CASTLEFIELD ANNUAL STEWARDSHIP REPORT 2023

The information is this document was accurate on the date of production. Please note on 2nd December 2024 the naming and marketing rules under the Sustainable Disclosure Requirements (SDR) came into effect and therefore there were changes made to fund names and disclosures. These changes will be reflected in the next version of this document.

CASTLEFIELD

THE THOUGHTFUL INVESTOR

John Eckersley

Founder and Chair

"For 20 years Castlefield has adopted a unique, thoughtful approach to looking after money, reflecting in turn the shared concerns and aspirations of private individuals, their existing financial advisers and the charities they've founded or helped to run. We remain committed to achieving sustainable growth by focusing on the core values of respect, responsibility, independence and innovation; all underpinned by the stability which naturally results from our all-employee share ownership."

Principle 1 1

CONTENTS

PRINCIPLES OF THE CODE & TAGS

This report covers the year 1st January 2023 through 31st December 2023.

To meet our reporting requirements under the UK Stewardship Code, we're using a tagging system to link different aspects of our report back to the underlying principles of the Code. These principles can be seen below.

View the full details of the Code here or go to this address: www.frc.org.uk/investors/uk-stewardship-code

PRINCIPLES OF THE UK STEWARDSHIP CODE 2020			REFERENCES (LINKS)
Principle 1	1	Purpose, strategy and culture	2 10 12 13 14 15 16 17 41 57 71 124 135 136 137 138 139 140 142
Principle 2	2	Governance, resources and incentives	117 118 119 121
Principle 3	3	Conflicts	133
Principle 4	4	Promoting well-functioning markets	109 129
Principle 5	5	Review and assurance	110 118 119 129
Principle 6	6	Client and beneficiary needs	16 18 41 44 57 60 71 86 91 92 119 130 131 132
Principle 7	7	Stewardship, investment and ESG integration	10 11 12 13 14 15 16 17 18 41 42 44 53 57 58 60 67 68 71 72 74 80 81 82 88 89 91 92 104 106 124
Principle 8	8	Monitoring managers and service providers	122
Principle 9	9	Engagement	20 21 22 23 24 25 26 27 28 29 43 45 47 49 51 59 61 63 65 73 74 75 76 78 80 81 83 90 93 94 95 103 104 105 115 123 125 126 127 128
Principle 10	10	Collaboration	30 32 33 34 35 36 37 38 39 46 62 94 103 123 125 126 128
Principle 11	11	Escalation	51 123 127 128
Principle 12	12	Exercising rights and responsibilities	51 55 69 78 84 99 100 107 112 113 114 115 123 126 127 128

GLOSSARY

TERM		DEFINITION
A	AIM	Alternative Investment Market - An investment exchange initially established in 1995 to promote the growth of smaller companies seeking public equity finance. Owned by the London Stock Exchange group, AIM is a Recognised Investment Exchange.
	AGM	Annual General Meeting - a mandatory annual assembly of a company's executives, directors, and interested shareholders.
C	Carbon Footprint	A measure of a group, individual, company or country's greenhouse gas emissions.
	Circular Economy	An economy in which there is no waste because resources are never disposed of – they are continually recycled or re-used.
E	Engagement	Engagement is about the interactions with an investee company, but it is much more than simply meeting with the company's management team. Engagement presents an opportunity to help shape and gain insight into a company's long-term approach to sustainability. It also gives us the opportunity to share our expectations on corporate behaviour and to influence company interactions with their stakeholders.
	ESG	Environmental, Social or Governance issues. These provide a set of parameters to measure the sustainability and ethics of a potential investment. Environmental criteria are used to evaluate the environmental impact a business has (such as its carbon emissions or pollution levels); Social criteria address issues such as human rights policies and responsible employment practices, while Governance criteria include the running of a business or best practice, such as its political contributions, executive pay or shareholder rights.
G	Greenwashing	This relates to the false communication as to the environmental or ESG credentials of a product, service, fund or organisation in order to make it appear to be more environmentally friendly than it really is.
R	Responsible & Sustainable Investment	Responsible Investment can mean different things to different people and covers all manner of investment approaches. Primarily it is an investment approach that considers ESG risks and opportunities as part of the investment process and uses engagement and voting in order to generate sustainable, long-term financial returns. It enables an investor to avoid companies whose activities they do not wish to support, while investing in those whose practices and values reflect their own values.
S	Science Based Target	A carbon reduction target that is aligned with what the latest climate science considers necessary to meet the aims of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels.
	Scope 1 Emissions*	Emissions generated directly by the company, e.g. emissions from boilers or vehicle fleet.

*Scope 1 and 2 figures are provided by an independent third party, Impact Cubed, and comprise of estimated and actual data. At present we only publish Scope 1 and Scope 2 data on our carbon footprint. This is due to the high levels of estimated data that companies use to calculate their scope 3 data. We rely on a third-party provider to estimate the Scope 3 data for our fund and have found that the data varies considerably from year to year and from provider to provider. As such, we have taken the decision to publish only Scope 1 and Scope 2 figures, as the data set is much more reliable and consistent and because companies have a longer track record in accurately monitoring and reporting on this data.

	TERM	DEFINITION
	Scope 2 Emissions*	Indirect emissions, eg. from purchased electricity that the company uses.
	Scope 3 Emissions*	Indirect emissions from sources not owned or controlled by the emitter, but which are attributable to the emitter. For example emissions from the supply chain or from employee commuting.
	Social Good	Examples include telecoms, educational services, healthcare.
	Social Harm	Examples include tobacco, gambling and casino.
	Stewardship	This relates to actively influencing the responsible allocation, management and oversight of an investee's capital in a way that creates long-term, sustainable value. It includes the voting and engagement activity we carry out as investment managers on behalf of our clients.
T	Thoughtful Investor ®	Castlefield's trademarked investment approach. We offer values-based investing from the perspective of being a values-based organisation.

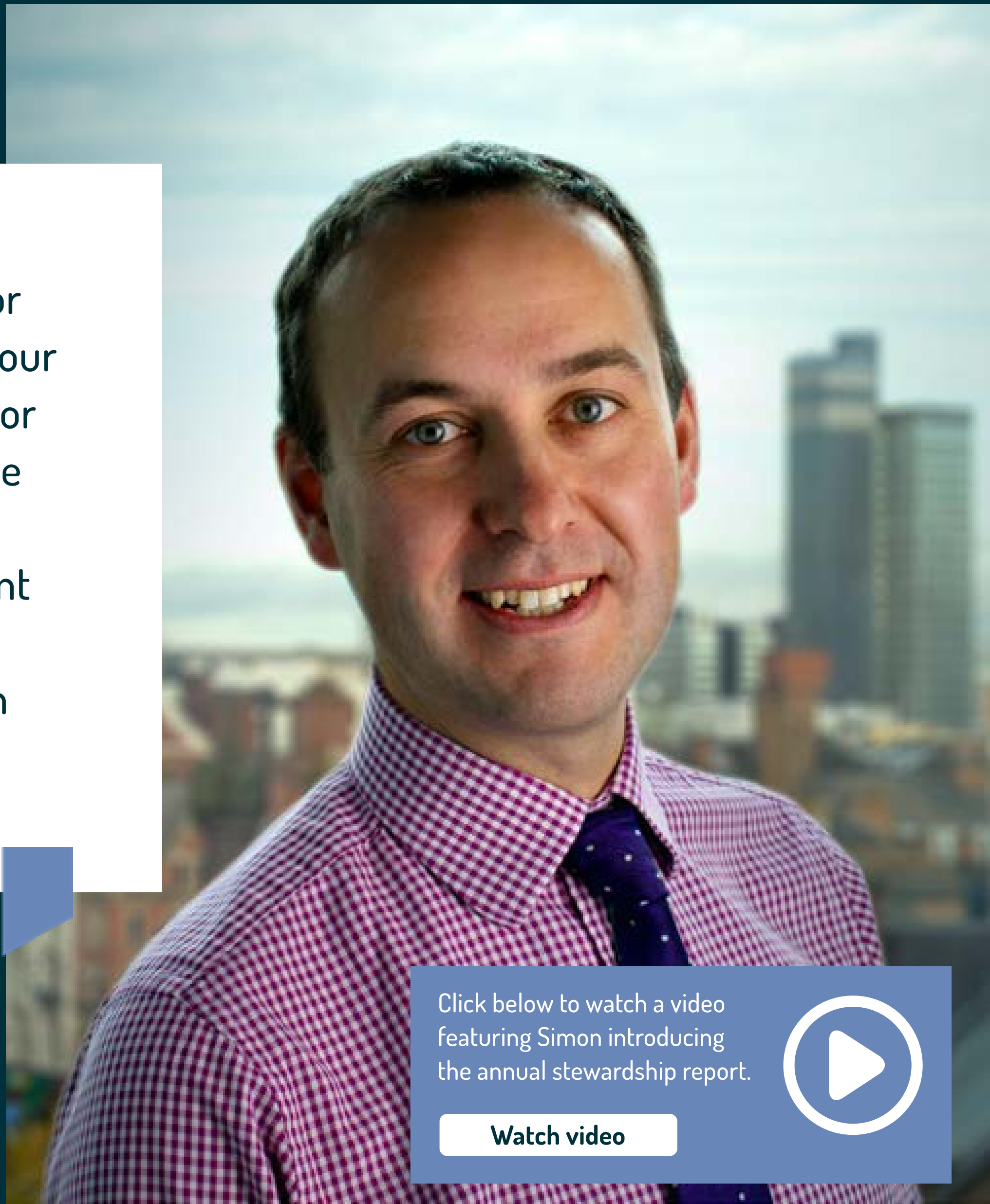
*Scope 1 and 2 figures are provided by an independent third party, Impact Cubed, and comprise of estimated and actual data. At present we only publish Scope 1 and Scope 2 data on our carbon footprint. This is due to the high levels of estimated data that companies use to calculate their scope 3 data. We rely on a third-party provider to estimate the Scope 3 data for our fund and have found that the data varies considerably from year to year and from provider to provider. As such, we have taken the decision to publish only Scope 1 and Scope 2 figures, as the data set is much more reliable and consistent and because companies have a longer track record in accurately monitoring and reporting on this data.

For our full list of industry terms and definitions please visit our website.

"Welcome to our Annual Stewardship Report for the calendar year 2023. As usual, this report is our submission to the Financial Reporting Council for assessment to renew our signatory status to the UK Stewardship Code which, in practical terms for clients and prospects, means an independent evaluation of whether we meet the expected standards of best practice in the work we do on our clients' behalf."

Simon Holman

Partner



FOREWORD

Written by
Simon Holman

Welcome to our Annual Stewardship Report for the calendar year 2023. As usual, this report is our submission to the Financial Reporting Council for assessment to renew our signatory status to the UK Stewardship Code which, in practical terms for clients and prospects, means an independent evaluation of whether we meet the expected standards of best practice in the work we do on our clients' behalf. The report contains the usual information highlighting our work in action, be that company engagement or our voting history, and much more besides. You can access each section by clicking on the tags on page 4 to direct you to the relevant page.

New regulation

Significant change is afoot in the investment world, as regulators have been defining what evidence they need to see in order for sustainable investment strategies to be properly defined; put another way, the long-awaited attempt to tackle 'green washing' is coming to fruition. We've set out in previous reports what we feel explains the authenticity of our approach however, as the regulatory landscape evolves, so do we. The main impact of this work will be reported on a year from now so, in the interim, we trust that reports and updates included here give you a good feel for how we apply your – our clients' – values to your investments.

What you will find in this report

What will you find in this report? Our Net Zero work features prominently, with the subject again having been a key question in each company meeting we held and you can see the analysis of our three priority questions for 2023 detailed herein. Elsewhere, we highlight engagements about remuneration, modern slavery risks and corporate approaches to mental health in the workplace. In addition, we share updates on key collaborative engagements as well as on company-specific work. We're increasingly aiming to identify and explain the outcomes from our Stewardship and Engagement work too.

> "Our Net Zero work features prominently, with the subject again having been a key question in each company meeting we held."

Long-term perspective

It's fair to say that over the past year or two, the merits of sustainable investing have been called into question. In part, that's an inevitable result of the headlong rush by the industry to jump onboard what was perceived as a bandwagon and a lucrative one at that. The tide has gone out for some of those companies and they've had to retreat in response. However, the backlash has also been driven by short-term performance pressures. This is remarkably short-sighted. No investment approach will outperform every single year and the key is in the long-term outcome. Likewise, sustainable investment is focused on tackling long-term challenges: climate change won't be solved in a year and nor will stark social imbalances. Working on these issues and holding companies to account remains a vital part of our approach year-in, year-out.

Collaborate for change

I usually conclude with an open invitation to all investors and stakeholders to get in touch with us if you are interested in collaborating for change – and this year is no different. We know that the chances of success increase with a greater number of voices in support; with so much still to achieve in tackling climate change and social inequality, working together remains as important as, ever. Please let us know if that interests you and we'd be delighted to talk.

RESPONSIBLE AND SUSTAINABLE INVESTMENT AT CASTLEFIELD

INVESTMENT PROCESS

Summary: We believe that our approach to sustainability factors is one of our key strengths, as they are embedded in our investment process. Here, we outline the key features of our investment process and how it's applied in practice.

An integral part of how we invest money involves taking a view on environmental, social and governance (ESG) criteria. We believe that our approach to sustainability factors is one of our key strengths, as these considerations are embedded in our investment process. Our premise is that investment returns will be improved by looking beyond traditional, strictly financial criteria. We believe that companies whose management teams are attuned to business risks, in areas such as the environment or the treatment of their workforce, are more likely to avoid major problems which could impair investment returns.

With this in mind, we developed a proprietary investment selection system – the B.E.S.T framework – to assess the merits of competing investment choices. It's used across and within asset classes and provides a consistent outline for assessing all investment opportunities at Castlefield. It incorporates four main criteria to assess both financial and non-financial attributes that we think can affect long-term investor returns.

As long-term investors, sustainability analysis is an integral part of our research for all asset classes. There are many issues that may be considered by some to be 'non-financial', but it is our view that over many years, these factors, such as good governance and a company's reputation or social licence to operate, will result in better outcomes for a wide range of stakeholders, including investors.

Our screening policy was developed with the views of our clients in mind. Having direct relationships with our clients means that we have been able to take into account the common views and topics of concern when developing our policies. This has previously involved a client-wide survey and, more recently, we have used questionnaires – which are part of our onboarding process for clients with directly invested portfolios – to assess the most frequent concerns and interests. We also have client representation on our External Advisory Committee.

THE B.E.S.T FRAMEWORK

B **Business & Financial:**

- What kind of returns or performance target does the investment aim to achieve?

E **Environmental & Ecological:**

- What is our assessment of any claims made on an environmental theme?

S **Social:**

- Does the investment aim/claim to have a positive social influence and if so, how?

T **Transparency & Governance:**

- Are the aims observable and/or measurable?
- Can we understand how it's supposed to generate the expected returns?

Principle 1 1 Principle 7 7

INVESTMENT PROCESS IN PRACTICE

IDEA FORMATION

Initial idea generation takes places through channels such as fundamental screening and company meetings.

SCREENING POLICY

For our Sustainable Funds, the company, fund or issuer would then be assessed against our Screening Policy

B.E.S.T ANALYSIS

The full B.E.S.T analysis is then completed.

TEAM REVIEW

All investment ideas are discussed by the investment team before a decision is made.

ONGOING MONITORING

Once invested, all assets are subject to ongoing monitoring and our stewardship and engagement processes.

SCREENING POLICY

Our Castlefield Screening Policy applies to our directly invested Sustainable fund range and any directly held asset in our Castlefield Sustainable Portfolio fund range. It states that we will not invest in any company or issuer that derives more than 10% of revenue or operating profit (whichever percentage is the higher) from the industries, products and activities listed below:

a) The manufacture and distribution of weapons and weapons systems

b) Nuclear military

c) Nuclear power generation

d) Infant formula where the retail or manufacture contravenes international guidelines

e) The extraction, mining, processing and production of carbon emitting fossil fuels*

f) Breeding, rearing or trapping of animals for fur and the retailing of fur products

g) Animal testing for cosmetic products

h) The manufacture and retailing of alcohol

i) Gambling, including casinos and betting, gaming machines operators and lotteries

j) Production, distribution and retailing of pornography

k) Manufacture and retailing of tobacco and tobacco-related products

l) Consumer credit companies offering egregiously high interest rate loans and home-collected credit

m) Mining

In the case of third-party funds, we assess the team and manager's willingness and ability to address ESG and sustainability concerns. Again, their approach to assessing sustainability will be different from our own, but we look for funds and investment teams with credible sustainability assessment processes and a strong track record of sustainable and responsible investment.

*During the year, we confirmed that this will also capture oilfield service companies supplying personnel and equipment to support the upstream sector of the fossil fuel industry. However, we generally take a more favourable approach to services that mitigate the negative impact of a controversial industry, such as safety services or supply chain auditing.

View our Screening Policy by clicking here, or by scanning the QR Code (right)

Principle 1 1

Principle 7 7

POSITIVE THEMES

While we believe that negative screening plays an important role in ensuring clarity for investors and consistency throughout our investment process, identifying an investment's positive characteristics is also an integral part of how Castlefield approaches sustainability. The following themes provide the framework for assessing the positive credentials of any individual investment. While we don't seek to invest exclusively in these themes, over time we have found that many of the investments that we make tend to fall into the following categories:

Our Screening Policy and positive themes categorisation is reviewed by our internal Stewardship Committee and External Advisory Committee to ensure that it accounts for emerging sustainability trends.

POSITIVE THEME DEFINITIONS

Cyber Security & Digital Connectivity

In a technology-driven world, cyber security and digital connectivity are essential. Cyber security protects all kind of data from theft, damage and other cyber threats, to the benefit of all. The Cyber Security & Digital Connectivity theme covers companies providing products or services which support consumer privacy, digital security and the development of digital infrastructures.

Education & Training

Education & Training is crucial to economic growth and development and should be accessible to all. This theme covers the provision of products and services that improve the quality of education, such as scholastic materials or academic journals. This theme also encompasses companies widening access to education, along with developers of information technology for the education sector.

Employee Ownership & Responsible Business

Employee Ownership & Responsible Business is a theme which encompasses companies that provide employees with opportunities to build their own personal stake in the business. It is also linked to employee development, youth training, apprenticeships and STEM development. It is an important theme as it helps to align the interests of companies and their employees around securing long-term, sustainable growth. The companies in this theme stress the importance of protecting labour rights and promoting safe and secure working environments, for example, paying living wages.

Environmental Management

Healthy ecosystems purify our air, clean our water, provide us with food and regulate the climate. The environment provides the raw materials which are the foundation of all civilisation and which sustain our economies. Environmental Management is an important theme in our investments. It covers companies which are involved in emissions management, waste control, pollution monitoring and water use.

Financial Resilience & Inclusion

We define financial resilience as the ability to withstand life events that could impact an individual's income and/or assets. The Financial Resilience & Inclusion theme covers companies which provide products and services that lessen the impact of financially stressful events, such as unemployment, divorce, disability, and ill health. This includes firms providing products and services that enable individuals to save and develop financial independence. It also includes insurance companies which focus on improving security and reducing customers' risk exposure.

Health & Wellbeing

Staying healthy contributes to improved quality of life, increased productivity and, ultimately, longer lifespans. We recognise Health & Wellbeing as a positive theme which relates to companies providing products or services that improve access to affordable healthcare or result in better patient outcomes. This theme also includes companies providing products or services that prevent underlying causes of poor health, for example, through the provision of healthy food options and access to exercise facilities.

Principle 1 1

Principle 7 7

Resource Efficiency

Resource Efficiency increases the competitiveness of industries by stimulating innovation. It also boosts sectors such as recycling and resource recovery and helps to secure supplies of key materials. This theme covers companies that can increase the efficiency of resource intensive processes. These companies seek to improve their processes and practices in order to reduce the amounts of raw materials required to produce goods and services while also seeking to improve the energy efficiency of products.

Safety & Regulatory Compliance

Across the economy, companies need to comply with health, safety and other regulatory requirements to ensure the safety and wellbeing of employees, customers and the community at large. Regulatory compliance also helps to build trust with clients. Our Safety & Regulatory Compliance theme relates to companies which manufacture and produce safety equipment. In addition, this theme includes companies that provide products or services which contribute to the reduction of accidents, or that assist companies in meeting their regulatory requirements.

Sustainable Infrastructure

Societies need reliable infrastructure to connect people and supply chains. Sustainable Infrastructure is a theme which relates to companies involved in the provision of resilient infrastructure, including transportation. This theme also includes businesses involved in the manufacturing or operation of real assets, such as renewable energy infrastructure. In addition, this theme covers companies constructing, maintaining and managing social and affordable housing. It also covers institutions financing the transition to a low carbon economy.

Sustainable Supply Chains

It is common for supply chains to be beset with environmental, social and legal concerns. The companies which fall into the Sustainable Supply Chains theme are committed to sourcing materials responsibly. They have policies and practices for eradicating a range of human rights issues, for example, forced and child labour, modern slavery and human trafficking within the supply chain. Another key aspect of this theme is that it also includes companies which take responsibility for their suppliers' environmental and social impacts and manage them in line with the growing expectations of stakeholders.

Principle 1 1
Principle 7 7

POSITIVE THEME EXPOSURE

This chart (see right) highlights how the direct holdings within our Sustainable fund range align with our list of positive themes. While we do not set formal requirements as to how many of our investments must meet the definition of one (or more) themes, we are pleased to report that 92% of our holdings can be categorised.

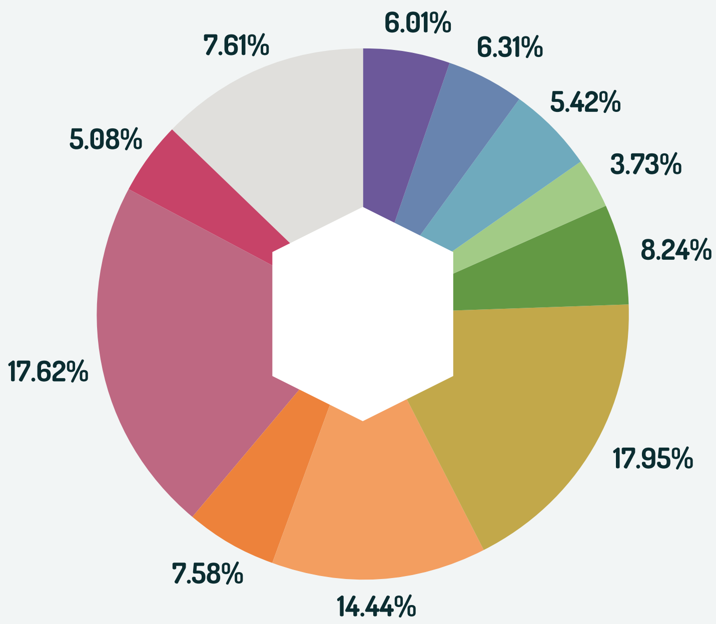
All new holdings are assessed against both our positive and negative themes and while there will remain holdings which we believe are 'benign' from an ethical and sustainability perspective, this chart shows that our investment process is predisposed to favour holdings which have a positive impact on planet and people, as opposed to those which simply pass our negative screening criteria.

Fund level exposure to our positive themes is included in later sections of this report and is updated monthly in the fund factsheets. In addition, our recently published 'Sustainability Review' takes a closer look at our sustainable fund range, covering positive theme exposure and performance across a range of ESG metrics.

View the Castlefield fund factsheets by clicking here, or by scanning the QR Code (left)

POSITIVE THEMES BREAKDOWN

- Cyber Security & Digital Connectivity
- Education & Training
- Employee Ownership & Responsible Business
- Environmental Management
- Financial Resilience & Inclusion
- Health & Wellbeing
- Resource Efficiency
- Safety & Regulatory Compliance
- Sustainable Infrastructure
- Sustainable Supply Chains
- Unclassified



This chart includes all direct equity and bond holdings within our Sustainable fund range and is based on market value as at 30th December 2023.

Principle 1 1
Principle 6 6
Principle 7 7

HOW OUR INVESTMENT APPROACH APPLIES TO ADDITIONAL FUNDS AND SERVICES

Discretionary Client Accounts

In addition to our fund range, we manage discretionary accounts for individuals, charities and businesses. We offer three main services for clients, our Managed Portfolio Service (MPS), our Premium Portfolio Service (PPS) and our AIM Premium Portfolio Service. The MPS generally invests in funds, while both of the Premium Portfolio options allow clients to set their own ethical criteria for investments in UK-listed shares.

Our Castlefield Screening Policy, summarised later in this report, applies to our directly invested Sustainable fund range. For segregated client accounts, any asset held directly will also be subject to our internal Screening Policy, and ESG integration within our Premium and AIM Portfolio Services has been central to our approach for many years. These accounts may also contain exposure to our single-strategy Sustainable funds, to which the Screening Policy applies, and our Real Return Fund (see right for further detail).

Third-party Funds

Third-party funds are assessed in terms of the team or manager's willingness and ability to address ESG and sustainability concerns. While their screening policies and investment process may differ from our own, we look for funds where we believe these principles are an integral part of the process and where the fund house has a track record of considering sustainable and responsible investment opportunities. Forming an effective and ongoing dialogue with the respective managers is a key consideration when adding third-party funds to our portfolio service. While there may be some small deviations from our own Screening Policy criteria, we believe that the third-party funds we choose to invest in on behalf of our clients align well with the spirit and intention of our approach.

Castlefield Real Return Fund

The Castlefield Real Return Fund is the only fund which is not a part of our Sustainable range. The fund aims to deliver returns to investors in excess of UK inflation over, at least, a rolling three-year time horizon. It has been designed to provide returns broadly consistent with those from a pool of 'real assets' but with lower volatility, more in line with that historically observed in the fixed income sector.

While the fund is not explicitly labelled as an ESG fund, it does benefit from some exclusionary factors in the criteria for investment, such as tobacco and armaments companies, and all investment decisions do incorporate ESG risk by way of the B.E.S.T framework which is used across all asset classes. The fund also has a material and growing exposure to sustainability-focused investments such as renewable energy infrastructure.

In order to meet its objective, the fund contains an allocation to structured products, which are investment tools designed for retail and institutional investors alike that have numerous potential benefits, including capital protection, risk/return profile optimisation and diversification.

While equity markets, and to some extent bond markets, have established a framework for sustainable investing, incorporating this into structured products has been slow. Structured notes consist of two separate elements, the strategy itself and the underlying bond-wrapper. We have been able to participate in a number of ESG-linked strategies and sustainability-linked issuance schemes but do not feel that the market is sufficiently developed to commit to using these programmes exclusively. Therefore, while we believe that a significant proportion of the fund's assets do contribute towards positive sustainability trends, we do not feel comfortable badging it as a 'Sustainable' fund at this point in time.

Principle 1 1 Principle 7 7

CASTLEFIELD FUNDS SUSTAINABILITY REVIEW

Written by
Ita McMahon

Summary: In 2023, we published our first Sustainability Review. It provides an in-depth look at each of our sustainable funds and how they perform on a range of environmental and social metrics such as carbon, water and gender diversity.

The Review shows that our funds, when compared against a suitable, mainstream benchmark had:

- Smaller carbon footprints (scope 1 and 2)
- More investment in industries generating social and environmental good
- Far less exposure to industries that damage the environment & society.

The full Sustainability Review is available on our website.

We've also included some updated sustainability performance data in the fund sections of this report, using data from September 2023 for our equity funds and from June 2023 for our portfolio funds, given the time lag that some external fund managers require before releasing holdings data.

A note on the data: at present we only publish Scope 1 and Scope 2 data on our carbon footprint. This is due to the high levels of estimated data that companies use to calculate their scope 3 data. We rely on a third-party provider to estimate the Scope 3 data for our fund and have found that the data varies considerably from year to year and even from provider to provider. As such, we have taken the decision to publish only Scope 1 and Scope 2 figures, as the data set is much more reliable and consistent and because companies have a longer track record in accurately monitoring and reporting on this data.

View the Sustainability Review by clicking here, or by scanning the QR Code (left)

STEWARDSHIP & ENGAGEMENT IN ACTION

2023 ENGAGEMENT: A YEAR IN REVIEW

Written by
Eleanor Walley

Summary: Over the last year, our investment team have had 337 engagements with companies and 80% have included sustainability topics in some form. Climate change remained a key focus for us throughout 2023.

For the second year running, we set out three priority topics related to prominent ESG challenges that we feel are important for companies to address: Net Zero, the rising cost-of-living and its impact on the workforce, and director overboarding (i.e. directors that hold an excessive number of external posts). These are the topics that we've focused most of our engagement on, although the full breadth of topics covered in our outreach is highlighted in the graph on page 24.

Of the 270 engagements with ESG content, substantive engagements represented almost a third of our corporate contact, meaning that it took up a significant portion of the call or meeting, or were meetings where we had specific ESG questions or topics that we wanted to put to the company for a response.

Environmental engagements

During the year, our ESG engagements which covered solely environmental issues was captured at 28%, slightly higher than last year at 27%. Many of these related to Net Zero, discussing matters such as:

- the disclosure of greenhouse gas emissions
- developing a credible Net Zero transition plan
- energy efficiency
- supply chain engagement
- renewable energy

In addition to Net Zero, we covered other topics like waste reduction, environmental management and biodiversity.

Social engagements

The social element of ESG was the sole focus of 16% of our engagements, looking at issues such as:

- human rights
- employee wellbeing
- cost-of-living
- diversity
- health and wellbeing
- financial inclusion
- cybersecurity

In our last annual report, we mentioned the topic of inclusive product design as a new area for engagement – unfortunately, we had to put this on hold while we progressed other priorities such as cost-of-living engagement and the incoming Sustainability Disclosure Requirements (SDR) labelling scheme.

Written by
Eleanor Walley

Governance engagements

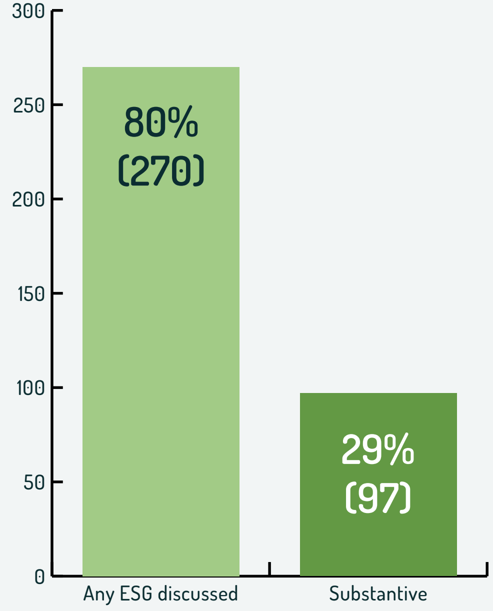
11% of engagements focused only on governance issues, such as:

- board composition
- succession planning
- overboarding
- director remuneration
- auditor independence.

We set out our expectations for investee companies in our Corporate Governance & Voting Guidelines, and we engage with companies particularly during the AGM voting season to gain clarification on concerns or to explain why we are voting in a particular way.

Finally, the largest proportion, 45%, of our ESG engagements tackled a combination of environmental, social and governance issues. The main reason for this is our strategy involved engaging with our equity holdings on three key ESG topics (net zero, cost of living and director overboarding). These are discussed in further detail in the following section of the report.

MEETINGS WITH COMPANIES IN 2023

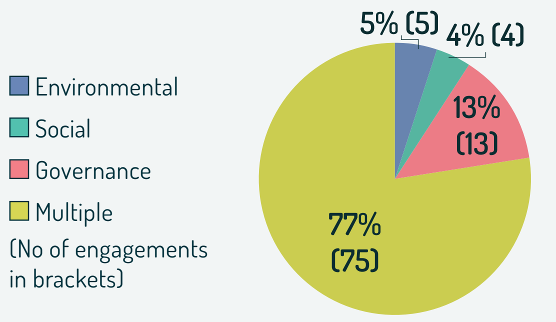


(No of engagements in brackets)

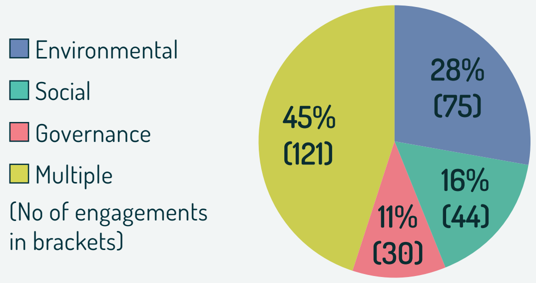
* 'Any ESG discussed' includes meetings where at least one ESG question was raised.

