As part of our work to increase transparency and accountability, our annual **Impact Report** now provides voting records for the underlying funds within the Barclays Multi-Asset Sustainable Fund. This allows clients to assess the voting decisions executed by these funds. We hope this insight empowers our clients with a deeper understanding of the investment decision-making processes and aligns with our commitment to transparency. It underscores BISL's commitment to open communication and informed decision-making, aligning with the broader trend of promoting investor engagement and responsible investment practices.

Principle 6

Incorporating clients and beneficiary needs

Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

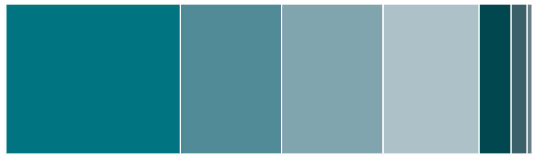
Assessing client needs

Barclays Investment Solutions Limited (BISL) serves individuals and charities predominantly within the UK. Total discretionary Assets Under Management are over £17.2bn (as of 30th June 2023). Almost 94% of these assets are managed externally by 3rd party fund managers. Many of these £16.1bn in assets managed by 3rd party managers are in segregated mandates held within BISL funds. Therefore, these assets in mandates as well as the very small amount of in-house directly managed assets (the remaining 6% of in-house directly managed assets in DPM) have the stewardship services of Federated Hermes EOS applied to them. Those £17.2bn of assets are roughly split as follows:

AUM by asset class

EQ	57%
FI	22%
ATS	18%
Cash	3%

AUM by geography



US	33%
UK	19%
Global	19%
EM	18%
EU	6%
JP	3%
PARIM	1%

How we take account of client views and communicate with them, depends on which investment route they choose to take because BISL provides a full spectrum of services to our private clients through access to Discretionary, Advisory and Execution only services. There is always a focus on risk management and wealth preservation. We consider wealth planning at the outset to ensure due consideration has been applied to structuring and protecting the client investments before the investment process has begun.

AUM figures accurate as of 30th June 2023

We help clients align the overall investment solution with their goals in a way that fits with their financial personality. By discussing the client needs and our service offering, we are able to find the best investment solutions for our clients. We incorporate behavioural finance in the way we invest and serve our clients as discussed below. We favour approaches that aim to lead to consistent long-term returns through a full market cycle rather than following the trend or momentum trades over shorter periods. The discretionary service provided combines the expert knowledge of the various teams we have across the business including specialists within funds, asset allocation, portfolio construction, behavioural finance, portfolio management and others. The unification of the insights from these teams creates our best thinking models. All of this is overseen by our relevant risk management and due diligence teams, from an operational as well as investment standpoint, to ensure the safety of client accounts.

We have developed a proprietary investment philosophy which is reflected in the discretionary investment portfolios we manage for our clients and key elements of that follow. Our approach aims to create a detailed picture of our clients and their attitudes, goals and aspirations. Risk tolerance is important but there is much more to investment attitudes than that. Our behavioural finance specialists have developed a unique tool – the Financial Personality Assessment (FPA) and its derivatives – that enables us to build a highly detailed profile of clients' preferences and attitudes. Using this tool, we can measure five key dimensions that, in combination, reveal how a client thinks and feels about wealth and investments.

Risk tolerance: Psychological risk tolerance measure is an expression of the long term trade-off between risk and return in your portfolio. Higher risk tolerance indicates a higher risk, higher return portfolio, while low risk tolerance leads to a lower risk, lower return solution.

Composure: The composure scale measures how emotionally engaged a client tends to be with the investment journey – how much they feel and respond to short term month-by-month gains and losses.

Market engagement: Market engagement measures the degree to which a client is inclined to avoid or engage in financial markets. This scale acts as an indicator of whether they have a mental hurdle to investing in markets, usually due to a fear of the unknown or wrong timing.

Delegation: The delegation scale assesses the extent a client believes they can benefit from delegating day-to-day portfolio management decisions to someone. The higher their delegation, the greater their desire for advice and for someone to assume the effort of portfolio management.

Belief in skill: The belief in skill scale assesses how much a client believes it is worth paying for an investment professional's potential to achieve above-market returns.

The results of the FPA help clients to understand the basis of our investment recommendations and provide context regarding how they make financial decisions. In building client portfolios, we tend to use a blend of eight key asset classes that meet our investment criteria, which include competitive risk-adjusted returns, diversifying returns and efficient access for our clients. We provide investment solutions designed for total return and also oriented toward income for those clients who have specific income needs. We also cater for clients preferring to have a home market bias to their portfolio.

Meeting client needs

BISL's Investment Philosophy is the cornerstone of our client offering. Based on meeting our clients' needs, it is designed to provide personalised investment portfolios, delivering long term growth and risk management through diversified investments across multiple asset classes.

Every investor has an asset allocation, whether they think in those terms or not. Holding nothing but cash is an asset allocation, or only individual equity investments is also an asset allocation, albeit a highly concentrated one with limited diversification benefits. One of the key questions is whether a client's asset allocation is in line with their needs. We believe that a thoughtfully designed, diversified asset allocation is the best foundation for achieving our clients' long-term investment goals. When we created the strategic asset allocation process that lies at the heart of our Investment Philosophy, we followed four basic principles: it must (1) meet client needs, (2) provide diversification to help manage risk, (3) comprise asset classes that are generally accessible to investors, and (4) incorporate our long-term market views, as well as our insights in quantitative finance.

To meet our clients' long-term investment needs, they must be able to invest in portfolios that align to their Risk Profile – determined by their Risk Capacity (as established by a review of total wealth) and their Risk Tolerance (measured by our Financial Personality Assessment) – and be comfortable to hold this portfolio over a long time horizon. To satisfy this requirement, we have developed five Strategic Asset Allocations (SAAs) from Low to High risk, taking into account how investors psychologically perceive risk, which tends to be more focused on poor outcomes than on volatility. More generally, our SAA model portfolios reflect how we think financial markets work and they incorporate our long-term views on economic and market variables. We combine this to generate optimal long-term risk-return trade-offs for investors with different Risk Profiles.

To benefit from diversification and enhance portfolio efficiency, an investment portfolio should include several asset classes and, ideally, go beyond the traditional set of stocks, bonds and cash. The idea that introducing diversifying assets to a portfolio can both help decrease risk and enhance opportunities for return is well established in the academic literature and among investment managers. In our view there have been moments in history, such as the global financial crisis in 2008-2009, where most asset classes were sold off at the same time, resulting in elevated short-term correlations. Whilst some use this as a basis of critiquing the diversified approach, we believe in the long-term benefits of diversification such as reducing the reliance on a single asset class performance. We strongly believe that diversification should play a key role in all asset allocations and still urge you to not "put all your eggs in one basket".

To achieve diversification, we expand our range of asset classes to include the full universe of investible assets available to individual investors, including Commodities and Alternative Trading Strategies (ATS). We believe that absolute return funds and other alternative investment vehicles can play a variety of roles in a portfolio, including the generation of attractive risk-adjusted returns while also offering a low correlation with other asset classes.

To create diversified allocations, we use industry standard as well as internally developed risk measurement and management techniques to account for the fact that asset returns do not follow an abstract Normal (bell-shaped) distribution, tending instead to be asymmetrical and have 'fat tails'. More generally, when analysing asset class returns, we are careful not to rely on a simplistic interpretation of data, and also avoid the assumption that the future will look like the past, a surprisingly common forecasting bias.

In the BISL business, we highlight broad categories of investible assets, both potentially attractive and accessible to all investors, rather than specific areas or products. We try to make sure our clients are truly diversified, and so offer an optimal portfolio that is also accessible online by invested clients.

Our final principle is that we seek to incorporate our long-term market views, as well as our insight in behavioural finance. We combine market data with our investment experts' views on economic trends. We also incorporate behavioural finance to help us understand what is important to our clients, their perceptions of long-term risk and their preferences when balancing risk with expected returns. Using quantitative analysis, we combine our behavioural insights and understanding of clients with our market expertise, to best meet the long-term investment needs of our clients. We are proud of our SAA process and believe that it contains many significant improvements to past practices in the investment management industry. However, we continue to be focused on improving our process, which is why we regularly conduct a deep dive into our inputs and methodology, to maximise our chances of delivering strong long-term investment returns in line with our client's goals.

Seeking client views and acting upon them

When it comes to seeking client views and feedback to understand the effectiveness of our approach, we have a number of channels:

- Feedback via Wealth Managers
- Complaints
- Net Promoter Score Surveys
- Client feedback

Over the course of the last 12 months, client feedback has been discussed in colleague knowledge sharing sessions, focus groups, co-creation virtual spaces and surveys.

Wealth Managers take time at the start of all relationships, and on an ongoing basis, to understand our clients' views. A tangible example is our charity clients where we may assist in understanding and then developing their Investment Policy Statements to ensure that fits with the aims of the charity in line with guidance from the Charity Commission for England and Wales, the Office of the Scottish Charity Regulator or the Charity Commission for Northern Ireland. Often this then entails acting upon those views with specific exclusions from the portfolios – typically based on revenue exposure to certain undesired activities.

Feedback from clients indicated that wealth planning was increasingly in demand. This was in addition to their traditional discretionary portfolio management service. In order to improve our stewardship of their assets, through providing additional services (such as Inheritance Tax (IHT) planning, pensions and protection) in a more cohesive manner, we have hired more wealth planners and expanded the training of some wealth managers.

EXAMPLE

Showcasing existing clients views and needs to internal colleagues

This year to help inform colleagues across the PBWM business, our Head of Impact Investing hosted a webcast with two ultra-high net worth clients. The webinar focused on their sustainability beliefs, needs and journey, and how our products and services helped to meet that desire. By hearing directly from "real life" clients, the webinar brought the topic to life for the internal audience and helped provide feedback and insight to us about client needs.

EXAMPLE

Insights into individuals, families, family offices attitudes and activity in sustainable investing

PBWM has supported analysis specifically focused on individuals, families and family offices and foundations, entitled Investing for Global Impact, which provides unique insight into their attitudes and actions when it comes to generating positive impact with their capital. The report presents valuable information into various aspects of how respondents approach this topic in terms of investment strategy and philosophy, portfolios allocations, industry challenges and opportunities, and thematic issues. The report helps to inform our views of these clients and, because it is publicly available, supports other investors to benchmark their own views and efforts.

EXAMPLE

Exploring private investor motivation with third-party

In a recent webinar hosted by Simple, the PBWM Head of Impact Investing participated alongside three fellow experts in a dynamic conversation. The discussion emphasised the significance of aligning investment strategies with individual and family objectives, incorporating various ethical, responsible and impact investing approaches to meet their needs.

One of the key takeaways was the insight into client motivations. By stressing the importance of listening to clients and understanding their unique aspirations, the panellists underscored the value of crafting investment strategies that align not only with financial goals but also with broader societal and environmental concerns. This understanding was particularly evident in the popularity of themes like climate change and social issues among clients, revealing their heightened awareness and the impact of their investment choices on these aspects.

This webinar offered colleagues insights into the diverse motivations that drive our clients' investment choices. Through shared knowledge, we continue to empower our colleagues to better serve our clients and align our strategies with their aspirations.

Understanding client needs

At BISL, our commitment to understanding and addressing the unique needs of our clients serves as the cornerstone of our approach to investment stewardship. We firmly believe that aligning our strategies with the goals and preferences of our clients not only enhances their investment experience but also strengthens the overall relationship of trust we share with them.

The Financial Personality Assessment
Upon completion of the wealth review, we extend an invitation to our clients to participate in the Financial Personality Assessment (FPA). This tool employs a comprehensive framework to measure five key personality attributes. Rigorous, objective, and scientifically validated, the FPA offers deep insights into our clients' financial thinking, feelings, and decision-making processes.

The results of the FPA enable us to transcend surface-level assessments and delve into the factors that influence our clients' relationship with wealth and investments. By understanding these attributes, we tailor our strategies to align with our clients' financial personalities. This approach transcends generic risk assessment, instead providing a nuanced understanding of each client's motivations, values, and aspirations.

As we demonstrate responsible stewardship, the FPA equips us to craft investment solutions that not only match our clients' financial objectives but also reflect their individuality financial personalities.

Through the use of the FPA, we reaffirm our commitment to an appropriate, forward-looking, and client-centric approach that captures the essence of our clients' financial perspectives.

Evaluating effectiveness
Evaluating the effectiveness of our approach in understanding client needs is an ongoing process that hinges on transparent communication and continuous engagement. Our Wealth Managers play a pivotal role in seeking client views and feedback. Their regular interactions provide valuable insights that help us tailor our services to match evolving client preferences.

Furthermore, our commitment to client feedback is reflected in our initiatives. Through interviews, focus groups, surveys, and co-creation virtual spaces, we listen to our clients, ensuring that their viewpoints contribute to shaping our strategies.

As part of our evaluation process, we also respond proactively to emerging trends and preferences. For instance, the increased demand for wealth planning services signalled by client feedback led us to expand our wealth planning team. By acting on such insights, we demonstrate our commitment to continuously refining our approach in alignment with client needs.

EXAMPLE

Over the last 12 months we have made two notable changes which include continuing our voting and engagement activities as detailed in principles 9 – 12 and secondly, converting our Irish fund range to Article 8 in November 2022 under the EU's SFDR regulation. The decision to transition this range to Article 8 was primarily to allow clients to invest in a fund which promotes environmental or social characteristics, provided that the companies in which the investments are made follow good governance practices. This transition to Article 8 included adding several exclusionary screens.

Ensuring alignment with policies and reporting

To ensure that assets are being appropriately managed in line with BISL expectations and policies, BISL has a team of Quality Training and Competence Managers whose duties include:

- Advice is checked to ensure it is suitable
- Annual reviews are checked to ensure suitability is maintained.

With regards to adherence to our investment policies, Internal Audit reviews our procedure documents and checks samples of our work. We also have an investment risk and performance team – deliberately separate from the investment and responsible investment team - that monitor portfolios daily to ensure:

- Performance is in line with expected returns within each risk bracket
- Volatility is also in line with similar portfolios and modelled expectations
- Portfolio holdings are appropriate for the client
- Portfolio holdings and asset classes are of an appropriate weigh
- No securities captured by exclusionary screens are held.

An annual report is produced by Federated Hermes EOS for BISL giving an overview and highlights of all the voting and engagement activity that has occurred across the discretionary assets held by our clients. In addition quarterly reports are posted on our website outlining how we voted and engaged, working with our partner, Federated Hermes EOS, over the period. In addition to these voting and engagement reports, EOS provides a range of formal qualitative and quantitative reporting for BISL on a regular basis outlining how they have implemented our engagement expectations within our contract with EOS. This includes statistics, engagement information (objectives, progress, meeting notes), case study examples and voting recommendations which is available to our Responsible Investing team on EOS' dedicated online portal. The Responsible Investing team within BISL provides its feedback for consideration via an annual survey released by EOS, alongside other EOS' clients, for the development of a forward-looking Engagement Plan. Our annual Engagement Review, based on EOS activities on our behalf, is also available to our Wealth Managers.

