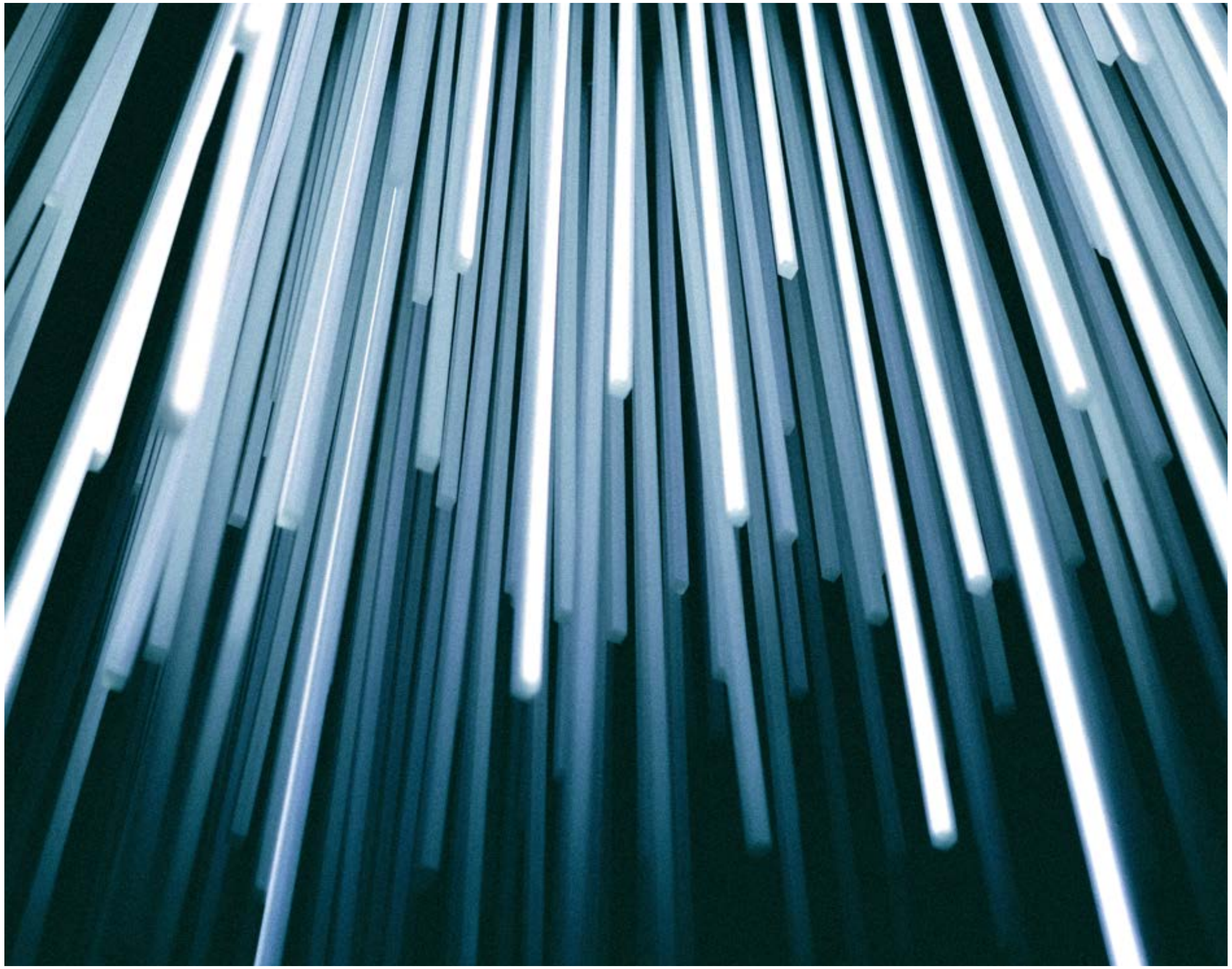
REDWHEEL UK VALUE & INCOME TEAM

Stewardship Report 2022

Contents

Foreword

Welcome to our third annual Stewardship Report for the Redwheel UK Value & Income Team. In this report we strive to deliver a clear picture of our stewardship activities for the past year, from our various corporate engagements and our voting record, to an insight into our collaborations with other investors. We also seek to illustrate the risks, exposures and challenges faced by the stocks we hold on your behalf and the material sustainability risks at a portfolio level.



2023 Outlook

When we wrote last year the European Union Sustainable Finance Disclosure Regulation (SFDR) was going live and many firms were launching or converting existing funds to Article 8 and Article 9 status. Redwheel, with intense work by the Product Development and Sustainability teams, along with the new Greenwheel sustainability strategy and insights team, took time to understand how our funds would respond. In January 2023, two of our UK equity SICAV funds converted to Article 8 status. These offerings build on the ESG framework we have developed and our broader approach to stewardship. This year the focus has shifted to the introduction of the FCA's Sustainable Disclosure Requirements (SDR). While our new UK Climate Engagement fund is a SICAV with Article 8 status, it was also designed with the new SDR in mind. In particular, the new Fund fits the theme of the Sustainable Improvers category.

The FCA approach is distinct from the EU SFDR in a very key respect: unlike SFDR, SDR is not a hierarchical structure; each Sustainable category is as good as the other. Sacha Sadan, Director of ESG at the FCA made this very clear when he said,

"We were very confident that we did not want to do things like Articles 6, 8 and 9; the marketing people will want to have Article 9, because that will sell more...So we are not calling one label better than another... That is really important. We have made sure that they are absolutely the same. They are just different in terms of what people can want, but they have got the same ranking. That is important because if consumers had the choice between platinum, gold and silver, everyone would want to go for platinum, but that might not be the right thing for certain consumers. "

The difference in approach also steers the industry away from a reliance on exclusions, again Sacha Sadan commented on this distinction,

"I've always believed as an investor for many, many years that I'd rather stay inside the tent and help influence and change things rather than just exclude. With some of the things that have happened over the years, unintentionally, it's become more of an exclusionary-based response. And I don't think that's the right way."

While we do have some exclusions in our Article 8 funds, our approach is much more about engaging with firms to improve their sustainability credentials.

Our TM Redwheel UK Equity Income Fund is an OEIC and for now there are no plans for achieving an SDR Sustainable label. However, the Fund's integration of ESG issues remains a fundamental and evolving part of the investment process, as with fundamental research, it underpins the assessment of risk and through engagement with investee companies seeks to communicate on these issues effectively with the directors of those companies.

The debate raging in the US on ESG reminds us why we pursue ESG integration in a Fund such as the TM Redwheel UK Equity Income Fund, it is absolutely focused on reducing risk and improving long-term shareholder returns. Ensuring companies are adequately prepared for the energy transition and ensuring they are treating their suppliers, employee and customers well are all central in our view to creating long-term shareholder value, as we set out in our letter to companies in 2017.

Clients with a preference for more universal sustainability aims, through SFDR and SDR can allocate accordingly to the new funds on offer across asset classes and within our offering to our Article 8 funds, including our Redwheel UK Climate Engagement Fund.

Aside from the unconstructive ESG debate in the US, there has been increasing criticism of ESG closer to home over the past 12 months. We see this as a process of ESG maturing, of a move away from simple narratives on what is sustainable and what is not. The conflation of ESG with positive performance, driven by ESG funds' correlation with the growth factor, set ESG up for somewhat of a fall. Challenge and constructive criticism are good things, they make us all think more deeply about what we are trying to achieve, and they help to improve regulation, process, products and hopefully the ultimate outcome for the underlying customers and asset owners.

Commentary on performance

Investment returns were slightly negative for the Redwheel UK Value & Income range of funds over 2022. However, the funds and the UK market (+0.3%) performed much better than other global markets, with the S&P 500 returning -18%. Political turmoil in the UK from summer into the autumn hit UK equities hard. The UK mini-budget on September 23rd resulted in outsized market moves; sterling touched 1.035 against the US dollar on the 26th, breaching the lows of 1985 and the 50-year UK gilt experienced a 40% range in price movement on September 28th. On the day of the budget itself several portfolio holdings suffered a stock price fall of more than 5%. As political stability returned, markets improved and rallied into the end of the year.

Financial and energy stocks were the best performers over the year, while industrials, communication services and retailers were the biggest detractors to performance. In general, energy and financial stocks benefitted from rising energy commodity prices and rising interest rates, while retailers suffered from increasing inflation and the resultant

impact on consumer spending. Inflation also drove wage demands, leading to a number of industrial disputes within investee companies. These disputes were resolved at BT Group and CK Hutchinson, while the dispute at International Distribution Services subsidiary, Royal Mail, remains unresolved and cost the group £200 million for the nine months to the end of December. Management at BT Group and CK Hutchinson have recognised the cost-of-living crisis and the impact on employees and found a solution. One startling fact to highlight the impact of the crisis comes from the Resolution Foundation, in November "6 million adults (up from 5 per cent pre-pandemic) reported being hungry in the past month because they lacked enough money to buy food". However, the dispute at IDS Group is more complicated and long running. It centres on the inability to modernise the UK business and improve productivity in the context of a declining legacy letter business and a highly competitive parcel delivery business, this has imperilled the very survival of the UK business. From an investment point of view, while the share price fall has been painful, we believe in the potential of the IDS Group as the market seemingly ignores the highly successful continental based GLS subsidiary, which grew revenues by 9.7% in 2022, or by 45% as compared to 2019 levels.

Stewardship

We continued to engage extensively with companies through 2022 as we have done in previous years. In March, we met with directors from Shell (Chairman), BP (CEO) and TotalEnergies (President Strategy & Sustainability) following the invasion of Ukraine. Each company had exposure in Russia, and we sought to understand the approach taken to managing each individual company's position. We also met with the Chairman of International Distribution Services several times during the year to discuss the industrial dispute at Royal Mail. We had many more engagements with executive and non-executive directors, with climate and remuneration being the two most common reasons for engagement.

Remuneration and over-boarding are two areas that are particularly challenging in our communications with companies and are reflected in our voting records. We discuss these issues in more detail later, but as with last year we do find remuneration highly time consuming and a challenging area to get right.

In 2022 we continued our work into understanding climate change risks and engaging with our portfolio companies on their emission reduction plans. As a reminder of how impactful climate change can be, heatwaves struck the UK during June and July, and while it wasn't the hottest summer on record (ranking 7th in 364 years), we did experience the highest daily maximum temperature (hitting 39°C at Heathrow). Devastating floods hit Pakistan, with some climate models estimating that rainfall was 50% more intense due to climate change. Within the portfolio, Anglo American is one example of a company having to adapt to climate change, it is developing ways to radically reduce fresh-water abstraction at its mining operations in Chile. It also reinforces one of the best ways corporates can prepare for adapting to climate change, the maintenance of a strong balance sheet so as to have the financial capacity to invest in such adaptation projects as the need arises.

2023 Outlook

In 2023, we will continue our work to better understand the non-financial risks faced by our investee companies. The launch of our UK Climate Engagement Fund will further our understanding of climate risks and the new Greenwheel sustainability strategy and insights team will be another force for improving our knowledge across the sustainability spectrum of risks and integrating best practice frameworks into our investment process.

We again commit to be a voice for sustainability and for responsible business behaviour, of holding our investee companies to the high standards deemed as best practice. We very much favour a focus on the long-term, eschewing short-term share price gains for sustainable growth, emphasising financial resilience and prudence. This approach considers all stakeholders, and we believe it will also deliver the best outcome for long-term shareholders and help us deliver market beating returns for you, our investors.

Best wishes,

John Teahan, Ian Lance, Nick Purves

2022 In numbers

Here are some highlights of top level characteristics at a portfolio level and individual company sustainability credentials from the past year (2021 with brackets). We endeavour, via our 'active owner' approach, to be a force for higher standards over time.

Science Based Targets (SBTi)
14 out of 26 companies have SBTi approved targets (11/26), with a further 4 having committed to set a science-based target aligned with the SBTi's target-setting criteria within 24 months.

UN Global Compact
19 out of 26 companies are signatories to the UN Global Compact (19/26).

Sustainable Development Goals
17 out of 26 companies have set a target against at least one of the 17 Sustainable Development Goals (14/26).

CDP
7 out of 26 companies received an A grade in the CDP Climate report, 8 companies an A- grade, 9 companies a B grade and 1 C grade (3 A, 9 A-, 12 B, 1 C). HP Inc was one of just 13 companies in CDP's universe to receive an A grade in Climate, Forests and Water.

Dow Jones Sustainability Indexes
7 out of 26 companies representing 27% of the portfolio are members of the Dow Jones Sustainability World Index (7/26). The S&P Sustainability Yearbook contained 9 portfolio companies (12/26).

Other
HP Inc was deemed America's most responsible company for a third year in a row (Newsweek).

Sustainability at Redwheel – year in review, and looking ahead

Chris Anker,
Head of Sustainability

"2022 proved to be a landmark year for Redwheel in terms of sustainability, with many stand out moments.

Perhaps most significant amongst these was the expansion of the headcount dedicated to supporting our work relating to sustainable investing, and the creation of a new approach to product classification. Following on from the creation of the central sustainability function in 2021 and the two hires that were made in early 2022, Stephanie Kelly joined the business in May to take up the newly created role of head of thematic sustainability research. Work continued over the course of the year to build out the thematic sustainability research team, leading to 3 further hires and the announcement of 'Greenwheel' at the start of 2023, whose work will deepen our approach to advising, supporting and challenging investment teams, in particular in relation to our Enhanced Integration, Transition and Sustainable funds.

In parallel, our Sustainability Forum brought together representatives of all our investment teams repeatedly throughout the year. Given the nature of our business model and the high degree of autonomy that each team has over its investment process, these meetings play a critical role in ensuring a common understanding of the sustainability landscape. Sessions were led by in-house experts, providing all teams with carefully curated content covering the latest thinking on current market expectations relating to sustainability risk themes, and offering guidance on how consideration of current and emerging sustainability risks can be taken into account within investment processes today. During the year, climate, biodiversity, human rights, and human capital management were recurring themes for discussion. Showcasing the growing array of tools and resources available to support a deeper integration of sustainability considerations within investment processes is a recurring theme in itself.

Oversight of each team's approach to the integration of sustainability considerations is provided by the Redwheel Sustainability Committee. This committee, formally recognised within the Redwheel governance structure, is chaired by our CEO Tord Stallvik, and also includes Head of Investments Arthur Grigoryants, Head of Sustainability Chris Anker, Head of Greenwheel Stephanie Kelly and Senior Sustainability Specialist Olivia Seddon-Daines. A number of other senior leaders within the Redwheel business attend regularly as observers, helping to ensure comprehensive and frequent discussion and review of the breadth and depth of integration applied in practice by each investment team. Constructive and contextualised feedback is provided to teams as appropriate.

Implementation of new technology to facilitate integration was another major area of focus, culminating in the introduction of a new data management platform toward the end of the year. The platform, provided by Northern Trust/Equity Data Science, brings together in one place financial and non-financial data relating to our holdings and benchmarks. Leveraging the investment in this platform has only been possible through close and sustained collaboration with Project Management, Data and IT colleagues, with further development and enhancement to dashboards expected in 2023 as investment teams do ever more to monitor and manage the sustainability profiles of their funds. At the same time, a new technology platform developed by the team at Wrender has been introduced to help investment teams monitor and manage their stewardship activities; this is now in the process of being rolled out for use across the business.

The work done in 2022 of course builds on the foundations we put in place during 2021 when a dedicated sustainability function was first introduced within Redwheel. Collectively, we have dynamic goals relating to sustainability that serve to inspire us to continue to reach high standards as the standards themselves become ever more stretching. Hard work appears to be paying off though and we were delighted to be named as a signatory to the UK Stewardship Code in 2022 on the basis of the Stewardship Report that we published in the year; it was gratifying also to receive a very positive assessment of our overall approach to integrating sustainability considerations from a major global investment consultant.

There is much more I could cover here; Redwheel's announcement of a commitment to achieve net-zero emissions within its operations; membership of the UN Global Compact; new partnerships established with external organisations through our corporate sustainability initiative (SEED); not to forget the valuable work done day in day out by our investment teams engaging investee companies on sustainability issues. Whilst consultations and market guidance relating to sustainability are likely to continue to come thick and fast in 2023 - and we will need to react to these as they arrive - I hope that the year ahead will also provide an opportunity to consolidate so much of the work we have done to date, leverage effectively the resources we now have at our collective disposal, and continue to make enhancements – albeit perhaps more incrementally – as we continue to grow and mature.

Chris Anker

Head of Sustainability

Our approach

"Over the last couple of decades, many asset managers have pushed CEOs to pursue shareholder value maximization policies and deliver results in the shortest possible time. We are fundamentally at odds with this mindset and instead believe that CEOs should run the company with long term sustainable value creation in mind." Redwheel UK Value & Income Team letter to the Chair, 2017

We are humbled by the trust placed in us by our investors to manage their capital and we are very clear in our fiduciary duty to protect and grow that capital over time. We believe that our stewardship role is wholly consistent with supporting companies to grow in a sustainable way, for executive teams and board members to run their companies for the long term and for the benefit of all stakeholders. We would venture further that companies not run in a sustainable manner, from lack of prudence on financial strength and recklessness in the pursuit of growth, at the expense of the environment and relations with other stakeholders, create enormous risks to shareholders' capital. Whereas companies run in a prudent, sustainable manner for all stakeholders are usually more successful, resilient, and financially rewarding for shareholders.

We pride ourselves on being long-term investors. The very core of our investment strategy is that short-term sentiment amongst many market participants causes them to overreact to news which has little or no impact on the long run value of a business. Our long-term value strategy allows us to take advantage of such market dislocations, which provide an opportunity to purchase shares at less than their true value. This long-term approach also allows us to develop a deep understanding of the companies in which we invest, allows us to get to know the executive teams and board members, and to develop a deep understanding of their business strategies. We believe this approach enables better engagement with our investee companies, particularly when circumstance necessitates heightened levels of engagement.

Sustainability issues can have a material financial impact on the value of a company along with their social licence to operate and, therefore, on the value of our investors' capital. The following summarises our approach:

"Companies not run in a sustainable manner, from lack of prudence on financial strength and recklessness in the pursuit of growth, at the expense of the environment and relations with other stakeholders, create enormous risks to shareholders' capital. Whereas companies run in a prudent, sustainable manner for all stakeholders are usually more successful, resilient, and financially rewarding for shareholders."

Environment

The potential for climate issues to cause a material financial impact on the value of individual companies and sectors has increased dramatically in the past decade. Climate change risks, both physical and transition, are top of the list for many companies. Pressures on natural resources, such as water scarcity and biodiversity loss along with pollution and waste are further prominent risks. As value managers, our companies tend to be old economy stocks and, on balance, more exposed to environmental related issues. Energy, materials, food retailers are all exposed in their own way. Few sectors, particularly in manufacturing, are without their exposure to such risks. However, services providers, for example banks providing credit and insurance companies providing property cover, are also exposed.

We believe that the answer to environmental problems is not as simple as divesting from challenged sectors. By actively engaging with companies, by supporting them in the transition to a sustainable business model, we believe the outcome can be better for the environment and support economic prosperity.

The transition to a low carbon economy necessitated by global warming, is one of the most important non-financial company risks we assess. The transition is happening now, and few companies are immune to the transition. The biggest business unknowns with regards to the transition include the pace of the transition, the additional policies, laws and regulations that will undoubtedly be introduced to support the transition, and the speed of technological development. The introduction of the US Inflation Reduction Act in 2022 illustrates how quickly the landscape can change.

Social

The financial impact from social issues can be substantial as we further set out in our 2017 Letter to the Chair:

"[W]e believe companies should act in the interests of all stakeholders. Putting pressure on employees, customers and suppliers may enrich shareholders in the short term but can damage the long run sustainability of the business. Too often, investors seem to believe you are either a champion of the shareholder or of the other stakeholders but in our view, they are not mutually exclusive. There should never be any inherent tension between creating value and serving the interests of employees, suppliers and customers."