**'Substantive' engagements include those where ESG questions or topics took up a significant portion of the call or meeting.

SUBSTANTIVE ENGAGEMENTS



MEETINGS WITH ESG CONTENT

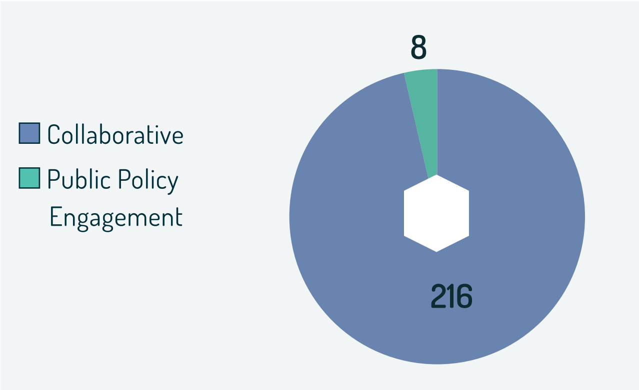


Written by
Eleanor Walley

These 'Other Engagement' figures relate to engagements that take place outside of our more usual conversations with management or investor relations teams, and include:

- Collaborative engagements such as co-signing letters, or directly contacting companies to encourage them to participate in collaborative investor initiatives such as the Carbon Disclosure Project (CDP) or the Workforce Disclosure Initiative (WDI).
- Public Policy engagements, which include individual or collaborative efforts to influence public policy related to social, environmental and governance matters. Over the past twelve months, we have voiced our opinion on topics such as:
    - strengthening Net Zero policy
    - ethnicity pay gap reporting
    - animal welfare
    - tobacco controls
    - agricultural subsidies
    - improving the quality of health metrics reported by food companies on their product
    - prioritizing social metrics in a corporate reporting standard called the ISSB (International Sustainability Standards Board).

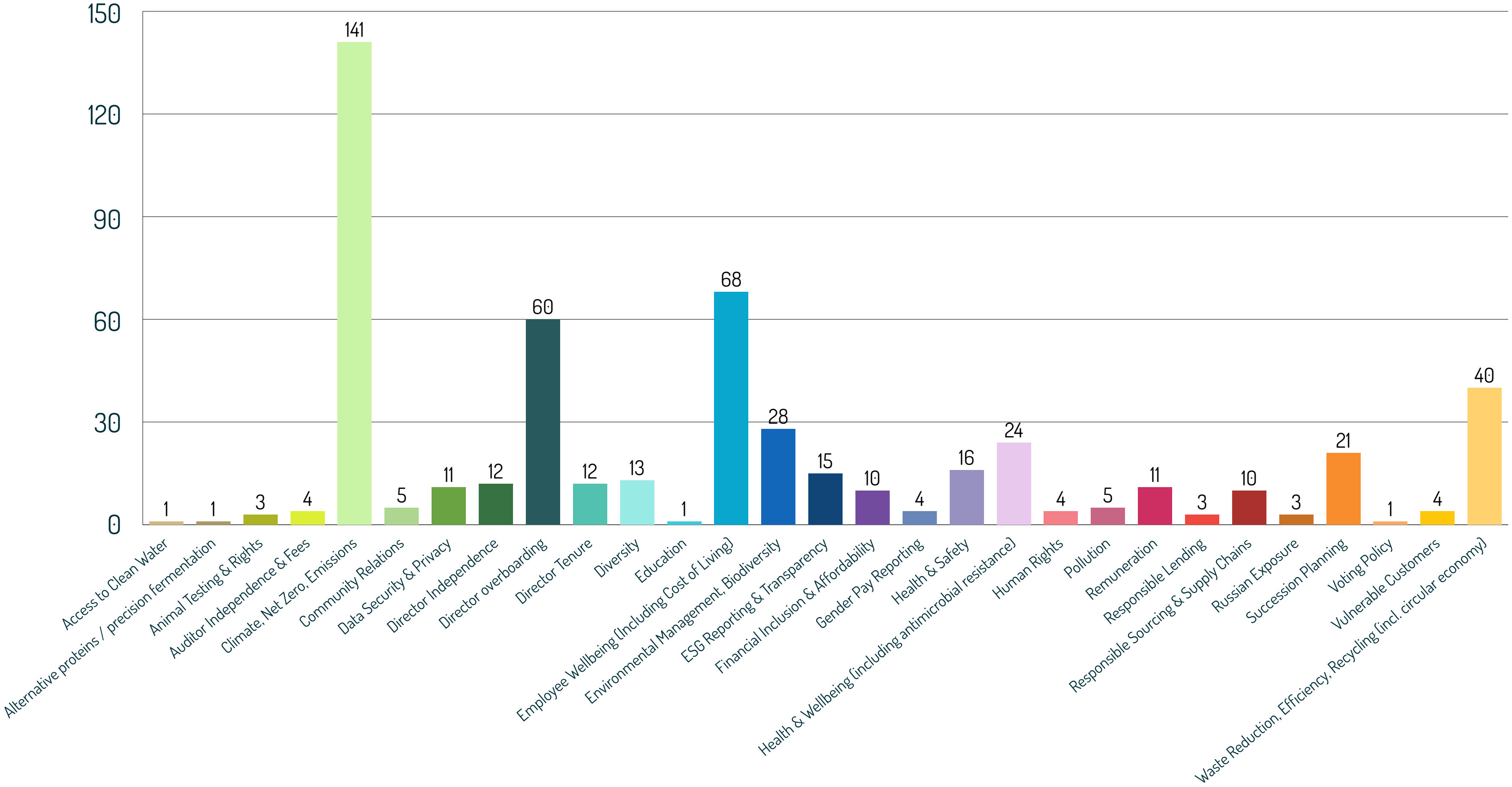
OTHER ENGAGEMENT



Written by
Eleanor Walley

ENGAGEMENT TOPICS IN 2023

This relates to the topics discussed in company engagement throughout the year, including calls, emails and letters.



Note: These categories are not exhaustive or mutually exclusive, but we hope allows an insight into the topics which have been raised most frequently during 2023.

2023 PRIORITY ENGAGEMENT TOPICS

Written by
Eleanor Walley

Summary: In early 2023, we established three priority engagement questions to ask our investee companies over the course of the year. Here we present some of our key findings.

As part of our engagement strategy, we established environmental, social and governance priority topics relating to three prominent ESG risk factors of 2023: Net Zero, managing the impact of high inflation on the workforce, and director over-boarding. Over the past year, we set ourselves the goal of engaging with all of our direct equity fund holdings to build a greater understanding of how businesses are experiencing and responding to these challenges. Our integrated approach means that fund managers can raise these questions as part of their routine meetings with companies, which helps to normalise asking sustainability questions during investor dialogue with company management.

Over the course of the year, we engaged with 86 investee companies on our priority topics, and 13 companies that we no longer hold in our fund range.

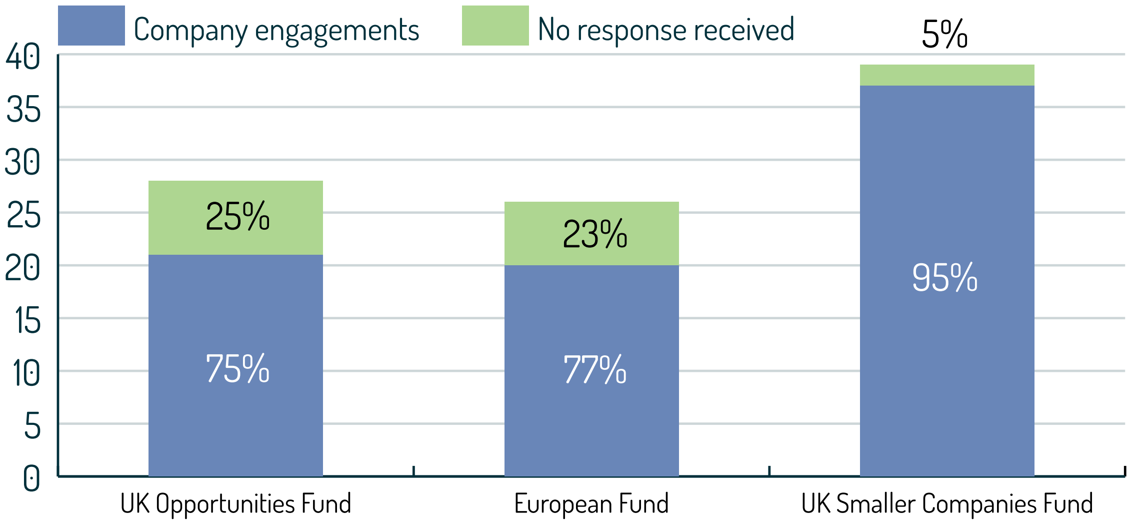
2023 PRIORITY ENGAGEMENT TOPICS

Net Zero: Does the company have a Net Zero target and if not, is the company planning to set one in the near future? Specifically, does the company have a Net Zero roadmap in place?

Social: How has the company supported its workforce throughout a period of high inflation? Do you see further challenges in the year ahead?

Governance: How does the nominations committee take existing commitments into account when appointing a new non-executive director (NED)? Could you provide us with an estimate of how many days a month a NED spends on their role at the company?

ESG PRIORITY TOPICS: RESPONSE RATE



Written by
Eleanor Walley

ENVIRONMENT: NET ZERO

This is the second year that we have engaged with investee companies on Net Zero, taking the opportunity to check in on progress over the previous year, highlight the importance of a credible roadmap and challenge where necessary. Here, we summarise the results across our three equity funds. Further detail on each fund can be found later in the report, within the relevant fund section.

Since 2022, there has been a notable increase in the uptake of Net Zero commitments across our equity funds, with most companies able to demonstrate impressive progress over the last 12 months. While larger companies have both the resources and expertise at their disposal to take the lead in the Net Zero transition, companies of a smaller scale are more likely to face barriers to action – including cost and feasibility. Despite this, our engagements highlighted that many smaller companies are continuing to take the necessary steps to transition to Net Zero. This is reflected in the falling proportion of holdings in our UK Smaller Companies Fund without a Net Zero or carbon neutral target - decreasing from 46% in 2022, to 28% in 2023.

In addition, we are pleased to see a growing number of companies setting science-based targets – this year, a total of 32 companies across the equity funds had set a science-based target, up from 23 companies in 2022. In 2021, the SBTi (Science-Based Targets Initiative) launched the world's first framework for Net Zero target setting aligned with climate science, the Corporate Net Zero Standard, requiring companies to set near-term and long-term science-based targets across its value chain.[1] In 2022, only 1 investee company had confirmed alignment with SBTi's Corporate Net Zero Standard. This has since increased to 9 companies, with a further 15 publicly committing to adopting the standard within 24 months.

This year, we also emphasized the importance of a credible roadmap, which sets out the necessary actions that will need to be taken in order to reach Net Zero emissions. Interim targets and milestones provide crucial points of accountability, at which both the company, but also its wider stakeholders, can measure progress towards the longer-term goal of Net Zero.

1. https://sciencebasedtargets.org/resources/files/Net Zero-Standard.pdf

UK's Net Zero Strategy

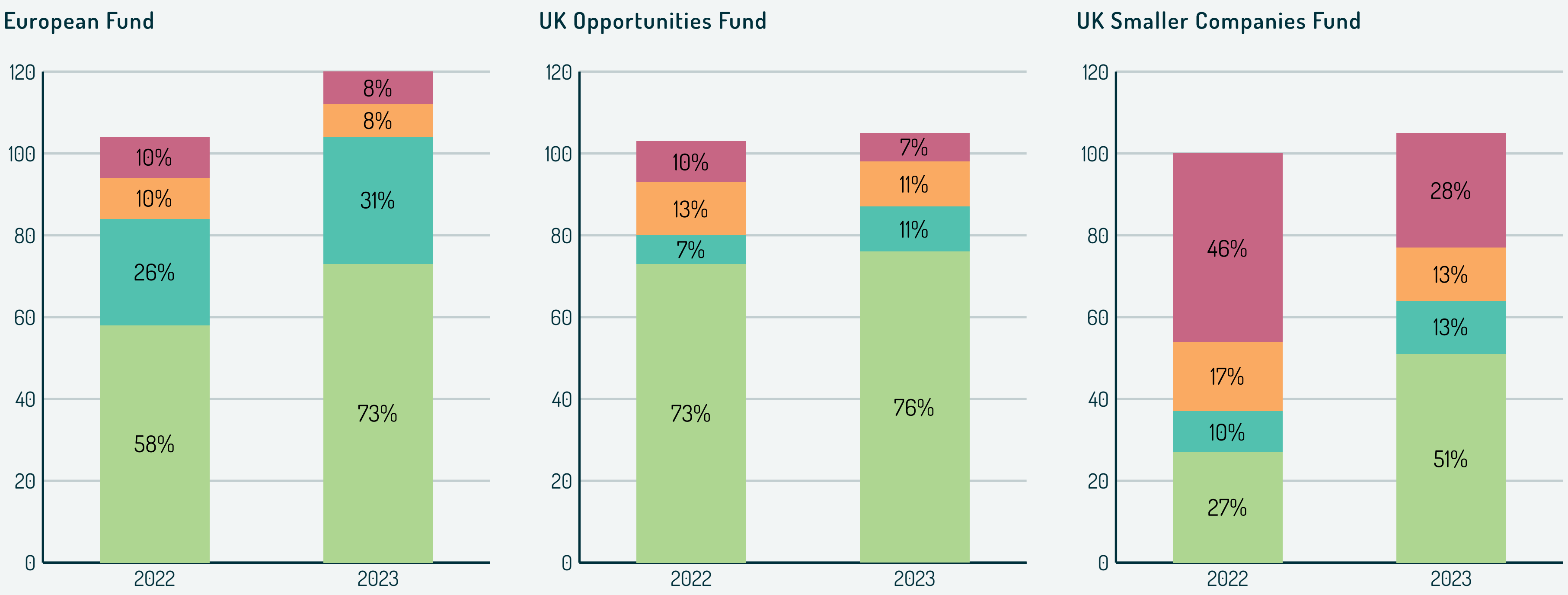
The Climate Change Act commits the UK Government by law to achieve Net Zero greenhouse emissions by 2050.

EU Climate Neutral by 2050

Pledging to be "climate-neutral" by 2050, the EU has set a legally binding target to become an economy with Net Zero greenhouse gas emissions.

Written by
Eleanor Walley

INCREASING UPTAKE OF NET ZERO AND CARBON NEUTRAL COMMITMENTS



- Companies that have set a net zero target
- Companies that have set a carbon neutral target
- Companies that are currently in the process of setting a net zero target
- Companies that have not set a net zero or carbon neutral target

(Note – may exceed 100% due to companies with Net Zero and carbon neutral targets)

Written by
Eleanor Walley

The majority of companies with a Net Zero target had either published, or were in the process of developing, a roadmap – however, our engagements showed that these varied substantially in quality, detail and their level of ambition. Examples of best practice are more commonly associated with the largest companies in our fund range, like BT Group. Widely regarded as a leader on climate action, BT Group's net zero plan details near and long-term science-based targets and time-bound KPIs which are in line with limiting global warming to 1.5°C.

In our UK Smaller Companies Fund, there was also a strong awareness around the importance of a roadmap – while a small number have achieved this, others are partnering with external consultants to develop an actionable plan, or in some instances have focused on building out their expertise by recruiting a sustainability expert. Springfield Properties, a homebuilder based in Scotland, is one example of a company that has made commendable strides forward. In 2021, we provided the company with feedback on their ESG strategy prior to its publication, and this year, we were pleased to see Springfield had developed a pathway to Net Zero setting out short to medium concrete steps that can be taken, as well as high level directions for longer term actions, on their way to Net Zero by 2045.

Achieving Net Zero across the full value chain

Companies have had to grapple with the challenges of measuring and reporting on Scope 3 emissions. Common barriers to action include the lack of reliable, accurate and specific data, a lack of resources, particularly for smaller companies, and the lack of a standardised methodology. Despite this, many of our holdings, particularly larger companies with the resources and expertise at their disposal, have now calculated their Scope 3 emissions and committed to achieving Net Zero across the full value chain.

Others are not too far behind: for example, Strix Group created a Scope 3 emissions map of its end-to-end supply chain, which will inform an action plan identifying opportunities for carbon reduction, particularly within the upstream supply chain. Likewise, leader in compliance services and software, Marlowe explained that they have now incorporated Scope 3 emissions into the Net Zero target for their Occupational Health division and now embark on doing so for the other divisions of the business.

Renewi, a waste management company held in our UK Smaller Companies Fund, has now completed their first assessment of Scope 3 emissions, which will inform a carbon reduction roadmap in 2024 to reduce these emissions over time. Importantly, the company highlighted the carbon avoidance benefit – sometimes referred to as 'Scope 4' or avoided emissions – at the heart of their service. Renewi's purpose is to turn waste into high-value secondary materials to replace the use of virgin resources, and by doing so, reducing millions of tonnes of carbon emissions in value chains every year.

Next steps

As sustainable investors, we are intent on utilising engagements to hold companies to account and push for best practice across material ESG issues. Over the year ahead we will continue to engage with our holdings on Net Zero, prioritizing (i) companies without a Net Zero target in place, and (ii) companies with targets that lack ambition (i.e. a Net Zero target date of 2045, or targets that exclude Scope 3 emissions).

Written by
Eleanor Walley

SOCIAL: IMPACT OF HIGH INFLATION ON THE WORKFORCE

High inflation has been evident in most major markets, and we were interested in understanding how investee companies have supported employees amid this challenging economic environment.

Our engagements highlighted a breadth of measures aimed at partially offsetting the impact of high inflation and ensuring employees are paid fairly across local markets. Many companies responded with competitive pay packages for the workforce, particularly for those on lower salary levels, including additional salary adjustments and one-off cost-of-living payments. For example, Strix Group explained that a significant budget was allocated to create a "hardship allowance," intended to alleviate the pressure of the cost-of-living crisis on lower paid employees. Many companies cited additional benefits, such as French supermarket chain, Carrefour, who responded to the sharp increase in transport costs by implementing measures to support employees' mobility, including financial support for travel passes and aid for the purchase of e-bikes.

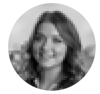
As members of the Good Work Coalition[2], a coalition of investors promoting good work standards including the Living Wage, we were pleased to hear that a number of companies are accredited as a Real Living Wage Employer, including Treatt, Wilmington, Tyman and Kerry Group. The Real Living Wage is the only UK wage rate based on the cost of living, and receiving this accreditation is an important step forwards to demonstrating a commitment as a responsible employer.

Companies operating in consumer-facing sectors demonstrated an awareness of the challenge that high inflation presents not only for its employees, but for customers as well. Consumer goods giant Unilever has been working with a group of companies, including Tesco, to provide personal care products for those in difficult financial positions. Carrefour has sought to prioritise customers' purchasing power, through a range of measures including anti-inflation baskets; entry ranges like the Simpl' brand and price reductions on hundreds of private labels and national brands.

"Companies operating in consumer-facing sectors demonstrated an awareness of the challenge that high inflation presents not only for its employees, but for customers as well."

2. https://shareaction.org/investor-initiatives/good-work-coalition

Written by
Eleanor Walley



GOVERNANCE: THE ISSUE OF 'OVERBOARDED' NON-EXECUTIVE DIRECTORS

While there is no standard definition of over-boarding, the Corporate Governance Institute defines it as "when one person sits on too many boards, which diminishes their ability to serve the organization effectively".[3]

The issue stems from the concern that excessive time commitments may inhibit directors' ability to fulfil their duties and effectively serve the company. At Castlefield, we have adopted an internal scoring system to determine whether a director is overly committed, which is set out in our Corporate Governance & Voting Guidelines. The system works by attaching points to certain roles; for example, an individual would be allocated three points for an executive role at a listed business and one point for a non-executive director (NED) role. Typically, we vote against directors scoring above our threshold of four points, unless a rationale is provided by the company to demonstrate that the individual has sufficient capacity to carry out their existing duties in full. While we recognize that scoring systems may not pick up on the nuance of individual roles, they give us a baseline to work from and engage with companies to better understand the context for specific firms and their board members.

During our discussions with investee companies, we sought to understand the average number of days a NED spends in their role at the company, which in turn allowed us to assess the accuracy of our internal scoring system. Inevitably, time commitments vary depending on directors' seat type – for example, the time demands for a Chairperson are greater than a NED. Roles in Board committees (particularly Chair positions) also come with greater time commitments. We found that, generally, NEDs dedicated between one and three days a month to the company, increasing to between three and six days a month for a Chairperson role. Several companies provided us with a detailed breakdown of individual attendance and time spent in post, which is a level of transparency that we would consider as best practice.

3. https://www.thecorporategovernanceinstitute.com/insights/lexicon/what-is-overboarding/

Reflecting on our findings at the end of 2023, we feel that our internal scoring system remains appropriate. It also reinforced our view that overboarded directors present a significant risk to the effectiveness of the Board.

> "Our overboarding policy allows us to be confident that directors have enough time to effectively serve the company, while also maintaining the flexibility to accommodate urgent or ad hoc meetings"

Of course, we want to support high-calibre and experienced directors. In addition, voting against an 'overboarded' director may not always be in the best interest of stakeholders – for example, in the case of directors who have been central to the progress or transformation of a company. However, our overboarding policy allows us to be confident that directors have enough time to effectively serve the company, while also maintaining the flexibility to accommodate urgent or ad hoc meetings. Board succession planning is vital to mitigate the risk of a small pool of individuals sitting on multiple boards limiting diversity and potentially hampering progression. Not only is there a business risk, but we also recognize the potential impact a heavy workload may have on mental wellbeing which, most importantly, comes at a great cost to the individual.

COLLABORATIVE & PUBLIC POLICY ENGAGEMENT

Written by
Eleanor Walley

ENGAGING WITH WHITBREAD ON WORKPLACE MENTAL HEALTH AND WELLBEING

Summary: As a signatory to the CCLA Corporate Mental Health Benchmark, we engaged with Whitbread to discuss the company's existing approach to workplace mental health and identify key recommendations for improvement.

Poor mental health incurs significant human and economic costs. The aftermath of the pandemic and the recent cost-of-living crisis add an additional layer to the problem and lend a greater level of urgency to protecting the population's wellbeing. Further, a growing body of evidence points to the clear business case for prioritizing workplace mental health to support a healthy and productive workforce.

In recognition of this issue, Castlefield are proud signatories to the CCLA Mental Health Benchmark UK 100[1], which assesses 100 of the largest UK-listed companies on their global approach to workplace mental health. Following the publication of the 2023 benchmark and individual company assessments, we led an engagement with Whitbread PLC, a leading hotel and restaurant group held in our Sustainable UK Opportunities Fund.

Whitbread adopts a holistic approach to employee wellbeing, centred around three pillars: physical, mental and financial. There is a strong emphasis on increasing awareness of workplace mental health and improving access to specialist support services. Currently, there are 121 Mental Health First Aiders across the company with further investment being made to increase these numbers. Whitbread has partnered with Hospitality Action to provide employees with access to free, anonymous, independent support and services from individuals that are fully qualified to assist. Internally, communication programmes like Wellbeing Wednesday aim to foster a safe environment for individuals to discuss and share experiences.

There is a real opportunity for Whitbread to be seen as a leader on this topic; however, the company's public disclosures must match up to what they are already doing – for example, describing how the mental health policy is implemented on a day-to-day basis and reporting on the uptake of workplace mental health initiatives.

Collaborative engagement is a highly effective tool, allowing us to amplify our voice and work with other investors to encourage companies to take effective action on a range of ESG issues – workplace mental health, climate reporting, modern slavery and greater diversity at board and executive committee levels, to name a few.

Outcome: After providing the company with reassurance that the benchmark is not attempting to measure how 'happy' a workforce is – reducing the complexities of mental health to a simplistic set of KPIs would be unfeasible – but rather an assessment of the management and governance of mental health, Whitbread could see the value in strengthening its public disclosures.

1. https://www.ccla.co.uk/mental-health

"Collaborative engagement is a highly effective tool, allowing us to amplify our voice and work with other investors to encourage companies to take effective action on a range of ESG issues – workplace mental health, climate reporting, modern slavery and greater diversity at board and executive committee levels, to name a few."

Eleanor Walley

Assistant Sustainability Analyst

Written by
Eleanor Walley

TACKLING MODERN SLAVERY: ENGAGEMENT WITH PARK PLAZA HOTEL GROUP EUROPE

Summary: Castlefield led an engagement with hotel group, PPHE, to discuss the company's approach to tackling modern slavery risk

Modern slavery refers to the process of holding a person in forced service, an umbrella term which encompasses four areas: slavery, servitude, forced compulsory labour and human trafficking. Businesses have a pivotal role to play in undertaking effective meaningful action against modern slavery, particularly given 16 million victims are working within the private sector globally.[1]

Castlefield are signatories of 'Find it, Fix it, Prevent it', an investor initiative led by CCLA, calling on businesses to implement better processes for identifying modern slavery, provide effective remedy for victims and prevent a reoccurrence. As the focus this year has been the hospitality sector, Castlefield engaged with international hotel group, PPHE.

The Head of Compliance at PPHE emphasized that no instances of modern slavery have been identified at the company and was able to talk us through the rigorous preventative measures that the company has in place. PPHE recognises that outsourcing activities increases the risk of modern slavery occurring and as such has taken the decision to bring areas like housekeeping back under its direct control, to minimise this risk. However, risk is still present in areas such as PPHE's outsourced laundry services, although the company do favour suppliers in close proximity to the hotel and prioritise long-term supplier relationships because this opens the door to ongoing supplier due diligence. PPHE also recognises the risk of modern slavery among its customer base, providing training for front of house staff to identify particular vulnerability markers (i.e. unusual configurations of parties or room requests). In 2021, covert audits in all UK hotels were undertaken to test staff competence in identifying vulnerable persons and child exploitation.

Construction is another high-risk sector for modern slavery and we were interested in how PPHE monitor this, given the company's oversight of site acquisition and development. Monitoring recruitment practices by reviewing travel documents and ensuring construction employees are in control of their own documents are essential steps in combating risk. Italy, Croatia and the UK are the company's main construction regions and the higher use of contract labour in Italy means that it is the main risk jurisdiction.

Outcome: We felt reassured that PPHE were able to draw on the proactive steps that are being taken to minimise modern slavery risk, such as in-housing areas of its staff base. Following the engagement, PPHE provided us with a written response on the company's approach to tackling modern slavery, which we circulated to the wider investor coalition.

1. https://media.frc.org.uk/documents/FRC_Modern_Slavery_Reporting_Practices_in_the_UK_2022.pdf

Written by
Barney Timson

CDP NON-DISCLOSURE CAMPAIGN 2023

Summary: This year, we participated in the Carbon Disclosure Project's (CDP) non-disclosure campaign, encouraging six companies to disclose their environmental impact data.

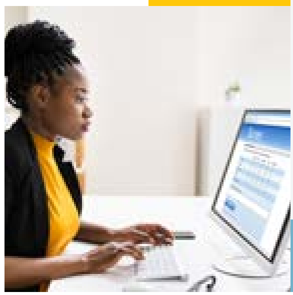
For the third year running we participated in CDP's non-disclosure campaign, which seeks to encourage companies to disclose their climate, water and forestry risks to an online portal, from which the data is made publicly available. In 2023, nearly 6,000 companies disclosed environmental impact data to CDP, a 15% increase year-on-year. The 2024 iteration of the campaign sees some change, as the questionnaires will be fully aligned with the ISSB climate standard. Separately, as part of the 2024 updates, dedicated questionnaires will be launched for small and medium sized enterprises.

Due to the success of previous campaigns in getting our investee companies to disclose their environmental impact data, the pool of companies we could approach in the 2023 campaign was reduced. In 2023, we approached six investee companies across the fund range, with two companies disclosing as a direct result of these engagements (33% response rate). We engaged with four of the six companies on the topic of climate change and the remaining two on water, with one response received in each category.

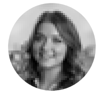
This year, we saw an increased focus on property during the campaign, with half of the companies we approached classified as Real Estate Investment Trusts which directly own property assets. Both asset owners and developers are increasingly expected to provide data on underlying energy usage and take into account the environmental cost of embedded emissions. During our engagements, the vast number of sustainability related questionnaires was flagged as a capacity constraint for the companies required to disclose. The roll out of ISSB, with which the 2024 CDP questionnaires will align, is seen as a positive in terms of streamlining the disclosure process for firms, who are increasingly expected to provide additional data each year. The ISSB (International Sustainability Standards Board) is a global initiative designed to bring together many different corporate reporting frameworks so that companies can use standardised metrics in their sustainability reporting.

Outcome: Following engagement, two companies agreed to disclose data – Schroders REIT responded to the climate questionnaire and Spectris responded to the questionnaire on water security.

"In 2023, nearly 6,000 companies disclosed environmental impact data to CDP, a 15% increase year-on-year."



Written by
Eleanor Walley



THE WORKFORCE DISCLOSURE INITIATIVE (WDI): THE ROLE INVESTORS CAN PLAY IN IMPROVING CORPORATE DISCLOSURES ON WORKFORCE DATA

Summary: Castlefield continues to support the WDI, this year encouraging thirteen investee companies to strengthen their disclosures on workforce issues.

Since 2018, Castlefield has actively supported the WDI, which aims to increase corporate reporting and transparency on workforce and supply chain issues. The survey provides companies and investors with comprehensive and comparable data covering a range of areas, including but not limited to health and safety, diversity and inclusion, human rights, and employee wellbeing.

This year, we contacted thirteen companies encouraging them to complete the WDI survey, six of which had not previously featured on the WDI's target list. Four companies subsequently confirmed participation in the survey, three of which are first-time responders. One further company stressed that they were allowing a recently appointed board member the opportunity to take a deeper look into the survey and will aim to participate next year. Common reasons for declining participation included a growing volume of non-financial reporting requirements, such as the EU's Corporate Sustainability Reporting Directive (CSRD), coupled with a lack of capacity to keep up to speed with this growing workstream.

Yet, the origins of WDI derive from investor frustration at the lack of available standardized and comparable corporate workforce information, which made it difficult to evaluate prospective and investee companies. The business case is also clear, as good management of people is essential for a company's reputation, resilience and long-term success.[1]

> "good management of people is essential for a company's reputation, resilience and long-term success.[1]"

We look forward to our continuing involvement with the WDI investor coalition, encouraging investee companies to take concrete steps to strengthen its disclosures and improve working conditions.

Outcome: Following engagement, four companies confirmed participation in the WDI survey, three of which were responding to the survey for the first time. In addition, two of these responders – Assura and XP Power – are companies which were not previously on the WDI's radar.

1. https://shareaction.org/workforce-disclosure-initiative/become-an-investor-signatory

Written by
Eleanor Walley

BBFAW GLOBAL INVESTOR COLLABORATION ON FARM ANIMAL WELFARE

Summary: Castlefield co-signs a letter to 150 of the world's largest food companies, encouraging them to continually drive up standards on farm animal welfare across the supply chain.

Since 2012, the Business Benchmark on Farm Animal Welfare (BBFAW) has established itself as the leading global measure of animal welfare management, policy performance and reporting across the world's largest food companies.[1] BBFAW convenes the Global Investor Collaboration on Farm Animal Welfare, which Castlefield supports, alongside 30 other investors.

Recently, we co-signed a letter alongside 33 other investors, representing £2.1 trillion in assets under management, to encourage companies to update their reporting and take onboard the recommendations set out following the 2022 assessment. Four of the companies in the benchmark are held within our fund range - Whitbread, Unilever, Kerry Group and Carrefour – and BBFAW is an essential mechanism enabling us to monitor company performance.