For those clients in our specialist sustainable fund – the Multi-Asset Sustainable Fund – we produce a comprehensive annual impact report. The latest copy is available here.

For our high net worth (HNW) clients, we produce quarterly reports and regular client reviews are delivered by the Wealth Manager / Investment Consultant / Portfolio Manager as appropriate. Monthly factsheets are produced for our Funds whilst video factsheets are recorded for clients on a quarterly basis. In addition to our written reporting, BISL also produces a weekly podcast named Word on the Street. ESG topics frequently feature here and the Responsible Investing team often present. Finally, each HNW client has formal meetings with their Wealth Manager. This gives the opportunity for two-way dialogue regarding their needs. The Responsible Investing team has attended such meetings, as required, over time.

BISL's approach to enhanced reporting
BISL is preparing to report in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) in 2024, per regulatory requirements. This has led us to embark on a journey of continuous improvement, with a clear focus on delivering impactful and informative insights to our clients and stakeholders regarding our sustainability initiatives.

As part of this initiative, we have introduced a bi-annual Management Information (MI) Board report, commencing from Q3 2023. Through the MI report, we evaluate our risks and opportunities tied to sustainability, demonstrating a proactive approach to reporting on our carbon footprint. Notably, this report will provide data on the carbon emissions of BISL's investments.

EXAMPLE

Currently we do not report publicly on ESG metrics, such carbon footprint or water intensity, for our funds or client portfolios. We have access to the data, via MSCI, and a project is underway to make such metrics available on our factsheets and reporting, in a way that is meaningful and intuitive to clients, so that they may better understand these metrics.

EXAMPLE

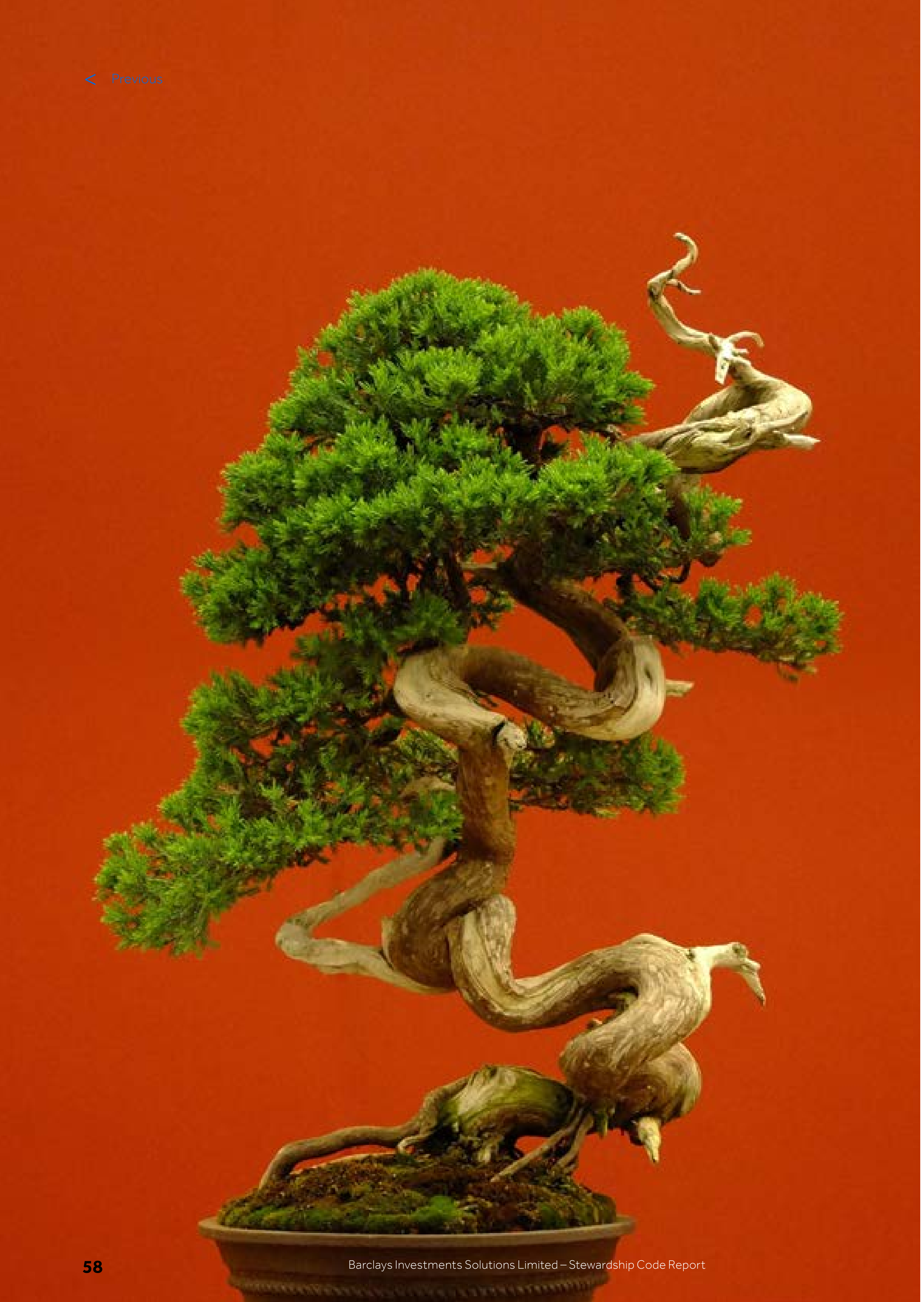
Within the last year the Responsible Investing team has participated in 'Brown Bag Brunch' which educated colleagues on 'investing sustainably'. The session covers many topics such as stewardship and engagement, article 8 fund range and reporting initiatives such as Stewardship Code, UNPRI report and TCFD report. The sessions received positive feedback by colleagues.

EXAMPLE

We produce an annual Impact Report for our Multi-Asset Sustainable Fund which continues to evolve as we include more ESG metrics. The MASF is a multi-asset fund-of-funds comprised of what we believe are top tier funds based on both their potential for strong financial returns and their consideration of impact around key social and environmental issues. We are committed to continue evolving this report in a bid to promote transparency and highlight the range of underlying companies and associated impacts that the MASF has invested in. This year, our Impact Report includes voting records from the underlying funds, offering clients a deeper understanding of the funds' role in seeking to drive positive change. Furthermore, our reporting now extends beyond carbon footprint, embracing a broader spectrum of holistic impact metrics that highlight both environmental and social characteristics.

EXAMPLE

The Manager Selection and Responsible Investing team have participated in a weekly BISL podcast series called 'Word on the Street' which dives into different topics every week. One topic included stewardship and engagement aimed to help clients understand how BISL, through Federated Hermes EOS, engages with investee companies on sensitive ESG topics.



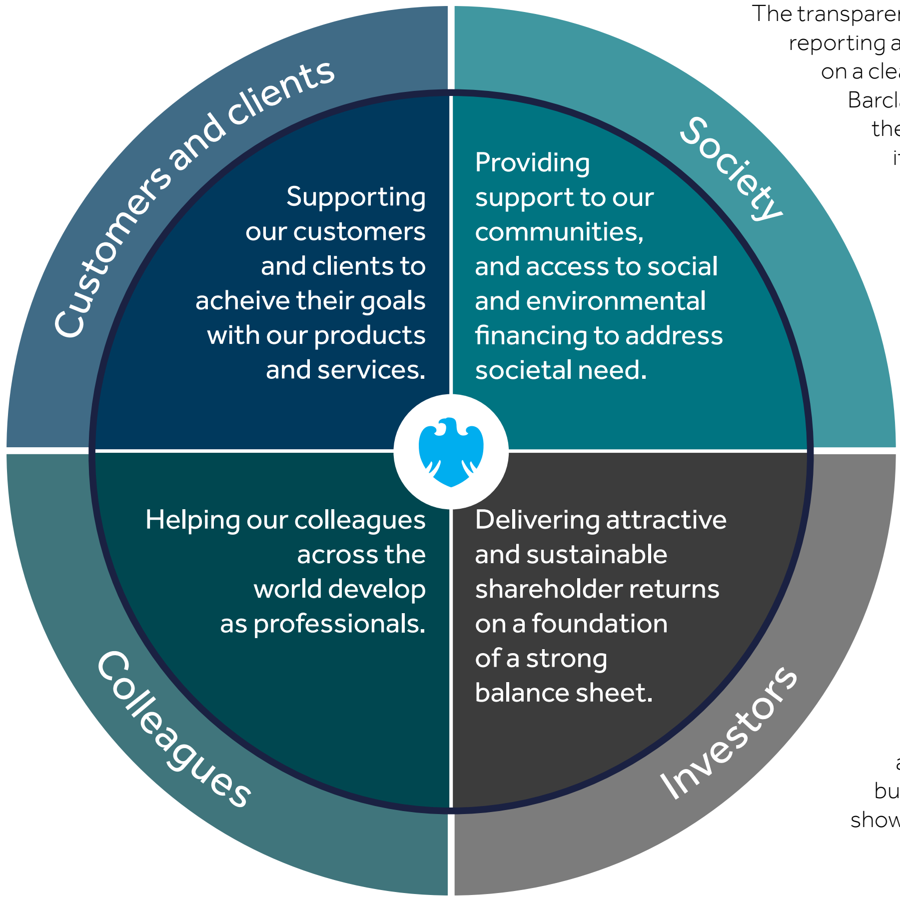
Principle 7

The integration of stewardship with the investment process

Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Integration in our business

Barclays Group's success as an organisation is judged not only by its commercial performance, but also by how it acts for the common good and the long term. The business believes it is most effective when deploying finance to support people and businesses in a way that is responsible, transparent and makes a real and lasting difference to the lives of those it serves, its colleagues, and the communities in which they live and work. Barclays Group's approach to environmental, social and governance issues is grounded in the work it does every day, right across the business. The transparency provided by its reporting and disclosures is built on a clear framework for action. Barclays Group's focus is on the sustainable impact of its business as one of the key pillars of the investment case for Barclays Group. It considers ESG responsibilities through four areas of focus, reflecting the interrelated nature of ESG issues. They give us a clear guide to how Barclays Group can maximise the positive impact it has on society and help it to manage carefully the environmental and social impact of its business. These areas are shown below:



As we consider the risks and opportunities in each of these four areas, the approach is supported by governance and oversight from our management and Board governance structures. It is also underpinned by our commitment to the Principles for Responsible Banking, of which Barclays Group was one of the 30 founding banks, which help to align banks with society's goals as expressed in the Paris Climate Agreement and the United Nations' Sustainable Development Goals. The importance of action on climate change and the changing financial and social needs of society as a result of the cost of living crisis were both significant for Barclays Group in 2022. The Group engages directly with our internal and external stakeholders to assess our areas of focus against their priorities – through ongoing conversations, as well as surveys and information requests from investors and ratings agencies. We also monitor closely the relevant ESG frameworks and reporting guidelines.

Additionally, here are a few examples of Barclays Group progress since BISL's 2022 Stewardship Code report:

- In 2022, it surpassed its 2018 target to deliver £150bn of social and environmental financing by 2025 and are still on track to meet our goal to deliver £100bn of green finance well ahead of 2030
- It has a target of facilitating $1 trillion of social and environmental financing between 2023 and the end of 2030
- Increase investment into global climate tech start-ups to £500m through its Sustainable Impact Capital portfolio by the end of 2027
- Through its LifeSkills programme, Barclays Group committed to help a further 10 million people to develop the skills and confidence they need to succeed, as well as place 250,000 people into work by the end of 2022
- 85% of staff would recommend Barclays Group as a good place to work

Please see our latest Barclays Group Annual Report here.

Our investment beliefs

We believe in the integration of environmental, social and corporate governance (ESG) considerations into our investment management processes and ownership practices, as these factors can have an impact on financial performance. We believe that as ESG considerations play out over a long horizon, and as they increasingly become a priority for company managers, they may help alleviate the pressure for short-termism and encourage a focus on long-term value creation – to the mutual benefit of firms, investors and the world at large.

These beliefs align with our Values of Respect, Integrity, Service, Excellence, and Stewardship.

To recognise many of our existing investment practices, and to further reinforce and strengthen them, BISL is a signatory of, and is committed to implementing, the six principles of the United Nations supported Principles for Responsible Investing (PRI) in our investment management activities.

We're committed to seeking to deliver the best possible risk-adjusted returns for our clients and we believe responsible investment supports this aim.

We believe ESG considerations capture non-financial information that could affect financial performance. Considering these ESG factors, and consequently a broader set of data, we believe enables investors to make a better judgement about the financial performance and longer term viability of an investment. Therefore, as part of our investment process, we seek to incorporate any foreseeable risks and opportunities that arise from material ESG factors.

The majority of the assets we manage on behalf of our clients are invested indirectly, through third party fund managers. Nonetheless, our approach to undertake responsible investment is relevant across all the asset classes, sectors and markets in which we invest.

Investment integration

Our ambition is for ESG integration to be at the core, rather than an additional element, of the investment process. The key parts of our investment process are Asset Allocation (Strategic and Tactical), Portfolio Management and Manager and Fund Selection, supported by Portfolio Construction. This team is responsible for the process of understanding how different asset classes, funds and weightings impact each other, their performance and risk and how decisions ladder up to an investor's objectives. There is also a small product offering (less than 10% part of our discretionary book) within Discretionary Portfolio Management (DPM) which invests directly in equities and bonds. Within Manager and Fund Selection we select and invest in the managers based on our confidence in their ability to deliver their investment objectives, along with their associated strategies and practices for responsible investment. We inform our external managers of our focus on and commitment to the PRI principles through our annual discussions. As part of our due diligence and ongoing monitoring, we will review their integration of the principles and practices of responsible investing. This includes a review of the ESG policies and governance of potential managers and identifying how effectively they integrate ESG factors into their investment decisions. Throughout the life of an investment, we monitor identified ESG risks and work with managers to ensure effective oversight. We encourage managers to engage in an open dialogue with us about their own approach to responsible investment and how ESG factors impact their investment analysis and decision-making processes.

Overall, our approach to responsible investment involves ESG integration, rather than screening. Where we award mandates, there are two exceptions to this approach. Firstly in the area of controversial weapons whereby firms involved in weapons such as landmines or cluster munitions cannot be invested in. We have given clear instructions to the managers of these mandates on how to action this exclusion – we send them a list of companies at regular intervals instructing that they are added to the exclusion lists in their trading systems. This prevents managers from buying such companies. Secondly, our GlobalAccess fund range which recently transitioned to Article 8 under SFDR, also adheres to several exclusionary screens such as tobacco, adult entertainment, gambling and fossil fuels. Where we invest in 3rd party funds, who undertake screening as part of their investment process, we will evaluate their practices on a semi-annual basis where we also formally review any changes to the organisation, process, portfolio and performance. We cannot extend restrictions to investment managers of co-mingled funds where we are not the sole client.