Companies treating their employees, customers, or suppliers badly store up future problems for the business in terms of human capital (lower productivity, disruption to production, staff turnover), brand value (dissatisfied customers, litigation) and reputation (supply chain issues, health and safety). Local communities are also important to consider, particularly in extractive industries. Exposure to conflict regions is monitored as an elevated risk of human rights abuses.

Cyber security is a notable risk for many companies, particularly for those holding customer information, sensitive sectors such as banks or utilities or where intellectual property is the basis of the value of a company. In early 2023, Royal Mail (a subsidiary of International Distributions Services plc) was the subject of a ransomware attack, which took more than a month to resolve and led to the company telling customers to stop sending parcels and mail overseas. Such attacks are becoming more frequent and target both private and public organisations, the NHS ransomware attack in August being another grave example.

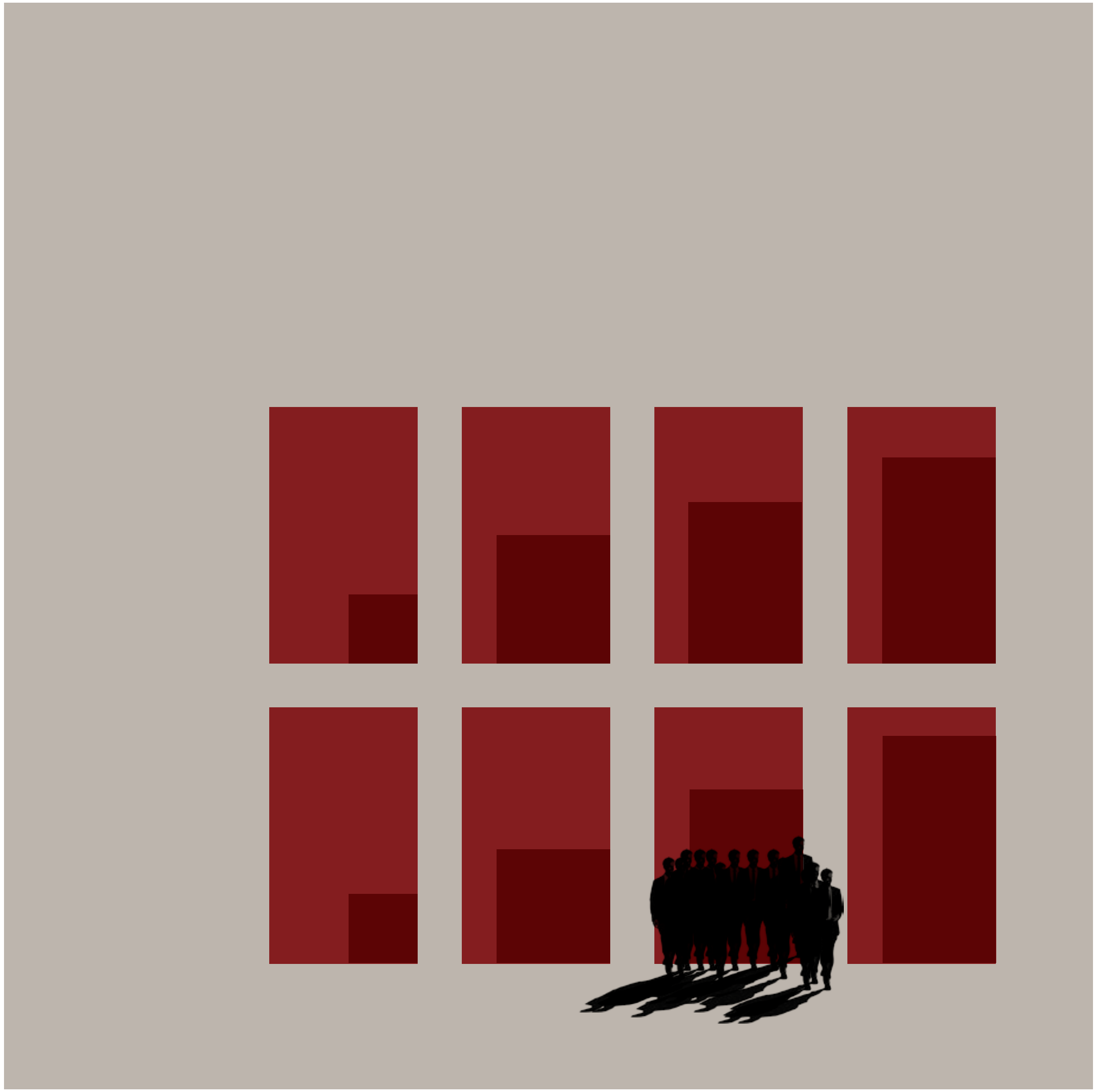
Governance

Governance has always been at the heart of our process as we believe it sets the basis for the culture of a firm, supporting positive environmental and social outcomes. We want management to run the business as owners, thinking long-term and about customers, employees, suppliers, and community, which ultimately benefits shareholders. To ensure this outcome, we believe in the importance of a strong board, with non-executive directors possessing the requisite skills, experience, and independence to counter the impact of a powerful or dominant CEO. Diversity can support this aim and helps to counter 'group think' and incorporate better the views of all stakeholders. We also observe the growing demands on non-executive directors (NEDs), and how those demands can surge at times of crisis. We therefore believe that NEDs may be over stretched and need to consider devoting more time to their roles.

Corporate behaviour

Governance in a sustainability context must go further than traditional boundaries. We look for responsibility for sustainability issues at a board level, ideally sitting with an independent director with relevant experience, who can challenge management on related sustainability issues.

We encourage companies to commit to both global and industry level principles and codes that support high levels of sustainability practices. By committing to such codes, we can hold management to account should they fail to uphold the standards they have set for themselves. This is supportive of 'soft law' such as the UN Global Compact Ten Principles and



shared values and the OECD Guidelines for Multinational Enterprises; in requesting companies commit to such values, they set the standards investors should expect of them, it is then our role to monitor subsequent behaviour and to sanction for breaches.

It is difficult for shareholders to anticipate events and often to identify corporate governance weaknesses. However corporate structures aligned to the high standards of the UK Corporate Governance Code, reinforced by commitments to international codes and principles and demonstrated by a company's day to day behaviour towards other stakeholders and the way they run the business, gives a strong indication of corporate culture and future behaviour.

Engagement and collaboration

Engagement is central in communicating with our investee companies on areas of concern or where we want to express an opinion on strategy, with a long-term investment horizon and a concentrated portfolio we can build meaningful engagements. The engagement process is led and carried out by us, the portfolio managers, supported by the central Redwheel Sustainability function. Engagements are an extension of monitoring, and it is important to add that we feel management time should be protected from excessive demands from shareholders, so we will typically focus on annual meetings with management where a company is operating as expected. We will also interact with the non-executive directors, on general strategy, succession or on points of particular importance with the chair of the board, and on remuneration with the chair of the remuneration committee. A record of our engagements is included in this report.

While directly engaging with management is our preferred approach, collaborative engagements are a useful tool for shareholders to further specific objectives. We are open to engagement with other individual shareholders in common holdings and have done so this past year and in previous years. Our main approach to collaborative engagement is via the Investor Forum, ClimateAction100+, the Investment Association, and the UN PRI Collaboration Platform.

We seek to join and to initiate engagement with other shareholders on issues that are important to us and where we feel a bigger voice will increase the chances of success. It may also be necessary where management or a board is refusing to engage on specific issues, or where our shareholding is not significant enough to get the attention of management.

Voting policy

We recognise our responsibility to actively exercise our voting rights and the opportunity voting affords us to convey a message to a company in the strongest terms, outside of divestment. It is therefore our policy to vote all shares at all meetings, except where there are onerous restrictions, such as share-blocking (where we must surrender our right to dispose of the shares for a period). We do not lend stock.

As an independent investment team within Redwheel we set our own voting policy, however, we draw on the support of the central Redwheel Sustainability function in developing the policy. Our policy is to vote in the best interests of our clients and in line with the high standards of corporate governance as set out in the UK Corporate Governance Code 2018. Our voting is shaped by our fundamental research, by our engagements with our investee companies and by Institutional Shareholder Services (ISS), the proxy voting service. ISS follows best corporate governance practice in each market, based on local norms, codes and regulations. In the UK ISS policy is rooted in the voting guidelines of the Pensions and Lifetime Savings Association (the PLSA - formerly the National Association of Pension Funds, or NAPF) and follows the guidance provided by the Financial Reporting Council in the UK Corporate Governance Code. The PLSA and the UK Governance Code 2018 set a high standard globally on governance matters, along with reference to the ICGN Global Governance Principles, we use these standards as a benchmark on votes outside the UK, and where appropriate we will override local ISS policy for the higher standard. In 2022 ISS recommendations were based on the ISS Climate Voting Policy, previously recommendations were based on the ISS benchmark Policy. The move reflects our own evolving views on governance and climate risk. As always, we reflect on ISS research and recommendations as an important input to our voting decisions, it supports our own internal research and our engagements on what voting position is in the best interests of our clients.

As part of an engagement escalation strategy, we communicate our voting decisions in various ways. Where we are a major shareholder and it represents a key issue for us or a very sensitive issue for the company, we communicate our voting intention to the company ahead of the annual general meeting. Where we may have less of an influential shareholding, but it is a key issue for us, we communicate ahead of the AGM to maximise the company's awareness of our position. When we feel progress is not being made or management is not engaging with us, we may decide to pre-declare our voting intention ahead of the AGM. We have done this on several occasions including on Shell, when we publicly supported the Follow This shareholder proposal at the 2021 AGM, and Barclays when we voted against their transition plans in the 2022 AGM.

Remuneration

Remuneration is an area of controversy, with management pay ratcheting higher, often without consequence for failure or poor performance. There is also the challenge in attracting talent to run global companies based in the UK, from a global pool in which outsized US compensation skews executive expectations.

In our view, compensation packages must be tied to long-term drivers of sustainable value, rather than a function of financial engineering. The time frame for executive evaluations should be extended and there should also be a downside risk by requiring management to put significant 'skin in the game'. We have set out our views in our Remuneration Guidelines, which we may share with our investee companies. We contribute to the industry discussion on remuneration via the Investment Association, the Investor Forum, and other investors where we have common shareholdings. Please refer to the extended remuneration section in this report for a longer discussion on this topic.

Conclusion

We see our role as stewards of our investors' capital as wholly consistent with investing responsibly and encouraging our investee companies to act sustainably. Sustainability and our long-term investment horizon go hand-in-hand. Furthermore, as value investors, we believe we can have an outsized impact on sustainability issues, as these are often of greater importance to older economy companies that typically fall into our value universe, particularly on environmental issues.

We believe in free market capitalism. However, we believe that the agency problem, short-termism, and a sole focus on shareholders, undermines the system in the long-term. A fairer, more socially responsible free market benefits business over the long term and benefits shareholders, as well as other stakeholders. We will lend our voice to raise concerns and push for change where we think necessary, and where we have influence.

We would encourage those thinking of investing with us to keep in mind our long-term focus. On both financial metrics and sustainability issues, companies need time to deliver on their sustainable value potential.

Our RI approach is further documented in our Team RI Guidelines, and we encourage our investors to read that document for a full description of our approach and framework. ESG investing is a fast-developing area, we will endeavour to develop our approach in line with industry best practice and raise the bar where we can. We commit to keeping you, our clients, fully informed and work with you to achieve your objectives.

Materiality discussion

Many companies have reported on material ESG issues for a long time now. One of our largest holdings, Anglo American, have discussed material ESG issues separate from the annual report's 'Other Risk Factors' since the introduction of their Report to Society in 2004. In that report they said, "We believe that our key material risks and impacts are covered: those that measure our economic contribution; the effects our operations have on the natural environment and how these are managed and mitigated; the safety, health and development of our people; and the role we play in contributing to the long-term quality of life of society." BT Group, another holding, was one of the first companies to set a carbon reduction target back in 1992. They documented their annual improvement targets in an annual Environmental Performance Report and by 1996 reported that total energy consumption over the previous four years had reduced by over 13% (the Group annual report stating "For a copy, call (0171) 356 5636", how quaint!).

However, ESG materiality reporting has increased significantly over the last few years. Task Force on Climate-related Financial Disclosures (TCFD) have pushed companies since 2017 to disclose more on climate related materiality risk issues, while on the investment side, UN PRI are encouraging the integration of ESG factors, which incorporates a materiality assessment of ESG risks. We therefore feel it may be useful to share our thoughts on the issue and the ESG materiality risks in our portfolios for the benefit of our investors.

A paper by Harvard Business School, 'How ESG Issues Become Financially Material to Corporations and Their Investors', gives an interesting perspective on the dynamism of this subject. Companies and society may be misaligned, but either due to lack of awareness or lack of information, such misalignment is accepted. This may not persist if society becomes aware of the misalignment or if a company pushes the misalignment further in the pursuit of greater profits or if society itself moves in its own definition of acceptable practice. The paper offers interesting examples of how individual issues became material over time; the pharma industry was drawn into a political battle over drug pricing as a few miscreants, including Mylan, Valeant and Marathon Pharmaceuticals, went well beyond what was previously accepted in drug price increases. Valeant's approach of using large amounts of debt to buy other companies and then raise drug prices "for such diseases as diabetes, acid reflux and serious heart conditions" caused outrage. Drug pricing became a material issue for the entire pharmaceutical industry. We experienced this pressure on pharma share prices in the portfolio in 2015 and 2016, before a recovery in 2017 and 2018. The pricing issue continues to hang over pharmaceutical companies, a bipartisan campaign in the US in 2022 sought to cap the pricing of insulin products.

We have witnessed a similar dynamic as regards to climate risks since the Paris Agreement was signed in 2015. While it has been a subject of debate for decades, the Paris Agreement seems to have been a watershed moment in terms of moving society from awareness to a broad demand for action, coupled by investors becoming increasingly active in demanding change and discussing divestment. Successive Intergovernmental Panel on Climate Change (IPCC) reports have increasingly raised the alarm on climate change, the sixth IPCC report in 2021, a 'Code red for humanity', highlighted in no uncertain terms the crisis we face. This development in turn has forced major strategic changes among energy companies. In September 2020, BP announced a 40% cut to hydrocarbon production by 2030 (partially reversed in early 2023), not so long-ago, long reserve life was a big positive, now it signals the potential for stranded assets. Shell, TotalEnergies and BP have moved to net zero emission targets by 2050. The European majors have reacted

fastest to the changing zeitgeist, US majors like Exxon Mobile have been much slower. Events in 2021 highlighted the pace of change, a small hedge fund, Engine No. 1, managed to get three of its candidates elected to the board of Exxon Mobile, while on the same day a Dutch court ruled against Shell, demanding it cut emissions faster. However, events are always surprising us, movement towards a decarbonised world is not as linear as it appeared to be coming out of Covid. The Russian invasion of Ukraine changed the context in the West, suddenly governments were changing their tune on fossil fuels, at least short term, with the US chief energy adviser reportedly describing as "un-American" the refusal of US shale investors to ramp up drilling, while President Biden wrote to seven oil majors encouraging them to increase refining capacity, allowed sanctioned Venezuela to export oil, and paid a visit to Saudi Arabia in a bid to get higher oil production.

Heading The SASB Framework

In terms of assessing materiality, we rely on our long, combined, experience as a team looking at companies to understand material risks. We also look at how companies rate their own material ESG risks, along with other independent sources such as the Sustainability Accounting Standards Board (SASB) Materiality Map. We are also horizon scanning, that means being on the constant lookout for risks that we may not have been previously aware of, and this exercise is largely unstructured (albeit news alerts from Sustainalytics is a structured part of the exercise).

The SASB framework gives an alternative view of ESG materiality. SASB is an independent non-profit organization that sets standards to guide the disclosure of financially material sustainability information by companies to their investors. The SASB Materiality Map is a tool that identifies and compares disclosure topics across different industries and sectors. While the map is not a perfect fit for each company, for example companies will span across sub-industries and therefore across materiality risks, it does help to ensure individual issues are not totally overlooked and it gives a top-down view of the portfolio. These issues are unweighted, i.e. each issue is given equal importance and therefore the overall ranking reflects which ESG risks arise most often across all the holdings. For instance, it might be a surprise that data security ranks so highly within our portfolio of value stocks, whereas technology companies holding vast amounts of customer data, such as Facebook, or companies where intellectual rights underpin the value of the firm, such as Netflix, are well understood as being exposed to data security and cyber security threats. A high-profile example of a cyber security breach was the Sony hack in 2014 and closer to home the ransomware attack on Royal Mail. However, most companies now hold some level of customer data or have valuable trade secrets and thus data breaches and cyber threats are relevant for most sectors.

Data security

Data security is the most common material issue across the portfolio based on the SASB materiality map. Banks, insurers, retailers and telecommunications all hold sensitive data that were it lost, stolen or leaked would cost the respective business in terms of reputation and regulatory fines. For example, GDPR fines range from 2% to 4% of annual revenue, which would generally represent the annual profit for a food retailer.

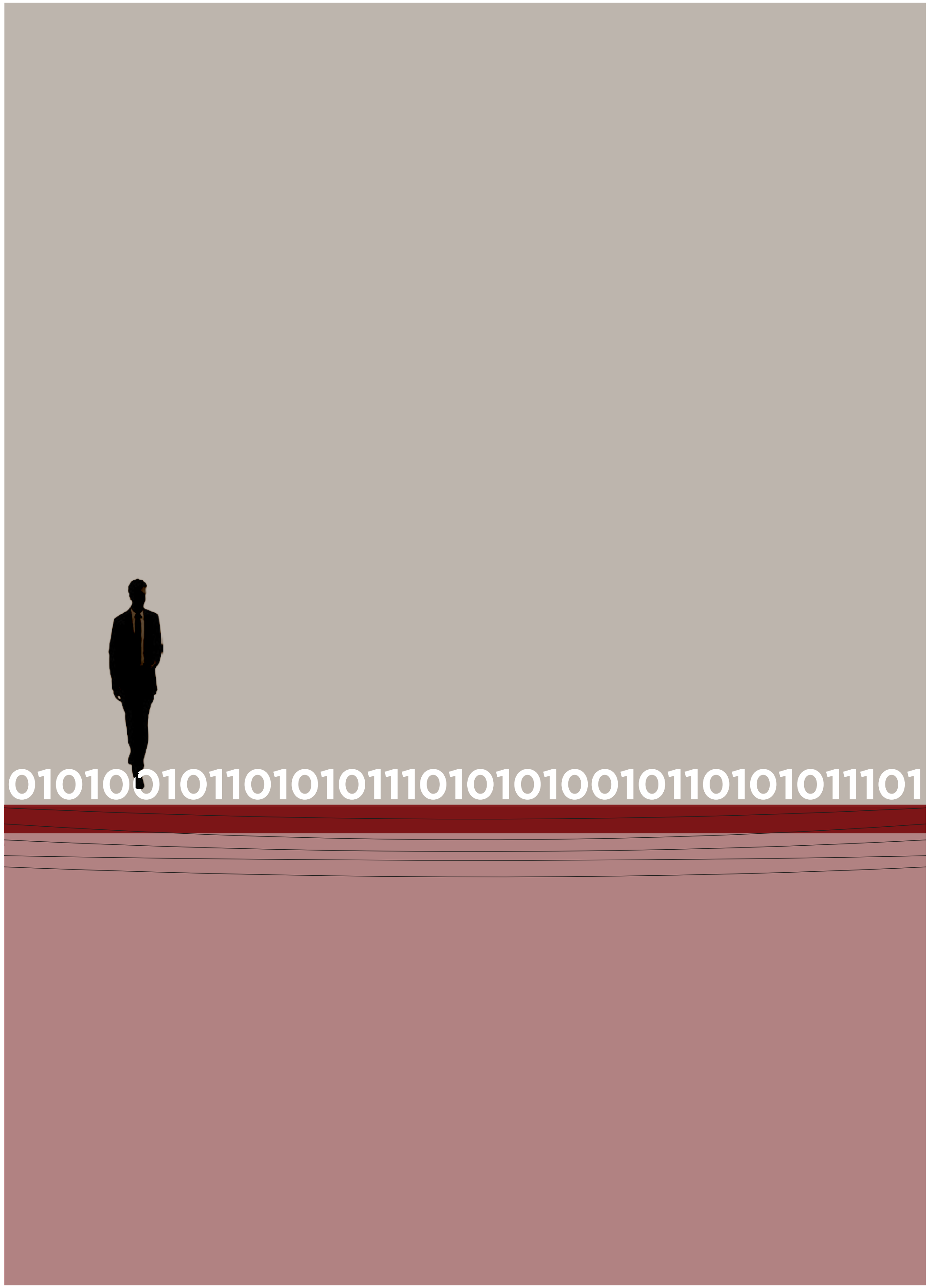
As an example of a data security breach, and prior to becoming a portfolio holding, Currys Plc suffered a massive customer data breach for a period during 2017 and 2018. Subsequently, the company was fined £500,000 by the Information Commissioner's Office (ICO), for context company profits for 2018 equalled £166m. This illustrates that while the risk may be present, the monetary fine may not be material. The more difficult quantification to make is the damage to a company's brand and reputation due to a data breach. While the fine was relatively small, the company responded by investing to enhance its cyber security and cyber security became one of the most regular topics of discussion at Board meetings.