The Benchmark allows investors to identify leaders, improvers and laggards, which in turn can inform any subsequent engagement. In 2022, revisions were made to the assessment criteria and a pilot assessment was conducted to help companies understand how they have performed against the new criteria prior to the assessments for the 2023 Benchmark.[2]

1. https://www.bbfaw.com/investors/
2. https://www.bbfaw.com/media/2144/bbfaw-2022-consultation-paper.pdf
3. https://www.bbfaw.com/media/1532/bbfaw-investor-statement.pdf

Although the new criteria may be challenging to achieve, raising expectations will be pivotal to driving improvements in the welfare of animals reared for food.

Farm animal welfare is a material issue for companies across the food sector, including those in retail, food processing, food service and hospitality sectors. Regulation, labelling requirements, consumer concerns, media coverage and new business opportunities are all catalysts for action.[3] As sustainable investors, it is important that we utilise the valuable insight provided by BBFAW to encourage investee companies to continually drive up standards on farm animal welfare across the supply chain.

Outcome: 46 responses were received from companies, who predominantly used the opportunity to discuss animal welfare actions and achievements in the past year. Several companies reiterated the value of the BBFAW benchmark in driving improvements on farm animal welfare in the supply chain. The results of the 2023 BBFAW will be launched in April 2024 , and we hope to see further improvements across the sector.

Written by
Ita McMahon

INVESTORS CALL ON THE UK GOVERNMENT TO UPHOLD ITS NET ZERO COMMITMENTS

Summary: Castlefield has co-signed three letters to the UK government, highlighting the need for a clearer policy landscape to deliver on Net Zero ambitions, as well as opposing announcements that signal a weakening of key climate policies.

During August and September 2023, we co-signed a number of letters to Prime Minister Rishi Sunak on the need for the government to uphold its existing Net Zero commitments.

The August letter was co-ordinated by the UK Sustainable Investment Forum (UKSIF), a trade association for sustainable and responsible finance in the UK. Signed by 36 financial institutions representing £1.5 trillion assets under management, it expressed concern about signals from the government that a weakening of key climate policies was under consideration.

In September, there was extensive press speculation on an imminent announcement from the government on key climate pledges, including on the dates for phasing out new petrol and diesel cars. Against this backdrop, a climate think tank called E3G hastily co-ordinated an open letter condemning any policy rollback - we were one of over 400 signatories to the letter.

Undeterred by the widespread pushback, the government confirmed its intention to delay the ban on petrol and diesel car sales, weaken its target on the installation of new gas boilers and cancel requirements on landlords vis-à-vis energy efficiency. In response, the CEOs of UKSIF, Institutional Investors Group on Climate Change (IIGCC) and Principles of Responsible Investment (PRI) drafted a letter welcoming some aspects of the announcement – such as increased grid connectivity for renewable energy generation – but also highlighting the damaging impact of the delays, both economically and environmentally. We were co-signatories to that letter too, along with 31 other investors and financial institutions.

Outcome: Although the pressure from stakeholders did not result in any row back by the government, the exercise resulted in broad support from across society – from NGOs to investors – on the need for long-term planning and ambitious target-setting on Net Zero. We are hopeful that this show of support will be taken on board by political parties in the run-up to the 2024 election.

Written by
Eleanor Walley

GOOD WORK COALITION: ADVANCING RACIAL EQUITY

Summary: Castlefield are pleased to support The Good Work Coalition's efforts throughout the year to advance racial equity across UK workforces, emphasising the importance of ethnicity pay reporting as a critical first step.

In 2022, Castlefield joined ShareAction's Good Work Coalition, comprised of investors who are committed to encouraging investee companies to; become Living Wage Employers; start to support the Living Hours campaign; focus on good working standards with regard to pay and insecure work and advance racial equity in the UK workforce.

Following on from this, Castlefield signed an investor letter in February promoting greater transparency on the ethnicity pay gap by encouraging companies to report this data publicly. The ethnicity pay gap refers to the difference in the average pay between staff from ethnic minority backgrounds in a workforce, compared to 'White' staff.[1]

While companies with 250 or more employees are legally obliged to report on the gender pay gap, the Government has not yet mandated ethnicity pay gap reporting. Currently, only fifteen of the FTSE100 companies report on their ethnicity pay gap. Although Castlefield are not holders of the companies that the investor letter is first targeting, we were keen to support the initiative in a push for best practice amongst the UK's largest listed companies.

While many companies are beginning to meet the recommendation set out in the Parker Review of having at least one director from an ethnic minority background on the Board, the letter contends that this alone will not directly lead to improvements for ethnic minority workers.

Outcome: 15 FTSE100 companies were reporting on the ethnicity pay gap when the letter was signed, and by the 2023 AGM season, 35 companies were reporting. Though we cannot directly attribute this increase to the engagement alone, it highlights the importance of placing pressure on companies to strengthen their stance on racial equity and DEI (diversity, equity and inclusion) more widely.

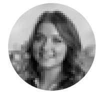
Calling on the FCA to mandate ethnicity pay reporting in the financial sector

In December, we signed a joint investor letter to the Financial Conduct Authority (FCA), making the case that transparently reporting on racial pay disparities is a vital first step to achieving more equitable workplaces.[2] This comes in response to the FCA's consultation on improving Diversity & Inclusion in the financial sector, and although the letter strongly commends the FCA's efforts in this space, it also states that the FCA must go further by making ethnicity pay reporting mandatory. Just one in ten management roles across the UK's financial institutions are occupied by Black, Asian or other ethnic minority staff – a number that would need to be doubled to meet the FCA's own targets and reflect the UK's ethnic make-up.[3]

Outcome: The FCA is expected to publish a policy statement in 2024 after reviewing feedback on the consultation and we hope to see support for mandating ethnicity pay gap reporting in the financial sector.

1. https://www.gov.uk/government/publications/ethnicity-pay-gap-report-april-2020-to-march-2021/ethnicity-pay-gap-report-1-april-2020-to-31-march-2021
2. https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/FCA-Investor-Letter-press-2023.pdf
3. https://shareaction.org/news/large-investors-urge-financial-regulator-to-act-on-racial-equality

Written by
Eleanor Walley



COLLABORATIVE ENGAGEMENT: CASTLEFIELD SIGNS ON TO THE INVESTOR STATEMENT ON TOBACCO

Summary: Castlefield joins 57 financial institutions to call upon Member States of the United Nations (UN) to drive progress on implementing the provisions of the WHO Framework Convention on Tobacco Control (WHO FCTC).

Castlefield has a longstanding exclusion on investing in tobacco stocks. Causing eight million deaths worldwide each year and a forecasted one billion deaths this century due to tobacco-related illnesses, collaboration on a global level is needed to manage the devastating impact of tobacco on both society and the environment.[1]

We were pleased to sign the Investor Statement on Tobacco, calling upon Member States of the UN to:[2]

- Sign and ratify the WHO FCTC
- Accelerate implementation of the provisions of the WHO FCTC
- Monitor and report on implementation progress under Article 21 of the WHO FCTC
- Acknowledge the financial and economic upside of a tobacco-free world

The WHO FCTC has 182 Parties globally, one of the most widely adopted treaties in the history of the UN, and it will act as a key tool in fostering a tobacco-free future.

Outcome: In autumn 2023, the UK government introduced a phase-out of tobacco sales in the UK. It will mean that anyone anyone aged 15 or will never be able to buy tobacco legally in the UK. This is an ambitious public health policy that we welcome. Signing the Investor Statement on Tobacco is one public mechanism that we can use to show our support for this legislation and also to encourage similar adoption elsewhere in the world.

Please note that Castlefield's funds do not invest in the tobacco industry or in any companies deriving over 10% of revenue or operating profit (whichever is higher) from the manufacture and retailing of tobacco and tobacco-related products. For further detail, please visit our screening policy.

1. https://tobaccofreeportfolios.org/wp-content/uploads/2022/02/2022-Tobacco-Free-Finance-Pledge-1.pdf
2. financialsectorstatementontobaccoprevention-19-9-2023.pdf (achmea.nl)

INVESTOR STATEMENT ON AGRICULTURAL SUBSIDIES

Summary: Castlefield co-signs a letter calling on the G20 Finance Ministers to align their agricultural subsidies in line with climate and nature goals.

The most recent Conference of the Parties or COP on biodiversity saw the Kunming-Montreal Global Biodiversity Framework formally adopted, laying out an ambitious plan to conserve biological diversity.

Castlefield joined a group of investors, supported by the FAIRR Initiative, who co-signed a letter calling on policymakers to take action to uphold their commitment to reform subsidies in the agricultural sector in order for countries to meet their net zero emissions targets by 2050, in addition to global biodiversity and nature goals.

> "Aligning subsidies with government and multinational commitments to reach Net Zero and protect nature is essential for responsible investors with a long-term time horizon"

Aligning subsidies with government and multinational commitments to reach Net Zero and protect nature is essential for responsible investors with a long-term time horizon. In addition, restructuring subsidies within the agricultural sector to support climate and nature goals also has the potential to reduce the strain on government balance sheets. A report from the United Nations found that the current system of subsidies, valued at close to $500 billion a year, "are inefficient, distort food prices, hurt people's health, degrade the environment, and are often inequitable, putting big agri-business ahead of smallholder farmers, many whom are women."[1] The public investor statement calls on G20 Finance Ministers to address the current flaws within subsidy regimes and support climate and nature goals, providing clear recommendations for doing so.

To see the statement in full, please see the following link: G20 Agricultural Subsidies Statement I FAIRR

Outcome: Working collaboratively with other investors increases our ability to influence public policy, and we hope to see our recommendations regarding the reform of agricultural subsidies taken on board by G20 Finance Ministers.

1. https://news.un.org/en/story/2021/09/1099792

CFP CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND

INTRODUCTION TO THE FUND AND FUND MANAGER

INTRODUCTION TO THE FUND

At least 80% of this fund is invested in UK company shares, selected using our own B.E.S.T investment methodology and subject to our Screening Policy. The fund's approach is firmly rooted in investing for a minimum of five years and is based on our own analysis of company fundamentals, where we aim to identify those firms that can grow their profits - either by accessing a growing niche within a wider industry, by having access to superior pricing from technological or market dynamics or by owning assets which we feel are fundamentally undervalued. By drawing on our own in-house research we're able to provide an unbiased view of investment opportunities and build a portfolio, always with sustainability at its core. Indeed, the fund often forms the main UK equity exposure of more broadly diversified client portfolios.

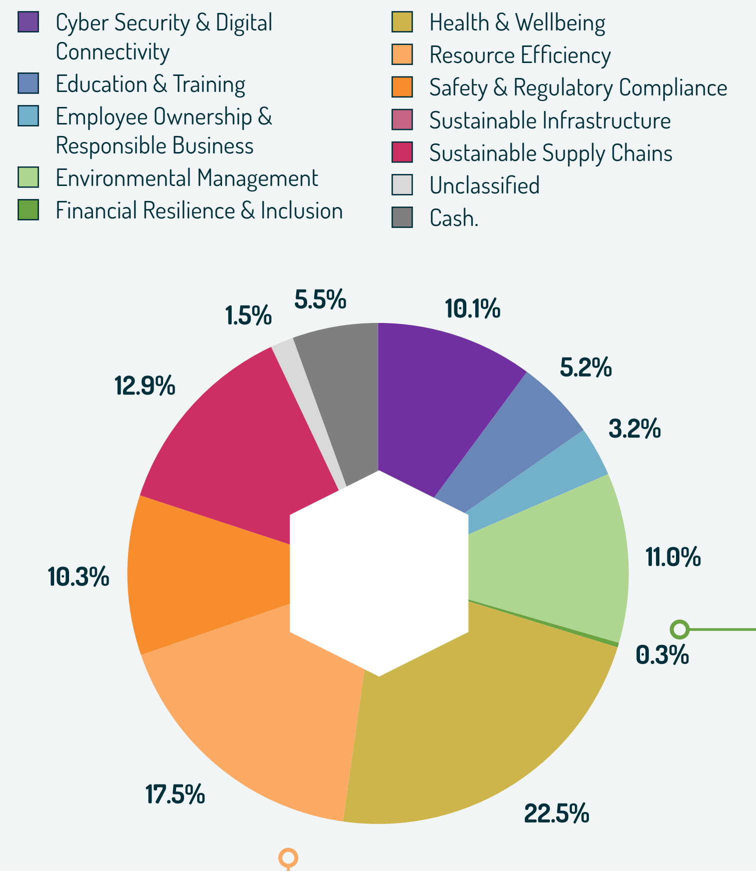
INTRODUCTION TO THE FUND MANAGER

"I'm Mark Elliott, a partner at Castlefield and Head of our Investment Management team. I'm the lead manager of the CFP Castlefield Sustainable UK Opportunities Fund and the CFP Castlefield Real Return Fund. I'm a charter holder (Chartered Financial Analyst) of the CFA Institute as well as an individually chartered member of the Chartered Institute for Securities & Investment (CISI)."

MEET THE MANAGER VIDEO

Principle 1 1 Principle 6 6 Principle 7 7

POSITIVE THEMES EXPOSURE & EXAMPLE HOLDINGS



Source: Castlefield as at 31 Dec 2023

The key positive themes for the UK Opportunities Fund are financial resilience, resource efficiency and health and wellbeing. Together, these themes account for over 40% of the fund, with holdings ranging across the market capitalisation spectrum, from FTSE 100 multinationals to small-cap and AIM listed companies

EXAMPLE INVESTEE COMPANY

Company: Begbies Traynor

Positive theme: Financial Resilience

Description: Begbies Traynor is the UK's leading business rescue and recovery specialist, providing a partner-led service to stakeholders in troubled businesses in order to secure the best possible financial outcome. They offer a range of professional advisory options across issues such as corporate and commercial finance, restructuring and consulting.

EXAMPLE INVESTEE COMPANY

Company: Spectris

Positive theme: Resource Efficiency

Description: Spectris provide high-tech instruments, test equipment and software for many of the world's most technically demanding industrial applications. By harnessing the power of precision measurement, the company provide customers with the data and insights to work faster, smarter and more efficiently.

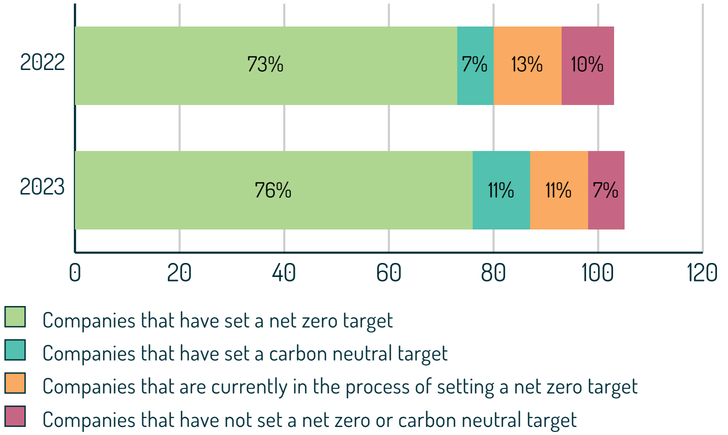
NET ZERO

The data shows a high level of awareness among the companies in the UK Opportunities Fund of the need to set carbon targets. 76% of firms in the fund have already set Net Zero targets, with a further 11% publicly committing to do so. Only 7% of holdings have not set either a Net Zero or carbon neutral target, compared to 10% in 2022.

Half of the companies in the fund have already set science-based targets or have publicly committed to doing so. Targets that have been validated by the Science-Based Targets Initiative are independently assessed and require companies to set emissions reductions in line with limiting climate change to 1.5°C of warming. As such, SBTi targets are seen as the gold standard of carbon reduction targets.

With Net Zero, ambition can be measured by the date of the target (the earlier, the better) as well as the scope. More progressive firms are going beyond the operational emissions of Scopes 1 and 2 and are including the supply chain and other emissions that are captured in the Scope 3 category. 25% of holdings, or seven companies, have set themselves the most challenging targets, i.e. by 2042 or earlier and inclusive of Scope 3 emissions. Some of these companies have fairly simple operations, but others – including BT Group and Unilever – have complex and lengthy supply chains, so we should applaud their ambition. It is no surprise that both have long been leaders in terms of measuring and reducing their corporate carbon footprints.

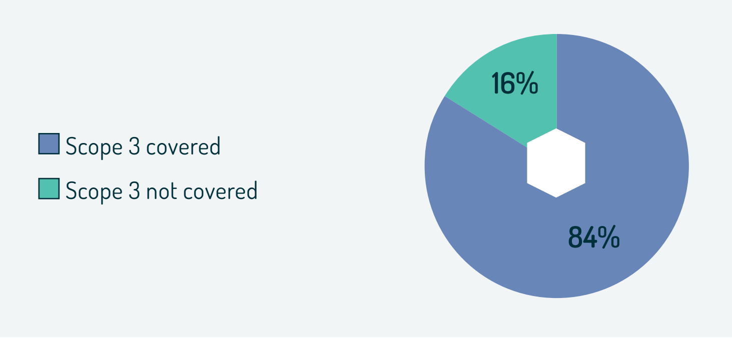
UK OPPORTUNITIES FUND NET ZERO AND CARBON NEUTRAL TARGETS (28 COMPANIES ASSESSED)



(Note – may exceed 100% due to companies with Net Zero and carbon neutral targets)

UK OPPORTUNITIES FUND: SCOPE 3 EMISSIONS

Percentage of Net Zero and carbon neutral targets that cover scope 3 emissions



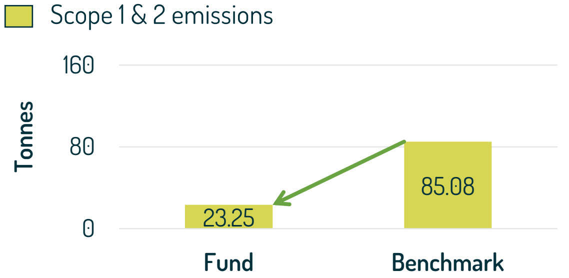
Principle 9

SUSTAINABILITY PERFORMANCE

The exclusion of oil, gas and mining sectors from the Castlefield fund range is a key reason why all our funds have a lower Scope 1 and 2 carbon footprint than their respective benchmarks and the UK Opportunities Fund is no exception. It also benefits from investment in a number of sectors such as research, technology and financial services that do not have significant direct environmental impacts. In addition, the UK Opportunities Fund has a sizeable proportion of investments in sectors delivering social benefits. This includes firms involved in pharmaceuticals, medical technology, food manufacturing and product testing.

BETTER CARBON EFFICIENCY

Emissions per $1M revenue

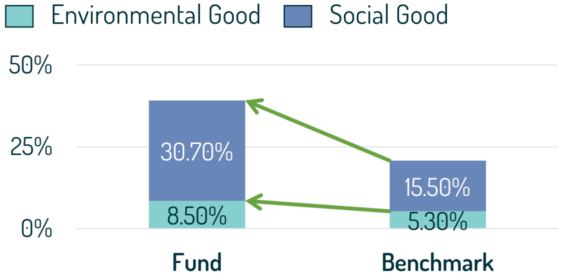


-73%

Fewer emissions produced than the benchmark

MORE SOCIAL & ENVIRONMENTAL GOOD

Percentage of funds allocated to environmental and social good

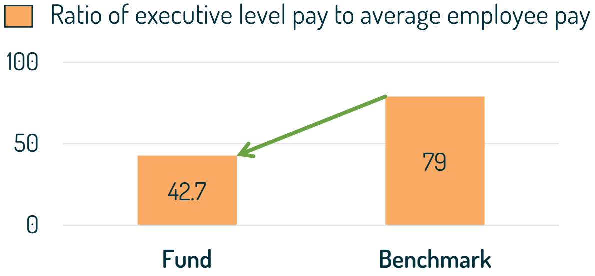


+88%

More investments allocated to environmental and social good than the benchmark

LOWER EXECUTIVE PAY

Comparing executive pay to employee pay

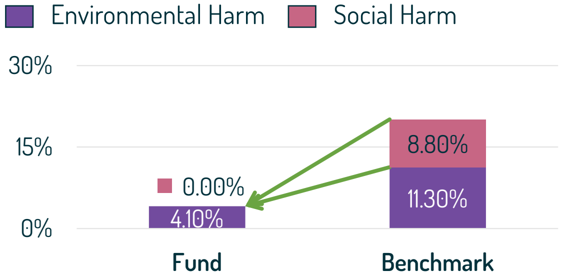


-46%

Ratio of executive to employee pay ratio lower than the benchmark

LESS SOCIAL & ENVIRONMENTAL DAMAGE

Percentage of funds that create environmental and social harm



-80%

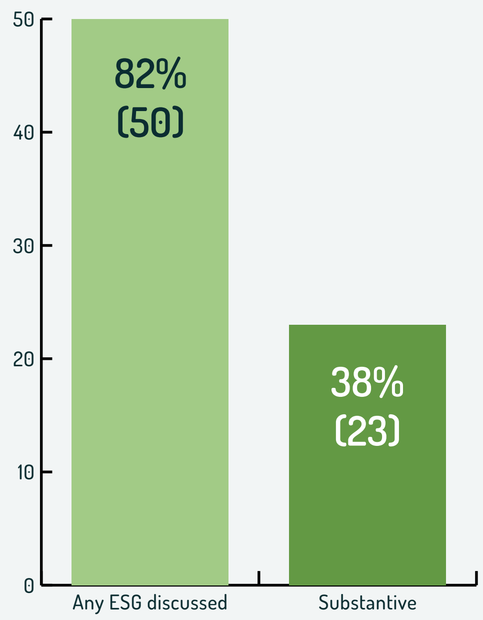
Fewer investments that create environmental and social harm than the benchmark

For further information please see:
Page 144 for source information and our rationale for selecting the sustainability performance data shown on this page.
Pages 5-6 for the glossary with definitions of key terms.

Principle 6 6
Principle 7 7

UK OPPORTUNITIES FUND ENGAGEMENT OVERVIEW

MEETINGS WITH COMPANIES IN 2023

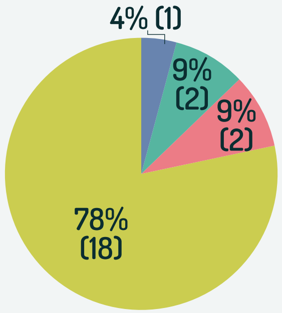


(No of engagements in brackets)

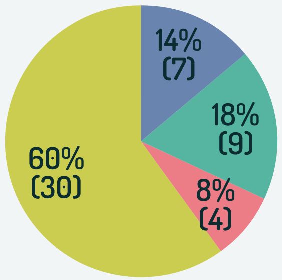
* 'Any ESG discussed' includes meetings where at least one ESG question was raised.

**'Substantive' engagements include those where ESG questions or topics took up a significant portion of the call or meeting.

SUBSTANTIVE ENGAGEMENTS



MEETINGS WITH ESG CONTENT



COLLABORATIVE ENGAGEMENT OVERVIEW

ShareAction Healthy Markets Initiative: Unilever

Unilever is held in our UK Opportunities Fund, and our European Fund. In 2022, we discussed the collaborative engagement with Unilever which led to the co-filing of a resolution at the company's AGM to increase disclosure about the sale of 'healthier' products, as well as set targets for 2030 with annual progress reports. The company engaged in constructive conversations prior to the AGM, and a sufficient agreement was reached that led to the withdrawal of the resolution. In May 2023, ShareAction coordinated a follow up call with Unilever to discuss the company's progress against the targets set.

Read more in last year's Annual Stewardship Report

Workforce Disclosure Initiative: Assura, Gamma Communications, Strix, XP Power

Following engagement, Assura and XP Power confirmed participation in the survey for the first time. You can read more about our involvement with the WDI in the collaborative engagement section.

Read more on page 34

Carbon Disclosure Project: Spectris

Following our engagement with the company, Spectris confirmed that it will participate in CDP's water questionnaire.

You can read more about our involvement with CDP in the collaborative engagement section, or by clicking here.

Read more on page 33

Find it, Fix it, Prevent it: PPHE

We engaged with Park Plaza Hotel Group on modern slavery risk across company operations and the supply chain. You can read more about this engagement further down, or by clicking here.

Read more on page 32

ENGAGEMENT CASE STUDIES

Written by
Ita McMahon

HOW IS BRITVIC EMBEDDING SUSTAINABILITY?

Summary: We engaged with Britvic's Investor Relations team and its Director of Sustainable Business this year, covering topics such as high sugar content, packaging and the circular economy.

This engagement was prompted by a conversation with our External Advisory Committee in which some members had asked about Britvic's suitability for our fund range, given that the company produces soft drinks, which can have a high sugar content and are often packaged in single use plastics. We welcome these discussions and it's a key reason why we have an Advisory Committee: to challenge us and ask the questions that our clients might be thinking. We reported back to our Advisory Committee in September and we hope this article illustrates how Britvic is steadily making its business operations more sustainable.

We started on the topic of sugar content and Britvic were quick to point out that 80% of their products are now low or no calorie, up from 73% six years ago. It's clear that the sugar tax has radically altered Britvic (as well as the wider industry) and this is evidenced by its product development activity where 96% of product innovation is now focused on low or no calorie beverages. This represents a significant increase from 68% back in 2017. The ongoing reformulation of soft drinks also reduces the carbon footprint of products, due to the high carbon footprint of sugar. Moreover, Britvic's focus on health and wellbeing also extends to its marketing strategy. Its code of ethics prohibits promoting excess consumption of its products, bans marketing to under 12s and requires campaigns to ensure that low calorie versions of branded drinks are included in marketing materials.

On packaging, the company was very open about the challenges the sector faces in sourcing bio and recycled plastics, where demand outstrips supply at present within the UK. Sourcing from further afield is possible but adds to the carbon footprint of the overall product and would mean sourcing from locations with lower standards of employee welfare. There are trade-offs too on the type of packaging material: glass and aluminum both have a higher overall carbon footprint than plastic, for example.

That said, Britvic has increased its use of recycled PET content in its bottles from 4% to 22% over the past three years, and every year the business is saving hundreds of tonnes of plastics by improving manufacturing practices. While they continue to look for wholesale solutions to the plastic problem in the short term, they also highlighted three areas of their business that provide the building blocks to longer-term solutions on packaging:

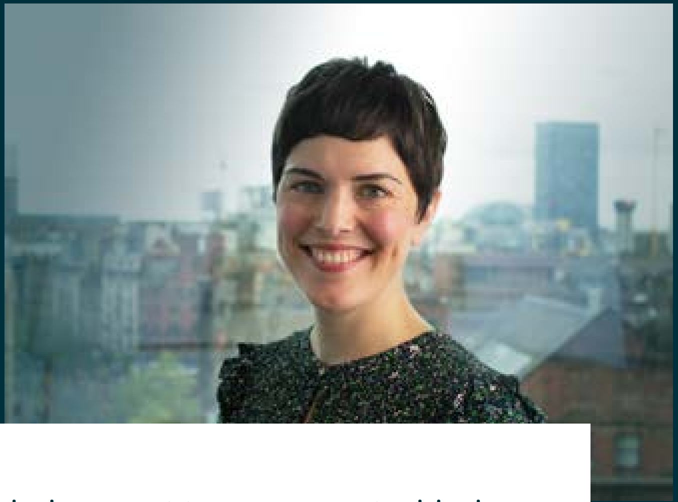
- **Dispensers:** Some Britvic brands are available in pubs and restaurants via dispensers, thereby negating the need for single serve packaging
- **Flavour concentration:** cordials bring flavour in a format where packaging is vastly reduced
- **Circularity:** closed loop systems where used packaging is collated, recycled and used as input materials. This is already happening in Britvic's Brazilian business, which is required by law to collect discarded plastics.

We know the Britvic business well and have been following its sustainability progress for some time. It's not a perfectly sustainable business. Significant challenges remain. But it is evident from our interactions with them – and in the detailed data that they publish annually – that there is a strong commitment within the firm to addressing these issues. Investors like us can help by continuing to monitor progress, challenging them when necessary.

It's also important to remember that although the transition to a sustainable, low carbon economy needs new technology and infrastructure – like electric vehicles and renewable energy – it also requires existing companies across all sectors to make significant changes to how they operate. Britvic is a good example of a business doing the hard graft of making incremental changes to its business and supply chain, year in and year out.

All stats taken from: Britvic Sustainability Performance Datasheet 2022

Outcome: We demonstrated to the Advisory Committee that Britvic is taking action to address the negative aspects of its business. We have also been invited to take part in a formal exercise that Britvic is undertaking to hear the views of key stakeholders and this will provide another opportunity, through a slightly different forum to convey the need for Britvic to continue to address its key social and environmental impacts.



"Although the transition to a sustainable, low carbon economy needs new technology and infrastructure – like electric vehicles and renewable energy – it also requires existing companies across all sectors to make significant changes to how they operate."

Ita McMahon

Partner, Investment Management

Written by
Eleanor Walley

UNILEVER: TACKLING GENDER-BASED VIOLENCE IN AGRICULTURAL VALUE CHAINS

Summary: Gender-based violence is a critical and pervasive issue in the agricultural sector and it is the duty of companies like Unilever to implement rigorous safeguarding measures to protect women. Following allegations of sexual harassment and misconduct on the Kericho tea estates in Kenya, we engaged with Unilever to discuss our concerns and challenge the company's zero-tolerance approach to sexual harassment.

An investigation led by BBC Africa Eye and Panorama recently uncovered the sexual abuse of over 70 women on the Kericho tea estates in Kenya, operated until recently by Unilever. Following similar allegations over ten years ago, Unilever responded with a "zero tolerance" approach to sexual harassment, implementing a plethora of policies and oversight to protect against human rights abuses.

Unilever's position on the matter is complicated by the fact the company sold its tea business, Ekaterra, to CVC Capital Partners in July 2022. A formal investigation is now underway, led by Lipton Tea & Infusions, as well as separate enquiries from the Kenyan authorities, and so the company are unable to comment on their liability at this stage. However, we were intent on gaining a better understanding of how the company's zero tolerance approach failed in its duty to protect women living and working on the tea estates. Engaging in discussion with a senior member of Unilever's Sustainability & Investor Relations team has provided us with an opportunity to raise our concerns and challenge how the company will protect women in other high-risk countries and agricultural value chains.

Following similar allegations of sexual abuse on the Kericho estate uncovered by SOMO in 2010, Unilever responded with a string of measures to improve the safety of women on the plantation. Improved lighting across the estates, enhanced security, safe places for women to breastfeed their babies and improvements to housing provided on the estate, are all intended to improve living conditions. Informed by their experience in the tea sector, Unilever partnered with the UN to publish a Global Women's Safety Framework in Rural Spaces.

This still leaves one question which makes it clear Unilever is equally as eager to resolve – why did all these measures fail to prevent a reoccurrence? The Kericho tea estates have been widely considered a demonstration of best practice on how to run a plantation and yet, incidences of gender-based violence have not been contained. In Kenya, 76 percent of women work in agriculture, yet jobs are increasingly scarce as the mechanization of farm work and the effects of climate change take root.[1] Women remain powerless, living in fear that reporting assault or harassment could mean losing their job – something they cannot afford.

> " In Kenya, 76 percent of women work in agriculture, yet jobs are increasingly scarce as the mechanization of farm work and the effects of climate change take root.[1]"

Though Unilever still await the findings of the investigation, it is thought likely that this pervasive sense of distrust and fear may present a barrier to victims reporting incidents of

1. https://www.rainforest-alliance.org/insights/the-roots-of-sexual-violence-on-tea-farms/

harassment. Living in small communities lacking privacy only exacerbates this problem as, all too often, women are ostracized by their family and community while their abusers remain free.[2] Recognising this, the company instigated a programme educating and empowering women at Kericho to report incidences of harassment or violence with confidence.[3]

The most recent iteration of the Human Rights Report draws on a three-pillar approach to eradicating gender-based violence - Detection, Prevention and Remediation – working with suppliers to implement effective management systems. Albeit post the sale of its tea business, Unilever is aware of the urgent need to protect women in other agricultural value chains, noting priority crops such as palm oil, soy, pulp, cocoa and sugar. However, the company stressed that it doesn't end there – the work continues for Unilever to define best practice and communicate their growing expectations to suppliers.

Outcome: We improved our understanding of the historical issues related to gender-based violence on tea plantations. Although Unilever were unable to comment on the investigation due to the sale of their tea business, we discussed at length how the company will adopt rigorous measures to protect women from gender-based violence in other agricultural value chains.