EXAMPLE

In late 2022, nine out of fourteen GlobalAccess single-asset funds within the Barclays Multi-Manager fund range, domiciled in Ireland, put in place steps to meet the provisions set out under Article 8 of SFDR. This means that they are funds which we believe promote environmental and/or social characteristics and invest only in companies which follow good governance practices. The funds do not have sustainable investment as their objective but seek to mitigate climate change in particular. In addition to other steps, these nine Article 8 funds mentioned above adhere to a number of exclusionary screens as listed below. The funds are prevented from holding companies that are involved in the following activities:

- Issuers which generate any revenue from: controversial weapons (including cluster munitions, biological-chemical, landmine, depleted uranium, white phosphorous munitions)

And:

Issuers which generate greater than 10% of revenue from:

- Fossil fuels: thermal coal generation, extraction or sale; Artic oil and gas production; fracking or oil sands production
- Production of nuclear weapons or components exclusively manufactured for use in nuclear weapons
- Tobacco production, distribution, and/or retailing
- Gambling operations, gambling products or providing key products to gambling operations
- Adult entertainment production, distribution, and/or retailing.

In addition to the items excluded above, we provide individual clients within segregated client accounts the option to exclude sectors or companies based on ethical or personal preferences, which are incorporated into investment guidelines. In addition to the exclusionary items listed above, the screening rules we are currently able to apply also include – abortion, alcohol, animal testing, armaments, environmental impact, fossil fuels, gambling, human rights, pork, pornography and tobacco.

Our Charities Fund and portfolios aim not to have any direct exposure to companies that generate more than a small minority of their turnover from tobacco, pornography, gambling or the manufacture or sale of arms.

We use MSCI, an external research provider, to provide screens which are used to identify any company that is to be excluded according to the criteria implemented into the screens. These screens are incorporated into our portfolio management system, which allows us to manage the investment process; as well as monitor and ensure that we do not invest in companies that fall in scope of our stipulated prohibitions on investments under SFDR.

Across our investment management activity, we generally exercise our voting rights on directly held positions. We employ Federated Hermes EOS to provide voting recommendations to us, which helps to inform our voting decisions. We have a voting framework in place that guides those recommendations. Our voting record is available on our website. Voting refers to exercising voting rights on management and shareholder resolutions at AGMs and EGMs to express support or concern. Examples include the election of directors and executive pay. Engagement takes two forms: i) ongoing corporate interaction between investors and management boards in order to influence business practices and ii) Public Policy interaction with legislators and industry bodies to help shape standards and codes. Carrying out these activities is part of our fiduciary duty and helps ensure that we are investing sustainably. We have adopted an overarching framework, via a clear and actionable voting policy set by EOS, within which EOS makes the voting recommendations. Our historic voting record is available on the Barclays Group website at the bottom of this page:

Manager Selection and Tendering

From time to time the need arises to appoint a new external manager. In that event, the relevant fund analyst within the team will use a variety of sources to arrive at a 'long-list'. Examples include their knowledge of the asset class involved (many of the fund research team have been in place for over a decade), the Morningstar Direct database and the MSCI ESG Manager database. Screens are applied within the latter two databases to ensure that managers with superior ESG scores and metrics, such as carbon footprint, are highlighted. This gives a good indication of managers that are likely to integrate stewardship and ESG well. A Due Diligence Questionnaire (DDQ) is then sent to all the managers on the long-list to help narrow down the field. This DDQ comprises a number of ESG questions. The responses to these, together with a review of their voting and engagement reports and ESG policies and memberships, helps identify those managers who integrate stewardship well. The analyst will then meet the fund managers on the resultant shortlist face-to-face. As these managers pitch to us in these meetings, the content includes a thorough discussion on stewardship and ESG matters in addition to investment matters. We ask for examples of successful and failed engagement, notable votes and any sales or purchases, amongst others things, as we seek to fully comprehend their approach. Ultimately, we make it clear that we expect stewardship to be integrated into the investment approach. Next, every remaining manager's offering is given a single standalone score from A to C for ESG considerations – reflecting both their intent and their outcome. We expect all active managers – equity, bond and alternatives – to be engaging with the managements of their holdings on these topics and comprehending how their activities could impact on the sustainability and profitability of the business. We assess all external managers across 5 key areas that each happen to start with the letter P. We do this both through initial DDQs but also in-person meetings. We expect to see that the E, S & G is borne in mind within each of the 5 P areas, as the following few examples illustrate:

Parent: Climate reporting, stance on Diversity and Inclusion and balanced recruitment and training policies.

People: A dedicated ESG team, aligned pay structures and the knowledge of the investment team of such matters.

Philosophy: An understanding of which ESG factors are material and why they matter for each holding.

Process: The embedment of ESG metrics into the investment process, how it is incorporated into the research notes and how ESG risks might affect the company valuation (via the discount rate for example).

Performance: Holdings analysis using MSCI ESG Research to help question and challenge the managers on their contentious holdings. The strategy note from MSCI is also reviewed.

Further details of how we approach manager research and the '5P' research framework here.

EXAMPLE

Barclays Asset Management Limited (BAML) has been a signatory to the UNPRI[3] for five years, therefore we expect all our external managers to be signatories. One of the managers – US based – was reluctant to commit last year and so we worked with them to give them assurance over the pros and cons of becoming a signatory. We are pleased to report that they have decided to become a signatory this year and now all the managers that we use are signatories..

[3] In 2023 we expanded the scope of our UNPRI submission to BISL. The original prior signatory was BAML for several years. We previously reported as BAML but, as previously explained, because BISL carries out all the investment activity for BAML, BAML is still covered by this submission. The reason for the change is because we are now looking to report on more of our investment activities – all the discretionary activity conducted by BISL. In summary, this submission covers BISL's investment activities including Discretionary Portfolio Management (DPM) activity, own funds (wherever they are domiciled: UK, Ireland, Luxembourg) and third party funds selection. Advisory activity or Execution Only activity such as Smart Investor are not covered.

Service providers

To support our ESG integration, we use several external providers as follows:

MSCI ESG Manager: provides ESG data and insight. This includes company and industry reports and thematic research on specific ESG issues. Our investment personnel use this to inform themselves and also to help question external managers on any their holdings. The tool is also used to construct our exclusionary screens.

Federated Hermes EOS: engages with corporates and on public policy on our behalf. EOS also provides voting recommendations to us on our company holdings. We operate a triage process on these recommendations ensuring that we review, and amend if necessary, any particularly noteworthy votes. The contract we have in place with EOS, as an example of all those we have in place, clearly lays out our service-level agreement including how we will set criteria for them, how they will report to us and the voting framework. That criteria evolves over time via several channels: giving feedback on the annual refresh of the Engagement Plan, at the quarterly relationship reviews and at the bi-annual client advisory council events.

ISS: primarily our voting portal to log our company votes, but it also provides research recommendations and research on those upcoming company votes.

Barclays Group has a centralised Procurement department which considers the ESG characteristics of suppliers. This helps ensure that firms that tender to provide services to us are good stewards and integrate ESG issues. This team drives positive ESG outcomes and manages reputational and other risks in the supply chain. The environmental aspects aim to ensure our suppliers have in place environmental management programs appropriate to the nature and scale of their business, have greenhouse gas emissions reduction programs in place and are working towards a science based net zero emissions target. Furthermore, the human rights and modern slavery aspects aim to ensure that our suppliers have in place the necessary policies and practices to prevent exploitative practices such as forced / compulsory labour, debt bondage, child labour, and that they carefully manage recruitment practices, working conditions and migrant labour. Finally, the governance aspects focus on corporate policies and how companies are governed. The main focus here is on Controls, Corporate responsibility, Remuneration and Risk Management.

EXAMPLE

Tendering & our supply chain – addressing our scope 3 operational emissions

In 2022, Barclays Group developed a supply chain net zero pathway which sets out the Group's strategies and action plan and details the accountability mechanisms in place to track progress. The pathway defines organisational and operational boundaries and explains how Barclays Group will identify and track supply chain greenhouse gas emissions (GHG) emissions over time. It also sets its interim emissions reduction and supplier engagement milestones, and describes the activities required to achieve them. Finally, it establishes the governance mechanisms for the supply chain net zero programme and the stewardship necessary to deliver and track progress.

In developing its net zero supply chain emissions plan, Barclays Group used the Science Based Target Initiative's (SBTi) Corporate Net Zero Standard and Target Setting Tool, consistent with a 1.5°C aligned pathway. Barclays Group will continue to develop its methodology and approach. In the interim, it intends to work towards the milestone of a 50% reduction in its supply chain emissions by 2030 (against a 2018 base year) and a longer-term milestone of a 90% emissions reduction by 2050. In addition, Barclays Group aims to have 90% of its suppliers by addressable spend[4] to have science-based emissions reduction targets in place by 2030. As of 2022, approximately 47% of Barclays Group's suppliers by addressable spend have science-based targets in place or have committed to implementing targets.

To support its zero operations strategy, Barclays Group has updated its general terms to include contractual expectations relating to climate change which will apply to new contracts and contract renewals moving forward. Barclays Group is also looking to further embed climate change considerations in its procurement processes. Barclays Group's procurement strategy extends to BISL, as an entity within Barclays Group.

Use of information gathered through stewardship

Information gathered through stewardship informs acquisition, monitoring and exit decisions at a number of levels at BISL:

- research that our external fund managers conduct may lead them to increase or decrease a company holding weight
- research that the BISL Manager Selection team conducts may lead to increased engagement with, and monitoring of, an external fund manager
- research that Federated Hermes EOS conducts may lead the Manager Selection team to increase monitoring of an external fund manager.

The requirement for further engagement is based on the white paper 'The Science and Art of Manager Selection' produced by BISL. It is important for our Portfolio Managers to use their experience to assess responses and take an informed view.

One example of each is given here.

EXAMPLE

Research that our external fund managers conduct may lead them to increase or decrease a company holding weight

One of our fund managers sold their investment in an insurance company. The fund manager established a view at the time and from speaking to company management, the fund manager realised that the company's view on the UK's Net Zero target was limited and lacking compared to its peers. After engagement with the company, they decided to sell its shares in their entirety as it no longer met their investment requirement for all companies to have a stated net zero objective and target in place.

[4] Addressable spend is defined as external costs incurred by Barclays in the normal course of business where Procurement has influence over where the spend is placed. It excludes costs such as regulatory fines or charges, exchange fees, taxation, employee expenses or litigation costs, property rent.

EXAMPLE

BISL's stewardship efforts lead to enhanced engagement and monitoring of a fund manager

We have had a longstanding relationship with a UK Equity manager who is responsible for a mandate within one of our Multi-Manager funds. This manager's investment process has historically not considered engagement, environmental, social or governance factors as explicit or distinct factors within their approach. The manager has stated that as their process had been successful in producing outperformance of relevant benchmarks over a long period of time, they did not wish to interfere or amend what they did.

We have repeated our requests for clearer integration of ESG matters to the managers over many years with increasing force. We have stressed whilst they are agging their peers in their integration of ESG, we believe additional time spent on the topic would be well received by investors. We communicated our view that we would support any changes they made. However, they would need to be very clear with investors what they are doing, as well as explaining the objectives and outcomes of their engagements.

Over the last year, the team has taken on board our feedback in two specific areas. Firstly, they have taken on a new team member who will lead the team's Engagement and ESG agenda. This is a new role within the team. The individual has six years of experience in a similar function, so has direct and relevant experience within this aspect of the job.

Secondly, the team has improved its communication of its ESG and engagement efforts. Client presentation material has been developed and revised based on our feedback. The team now show whether their engagement efforts are targeted at E, S or G matters, providing examples of each. This has been a significant improvement and one the manager has worked with us on willingly. We continue to press them to improve further. In particular, we want them to clearly show what objectives they are setting when engaging with portfolio holdings. Also, we will continue to encourage them to be clearer about how they will respond if companies do not meet the ESG related requests or progress that the manager has asked of them.

EXAMPLE

Research by Federated Hermes EOS leads to increased monitoring of external fund managers

The Manager and Selection team in PBWM utilised research produced by EOS and other third parties which highlighted that a UK Defence company, had a very small portion of their business involved in white phosphorus (WP) products. These are typically used by UK Special Forces to provide obscuration when on operations. However, they can also be used in chemical weapons. As such, the company was highlighted for review and was added to our listed of companies in which investments are not permitted.

Given this, the Manager and Selection team engaged with those managers who had investments in the UK defence company over this issue. In some cases, at our request, the managers themselves engaged with the company on our behalf on this point. The company has a stated public intention to cease exposure to WP, but is yet to announce it has done so, with its recent priorities focused on dealing with issues arising from the invasion of Ukraine.

Since this issue arose, we have pressed our managers on this particular point on a regular basis. The Manager and Selection team have spent an increasing amount of time discussing this point with our managers, to understand their perspective on the issue and encourage them to engage with the company over the issue. It is important to understand why they believe a company remains an appropriate investment given this exposure. We also encourage them to continue to engage with the company on our behalf.

Principle 8

Monitoring third party service providers

Principle 8: Signatories monitor and hold to account managers and/or service providers.

Investment monitoring

Each member of the Manager and Selection team is a specialist in their allotted asset classes. Having identified a manager that they believe is among the most likely to outperform in the future in their space, a set '5 P' template research note (as explained in Chapter 7) is completed and scored before it is presented to a monthly meeting of peers – the Manager Selection Forum (as explained in Chapter 2) for robust challenge. Only once it has been approved, does it move into the operational due diligence process. These preceding sentences detail the due diligence we perform prior to investing with an investment manager or recommending the manager to our clients. However, a reliable manager research process requires extensive ongoing monitoring to make sure continued investment with a given manager is appropriate. After an initial investment, we continue to perform the following for each time period:

Daily/monthly: We monitor material information such as industry publications and news alerts on our managers, in real-time, to glean any key information on the manager, its employees or its key investments. We also monitor performance updates that we receive for any unexpected developments. For our managers with whom we have mandates, we receive full portfolio holdings daily so we can perform risk analysis and performance attributions. In addition, we monitor a portfolio's holdings or levels of exposures, such as gross and net exposures, top positions, or sectoral, regional, or asset class concentrations. If there are any concerns we can't resolve, such as any holdings we consider material from an ESG perspective, we discuss them with the investment manager.

Quarterly: We undertake a more detailed formal performance review focused on the relative performance, market factors that affected the portfolio, and positions that had the greatest positive or negative impact. For equity managers we review the voting record such as votes cast, votes against, rationale, etc. We also update our own funds' factsheets and commentary.

Semi-annual: We speak to all our managers on a regular basis; the frequency depends on the complexity of their process and the transparency we have into the underlying investments. The greater the transparency, the less the need for regular direct communication. At a minimum, we speak with each of our managers formally at least once every six months, even if performance and results are completely within our expectations. We formally review any changes to the organisation, voting and engagement policies, investment process, portfolio and performance. We want to see that decisions made, including votes and engagement, are consistent with our expectations, given their philosophy and processes.

Ongoing evaluation: Throughout various steps of ongoing monitoring, we keep our internal scoring or internal rating of managers up to date. This is implemented to ensure that, at any point, the appointed managers remain above the thresholds we have set in our roster of external managers.