Banks are a much more serious target for cyber criminals and were individual banks, or the sector in general to suffer a large, successful raid, then trust in the banking sector would be badly damaged and the financial consequences severe. NatWest Group identifies cyber threats as one of the main external risks that the bank faces. Each year it invests in additional capability and controls to defend against evolving and more sophisticated threats. It also focuses on staff and customer education and runs cyber resilience exercises to simulate such attacks on the bank.

To illustrate the materiality of this issue, the CEO of Zurich Insurance Group (the Swiss reinsurance company) said in an interview with the Financial Times that cyber-attacks could become un-insurable. The costs are certainly increasing.

Business ethics

Business ethics represents the second most common material issue based on the SASB analysis. Business ethics is important to all companies but for those in the extractive industries, such as mining and oil exploration and production, it is even more material due to the regions of their operations. Corruption increases reputational risks, political action, and regulatory fines. Business ethics is also high on the materiality list for banks. In 2021, NatWest Group received a criminal conviction and a fine of £264.8m by a London court. The bank pleaded guilty to failing to prevent a £365m money laundering scheme between 2012 and 2016. While NatWest's controls had obviously failed, it had invested £700m in anti-money laundering systems between 2010 and 2015. Since 2016 it has invested a further £700m in financial crime compliance. The episode illustrates both the cost when systems fail in terms of fines, and the cost in terms of investment to ensure systems are sufficiently robust to mitigate the risks. As portfolio managers, we must satisfy ourselves that the company is appropriately addressing the historical weaknesses, that the additional cost of fixing those weaknesses will not have an undue impact on profitability, and that the valuation and risk/return profile remains attractive. With NatWest Group we believe this to be the case.



Dimension	General Issue Category	Portfolio
Environment	GHG Emissions	
	Air Quality	
	Energy Management	
	Water & Wastewater Management	
	Waste & Hazardous Materials Management	
	Ecological Impacts	
Social Capital	Human Rights & Community Relations	
	Customer Privacy	
	Data Security	
	Access & Affordability	
	Product Quality & Safety	
	Customer Welfare	
	Selling Practices & Product Labeling	
Human Capital	Labor Practices	
	Employee Health & Safety	
	Employee Engagement, Diversity & Inclusion	
Business Model & Innovation	Product Design & Lifecycle Management	
	Business Model Resilience	
	Supply Chain Management	
	Materials Sourcing & Efficiency	
	Physical Impacts of Climate Change	
Leadership & Governance	Business Ethics	
	Competitive Behavior	
	Management of the Legal & Regulatory Environment	
	Critical Incident Risk Management	
	Systemic Risk Management	

Our own assessment of material sustainability risks led us to give specific focus to carbon emissions and coal exposure in 2020, we therefore deal with these risks in greater detail in the following sections.

Carbon footprint and climate risks

Carbon emissions and climate change are material risks for the portfolio. The two are very much interrelated, carbon emissions driving planetary warming and thus climate change, but the risks arising from the two are both linked and somewhat independent. The risks include transition risks, physical risks, and the risk that society will turn against individual companies and sectors, forcing heavy regulation and forcing investor divestment. All these risks have the potential for material financial consequences for shareholders. The risks remain real whether society makes a successful transition to a low carbon economy or if it fails to do so.

Can our investee companies make a successful transition to a low carbon world, whilst keeping their profitability and balance sheets intact? This is a transition risk. This risk is particularly important for our integrated oil companies and energy intensive companies in the mining sector. What will oil companies look like in the future as they move from being integrated oil companies to integrated energy companies? Will they generate attractive returns for shareholders, or will cash flows be consumed by the transition to low carbon businesses, will their equity be severely impaired due to stranded assets? Will they remain aligned with all stakeholders and thus retain the support of the wider society? How will the transition impact the demand for iron ore as recycling increases, or the demand for coking coal as steel making decarbonises?

There are physical risks associated with climate change. Changing weather patterns and rising sea levels brings the risk of damage to property and plant, or curtailed production. Seventy-five percent of Anglo American sites currently fall within water-stressed areas based on World Resources Institute's Aqueduct tool. Water availability is a particular issue for Anglo American in Chile, in 2022 the company secured a desalinated water supply for its Los Bronces copper mine, by 2025 desalinated water will be pumped from the sea to the mine, c. 150kms away and 4,000 metres above sea level. This is climate adaptation in motion and illustrates the challenges and costs that companies face now and will increasingly face in the future. It also illustrates why we believe that being climate resilient and ready to adapt to physical risks is very much about financial resilience, having the financial capacity to take measures like Anglo American have done to protect their assets from becoming stranded assets. It also illustrates how such measures protects their licence to operate, contributing locally by reducing freshwater abstraction in water scarce regions.

We track both carbon intensity and absolute carbon emissions for the portfolio. By doing so we can see how carbon intensive our individual companies are and how exposed they are to carbon risks, such as carbon pricing or carbon tax. Interestingly, on an absolute basis oil companies exhibit the highest level of emissions, because of their size, while on an intensity basis mining companies score worst. We also measure our portfolio versus the benchmark and include the comparison in this report.

There are challenges in this process.
Here are some of the issues investors need to be familiar with:

- Net zero on absolute scope 1 and scope 2 emissions is achievable because it is based on the companies' direct and indirect energy consumption, where that energy is generated by fossil fuels. This will be the energy used in drilling, transport etc, with some of the energy (scope 2) sourced from their own production and some energy (scope 2) sourced from other companies (electricity provider).

- BP, Shell and TotalEnergies have all committed to net zero by 2050 or sooner on scope 1 and scope 2. This is what most companies are judged on, but the integrated oil companies (IOCs) are held to the higher hurdle of scope 3. The Science Based Target Initiative requires scope 3 emission targets if scope 3 accounts for 40% or more of total emissions. Many companies have thus not reported scope 3 emissions, this is likely to change soon as the International Sustainability Standards Board (ISSB) have decided to make scope 3 reporting mandatory.

- Carbon intensity is carbon emissions versus some other unit, the energy companies focus on carbon versus unit of energy consumed by the end customer (grams of CO2 equivalent per megajoule), whereas most references to carbon intensity refer to CO2e versus revenue, market capitalisation or enterprise value including cash. The latter approaches cause carbon metrics to be volatile at a portfolio level, as relative stock weights move due to share price performance and revenues change with commodity prices.

- With regards to the IOCs' approach on intensity, they can decrease the intensity by changing the mix of coal, oil and gas. They can also reduce intensity whilst keeping hydrocarbon production stable or even growing once renewables or other low carbon businesses grow faster.

- BP have committed to net zero on scope 1, scope 2 and scope 3. In 2020 the scope 3 ambition was defined narrowly as the emissions from their own production, not arising from products bought from other energy companies that they subsequently sell on. BP upgraded this ambition in February 2022 to include all the products it sells.

- Shell also raised their scope 3 ambition, from 65% reduction in intensity by 2050 to 100% reduction.

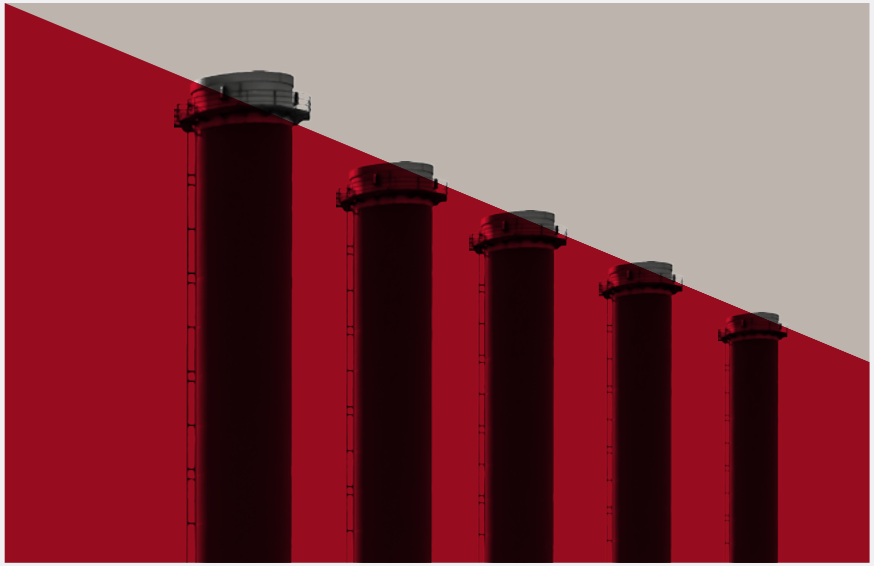
- TotalEnergies include traded products in their scope 3 calculation and in 2020 targeted a 60% reduction in intensity. This was upgraded in 2021 to "[a]chieve carbon neutrality (net zero emissions) worldwide for indirect GHG emissions related to the use by its customers of energy products sold for end use (scope 3) in 2050 or sooner."

- The Transition Pathway Initiative adjudged BP, Shell and TotalEnergies' emissions intensity plans to be aligned with 1.5° by 2050, but not the short or medium-term targets.

- Perhaps another useful point is that scope 1 and scope 2 are under the control of a company, it is theoretically possible to have net zero emissions (even without offsets, albeit these will be required) under these two scopes. However, once the gas or oil produced is used in combustion by the customer, these scope 3 emissions have to be offset in some way by natural carbon sinks or carbon capture, utilisation, or storage. A company can improve the intensity with efficiency measures, i.e. you get more energy for a unit of carbon, but you cannot go to zero unless you change to a non-fossil fuel. In certain sectors, such as aviation, it is incredibly hard to get to net zero.

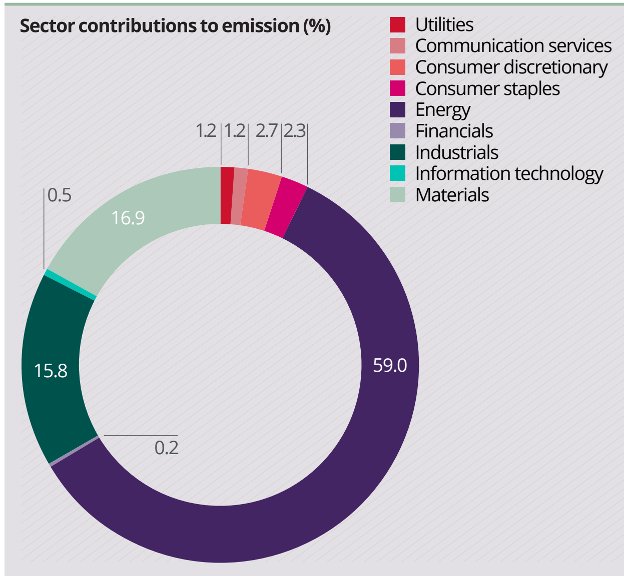
- Other nuances include controlled versus equity stake emission accounting. For example, BP excluded Rosneft scope 1 and scope 2 emissions as they did not control the company. Subsequent events proved this to be accurate in terms of control. Beyond controlled/equity accounting, there is the location-based versus market-based accounting for scope 2 that may make comparisons less reliable. The market-based approach reflects any specific contract a company has with an energy supplier to deliver green energy, versus the average intensity factor in the country of operation.

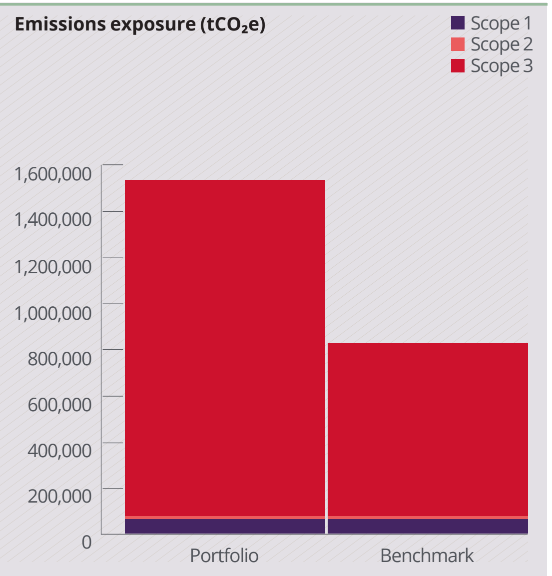
- While carbon emissions get most attention (c. two-thirds of total GHG emissions), methane (c. one-sixth of total GHG emissions) is the second most common GHG. It has a greater impact than carbon as measured by the global warming potential (GWP) metric, which is estimated at 82.5 times that of carbon dioxide over a 20-year timeframe (IPCC AR6). This illustrates how influential methane will be on climate warming between now and 2050. A report from the Clean Air Task Force (CAFT) and CERES is a very useful reference document and an insightful study of methane emissions in the US. Methane, within the oil and gas industry, arises from equipment and processes venting (release of natural gas from equipment and processes – 34%) and flaring (methane emissions from uncombusted gas that escapes through the flare stack – 12%); associated gas vented and flared emissions (14%); fugitive emissions or unintentional releases, or leaks, of natural gas (8%); and other combustion (33%).



Carbon Footprint

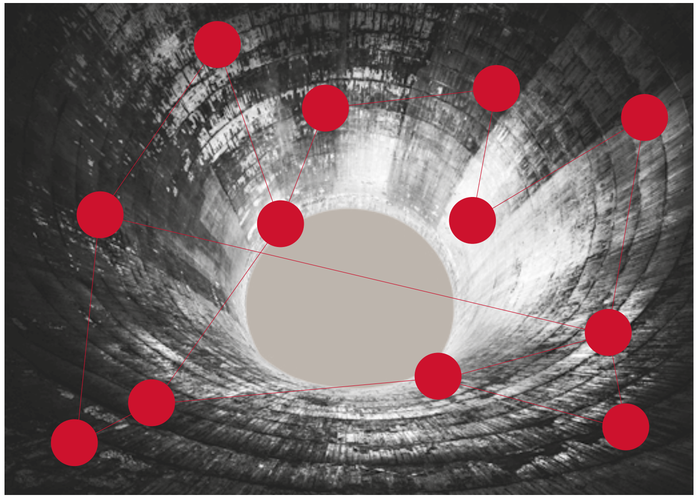
A portfolio's carbon footprint is the sum of a proportional amount of each portfolio company's emissions (proportional to the amount of stock held in the portfolio) (UN PRI, 2022).





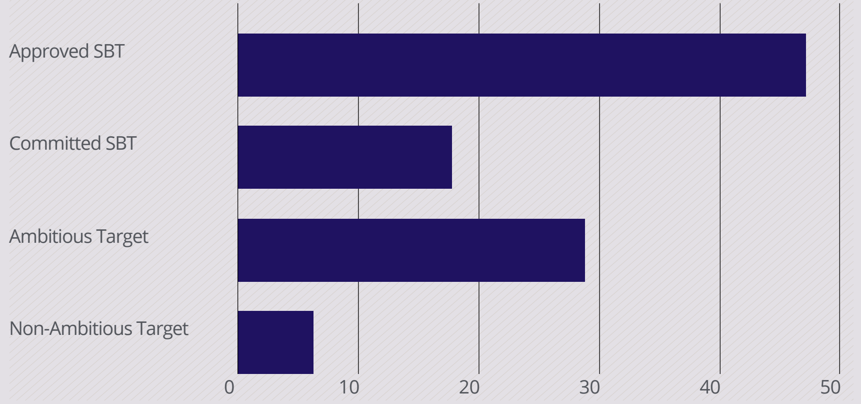
Source. ISS ESG, 31 December 2022
The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.

The two charts above show the sector contributions to emissions and the emissions exposure of the portfolio. Energy is the largest sector contributor to emissions, with Scope 3 emissions (emissions that are generated from value-chain activities) making up the bulk of emissions exposure.



All companies within the portfolio have set a net zero emissions target by 2050 or sooner. Publicly announced targets by companies vary in their trustworthiness. A company may make promises for 2050, but if it leaves the heavy lifting for future management, then those commitments may be suspect. A way of getting assurance on targets and ambitions is where a company engages with and gets approval from the Science Based Target initiative (SBTi). The SBTi provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science. It also provides independent assessment and validation of targets. Companies are slowly engaging with SBTi. Having initially got net zero commitments from companies, shareholders can ratchet up the pressure for a credible pathway by pushing their companies to join the SBTi initiative. This is a strategy we endorse and 14 of our portfolio companies are SBTi validated with a further 4 planning to set a science-based target aligned with the SBTi's target-setting criteria within 24 months. SBTi is in the guidance development phase for certain sectors, such as oil and gas. This guidance will need to be finalised before the European majors in our portfolio can get validated by the organisation.

While a SBTi approved target is a useful signal of a company's commitment to tackle their emissions, it does not provide any guarantee of success given the uncertainty around how companies evolve and how the science and modelling evolves. SBTi do not monitor if companies are meeting their targets, this is something that we need to do. It is therefore important for us to continue engaging with all companies and apply pressure on them to keep to the targets they have set.



Source. ISS ESG, 31 December 2022
The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.

Top 10 Contributors to Portfolio Emissions

Name	Contribution to Portfolio Emission Exposure (%)	Portfolio weight (%)	Emissions Reporting Quality	Carbon Risk Rating
Shell PLC	24.3	6.7%	Strong	Medium Performer
BP PLC	24.0	8.9%	Strong	Laggard
Anglo American PLC	12.4	5.6%	Strong	Medium Performer
TotalEnergies SE	10.8	4.4%	Strong	Medium Performer
International Distributions Se	6.2	4.4%	Strong	Medium Performer
CK Hutchison Holdings Ltd	5.8	1.8%	Strong	Medium Performer
Barrick Gold Corp	3.1	1.8%	Strong	Medium Performer
Marks & Spencer Group PLC	2.3	5.0%	Moderate	Outperformer
easyJet PLC	2.1	0.4%	Strong	Medium Performer
Serco Group PLC	1.8	2.6%	Strong	Medium Performer
Total for Top 10	92.7	41.6%		

Source. ISS ESG, 31 December 2022
The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.

We hope we have demonstrated from the work in this section and our engagement work elsewhere in our report, that we take these issues with the utmost seriousness. We believe our companies can navigate these risks because

1. the vast majority accept the issues and are working towards solutions that will align them with global climate targets
2. they have the financial wherewithal to make the transition in terms of balance sheet strength and cash flows
3. their current valuations reflect an incredible pessimism about their ability to make the transition, this affords us the opportunity to invest in these companies, act as cheerleaders for their moves to a low carbon economy and seek an attractive return for our investors. We are not for one moment complacent on these issues and continue to closely monitor our holdings; pushing the laggards to align with Paris, matching their companies' words with actions, monitoring their financial strength, and watching the risk/reward as indicated by their respective valuations.