"The company instigated a programme educating and empowering women at Kericho to report incidences of harassment or violence with confidence.[3]"

2. ibid
3. https://www.unilever.com/news/news-search/2017/the-programme-protecting-women-on-our-kericho-tea-estate/

Written by
Barney Timson


IMPAX REMUNERATION ENGAGEMENT

Summary: For the second year, we provided Impax with feedback on their remuneration report. While the latest version indicates progress, we discussed our continued concern over the the CEO's variable pay.

Impax are an AIM listed global asset management business with around £40bn in assets under management. We are long term shareholders of Impax in our CFP Castlefield Sustainable Opportunities Fund, having first initiated a position in 2019.

Following last year's AGM, we were approached by Impax to take part in an investor consultation relating to their remuneration report. Impax were looking to understand what changes could be implemented in order to increase support after suffering from significant shareholder dissent in previous years. We spoke with Impax Chairwoman Sally Bridgeland at length and it was really encouraging to be able to have an open and honest conversation with such an influential member of the board.

Our main concerns revolved around the quantum of the CEO's variable remuneration and the disclosure surrounding what was required for a full payout to be achieved. We like to see full transparency when it comes to the disclosure of variable remuneration because often the amounts involved are so large that we need to question whether it represents a good use of company funds. Consequently, we expect to see a detailed breakdown of each element, the amount each metric contributes as a percentage to the overall pay-out, and what must be achieved for the target to pay-out in full. We also expect to see a variety of targets that are adequately stretching. Regarding the quantum of variable pay, our internal voting guidelines have a self-imposed limit of 200% of base salary.

"We like to see full transparency when it comes to the disclosure of variable remuneration because often the amounts involved are so large that we need to question whether it represents a good use of company funds."

Barney Timson
Assistant Investment Analyst

Principle 9 9 | Principle 11 11 | Principle 12 12

Following on from our consultation last year, Impax once again approached us ahead of their AGM this year to comment on the latest iteration of their remuneration report. As is often the case with company engagements, improvements are a gradual process and Impax is no exception. We are pleased to see that some of our suggested improvements appear to have been taken on board, with others already in the pipeline for next year's annual report.

Despite the improvements in disclosure, the sticking point regarding the quantum of variable pay remains. The pay situation with founder CEO Ian Simm is unique in that for a figure of his seniority and expertise at a large asset manager, his base salary is rather modest, comparatively speaking. As a result of this, any variable pay awards granted seem much more significant, given that variable pay is often assessed as a multiple of base salary. In our discussions with the Chairperson, we raised this point and her response provided a different perspective.

As the founder and CEO, Ian did not want there to be a large disparity between what he is paid in his role and what other fund managers within the company are paid. With that in mind, Ian instead has a larger proportion of earnings derived from company performance and is willing to sacrifice guaranteed income in times of falling markets in order to benefit during times of prosperity. While we can appreciate the logic behind such a move and applaud the uniformity of salaries in the higher echelons of the business, ultimately, we did not agree and consequently could not support the remuneration report.

We like to think of company engagements as a journey and given that we have maintained a strong dialogue over successive years and that our suggestions have been taken on board by senior figures, we believe Impax are on a positive trajectory. We will continue to push on this topic and take our active ownership principles seriously, seeking incremental improvements and remaining engaged long-term shareholders.

Outcome: This is the second year running that we have been consulted by Impax on their remuneration report. We have seen a clear improvement already in the transparency of their reporting however there are still some areas that require improvements. During our engagement meeting, we shared some suggested improvements with the chairperson, and in return she shared plans already underway for future refinements. Reporting is a journey of continuous improvement, and we believe Impax are on the right track.

ESG IN INVESTMENT DECISION MAKING

Written by
David Gorman

NEW HOLDING: GB GROUP

Summary: As the world has moved online, consumers need to know that they can transact safely while keeping their personal information secure. Here we take a look at GB Group, a global leader in digital identify verification.

We added an investment in GB Group (GBG) to our Sustainable UK Opportunities Fund in 2023. The company fits our positive investment theme of Cyber Security & Digital Connectivity. This theme covers activities which protect all kinds of data from theft, damage and other cyber threats. The theme extends to companies providing products or services which support consumer privacy, online security and the development of secure digital infrastructures.

GBG is a global specialist in identity data intelligence which helps companies verify the identity and locations of customers as well as aiding compliance with regulation and protection against fraud. The company currently serves over 20,000 customers which range from small companies to global businesses[1] and it operates in three areas: **Identity**, **Location** and **Fraud**.

Identity

GBG verifies and authenticates the identity of much of the world's population, anywhere in the world, helping businesses welcome good customers and root out fraudsters.

Location

Address verification using extremely accurate global location data. GBG's solutions are used millions of times a day by all kinds of businesses.

Fraud

In our digital-first economy, GBG's fraud and compliance solutions enable fast and accurate decisions across the customer journey, protecting businesses and reducing losses from financial crime.

1. https://www.gbgplc.com/en/about-us/

In day-to-day or what they call "In-Life" use, GBG's products monitor and analyse "normal" transaction behaviour, they detect and quantify suspicious activity, build, monitor and re-use digital identities with AI and machine learning, visualise links between people, places and businesses for investigation.

We like the fact that GBG is a thought leader in its industry, for example "The State of Digital Identity 2022"[2] is an analysis of the industries in which it operates. The report highlights "The Great Switch" – by which they mean that the pandemic was a game-changing event for many industries, causing the shift to the online provision of goods and services to accelerate rapidly. This shift also brought a change in customer expectation; with people buying more goods and services online, they want convenience and are therefore less tolerant of poor, confusing or time-consuming digital services and will quickly switch to another provider if they are unhappy or find a process too slow. This scenario offers an attractive business opportunity for GBG, whose products speed up all these processes.

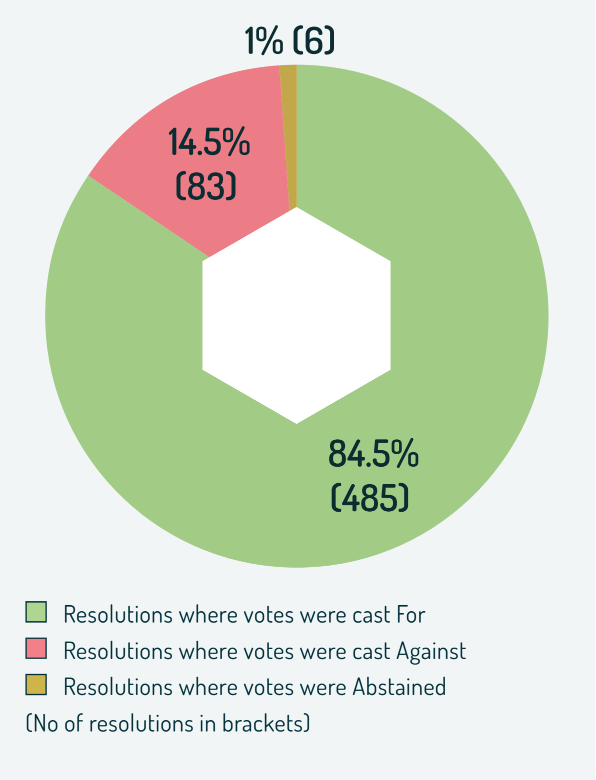
A more recent GBG publication is The International Identity Index, a guide to the state of digital identity ecosystems and the best way to verify identity around the world.[3] This matters from a social standpoint because some countries have deep pools of accurate data, while others have much less information on their citizens. Therefore, recognising genuine online customers is easy in some jurisdictions but harder in others. This so-called data diversity can negatively discriminate, unfairly blocking access to the digital world for people from certain countries. This lack of a uniform approach again offers potential new customers for GBG.

2. https://www.gbgplc.com/en/identity-verification/the-state-of-digital-identity-2022/
3. https://www.gbgplc.com/en/reports/the-international-identity-index/

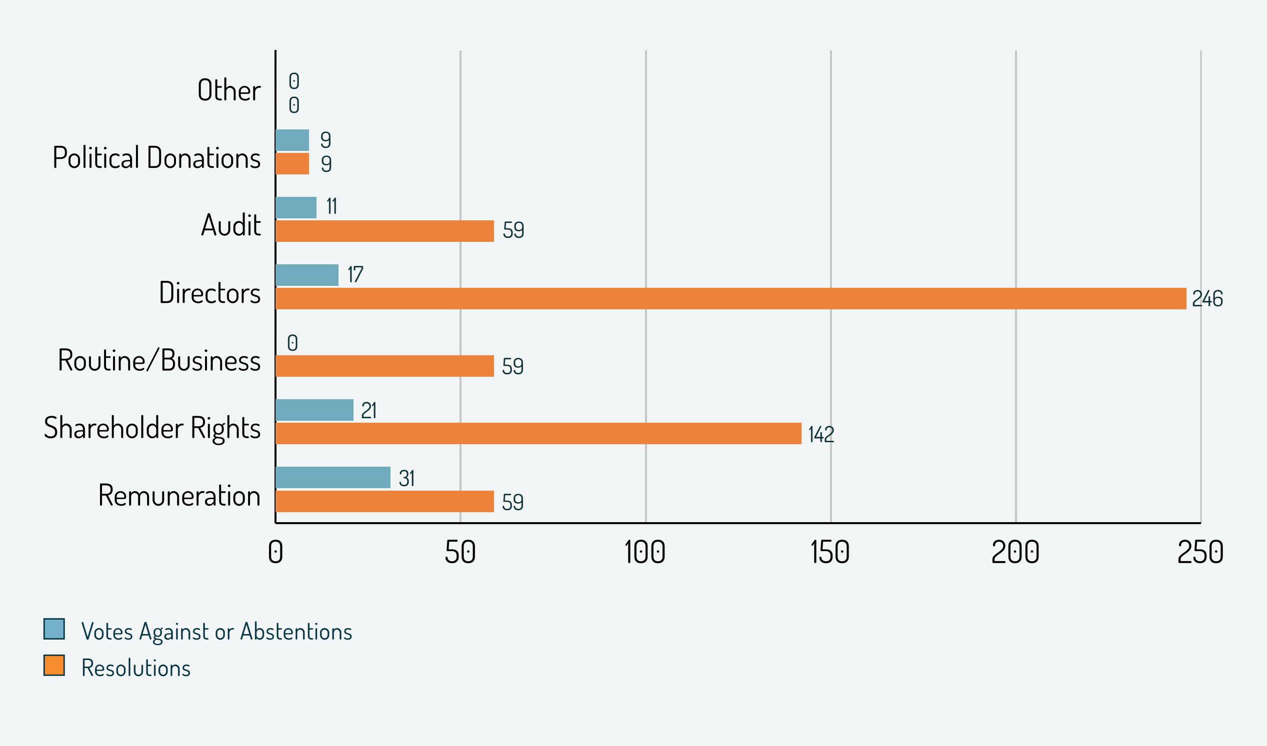
ANNUAL VOTING: UK OPPORTUNITIES FUND

Summary: During 2023, we voted at 34 meetings hosted by our investee companies in the UK Opportunities Fund, with a total of 574 resolutions.

RESOLUTIONS



RESOLUTIONS DURING THE QUARTER BY CATEGORY AND HOW FREQUENTLY WE VOTED AGAINST OR ABSTAINED:



CFP CASTLEFIELD SUSTAINABLE EUROPEAN FUND

INTRODUCTION TO THE FUND AND FUND MANAGER

INTRODUCTION TO THE FUND

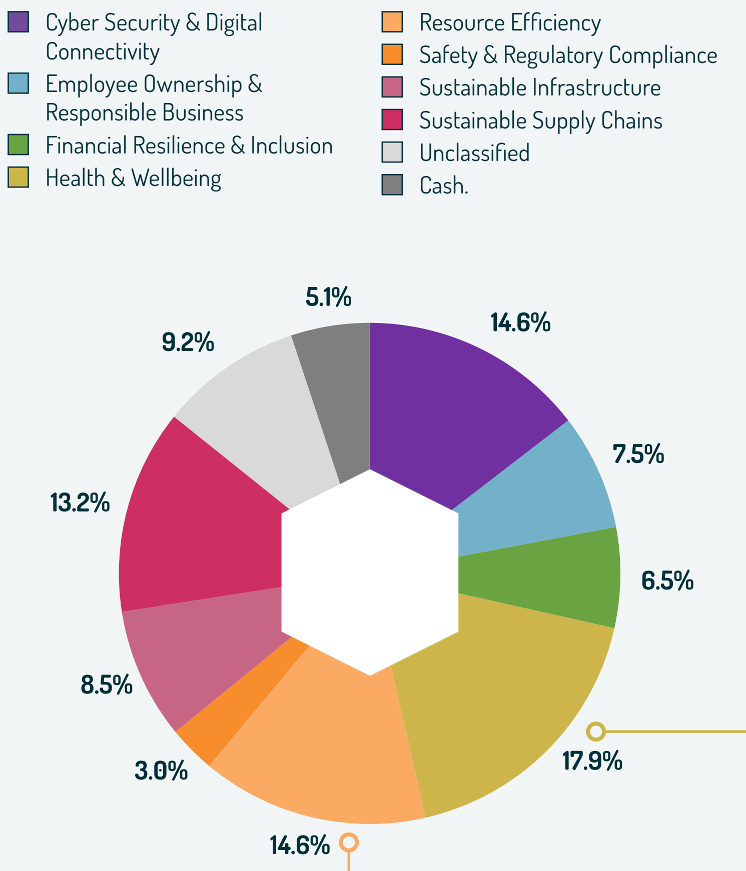
Castlefield Sustainable European Equity fund aims to grow the value of clients' money by investing at least 80% of its value in the shares of European companies, with an emphasis on sustainable businesses, whose products and services benefit society. The fund is also subject to the Castlefield Screening Policy and invests with a medium to longer term investment horizon, typically at least three years. This approach means the trading costs and portfolio turnover will be lower than average.

INTRODUCTION TO THE FUND MANAGER

"I'm James Buckley, a member of Castlefield's Investment Management Team and the lead manager of CFP's Castlefield Sustainable European Fund. I joined Castlefield in September 2023 from Cantor Fitzgerald Ireland, where I was Head of Equity Research. Before this, I ran Baring's large-company European equity fund for more than fourteen years. I hold an MBA from Cambridge University, plus I hold the CFA Certificate in ESG Investing."

MEET THE MANAGER VIDEO

POSITIVE THEMES EXPOSURE & EXAMPLE HOLDINGS



Source: Castlefield as at 31 Dec 2023

The largest thematic areas for our European Fund are Health & Wellbeing, Resource Efficiency and Sustainable Supply Chains. Together, these themes account for over 45% of the fund.

EXAMPLE INVESTEE COMPANY

Company: Sonova

Positive theme: Health & Wellbeing

Description: Sonova develops and markets hearing care solutions and operates through four businesses – Hearing Instruments, Audiological Care, Consumer Hearing and Cochlear Implants. Founded in 1947 and headquartered in Switzerland, the business provides innovative technology to help people affected by hearing loss.

EXAMPLE INVESTEE COMPANY

Company: GEA Group

Positive theme: Resource efficiency

Description: GEA is one of the world's largest systems suppliers for the food, beverage and pharmaceutical sectors. The company's machinery and solutions work behind the scenes to reduce greenhouse gas emissions and energy consumption, to safeguard water and to reduce, recycle and reuse waste.

NET ZERO

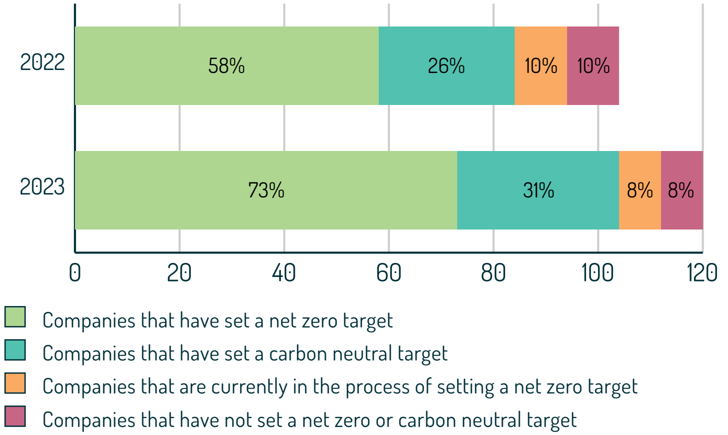
A high proportion of companies in the European Fund have set a Net Zero target (73%) and/or a carbon neutral target (31%), and a further 8% of companies are in the process of setting a Net Zero target.

Although many governments have adopted 2050 as their target date for decarbonization, many companies are taking a more ambitious approach as 2050 is often perceived as "too little, too late." For example, 53% of Net Zero target dates in the European Fund aim for 2040 or earlier, and 88% of carbon neutral target dates also aim to achieve this milestone by 2040 or earlier.

Science-based targets are a helpful indicator of credibility to prevent greenwash, enabling stakeholders to determine which companies are making progress towards Net Zero at a pace which is aligned with the latest climate science. 77% of companies in the European Fund have set science-based targets, which we consider to be an indicator of best practice.

The firms with the most ambitious targets in the European fund are ASML, Capgemini, GEA Group, Logitech, SAP, Straumann and Unilever. All have made a commitment to reaching Net Zero across the entire value chain (Scope 1, 2 and 3) by 2040 or earlier. It is important to recognise the efforts of such companies, including consumer goods giant, Unilever, who are heavily investing in the transition to Net Zero across its vast and complex supply chain by a target date of 2039.

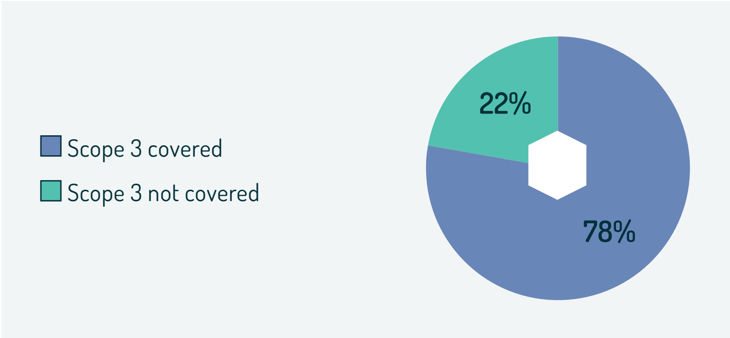
EUROPEAN FUND NET ZERO AND CARBON NEUTRAL TARGETS (26 COMPANIES ASSESSED)



(Note – may exceed 100% due to companies with Net Zero and carbon neutral targets)

EUROPEAN FUND: SCOPE 3 EMISSIONS

Percentage of Net Zero and carbon neutral targets that cover scope 3 emissions



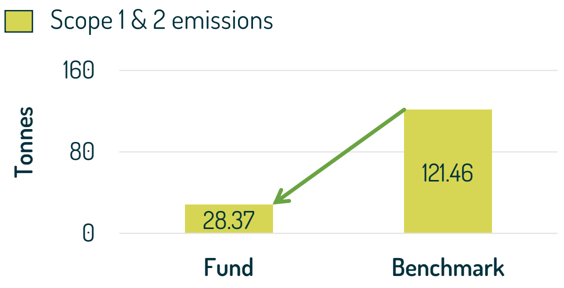
Principle 9 9

SUSTAINABILITY PERFORMANCE

Our European fund performs better than the benchmark on Scope 1 and 2 carbon efficiency and on executive pay. It also invests far more in companies delivering social and environmental good, including wind turbine producer Vestas and Schneider Electric, a world-leading producer of energy efficient products and services. In addition, the European Fund has very little exposure to environmentally harmful sectors, with the exception of a few holdings that are involved in the meat and dairy industry. The Fund currently has a lower executive pay ratio than its benchmark, meaning that companies in this fund typically have a lower disparity between the pay of the CEO and the wider workforce.

BETTER CARBON EFFICIENCY

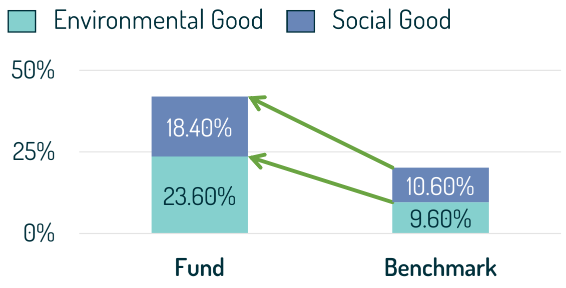
Emissions per $1M revenue



-77%
Fewer emissions produced than the benchmark

MORE SOCIAL & ENVIRONMENTAL GOOD

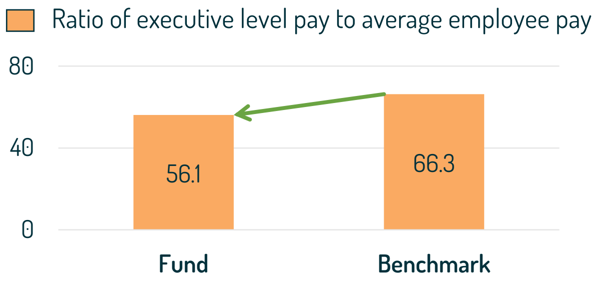
Percentage of funds allocated to environmental and social good



+108%
More investments allocated to environmental and social good than the benchmark

LOWER EXECUTIVE PAY

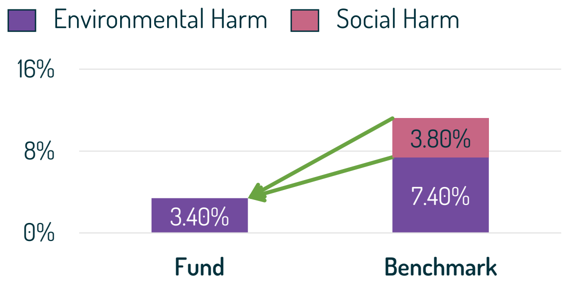
Comparing executive pay to employee pay



-15%
Ratio of executive to employee pay ratio lower than the benchmark

LESS SOCIAL & ENVIRONMENTAL DAMAGE

Percentage of funds that create environmental and social harm

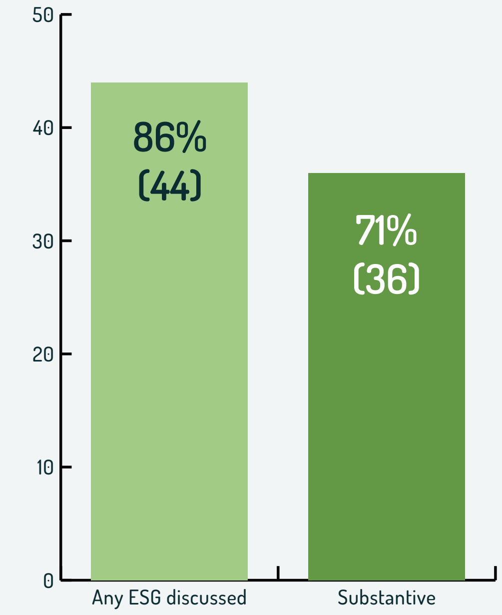


-70%
Fewer investments that create environmental and social harm than the benchmark

For further information please see:
Page 144 for source information and our rationale for selecting the sustainability performance data shown on this page.
Pages 5-6 for the glossary with definitions of key terms.

EUROPEAN FUND ENGAGEMENT OVERVIEW

MEETINGS WITH COMPANIES IN 2023

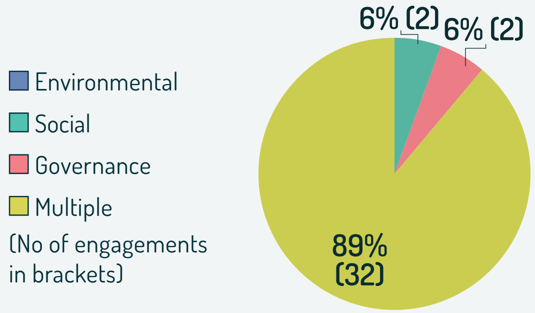


(No of engagements in brackets)

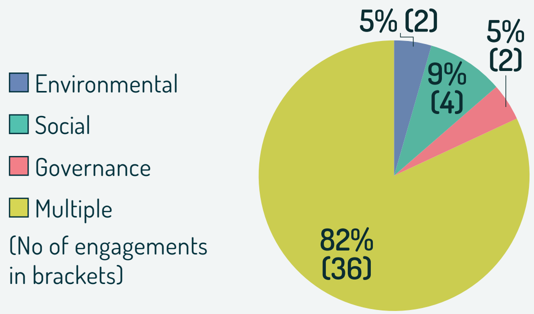
* 'Any ESG discussed' includes meetings where at least one ESG question was raised.

**'Substantive' engagements include those where ESG questions or topics took up a significant portion of the call or meeting.

SUBSTANTIVE ENGAGEMENTS



MEETINGS WITH ESG CONTENT



COLLABORATIVE ENGAGEMENT OVERVIEW

ShareAction Healthy Markets Initiative: Unilever

Unilever is held in our UK Opportunities Fund, and our European Fund. In 2022, we discussed the collaborative engagement with Unilever which led to the co-filing of a resolution at the company's AGM to increase disclosure about the sale of 'healthier' products, as well as set targets for 2030 with annual progress reports. The company engaged in constructive conversations prior to the AGM, and a sufficient agreement was reached that led to the withdrawal of the resolution. In May 2023, ShareAction coordinated a follow up call with Unilever to discuss the company's progress against the targets set.

Read more in last year's Annual Stewardship Report

Workforce Disclosure Initiative: Carrefour, Coloplast, Durr, Kerry, Logitech, Melexis, SAP, Symrise, Teleperformance

Following engagement, Carrefour and Logitech confirmed participation in the survey. You can read more about our involvement with the WDI in the collaborative engagement section, or by clicking here.

Read more on page 34

Carbon Disclosure Project: Belimo and Viscofan

Unfortunately, we did not receive a response from either company this year, however we will continue to actively participate in the 2024 non-disclosure campaign to encourage investee companies to highlight the value in disclosing its environmental impact data. You can read more about our CDP engagements over the year here.

Read more on page 33

ENGAGEMENT CASE STUDIES

ENGAGING WITH UNICREDIT ON OUR 2023 ESG PRIORITY TOPICS

Summary: UniCredit, held within our European Fund, is one of Europe's largest banks and has been undergoing significant changes in leadership. We have engaged closely where there is potential controversy, discussing environmental, social and governance issues with the company.

Firstly, on the **Environmental** side, we have made significant inroads into understanding the company's pathway to Net Zero. Like many other organisations, UniCredit have a Net Zero target date of 2050, as well as publishing 2030 targets for carbon-intensive sectors including fossil fuels, power generation and automotive customers. These are aligned with the 2050 Net Zero target, and we will shortly be provided with a disclosure pathway against which progress can be measured. While we applaud the direction of travel, we feel that other sectors such as Real Estate are important given its overall impact. UniCredit have so far shied away from the sector due to data complexity, however we know that the company's membership of the Net Zero Banking Alliance will provide impetus towards tackling such issues, including the current reliance on estimated data, which can be substantial. We were also gratified to learn that sustainability is embedded into the remuneration scheme of the executive management team, with a 15% weighting. While this is not enormous, it is material and we are confident that this figure will rise over time.

Secondly, we focused our **Social** performance spotlight on the current cost of living crisis. We were pleased to hear that the company focused its pay rises on employee grades further down the salary scale, whereas senior managers received no pay increase. Inflation has a material impact on profitability and our belief in a fairer society is predicated on organisations behaving in a way that protects the real asset of any business, i.e. its workforce. UniCredit is clear that it is monitoring the situation very closely and uses processes which help move its overall remuneration towards a more equitable balance. In essence, the pay gap is being actively narrowed.

"We were pleased to hear that the company focused its pay rises on employee grades further down the salary scale, whereas senior managers received no pay increase."

Finally, we zeroed in on **Governance**, which we feel has a significant reputational impact. We assess companies using a range of inputs, including remuneration and the independence of non-executive directors and, in particular, the ability of board members to dedicate sufficient time to their position. We have an internal scoring system which we apply to non-executive directors to respond to instances of overboarding. This is where an individual holds multiple roles at multiple organisations, to the extent that we, as investors, have concerns about the individual's ability to give sufficient time and attention to all of their commitments. It is pleasing to see that UniCredit publish transparent data on the attendance and workload of non-executive directors, averaging at 21 days per year dedicated to the position.

Following the collapse of Credit Suisse in Switzerland in early 2023 and smaller banks elsewhere, banks are under huge scrutiny and while their structures are complex and can lead to crises, the only way to avoid problems in the future is to constantly improve systems and controls. We see UniCredit as a good example of the type of culture that leads to better outcomes for stakeholders.

Outcome: Our exposure to the banking sector is small – Unicredit and Santander, both held in our European Fund. It is key that we engage with both companies on material issues and, in recent months, we have placed a particular emphasis on fossil fuel financing. Although Unicredit is not a significant provider of fossil fuel financing, it is important to apply shareholder pressure on this topic. With this in mind, we have implemented an escalation process into our voting guidelines for companies facilitating new fossil fuel projects (banks, insurance and utilities). Further detail can be found on page 127.

Written by
Barney Timson

CAIRN HOMES REMUNERATION ENGAGEMENT

Summary: Before purchasing shares for the Fund, we engaged with the Irish building and property developer Cairn Homes on the topic of remuneration.

A recent addition to our Castlefield European fund is the Irish-listed building and property developer Cairn Homes. Headquartered in Dublin, Cairn are the largest homebuilder in a significantly undersupplied market and, through their emphasis on design, innovation and customer service, are well-placed to help provide a solution to Ireland's housing crisis.

Shelter is a fundamental human right, and through the development of houses, duplexes and apartments, Cairn are helping to address a societal need predominantly across the greater Dublin area, where demand is the greatest. Cairn is building entirely new neighbourhoods, Clonburris for example, once fully developed, will be home to 23,000 people. The site will have its own rail links, just 12 minutes from Dublin city centre, and is conveniently located for the airport. Green space forms a key element of the site, with 90 hectares of public open space, and the community built on canalside parkland.

Despite the clear social and environmental benefits which Cairn provide, we did have some concerns with an aspect of the company's governance, more specifically, the remuneration of the CEO. UK media outlets had picked up on the generous bonus opportunity which would see him earn up to €7 million in share awards over the next two years if the company hit certain profitability targets.

Prior to investing in Cairn, we engaged with the company to better understand the context around the potential pay award. The team explained that the CEO (who is also the founder) had taken the company public back in 2015 and since then the company has grown substantially. For a company of Cairn's size, the CEO was on a relatively modest wage and the board wanted to ensure that he remains at the company by tying him into a multi-year share awards scheme. The targets attached to the bonus opportunity are genuinely stretching and if Cairn do in fact meet them, shareholders will be greatly rewarded financially.

As is often the case with sustainability, things are subjective but it is our responsibility to weigh up any potential positives with any negatives and come to an investment decision. Ultimately, despite our concerns regarding the quantum of the executive remuneration package, ambitious performance conditions were attached to it and we felt that the strong social and environmental benefits, alongside the solid investment case, outweighed any potential negatives. This is, however, something that we will continue to monitor and will carry out further engagements if we see fit. Excessive executive pay is all too common within listed companies and where pay awards exceed the limits that we deem to be acceptable, we will vote against the remuneration package at the AGM.

Outcome: Following our engagement with Cairn, we ultimately decided that the societal benefits Cairn bring through the development of housing assets in a structurally undersupplied market outweighed our governance concerns surrounding remuneration. As a result of this, we initiated a position in the company.

"Excessive executive pay is all too common within listed companies and where pay awards exceed the limits that we deem to be acceptable, we will vote against the remuneration package at the AGM."

Barney Timson

Assistant Investment Analyst

ESG IN INVESTMENT DECISION MAKING

Written by
James Buckley

NEW HOLDING: SANOFI

Summary: Sanofi is a world-leading pharmaceutical company with a strong social agenda to improve access to medicine in low-income communities and countries.

Sanofi engages in the research, production, and distribution of pharmaceutical products. It operates through the following business segments: Pharmaceuticals, Consumer Healthcare, and Vaccines. As a diversified global healthcare company, Sanofi treats a wide variety of diseases. The company has specific programs in place in relation to affordable treatment for diseases such as Polio, Malaria and Tuberculosis. The Sanofi Global Health Unit provides access on a not-for-profit basis to a broad portfolio of Sanofi quality medicines across several therapeutic areas in 40 countries with the greatest unmet medical needs while funding local support programs and innovative private companies.