EXAMPLE

Typical ESG topics that get discussed at our regular meetings:

- The rationale for holding any holdings below an internally defined threshold in relation to MSCI assigned ESG ratings.
- Recent voting or engagement activity of note.
- Any changes to ESG personnel or processes e.g. data providers, how the data is used.
- Any key relevant developments in ESG at the Barclays Group level.

Operational monitoring

We define Operational Due Diligence (ODD) as a rigorous independent review of the firm's operations and product offering that, at its core, seeks to assess and mitigate business and operational risks.

We believe, and have experience to show that, the operational 'set up' can hinder or positively support the ability of the fund to deliver performance. A skilled portfolio manager would not be able to execute to the best of their abilities if the firm is not adequately resourced to manage and oversee their business processes or regulatory responsibilities and manage the daily processing of investment decisions. Put another way, there is no premium or return for taking unacceptable business or operational risks in the long run, and so these should be minimised wherever possible. However, we believe well managed businesses create a better environment for investment managers to perform and, in return, help foster long-term investment success for our clients.

We benchmark all managers to our own expectations derived from market practices, and our thought leadership. Each manager must pass the ODD review before being made available to clients, and periodically assessed thereafter. While risk can never be fully mitigated, identified critical sub-par controls are not accepted. Our understanding of risks and deep knowledge of operational processes is why ODD at BISL is positioned alongside Investment Due Diligence at the heart of our manager research process.

BISL sources managers and funds across a broad range of strategies and fund types in order to meet our client needs. Regardless of size or whether a manager is based in New York, London or Paris, business and operational risks are distilled and organised into a set of Operational Pillars. From here the risks are scrutinised and evaluated in isolation, and then collectively, to consider as a whole. Only then will we consider if we have attained what we call 'Operational Conviction' in the manager's operations. Listed below are the Operational Pillars we focus on:

Integrating ESG questions into the ODD process frames ESG as an ongoing effort worthy of both monitoring and measurement. Doing so provides a framework for us to work with fund managers to establish best practice criteria and chart progress over time.

When evaluating ESG, from an ODD perspective we are looking for managers to document and evidence their policies in ways that are quantifiable. Regardless of size and experience, managers must be able to present evidence of monitoring compliance with their policies and have formal procedures in place in the event of a failure to comply.

Another key factor of the evaluation process is culture which includes employee satisfaction , retention, and support for policies protecting safety and well-being . These sub-factors form an integral part of evaluating the 'social' aspect of managers in terms of ESG. There is an understanding that smaller firms will not have all the data available for a robust ESG evaluation; in these cases operational due diligence is flexible and adjusts accordingly.

EXAMPLE

Compliance

It is vital that the manager ensures a proper culture of compliance exists within the firm. We prefer Managers (even 'boutique'/ emerging businesses) to have an in-house Compliance function that is robust, even if they have appointed an external supplier to effectively manage this part of their business. With Compliance being a key function from an operational perspective, not having adequate on-site/day-to-day support and oversight can result in related control weaknesses due to the potential lack of time and experience dedicated to this area. For example, we have encountered some managers who did not adequately review the reports prepared by their own external compliance consultants. In such cases, we would work with managers as they improve their overall control environment, leveraging our experience to aid in this process. There was an example this year of a small boutique manager where the compliance coverage was not deemed sufficient and so the ODD team exercised its right of veto and so consequently we did not invest.

Service providers

We are in regular contact with the relationship managers and product specialists at our external service providers such as Morningstar Direct and MSCI. We also conduct a commercial review on them at contract renewal time which is typically once a year. With regards to Federated Hermes EOS we attend their regular Client Councils which showcases any improvements made by EOS and future engagement priorities. We also have a formal update meeting with them each quarter. Typical attendees include our relationship manager and SMEs depending on the agenda. Example topics discussed include developments within EOS business, ESG trends within society and the industry and any particularly noteworthy voting or engagement activity. We also want to check that they are adhering to the EOS Voting Policy in place.

We have a triage process in place for monitoring EOS' voting recommendations. This ensures that we vet votes that are particularly noteworthy, potentially contentious or sizeable. Examples of the parameters include percentage of the equity held, MSCI company rating and relevant Barclays Group Standards. We will typically review MSCI's company research, broker research, ISS's research and reach out to the external manager that is holding the stock as we build up our mosaic of understanding with respect to the voting topic. This is overseen by our Responsible Investing Forum as mentioned in Chapter 5.

Meeting stewardship needs: ongoing evaluation and remediation

Our commitment to stewardship demands that the services we engage with are not only aligned with our values but also effectively fulfil our responsibilities. The comprehensive monitoring of external fund managers and service providers serves as a key pillar of this commitment. Through rigorous due diligence, continuous evaluation, and regular engagement, we ensure that our partners consistently meet the standards we set.

However, if we identify a discrepancy between the services provided and our stewardship needs, we take action to remediate the situation. Our response is guided by the principle of accountability and the protection of our clients' interests. This proactive approach may involve reassessing the relationship, collaborating with partners to address identified gaps, or seeking alternative solutions that better align with our expectations. In all cases, our priority is to ensure that the services we utilize uphold our stewardship values and contribute positively to our investment strategies.

Formal updates and collaborative engagements with service providers
Our commitment to transparency and accountability extends to our relationships with external service providers, including Federated Hermes EOS. Regular updates and in-depth discussions form the cornerstone of our collaboration, allowing us to ensure that their services continue to meet our standards and that any potential areas of improvement are addressed promptly.

Federated Hermes EOS: client councils and quarterly updates
With Federated Hermes EOS, our engagement takes the form of Client Councils, providing a platform for open dialogue on ESG trends, developments, and our shared goals. At our quarterly meetings with EOS, over the past year, we have engaged in open discussions to ensure alignment with our expectations and requirements. Specifically, we have addressed instances where our needs for timely responses, such as within a 24-hour notice period, were not consistently met, and where some of their voting recommendations lacked sufficient depth of rationale. These constructive conversations have prompted us to proactively address areas of improvement through direct communication during the meetings."

Assessment and continuous dialogue
Our interactions with MSCI and Morningstar are characterised by rigorous assessment and dialogue. We conduct annual commercial reviews and update meetings to evaluate the effectiveness of their services. These interactions provide us with the opportunity to delve into the specifics of their offerings, discuss any developments or improvements, and ensure that their analyses and data are in line with our requirements. Through these engagements, we shape the evolution of their services to best meet our stewardship needs and the evolving landscape of responsible investment.

In summary, our formal updates and collaborative discussions with our service providers are paramount to our commitment to effective stewardship. By fostering transparent and open relationships, we not only ensure that the services align with our needs but also contribute to their ongoing enhancement.

Principle 9

Engagement with the issuers to maintain or enhance the value of assets

Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.

As previously mentioned, we partner with one of the global leaders in the space – Federated Hermes EOS – to engage through dialogue, on our clients' behalf, with their portfolio holdings. EOS represents a global client base of institutional investors who believe that effective stewardship needs substantial resource and expertise. EOS advises on its clients' listed equity and corporate bond assets of approximately $1.34tn at end 2022. We are involved in setting those expectations for engagement in a variety of ways such as feedback on their engagement priority areas and process as part of the annual refresh of the Engagement Plan. The latest annual Federated Hermes EOS engagement plan can be found here:

We also have other opportunities to set expectations such as through the bi-annual client advisory council events, client advisory board and via our EOS relationship manager.

We believe that Federated Hermes EOS is well placed to carry out this engagement activity for three key reasons:

- **Relationships and access** — Companies understand that EOS is working on behalf of pension funds, wealth managers and other large institutional investors, so it has significant leverage. The team's skills, experience, languages, connections and cultural understanding equip them with the gravitas and credibility to access and maintain constructive relationships with company boards.
- **Client focus** — EOS pools the priorities of like-minded investors and, through consultation and feedback, this helps determine the priorities of its Engagement Plan.
- **Tailored engagement** — EOS develops engagement strategies specific to each company, informed by its deep understanding across sectors, themes and markets. It seeks to address the most material ESG risks and opportunities, through long-term, constructive, objectives-driven and continuous dialogue at the board and senior executive level, which has proven to be effective over time.

Federated Hermes EOS defines an objective as a specific, measurable change that they are seeking for a company to achieve, and it is tracked using milestones. An objective is regularly reviewed until the company has implemented the change requested or it is discontinued. An objective may be discontinued if, for example, it is no longer feasible or material. EOS may engage with a company on multiple objectives at any one time. Each objective relates to a single theme and sub-theme. An issue is a topic they have raised with a company in engagement, but it may be of lower materiality or related to the annual shareholder meeting, for example.

EOS prioritises its focus on companies based on the optimal combination of the size of their clients' aggregate holdings, the materiality of the risks and the feasibility of achieving change through engagement. The companies with more material corporate governance and sustainability-related issues, and the greatest potential for change, are engaged with more intensively, using the following categorisation:

Tier 1+ – A small number of companies with material client holdings that have more significant or numerous long-term sustainability or corporate governance issues with the opportunity of feasible engagement and where intense engagement and possibly time spent collaborating with other investors, supported by detailed research, is anticipated to be required in order to achieve material change, with the expectation of approximately eight to ten interactions per year

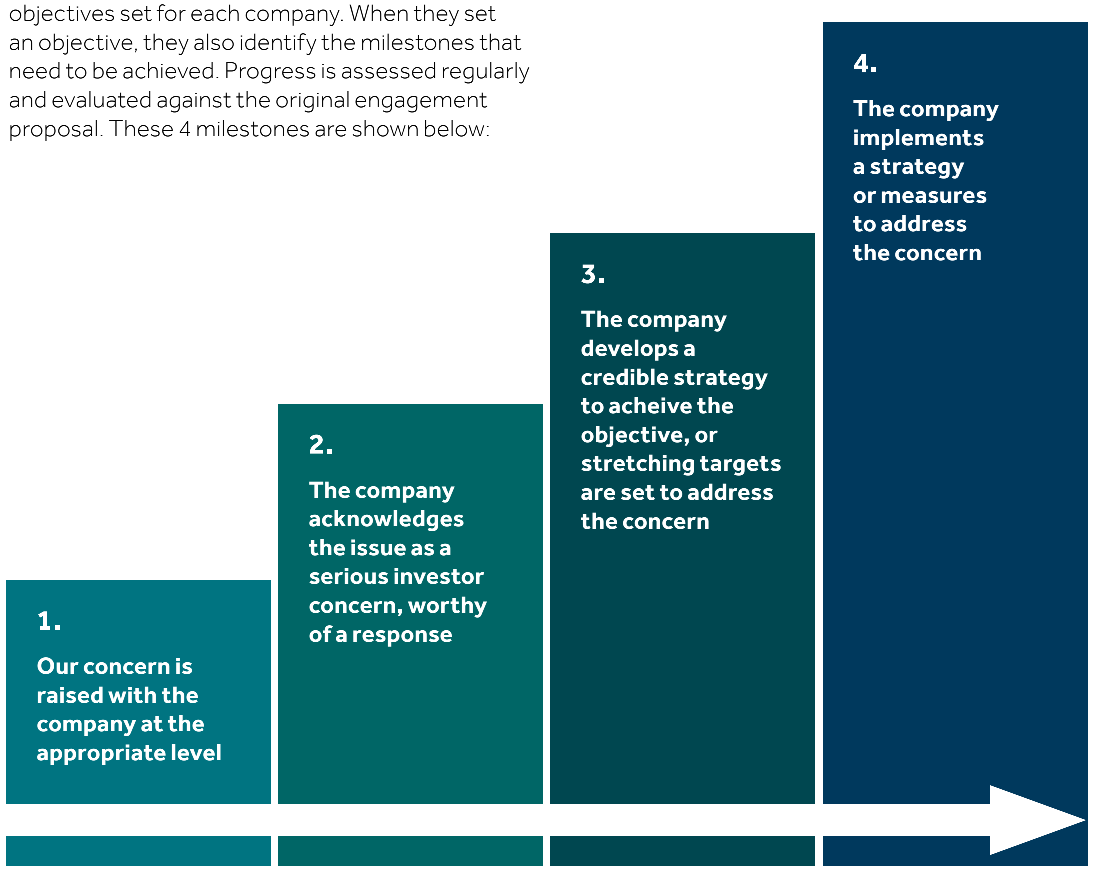
Tier 1 – Companies with material client holdings that have more significant or numerous long-term sustainability or corporate governance issues with the opportunity of feasible engagement and which EOS consider require more time and effort to progress, leading to typically more intense engagement, with the expectation of a minimum of five interactions per year.

Tier 2 – Companies with material client holdings and identifiable long-term sustainability or corporate governance issues with the opportunity of feasible engagement, which EOS consider can be meaningfully pursued with average levels of time and effort, with the expectation of three to five interactions per year

Tier 3 – Companies representing significant client holdings but with generally lower levels of risk to long-term sustainability or which are in the process of being monitored for implementation of previous engagement work.

EOS typically set only a small number of objectives or pursue engagement issues, rather than specific engagement objectives and plan one or two interactions per year.

EOS have a four-stage proprietary milestone system which allows us and them to track the progress of the engagement, relative to the objectives set for each company. When they set an objective, they also identify the milestones that need to be achieved. Progress is assessed regularly and evaluated against the original engagement proposal. These 4 milestones are shown below:



EXAMPLE

Samsung Electronics – Non-executive director dialogue with investors

Samsung Electronics, a prominent player in the technology realm, operates within a context where direct interactions between investors and the board are generally not commonplace, mirroring the prevailing situation across other firms in the South Korean market. A persistent advocate for enhancing dialogue channels, Federated Hermes EOS engaged with executives at Samsung Electronics to underscore the mutual benefits derived from fostering regular interactions between board members and investors.

The first instance of expressing concerns about the communication deficit transpired during a meeting with senior executives in Seoul back in 2015. In acknowledgment of the pivotal role of independent directors in investor access, the company explained the significance of enabling such access in 2016. The momentum gathered pace as subsequent engagements ensued. In 2017, a clear blueprint was sought to amplify communication between investors and independent directors. The following year witnessed the recommendation to vote against the election of the chair, citing reasons including inadequate access to non-executive directors. In April 2019, the chair's perspective was gleaned during a meeting conducted under the aegis of the Asian Corporate Governance Association (ACGA), where insights were shared about the value brought forth by newly appointed independent non-executive directors (INEDs) in robust deliberations. It was noted that there remained untapped potential for an INED with a global vantage.

Outcomes and next steps

As 2021 progressed towards its close, a promising stride was made. Samsung's affirmative stance led to the endorsement of an engagement between the board chair and a consortium comprising investors and ACGA members, materializing in Q4 of that year. The trajectory continued, with a reaffirmation in Q2 of 2022, underscoring the collective's intent for periodic engagements with the chair.

Receptiveness was articulated by the company, accentuating the chair's recognition of the value inherent in such engagements. Notably, a framework was instituted, crystallizing the prospect of an annual, collective engagement between the chair and ACGA members. This progressive leap symbolizes a significant advancement, ushering in regular and meaningful dialogues between the board and investors.