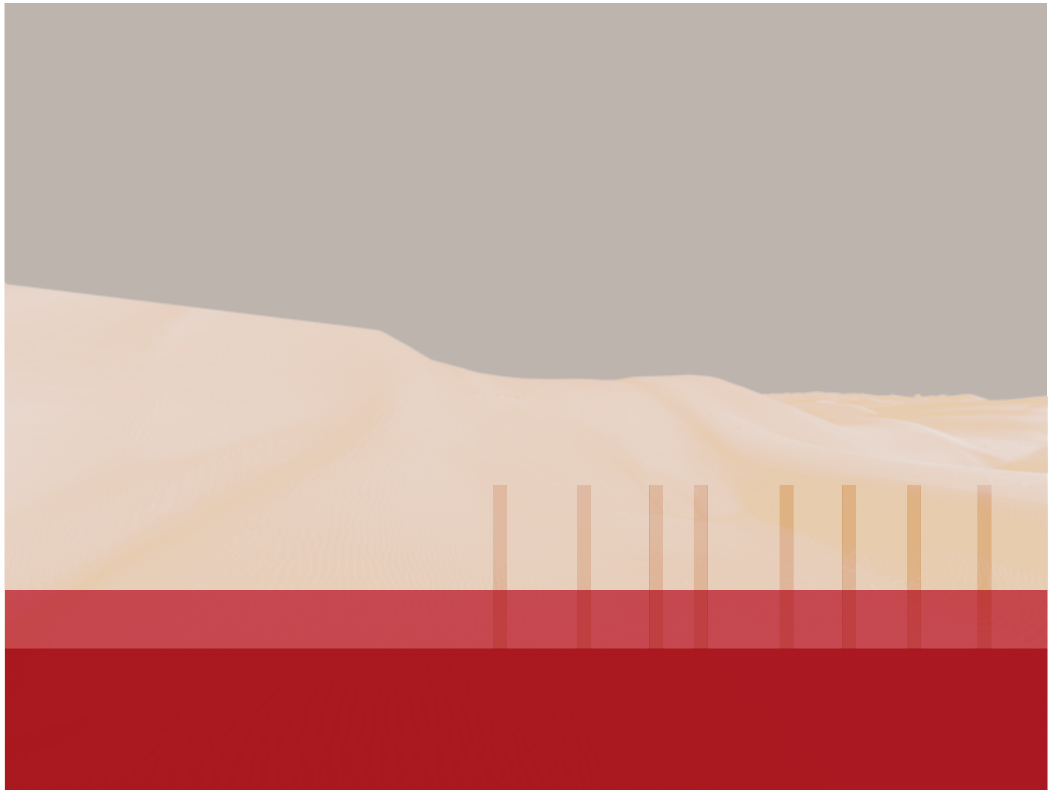
Top 10 emission intense companies (tCO2e S1&2/revenue mil)

Name	Emission Intensity	Peer Group Avg Intensity
easyJet PLC	1,473.2	1,541.9
Barrick Gold Corp	818.2	762.4
Shell PLC	525.6	806.3
Anglo American PLC	488.4	812.1
TotalEnergies SE	401.8	806.3
Newmont Corp	401.6	762.4
CK Hutchison Holdings Ltd	393.4	96.2
BP PLC	340.8	806.3
Serco Group PLC	46.4	95.2
Honda Motor Co Ltd	44.8	42.6

Source. ISS ESG, 31 December 2022
The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.

Water Scarcity

Water is one of the most important natural resources on the planet and needed for the survival of all living beings. According to the UN, more than 2 billion people live in water stressed areas (where water demand outstrips water supply) and this is expected to increase to 5 billion people by 2050 (UN CEO Water Mandate, 2021). The World Economic Forum has listed water crisis among the top five global risks in terms of impact in eight of the last ten years (World Economic Forum, 2021). We are already seeing increased intensity of water-related natural events like droughts and floods



A starting point is to understand, what is water stewardship? The Alliance for Water Stewardship defines water stewardship as 'The use of water that is socially equitable, environmentally sustainable and economically beneficial, achieved through a stakeholder-inclusive process that involves site and catchment-based actions.' It is a set of practices to manage freshwater resources sustainably and equitably.

By implementing a good water stewardship structure, a business can help understand the risks they face whether that is through their own operations or through changing environmental conditions. While it is impossible to eliminate all risks, a company with a solid water stewardship policy should be in a better position to mitigate and manage those risks.

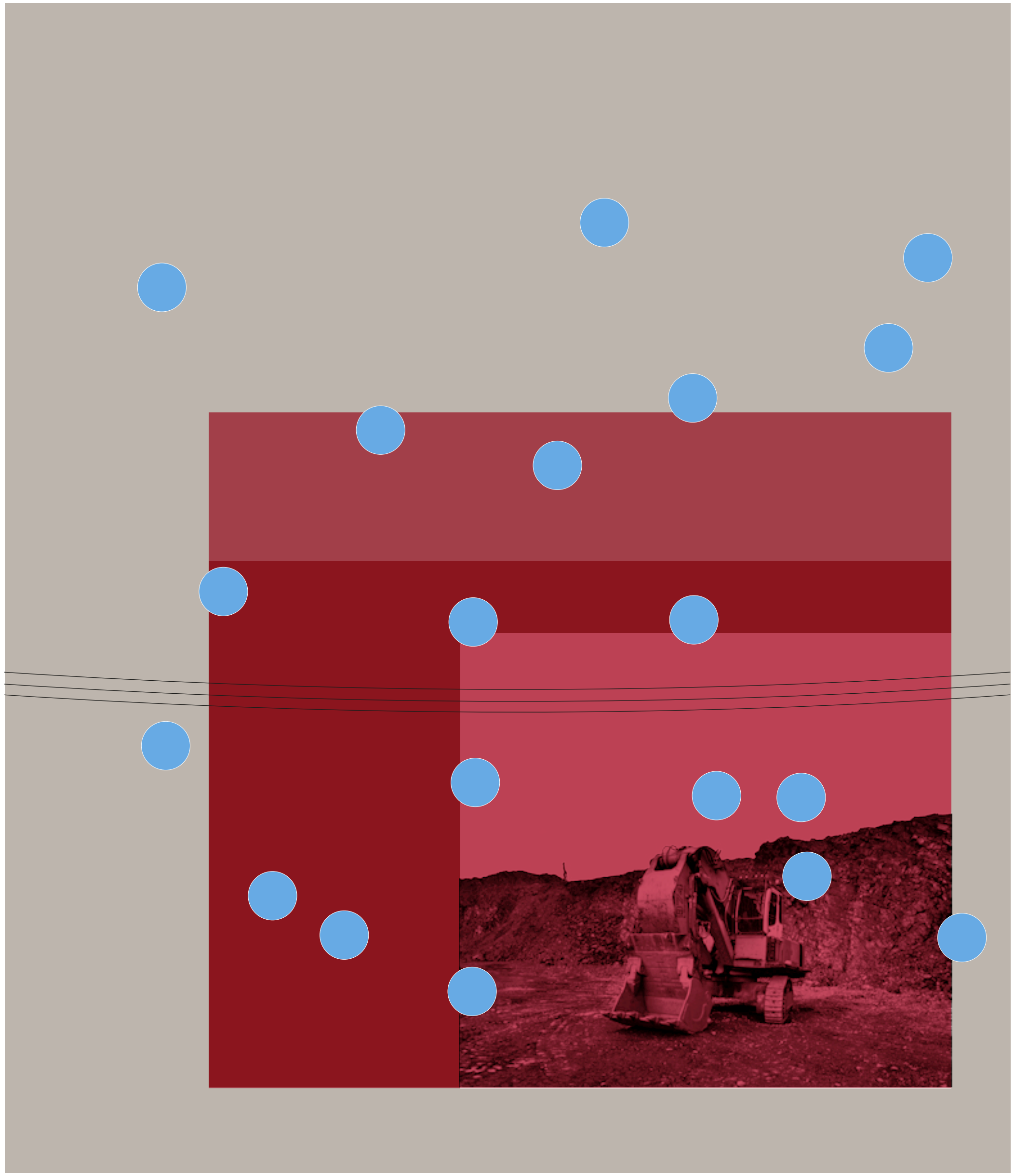
Water is not just an environmental issue, but also a social one. Some 2.2 billion people around the globe lack access to clean water in their homes, and 50% of people around the globe lack access to safe sanitation services (UN CEO Water Mandate, 2021); this has a larger impact on females. There are increased risks in the workplace and in private homes if there is no access to drinking water, sanitation, and hygiene (WASH) services. Without these services employees are more likely to become ill, reducing productivity.

Mining is a sector on the front line of water security risk. The sector is a major user of water as it is needed for processing, dust suppression, slurry transport (moving waste to tailings dams) as well as employee needs. The mining sector is also exposed to risk from water pollution as the by-product of extraction, processing can be highly acidic and there is potential to pollute both ground and surface water. Many countries where mining is located are exposed to decreasing water availability including Peru, Chile and Australia. This is very much highlighted by the water availability issues Anglo American have faced in Chile. In the next 20 years, the World Resources Institute predicts these countries will become more water-stressed, making mining more difficult and costly. However, we do not have to wait 20 years to see how this may play out, our research and our engagement with Anglo American has shown us how water scarcity can become a central political issue, community issue, reduce production volumes, threaten the value of assets and future mining licences, and to mitigate these risks innovative and costly solutions are required.

Previously we have engaged with our mining holdings on their water policies, water stewardship and their vision for the future. It was clear from our discussions that these companies recognise the critical nature of water as an asset to not only their own business activities but also the wider communities where they operate. CDP (a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts) publish annual scores for companies that make submissions to them on climate, water and forests. Among our mining companies Anglo American, Barrick Gold and Newmont Mining all scored a B in 2022.

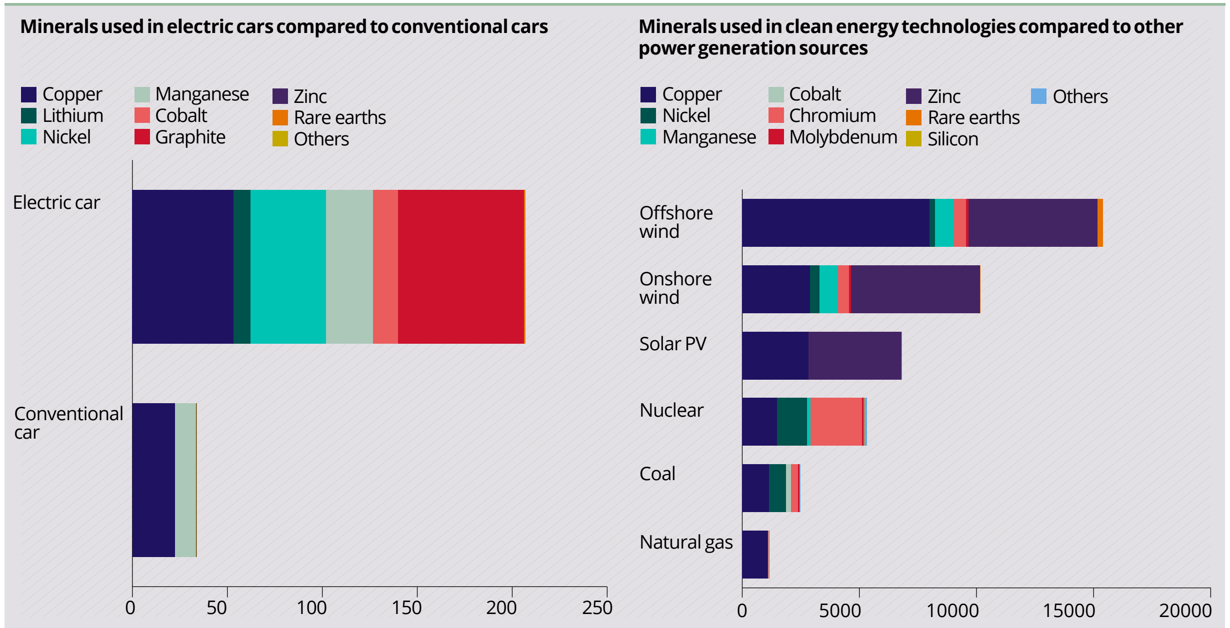
Many of our companies have set water related targets which we can use to monitor their progress. However, the issues are more nuanced than one that can be distilled down to a single number. With the mining companies, for example, each site will have its own challenges depending on location, mine type and the material being extracted. We need to be comfortable that our companies have the systems in place to identify and mitigate the risks they face when it comes to water. This highlights the importance of engagement on the topic as we will not wholly rely on scores from bodies like the CDP. Anglo American again provides a clear example of how local an issue water is for companies. While Anglos has water challenges across different countries, Chile is where the issue is most acute. Chile is the world's largest copper producer and has a huge water problem. The country is currently suffering a mega drought and "at 13 years to date constituting the longest in one thousand years, exacerbating a drying trend and putting Chile at the forefront of the region's water crisis" according to the World Meteorological Organization. In 2022 water rationing plans were announced for Santiago, the capital city of 6 million people, while water featured heavily in the debate on a new constitution for the country. Chile is an extremely important country for Anglo American's business, accounting for 85% of the company's total copper production, 4,400 employees, $5 billion of revenue and $1.4 billion of operating earnings in 2022. Anglos owns 50.1% of the Los Bronces copper mine, which they manage and operate. The company has highlighted water as one of the principal risks for the company and has suffered up to three months a year of lost production at Los Bronces due to water scarcity. The mine is c. 60 kilometres from Santiago and 200 kilometres from Petorca, a town at the epicentre of the drought hitting Chile. Therefore, water availability plays a crucial role in current and future productivity and the ability to win mining licences in the country. Anglo American is addressing the problem through watery recovery from tailings dams and by pipping in desalinated water. Future plans will centre around swapping potable desalinated water for wastewater; thus meeting mining needs and the water needs of the local community at the same time.

Where appropriate, we will engage with our companies like we have done with Anglo American on the issue of water and encourage companies at risk from water scarcity to improve their disclosure and improve their risk management.



Transition Opportunities

Many investors think of carbon intensive companies in a purely negative light, a downside perspective only. Combined with divestment, this has led to pressure on high emitters' valuations. Goldman Sachs research has shown that low carbon dioxide emitting companies are valued at a premium to high emitting companies and this premium has grown over the past decade.[1] However, there are many opportunities that will arise from the transition, not only for pure climate solution providers, but also for carbon intensive sectors. With a tendency to focus on the starting carbon intensity of a business and a simple approach to decarbonising portfolios, this fact is often overlooked. Not only may there be a structural undervaluation of carbon intensive companies on offer, but these companies are arguably also in prime position to take advantage of the opportunities thrown up by the transition itself.

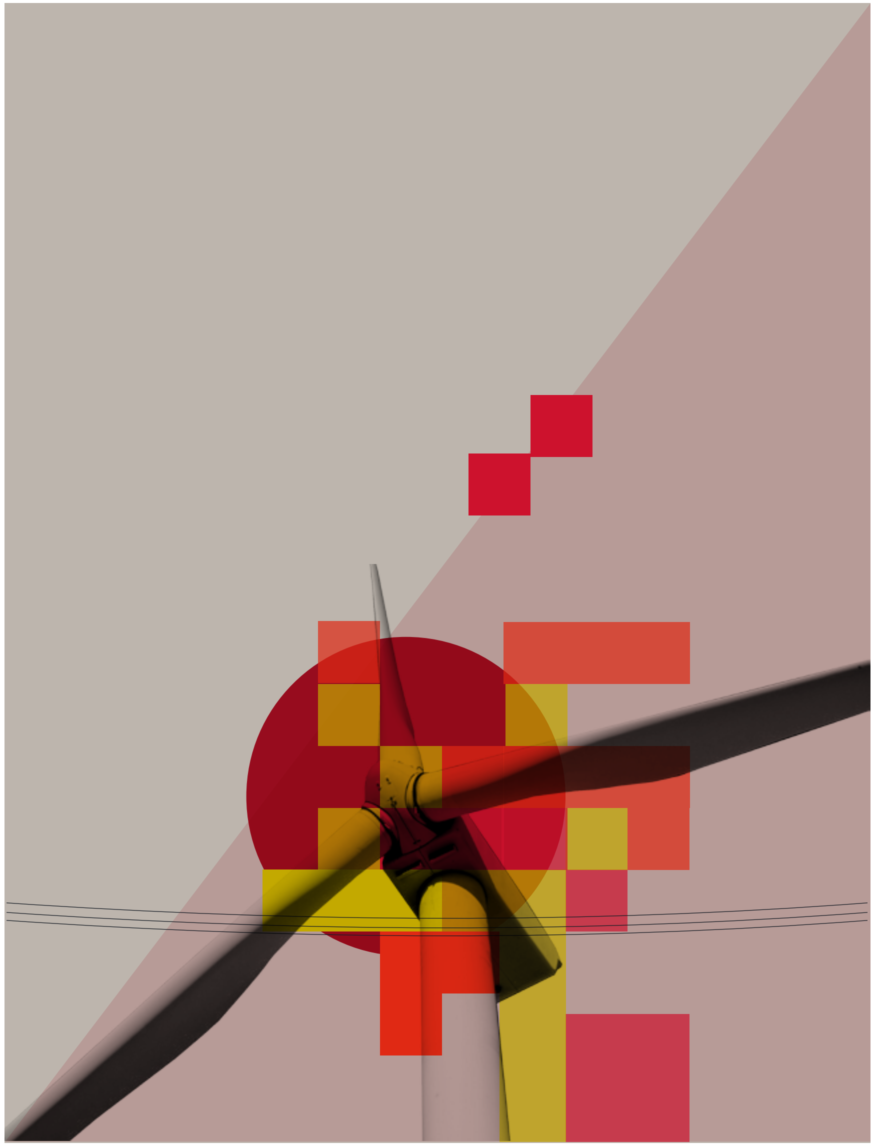


[1] GS Sustain, The Net Zero Guide, October 2021: 2010-2015 average premium of 4.4%, rising to 8.3% 2015 to 2019, and 15.3% during 2019-2021. Low carbon (Q1) vs. high carbon emitters (Q5), 12-month forward EV/EBITDA, sector relative, excluding financials.
[2] GS Sustain, The Net Zero Guide Rewards for climate transition plan transparency; a new tool to assess disclosure and progress June 2022
[3] Redwheel.com/uk/en/professional/insights/those-shiny-orsted-shares-id-rather-have-dongs-2-2/

One obvious opportunity arises from the demand for transition metals, such as copper, which are required to support the move to electric vehicles and the development of wind and solar energy. We wrote about this opportunity in our stewardship report last year. Then there are opportunities and clear incentives to improve profit margins through resource efficiency measures (more efficient production and distribution processes, use of recycling, reduced water use, improved energy efficiency or shift to decentralised energy generation). The transition may mean an opportunity to create competitive advantage as consumer preferences and regulations change and new markets open. Government intervention may mean both policy and subsidy support, allowing private companies access to new partnerships and funding. The US Inflation Reduction Act is providing such subsidies, Anja-Isabel Dotzenrath Head of Gas and Renewables at BP said the act was a "game changer" referring to the impact on EV charging, biofuels, and hydrogen (2022 fourth-quarter earnings call).

The development of technology to replace or change operational processes may also offer new opportunities. Anglo American has developed a prototype of the world's largest hydrogen-powered mine haul truck. The plan is to replace the entire fleet of diesel-powered trucks as part of becoming carbon neutral within their operations by 2040. Not only might the company have an opportunity to sell this technology in the future, but hydrogen fuel cell technology increases the demand for platinum, and Anglo American Platinum (79% owned by Anglo American) is the world's largest producer of the precious metal.

Goldman Sachs research has also shown that it is the transition progress, i.e., in reducing emissions intensity and momentum, and increases in green revenue/capital expenditure mix, that rewards companies with a valuation uplift, rather than disclosures which have a much smaller impact on valuation.[2] Unsurprisingly then, as the sector with the largest share of emissions and most notable transition progress, electricity generation has experienced some of the biggest and best investment opportunities over the past decade. A great example is the transformation of Danish Oil & Natural Gas Company (Dong) to Ørsted. Dong was an oil and gas producer and coal powered electricity generator. The company went on a transition from fossil fuel-based company to wind power generator, which we wrote about in our blog "Those shiny Ørsted shares? I'd rather have Dong's".[3] This transition has rewarded shareholders handsomely, with 3.7 times the return of the Stoxx Europe 600 index since the IPO in 2016 (to end September 2022).