Castlefield are members of the Access to Medicine Foundation, the pioneer behind an Index that assesses how twenty of the world's leading pharmaceutical companies perform on ensuring that people living in low and middle-income countries have access to the medicines, vaccines and diagnostics that they need.[1] Sanofi ranked among the top ten companies in the most recent version of the Index (8th out of 200), and is leading in applying access strategies for supranationally procured products. In a recent engagement with Sanofi, it was evident that the Access to Medicine Index is a wellrespected tool that carries a lot of weight in the sector. The company expanded on examples of best practice, including the opening of a Global Health Unit (GHU) in 2021, which aims to expand access to 30 of its products in 40 of the world's poorest countries, stating that the progress of the GHU will be reported on in the upcoming Index.

1. https://accesstomedicinefoundation.org/resource/2022-access-to-medicine-index

In addition to the social agenda at the heart of Sanofi's strategy to improve access to medicine, the company is also going to lengths in order to reduce its environmental footprint. Adopting an eco-design approach, Sanofi consider all steps of the life cycle to reduce the environmental impact of its products, and central to this is packaging. By 2027, Sanofi aim for 100% of syringe vaccines to be blister-free and, at the time of engagement in November, progress towards this target was 30-35%. They explained that by removing the blister, the overall size of the packaging is reduced, meaning that more products can fit into a transport box which ultimately reduces emissions downstream. However, operating in a highly regulated sector places certain limitations on measures that can be taken to reduce packaging. For example, pills packaged in blister with aluminium are amongst the most difficult to change due to the regulation around primary packaging. Sanofi are working hard to find an alternative route, testing with PET plastic – recognising this is not a 'perfect' solution but its recyclable qualities would make it a preferable option.

Sanofi is a cash-generative, defensive, good quality company, with a diversified franchise in the global healthcare industry. Its drug development pipeline has been viewed as less promising than that of some of its peers, but it does have some interesting products moving through trial stage and in Dupixent has a blockbuster drug with considerable growth potential still ahead. In addition, Sanofi are taking strides to provide affordable healthcare to low and middle-income communities and countries, while endeavouring to reduce their environmental footprint.

Written by
Ita McMahon

DIVESTMENT: TELEPERFORMANCE

The holding in French services group, Teleperformance, was sold in October when a new manager took over the fund. While there may be potential upside from current levels, more attractive opportunities were identified elsewhere and the sale proceeds were used to fund these investments.

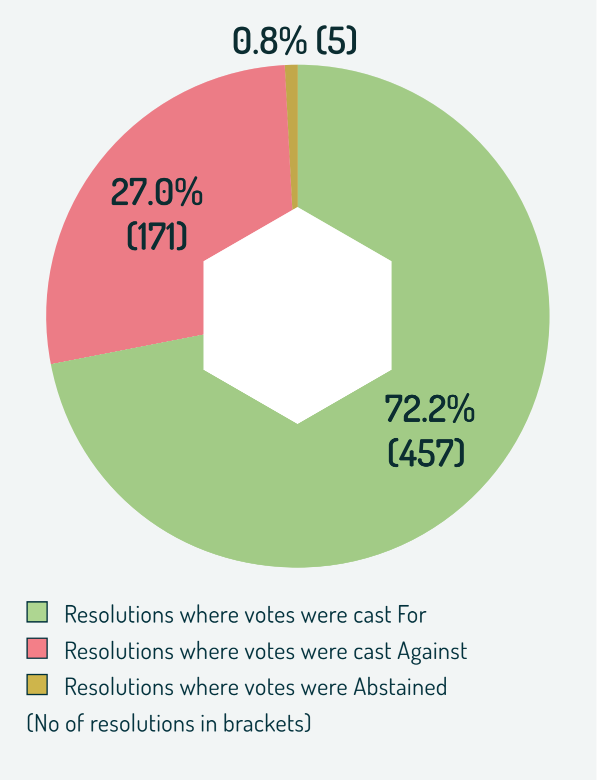
> “Allegations were made against the company in November 2022, which suggested that employees in its online content moderation service were exposed to violent and extreme material. ”

We kept a close eye on developments at Teleperformance throughout 2023. Allegations were made against the company in November 2022, which suggested that employees in its online content moderation service were exposed to violent and extreme material. The company responded to the claims in a way that was fairly open and constructive. For example, they provided data to show that 97% of content is moderated by AI and that the figure for egregious content is even higher at over 98%. Company representatives also talked about existing measures that were in place to support employees, such as having a psychologist on-site. Most notably for us, the company subsequently signed an agreement with the trade union Uni Global, a marked step forward for employee rights at the company and, in our view, a sign of the company's commitment to its workforce.

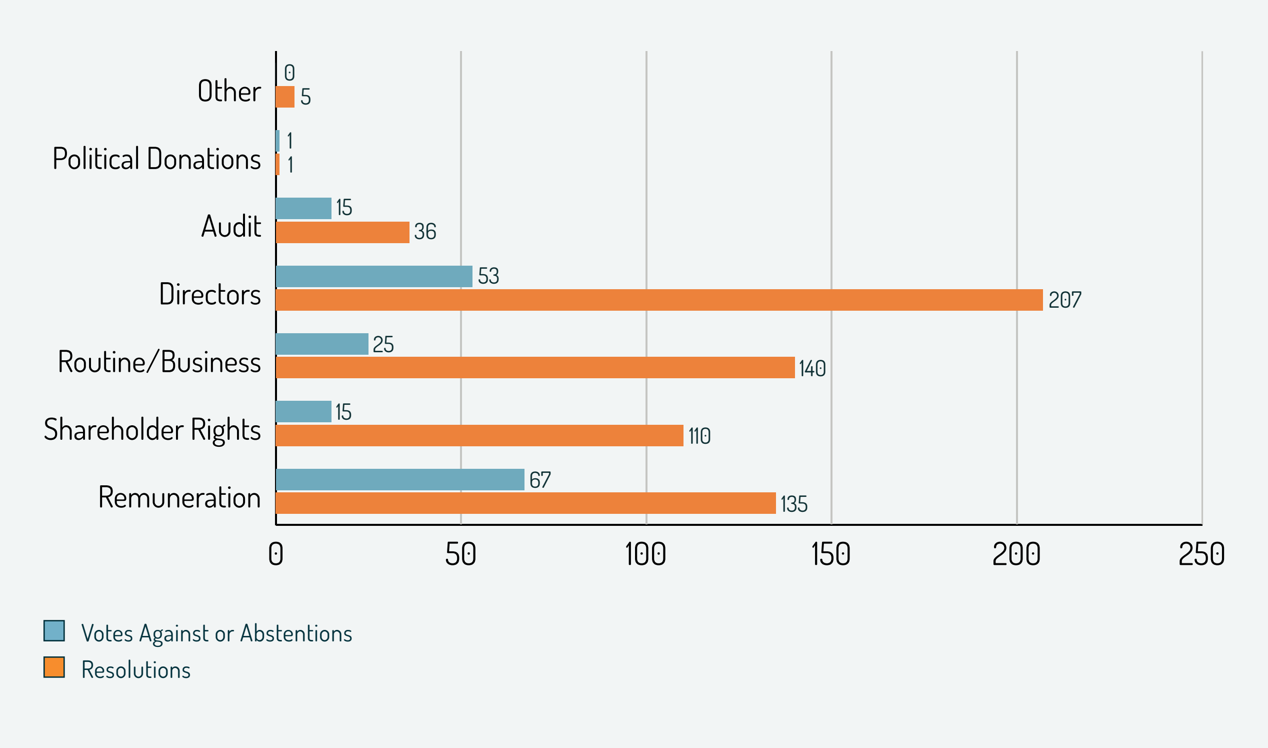
ANNUAL VOTING: EUROPEAN FUND

Summary: During 2023, we voted at 36 meetings hosted by our investee companies in the European Fund, with a total of 633 resolutions.

RESOLUTIONS



RESOLUTIONS DURING THE QUARTER BY CATEGORY AND HOW FREQUENTLY WE VOTED AGAINST OR ABSTAINED:



CFP CASTLEFIELD SUSTAINABLE UK SMALLER COMPANIES FUND

INTRODUCTION TO THE FUND AND FUND MANAGER

INTRODUCTION TO THE FUND

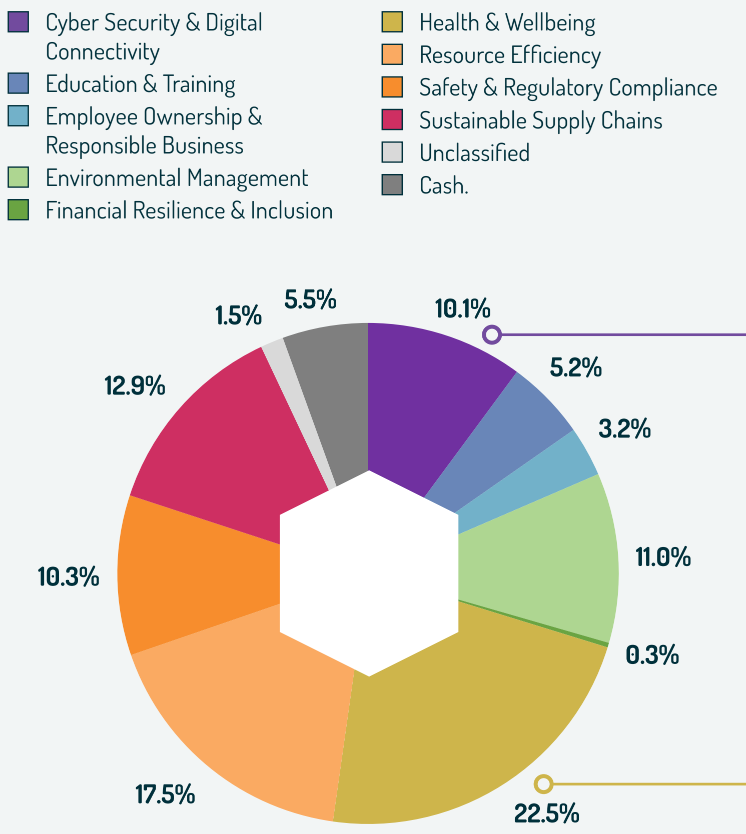
The investment philosophy of the Castlefield Sustainable UK Smaller Companies Fund is to harness the long-term growth potential of sustainable smaller businesses, by investing in well-managed, UK smaller companies that are financially sound, have a distinct and sustainable competitive advantage and are capable of long-term growth.

INTRODUCTION TO THE FUND MANAGER

"I'm David Elton, a Partner at Castlefield and member of our Investment Management team. I'm the lead fund manager of the CFP Castlefield UK Smaller Companies Fund and also our AIM IHT Service. I joined Castlefield in 2011 after graduating with a first-class Accounting & Finance degree. Having assisted on the UK Smaller Companies Fund since 2013, I became a manager in 2017."

MEET THE MANAGER VIDEO

POSITIVE THEMES EXPOSURE & EXAMPLE HOLDINGS



Source: Castlefield as at 31 Dec 2023

Over 92% of weighted holdings in our UK Smaller Companies Fund align to our positive themes. The fund has significant exposure to themes including health and wellbeing, resource efficiency and cyber security and digital connectivity.

EXAMPLE INVESTEE COMPANY

Company: Eckoh

Positive theme: Cyber & Digital Security

Description: Eckoh is a global leader in secure customer engagement, helping its clients to take payments and transact securely with their customers, as new contact channels, digital payment methods and compliance regulations emerge. The company's mission is to set the standard for secure interactions between consumers and the world's leading brands.

EXAMPLE INVESTEE COMPANY

Company: EKF Diagnostics

Positive theme: Health & Wellbeing

Description: EKF Diagnostics' Central Laboratory division produces rapid tests that have high sensitivity and specificity to communicable diseases such as HIV and Malaria. The company contributes to the management of and testing for non-communicable diseases, particularly diabetes and anaemia.

NET ZERO

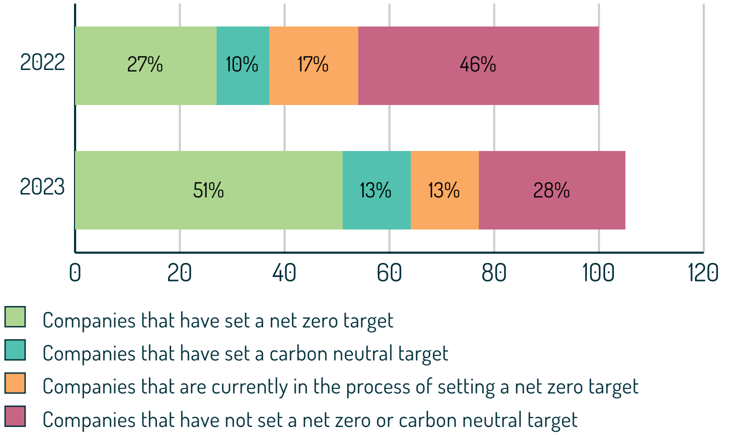
Over half of companies in our UK Smaller Companies Fund have set Net Zero targets, compared to just over a quarter the year before. A further 13% publicly commit to setting a target in the near future.

Smaller companies are less likely to have carbon reduction goals, as they have typically been under less pressure than their larger counterparts to do so. Over the past year however, we have engaged with 95% of the constituents in this fund, to encourage them to set stretching Net Zero goals and, crucially, to develop credible transition plans to achieve them.

Of the companies that have set a Net Zero or carbon neutral target, we're pleased to see that 60% of these go beyond operational emissions to include Scope 3 emissions (typically covering emissions from employee commuting and a company's supply chain). Finally, over half (56%) of Net Zero and carbon neutral commitments in the fund target a date of 2045 or earlier – ahead of the UK government's ambition to transition to a Net Zero economy by 2050.

Moreover, a small number of companies (8%) have set emission reduction targets that have been independently validated by the Science-Based Target initiative (SBTi) and a further 10% of companies in the fund have publicly commit to setting a science-based target within the next 24 months.

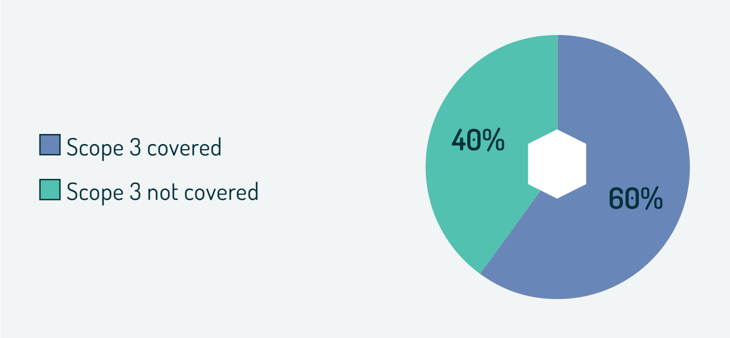
UK SMALLER COMPANIES FUND NET ZERO AND CARBON NEUTRAL TARGETS (39 COMPANIES ASSESSED)



(Note – may exceed 100% due to companies with Net Zero and carbon neutral targets)

UK SMALLER COMPANIES FUND: SCOPE 3 EMISSIONS

Percentage of Net Zero and carbon neutral targets that cover scope 3 emissions



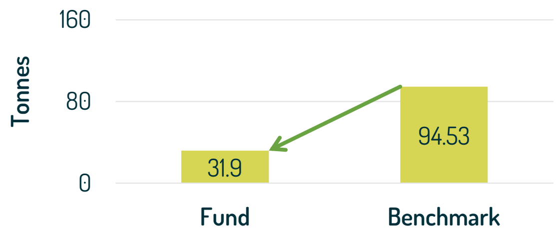
SUSTAINABILITY PERFORMANCE

Compared to its benchmark, our UK Smaller Companies Fund has a much higher proportion of investments that deliver social and environmental benefits. This includes Gym Group, which operates over 220 exercise facilities across the UK and Renewi, a recycling business. The Fund also invests a far lower proportion in industries that are harmful to society or to the environment. The 1.8% of the fund's holdings that is deemed environmentally negative is due to the inclusion of Zotefoams, a business that produces polyethylene foam used in a wide range of applications, including transportation and footwear. Although a plastics manufacturer, we take a more positive view of the firm because it focuses on using resources efficiently. In particular it uses innovative technology during the manufacturing process to inject gas into plastics to create micro-bubbles. This technique uses 15-20% less plastic than standard moulding processes.

BETTER CARBON EFFICIENCY

Emissions per $1M revenue

Scope 1 & 2 emissions

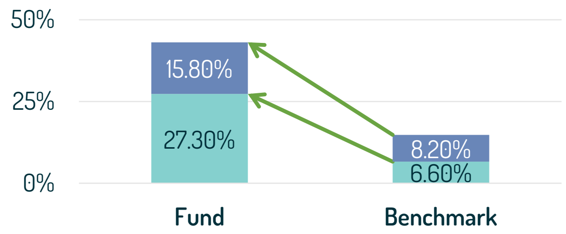


-66%
Fewer emissions produced than the benchmark

MORE SOCIAL & ENVIRONMENTAL GOOD

Percentage of funds allocated to environmental and social good

Environmental Good   Social Good

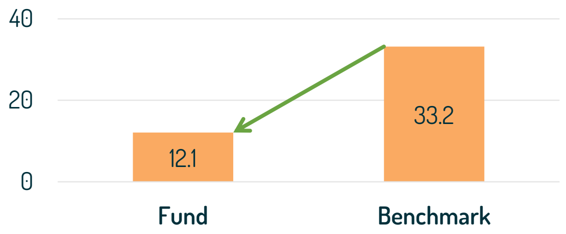


+191%
More investments allocated to environmental and social good than the benchmark

LOWER EXECUTIVE PAY

Comparing executive pay to employee pay

Ratio of executive level pay to average employee pay

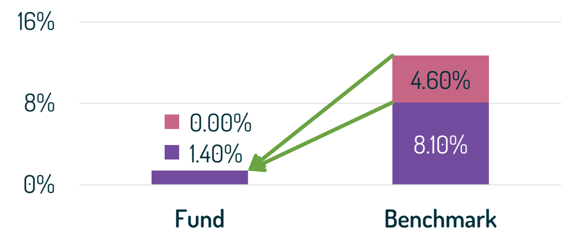


-64%
Ratio of executive to employee pay ratio lower than the benchmark

LESS SOCIAL & ENVIRONMENTAL DAMAGE

Percentage of funds that create environmental and social harm

Environmental Harm   Social Harm

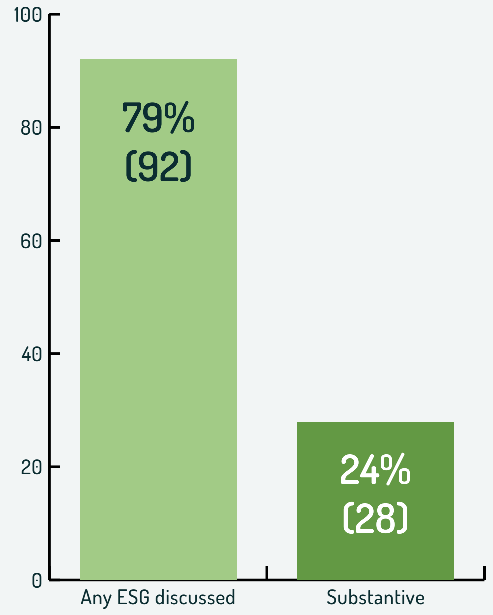


-89%
Fewer investments that create environmental and social harm than the benchmark

For further information please see:
Page 144 for source information and our rationale for selecting the sustainability performance data shown on this page.
Pages 5-6 for the glossary with definitions of key terms.

UK SMALLER COMPANIES FUND ENGAGEMENT OVERVIEW

MEETINGS WITH COMPANIES IN 2023

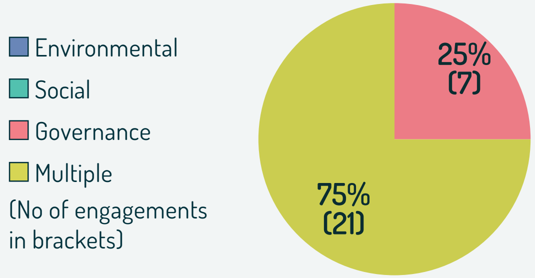


(No of engagements in brackets)

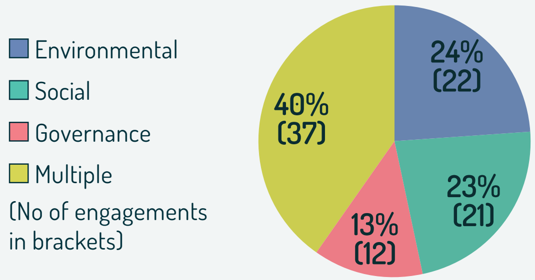
* 'Any ESG discussed' includes meetings where at least one ESG question was raised.

**'Substantive' engagements include those where ESG questions or topics took up a significant portion of the call or meeting.

SUBSTANTIVE ENGAGEMENTS



MEETINGS WITH ESG CONTENT



COLLABORATIVE ENGAGEMENT OVERVIEW

Workforce Disclosure Initiative: Strix

We hold Strix in our UKSC Fund, as well as our UK Opportunities Fund. We contacted the company to highlight the important role the WDI survey plays in generating better quality, granular data on workforce and supply chain practices. Unfortunately, a response was not received on the matter, however we endeavour to build on the case for participating in 2024.

Read more on page 34

ENGAGEMENT CASE STUDIES

Written by
David Elton

GOOD ENERGY: ENVIRONMENTAL ENGAGEMENT

Summary: Here, we spotlight how Good Energy (an energy supplier held in our Sustainable UK Smaller Companies Fund) has navigated the energy crisis and the importance of close engagement with the management team throughout.

Since the autumn of 2021, energy systems, businesses and households have faced unprecedented challenges, with wholesale prices for gas and electricity reaching record highs in the UK and Europe during 2022. As well as its pioneering approach to powering a greener future, our investment case for Good Energy was predicated on it being a high-quality operator with a loyal customer base. For example, the company has a robust hedging policy in place via a dedicated energy trading function and were well covered at 90% of demand for Winter 2022.[1] This was a critical period where many other energy suppliers came unstuck, with 28 of Good Energy's competitors failing since June 2021.[2] We therefore felt that Good Energy could withstand the elevated and more volatile energy prices seen at the time. That said, it was still a very dynamic situation, so we needed to stay in close touch with the company. During 2021 and 2022, we spoke with management eight times, covering topics such as hedging practices, government support and the proper treatment of vulnerable customers.

Entering 2023, wholesale energy prices eased somewhat, although the fallout from the crisis continued. Of particular note was Ofgem's drive to encourage further improvements in the business practices of the remaining suppliers. Good Energy were not immune to this, with Ofgem announcing in May 2023 that they (along with others) had been mischarging customers.[3] In Good Energy's case, this related to an operational process which failed to apply a discount on the payments made by certain customers. This news prompted another call with the management team to understand what remedial action had been taken and what new measures had been put in place.

Living in a dynamic and uncertain world, the companies we own will inevitably face periods of stress. As stewards of client capital, we prefer to invest in higher quality operators in order to lessen the impact of 'the unknown'. This was the focus of engagement with Good Energy in the recent past. We've been pleased by how the company has responded to difficult times. In particular, in part given the smaller number of energy suppliers in the market now, we also feel vindicated in our view of Good Energy's robust operations and good practices which saw them through. Perhaps more importantly, the company and its management remained humble throughout, learning lessons and making further improvements to the business.

Outcome: This engagement gave us confidence that the issue was resolved, with customers properly compensated and systems improved. Although it was disappointing to hear the news, the directors had identified and self-declared the original issue to Ofgem, which speaks volumes about their commitment to improving the business.

1. https://goodenergy2018corp.q4web.com/ir-iframe/regulatory-news/regulatory-news-details/2022/Good-Energy-Group---Interim-Results/default.aspx
2. https://www.nao.org.uk/press-releases/the-energy-supplier-market/
3. https://www.ofgem.gov.uk/publications/good-energy-limited-and-ovo-energy-limited-pay-ps4-million-overcharging-customers

"Living in a dynamic and uncertain world, the companies we own will inevitably face periods of stress. As stewards of client capital, we prefer to invest in higher quality operators in order to lessen the impact of 'the unknown'."

David Elton

Partner

Written by
Barney Timson

MACFARLANE: ENGAGING ON SUCCESSION PLANNING AND DIRECTOR INDEPENDENCE

Summary: We engaged with MacFarlane, a leading UK packaging business, ahead of their AGM, to discuss succession planning and director independence.

Earlier this year we engaged with MacFarlane, the leading distributor, manufacturer and designer of protective packaging products across the UK, Ireland and continental Europe, helping customers to reduce packaging costs and increase efficiencies. Prior to the Annual General Meeting (AGM), we approached MacFarlane on the topic of governance and, more specifically, regarding succession planning for the board. A large proportion of our engagements initially stem from our in-house voting research and a desire to understand the background to a situation which, in turn, allows for more informed voting decisions.

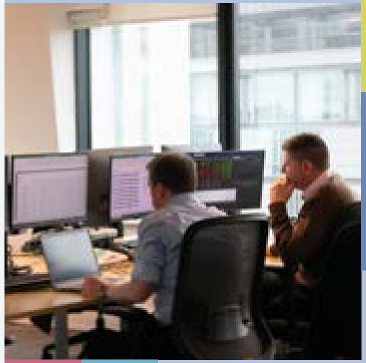
With MacFarlane's board, our main concern was that the Senior Independent Director (SID) had been in post for eleven years, which breached UK Corporate Governance Code's best practices guidelines, therefore making him non-independent. Separately, the director also sat on both the Audit and Remuneration Committees, which also breaches best practice by skewing them away from being fully independent. The role of a SID is quite significant, with them often acting as the main focal point for investors and they are also responsible for challenging the Chairperson where appropriate. MacFarlane having a non-independent director in such a prominent role magnified our concerns because the director may be reluctant to critically analyse established ways of working and they may be at greater risk of "groupthink" (a lack of differentiated viewpoints) as a consequence of their prolonged tenure on the board. As shareholders, this is something we do not like to see as it could prevent potential efficiencies from being exploited or thwart attempts to move the business into a new direction.

As a result of these concerns, we scheduled a call with the Chairperson to explain our thoughts and to try and understand the situation in finer detail. The Chairperson explained that when she stepped up from Remuneration Committee Chair to replace the outgoing Chairman, the board asked the SID to remain and assist with the recruitment process to find a new Chair of the Remuneration Committee. Given that there had already been significant change on the board during the year, keeping some experienced personnel would help to smooth the transition process. The Chairman further explained that every director currently sat on all of the board committees and, given that the SID was unlikely to be still in post in a year's time, they decided against forcing him to step down from committee responsibilities. The Chairperson emphasised that the most difficult job would be to replace the SID when it was time for him to rotate off the board, as sector specific experience is a key trait they are seeking and this is a niche skillset. Succession planning is underway and the old SID stepped down, in December 2023 with a different NED, who chaired the Audit Committee, taking on the Senior role.

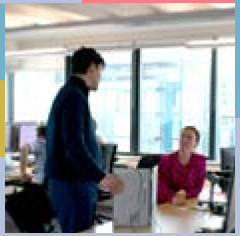
We were comforted by the open conversation we had with the Chairperson and we were reassured by the well thought out succession plan. Ultimately, we agreed with the approach taken by the board and we voted in support of the re-election of the director at the AGM. This example shows that our approach of engaging before voting is the correct one because otherwise we would not be privy to the intricacies of the situation and would likely have not supported the resolution.

Outcome: Following our discussion with the Chairperson, we decided to deviate from our voting policy and supported the re-election of the senior independent director to the board.

Principle 9 9 Principle 12 12



"A large proportion of our engagements initially stem from our in-house voting research and a desire to understand the background to a situation which, in turn, allows for more informed voting decisions."



ESG IN INVESTMENT DECISION MAKING

Written by
David Gorman

NEW HOLDING: VOLEX

Summary: One of the challenges of investing in smaller companies is that they sometimes have an unconventional board structure. This on its own doesn't prevent us from investing, but we do need to understand how the corporate governance works.

We had been monitoring Volex for a little while as a potential candidate for our CFP Castlefield Sustainable UK Smaller Companies Fund. The company is a leading manufacturer of critical power and data transmission products (wiring and cables) for a wide range of end markets. We really liked the business case but there were some governance oddities which we wanted to understand better. In Volex's case, it does not have a traditional Chief Executive Officer, but an Executive Chairman alongside a Chief Operating Officer, with the latter playing a major role in the company but not having a seat on the main board.

"The company is a leading manufacturer of critical power and data transmission products (wiring and cables) for a wide range of end markets."

The company were happy to discuss these concerns and the Senior Independent Director made himself available to meet us. For context, the Executive Chairman joined as a Non-Executive Director (NED) in 2015 but, having taken a large equity stake in the business, soon became Executive Chairman and initiated what has been a very successful corporate turnaround and the creation of a global business. Part of reshaping the group was to increase the number and quality of the NEDs and draw on this bigger resource to strengthen corporate governance and the decision-making process.

Regarding the Chief Operating Officer, he is based in Australia and travels extensively, overseeing Volex operations around the world, with the managers of individual factories reporting to him. Although he was invited to join the PLC board, he declined as he prefers to concentrate on "the day job" and the main board directors are happy for him to do this.

Outcome: Satisfied with these responses, we invested in the company, but we expect further engagement in due course as part of our usual ongoing dialogue with investee companies.

Principle 7 7

Principle 9 9

Written by
David Gorman

ENGAGING WITH FORESIGHT GROUP: A FOCUS ON FORESTRY FUNDS

Summary: We like the financial characteristics of the asset manager Foresight Group and, from a stewardship standpoint, it has much to commend it. However, before investing, we wanted to be sure that its Forestry funds treat the communities around their woodlands properly and that group corporate governance is up to scratch.

Another new investment we made last year was Foresight Group, which we added to our CFP Castlefield Sustainable UK Smaller Companies Fund. Foresight is an alternative asset manager, specialising in sustainability-led international infrastructure and regional UK & Ireland private equity.

Foresight is a holding company for three operating divisions, Sustainable Infrastructure, Private Equity and Foresight Capital Management. The nature and long duration of the assets the firm manages brings a higher fee rate and thus a better margin and its end markets are growing well.

The company holds the London Stock Exchange's Green Economy Mark and sustainability underpins every investment and business decision, with special emphasis on areas like nature, climate, emissions and corporate culture. In 2023, they published a standalone Sustainability Report alongside their usual Annual Report. They have also developed their own sustainability management platform which supports both the PLC and their private equity portfolio of businesses.

So far, so good. However, we had two concerns we wanted to investigate before committing to an investment. Firstly, some adverse publicity about the conduct of Foresight and other forestry funds[1] in the purchase of Welsh farmland and, secondly, the presence of a longstanding Executive Chairman, which we do not regard as best practice in corporate governance. On the first point, we had an in-depth, one-to-one call with a manager of the Forestry Fund, who stressed the importance of engaging with rural communities through Town Hall type events on sensitive matters such as changes in land use or traffic management. He also pointed out that they never plant on arable land or deep peat or riparian (adjacent to rivers or streams) zones.

Regarding the Executive Chairman, he co-founded Foresight in 1984 and has led the company ever since. He is seen by many as the embodiment of Foresight and has a large shareholding in the company. Seen in that light, and as succession planning appears front of mind for the board, one could make a case that his presence benefits shareholders, given that his interests and ours are well-aligned.

Outcome: Considering the engagement work we did; our minds were put at ease and we invested in the company. However, we reflected the heightened risk related to the concerns highlighted in the case study by taking a below average-size position in the fund, with scope for further review in due course.

1. https://www.bbc.co.uk/news/uk-wales-58103603

Written by
David Elton

NEW HOLDING: DIACEUTICS

Summary: Here we introduce a new holding in our UK Smaller Companies Fund, Diaceutics, a company playing a key role in the growth of precision medicine – a transformative approach to disease prevention and treatment.

During the year, we initiated a new holding in our CFP Castlefield Sustainable UK Smaller Companies Fund in Diaceutics, a Belfast-based diagnostics and data analytics company which serves the global pharmaceutical industry. Sitting in our Health & Wellbeing positive theme – which encompasses businesses that contribute to staying healthy, improving quality of life and, ultimately, longer lifespans – Diaceutics offers a suite of data-driven products and services focused on the testing required for precision medicines.