Source: Q2 2023 Federated Hermes EOS Engagement Report

EXAMPLE

Repsol – Board composition – SDG 7 & 12

The engagement with Repsol was initiated by Federated Hermes EOS in 2018, with a strategic focus on Repsol's board composition. In an initial interaction with Repsol's CEO, EOS provided counsel on the necessity of augmenting diversity within the board's backgrounds. Furthermore, the importance of aligning board members' skills and experience with Repsol's strategy for transitioning to renewable energy was underscored.

Continuing this engagement, a dialogue occurred in 2019 between EOS and the company's director of corporate governance. During this exchange, EOS probed further to ascertain whether Repsol was contemplating a comprehensive review of the board's collective experience and competencies.

Building upon this dialogue, a subsequent meeting unfolded in 2020, this time involving Repsol's Chief Financial Officer (CFO). The objective was to enhance EOS's comprehension of the board's expertise and dynamics. This exploration sought to uncover the board's role in steering and overseeing the company's long-term strategic vision.

The year 2021 witnessed a conversation between EOS and Repsol's chair, providing insights into the complexities inherent to the energy transition landscape. The chair articulated the challenges faced and confirmed the board's intention to evolve in alignment with the company's commitment to low-carbon investments. This was in alignment with the overall messaging relating to Repsol's board composition.

This dedicated engagement continued in 2022, with EOS engaging with Repsol's diversity and culture manager. The focal point of this conversation was Repsol's board and its preparedness to navigate the sphere of renewable energies. Specifically, EOS inquired about the board's adequacy in terms of experience within the renewable energy domain.

Outcomes and next steps:

In response to the interaction with the company's director of corporate governance in 2019, EOS received encouraging news. Repsol expressed its intention to publish a skills matrix for its board members, along with the outcomes of a board assessment, in its upcoming corporate governance report.

In a significant development in 2021, Repsol welcomed a new board director who possessed expertise in energy transition and renewable hydrogen production. This non-executive director now assumes a role within the Repsol sustainability committee.

During the course of 2022, EOS received positive feedback from Repsol. It was communicated that Repsol now considers the strategic trajectory and company challenges when selecting board members. Repsol expressed confidence in the current skills and experiences of its board, aligning with the company's strategic plan. The board evaluation, as disclosed in Repsol's 2021 corporate governance report, indicated that 71% of its board members possessed skills in sustainability. EOS also acknowledged the associated action plan, wherein Repsol committed to enhancing directors' training in areas pertinent to the energy transition.

Source: Q1 2023 Federated Hermes EOS Engagement Report

EXAMPLE

PetroChina – Methane emissions disclosure – SDG 7, 11, 13 & 15t

EOS first raised their expectations for methane emissions disclosure, reduction targets and adaptation in 2017 as part of their ongoing dialogue with PetroChina on climate change. EOS were concerned by the lack of targets or any clear disclosure by the company on methane emissions and encouraged it to attend the UN Principles for Responsible Investment methane collaboration group.

Outcomes and next steps

Following EOS' meeting in 2019, the company established a greenhouse gas accounting and reporting system for greenhouse gas emissions, covering fuel combustion and methane emissions. During EOS discussion with a senior engineer, the company acknowledged that controlling methane emissions was key to tackling climate change. PetroChina has been conducting on-site methane leakage investigations as a member of the Global Methane Initiative (GMI), working with Canada-based Clearstone Engineering to develop innovative technologies to combat emissions and air pollution.

EOS welcomed that the company disclosed its methane emissions reduction plan in its 2020 ESG report released in 2021. PetroChina has committed to a methane emissions control action plan and the goal of reducing methane emissions intensity by around 50% by 2025 versus the 2019 level. The China Oil and Gas Methane Alliance, of which PetroChina is a member, will incorporate methane emissions control into its carbon emissions reduction plan, aiming to reduce the average methane intensity in natural gas production to below 0.25% by 2025.

EOS continue to engage on other aspects of climate change such as setting intermediate targets, and for the company to adopt reporting aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

Source: Q3 2022 Federated Hermes EOS Engagement Report

An overview of all of each quarter's Engagement activities can be found on the Barclay's website here.

Principle 10

Collaborative engagement policies and initiatives

Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.

As previously mentioned, we have partnered with Federated Hermes EOS for the provision of engagement services. Nonetheless BISL itself is a member of various collaborative coalitions. For example, BISL is a signatory to the United Nations Principles for Responsible Investment (UNPRI)[5], a voluntary framework for incorporating ESG issues into investment decision-making and ownership practices. Additionally, Barclays Group is a member of and/or involved in the following organisations and initiatives: the UK Sustainable Investment and Finance Association (UKSIF), Carbon Disclosure Project (CPD), Banking Environment Initiative (BEI), Green Bond Principles, and United Nations Environment Programme Finance Initiative (UNEP FI).

Federated Hermes EOS is a member of over 70 relevant collaborative bodies; the most high profile of which are shown here:

[5] Addressable spend is defined as external costs incurred by Barclays in the normal course of business where Procurement has influence over where the spend is placed. It excludes costs such as regulatory fines or charges, exchange fees, taxation, employee expenses or litigation costs, property rent.

In terms of some specific examples, within Climate Action 100+ EOS was the lead / co-lead at 27 engagements and involved in another 14 and within the PRI, EOS is actively involved in other groups including cyber risk, water stress, cattle deforestation, palm oil, plastics, cobalt and tax.

EOS measure the progress of these engagements in the same way as they measure progress of company engagements – using the milestone measurement system as discussed in the previous chapter. Details on all engagements, including collaborative ones, are stored on their very comprehensive and recently overhauled client portal.

Enhancing engagement framework and expectations

At BISL, we recognise the significance of fostering effective engagement practices that align with our commitment to responsible investing. Our collaboration with Federated Hermes EOS is underpinned by a comprehensive framework designed to set and achieve specific expectations. This framework encompasses multiple facets to ensure clarity, accountability, and impactful outcomes in our engagement activities.

I) Central to our engagement strategy is a robust contractual agreement that outlines the expectations and responsibilities of both BISL and EOS. This formalised contract serves as a cornerstone, providing a clear foundation upon which our engagement efforts are built. By establishing a detailed agreement, we ensure that the goals, methodologies, and performance metrics of our engagement initiatives are defined and mutually understood.

II) To enhance the precision of our engagement activities, we leverage EOS' voting framework. This framework serves as a guiding compass for making informed voting decisions that resonate with our clients' values and interests.

III) Accountability is at the heart of our engagement endeavours. We maintain a log that captures key information in collaboration with EOS. This log ensures that all engagement-related details, including new fund inclusions and fund deletions, are accurately documented. By tracking these developments, we make sure that our expectations are consistently met across all our current products.

EXAMPLE

Council of Institutional Investors (CII) Panel on Digital Rights and Big Tech

Federated Hermes EOS took the initiative to host a panel discussion titled 'Digital Rights and Big Tech in the US Fiduciary Context' during the Spring 2023 Council of Institutional Investors (CII) Conference. Esteemed speakers hailing from IBM, Trinity Church Wall Street, and EqualAI were invited to join EOS in this event. The central theme of the discussion revolved around how fiduciaries can enhance their oversight of technology risks. Furthermore, the panel provided a platform for illuminating both corporate and investor viewpoints on the intricate subject of digital rights and their implications.

Of particular significance were the EOS Digital Rights Principles, which were introduced and underscored the organization's priority engagement objectives within the technology sector. During the session, IBM, as one of the participants, offered insights into its privacy statement and Principles for Trust and Transparency. The company provided a compelling case study on the Responsible Use of Technology, spotlighting the integration of these principles in its deployment of artificial intelligence (AI).

Trinity Church Wall Street enriched the discourse by offering perspectives on the alignment of these themes with fiduciary duty, particularly from the perspective of an asset owner. EqualAI, representing the non-profit sector, contributed insights into initiatives addressing unconscious bias in AI and explored emerging regulatory trends of relevance to investors. Notably, the EOS panel stood as a unique event within the conference, providing a comprehensive perspective from a corporate vantage point on the overarching topic of digital rights.

Source: Q1 2023 Federated Hermes EOS Engagement Report

EXAMPLE

ShareAction Chemicals Working Group Roundtable

Federated Hermes EOS, from its vantage point, participated actively in the ShareAction Chemicals Working Group Roundtable, a collaborative initiative focused on driving climate action within the chemicals industry. The overarching goals of this endeavour included the promotion of electrification, the adoption of renewable energy, and the strategic decoupling of fossil fuels from feedstocks. While acknowledging the commendable progress made by companies in enhancing targets and encompassing Scope 3 emissions, ShareAction remained steadfast in its drive for further advancements, particularly in areas such as pilot electrification and innovative feedstock practices.

To realise these objectives, ShareAction formulated plans to engage companies through structured communication during the first and second quarters of the year. A pivotal component of this strategy involved gauging investor interest in raising pertinent questions during the annual meetings of these companies. Within these interactions, EOS reiterated the necessity of sustained and consistent actions to exert constructive pressure on corporations, thereby fostering outcomes aligned with sustainability objectives.

Source: Q1 2023 Federated Hermes EOS Engagement Report

EXAMPLE

Ceres Permian Basin Workstream

Within the ambit of Federated Hermes EOS's engagements, the organization actively participated as a leading inaugural member in the Ceres Permian Basin Workstream. This collaborative initiative, orchestrated in partnership with the University of Texas at Austin (UTA) and the Cynthia & George Mitchell Foundation (CGMF), garnered active involvement from entities including Cheniere, Chevron, Kinder Morgan, the Environmental Defense Fund (EDF), the Energy Infrastructure Council (EIC), and Engie.

Notably, EOS assumed a pivotal investor role within this interdisciplinary endeavour, effectively amplifying its influence. A central focal point of this workstream pertained to the reduction of methane emissions, thereby aligning with outcomes having tangible financial implications. In a significant stride, UTA spearheaded the development of cutting-edge emissions reduction technology, with the ultimate goal of establishing transparent models for precise greenhouse gas accounting across diverse oil and gas operations. This innovation holds the potential to facilitate comparative evaluations among companies operating within disparate frameworks.

Crucially, the workstream extended its reach to encompass the dissemination of crucial information across all operators within the Permian Basin. The anticipated impact of these collaborative efforts is poised to be financially consequential, benefiting corporations and investors while simultaneously magnifying their positive influence on stakeholders and the overarching concern of climate change. The workstream's dynamic engagements are anticipated to unfold on a monthly basis, with the potential to yield transformative and enduring outcomes.

Source: Q1 2023 Federated Hermes EOS Engagement Report

As a multi-manager and fund investor, we collaborate with the external fund managers that we employ to influence and effect change. We influence them by making our expectations clear and sharing with them our own approach to responsible investing. We have also engaged with all the external fund managers that manage mandates for us such that all of them are now signatories to the UNPRI.

EXAMPLE

Collaborating on a holding within our external fund managers – Japanese auto maker

We recently supported a shareholder proposal, in collaboration with one of our Japanese managers, to encourage the company (Major Japanese auto maker) to improve disclosures of its lobbying activities and demonstrate further industry leadership in support of the goals of the Paris Agreement. The shareholder proposal noted that while the company has demonstrated leadership on climate change in a number of important areas, it has also reportedly continued to lobby government against climate-related regulation and policies in several countries.

The company's current reporting on the subject is far from the market best practice and progress to improve transparency has been too slow, despite ongoing engagement. We welcome additional disclosure for shareholders to further understand how the company's lobbying is helping to advance its climate related and energy transition ambitions. Therefore, we believe that the shareholder proposal would help to focus efforts in this area and a vote for the proposal was warranted.

Expectations and ongoing monitoring with Federated Hermes EOS

At BISL, we have set specific expectations for our collaboration with EOS in engagement services. We expect EOS to actively lead or co-lead engagement initiatives that align with our responsible investing principles. This includes addressing ESG concerns, advocating for climate-related actions, and promoting sustainable business practices. Furthermore, we expect EOS to communicate effectively with us on the progress and outcomes of these engagements.

We hold quarterly update meetings with EOS, during which we review the ongoing engagements, discuss milestones achieved, and evaluate the overall effectiveness of the initiatives. These meetings provide us with the opportunity to assess the alignment of EOS' efforts with our responsible investing goals and to provide guidance if necessary. Through regular communication, we ensure that our collaborative engagement efforts remain focused on driving positive change within the companies we invest in.

Targeted partnerships for effective issue resolution

Our strategic partnerships and involvement in various collaborative coalitions are part of our work to understand and try to address specific ESG and sustainability issues. These partnerships are selected based on their expertise, influence, and alignment with our responsible investing objectives. Each partnership is targeted at understanding specific challenges and driving meaningful change within the investment landscape.

For instance, our participation in the United Nations Principles for Responsible Investment (UNPRI) demonstrates our commitment to incorporating ESG considerations into our investment decision-making. Through this voluntary framework, we align our practices with international responsible investing standards.

Furthermore, our collaboration via Federated Hermes EOS with other collaborative bodies, such as Climate Action 100+ and the United Nations Global Compact, allows us to amplify our influence and engage with companies on a collective level. These partnerships leverage the combined efforts of like-minded investors to drive positive changes in corporate behaviour, ESG practices, and sustainability commitments.

In summary, our partnerships and collaborative engagements are chosen to align with our responsible investing principles and to target specific ESG issues. These initiatives enable us to pool resources, expertise, and influence to effect meaningful change and drive companies towards more sustainable and responsible practices.

Principle 11

Stewardship escalation

Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.

We can escalate issues in a number of ways in order to exert influence, including via our relationship with Federated Hermes EOS. This influence can be exerted over both the holdings within our segregated mandates managed by 3rd party managers and over the external funds in which we are an investor. The link **here** details EOS' engagement priority areas.

EOS regularly escalates engagements where the company is not receptive to engagement, no progress is being made or progress is too slow. Escalations include attempting engagement at a more senior level, letters to the board of directors, collaborating with investors or other stakeholders, questions or statements at annual meetings, recommending votes against annual meeting items, shareholder resolutions or open letters.

Most engagement takes the form of confidential one-on-one discussions with a company.

This helps EOS develop a relationship based on mutual trust while jointly exploring solutions. However, at times it does not yield results quickly enough, particularly if management has entrenched views against progress in a particular area. In such cases, investors such as BISL can employ different engagement techniques:

Collaborative engagement
This is when investors join forces to represent a larger block of shares. Often engagers will hear the refrain from a company that their view is unique: "We have not heard that concern from anyone else." However, if investors are working in a group, this notion is dispelled. CA100+, a major global initiative that aims to help limit global warming to less than 2°C, is one of the most effective collaborative engagement initiatives.

Public statements
These include open letters to sectors. For example, EOS participated in ShareAction's co-ordinated letter-writing campaign to banks, which called for more robust and relevant climate-related disclosure to be supplied to investors.

Annual shareholder meeting statements
EOS raises concerns at shareholder meetings, putting questions to companies on behalf of our clients and CA100+. This has the advantage of allowing them to engage the whole board, raise awareness, and potentially gain press attention.

Voting against the company
There are certainly occasions where EOS has recommended voting against management and the following chapter details this in more depth and with examples.

Shareholder resolutions
These are proposals put forward by shareholders in an effort to change a company's approach. Their effectiveness varies by jurisdiction as in the US they are advisory, and investors must avoid 'micromanaging' the company. However, with careful planning, investors can succeed.