Ørsted is not the only example of fossil fuel companies leaning into the renewables business. Following similar IPOs by Iberdrola and EDF, Energias de Portugal (EDP Group) spun out EDP Renováveis (EDPR) in 2008, retaining 75% of the shares. After a rocky start (the global financial crisis, European debt crisis, regulatory uncertainty, and a drop in power prices), EDPR shares have outperformed the Stoxx Europe 600 index over the last 10 years by 5 times and outperforming by 88% over the period since the IPO. It now accounts for 85% of the EDP Group's market cap.

Enel did a similar spinout with Enel Green Power in 2010, before buying back the stake in 2016 and like Ørsted it shut down 40 of its 50 coal power plants between 2015 and 2021 and plans to be totally out of coal by 2025. In the process it has reduced its carbon emissions (scope 1 and scope 2) by 57%.[4] In 2022 another Italian company, the integrated oil and gas company ENI (a portfolio holding), announced a similar plan to spin 30% of its low carbon business, Plenitude.[5]

The common theme here is that the opportunity arose from within a carbon intensive company, rather than outside. The companies not only improved disclosure, but radically changed the shape of their businesses. Shareholders benefited as renewables transformed the prospects of the legacy company. However, it doesn't always work out so well, BP sold their US wind assets in 2013, as part of a programme to sell non-core assets to reduce leverage, just at the point where EDPR's share price took off. The lesson for us is that companies must have the financial strength and liquidity, to deal with the risks and to take advantage of the opportunities as the transition progresses. This is the clear message we give to our investee companies. There is no doubt that both risk and opportunity will be very much a feature of this transition to a low carbon economy.

[4] corporateknights.com/rankings/other-rankings-reports/2022-carbon-reduction-20/carbon-reduction-20/
[5] eni.com/en-IT/media/press-release/2022/06/eni-announces-intention-to-proceed-with--listing-of-plenitude-on-euronext-milan.html

Remuneration

Governance within UK companies is generally of a very high standard. This reflects the UK Corporate Governance Code a long history of efforts to raise standards. However, remuneration is one area of extreme importance and of active engagement for us. In 2022 it ranked, along with climate, as the most common topic for engagement we had with investee companies.

The engagements are more of a pull than a push, with companies driving the number of engagements rather than shareholders. Company remuneration committee chairs are eager to engage and thus ensure that voting outcomes on remuneration policies and reports at the AGM are favourable. The remuneration policy is a binding vote, with policies typically renewed every three years. The resolution on the remuneration report is non-binding and happens annually.

Remuneration is not a simple topic. The challenge for both shareholders and company boards is to ensure companies can attract the best talent to run the respective business, while limiting unnecessary rent extraction. Unjustifiably high levels of pay leak value for shareholders, may cause disquiet among lesser paid employees, and even cause reputational problems among customers (where are the customers' yachts!), while badly designed incentives schemes may encourage inappropriate risk taking among executives. More broadly, increasing levels of pay ratchet up pay levels across industries.

A justification from remuneration committee chairs for higher levels of pay is often the difficulty they face in attracting talent in a global pool that is dominated by the US and the extremely generous pay packages available to US based executives. We do have sympathy for this problem, but we are also wary of remuneration chairs being 'captured' by management and the notion that their job is to keep management happy.

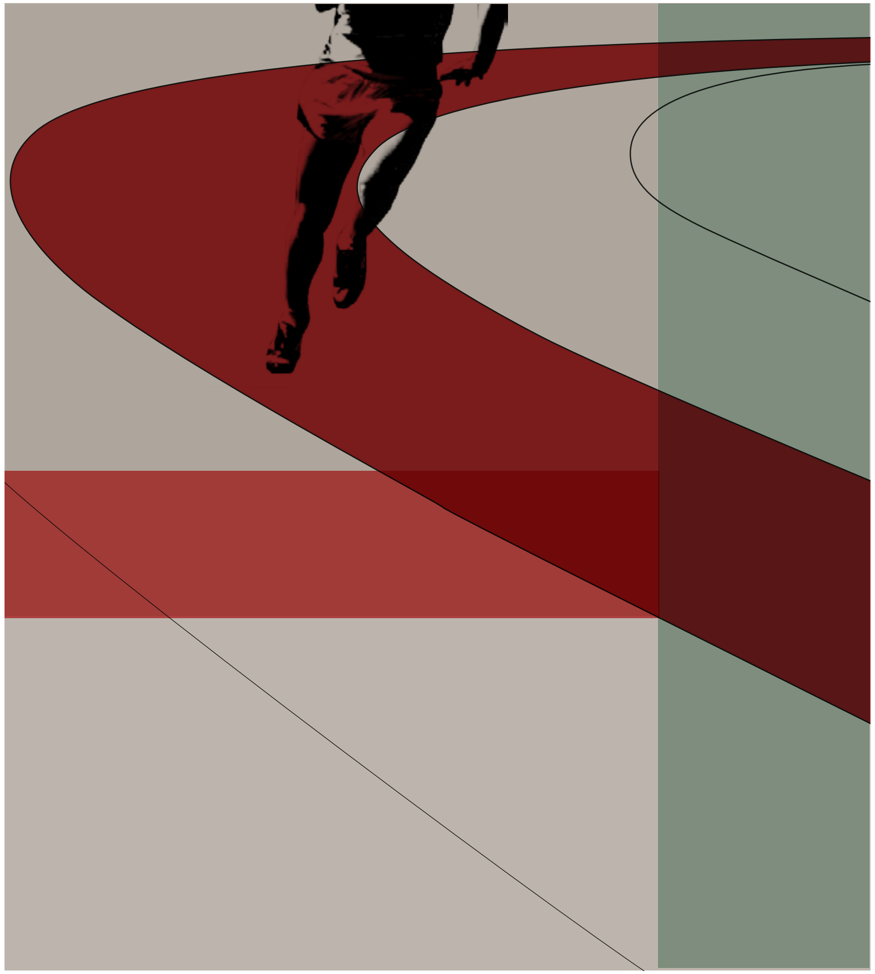
In our 2016 investor letter, Reforming capitalism, we set out some of the issues we wished to focus on with regards to remuneration, in the context of capitalism working for all stakeholders in society. Our key objectives are to increase long-term thinking and encourage greater alignment of management to shareholder interests. These objectives also include a greater emphasis on other stakeholders.

The basis of a good corporate remuneration policy is a well constituted remuneration committee. This requires both the independence of the committee members and relevant experience in the field of remuneration. We are somewhat circumspect on remuneration consultants; the committee must retain control and ownership of the policy. The committee must guard against the ratcheting upward of compensation awards, balancing this with attracting and retaining talent. We are also highly sensitive to cross boarding, and how this may lead to increasing remuneration levels.

Where a policy has been adopted, we take a very dim view of subsequent 'exceptions' or alterations to fit circumstances. We may reflect such displeasure on subsequent votes regarding the remuneration report, remuneration policy or committee member re-election.

reflecting appropriate financial metrics, in combination with non-financial metrics relating to ESG issues, specifically environment and social issues. The environmental objectives should be set to meet specific challenges within the industry of operation, while on social issues, relations with employees, customers, suppliers and the community should be reflected as appropriate. A concern we have with the drive to

incorporate ESG within remuneration plans, is the lack of stretching metrics and the often qualitative nature of the assessments, which allows for higher compensation without substantial progress on underlying sustainability issues. Deloitte's annual review of FTSE 100 remuneration stated that 70% of companies currently use ESG metrics under annual bonus plans and 45% under LTIPs[6]. The two biggest metrics were based on carbon emissions and diversity & inclusion. On carbon emissions, a report by PWC, LBS and the Leadership Institute called Paying for Net Zero pointed out that "[P]ayouts on carbon targets disclosed in 2022 averaged 86%, with over half paying out at 100%. This is surprisingly high given the common understanding that we're making inadequate progress on reducing carbon emissions..." Companies may be enthusiastic in adopting ESG targets within compensation plans, appearing receptive of shareholder demands, but the actual metrics may not be stretching, or can be achieved in ways that do not really result in decarbonisation as in the case of emissions metrics (such as divesting, rather than finding ways to decarbonise a business).



Performance metrics should be stretching for executives and payouts for meeting threshold or target performance should be restrained. For illustration, a 20% payout of a 275% LTIP scheme for threshold performance, as is typical, is an award of 55% of salary, while a 50% payout for target performance is a payout of 138% of salary. Is this warranted for threshold or target performance? A remuneration committee should retain and employ discretion to ensure payouts are matched by the quality and sustainability of the underlying performance. Malus and clawback should have a wide interpretation and be formally accepted by management.

Executives should have significant 'skin in the game' and this should include purchasing shares from own resources.

Remuneration is a complex area and challenging to get the right balance between the various objectives and agendas. Shareholders will invariably give conflicting feedback to remuneration committees. Where we have significant influence, we will engage with companies in the construction of the remuneration policy. Where we feel our shareholding is not as significant then we will share our own remuneration guidelines to make clear to companies what we expect.

We expect companies to supply us with a clear link between the remuneration policy and the long-term strategic objectives of the business. We also expect them to provide us with clear links between remuneration and sustainability issues that are relevant for their company. Should we fail to have a satisfactory response from the company, we may escalate via collaboration with other shareholders and voting against the remuneration policy. We may vote against the election of the remuneration chair and individual board directors where we do not support the remuneration report for a second consecutive year or there is a significant breach of the remuneration policy. We will also use our votes to display our displeasure where there is a failure to employ discretion, when appropriate.

We will continue to develop our own policy and push for higher standards, ensuring that we protect shareholder interests and promote long-termism, set in the context of sustainability for all stakeholders.

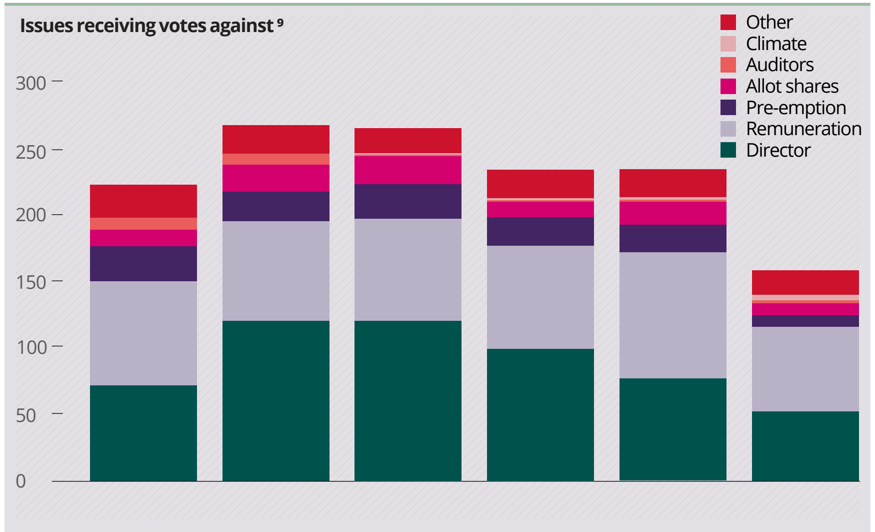
[6] Your Guide Directors' remuneration in FTSE 100 companies October 2022

Voting Record and Difficult Decisions[7]

AGM season and the resolutions and proposals on which we vote, offer a natural point in the year to access a company on certain issues. While we are continually assessing the financial and non-financial performance of portfolio holdings through the quarterly, semi-annual and annual updates; issues such as board composition and performance, remuneration, climate transition plans and reappointment of the auditor come up for review and as such, a definitive assessment is forced by the need to take a position on how to vote. These are very important issues and often throw up difficult decisions. For the most part, shareholders should be voting in favour of a company and its management, otherwise there is something fundamentally wrong and management should be changed. However, votes on climate plans, re-election of non-executive directors and approval of remuneration reports or policies are areas where shareholders may take more robust positions. These topics are proving to be the most contentious votes at AGMs, as demonstrated by data gathered by the Investor Forum. The Investor Forum also highlighted that although "less than 6% of all resolutions put to a shareholder vote by FTSE 100 companies in 2022 saw more than 10% of shareholders vote against the management recommendation", boards "increasingly feel aggrieved with the reduced levels of support that they may receive from their shareholders". On the other hand, shareholders are feeling "the messages that they send through their votes, are often-times not being addressed." The difficult relationship between corporates and their shareholders was further illustrated by a Tulchan report, The State of Stewardship Report, published in November. Directors "felt the relationships between the boards they lead and their companies' shareholders are not working as well as they should".[8] The Report also blamed the role played by the proxy advisors, the "proliferation of ESG (environmental, social and governance) standards and scorecards" and what they see as a box-ticking approach of many institutional investors.

While we have sympathy in some areas raised by the Tulchan Report, Redwheel provided input to the Investor Forum letter that was written in response. That response challenged many of the points made in the Report, including for example the influence of proxy agent reports (they are an input, votes are not decided by the proxy advisers) and the perception among investors that company Chairs have not understood the changes in the client and regulatory landscape faced by investors themselves. This very Stewardship Report we publish reflects that change, as is our adoption of Article 8 status for two of our funds. The Investor Forum has encouraged company boards to engage with investors to resolve these issues, including using the Investor Forum platform. We too are very eager to work constructively with the boards of our portfolio holdings on these contentious issues.

One point where we do feel there is a risk of undermining the relationship with companies, is where in a desire to demonstrate active stewardship credentials, voting records become one of the clearest and easiest metrics to prove activism on the part of investors. The harder assessment on stewardship is a qualitative one and we believe that while voting records are important, they cannot become the main indicator of stewardship, or the unintended consequence will be a decline of real engagements with companies as relationships deteriorate and trust erodes.



The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.

[7] The voting record represents voting across all Team strategies.
[8] Tulchan, The State of Stewardship report November 2022
[9] The Investor Forum Thinking Aloud – 2022 AGM season – Contentious votes

In 2022, we faced a different backdrop to the AGM season than we faced in 2021. The Russian invasion of Ukraine changed the picture, particularly in relation to the energy market. The war has major implications for the energy transition, both good and bad, and for the speed and shape of the transition made by the large independent oil companies such as Shell, BP and TotalEnergies. On the negative side, we saw a rebound in the use of coal for electricity generation, but not as must as expected. Wind and solar generated a record 22% of EU electricity, limiting the increase in coal power to 1.5%. The long-term implications for the oil majors arise from the switch from Russian natural gas piped to Europe, to LNG shipped to Europe. All three of the European majors focus on LNG and this business will grow in the coming decade as Russian gas is fully replaced. This is a business opportunity but will limit the reduction in the scope 3 emissions of the individual companies. It also illustrates the challenges faced by those concerned about global warming; how do we incorporate issues such as energy security, economic growth and the increasing reliance on state owned oil companies from mainly undemocratic countries, with our desire to decarbonise the independent oil companies.

With this backdrop and given both the progress the oil majors had made on their transition plans, we supported the companies through our voting positions in the 2022 AGMs.

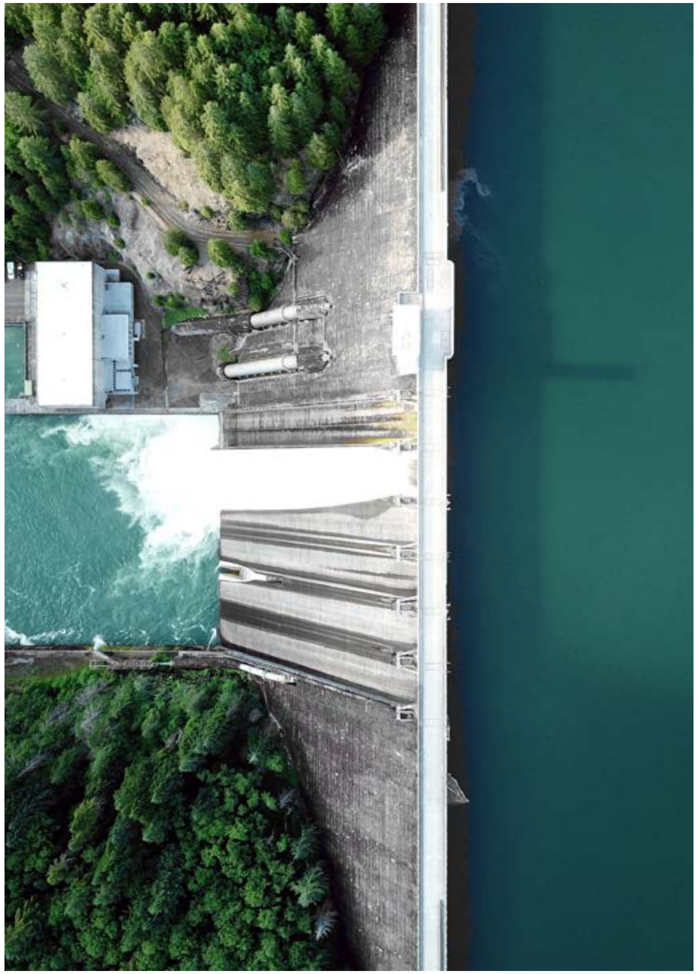
However, this did not mean we sat back on our engagements or on the pressure that we put on the companies we hold to make progress on this transition. In 2021, we voted against the Market Forces shareholder proposal at the Barclays AGM. We felt the company should have more time to develop their plans and they committed to us that they would put forward a 'Say on Climate' at the 2022 AGM. They delivered on the promise of an advisory vote, but unfortunately, in our view, not on the plan itself.

The ambition as stated in the three aims and the various communications from the Chairman and CEO, are lofty. The bank aims to be aligned with the Paris Agreement and the 1.5° goal. It aims to achieve net zero operations, reduce both financed and facilitated emissions in line with the Paris Agreement and to deliver large scale financing for green projects, while helping start-up companies developing climate solutions.

The detail failed the lofty ambition. On Aim 1 the emission reductions were flattered by Covid and the use of energy attributes certificates and carbon offsets. We recognise the challenges to deliver real operational emission reductions and the problem of sourcing enough renewable electricity. However, Barclays, as we all need to be, should be more transparent and less flattering of their achievements on these metrics.

Aim 2 is where real progress can be made with regards to the transition and mitigating climate change. Barclays is a large, global bank estimated to be the 7th largest provider of financing to fossil fuel producers and the largest European provider. The stated ambition to remove thermal coal and unconventional oil from the energy mix, was undermined by policy detail. The policy carved out the US from the 2030 deadline on coal power; it focused on banning lending to fracking in the UK and EU, where it does not lend and fracking is widely banned; it promised to transition oil sands producers to a less carbon intensive destination, but that intensity target does not meet climate requirements. The policy states that it 'integrates' and is 'informed' by the International Energy Agency (IEA) Net Zero Emission by 2050 Scenario, yet the sector targets offer a target based on the pathway that clients are deemed already on, which is not consistent with 1.5°.

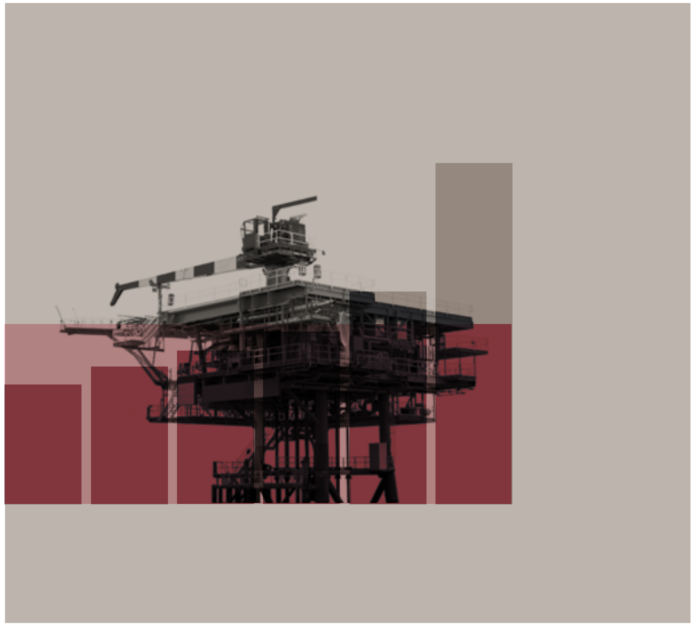
Aim 3 offered large scale financing, the challenge is to understand if this is 'additional' financing under the plan or if it would have happened in its absence. The £175m for impact capital for sustainability-focused start-ups, is very much in the right direction, but the annual share of this capital represented merely 9% of the Bank's marketing and advertising spend in 2021.