Precision medicine, sometimes known as "personalised medicine", is an approach to disease prevention and treatment that takes into account differences in people's genes, environments and lifestyles. The goal is to improve patient outcomes by moving away from a one-size-fits-all approach and instead target the right treatments to the right patients at the right time, which they might otherwise have missed out on receiving. According to the NHS, "By combining and analysing information about our genome, with other clinical and diagnostic information, patterns can be identified that can help to determine our individual risk of developing disease; detect illness earlier and determine the most effective interventions to help improve our health; be they medicines, lifestyle choices, or even simple changes in diet."[1]

1. https://www.england.nhs.uk/healthcare-science/personalisedmedicine/
2. 3f643543681ca9ee2f017da718d5bc5c.pdf (amazonaws.com)

Precision medicine represents a potentially transformational shift in the healthcare industry across a variety of clinical areas. It is one of the fastest growing segments today and forecast to grow from $65bn in 2021 to $175bn by 2023[2]. Diaceutics plays an important role in the growth and adoption of precision medicine and works with many of the largest global pharmaceutical companies on multi-year subscription agreements. Having gathered the world's largest repository of real-world testing data, Diaceutics' solutions can bring about greater insights and collaboration to stakeholders in precision medicine diagnostics. The company's technology ensures that laboratories globally are ready for each new precision medicine at launch while, most importantly, aiming to use data to improve a patients' disease outcome by getting the opportunity to receive the right test and the right therapy.

As well as being a very purpose-driven organization, we believe the company's pioneering approach and significant growth opportunity in precision medicine is not reflected in its current share price and therefore made an investment.

Written by
David Elton

TAKEOVER ACTIVITY AMONGST UK SMALLER COMPANIES

Summary: Over the past year, the elevated level of takeover activity amongst UK smaller companies has been well documented. Here, we discuss how this has played out in our UK Smaller Companies Fund.

According to the investment bank Peel Hunt, although overall deal volumes in the UK remained relatively subdued, activity was almost entirely focused on the small and mid-cap segments of the market. To put this into numbers, in 2023 there were 59 firm offers for companies, with a combined equity value of approximately £19bn, compared with 48 and £41bn in 2022 respectively[1]. The average takeover premium to the prevailing share price through 2023 was 51%[2].

There are several drivers behind this but the most noteworthy to us is the attractive valuation of UK smaller companies. This is both on an absolute level as well as the relative to both larger and global peers. For example, in 2023 UK smaller companies were at valuation levels not reached since the 2008 financial crises – an attractive proposition for both trade buyers and private equity to capitalise on.[3]

Our own CFP Castlefield Sustainable UK Smaller Companies Fund has been a beneficiary of these bids. During 2023, we had approaches for five of our investee companies – three were seen through to completion and duly left the Fund while two failed and remain in the Fund. For comparison, over the preceding four years, we had an average of two approaches per year.

Despite the potentially attractive premiums of takeover approaches, it can also be bittersweet to see growing, high quality businesses potentially leave the market. In addition, a key factor for us being a steward of client capital is trying to maximise shareholder outcomes and so we carefully consider any takeover approach on its own merits and act accordingly. This may involve transacting and/or voting the shares held or, in extremis, engaging with management. Of the three successful approaches during the year in the Fund, we were supportive of two and voted for the deals. In the third case, we believed the offer undervalued the business and therefore opted to engage with both the company's stockbroker and the management team. We explained our rationale for not supporting the transaction, essentially because the offer price did not reflect a proper value for the business and therefore our clients.

Notwithstanding our engagement, this particular deal still went through but we will always engage and attempt to exert our influence to secure the best outcome for our clients. In the case of the two unsuccessful approaches within the Fund, these highlight the influence stakeholders have on such transactions. One of the situations saw the company's largest shareholder reject the deal, causing it to fail, while, in the other case, company management did not recommend the deal as they felt it undervalued the business. We agreed and were therefore content to see this bid fail.

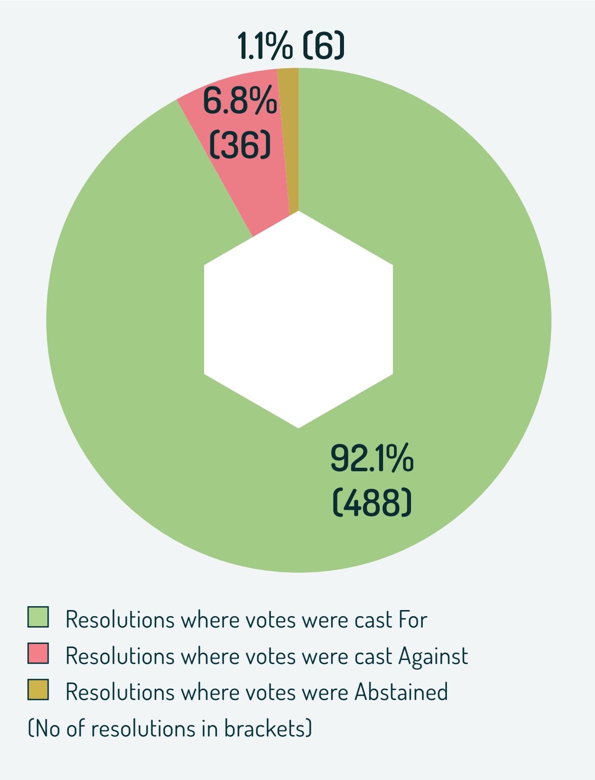
Although we don't invest in companies just for them to be acquired, we believe takeover activity like this demonstrates the attractiveness of UK smaller companies on an absolute and relative basis and this gives us an exciting investment opportunity. It underpins our view that we are finding value and third -party buyers are recognising this, a trend which may continue in the absence of the apparent valuation gap narrowing. Finally, and as stewards of clients' assets, we are not lured by short-term premiums but zoom out and consider offers in relation to delivering the best long-term shareholder value.

1. https://www.peelhunt.com/media/hwpnuh5m/peel-hunt-ma-2023-annual-review.pdf
2. https://www.peelhunt.com/media/hwpnuh5m/peel-hunt-ma-2023-annual-review.pdf
3. Cenkos (based on P/E (positive only) for the MSCI UK Smaller Companies, 24/08/23)

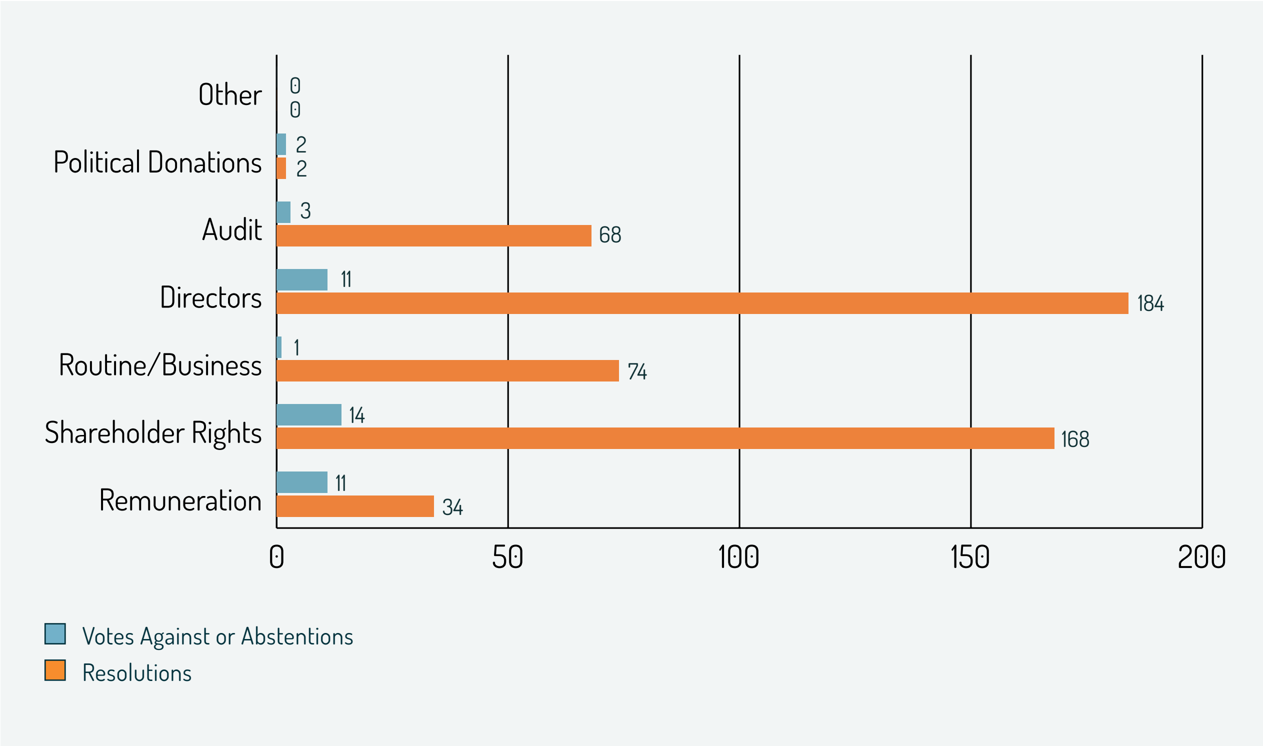
ANNUAL VOTING: UK SMALLER COMPANIES FUND

Summary: During 2023, we voted at 54 meetings hosted by our investee companies in the UK Smaller Companies Fund, with a total of 530 resolutions

RESOLUTIONS



RESOLUTIONS DURING THE QUARTER BY CATEGORY AND HOW FREQUENTLY WE VOTED AGAINST OR ABSTAINED:



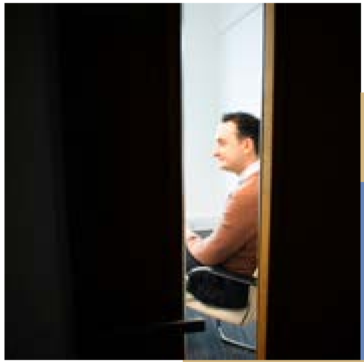
CFP CASTLEFIELD SUSTAINABLE PORTFOLIO FUNDS

INTRODUCTION TO THE FUND AND FUND MANAGERS

INTRODUCTION TO THE FUNDS

The way we think about stewardship and engagement for our multi-asset portfolio funds – and as a consequence, how we report it – is slightly different to what we've described so far for our single-strategy funds. First of all, you'll notice we combine our reporting. This is a consequence of the high degree of overlap between the two funds and that overlap is a consequence of how we think about building multi-asset portfolios.

Secondly, much of the company engagement is carried out via the underlying Castlefield funds that are held within the portfolio funds, although we have engaged with some directly-held assets on carbon reporting. Finally, unlike in our equity funds, we hold external third party funds in our portfolio funds so our engagement efforts are largely focused on ensuring that those funds remain suitable for investment, from both a financial and sustainability perspective.



Introduction to Portfolio Growth Fund

This fund aims primarily to achieve capital growth and to provide some income consistent with this primary objective. It's aimed at investors who are comfortable with an investment time horizon of at least five years. To achieve this objective, we expect to invest at least 50% in other collective investment funds, some managed by ourselves and some managed by other highly regarded investment houses we carefully select.

Introduction to Portfolio Income Fund

This fund aims primarily to provide income to investors, with a target minimum income return of 3% per annum, together with capital growth consistent with this primary objective, with a time horizon of at least five years. To achieve this objective, we expect to invest at least 50% in other collective investment funds – some managed by ourselves and some managed by other highly regarded investment houses we carefully select.

INTRODUCTION TO THE FUND MANAGERS

"I'm Callum Wells, an Investment Manager at Castlefield and a member of our Investment Management team. I joined Castlefield in 2023, after working within Brown Advisory's International Private Client team. I co-manage Castlefield's Sustainable Portfolio Funds and contribute to the team's investment research activities. I also hold the CISI's Chartered Wealth Manager qualification."

"I'm Simon Holman, a partner at Castlefield and a member of our Client Management team. I spent several years as an equity analyst and fund manager at Aegon asset management before joining Castlefield where I'm a co-manager of the Castlefield Sustainable Portfolio Funds. I'm a charter holder (Chartered Financial Analyst) of the CFA Institute."

MEET THE MANAGER VIDEO

POSITIVE THEMES EXPOSURE

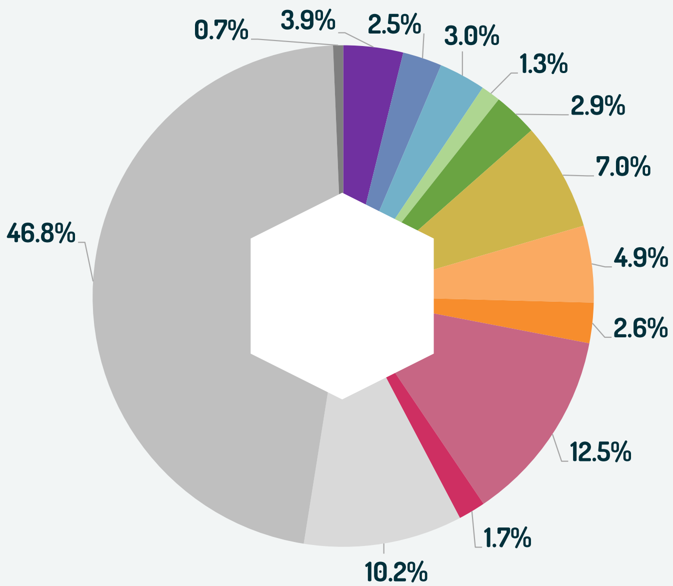
Summary: Sustainable Infrastructure is the most significant of our positive thematic areas across both the Portfolio Funds. However, the majority of the funds are held in third-party funds which are managed by other highly regarded investment houses selected for their strong track record on financial and sustainability performance.

The Portfolio Funds differ from our equity funds in that they are comprised of a variety of investment types, such as UK and globally listed shares, fixed interest securities, commercial property funds and specialist funds. Third-party funds may adopt screening policies or thematic areas that differ from our own, however, we make a concerted effort to seek out fund houses with strong track records on sustainability and financial performance. In addition, we engage with third-party fund managers regularly to ensure that we fully understand their approach to sustainable investment. For example, WHEB are positive impact investors committed to investing in the companies providing solutions to environmental and social challenges and we hold their fund within our allocation to global equities.

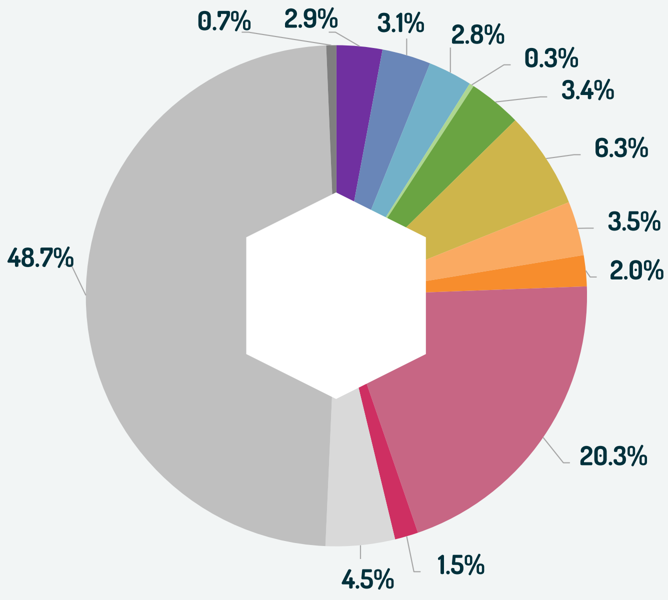
Sustainable Infrastructure relates to the provision of resilient infrastructure, including transportation, renewable energy, and social housing. In the Portfolio Funds, there is a considerable weight towards companies that develop and operate renewable energy infrastructure, including solar, battery storage and wind power. In addition, the funds align with a number of other positive themes, including Health and Wellbeing, Cyber Security and Digital Connectivity and Education.

- Cyber Security & Digital Connectivity
- Education & Training
- Employee Ownership & Responsible Business
- Environmental Management
- Financial Resilience & Inclusion
- Health & Wellbeing
- Resource Efficiency
- Safety & Regulatory Compliance
- Sustainable Infrastructure
- Sustainable Supply Chains
- Unclassified
- Cash

PORTFOLIO GROWTH FUND



PORTFOLIO INCOME FUND



Source: Castlefield as at 31 Dec 2023

NET ZERO

Written by
Barney Timson

PORTFOLIO FUND NET ZERO COMMITMENTS

Castlefield have set the target to become Net Zero across the investment portfolio by 2040. Our investment approach is centred around excluding the most carbon intensive sectors and providing funding to companies positively contributing towards the transition to Net Zero. As at the end of 2023, over 90% of the Portfolio Growth fund and over 85% of the Portfolio Income fund on an asset weighted basis have set Net Zero targets. Engagement is a key tool to hold investee companies accountable for their Net Zero commitments and one of our priority engagement topics for the next 12 months will be to encourage the names across both funds which currently do not possess a target to set one, alongside the setting of interim and third-party verified targets.

Given that within both Portfolio funds we invest in third party funds, a key part of our fund manager selection process involves determining whether the external managers align with our own sustainability philosophy, with their approach to Net Zero a critical component of this. An example of a third party with strong alignment to our sustainability approach is Royal London, who aim to be Net Zero by 2050 and have a 50% reduction in the Carbon intensity of investments by 2030. The team report in line with TCFD (Taskforce on Climate-Related Financial Disclosures) and expect investee companies to set targets aligned with the ambition of global temperatures rising by no more than 1.5°C. Separately they expect companies to bring others in their value chain towards net zero and set ambitious short-term targets demonstrating they are ahead of the curve.

The Portfolio funds also invest directly into assets such as Hightown Housing Association, a retail charity bond which helps fund a provider of social housing, care and supported housing services for the most vulnerable. Hightown Housing Association are committed to becoming Net Zero by 2050, through increasing the energy efficiency of homes and using sustainable construction methods. This will be achieved by improving minimum standards of existing assets and implementing a new standard of EPC B for all new developments.

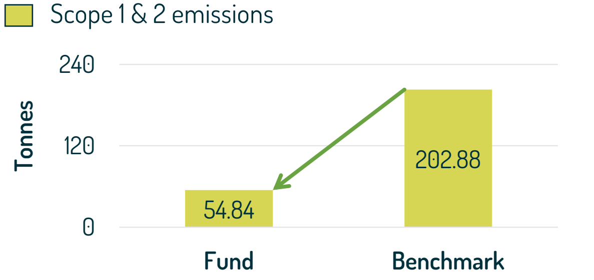
> "Castlefield have set the target to become Net Zero across the investment portfolio by 2040."

SUSTAINABILITY PERFORMANCE: PORTFOLIO GROWTH FUND

The Portfolio Growth Fund is a multi-asset portfolio with exposure to UK and globally listed shares, fixed interest securities and other investments, such as commercial property funds and specialist funds. In terms of positive social impact, the Portfolio Growth Fund outperforms the benchmark due to holdings such as Primary Health Properties, a Real-Estate Investment Trust (REIT) which acquires, refurbishes and develops healthcare facilities such as GP practices. The Fund also has exposure to a number of healthcare and pharmaceutical stocks within the underlying funds. The Fund, and indeed the entire Castlefield fund range, avoids investment in companies that generate over 10% of revenues from socially harmful industries such as tobacco and gambling, as well as environmentally harmful activity such as fossil fuel extraction. This is borne out in the data, where the benchmark has much greater exposure to these areas compared with the Portfolio Growth Fund.

BETTER CARBON EFFICIENCY

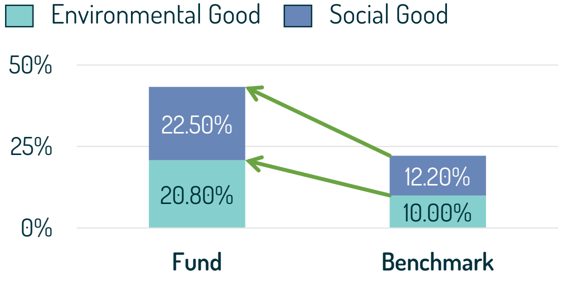
Emissions per $1M revenue



-73%
Fewer emissions produced than the benchmark

MORE SOCIAL & ENVIRONMENTAL GOOD

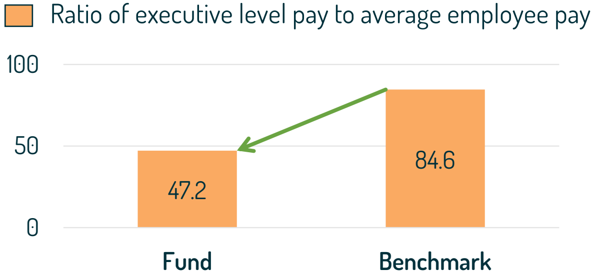
Percentage of funds allocated to environmental and social good



+95%
More investments allocated to environmental and social good than the benchmark

LOWER EXECUTIVE PAY

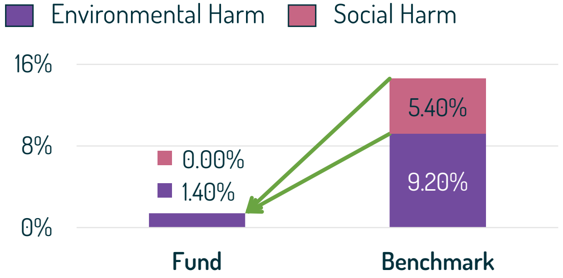
Comparing executive pay to employee pay



-44%
Ratio of executive to employee pay ratio lower than the benchmark

LESS SOCIAL & ENVIRONMENTAL DAMAGE

Percentage of funds that create environmental and social harm



-90%
Fewer investments that create environmental and social harm than the benchmark

For further information please see:
Page 144 for source information and our rationale for selecting the sustainability performance data shown on this page.
Pages 5-6 for the glossary with definitions of key terms.

Principle 6 6 Principle 7 7

SUSTAINABILITY PERFORMANCE: PORTFOLIO INCOME FUND

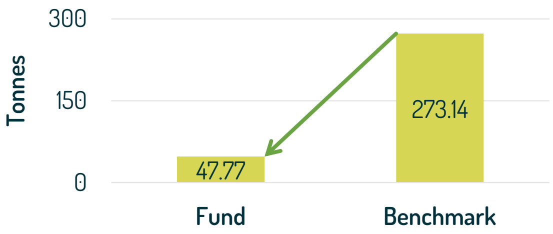
As a multi-asset fund, the Portfolio Income Fund invests directly in a range of securities, Castlefield's own equity funds and external, third-party funds. Where possible, we look for investment opportunities which deliver social and environmental benefits. For example, we hold social housing bonds and retail charity bonds in the Fund. This is reflected in the data, which shows that the Fund outperforms its benchmark on investments in this area.

The Fund also has a lower Scope 1 and 2 carbon footprint than its benchmark, primarily due to the exclusion of fossil fuel extraction from the fund. Finally, the Fund has a lower executive pay ratio than its benchmark. The executive pay ratio shows how many times more an executive is paid than an average employee. The higher the ratio, the greater the disparity between pay for senior management and pay for the wider workforce, so we are pleased that the data shows that there is a narrower gap between pay at the top and median pay within the companies that we invest in in this Fund.

BETTER CARBON EFFICIENCY

Emissions per $1M revenue

Scope 1 & 2 emissions



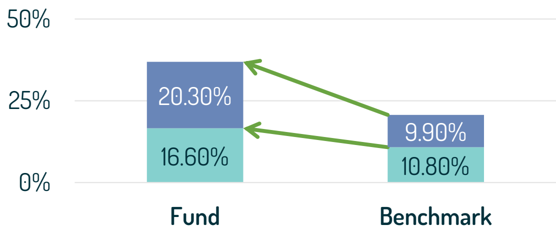
-83%

Fewer emissions produced than the benchmark

MORE SOCIAL & ENVIRONMENTAL GOOD

Percentage of funds allocated to environmental and social good

Environmental Good Social Good



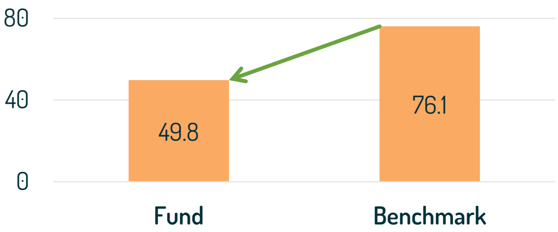
+78%

More investments allocated to environmental and social good than the benchmark

LOWER EXECUTIVE PAY

Comparing executive pay to employee pay

Ratio of executive level pay to average employee pay



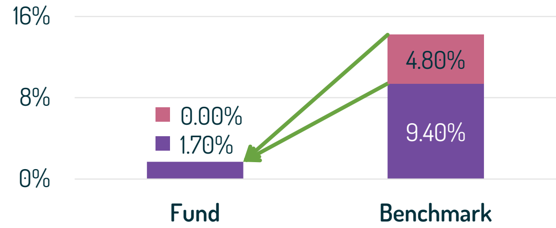
-35%

Ratio of executive to employee pay ratio lower than the benchmark

LESS SOCIAL & ENVIRONMENTAL DAMAGE

Percentage of funds that create environmental and social harm

Environmental Harm Social Harm



-88%

Fewer investments that create environmental and social harm than the benchmark

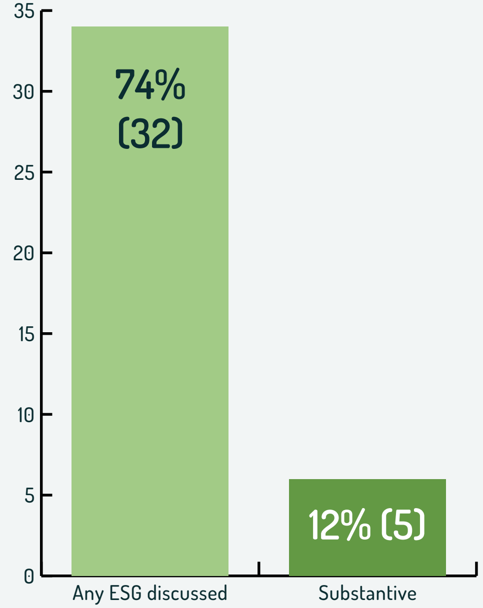
For further information please see:
Page 144 for source information and our rationale for selecting the sustainability performance data shown on this page.
Pages 5-6 for the glossary with definitions of key terms.

Principle 6 6 Principle 7 7

PORTFOLIO FUNDS ENGAGEMENT OVERVIEW

PORTFOLIO GROWTH FUND ENGAGEMENT OVERVIEW

MEETINGS WITH HOLDINGS IN 2023

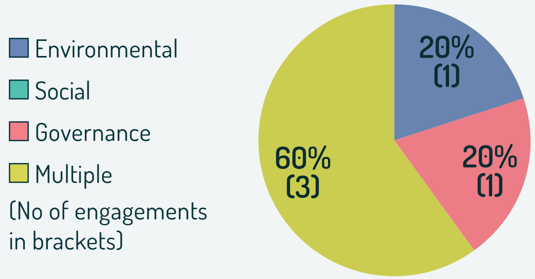


(No of engagements in brackets)

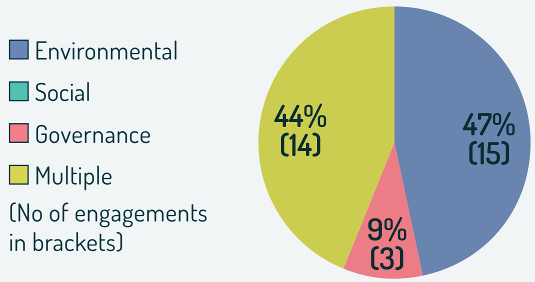
* 'Any ESG discussed' includes meetings where at least one ESG question was raised.

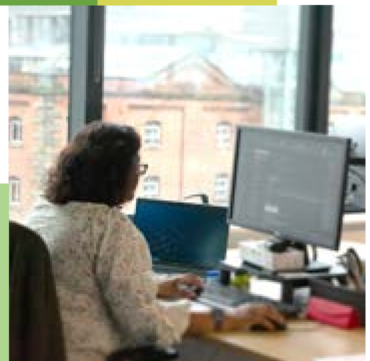
**'Substantive' engagements include those where ESG questions or topics took up a significant portion of the call or meeting.

SUBSTANTIVE ENGAGEMENTS



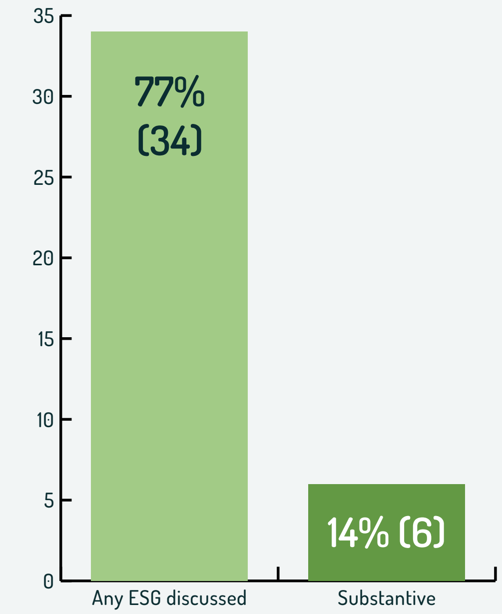
MEETINGS WITH ESG CONTENT





PORTFOLIO INCOME FUND ENGAGEMENT OVERVIEW

MEETINGS WITH HOLDINGS IN 2023

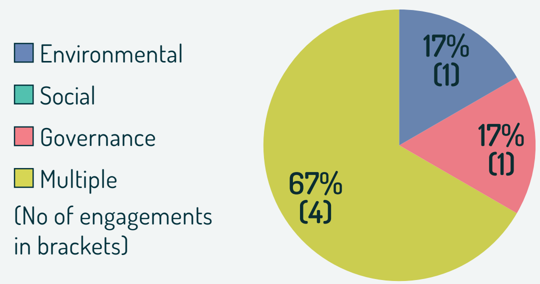


(No of engagements in brackets)

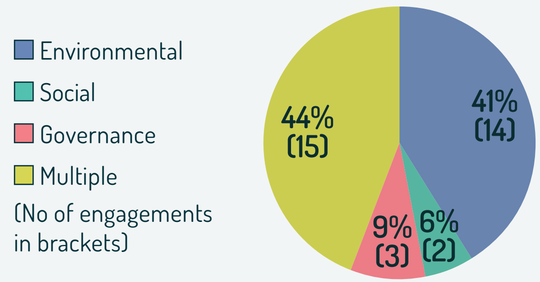
* 'Any ESG discussed' includes meetings where at least one ESG question was raised.

**'Substantive' engagements include those where ESG questions or topics took up a significant portion of the call or meeting.

SUBSTANTIVE ENGAGEMENTS



MEETINGS WITH ESG CONTENT



COLLABORATIVE ENGAGEMENT OVERVIEW

Carbon Disclosure Project: Triple Point and Places for People

As part of the CDP non-disclosure campaign, we approached the investment manager Triple Point and a leading provider of social housing, Places for People. While we engaged in further discussion with Triple Point, unfortunately, neither company agreed to fill out the CDP survey in 2023. To read more about our CDP engagements over the year, visit the collaborative engagement section or click here.

Read more on page 33

FUND SELECTION AND ENGAGEMENT WITH EXTERNAL FUND MANAGERS

Written by
Barney Timson

Summary: Engaging with third-party fund managers is no less important than engaging with the management teams of the companies we invest in directly. Therefore, we have developed a detailed questionnaire covering a wide range of sustainability topics to assess the credentials of any external funds we invest in on behalf of our clients.

While engagement with the management teams of listed businesses is an incredibly important part of our stewardship activity, engaging with the management teams of externally managed funds is no less significant. For the funds we run in-house at Castlefield, we apply our own research process and sustainability expertise to determine which companies to invest in, all in line with our screening policy. However, for certain geographies and asset classes, we opt to use funds run by specialist managers and, in these instances, what is invested in will be determined by their investment teams and depends on their own processes and policies.