Our Responsible Investing Policy, as already mentioned, is here.

It is on our website and states what our beliefs are and therefore what we expect of the managers of third-party funds in which we have a holding. We also send a due diligence questionnaire (DDQ) comprising ESG questions to all potential funds which helps set our expectations of them. We encourage the asset managers that we invest in to have robust stewardship activity and review examples of engagement with them at our regular 6-monthly meeting if not more often. Their responses help us understand that our expectations have been met, or an explanation as to why they have not. If they are not met then this would lead to discussions clarifying our expectations. We mostly set these expectations with the fund managers, but we will also often speak with, for example, Heads of Responsible Investing, and CIOs or CEOs if needs be.

EXAMPLE

Escalation by Federated Hermes EOS – Posco International – Q2 2023

Federated Hermes EOS began engaging with an Asian company on sustainable palm oil in 2016. This followed a divestment by a major pension fund in 2015 and severe criticism of the company by NGOs over deforestation related to palm oil development in Indonesia.

Following EOS suggestion, the company began a discussion with the Roundtable on Sustainable Palm Oil (RSPO) to develop its sustainable palm oil strategy. In 2017, EOS engagement intensified, including a joint meeting with the company and NGOs that resulted in a robust discussion about the company's potential commitment to a no deforestation, no peat, no exploitation (NDPE) policy and contribution to reforestation.

In July 2018 the company became a member of the RSPO and committed to a plan to obtain Indonesia Sustainable Palm Oil (ISPO) certification by 2020. In August 2019 this goal was met. EOS continued to engage, and in March 2020 the company committed to an NDPE policy, promising to preserve areas of high conservation value and high carbon stock. It also said it would implement a programme outside its concessions on a scale that corresponds to the size of the developed plantation. In September 2021 the company achieved RSPO certification for all its plantations and mills, including smallholders.

In August 2022, EOS had a virtual meeting with parent Posco, it confirmed that its palm oil subsidiary's NDPE policy was being implemented in close co-operation with the RSPO. According to the company, a large-scale environmental conservation and community development programme has been developed in accordance with RSPO guidelines. This is being carried out by transparently communicating with relevant stakeholders, including indigenous peoples. EOS verified that the company's human rights grievance mechanisms were available to domestic and overseas workers, as well as people in impacted communities.

EXAMPLE

BISL's stewardship efforts lead to investigation of holding within GlobalAccess Emerging Market fund

This example is regarding a South Korean company that is one of the largest producers of steel globally and has been held by a couple of our managers in the Emerging Market Equity GlobalAccess fund. The company's MSCI rating was BBB and it scores relatively well versus its industry average on a number of key sustainability issues. However, its operating subsidiaries in steel manufacturing and general trading expose the company to a number of ESG related risks and the business is involved in controversies related to its labour rights, governance, human rights, environment and customers impacts, per MSCI's latest report.

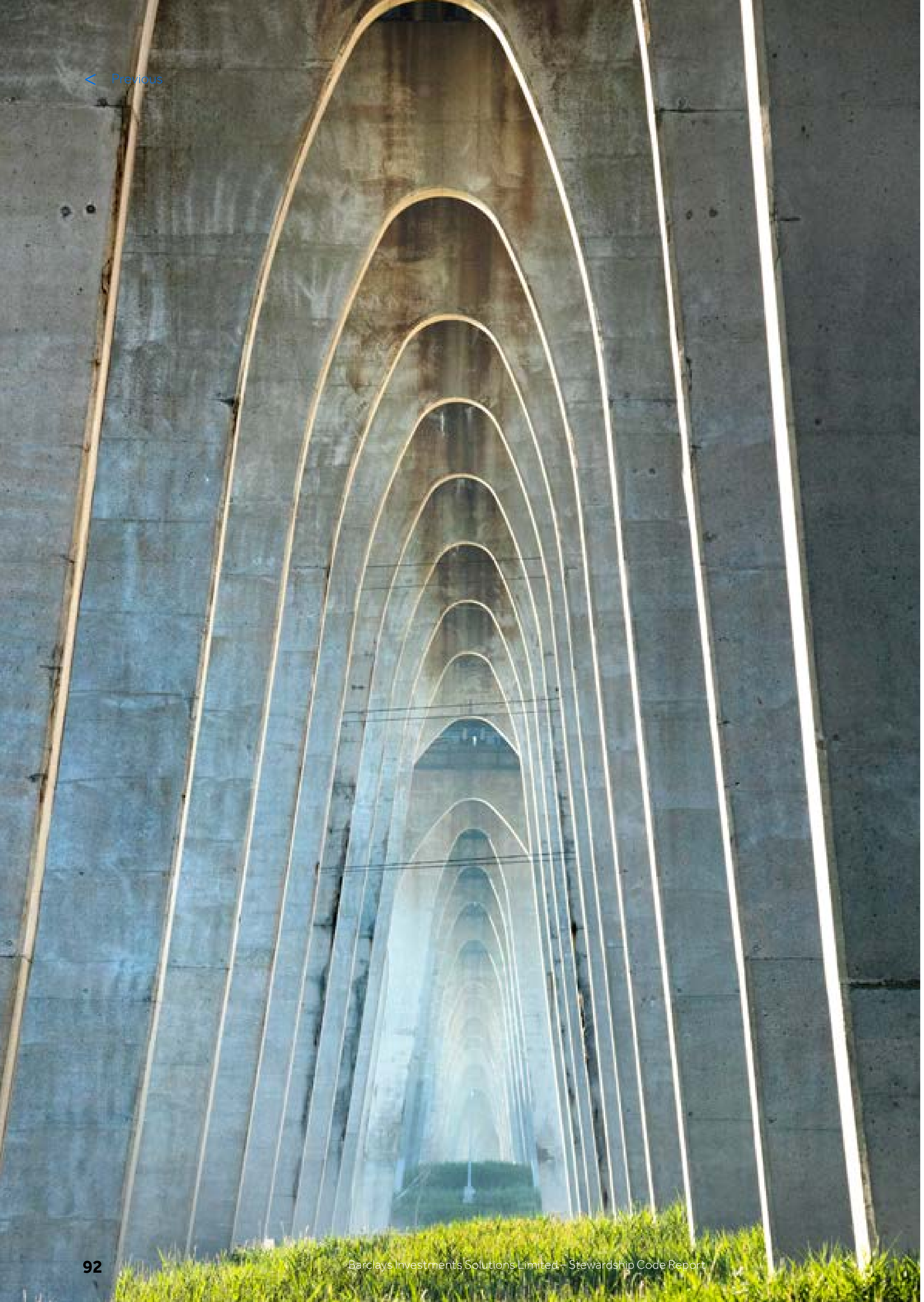
We first discussed the company with one of our Global Emerging Market (GEM) managers when the holding flagged as part of our development work on the initial negative screens for the Global Access Fund (GAF) move to Article 8 last year. One of the data points shown by MSCI identified that the company may have generated a large proportion of annual revenue from thermal coal generation. When we discussed this initial finding with the equity research analyst at the GEM Manager, the analyst informed us that while the parent company may own some minority stakes in thermal coal generation assets through their subsidiary, this subsidiary as a whole accounted for around 3% of group revenue according to their analysis. This discussion helped us to identify that this particular data point in MSCI was not accurately capturing revenue from thermal coal activities as a % of total group revenue and we were able to revise our screens accordingly.

The company does not flag on our current screens but given historic controversies, the holding has remained a point of discussion with our managers on ESG grounds. The portfolio management team at this particular GEM Manager believe that ESG score improvement has potentially a much stronger relationship to investment performance than a static ESG rating that is likely to be backward looking and miss the direction of change. The investment philosophy of the manager means their strategy may have exposure to companies with ESG related issues, like this.

The issue of historic controversies was discussed more recently with another one of our GEM managers who employs a 3rd party engagement specialist to engage on their behalf. We noted that future specific engagement will focus on establishing how one of the subsidiary companies will deliver on its commitments to human rights due diligence in Myanmar. The engagement will also seek disclosure of the documented evidence of the due diligence and a review of its human rights policy.

As part of our voting and engagement, earlier this year we voted against a company resolution to elect a non-independent director to the board. Progress on engagement on climate change risk has been mixed. While we recognise the company's climate change progress, as reflected in a score of 4 from the Transition Pathway Initiative (TPI), we note concerns raised by EOS around the company's sponsorship of a completely new coal fired plant due to come online this year, and the lack of commitment to phase out coal-related infrastructure. MSCI also highlights that the company has not mentioned physical climate risk scenarios or related adaptation strategies in public disclosures, despite the company being one of the most vulnerable to physical climate risks among its peers. This proposal is for the re-election of the longest tenured non-executive director standing for election. Given the lack of significant progress during their tenure, and the general concerns raised by ISS around the composition of the board, we believed that a vote against this proposal was warranted.

While our holding has been reduced recently following very strong performance from the stock on news with a potentially more positive ESG narrative (potential future growth in the company's lithium production business, considered a key link in the EV battery supply chain), we continue to monitor and discuss the position as part of our ongoing due diligence.



Principle 12

The active exercise of rights and responsibilities

Principle 12: Signatories actively exercise their rights and responsibilities.

Purpose of voting on resolutions: preserving and enhancing shareholder value responsibly

Voting on resolutions plays an important role in our commitment to responsible investing by upholding the principles of preserving and enhancing shareholder value while advocating for responsible corporate practices. Our approach to voting aligns with our overarching goal of promoting long-term sustainable growth in the companies we invest in. By actively exercising our rights and responsibilities through voting, we strive to achieve several key objectives:

Safeguarding shareholder interests: As stewards of our clients' investments, it is our fiduciary duty to safeguard their interests. Voting on resolutions allows us to influence corporate decisions and governance structures, ensuring that the interests of shareholders are well-represented and protected.

Driving accountability: Through voting, we hold companies accountable for their actions and decisions. We use our votes to express support for practices that are aligned with responsible and sustainable business practices, and to express concerns when we believe certain decisions may pose risks to the long-term value of the company.

Encouraging transparency: Voting serves as a tool to encourage transparency and open communication between companies and shareholders. Our votes signal our expectations for clear reporting, comprehensive disclosure of material information, and a commitment to ethical business practices.

Influencing ESG practices: Voting enables us to influence companies to adopt and integrate ESG considerations into their strategies. By voting in favour of resolutions that promote ESG initiatives, we incentivize companies to implement sustainable practices that align with our responsible investing principles.

Supporting long-term value creation: Responsible voting helps align companies with long-term value creation. We vote in ways that support initiatives aimed at enhancing the company's competitive advantage, innovation, and resilience to future challenges.

Mitigating Risk: Our voting decisions address risks that could impact the company's financial performance and reputation. By voting against resolutions that could potentially undermine the company's stability, we contribute to mitigating risk exposure.

Promoting best practices: We use our votes to endorse best corporate governance practices, encourage diversity and inclusion, and advocate for fair and ethical treatment of stakeholders. Our goal is to drive positive change within companies and industries.

Encouraging responsible capital allocation: By voting on matters related to capital allocation, including dividends and investments, we help ensure that companies allocate resources in a manner that aligns with their strategic goals and shareholder expectations.

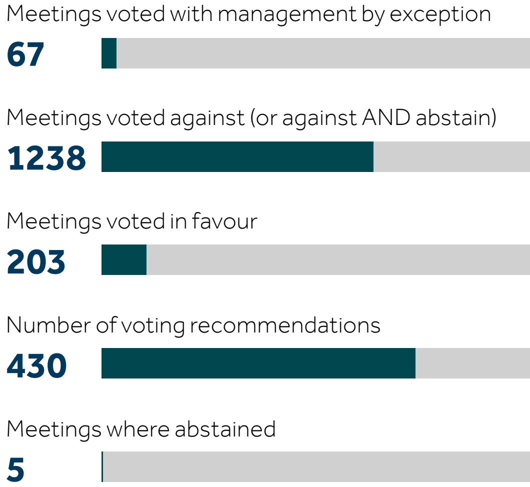
We do not permit our external asset managers to exercise rights and responsibilities on our behalf within our funds. Rather, we partner with Federated Hermes EOS who provide daily voting recommendations to us. These have been made with reference to research and additional engagements with companies (if needed).

A summary of all our votes are disclosed quarterly here and includes votes where we agreed with EOS' recommendation:

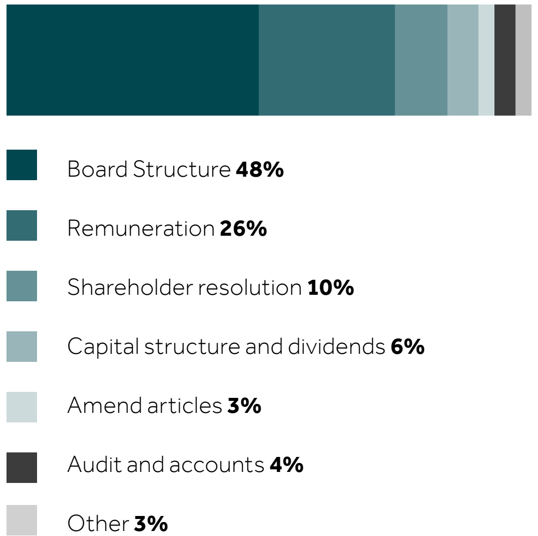
As can be seen, we voted on over three thousand resolutions over the reporting period. The details of all the individual votes and rationales are stored within the proxy voting platform, ISS', portal. For our funds, there is an automated feed between our funds' custodian's system – Northern Trust – and the ISS portal. This is how we monitor what shares and voting right we have. We do not always use the default recommendations from EOS, although that is the case in the vast majority of instances. We have a triage process (as detailed in chapter 8). Where this is activated, we document and store the rationale. Such instances are also presented to our RI Forum.

We adhere to EOS' global voting guidelines which are available in this section of our website here and here.

We voted at 1953 meetings on 3245 resolutions over the reporting period.



Federated Hermes EOS recommended voting against or abstaining on 1243 resolutions over the reporting period. As can be seen, the majority of voting issues relate to board structure and remuneration policies.



Additionally we recognise that approaches are not uniform globally and so EOS also has regional corporate governance guidelines. As we are managing discretionary assets, clients do not have discretion over voting. We meet with EOS quarterly and discuss and monitor voting there. Automated linkages between our custodian and ISS, which in turn EOS feeds into, ensure that shares held and votes cast are monitored and accurate.

In some cases we invest in 3rd party funds. As such we are just one investor alongside many others in the funds. In these instances we request their voting policy, as well as examples of recent voting and engagement activity. We also update the fund managers of those funds on a regular basis of our expectations. As the voting and engagement activity here is performed by third-party fund managers, we rely on them to set their own policies. However we regularly review and assess their effectiveness and we monitor their voting decisions via reporting.