Barclays "do not think that simple divestment achieves the aim of supporting the transition of the economy". We agree on this point, selling assets that reflect 'sunk' capital may hinder the transition. However, offering new financing or facilitating new equity or debt is different. We need market signals to push capital away from new fossil fuel projects to renewable energy, particularly away from the dirtiest fossil fuels like coal and unconventional oil and gas. A rising cost of capital is such a signal, but if banks continue to offer financing and facilitate new equity or debt to those companies, that market signal may not be as strong, sending the wrong message to companies in need of transition, potentially slowing or delaying the action that is needed.

We do think Barclays' board is genuine in their desire to be climate champions and to align with the Paris Agreement. We do think they made progress with their transition plan. But, we did not agree that their targets should largely depend on their clients' progress - Barclays as the providers of capital can hugely influence events.

The advisory vote was a chance for shareholders to send a clear, constructive message to the bank that more needed to be done to meet their lofty goals and ambitions. We therefore voted against the Barclays Climate Strategy, Targets and Progress 2022. The result was a 19.2% vote against the Resolution.

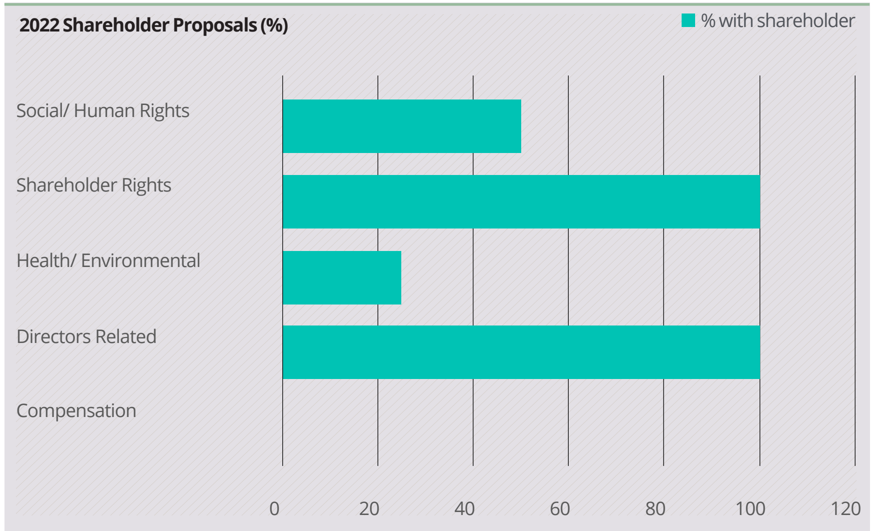


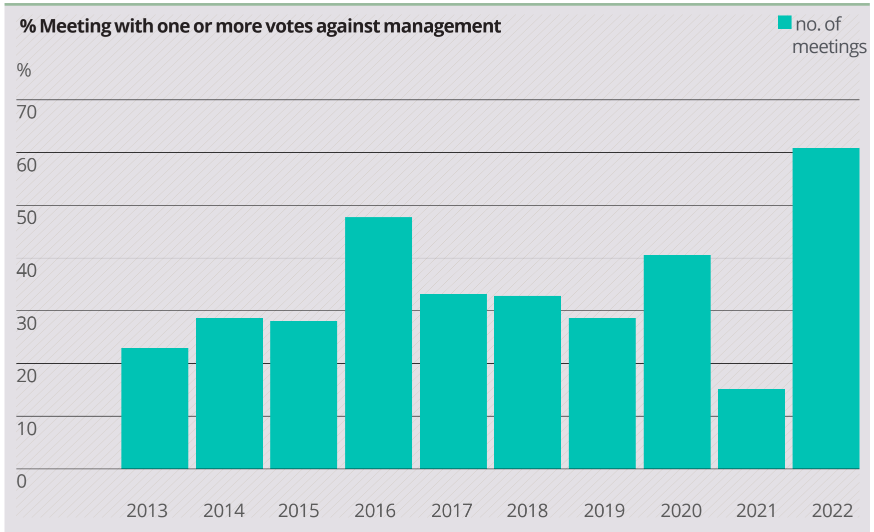
				All Proposal		Management Proposals		Shareholder Proposals	
	Votable Meetings	Votable Voted	% Meetings with One or More Votes Against Management	% of Proposals Voted With	% of Proposals Voted Against/ Abstentions	% of Proposals Voted with	% of Proposals Voted Against/ Abstentions	% of Proposals Voted With	% of Proposals Voted Against/ Abstentions
2013	35	91.4%	22.9%	92.5%	3.4%	94.0%	1.8%	37.5%	62.5%
2014	42	95.2%	28.6%	92.7%	3.8%	94.4%	2.0%	45.8%	54.2%
2015	50	92.0%	28.0%	85.9%	3.6%	88.1%	1.0%	27.6%	72.4%
2016	46	93.5%	47.8%	81.6%	8.6%	83.0%	6.7%	48.5%	51.5%
2017	60	90.0%	33.3%	82.0%	3.2%	82.9%	2.1%	64.7%	25.5%
2018	67	97.0%	32.8%	94.9%	2.9%	95.9%	1.8%	42.9%	57.1%
2019	56	96.4%	28.6%	92.8%	2.8%	94.0%	1.6%	44.0%	52.0%
2020	64	93.8%	40.6%	90.5%	3.6%	91.7%	2.8%	57.9%	26.3%
2021	46	97.8%	15.2%	94.7%	2.0%	95.5%	1.2%	50.0%	50.0%
2022	41	100.0%	61.0%	93.0%	7.0%	93.5%	6.5%	55.6%	44.4%

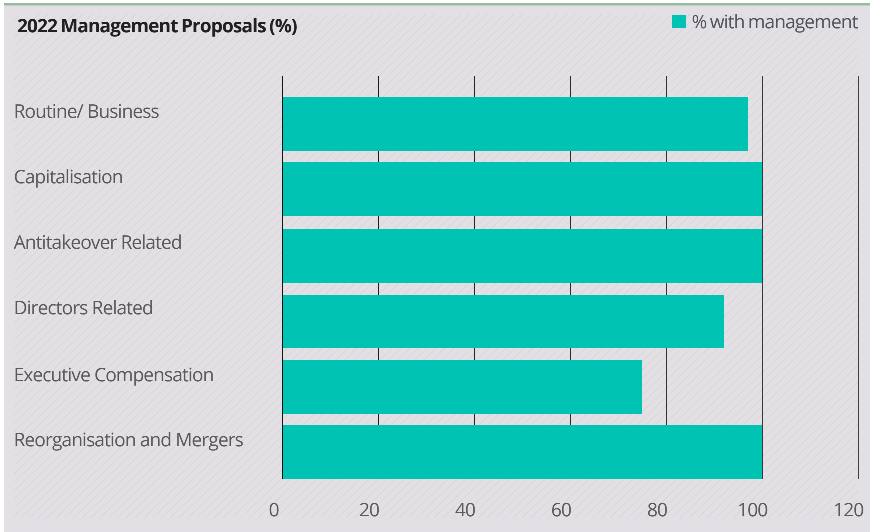
In 2022, we had 41 votable meetings and voted on 100% of those meetings. Of the 76 management proposals, we voted for 93.0% of the time, and against 6.4%. The remaining 0.6% of votes were abstained. Abstaining is an active voting decision and allows us to communicate concerns to management in a more nuanced manner, without completely disregarding progress the company may have made. For example, we abstained from the vote on the re-election of Shell's CEO.

Of the 9 shareholder proposals, we voted for 44% of proposals and against 56% of proposals. We did not support shareholder proposals regarding BP and Shell's energy transition plans, as we explained earlier. We do not feel obliged, nor do we believe it would be appropriate, to have a policy of blanket support for shareholder proposals. Some proposals may be poorly formulated, have unintended consequences or impede engagements.

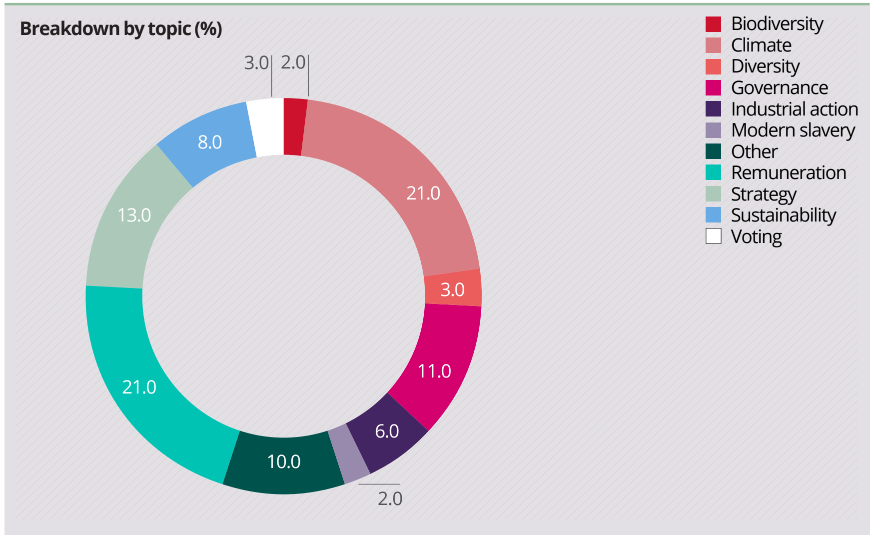
Where we vote against the recommendation of an individual company, we may reach out to that company to provide an explanation and use it as the start of an engagement. For example, ahead of Barclays 2022 AGM, we wrote to Barclays' Chair, setting out why we came to the decision to vote against Barclays's climate strategy, noting we would like to engage further on the issue. In addition, we engaged with ISS to challenge their standard policy recommendation which was to vote with management.

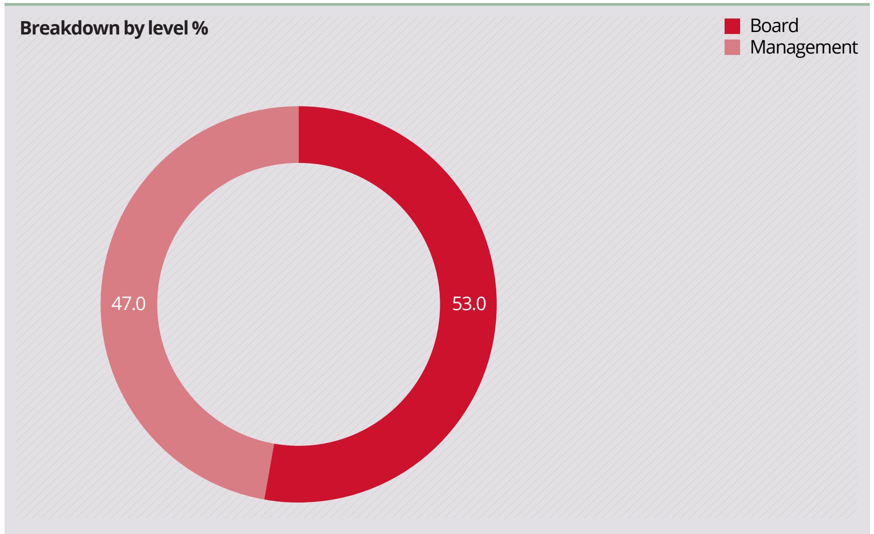






Engagement Record





Source: Redwheel

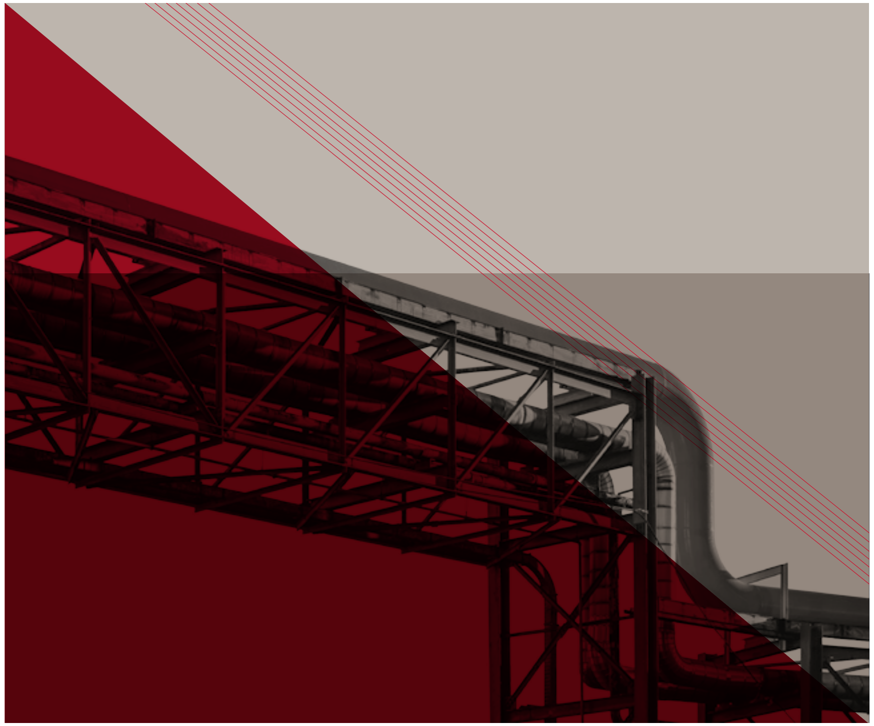
Engagement is of great importance in understanding and communicating with our investee companies. With a long-term investment horizon and a concentrated portfolio, we can build meaningful engagements. The engagement process is led and carried out by the portfolio managers. Engagements are an extension of monitoring, and it is important to add that we feel management time should be protected from excessive demands from shareholders, so we will typically focus on annual meetings with senior management where a company is operating as expected.

Engagements will be determined by the size of the exposure within the portfolio and the materiality of the identified risk, including ESG risks. We will draw from experience in assessing materiality risks, plus we draw from both the company's own materiality assessment and independent assessments on a sector basis, such as the SASB Materiality Map. Please refer to our Team ESG Policy for more detail on how we prioritise engagements.

The number of engagements we have with companies continues to increase. The trend is driven by our desire to understand sustainability risks better, at the same time as companies wish to have the opportunity to explain their sustainability plans to us. In 2022, we had 48 engagements, comprised of 62 separate interactions. This compares to 38 engagements in 2021 and 22 engagements in 2020.

There was a 50:50 split between engagements with the board and management. We will engage with the board when there are question marks over strategy, when there are issues around governance and remuneration or on succession. Additionally, we may engage with the board on sustainability issues when we feel the management team is not engaging sufficiently on the matter or we wish to apply greater pressure on specific topics such as emission reduction targets.

Individual Engagements



Energy

Having suffered badly during 2020 due to the pandemic, with a crash in oil prices resulting in large share price declines and dividend cuts, the oil majors in the portfolio continued their strong 2021 performance into 2022. While the economic reopening was driving demand and price for energy commodities in 2021, 2022 witnessed an energy shock due to the Russian invasion of Ukraine. Our energy holdings had significant exposure to Russia, and this was a major theme of our engagements with them in 2022.

We continued to engage with energy companies on their transition plans as we believe the better approach is to understand the transitions risk through frequent communication and request change or improvements where we conclude that it is warranted. We believe the large oil majors are attractive investment opportunities, over the last couple of years they have strengthened their balance sheets, offer well covered dividends that can grow and are upgrading their assets to make their hydrocarbons more resilient should energy prices decline. They are also diversifying their businesses and deploying capital to take advantage of the energy transition. We believe it is much better to hold these companies and act as responsible owners, than divest the shares to other investors.

We have found BP, Shell and Totalenergies very open to engagement over the last few years, and this continued in 2022. Continued engagement is important, as it allows us to keep abreast of any changes to strategy, and for us to communicate what we are seeing from an investors' point of view.

During the year the three companies continued to make progress on their transition plans. Early in 2022 BP, due to shareholder pressure, lifted their target on scope 1 and 2 emission reduction from 30-35% to 50% by 2030, they also included physically traded energy products in their Aim 3, the products they sell, and increased the 2050 ambition for that Aim from -50% to -100%. Shell reacted to a combination of shareholder pressure and legal action by introducing an absolute target to reduce scope 1 and scope 2 emissions by 50% by 2030.

In the context of progress made over the last few years and the global environment where the independent oil majors are crucial in helping alleviate the energy crisis caused by the Russian invasion, we decided to vote in favour of management resolutions regarding transition plans. However, that support is not unconditional. For example, post Shell's AGM we wrote to their Chair declaring our support but pointing out that we need to see further progress on scope 3 targets and that we felt he should review his management team; we abstained on the re-election of the CEO to highlight this point.

Russia

The Russian invasion of Ukraine has had very significant consequences for the European oil majors held in the portfolio, BP, Shell and TotalEnergies. BP was the first to respond to the invasion, announcing the resignation of its Rosneft Board members and the decision to sell their 19.75% stake in the company. Shell followed with their decision to exit its joint venture with Gazprom, including its 27.5% stake in the Sakhalin-II liquefied natural gas facility. TotalEnergies operates no assets directly in Russia but has significant non-operating assets through their 19.4% stake in Novatek and other LNG projects.

We met with all three companies, including the Chair of Shell, CEO of BP and President, Strategy & Sustainability and member of the Executive Committee of TotalEnergies.

The impact on the companies and ESG considerations is worth reflecting upon. Resource companies are often exposed to regions with low standards on property rights and weaker democratic institutions, sometimes totalitarian regimes. ESG integration assesses the risk and opportunity and whether, in the context of valuation, the risk is worth taking. In this situation an ESG risk materialised, but while shareholders suffered a cost in relation to their exposure to the risk and specifically the impairment of assets linked to Russia, the overall return to shareholders was very positive: in 2022, BP returned +50%, Shell +49% and TotalEnergies +41% as compared to the return on the FTSE All Share Index of +0.3%. We reject the notion that ESG integration should have meant investors avoided completely companies with exposure to Russia or that ESG somehow failed its job, that assessment for us is a misunderstanding of what is meant is meant by ESG integration.

Banks

We engaged with Barclays and NatWest Group over 2022 on their climate transition plans and on the green products they offer customers. On climate, we focus on how the banks are financing and facilitating lending to fossil fuel companies. While on green products, we are seeking to ensure banks are offering genuine and substantive products and not exaggerating their green credentials. The latter we see as both a reputational and regulatory risk we wish to limit.

Barclays published a transition plan in 2021, which we felt was a good start but in need of improvement. The bank updated this plan and put it to a ‘Say on Climate’ vote at the 2022 AGM. In our opinion and based on in-depth analysis, we did not believe the detail of their updated plan supported the high level stated aims and the desire to align with the Paris Agreement. We shared our analysis of the plan with other shareholders, ShareAction and IIGCC. In addition, we wrote to the Chairman, and we publicly announced our position ahead of the vote. This was followed up by a meeting with the Chairman.

Barclays announced in their Q3 2022 earnings “In our year-end climate update [2022 Annual Report] we expect to bring forward the phase-out date for financing thermal coal power in the US from 2035 to 2030, in line with our approach in the UK and in the EU.” In December, they raised the ambition in financing the transition and investment of the Bank’s equity capital into climate-tech start-ups through Impact Capital would be ramped up to £500m by end of 2027. They also announced new targets for their Sustainable and Transition Financing to $1 trillion by 2030. Both developments improved on areas we highlighted in our critique of the plan and demonstrate that Barclays are willing to listen to shareholders and make changes.

In our engagements with NatWest Group, we focused on their climate transition plans, their green products, and governance in the form of director over-boarding. We believe the CEO is genuine in her commitment to climate issues. However, we voted against their transition plan as the Bank has analysed just over half their loan book, therefore has a long way to go to fully understand their financed and facilitated emissions. We do recognise that the Bank does not have the same exposure to the financing and facilitating of fossil fuels as peers, but the assessment of the entire loan book is required to have a full picture of exposure to transition risks.