Therefore, we must be confident that the external funds we use on behalf of our clients are managed in line with the way that we would invest directly, as far as is possible. We also take this further by including the credentials of the management team and investment house offering the fund for investment. We believe a holistic approach to sustainability, when combined with detailed performance analysis, allows us to select funds and management teams aligned with our responsible investment philosophy.

To enhance this process, we developed a detailed ESG and sustainability questionnaire for external fund managers to complete. A more formal process for gathering this information increases the comparability of the information we can gather and ensures any updates are fed into our annual reviews with managers.

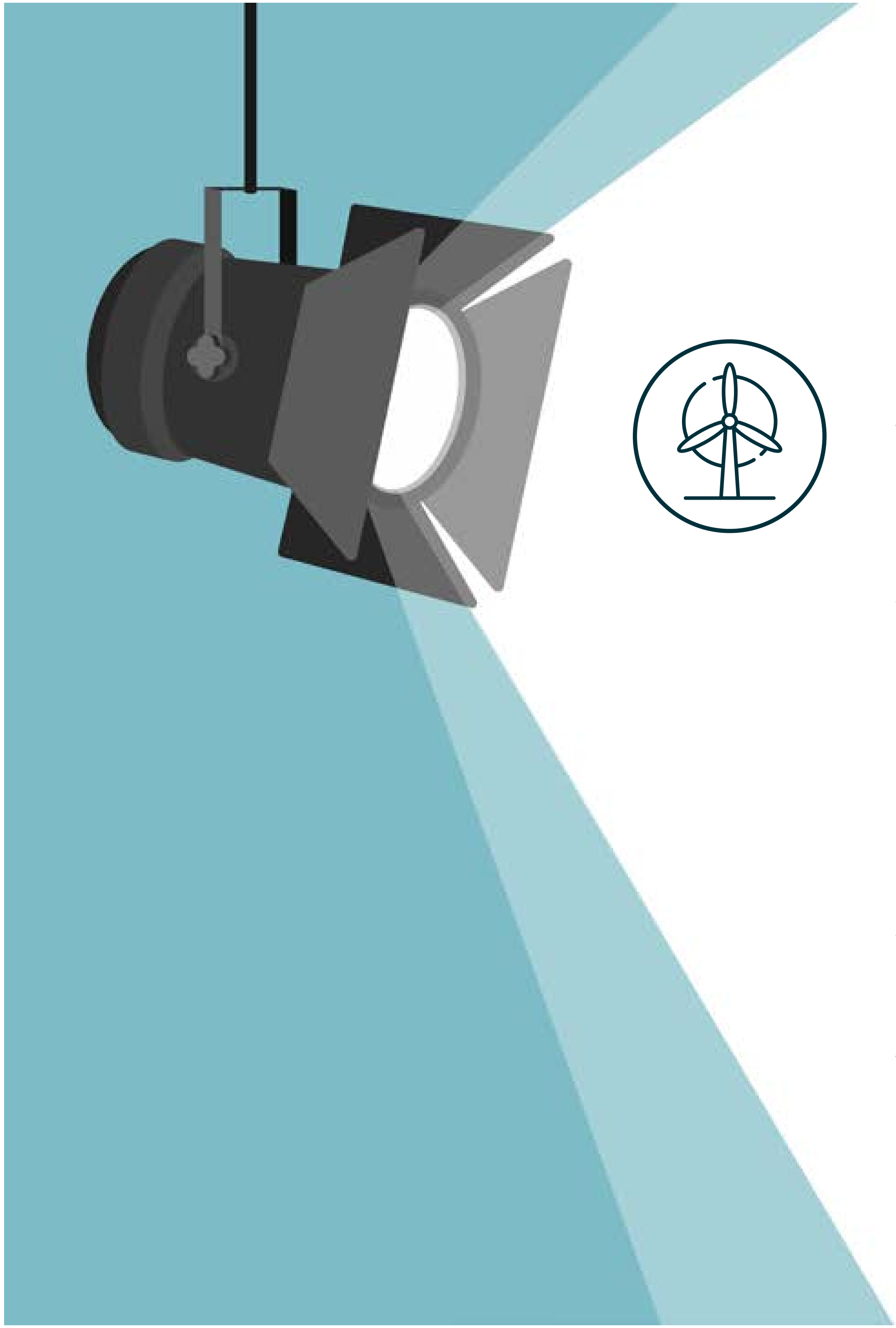
The questionnaire ranges from questions about the organisation's diversity, levels of employee ownership and environmental policies, to the fund itself – its governance, sustainability objectives and outcomes, external resources and team training – and a long list of questions about the stewardship activities we would expect managers to carry out on our behalf, such as engagement and voting.

We've been asking managers to fill in the questionnaire as we carry out our regular research updates and have had a strong response rate from our core fund panel. These are teams we know very well and it is pleasing to see how keen they are to demonstrate the strength of their sustainability offerings.

When analysing the responses, it is interesting to see both the similarities and differences across firms on various different topics. One of our questions asks the fund managers to outline the main engagement topics for the year ahead. Both climate change and diversity were commonly cited answers, as was overall worker well-being and human rights. In addition, the topics of biodiversity, water, plastic pollution and executive remuneration were all highlighted as areas warranting further investigation.

We also like to see strong governance practices from the fund houses that we utilise in order to gain a greater understanding of the investment processes and the oversight on stock selection. The replies to this question varied, with some asset managers having advisory committees similar to our own, with sustainability experts and clients sitting on the committee. Separately, some houses have in-house oversight through investment committees or chief investment officers. We also found that some asset managers take neither of these approaches and responsibility lies with the investment team who utilise tools such as Ethical Screening or Sustainalytics to help assess sustainability credentials.

While there is no right or wrong answer to many of the questions we ask external fund management teams, we look for a consistent and well-rounded approach to incorporating ESG and sustainability concerns, not only in the investments they make on our behalf, but also within their own business practices.

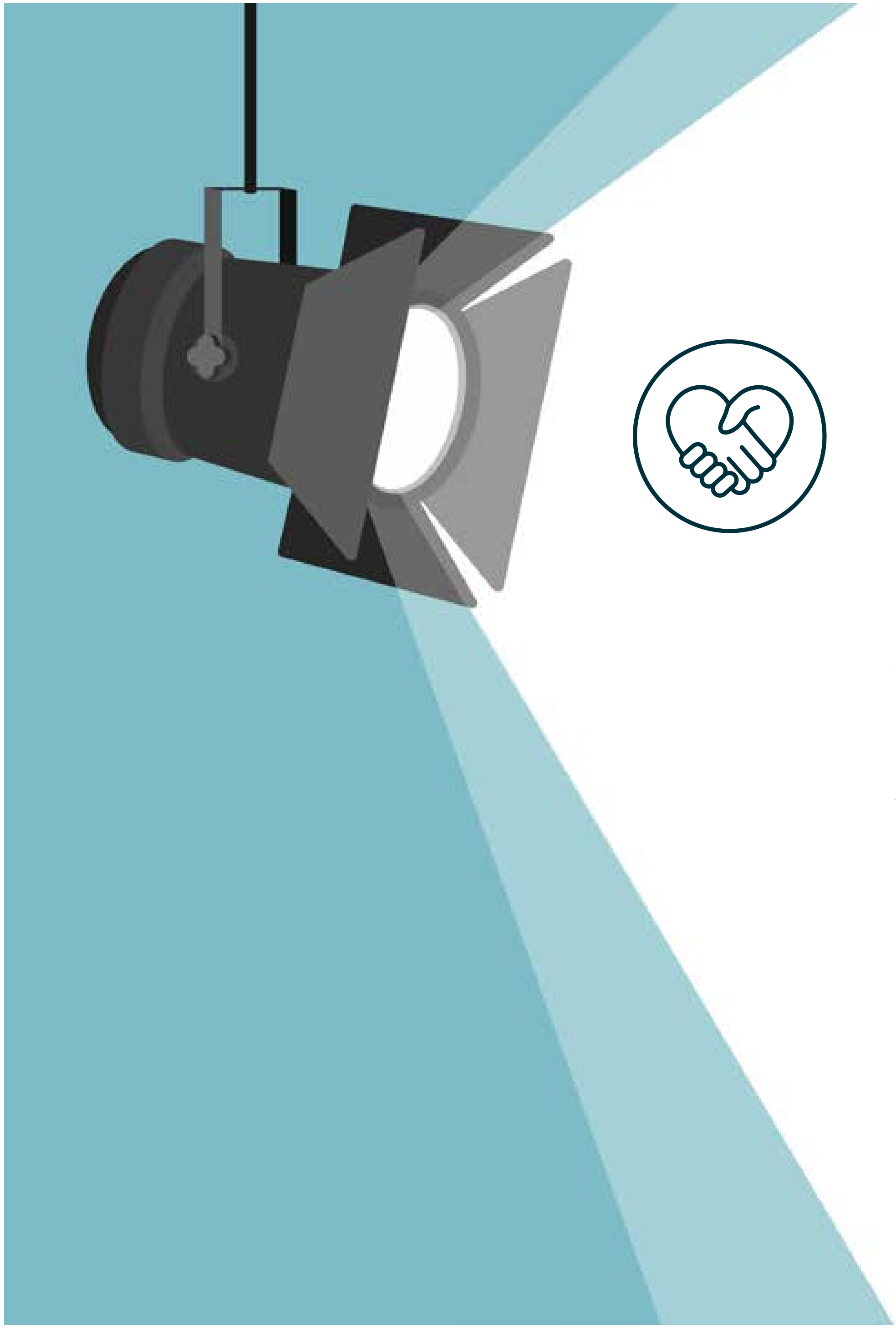


SPOTLIGHT ON… GREENCOAT UK WIND

Greencoat UK wind is a listed renewable infrastructure fund which invests in operating UK wind farms. The fund forms part of your infrastructure exposure across the Castlefield Sustainable Portfolio Fund range. Greencoat was the first renewable infrastructure fund to list on the London Stock Exchange's main market back in 2013 and since then, it has gone from strength to strength, at the time of writing operating 48 different assets with a combined installed capacity of just under 2GW. The company's aim is to provide investors with a sustainable annual dividend which increases in line with inflation while preserving and growing the long-term capital value of the portfolio through reinvesting any excess cashflows, borrowing and raising equity to fund the acquisition of new assets. Despite weakness elsewhere within the listed sustainable infrastructure space, Greencoat has been performing strongly, recently demonstrating its financial strength through the announcement of a 14% dividend increase alongside a £100 million share buyback program.[1]

Greencoat UK Wind has been a mainstay of our Portfolio Fund range since their inception, primarily due to its consistency, the strong dividend which grows in line with inflation and the prospect of growth through the expansion of the portfolio. As we draw nearer to 2050, renewables will need to play an ever-increasing role in the grid to meet the government's pledge. Given the geography and climate of the UK, wind power will need to contribute substantially towards this, and despite the significant growth in the sector over the past decade, there is a sizable amount of growth still required if the UK is to meet its commitments, which Greencoat is well positioned to be able to provide.

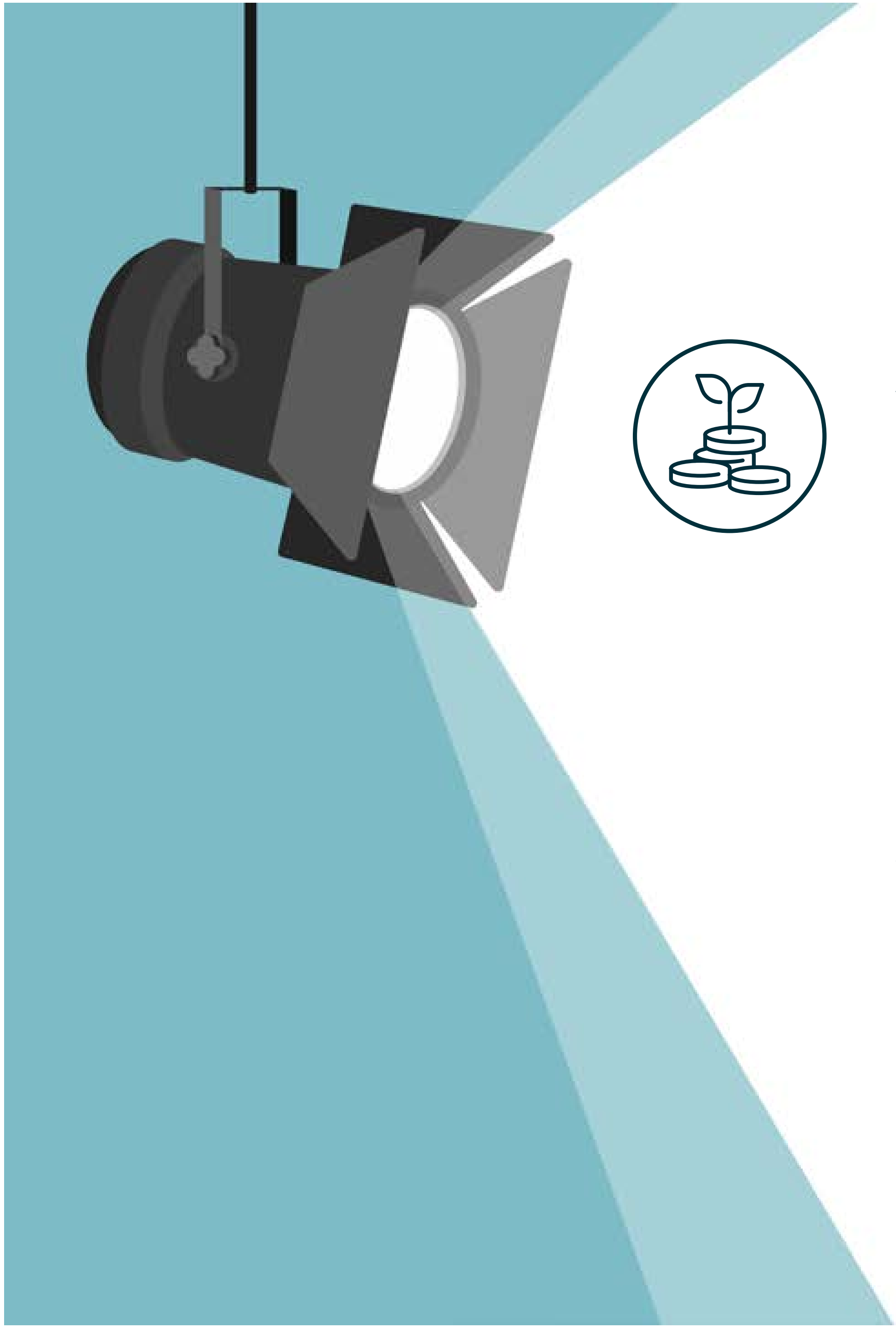
1. Capital Allocation Update – 26th October 2023. Greencoat UK Wind (greencoat-ukwind.com)



SPOTLIGHT ON… CHARITIES AID FOUNDATION (CAF)

CAF forms part of our direct fixed income exposure across both of our Portfolio funds. The bond is issued on the Retail Charity Bonds (RCB) platform, which allows smaller issuers to access the bond market. CAF are one of many issues we have invested in using the RCB platform. CAF is unusual in that it is both a leading charity and a bank. The core objective is to maximise the amount of donations being made across the whole charity sector and to provide charities with low-cost, ethical financial options. CAF acts as a facilitator for donors, reducing administrative headaches, making it easier to gather donations. Additionally, it ensures there is the maximum tax benefit to the donor, encouraging them to donate more. CAF provides support to both individual and corporate donors and has a global reach, which provides donors with a credible way of donating in countries with the greatest need. Separately, CAF also provides advice to charities on fund-raising, communication and governance practices and it undertakes research that benefits the charity sector as a whole through lobbying national decision makers. Through CAF Bank, it can provide banking services for charities and not-for-profit organisations. The bank offers loans to charities at competitive rates and all profits are distributed to charitable causes.

CAF is one of the UK's largest charities and, through its banking arm, provides support for over 14,000 different UK charities and social purpose organisations. We like CAF because it provides a clear positive impact through facilitating the movement of funds safely to the charities that need it most. The £50m bond issue offers a 3.5% fixed coupon and a maturity date of 2031. Funds from the issue will be invested in technology to help set up a global digital platform to reduce costs and increase the speed at which funds can be given.



SPOTLIGHT ON… RATHBONE ETHICAL BOND FUND

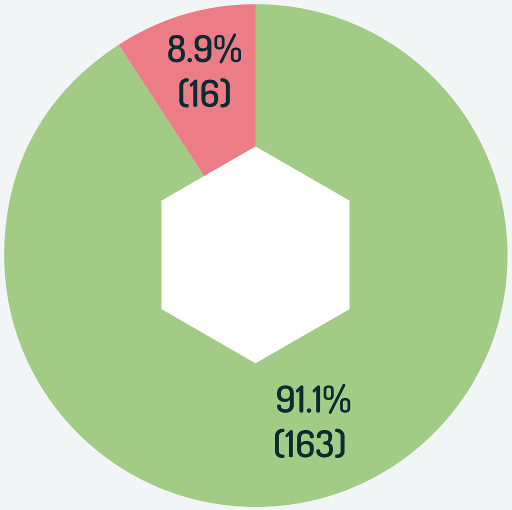
The Rathbone Ethical Bond fund is a collective fund that we use to form part of your fixed income exposure across the Castlefield Sustainable Portfolio fund range. Launched in 2002, the fund primarily invests in sterling denominated investment grade corporate bonds. The team begins with theme-based idea generation, with these themes including macroeconomics, regions, sectors, regulation and interest rates. The team combine both a macroeconomic and company-specific approach to stock selection and sustainability is at the heart of investment decisions, with both negative and positive screening provided by the sustainability team at Rathbone Greenbank. The team exclude the usual sectors from the investment universe such as tobacco, arms and gambling and seek to invest in assets which provide beneficial products and services to society and manage their environmental impact amongst others. In terms of credit analysis, the team operate the proprietary four Cs plus model to determine the attractiveness of an asset. This process examines the character (integrity & likelihood of repaying loans), capacity (availability of cash flows & assets to repay obligations), collateral (quality of assets offered as security) and covenants (investor protections), with the “plus” referring to the team’s conviction.

We like the fund for several reasons; firstly, with over 200 separate holdings, it provides a strong diversification benefit. Separately, as an investment house, Rathbone is well-established and has strong sustainability credentials. As an asset class, fixed income has been attracting a lot more attention over the past 12-18 months as reference yields recover towards more normalised levels not seen since before the Global Financial Crisis. As we approach the height of the rate cycle, fixed income becomes a more interesting option as asset prices rise as interest rates are cut.

ANNUAL VOTING: PORTFOLIO GROWTH FUND

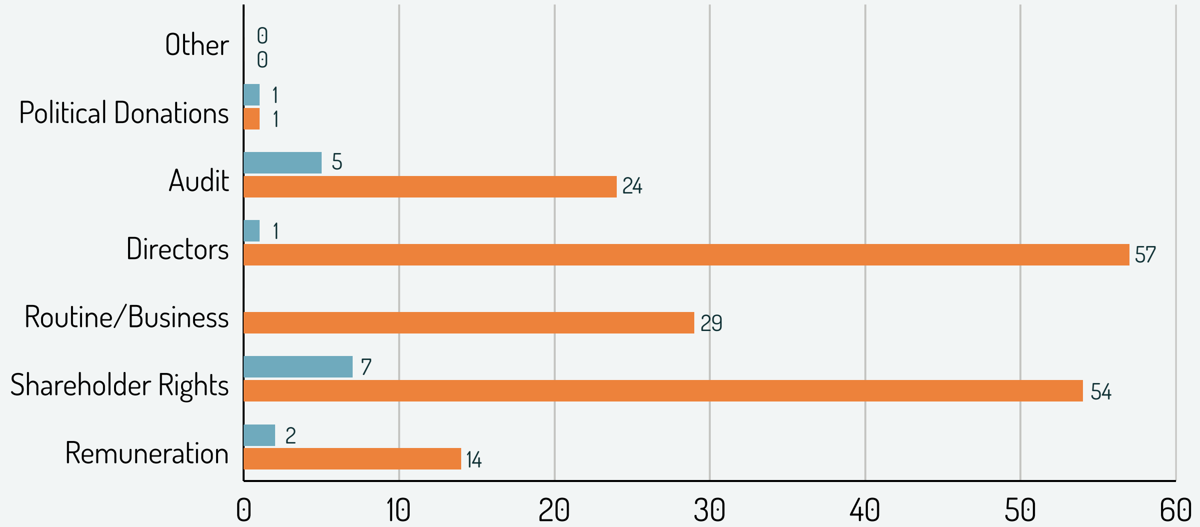
Summary: During 2023, we voted at 13 meetings hosted by our investee companies in the Portfolio Growth Fund, with a total of 179 resolutions.

RESOLUTIONS



Number of resolutions where votes were cast For
Number of resolutions where votes were cast Against
Number of resolutions where votes were Abstained
(No of engagements in brackets)

RESOLUTIONS DURING THE QUARTER BY CATEGORY AND HOW FREQUENTLY WE VOTED AGAINST OR ABSTAINED:

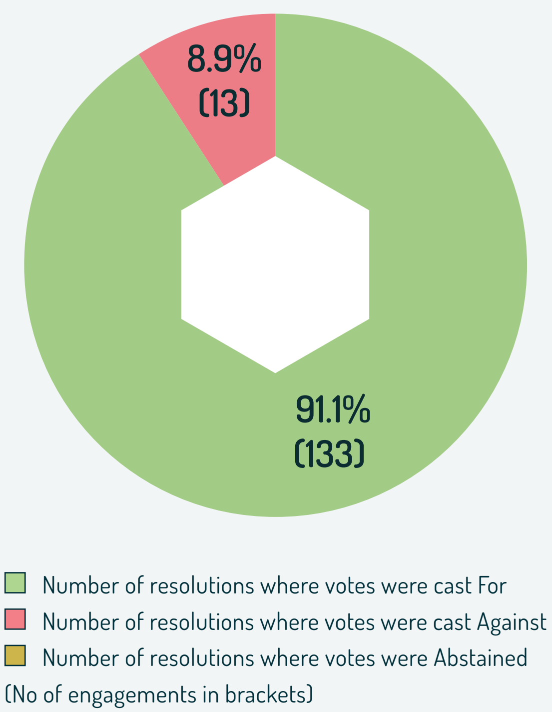


Votes Against or Abstentions
Resolutions

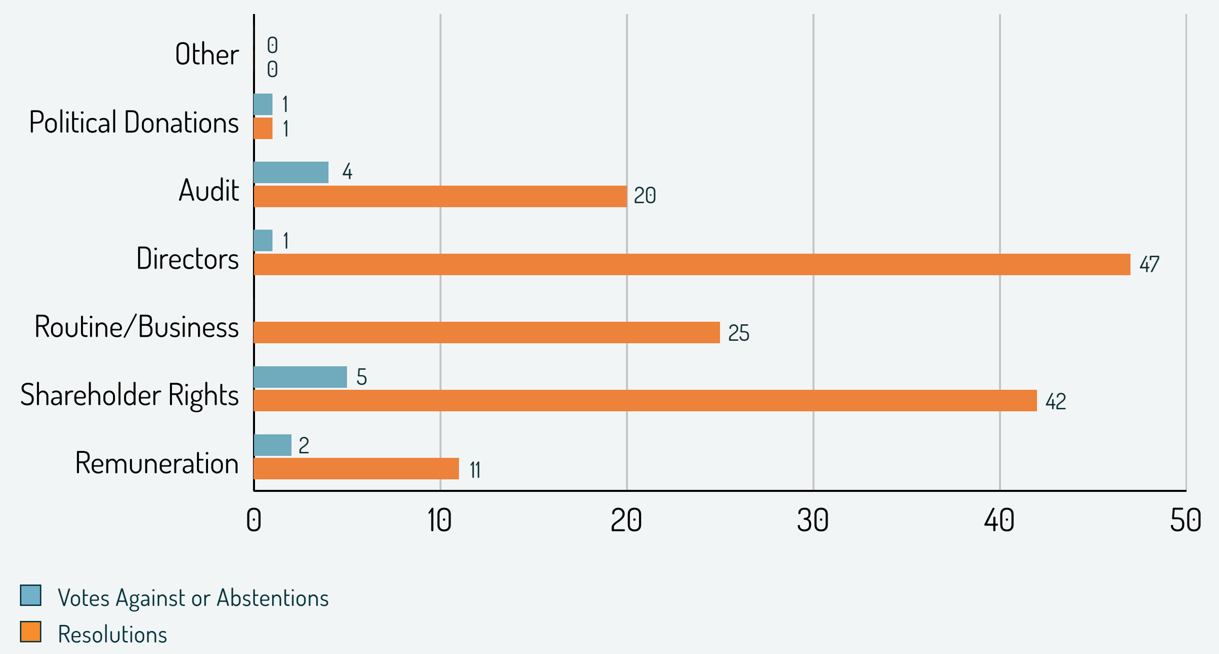
ANNUAL VOTING: PORTFOLIO INCOME FUND

Summary: During 2023, we voted at 11 meetings hosted by our investee companies in the Portfolio Income Fund, with a total of 146 resolutions

RESOLUTIONS



RESOLUTIONS DURING THE QUARTER BY CATEGORY AND HOW FREQUENTLY WE VOTED AGAINST OR ABSTAINED:



CFP CASTLEFIELD REAL RETURN FUND

INTRODUCTION TO THE FUND AND FUND MANAGER

INTRODUCTION TO THE FUND

The Real Return Fund aims to deliver returns to investors in excess of UK inflation over a rolling three-year time horizon. It aims to provide returns broadly consistent with those you'd expect to see from a pool of "real" (inflation protected) assets but with a level of volatility (day to day price swings) more in line with typically less volatile fixed income investments.

INTRODUCTION TO THE FUND MANAGER

Mark Elliott

"I'm Mark Elliott, a partner at Castlefield and Head of our Investment Management team. I'm the lead manager of the CFP Castlefield Sustainable UK Opportunities Fund and the CFP Castlefield Real Return Fund. I'm a charter holder (Chartered Financial Analyst) of the CFA Institute as well as an individually chartered member of the Chartered Institute for Securities & Investment (CISI)."

Watch the video on page 41 to find out more about Mark and the Fund's objectives.

Go to video

REAL RETURN FUND ENGAGEMENT OVERVIEW

MEETINGS WITH COMPANIES IN 2023

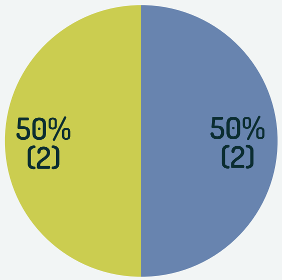
(No of engagements in brackets)

* 'Any ESG discussed' includes meetings where at least one ESG question was raised.

**'Substantive' engagements include those where ESG questions or topics took up a significant portion of the call or meeting.

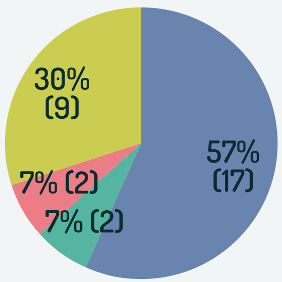
SUBSTANTIVE ENGAGEMENTS

Environmental
Social
Governance
Multiple
(No of engagements in brackets)



MEETINGS WITH ESG CONTENT

Environmental
Social
Governance
Multiple
(No of engagements in brackets)



COLLABORATIVE ENGAGEMENT OVERVIEW

Workforce Disclosure Initiative:
Assura

Assura is a property business, which we hold in our UK Opportunities Fund as well as in our Real Return Fund. This is the first year the company has been approached regarding the WDI and we were pleased by their willingness to participate in the survey, demonstrating a commitment to robust corporate reporting and transparency. To read more about our WDI engagements, click here.

Read more on page 34

Carbon Disclosure Project:
Schroders REIT

This year's non-disclosure campaign resulted in confirmation from Schroders Real Estate Investment Trust to disclose climate-related data through CDP's questionnaire. To read more about our CDP engagements, click here.

Read more on page 33

ENGAGEMENT CASE STUDIES

Written by
Ita McMahon

SCHRODERS REIT: INCORPORATING SUSTAINABILITY KPI'S

Summary: We recently engaged with the management team at Schroders Real Estate Investment Trust (REIT) to discuss the proposed changes to their investment policy, which include integrating sustainability objectives and KPI's to assess the performance of each property.

In December 2023 we had a positive engagement call with Schroders Real Estate Investment Trust (REIT). The Trust actively manages a UK commercial property portfolio, focusing on office, industrial and retail spaces. The REIT's management team has been integrating sustainability factors into its assessment of each site over a number of years and decided to formalise this approach by incorporating sustainability objectives and KPIs into the REIT's investment policy. A change to the investment policy of this nature requires shareholder approval, and we wanted to better understand the proposal prior to voting.

"The REIT's management team has been integrating sustainability factors into its assessment of each site over a number of years and decided to formalise this approach by incorporating sustainability objectives and KPIs into the REIT's investment policy"

In the call, the team explained the scorecard they use to assess the current level of sustainability at each property, with factors such as energy, carbon, water use and biodiversity taken into account. We liked the team's realistic approach: they openly acknowledged that, because they are working with existing building stock, not every property can achieve the highest ratings across all social and environment metrics. They were also keen to highlight that in a developed economy like the UK, with large amounts of older property, retrofitting is an essential part of the transition to a low-carbon future.

The team were also able to talk about the 'green premium' that they can now command: i.e. commercial tenants are now willing to pay a higher rental for premises that have been renovated to high environmental standards. This premium ranges from 5% to 20%, depending on the property's location and use and is driven by corporate tenants who are themselves under pressure to improve their environmental credentials.

Outcome: as a result of the engagement, we had a better understanding of the both the KPIs underpinning the sustainability objective and the scorecard approach the team would be using to assess performance. As such, we had sufficient confidence to vote for the proposal.

Principle 7 7 Principle 9 9

ESG IN INVESTMENT DECISION MAKING

Written by
Barney Timson

NEW HOLDING: CONYGAR ZDP

Summary: We recently added the ZDP issued by property development and investment group Conygar to the Fund. Proceeds from the issue will be used to help fund the development of the mixed-use Island quarter site in the centre of Nottingham.

A recent new holding within the Castlefield Real Return Fund is the Zero Dividend Preference Share (ZDP) of The Conygar Investment Company. Conygar are an AIM listed property investment and development group who primarily deal in UK properties. The main aim of Conygar is to add value to property assets through property management, development and transaction structuring skills. Conygar have a relatively concentrated portfolio of assets which consist of the Holyhead Waterfront, two sites in Anglesey which have attracted interest from the renewables sector and the jewel in the portfolio is the Island Quarter site, situated in Nottingham city centre.

"The main aim of Conygar is to add value to property assets through property management, development and transaction structuring skills."

The £15 million ZDP issue has a five year term and offers a gross redemption yield of 9%, which is attractively priced in this current market environment. The proceeds from the issue will be used to fund the continued progression of the development of The Island Quarter in Nottingham, such as the earlier advancement of detailed planning consents and the completion of ongoing and upcoming phases of development. The issue possesses several investor protective measures which activate if cover falls below a certain margin and the net asset value covers the issue size multiple times over, which increases the probability of full repayment of the issue at maturity. Furthermore, Conygar have a strong track record of developing assets and then disposing of them for a tidy margin, recycling the capital for use with other more attractive assets.

"Conygar have a strong track record of developing assets and then disposing of them for a tidy margin, recycling the capital for use with other more attractive assets."

The Island Quarter is a 36 acre mixed-use development site located to the south of Nottingham's historic lace market, and was formerly the headquarters and laboratories of Boots, the chemists and had been mostly vacant for 25 years. Once fully developed, the site will be host to residential housing, student accommodation, office and commercial space, bioscience laboratories, warehouses and events space, hotels and several restaurants and bars.

Principle 9 9

Like most of the UK, Nottingham has a shortage of housing so the site helps to address that need. Separately, Nottingham is a popular student city, with 80,000 students although, despite this, there is a severe lack of accommodation due to insufficient housing stock, which results in a large number of students needing to be bussed in from Derby on a daily basis. Nottingham is also a science hub, with more patents per capita than all UK cities outside of London and Oxbridge and both universities have strong demand for greater laboratory space, with the current space available insufficient. Development of this site therefore will help to alleviate some of these problems.