EXAMPLE

Merck & Co – Publication of report on access to Covid-19 products – against management Q2 2023

Context
For context, this was a shareholder proposal requesting the company report on how government support affected the company's strategy on access to COVID-19 products. This was not supported by the board however EOS recommended a vote for the proposal as they believed that reporting on the impact of public funding on the company's pricing and access plans would allow shareholders to better assess the company's management of related risks. The proposal did not pass as it needed a majority of votes cast and only 31.2% voted For. Following correspondence with the company, EOS were informed that the Board believed that adopting this proposal would not be in the best interests of the company or shareholders because it would involve duplication of efforts and resources without providing shareholders with additional meaningful disclosure. Additionally, it would not be an effective use of company resources and would not provide shareholders with additional meaningful disclosure.

Outcome
The proposal received 68.8% against the resolution. More robust disclosure on the processes and oversight mechanisms the company has in place would be valuable and this is in line with EOS engagement programme on access to medicines.

Next steps
The company is in the Federated Hermes EOS engagement program. As part of an engagement issue, EOS will also monitor how the board responds to shareholder proposals and how it engages on these issues.

EXAMPLE

TotalEnergies – Director re-election – against management Q2 2023

Context
The director is considered non-independent (by both the company and ISS) due to her long tenure of 12 years on the board. However, she remains

on the audit committee. Federated Hermes EOS consider that a vote against Ms Coisne-Roquette is warranted as the audit committee is less than 66% independent.

Outcome
The proposal received 83.9% support in favour. EOS did not consider that further votes against directors were warranted in 2023. However, EOS has notified the company of its intention to potentially vote in future years against directors as an escalation in relation to the company's progress on energy transition and / or human rights.

Next steps
The company is in the EOS engagement program at a higher priority level due to the materiality of engagement issues.

EXAMPLE

Tyson Foods – Opposing the governance committee chair – against management Q1 2023

Context
Federated Hermes EOS informed the company by email that EOS were inclined to recommend not supporting the chair of the governance committee due to the following reasons:

- Lack of commitment to sunset the controlled company structure
- Excessively high threshold to call a special meeting
- Lack of proxy access reducing minority shareholder rights and voice.

Outcome
The proposal received 89.6% support in favour. EOS may consider recommending withholding support for standing members of the governance committee next year if the company does not address governance concerns or fails to improve its human rights disclosure and practices. EOS asked the company to provide evidence of board oversight, disclose the director tasked with human rights oversight, and how the director is fulfilling their mandate. EOS highlighted concerns with the CEO and chair being highly paid. There were also insufficient pledging controls which inclined EOS to recommend not supporting the chair of the compensation committee and say-on-pay items.

Next steps
The company is in the EOS engagement program with several governance engagement issues.

EXAMPLE

Starbucks – Report on plant-based milk pricing – against management Q1 2023

Context
Federated Hermes EOS found the shareholder proponent's intent worth supporting. While EOS found the proposal's resolved clause could be strengthened, the proposal was not overly prescriptive, and the company would have wide latitude in setting the scope of the report. The proposal would provide decision-useful information for investors as it would offer the company an opportunity to examine more deeply the ways in which it could incentivise consumer demand through pricing for products with lower environmental and health impacts, in line with the company's 2030 people and planet positive goals. EOS recommended supporting the shareholder proposal calling for a report on plant-based milk pricing to enhance the company's disclosure on the affordability of plant-based products

Outcome
The proposal received 94.7% against the resolution. Increasing plant-based options and making them accessible to customers is closely aligned to EOS' engagement expectations. Switching away from animal-derived ingredients can help companies reduce their risk of exposure to carbon and methane emissions, land use changes, water pollution and antibiotic overuse, plus they can develop commercial opportunities in new, fast-developing markets. EOS acknowledge the company's 1.5°C-aligned 2030 emissions reductions target which includes Scope 3 emissions, its acknowledgement that dairy is one of the largest contributors to its emissions profile and its commitment to a global sustainable dairy standard and verification programme. These aspects are incorporated into the CEO's short-term incentive plan through quantitative metrics..

Next steps
The company is in the EOS engagement program. The proposals intent aligns with engagement priorities.

EXAMPLE

Samsung Electronics – Re-election of an executive director – against management Q1 2023

Context
The company informed Federated Hermes EOS that one of the executive directors' term as a board member was coming to an end, and that he was being proposed for re-election at the 2023 AGM. EOS were disappointed by the missed opportunity to increase the level of board independence by nominating an outside candidate. EOS asked for a meeting to emphasise their concerns about the board's effectiveness, due to the excessive number of executive directors. EOS also pressed for an external evaluation. EOS recommended voting against the re-election of an executive director as a board member. Although EOS acknowledged the candidate's credentials, they had concerns about board composition..

Outcome
The proposal received 97.5% support in favour. In a call with the company ahead of the AGM, EOS discussed the proposed re-election of an executive board member and its progress regarding the implementation of the company's climate change strategy. The company highlighted the qualifications of the executive director and the importance of having executives from each of the main business units as board members. EOS acknowledged the candidate's credentials. However, EOS emphasised that they have concerns about the board composition, where five out of 11 directors were executives, and the six independent directors usually had an academic background and serve for short tenures. EOS expressed their disappointment at the missed opportunity to nominate an additional independent director with a business background, instead of proposing the re-election of an executive. The company said it is aware of investors' expectations and, in the future, may explore opportunities to enlarge the board to bring additional independent members, but no commitment was made.

Next steps
The company is in the EOS engagement program with board independence an engagement issue.

EXAMPLE

Cisco systems – say-on-pay proposal and chair of the compensation committee – with management Q4 2022

Context
The head of compensation spoke to the efforts made by the compensation committee to continuously monitor and strengthen the business' compensation plan so that it aligned with the interests of shareholders. To this end, it implemented important changes including shifting the total shareholder return (TSR) metric to be a modifier in the long-term incentive plan. It asserted that the high variable pay opportunity allowed it to attract and retain top talent in a highly competitive market. If it were to reduce the variable pay opportunity, it would be inclined to increase base salary, which it did not see as fitting. It also said the one-time award was meant to motivate executives towards driving stronger annual recurring revenue. EOS agreed to analyse this more fully in 2023. EOS also discussed the shareholder proposal on increased tax transparency. The company asserted the request of the proponent was difficult to address in full due to the complexity of its business. EOS encouraged it to start with its most material tax impacts as a means for preparing for upcoming regulatory changes in Europe, which EOS expend to spread globally. Federated Hermes EOS recommended supporting the say-on-pay proposal and chair of the compensation committee but noted that this was by exception to EOS policy on the use of one-time retention awards..

Outcome
The say-on-pay proposal received 89.8% in favour. Following the call, we emailed the company to say that we were comfortable supporting say-on-pay for the year in review and the chair of the compensation committee, driven by the reasonable alignment of pay and performance and the responsiveness of the compensation committee.

Next steps
The company is in the EOS engagement program. In addition to the existing engagement issue on executive remuneration, we have added a new engagement issue with the company which is Tax transparency in line with Global Reporting Initiative (GRI).

EXAMPLE

Associated British Foods – move from a traditional long-term incentive plan (LTIP) to a restricted share plan – with management Q4 2022

Context
Federated Hermes EOS contacted the company to say that they supported its move from a traditional long-term incentive plan (LTIP) to a restricted share plan. This was due to the appropriateness for its business model and a 50% discount applied versus the old LTIP. They understood that this discount was based on an agreed LTIP package for the new financial director. EOS recommended support for the company's move from a traditional long-term incentive plan (LTIP) to a restricted share plan.

Outcome
The proposal received 94.1% support in favour. EOS cautioned the company that they would like to discuss any future increases in CEO opportunity and stressed their expectation that grant sizes do not increase over time, nor with every policy cycle. EOS were very likely to only support a modest increase every other policy cycle.

Next steps
The company is in the EOS engagement program with remuneration an engagement issue.

EXAMPLE

Sasol – climate change report – against management Q4 2022

Context
EOS engaged with Sasol following the 2022 AGM to discuss the progress in the implementation of its climate change strategy. They highlighted the importance of having a formal feedback mechanism at the AGM for investors to express their view on climate change strategy and action. They questioned to what extent Sasol's decarbonisation plan relies on technologies not yet mature to reduce its reliance on coal, such as carbon capture, storage and utilisation, and on the availability of renewable energy, still very low in South Africa. EOS recommended voting against the climate change report due to the absence of 1.5°C-aligned short- and medium-term targets and the fact that the Scope 3 emissions reduction targets were incomplete.

Outcome
The proposal received 94.1% support in favour. At the 2022 AGM, EOS were encouraged by Sasol's climate change report but outlined in the engagement that they expect further clarity on the alignment of its targets and capital expenditure to a 1.5°C pathway.

Next steps
The company is now in the EOS engagement program. There is an active engagement issue which is on carbon emissions.

The exercise of rights and responsibilities extends to fixed income too. Clearly we cannot vote on fixed income as we can with equities, but EOS still engages with such issuers on our clients' behalf. We also engage with the fund managers themselves to ensure they are exercising their rights and responsibilities. The terms and conditions of most investment grade corporate bonds are pretty standardised and have rarely been subject to negotiation in recent years. The primary market for issues rated below investment grade is really the only market that has more negotiable terms and conditions but primary issuance here has been muted recently. That said, we have seen our external fixed income managers participate in discussions to seek amendments to the terms and conditions, which have led to changes in the bond structure. We expect them to engage actively with underwriters to shape the terms and conditions of new issues. We also expect them to meet issuers during the pre-marketing phase of potential new issues, advising companies how to structure their sustainable bond issues and highlighting structural deficiencies in their labelled bond offerings. Transparency on the use of proceeds in encouraged. Such engagements allow our external fund managers to identify those companies that are serious about achieving their sustainable goals and helps combat potential greenwashing. Below is an example extract from one of the bond managers we employ – Nomura.

EXAMPLE

Nomura believe that engagement helps understand how companies are committed to incorporating ESG issues into their ownership and management, and their plans to address those ESG risks that may have a material financial impact in the future. Engagement also allows Nomura to encourage companies to disclose ESG risks and create plans to address them. Nomura believe that companies should sustainably manage relationships with their various stakeholders, including shareholders, lenders, employees, customers and consumers as well as their impact on the environment. Companies should place appropriate emphasis on long-term business sustainability, with due consideration for the wider communities within which they operate.

Nomura's approach to engagement activities can be sumamrised as follows:

- They encourage companies in which they invest to engage in proactive dialogue with their investors.
- They encourage companies to increase their disclosure of ESG related activities and risks, such as carbon footprint, employee and board diversity, and policies surrounding social and community initiatives.
- Through disclosure and dialogue, they seek to understand ESG issues and solutions for the companies in which they invest.
- They share BISL's views concerning ESG issues with the companies in which BISL invests, and they encourage companies that are considered to have problems with ESG issues to improve their approach.

Nomura's analysts engage with companies on ESG issues in various settings, including new issue meetings, regular company calls, and group meetings. Analysts incorporate their ESG engagement activities in their regular investment updates and recommendations for portfolio managers. Nomura have developed a framework for their analysts to undertake a more comprehensive ESG analysis and engagement that generally targets companies that they believe have more material ESG risks. This engagement focuses on specific ESG risks and the company's initiatives, timeline/targets for addressing those risks, and an assessment as to whether those targets are achievable. This engagement is reported separately from routine investment meetings and updates.

As bondholders, Nomura have limited ability to alter the governance structure of a company, such as nominating board directors or voting on management compensation. However, they can encourage companies to take Nomura's engagement seriously by reevaluating their investment decisions and their participation in new issues if they feel that a company is not doing enough to address the ESG risks that may impact their financial outlook.

A recent example of Nomura's engagement is the Goodyear Tire & Rubber Company (GT, which develops and distributes rubber products and rubber-related chemicals and provides automotive repair services. Goodyear also retreads truck, aircraft, and heavy equipment tyres, primarily serving customers in the United States. Nomura engaged with the company in May 2023, seeking to discuss how the company will achieve Scope 3 market-based carbon neutrality by 2050. Also how it will penetrate the electric vehicle (EV) market and what product development will accompany that effort, learn more about its employee safety goals and results as well as its governance in light of the Elliott Management activist efforts on the board.

The company has a 2050 carbon neutrality target, with interim goals to reduce Scope 1 and 2 emissions by 46% and certain Scope 3 emissions by 28% by 2030, compared to a 2019 baseline. Goodyear has a goal of fully replacing petroleum-derived oils in its products by 2040 and introducing the first 100% sustainable material and maintenance-free tyre by 2030. The company's main effort to reduce emissions is to consume less electricity and purchase more energy from renewable sources. On the new product development front, the company already has a team in place developing a more sustainable tyre (100% recyclable) and substituting other oils for petroleum-based oils like soybean oil. Every year since 2019, the company has been able to grow its use of soybean oil in tire production by double digits. The company has been producing EV tyres for Tesla, which came to GT because the tyres they were buying for their vehicles previously only lasted up to 10,000 miles, and Goodyear now appears to have a first-mover advantage in this area.

Goodyear also has initiatives to encourage volunteerism and a key focus on sequentially reducing its accident rate, which fell to 0.2 in 2022. More than half of its workforce is unionized.

The company has seen Elliott Management take a 10% stake recently, and leadership believes the two groups are aligned on their goals for share price growth. The company's 2022 Integrated Sustainability Report came out shortly after Nomura's engagement,and should reflect the progress being made towards emissions reduction goals. Nomura maintained their internal ESG score for the company, and they plan to follow up with Goodyear management in 12 months.

Federated Hermes EOS Voting Policy: Aiding Responsible Stewardship for BISL

The Federated Hermes EOS Voting Policy constitutes a comprehensive and strategic framework that BISL has adopted to as part of its approach to responsible stewardship over its investments. According to EOS, this policy encompasses a global approach, seeking to align with regulations such as the US SEC Rule 206(4)-6 and the FCA Handbook. The policy adheres to a set of general principles while allowing for nuanced application to specific resolutions. The overarching philosophy is centred around enhancing long-term shareholder value and safeguarding shareholder rights. It recognises the importance of voting as a significant tool for influencing corporate practices and investor priorities.

Application of voting policy
Central to the voting policy is where EOS, in partnership with BISL, casts proxy votes with a view to support management proposals and shareholder propositions that are expected to contribute positively to the long-term value of the invested securities. This typically includes voting for resolutions aimed at improving company management, enhancing shareholder rights, or increasing the likelihood of premium offers for the company or its securities.

Engagement and contextual decision-making
EOS acknowledges the limitations of any standardized policy in anticipating all scenarios. As such, they exercise discretion, evaluating specific circumstances described in proxy statements and other company disclosures. Engagements with company management and directors play a pivotal role in shaping voting decisions, as they provide valuable context and insights that influence the final vote.

The policy further emphasizes transparency and accountability by notifying companies when votes are cast against management proposals. This commitment to dialogue and transparency encourages companies to address concerns raised by shareholders.

Regional considerations and special situations
Recognising the diversity of global markets, the policy extends to regional corporate governance guidelines that tailor voting recommendations and decisions to local regulatory and cultural contexts.