The real positive impact the bank could make on emissions is in the context of their mortgage lending. The residential sector accounted for 20% of carbon dioxide emissions in the UK in 2021, according to the Department for Business, Energy and Industrial Strategy. Helping to reduce those emissions would really support the UK’s bid to become net zero and make the bank’s loan book more resilient to increasing regulation. An example of this regulation in the introduction of the Minimum Energy Efficiency legislation which makes it unlawful to let out residential or commercial buildings with F or G rated Energy Performance Certificates (EPC) and proposals that the government should legislate for all homes sold by 2033 to also have an EPC rating of C. NatWest’s ambition is to have 50% of mortgages with EPC rating of C or better by 2030, currently 38% of retail mortgages are above C.

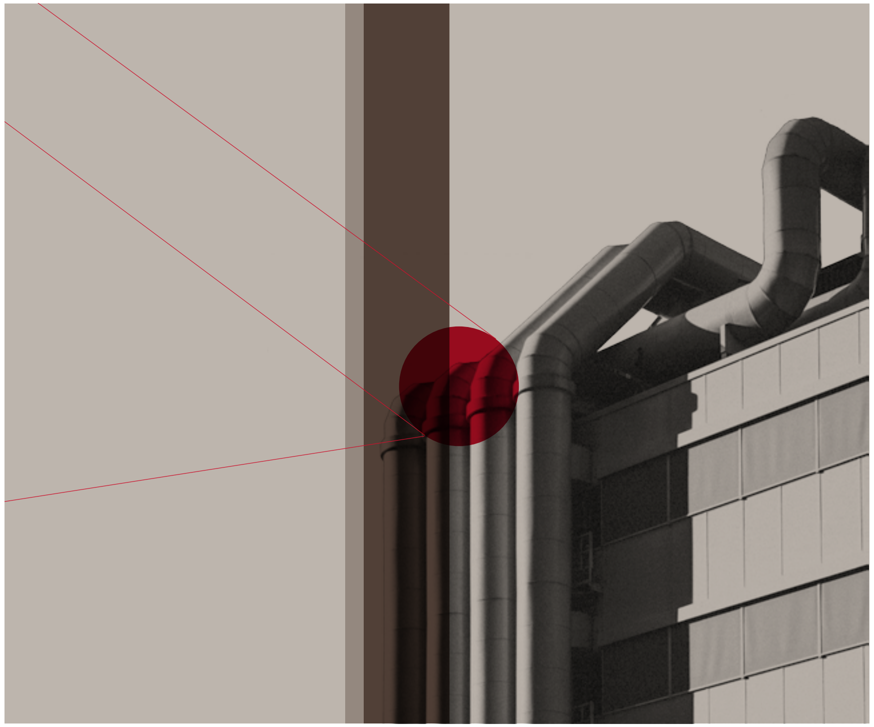
The bank has introduced a green mortgage, but while it is a signal to the market of intent, our assessment is that the product itself does not offer a meaningful financial reward or incentive to homeowners to 'green' their homes. We encourage banks to make green mortgages substantive and to ensure where signalling intent or piloting is the objective, that claims on green credentials are set accordingly.

To understand NatWest better and get our points across we participated in an Investor Forum group meeting with the NatWest Sustainability Team. We met with the CEO and, separately, with the Chairman. With the Chairman we raised these issues of climate and green products, and we also discussed over-boarding.

We also hold Standard Chartered and have engaged closely with the company on several issues, including their climate transition plan. As a bank servicing mainly emerging markets, their transition faces challenges not faced by banks operating in the UK or other developed markets. In March 2022 we met with the chairman of Standard Chartered where he presented the company's report "Our Path to Net Zero". Both the Chairman and the CEO have signalled their seriousness by their involvement in global bodies leading efforts to limit global warming. We voted in favour of the plan at the 2022 AGM.

Standard Chartered appeared very willing to listen to shareholders, it commissioned the Investor Forum (IF) to gather feedback on their Net Zero plan, and we engaged with the IF in February giving our feedback. The enhanced plan following that round of feedback reflects the company's attempt to bring shareholders with them on the AGM vote and for shareholders to vote against the Market Forces resolution. It is difficult to balance a just transition, the challenge to switch off coal in emerging markets and to move to low carbon intensive fuels. It takes a degree of trust. This was one of the key messages we gave to the Chairman, that there must be continuous development of the plan, this cannot be the completed strategy to 2030 and that we want to see the plan followed in spirit, not circumvented in some technical manner. The main area for future development includes an increase in the corporate assets covered by the plan and the inclusion of its capital markets activity, the emissions that the bank facilitates through helping companies to raise equity or debt financing, which do not sit on the bank's balance sheet.

In November 2022, we attended a group meeting with the Chairman and other non-executive directors to discuss governance and strategy, including the transition plan. The opportunity to hear from a number of directors is insightful, while it also affords the opportunity to hear the views of other shareholders and to communicate our own views to those fellow shareholders.



Utilities

Centrica, the parent of British Gas, is an energy supplier, owns upstream assets and a stake in the UK nuclear fleet, and has an energy marketing and trading business. The company has had a very difficult time over the last decade, with an unstable regulatory regime, political interference in the energy market and strategic mistakes resulting in dividend cuts and share price declines. However, the current management team are turning this situation around, they have focused on transforming, simplifying and focusing the business. The balance sheet is now much stronger, and the share price has recovered to mid-2019 levels.

We have engaged with Centrica on various issues, including its climate transition plan. This plan was a big development on its previous position. However, there is further work to do to ensure the company is managing the transition risk, and to reduce its large carbon footprint. The transition risk arises from the move away from fossil fuels, which requires the decarbonisation of home heating in the UK. Currently, home heating is predominantly dependent on natural gas. In a bid to get to net zero, the government is banning gas boilers from new homes from 2025, while the Skidmore Review on the government's net zero strategy proposed the end of new and replacement gas boilers by 2033.

This move away from gas heating will change Centrica's business and the company is already adopting plans to prepare for this outcome. However, through our assessment of the company, our engagements with management and the board, and our collaboration with Climate Action 100+, we believe the company has not set out adequate details on how they will transition over this period. One area we are encouraging the company to improve on, is with respect to its lobbying government on the required regulation to make the transition possible, for Centrica and for its customers. We would like the company to set out in more details what is required to facilitate the move away from gas heating and for the company to evidence their lobbying of government more clearly.

Remuneration

As discussed earlier in the report, remuneration is a key consideration for us with the objective being to pay executives well, while encouraging more 'skin in the game' and longer-term thinking. Our developments to our guidance have been designed to make monitoring of remuneration and engagement with companies more manageable and consistent. Over the year we engaged with several of our investee companies on their remuneration policies and reports.

At Currys 2022 AGM, we voted against their new Remuneration Policy (in the UK, companies will refresh their remuneration policy every three years). We started engaging with Currys on the 2022 Remuneration Policy refresh in September 2021 where we shared our views and remuneration guidance. This was followed by another meeting in March 2022 in which Currys explained the changes they were making to the Remuneration Report. We reiterated the messaging from the previous year, in particular the need for a larger shareholding requirement and a longer post-employment holding period. At the AGM, we voted against the new policy due a breach of Investment Association guidance on post-employment shareholding requirement (Currys policy noted 100% of in-employment shareholding for the first-year post-cessation, then 50% for the second year, against IA recommendation of 100% for two-years). Following the AGM, we wrote to Currys to inform them of our decision. Early in 2023, we held a follow-up meeting with Currys Remuneration Committee Chair. They conceded that they did not fully hear our message with regards to the post-employment holding period and offered to change to 100% of in-employment shareholding for two-years post-cessation.

For Marks & Spencer's 2022 AGM, there was a contentious issue around the Remuneration Report and the pay for departing CEO. His notice was set to be served on his last day of employment with the Company on 5 July 2022. However, in line with best practice, his formal notice should have commenced on 10 March 2022, when his departure was formally announced to the market. We took some time to consider the matter carefully and while it was a challenge for us to vote for a Report when there has been a breach of the IA Principles, we felt it appropriate to do so on this occasion due to progress in the turnaround strategy of the business and that he had been CEO for the entirety of the financial year in question. We wrote to the Marks & Spencer's Remuneration Committee Chair to notify them of our decision, to voice our dissatisfaction as to how the situation had been handled and to note that we expect that no further variable compensation should be paid to the departing CEO with respect to this financial year or the next financial year.

At Pearson's 2022 AGM, we cast our votes against the company's remuneration report. This was due to issues we have had with CEO's remuneration package ever since he was appointed. The CEO was appointed on a salary which was 20% greater than his predecessor and received a significant variable opportunity under a co-investment plan. The co-investment award was both substantial and lacking meaningful performance criteria, in breach of the company's own remuneration policy and clearly breached guidelines from the IA and PLSA. At the time we conveyed our dissatisfaction to Pearson's outgoing Remuneration Chairperson and incoming Chair. We look very unfavourably on instances where companies make exceptions to their own remuneration policies. The company suffered a significant vote against the remuneration report this year, with 23.5% of shareholders voting against Pearson. A 20% protest vote is seen as a marker and companies are required under the UK Corporate Governance code to issue an update statement to shareholders within six months of the vote. One area that Pearson were keen to highlight was that they are a global business, and c. two-thirds of revenue come from the US and two-thirds of the executive team are based in the US, including the CEO. They want to have a remuneration policy to reflects that profile; in general, remuneration for US based executives is much higher than in the UK. We questioned if it was appropriate for the CEO to be based in California due to the time difference. Pearson believes there is currently a talent crisis in the UK and that a UK CEO would not be able to execute their global expansion policy. We aim to keep an open dialogue with the company and will be reviewing the new remuneration policy when available.

Overboarding

We feel that many directors are over boarded and that directors fail to appreciate how much time they may need to dedicate to companies during difficult times. Their ability to commit such time gets tested to the limit when there is a common crisis, such as the pandemic, rather than a company specific one. In addition, many directors hold private company or charity appointments on top of a full portfolio of publicly listed directorships, these latter appointments may often be as demanding as public company positions.

An example of such an engagement was with ITV and Kingfisher over the appointment of the latter's chair as the new chair of ITV.

In March 2022, it was announced that the Chair of Kingfisher had been appointed as the new Chair of ITV, the incumbent stepping down after nine years on the board (Provision 19 of the UK Corporate Governance Code states 'The chair should not remain in post beyond nine years from the date of their first appointment to the board'). We had previously engaged with a Senior Independent Director of Kingfisher on the commitments of the Chair, and thus we were wary of the new appointment as Chair of another large UK PLC, which is also a portfolio holding. Our previous concerns centred on whether the Chair had allowed a drift in strategy and delay in management changes due to external commitments. Following that previous engagement, the Chair had reduced the positions held.

While we appreciate the need for a Chair to have a wide range of experience and skills, we recognise that board service has become increasingly demanding and time-consuming and are thus concerned about potential 'over-boarding'. Given ITV is in a transition phase and facing stiff competition from US based streaming platforms, we see that it is a vital the new Chair be able to give their full attention to the position.

We held meetings with the Senior Independent Director (SID) of both ITV and Kingfisher to raise these concerns. We find it useful to have conversations with board members other than the Chair, CEO or CFO. A SID holds an important position on the board and offering outside views to the SID can help counter the imbalance of information within a board. We conveyed to the respective SIDs our concerns on the Chair's commitments and requested that this be carefully monitored by the board. We subsequently had updates on how the SID had discussed this issue with the Chair and received reassurances about commitment of time, and confirmation that the Chair had no other external governance, advisory or charity roles beyond the two Chair roles.

Another example is where we voted against the re-election of one of NatWest Group's directors. During a follow-up engagement with NatWest's Chair, we explained our internal policy for determining whether an individual may hold an excessive number of external commitments. These comments were well taken, and the Chair explained that he takes a broad view of any other commitments a board member may have and encouraged us to contact him should we have any concerns regarding over-boarding.

Industrial relations

The cost-of-living crisis in the UK has seen much unrest among workers leading to strike action across multiple industries. We saw this through our investments in BT Group, CK Hutchinson and International Distributions Services (formerly Royal Mail Group). The impact of the cost-of-living crisis is felt most by the least well paid. Across the portfolio we have seen management taking action to protect workers, giving the highest increases to the lowest paid staff. To give an example, NatWest Group awarded an average pay increase of 3.6% in 2022, but targeted pay rises for the lowest paid as well as enhanced parental leave and ongoing training and development.

At IDS, the continued normalisation of parcel volumes post-COVID, coupled with a continued inability to make productivity improvements in the UK (as a result of poor labour relations) has meant that the UK business has moved into loss. The company continues to negotiate with the unions but has made it clear that any agreed pay deal needs to be accompanied by improved working practices. Due to the ongoing poor labour relations and resulting strike action by postal workers, we held two separate meetings with the IDS Chair to discuss the matter. These discussions were very important in understanding the position taken by management in this dispute during 2022. While we strongly recognise the benefits of good relations with employees and the importance of treating employees well, there are factors in this dispute that requires strong action by management. The Royal Mail subsidiary is facing a decline in letter volumes and stiff competition in parcel delivery, without improvement in work practices and productivity the company will not be able to survive, and the result could be widespread job losses. The discussions with management also allowed us to better understand other possible future options (including separating the profitable international business, GLS, from the UK business).

Separately, we were contacted by the Unite Union who represent workers at the Port of Felixstowe. The Port of Felixstowe is a subsidiary of CK Hutchinson. CK Hutchinson and the Unite Union have been locked in a protracted dispute regarding pay which led to strikes on two separate occasions. We set up a call with CK Hutchinson to discuss the ports division and the strikes at Felixstowe. Unite rejected a 7% pay increase and a one-time £500 bonus. This had been offered to the workers in April 2022 and would have been backdated to January 2022, which is when pay negotiations took place. At that time, UK CPI was 5.4%, however by the end of April UK CPI had risen to 9.0%. The next set of pay negotiation were expected to take place in January 2023, and at that point in time, the current rate of inflation will be taken into consideration. We were later informed by CK Hutchinson that they had reached an agreement with the union regarding pay negotiations. The proposal was supported by over 90% of union members in a recent ballot. The agreement brings certainty and stability to the firm, employees, and customers over the forthcoming year.

Voting Policy

We recognise our responsibility to actively exercise our voting rights. It is therefore our policy to vote all shares at all meetings, except where there are onerous restrictions, such as share-blocking (where we must surrender our right to dispose of the shares for a period). We do not lend stock.

As an independent investment team within Redwheel we set our own voting policy, however, we draw on the support of the central Redwheel Sustainability team in developing the policy. Our policy is to vote in the best interests of our clients and in line with the high standards of corporate governance as set out in the UK Corporate Governance Code 2018. Our voting is shaped by our fundamental research, by our engagements with our investee companies and by Institutional Shareholder Services (ISS), the proxy voting service. ISS follows best corporate governance practice in each market, based on local norms, codes and regulations. In the UK ISS policy is rooted in the voting guidelines of the Pensions and Lifetime Savings Association (formerly the National Association of Pension Funds, or NAPF) and follows the guidance provided by the Financial Reporting Council in the UK Corporate Governance Code. The PLSA and the UK Governance Code 2018 set a high standard globally on governance matters, along with reference to the ICGN Global Governance Principles, we use these standards as a benchmark on votes outside the UK, and where appropriate we will override local ISS policy for the higher standard.

In 2021 the proxy recommendations were based on the ISS Benchmark Policy; this will change in 2022 when we will refer to the ISS Climate Voting Policy. The move reflects our own evolving views on governance and climate risk. We will, however, diverge from the recommendations when our own research or engagements leads us to an alternative view on what is in the best interests of our clients.

Focus areas

We will continue to develop our voting policy to ensure we leverage this very important and influential shareholder tool to improve outcomes. We will use our position to cast votes on behalf of our investors to support policies that we believe improve corporate social responsibility, many which were set out in our investor letter, Reforming Capitalism, in 2016. These include; 1) improving professionalism of non-executive directors, 2) including employees on company boards, 3) reforming pay and promoting greater 'skin in the game' for management, 4) ending quarterly reporting, 5) encouraging more responsible ownership. Some are more immediately attainable than others.

On remuneration we have set out a clear policy as described in the Remuneration section of this report. Our experience on remuneration engagements tends towards hardening our voting stance at AGMs.

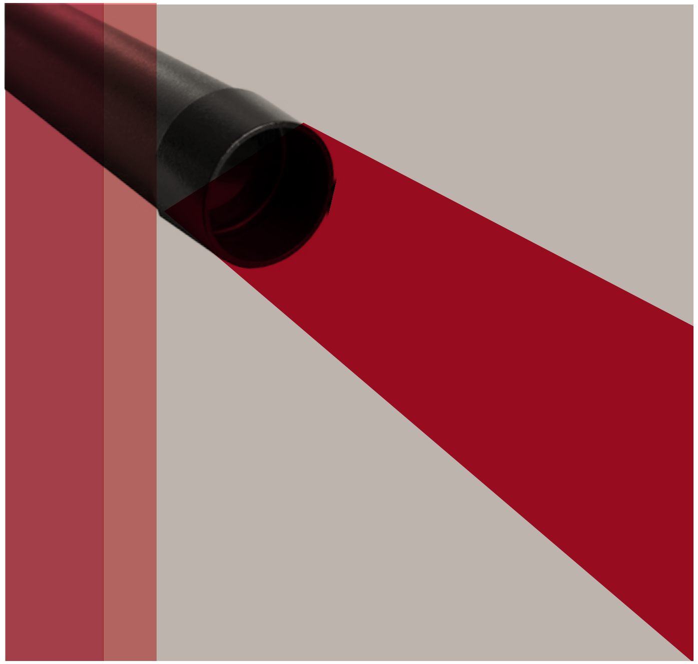
We subscribe to the UK Governance Code on board composition (principle 3) "appointments... should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths."

Diversity offers a defence against 'group think' and improves a board's ability to manage the many opportunities and challenges it will face through a range of experiences, skill sets and backgrounds. We believe the board should be regularly refreshed to benefit from new skills and views. Diversity is also an increasingly important subject for customers and employees, which company management needs to consider.

In addition to composition, we review the election of directors in the context of external commitments, we wish to avoid non-executive directors being overextended with such commitments. While in the normal course of events a portfolio of directorships is perfectly manageable, in a crisis the demands placed on NEDs may increase substantially and we need to see this reflected in board members' obligations. ISS recommends no more than five public company board directorships for an individual, a Chair position counting as two mandates and an executive director counting as three. However, this recommendation fails to account for non-public board memberships or other commitments, nor does it account for how demanding individual company situations may be. As value managers, many of our companies are going through intensive transitions and require a deeper level of commitment than normal. Therefore, we take a more hard-line stance on over boarding by directors. Should a board member be over committed we may communicate this via the Chair or Senior Independent Director and vote accordingly at the AGM.

Shareholder proposals

We will support shareholder proposals (a proposal put forth at the AGM, sponsored by one of the company's shareholders or a group of shareholders) linked to our focus areas, or which aim to raise the standards of corporate governance in other ways. We will also support proposals where we are aligned and where management is not engaging on the specific issue. Where management is responding to shareholder pressure in a constructive manner, we will



allow them the flexibility to find the best and most appropriate resolution of an issue, rather than tying their hands through shareholder proposals.

We support proposals that seek greater disclosure. For example, we dislike companies making political donations and with both political donations and lobbying we will support disclosure proposals from other shareholders. We accept some lobbying is necessary to educate and represent industry to those making laws and regulations pertaining to the industry. However, we monitor companies' memberships of trade associations and non-profit organisations for alignment to the stated principles and policies of a company.

We caution investors seeking blanket support for shareholder proposals. Some proposals may be poorly formulated and have unintended consequences. There are also examples of shareholder proposals countering the spirit of greater diversity and inclusion. One recent example is a shareholder proposal at Disney (Workplace Non-Discrimination Audit link), which works against efforts to foster a diverse and inclusive workforce.

Commitment to our community and industry

In 2020, Redwheel reinitiated programmes on social enterprise, environment, and diversity which together are referred to as SEED. A SEED Steering Committee now has formal oversight of activities, with work in each area being driven by employee volunteers from right across the business.