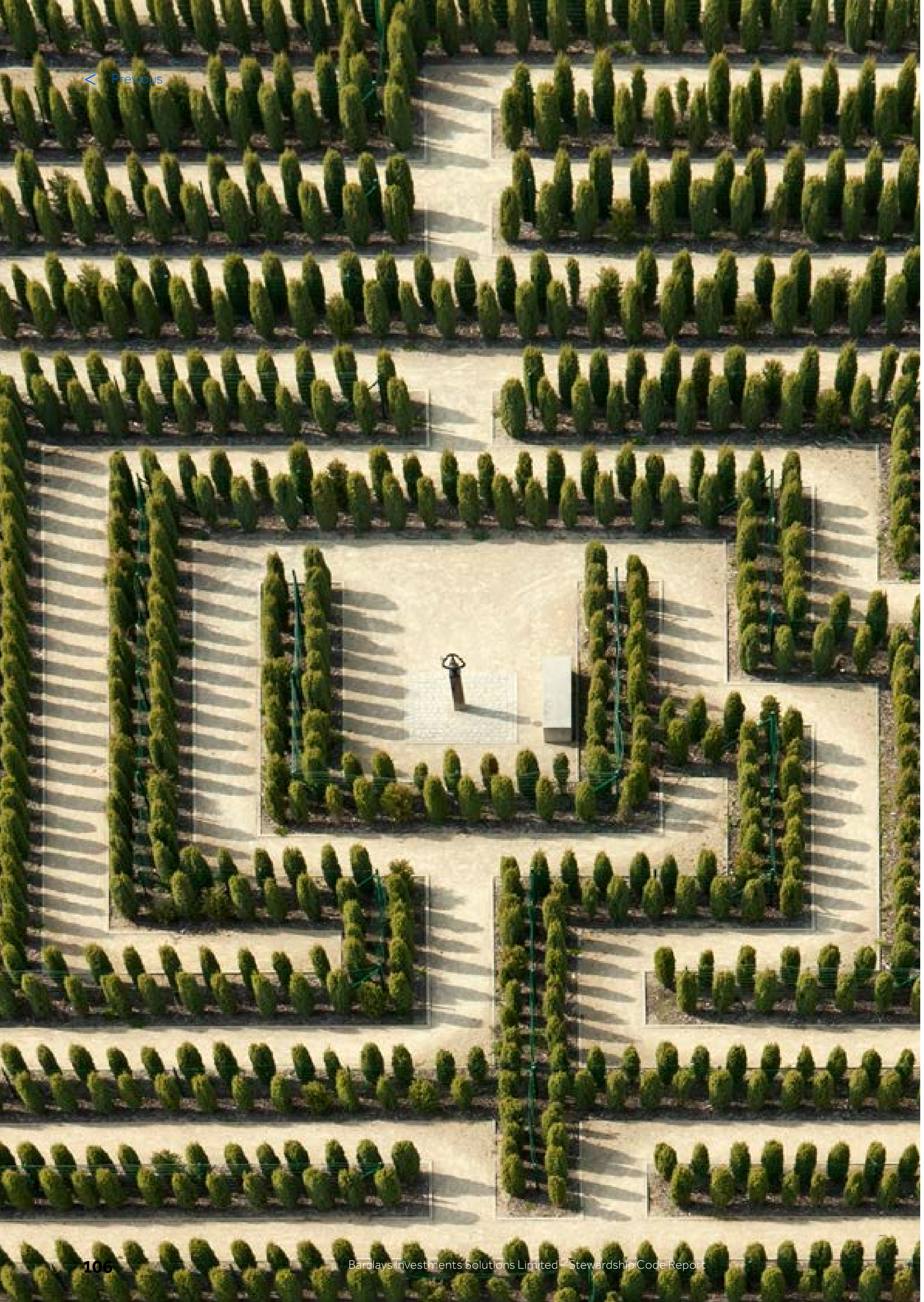
Focusing on key governance aspects
The policy delves into key governance areas, such as board structure, director independence, board committees, diversity, director elections, and attendance, reflecting EOS' commitment to responsible board oversight and corporate governance. These elements contribute to fostering transparency, accountability, and ethical decision-making.

Executive compensation and remuneration
EOS addresses executive compensation with guidelines that prioritize alignment to long-term shareholder value, equity ownership by executives, avoidance of excessive complexity, and justification for high pay. This approach aligns with BISL's aim to incentivize responsible compensation practices that resonate with sustainable growth.

Environmental and social considerations
The policy covers climate change and human rights, emphasizing responsible voting in relation to these ESG concerns. This alignment resonates with BISL's commitment to sustainability and social responsibility, as EOS evaluates companies based on their response to climate risks and their adherence to human rights principles.

Mitigating conflicts of interest
The policy incorporates a comprehensive approach to mitigating conflicts of interest, ensuring that voting recommendations are driven by the best interests of clients and shareholders. The Governance Committee oversees such conflicts and ensures that proxy votes are cast to enhance long-term company value.

Leveraging the expertise of EOS
BISL leverages EOS' expertise in stewardship and engagement services to ensure that its voting activities are guided by sound principles and aligned with responsible investment objectives. EOS assists in engaging with investee companies and providing informed voting recommendations, allowing BISL to contribute to shaping corporate practices and promoting long-term shareholder value.



Glossary

Some of the definitions referenced in this glossary may derive from third-party sources which are relied upon by Barclays and may not have been validated. Such sources are referenced and made available as additional information for the reader where appropriate.

- A -

Asset allocation[*] – The process of dividing investments among cash, income and growth buckets to optimize the balance between risk and reward based on investment needs.

Asset class[*] – Grouping of investments with similar features. The most common asset classes are stocks, bonds and cash equivalents.

- B -

Benchmark[*] – A standard, usually an unmanaged index, used for comparative purposes in assessing performance of a portfolio or mutual fund.

- C -

Climate action 100+ – An investor-led initiative to encourage better climate disclosures and emission reduction strategies for a group of large greenhouse gas-emitting companies.

Corporate bond – A type of debt security issued by a corporation to raise outside capital.

- D -

Diversification[*] – The process of owning different investments that tend to perform well at different times in order to reduce the effects of volatility in a portfolio, and also increase the potential for increasing returns.

- E -

Enhanced Herfindahl[*] – This measures the size of companies relative to the size of the industry they are in and the amount of competitiveness.

Entropy[*] – The degree of randomness or uncertainty pertaining to a market or security. Entropy is used by analysts and market technicians to describe the level of error that can be expected for a particular prediction or strategy.

Environmental, social and governance (ESG) integration[*] – The systematic inclusion of financially material ESG factors in investment analysis and investment decisions, with the goal of enhancing long-term, risk adjusted financial returns:

- **Environmental** – Factors that relate to the quality and functioning of the natural environment, and natural systems, e.g., carbon emissions, environmental regulations, water stress and waste.
- **Social** – Factors that relate to the rights, well-being, and interests of people and communities, e.g., labour management, health & safety.
- **Governance** – Factors that relate to the management and oversight of companies and investee entities, e.g., board structure, pay.

Exclusions[*] – An investment process that excludes certain sectors, companies or practices based on specific values or norms-based criteria from a fund or portfolio.

- F -

Federated Hermes EOS – This is a stewardship service provider employed by BISL to provide voting recommendations and engagement services.

Federated Hermes EOS Global Voting Guidelines – This document articulates the global proxy voting guidelines which inform EOS recommendations to proxy voting clients. It explicitly references environmental, social and governance (ESG) factors and aims to harness voting rights as an asset to be deployed in support of achieving engagement outcomes.

Fund – Funds are collective investments, where investors' money is pooled together and spread across a wide range of underlying investments, helping you spread your overall risk.

[*] Definitions derived from Investopedia

- G -

Green bonds[1] – A type of fixed-income instrument that Enables capital-raising and investment for new and existing projects with environmental benefits.

Green Bond Principles* – Voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond.

- I -

Impact investing[2] – Investments made with the intention to generate measurable, positive social or environmental impact alongside financial return. Investment themes include activities such as affordable housing, education and healthcare.

Inflation* – A rise in the prices of goods and services, often equated with loss of purchasing power.

Investment grade bonds* – Bonds that are believed to have a lower risk of default and receive higher ratings by the credit rating agencies.

Investment objective* – The goal of a mutual fund and its shareholders, e.g. growth, growth and income, income and tax-free income.

- L -

Liquidity* – The ability to have ready access to invested money.

Long-term investment strategy* – A strategy that looks past the day-to-day fluctuations of the stock and bond markets and responds to fundamental changes in the financial markets or the economy.

- M -

Market risk* – Market risk is the risk of losses in positions arising from movements in market variables like prices and volatility.

Morningstar* – Morningstar is an American financial services firm that provides an array of investment research and investment management services.

- P -

Paris Agreement – A legally binding international treaty on climate change, adopted at COP21 in Paris in 2015. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

Portfolio* – A collection of investments owned by one organization or individual, and managed as a collective whole with specific investment goals in mind.

Portfolio holdings* – Investments included in a portfolio.

Portfolio manager* – The person or entity responsible for making investment decisions of the portfolio to meet the specific investment objective or goal of the portfolio.

Proxy* – A shareholder vote on matters that require shareholders' approval.

- R -

Repatriation* – Refers to the conversion or exchange of foreign currency into someone's home currency.

Risk tolerance* – The degree to which investors can tolerate volatility in their investment values.

[1] Definition derived from International Capital Market Association (ICMA)

[2] Definition derived from Global Impact Investing Network (GIIN)

*Definitions derived from Investopedia

- S -

Sector* – A group of similar securities, such as equities in a specific industry.

Sector breakdown* – Breakdown of securities in a portfolio by industry categories.

Securities* – Another name for investments such as stocks or bonds. The name 'securities' comes from the documents that certify an investor's ownership of particular stocks or bonds.

Securities and Exchange Commission (SEC)* – This is a US federal agency created by the Securities and Exchange Act of 1934 that administers the laws governing the securities industry, including the registration and distribution of mutual fund shares.

Share* – A unit of ownership in an investment, such as a share of a stock or a mutual fund.

Sharpe Ratio* – The Sharpe ratio compares the return of an investment with its risk. It's a mathematical expression of the insight that excess returns over a period of time may signify more volatility and risk, rather than investing skill.

Stewardship* – Engaging with companies and voting proxies to ensure our clients' interests are represented and protected and the company is focused on responsible allocation of capital and long-term value creation.

Stock* – A long-term, growth-oriented investment representing ownership in a company; also known as 'equity.'

Strategic asset allocation* – This involves setting target allocations across various asset classes and rebalancing the multi-asset portfolio regularly to stay close to the assigned allocation through all market conditions.

Shareholder* – The owner of common or preferred stock of a corporation. Also called 'stockholder.'

Sustainability Accounting Standards Board (SASB)* – A non-profit organization with a mission to develop sustainability-related accounting standards.

Sustainable Development Goals (SDGs) – 17 social goals established by the United Nations Department of Economic and Social Affairs to promote prosperity while protecting the planet.

Sustainable investing* – A forward-looking investment approach that aims to deliver long-term sustainable financial return in a fast changing world. It encompasses a wide ranging spectrum of approaches, the core of which starts with the incorporation of ESG information.

Systemic risks* – The possibility that an event at the company level could trigger severe instability or collapse an entire industry or economy.

*Definitions derived from Investopedia

- T -

Tactical asset allocation* – This is an active management portfolio strategy that shifts the percentage of assets held in various sectors to take advantage of market pricing anomalies or strong market sectors.

Task Force On Climate-related Financial Disclosures (TCFD)* – A framework through which companies can improve and increase the reporting of climate-related financial information.

Thematic investing*:

- An investment process that focuses on themes or assets specifically related to topic selected based on specific values or norms-based criteria.
- A sustainable investment style that focuses on themes or assets specifically related to sustainability, such as renewable energy, water or healthcare.

Time horizon* – The amount of time that investors expect to stay invested in an asset or security.

Total return* – Accounts for all of the dividends and interest earned before deductions for fees and expenses, in addition to any changes in the value of the principal, including share price, assuming the funds' dividends and capital gains are reinvested. Often, this percentage is presented in a specified period of time (one, five, ten years and/or life of fund). Also, a method of calculating an investment's return that takes share price changes and dividends into account.

-U-

Undertakings for the Collective Investment in Transferable Securities (UCITS)* – This is the European Commission's regulatory framework for managing and selling mutual funds.

United Nations Global Compact (UNGC)* – Strategic policy and advocacy initiative that aim to mobilize a global movement of sustainable companies and stakeholders in the areas of human rights, labour, environment and anti-corruption.

United Nations-Supported Principles for Responsible Investment (PRI) – A UN-supported network of investors that works to promote sustainable investment through the incorporation of environmental, social and governance factors.

- V -

Valuation* – An estimate of the value or worth of a company; the price investors assign to an individual stock.

Volatility* – The amount and frequency with which an investment fluctuates in value.

*Definitions derived from Investopedia

Disclosures

The value of investments can fall as well as rise. You may get back less than you originally invested.

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In preparing the climate and ESG content within this report, we have:

- made a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. This is for example the case in relation to carbon equivalency and the use of third party data.
- used ESG and climate data, models and methodologies that we consider to be appropriate and suitable for these purposes as at the date on which they were deployed. However, these data, models and methodologies are subject to future risks and uncertainties and may change over time. They are not of the same standard as those available in the context of other financial information, nor subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. There is an inability to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models, processed data and methodologies will also be affected by underlying data quality which can be hard to assess or challenges in accessing data on a timely basis.
- continued (and will continue) to review and develop our approach to data, models and methodologiesin line with market principles and standards as this subject area matures. The data, models andmethodologies used and the judgements estimates or assumptions made are rapidly evolving and this may directly or indirectly affect the metrics, data points and targets contained in the climate
- and sustainability content within this report. Further development of accounting and/or reporting standards could impact (potentially materially) the performance metrics, data points and targets contained in this report. In future reports we may present some or all of the information for this reporting period using updated or more granular data or improved models, methodologies, market practices or standards or recalibrated performance against targets on the basis of updated data. Such re-presented, updated or recalibrated information may result in different outcomes than those included in this report. It is important for readers and users of this report to be aware that direct like-for-like comparisons of each piece of information disclosed may not always be possible from one reporting period to another.

What is important to our investors and stakeholders evolves over time and we aim to anticipate and respond to these changes. Disclosure expectations in relation to climate change and sustainability matters are particularly fast moving and differ in some ways from more traditional areas of reporting in the level of detail and forward-looking nature of the information involved and the consideration of impacts on the environment and other persons. We have adapted our approach in relation to disclosure of such matters. Our disclosures take into account the wider context relevant to these topics, including evolving stakeholder views, and longer time-frames for assessing potential risks and impacts having regard to international long-term climate and nature-based policy goals. Our climate and sustainability related disclosures are subject to more uncertainty than disclosures relating to other subjects given market challenges in relation to data reliability, consistency and timeliness, and in relation to the use of estimates and assumptions and the application and development of methodologies. These factors mean disclosures may be amended, updated, and recalculated in future as market practice and data quality and availability develops.

The holdings presented are for illustrative and discussion purposes only and while based on recent portfolio data they may no longer form part of our portfolio. Reference to specific companies is not an opinion as to their present or future value and should not be considered investment advice or a personal recommendation.