At a team level we have sought to contribute to our local community. In 2019 we initiated an internship programme for secondary school students. The students are given two-week, paid internships and sit with the UK Value & Income Team, while also gaining exposure to other parts of the company. The students are selected from the Westminster Academy, a non-selective secondary school based in one of the most deprived areas of our borough. According to government school performance tables for 2020, of the Academy's student population 77% do not have English as their first language (England secondary school average 17%), 58% are eligible for free school meals (England secondary school average 28%) and 23% of pupils receive SEN Support (England secondary school average 11%). In July 2022, four students completed a two-week internship. This brings to 13 the total interns since the programme began. While it is small in number, the feedback from the interns gives us a sense of the value of the programme to these students. We would love to share our experience and extend our support in helping set up similar internship programmes in other firms in the industry (please do contact us if interested).

Felix THE FELIX PROJECT

GOOD FOOD FOR GOOD CAUSES

As a team and as a firm we also support the Felix Project. This is a London-based food redistribution waste charity set up in 2016 to tackle the issue of food poverty in London and the waste generated by the food industry (restaurants, food retailers, food producers). Food retailers have set targets to reduce food waste as part of their sustainability commitments, for example Marks & Spencer (a portfolio holding) committing to "100% of edible surplus to be redistributed by 2025 and food waste reduced by 50% by 2030." Charities, like the Felix Project, have a huge role to play in helping to achieve a reduction in food waste, while alleviating food poverty on our doorstep. In 2022, members of the team, along with other Redwheel employees, volunteered for a day at the Felix kitchen in Poplar, swapping spreadsheets and annual reports for a day peeling carrots and washing potatoes!

We endeavour to contribute to the betterment of the industry through participation in industry bodies. John Teahan volunteers for CFA UK, he is currently hosting the CFA UK Climate Change podcast series. He was recognised by the Investor Forum for his engagement work with UK banks on climate issues and was selected as an ESG Champion by the National Resource Forum, for "outstanding contribution in driving forward innovation, education and enacting real change in the implementation of ESG policies and strategies across the industry".

Sustainalytics Data

We use Sustainalytics as our primary ESG ratings provider. In 2019 Sustainalytics transitioned to a new, risk-based, scoring system significantly improving their service and bolstering our internal research. The Sustainalytics ESG Risk Rating measures the degree to which a company's economic value is at risk driven by ESG factors.

	Best rannked Risk Score	Exposure	Overall Unmanaged Risk	Mgmt Gap as % of Manageable Risk
1	Pearson PLC	Pearson PLC	Pearson PLC	Aviva PLC
2	Kingfisher PLC	ITV PLC	Kingfisher PLC	Eni SpA
3	ITV PLC	Kingfisher PLC	ITV PLC	Newmont Corp
4	HP Inc	Currys PLC	HP Inc	Anglo American PLC
5	Aviva PLC	WPP PLC	Aviva PLC	Pearson PLC

	Lowest rannked Risk Score	Exposure	Overall Unmanaged Risk	Mgmt Gap as % of Manageable Risk
1	Shell PLC	Eni SpA	Shell PLC	Honda Motor Co Ltd
2	BP PLC	Shell PLC	BP PLC	KDDI Corp
3	Barrick Gold Corp	BP PLC	Barrick Gold Corp	easyJet PLC
4	TotalEnergies SE	TotalEnergies SE	TotalEnergies SE	Marks & Spencer Group PLC
5	CK Hutchison Holdings Ltd	Barrick Gold Corp	CK Hutchison Holdings Ltd	Citigroup Inc

The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.

Sustainalytics ESG Risk Rating Methodology

The ESG Risk Rating is a measure of a company's 'overall unmanaged risk' which is made up of unmanageable risks (risks that are inherent to a particular business model that cannot be managed by programmes or initiatives – such as product-related carbon risks for an oil company that arise from the burning of oil in the use phase), as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (a management gap).

This ESG Risk Rating is made up of:

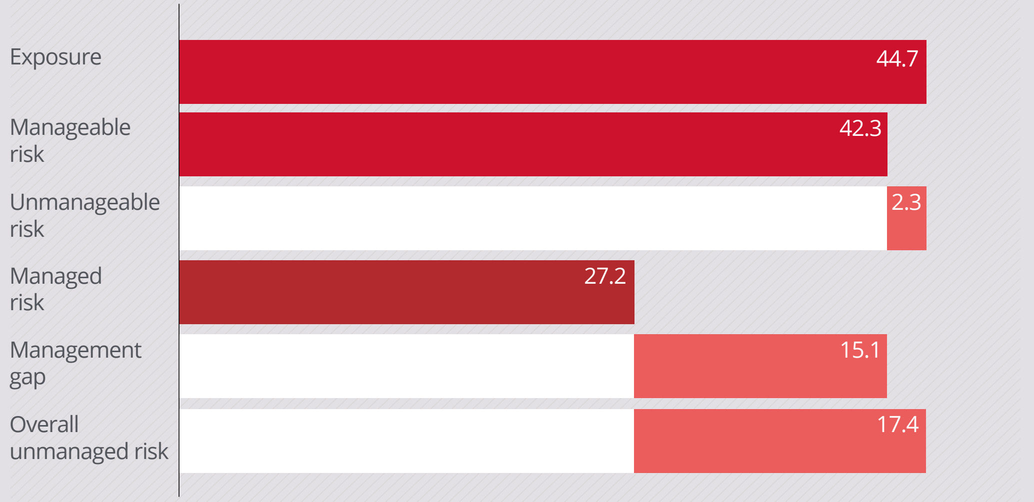
1. Exposure. Reflects the degree to which a company's enterprise value is exposed to material ESG issues.

2. Management. A measurement of a company's ability to manage it exposure to material ESG issues.

A lower ESG Risk Rating represents less unmanaged risk. Unmanaged risk is measured on an open-ended scale starting at zero (no risk) and, for 95% of cases, a maximum score below 50. Based on these quantitative scores, Sustainalytics can group companies into one of five risk categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all industries covered. This means that a bank, for example, can be directly compared with an oil company or any other type of company Sustainalytics cover.

The chart below illustrates this process for NatWest Group. NatWest Group has been determined to have a low ESG Risk Rating.

Sustainalytics NatWest ESG Risk Rating



The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.

Engagement with Sustainalytics

Where we feel that a company is not being treated fairly from a scoring perspective, we will look to engage with both Sustainalytics and the individual company. An ESG score is only one small input in our process, however, it does matter for many funds and thus a weak score indicating high ESG risk may preclude many funds from buying shares in the company and act as an impediment to a higher stock valuation.

Comparison to MSCI ESG Ratings

To aid in our analysis, we cross check the Sustainalytics ESG Risk Ratings versus the publicly available MSCI ESG Ratings[10]; there are some differences between the two. For example, Pearson is the best ranked of our companies on Sustainalytics, while Kingfisher is the best ranked of our companies using MSCI (AAA rating). Shell ranks as the lowest rated company in the portfolio using Sustainalytics, while CK Hutchinson Holdings and Barrick Gold have the lowest using MSCI ratings (BBB rating).

Of the MSCI ESG Ratings data publicly available Kingfisher attains the highest rating of 'AAA', and thirteen companies achieve the second highest rating of 'AA'. Two companies are rated A, and two BBB. We have eight companies for which we do not have access to MSCI ratings. 68% of our holdings are rated A or above on the MSCI ESG Ratings scale.

[10] MSCI ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC).

Sustainability Report: ESG Risk Overview
TM Redwheel UK Eq Inc S Acc

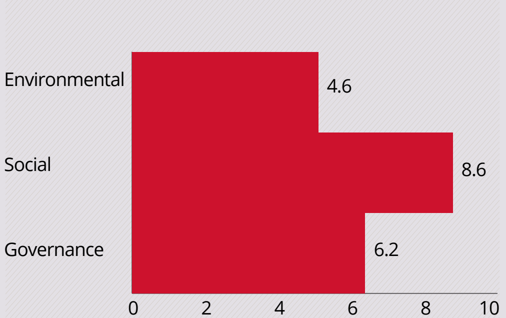
100%
Relative to Category
UK Equity Large Cap

0%
Sustainability Mandate?
No

Current Sustainability Scores based on 95% of corporate AUM and – of sovereign AUM. Sustainability Score and rating as of 31.01.2022. Portfolio as of 31.01.2022. Sustainalytics provides issuer-level ESG Risk analysis used in the calculation of Morningstar's Sustainability Scores. Sustainable Investment mandate information is derived from the fund prospectus.

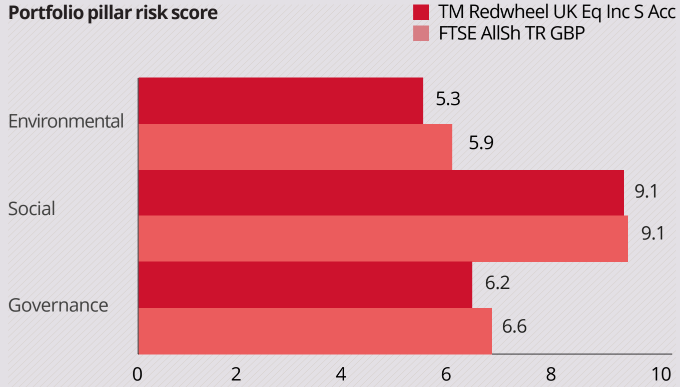
Number of Funds in Category	**446**
Historical Score (Trailing 12 Mo Exponential Average)	**20.6**
Portfolio Score (Recent Portfolio)	**20.6**

Category average pillar risk score



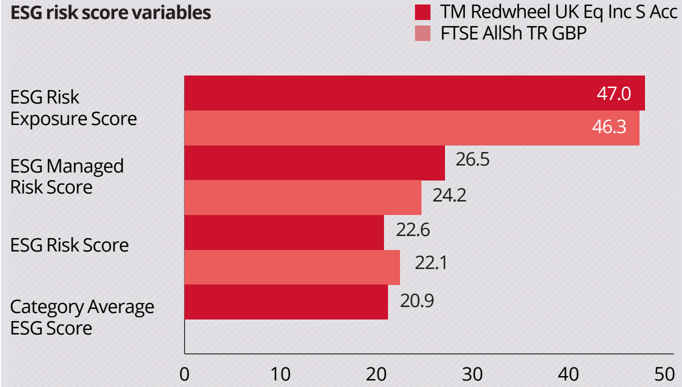
Source: Morningstar Direct.

Portfolio pillar risk score



Source: Morningstar Direct.

ESG risk score variables



Source: Morningstar Direct.

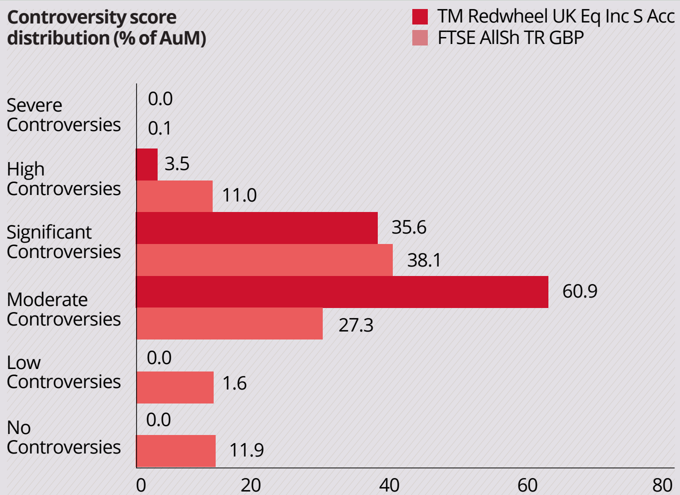
Controversy coverage

Coverage (% of AUM)	94.9
Coverage (# of Securities Scored)	25
Coverage (# of Securities Not Scored)	3

ESG risk score coverage

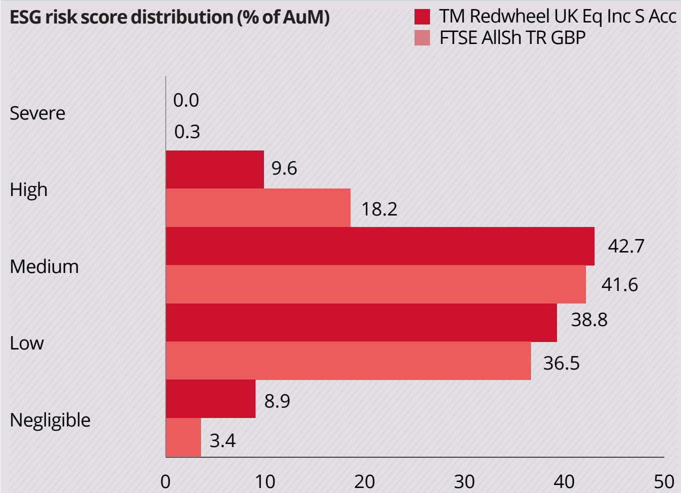
Coverage (% of AUM)	94.9
Coverage (# of Securities Scored)	25
Coverage (# of Securities Not Scored)	

Controversity score distribution (% of AuM)



Source: Morningstar Direct.

ESG risk score distribution (% of AuM)



Source: Morningstar Direct.

The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.
Past performance is not a guide to future results. The prices of investments and income from them may fall as well as rise and an investor's investment is subject to potential loss, in whole or in part.Forecasts and estimates are based upon subjective assumptions about circumstances and events that may not yet have taken place and may never do so.No investment strategy or risk management technique can guarantee returns or eliminate risks in any market environment.

Disclaimer

Redwheel is a registered trademark of RWC Partners Limited.

The term "RWC" may include any one or more RWC branded entities including RWC Partners Limited and RWC Asset Management LLP, each of which is authorised and regulated by the UK Financial Conduct Authority and, in the case of RWC Asset Management LLP, the US Securities and Exchange Commission; RWC Asset Advisors (US) LLC, which is registered with the US Securities and Exchange Commission; and RWC Singapore (Pte) Limited, which is licensed as a Licensed Fund Management Company by the Monetary Authority of Singapore.

RWC may act as investment manager or adviser, or otherwise provide services, to more than one product pursuing a similar investment strategy or focus to the product detailed in this document. RWC seeks to minimise any conflicts of interest, and endeavours to act at all times in accordance with its legal and regulatory obligations as well as its own policies and codes of conduct.

This document is directed only at professional, institutional, wholesale or qualified investors. The services provided by RWC are available only to such persons. It is not intended for distribution to and should not be relied on by any person who would qualify as a retail or individual investor in any jurisdiction or for distribution to, or use by, any person or entity in any jurisdiction where such distribution or use would be contrary to local law or regulation.

This document has been prepared for general information purposes only and has not been delivered for registration in any jurisdiction nor has its content been reviewed or approved by any regulatory authority in any jurisdiction. The information contained herein does not constitute: (i) a binding legal agreement; (ii) legal, regulatory, tax, accounting or other advice; (iii) an offer, recommendation or solicitation to buy or sell shares in any fund, security, commodity, financial instrument or derivative linked to, or otherwise included in a portfolio managed or advised by RWC; or (iv) an offer to enter into any other transaction whatsoever (each a "Transaction"). No representations and/or warranties are made that the information contained herein is either up to date and/or accurate and is not intended to be used or relied upon by any counterparty, investor or any other third party.

RWC uses information from third party vendors, such as statistical and other data, that it believes to be reliable. However, the accuracy of this data, which may be used to calculate results or otherwise compile data that finds its way over time into RWC research data stored on its systems, is not guaranteed. If such information is not accurate, some of the conclusions reached or statements made may be adversely affected. RWC bears no responsibility for your investment research and/or investment decisions and you should consult your own lawyer, accountant, tax adviser or other professional adviser before entering into any Transaction. Any opinion expressed herein, which may be subjective in nature, may not be shared by all directors, officers, employees, or representatives of RWC and may be subject to change without notice. RWC is not liable for any decisions made or actions or inactions taken by you or others based on the contents of this document and neither RWC nor any of its directors, officers, employees, or representatives (including affiliates) accepts any liability whatsoever for any errors and/or omissions or for any direct, indirect, special, incidental, or consequential loss, damages, or expenses of any kind howsoever arising from the use of, or reliance on, any information contained herein.

Information contained in this document should not be viewed as indicative of future results. Past performance of any Transaction is not indicative of future results. The value of investments can go down as well as up. Certain assumptions and forward looking statements may have been made either for modelling purposes, to simplify the presentation and/or calculation of any projections or estimates contained herein and RWC does not represent that that any such assumptions or statements will reflect actual future events or that all assumptions have been considered or stated. Forward-looking statements are inherently uncertain, and changing factors such as those affecting the markets generally, or those affecting particular industries or issuers, may cause results to differ from those discussed. Accordingly, there can be no assurance that estimated returns or projections will be realised or that actual returns or performance results will not materially differ from those estimated herein. Some of the information contained in this document may be aggregated data of Transactions executed by RWC that has been compiled so as not to identify the underlying Transactions of any particular customer.

The information transmitted is intended only for the person or entity to which it has been given and may contain confidential and/or privileged material. In accepting receipt of the information transmitted you agree that you and/or your affiliates, partners, directors, officers and employees, as applicable, will keep all information strictly confidential. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information is prohibited. The information contained herein is confidential and is intended for the exclusive use of the intended recipient(s) to which this document has been provided. Any distribution or reproduction of this document is not authorised and is prohibited without the express written consent of RWC or any of its affiliates.

Changes in rates of exchange may cause the value of such investments to fluctuate. An investor may not be able to get back the amount invested and the loss on realisation may be very high and could result in a substantial or complete loss of the investment. In addition, an investor who realises their investment in a RWC-managed fund after a short period may not realise the amount originally invested as a result of charges made on the issue and/or redemption of such investment. The value of such interests for the purposes of purchases may differ from their value for the purpose of redemptions. No representations or warranties of any kind are intended or should be inferred with respect to the economic return from, or the tax consequences of, an investment in a RWC-managed fund. Current tax levels and reliefs may change. Depending on individual circumstances, this may affect investment returns. Nothing in this document constitutes advice on the merits of buying or selling a particular investment. This document expresses no views as to the suitability or appropriateness of the fund or any other investments described herein to the individual circumstances of any recipient.

AIFMD and Distribution in the European Economic Area ("EEA")

The Alternative Fund Managers Directive (Directive 2011/61/EU) ("AIFMD") is a regulatory regime which came into full effect in the EEA on 22 July 2014. RWC Asset Management LLP is an Alternative Investment Fund Manager (an "AIFM") to certain funds managed by it (each an "AIF"). The AIFM is required to make available to investors certain prescribed information prior to their investment in an AIF. The majority of the prescribed information is contained in the latest Offering Document of the AIF. The remainder of the prescribed information is contained in the relevant AIF's annual report and accounts. All of the information is provided in accordance with the AIFMD.

In relation to each member state of the EEA (each a "Member State"), this document may only be distributed and shares in a RWC fund ("Shares") may only be offered and placed to the extent that (a) the relevant RWC fund is permitted to be marketed to professional investors in accordance with the AIFMD (as implemented into the local law/regulation of the relevant Member State); or (b) this document may otherwise be lawfully distributed and the Shares may lawfully offered or placed in that Member State (including at the initiative of the investor).

Information Required for Distribution of Foreign Collective Investment Schemes to Qualified Investors in Switzerland

The representative and paying agent of the RWC-managed funds in Switzerland (the "Representative in Switzerland") is Société Générale, Paris, Zurich Branch, Talacker 50,

P.O. Box 5070, CH-8021 Zurich. In respect of the units of the RWC-managed funds distributed in Switzerland, the place of performance and jurisdiction is at the registered office of the Representative in Switzerland.

Contact us

Please contact us if you have any questions or would like to discuss any of our strategies.

Redwheel London
Verde, 4th Floor
10 Bressenden Place
London
SW1E 5DH
T: +44 20 7227 6000

Redwheel Miami
2640 South Bayshore Drive
Suite 201
Miami
Florida 33133
T: +1 305 602 9501

Redwheel Singapore
80 Raffles Place
#22-23
UOB Plaza 2
Singapore
048624
T: +65 6812 9540