In 2023, we attended a site visit, so we could inspect the assets up close and personal. As things stand, the only fully developed and operational asset is Clever and Wake, the high end restaurant under the leadership of 2018 MasterChef -The Professionals winner Laurence Henry, and Binks Yard, an all-day dining venue and bar, which the author can attest to its quality. The development of one of the student accommodation blocks is underway, with completion expected in mid-2024, and several other assets are either undergoing or have been granted planning permission.

There are strong social positives to the investment, with Conygar developing a site that was formerly derelict, and increasing footfall to an area of the city that was historically ignored. Conygar are essentially building a new neighbourhood, and green space will be a major component of this. Local contractors are being employed to carry out the work, which is boosting the local economy and training is being provided to upskill staff. Plans are also in place for an onsite training academy.

DIVESTMENT: UKCM

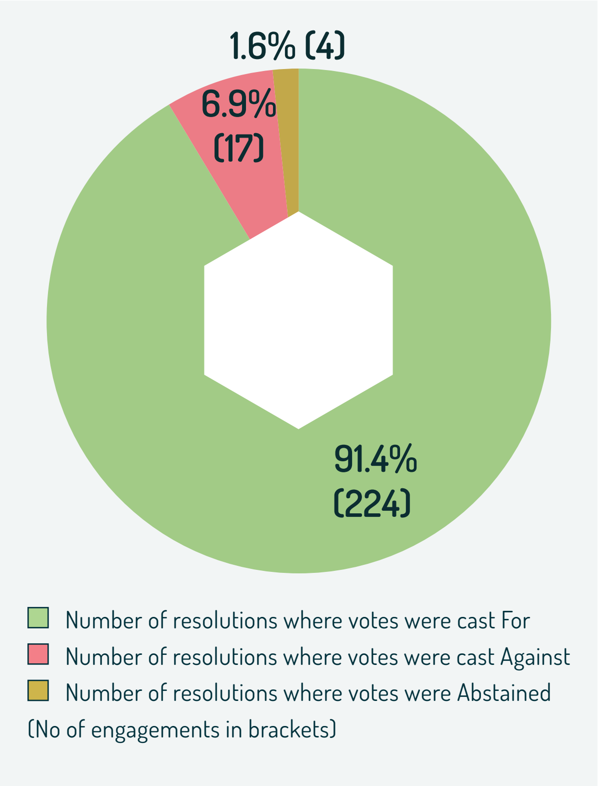
Summary: Mark Elliott discusses the rationale behind exiting our stake in the listed trust, UKCM.

We consolidated our exposure to commercial real estate investments during the year, choosing to exit entirely our stake in diversified listed trust, UKCM. This Fund is listed on the mid-market segment of the London Stock Exchange and is managed by abrdn. It is invested in a diversified portfolio of office, industrial, retail and alternative properties such as hotels and student accommodation. We have increasingly focused our investment and stewardship activities on thematic funds and strategies that target a specific area within the property market. This has allowed for engagements with managers on a particular investment or development topic, aligning more closely with our wider approach.

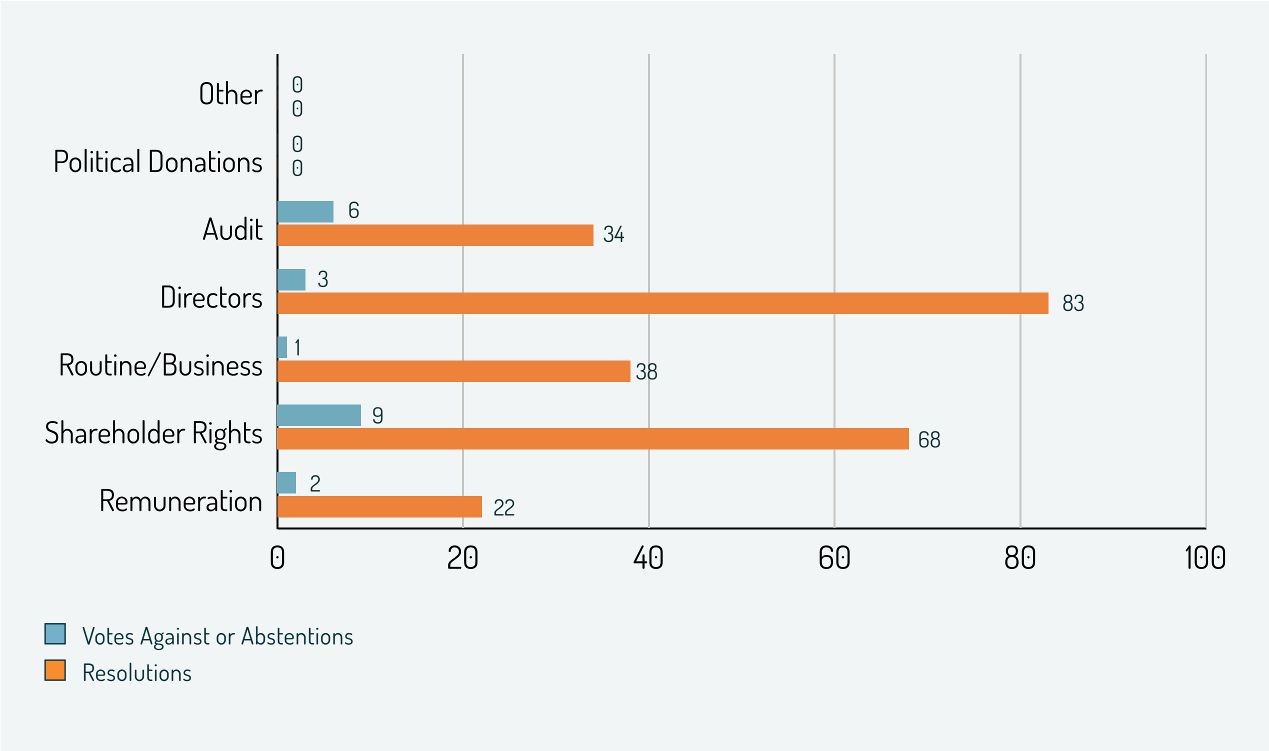
ANNUAL VOTING: REAL RETURN FUND

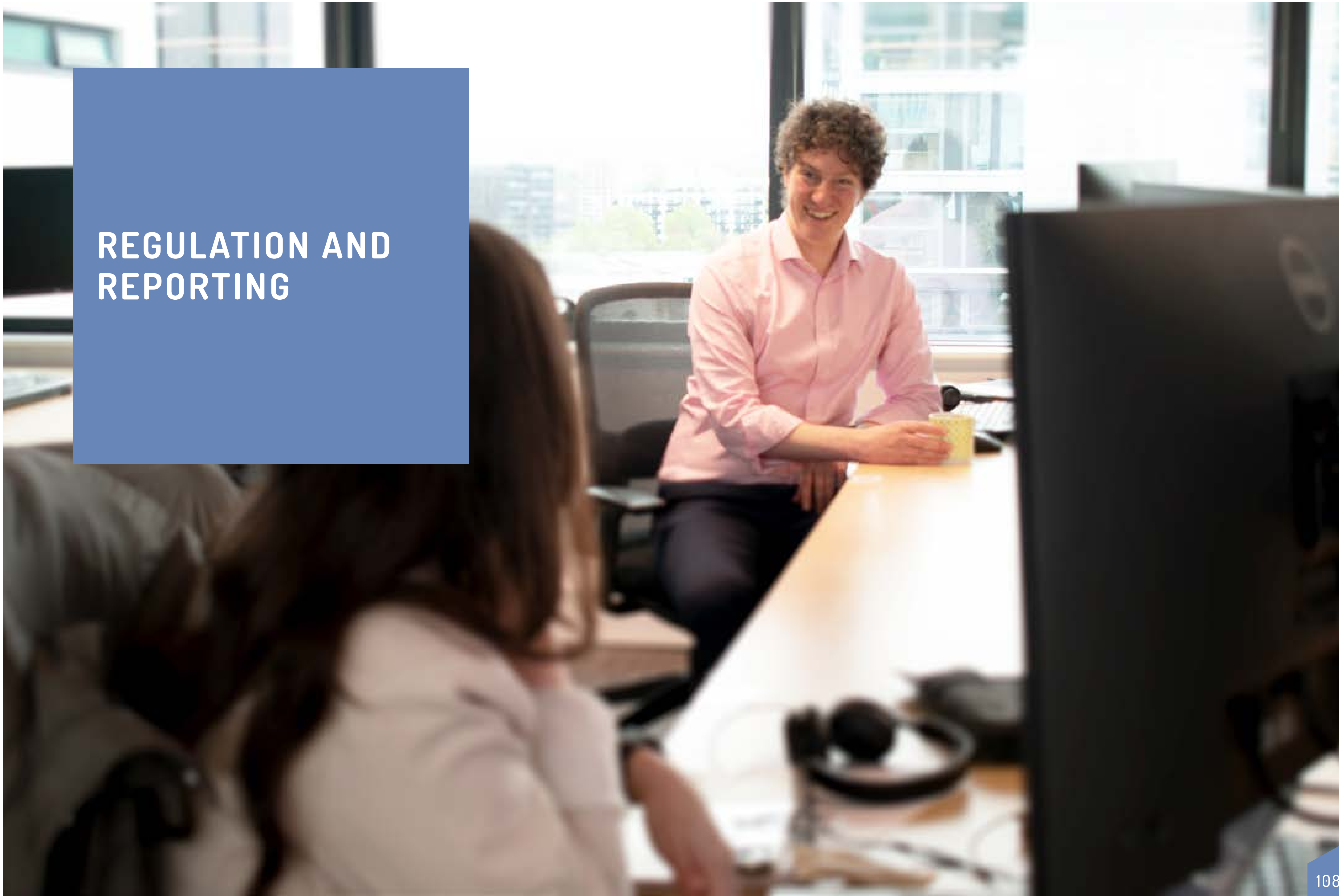
Summary: During 2023, we voted at 23 meetings hosted by our investee companies in the Portfolio Growth Fund, with a total of 245 resolutions.

RESOLUTIONS



RESOLUTIONS DURING THE QUARTER BY CATEGORY AND HOW FREQUENTLY WE VOTED AGAINST OR ABSTAINED:





REGULATION AND REPORTING

SUSTAINABILITY DISCLOSURE REQUIREMENTS (SDR)

One significant development for the fund management industry in 2023 was the development of a labelling scheme for funds with sustainability credentials.

The scheme is known as the Sustainability Disclosure Requirements (SDR) and has been developed by the Financial Conduct Authority (FCA). It will have four simple labels to provide clarity to individual investors on the sustainability attributes of each fund type. The term "sustainability" covers both social as well as environmental themes and the labels cover a range of fund types:

Sustainability Improvers:

Investment in assets that have the potential to improve their sustainability performance over time

Sustainability Impact:

Investment in assets to deliver a pre-determined positive impact

Sustainability Focus:

Investment in assets that have already achieved a robust level of sustainability

Sustainability Mixed Goals:

For funds with a mix of the three approaches

We are supportive of the scheme and responded to the FCA's consultation on the framework for SDR in January 2023. Our full response is available on our website. We are currently working through the requirements of the SDR to understand how best to apply them to our fund range. We are hopeful that the scheme will bring clarity to investors and also help to reduce the risk of greenwash within the industry.

UN PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

As first-time participants to the PRI in 2023, we spent a good chunk of our summer compiling information about how we incorporate sustainability considerations into our investment processes.

The PRI assessment is thorough and asks questions about everything from the governance processes informing our investment decisions to the way in which we ensure that third party fund managers are aligned with our own views on sustainability issues.

We were fairly pleased with our results and have found the process of completing the survey useful and thought-provoking. The lower scoring areas are typically where we have the fewest assets allocated and we are particularly pleased to see the higher scores in the policy, governance and strategy module, as these factors guide the investment process for all our funds. Of course, there are areas for improvement and we expect this to be an incremental process over the next few years.

The full report, from which the snapshot to the right is taken, is available on our website.

View the PRI Assessment Report by clicking here, or by scanning the QR Code (left)

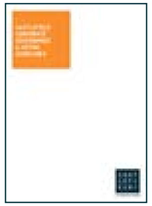
VOTING

VOTING AT CASTLEFIELD

As investors, we believe that we have a responsibility to our clients, as well as to the companies that we own, to vote on issues such as executive pay, director nominations and political donations. We aim to vote on all the stocks held in the collective funds we manage. We consider each resolution carefully and often engage with companies where we disagree with their stance. We have an in-house set of voting guidelines that we update annually. The guidelines ensure that we vote consistently across all our fund holdings; they are published on our website, as is our full voting history.

VOTING CATEGORIES

1.	**Remuneration**	We vote against excessive pay awards and awards that are not attached to sufficiently stretching performance targets. Particularly in light of the impact of coronavirus, we believe it is important that executive pay is reflective of the experiences and outcomes of all stakeholders.
2.	**Director Independence & Effectiveness**	Non-Executive Directors (NEDs) who sit on the boards of listed companies should be independent in order to be effective. The UK Corporate Governance Code sets limits on tenure which we apply across all geographies as a factor to determine independence. We have also long taken the view that directors should not hold a lot of other external positions. This is because, at a time of crisis, we expect directors to have enough additional time to dedicate to the company and the issues that it is facing.
3.	**Shareholder Rights**	This topic includes votes on issues such as share placings that a company might undertake to raise capital, as well as requests a company might make to repurchase its own shares. These requests have the potential to be detrimental to existing shareholders. One topic which falls under this heading, which we will always vote against, is the request to hold meetings with just 14 days' notice, as we do not believe this is sufficient time for shareholders to prepare to exercise their voting rights.
4.	**Political Donations**	We do not think it is appropriate for companies to make political donations and consequently will always vote against a resolution seeking permission to do so.
5.	**The Audit Process**	Auditor independence may be compromised if the auditor has been in place for a long time and no tendering process has been undertaken, or if fees paid are for services other than their primary audit function.
6.	**Routine/ Business:**	Items in this category include resolutions that are often uncontentious, such as accepting a company's Financial Report & Accounts for the previous year. It also includes resolutions to approve dividends.
7.	**Other**	This category may include certain resolutions proposed by shareholders and votes on topics such as Environmental, Social or Governance (ESG) issues and reporting.



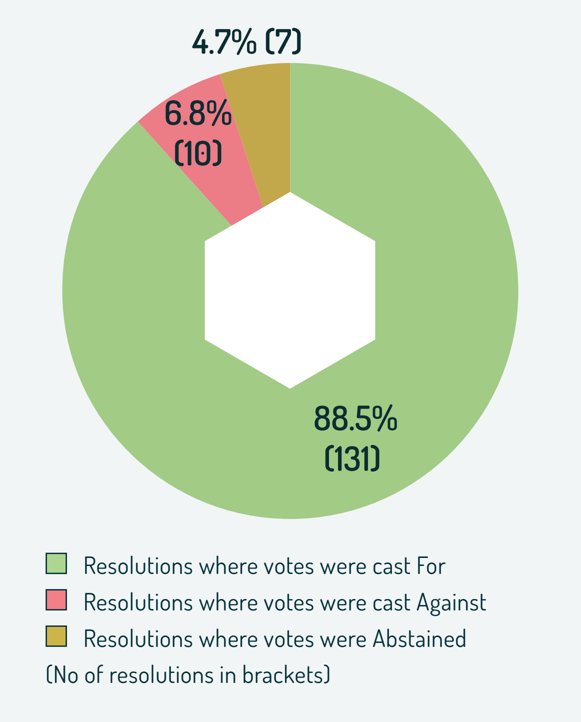
View the Castlefield Corporate Governance & Voting Guidelines by clicking here, or by scanning the QR Code (left)

VOTING Q4 (AGGREGATE)

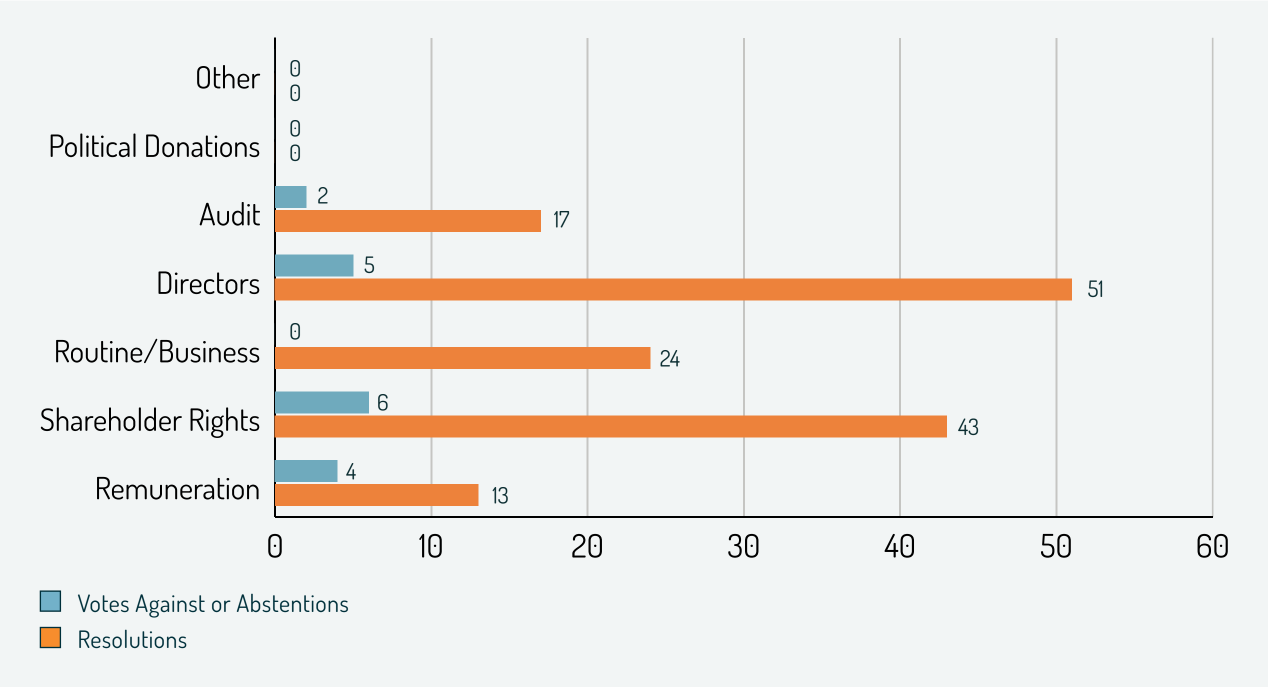
Summary: During Q4, across our fund range, we voted at sixteen meetings hosted by our investee companies, with a total of 148 resolutions.

As well as providing an annual summary of our stewardship activity, we also use this report to publish our Quarter 4 voting statistics. Please see our Quarterly Stewardship Reports for information on how we have voted in previous quarters.

RESOLUTIONS



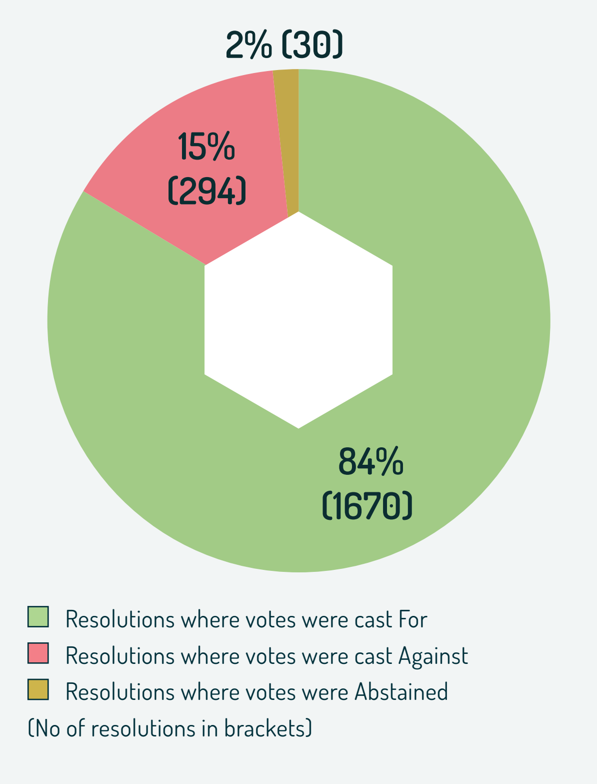
RESOLUTIONS DURING THE QUARTER BY CATEGORY AND HOW FREQUENTLY WE VOTED AGAINST OR ABSTAINED:



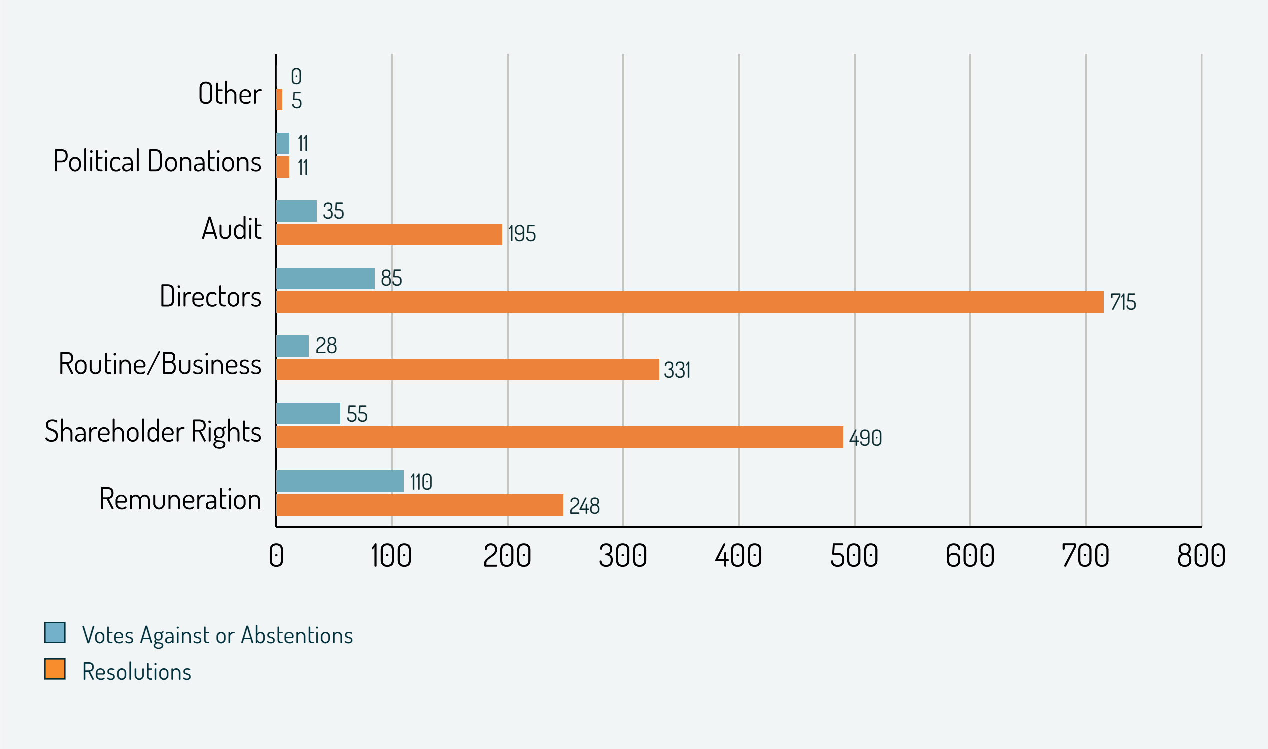
ANNUAL VOTING (AGGREGATE)

Summary: During 2023, in total across our fund range, we voted at 148 meetings hosted by our investee companies, with a total of 1,994 resolutions.

RESOLUTIONS



RESOLUTIONS DURING THE QUARTER BY CATEGORY AND HOW FREQUENTLY WE VOTED AGAINST OR ABSTAINED:



SIGNIFICANT VOTES

We have a clear framework in place for defining votes which we would consider to be significant, considering the following factors:

- Votes against or abstentions for resolutions proposed by management.
- The content of the resolution or the voting rationale is related to a Castlefield priority engagement topic (e.g. climate change) or a theme that's prominent in our voting guidelines (e.g. diversity).
- Shareholder resolutions.

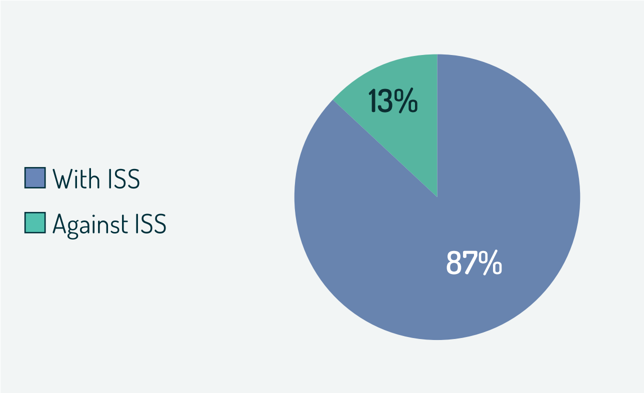
Throughout the year, there were a total of 327 significant votes. The majority of these were votes against or abstentions and, as the chart on page 114 highlights, this was most frequently for director-related resolutions spanning a range of issues such as, tenure; too many external commitments, or skewing the independence of the board.

We saw a small number of climate-related resolutions that we were pleased to support. For example, Schneider Electric and Amundi sought approval of their climate transition plans, while Schroders REIT proposed the use of sustainability KPIs to measure the progress of its portfolio.

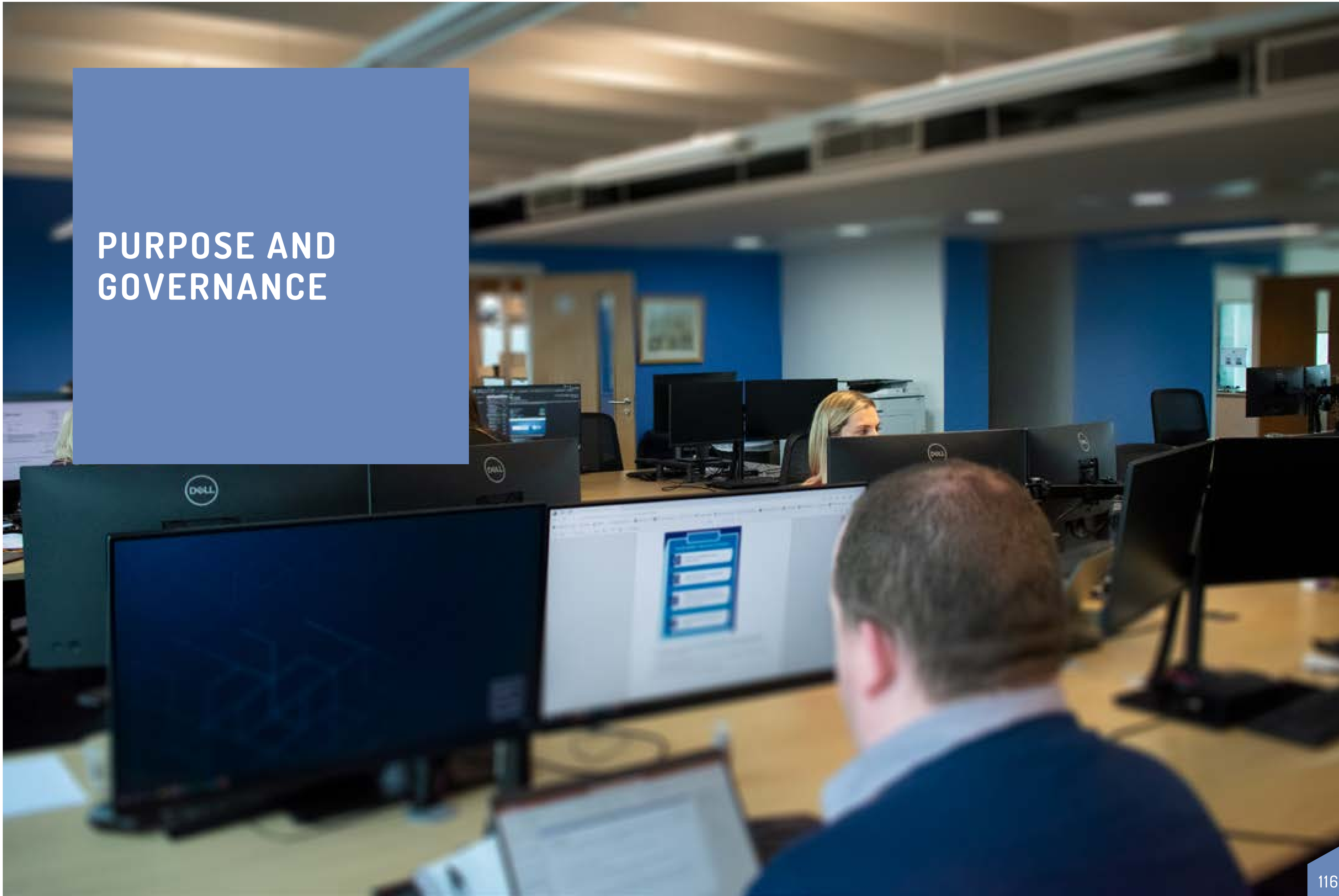
PROXY VOTING SERVICE PROVIDERS

We use the Institutional Shareholder Services (ISS) platform to implement votes for our fund range. We have access to their research and recommendations, but our own policy takes precedence. The votes cast on Castlefield Investment Partners ballots during the reporting period are aligned with management recommendations in 84% of cases. We vote against management far more frequently than ISS recommend and disagree with ISS's recommendations on 13% of resolutions, as illustrated in the chart below. Castlefield are active investors, and this extends beyond stock selection and into active stewardship processes

ALIGNMENT WITH ISS



PURPOSE AND GOVERNANCE



STEWARDSHIP CODE REQUIREMENTS

In order to meet the reporting requirements of the Stewardship Code, we are providing more information about our behind-the-scenes processes. We hope this allows our clients to understand why we conduct our stewardship and engagement the way we do.

GOVERNANCE

Our stewardship and engagement are governed by an internal Stewardship Committee and our External Advisory Committee. This structure means the key investment decision-makers, including fund managers and the head of investment, set the agenda for our stewardship activity and have oversight across the entire programme. This approach means that there is buy-in for our stewardship programme across the investment management team and, in fact, our fund managers often lead on company engagement on sustainability issues. In addition, our External Advisory Committee, comprising clients and sustainability experts, provides an additional level of oversight and ensures that our approach is in line with client expectations.

	INTERNAL STEWARDSHIP COMMITTEE	EXTERNAL ADVISORY COMMITTEE
What is it?	An internal committee that oversees and implements Castlefield's stewardship activities	An external group that provides advice to Castlefield on stewardship issues
Who	Members of the investment and client-facing teams sit on the Committee, but meetings are open to, and attended by, all members of the Castlefield investment management team.	A committee made up of clients and experts in ESG issues
When	Meets quarterly	Meets twice a year
Purpose	▪ To set and implement our stewardship strategy ▪ To make the Committee aware of emerging stewardship issues ▪ To define, re-evaluate and approve policies that the Committee has responsibility for, most notably our voting guidelines which are updated annually ▪ To evaluate and approve membership of any organisations or initiatives that support the company's stewardship efforts.	▪ Review Castlefield's current stewardship activity ▪ Act as a sounding board on current or prospective holdings where the investment team has ESG concerns ▪ Consider investment themes presented by Castlefield co-owners to the Committee ▪ Advise on changes to Castlefield's voting guidelines ▪ Bring emerging ESG issues to the investment team's attention.

INTERNAL STEWARDSHIP COMMITTEE

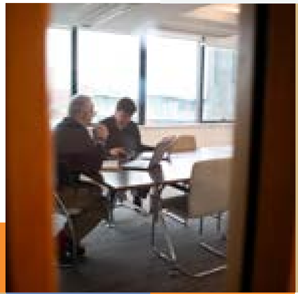
Our Stewardship Committee meetings, attended by all members of the investment management team, are held quarterly to review our policies and processes as well as to discuss emerging ESG issues.

We believe that regular Stewardship Committee meetings, in addition to the oversight offered by our External Advisory Committee, provide an effective structure to assess the quality of our stewardship and engagement activities. We have a team-based culture and these meetings are an opportunity for any of the team, regardless of seniority, to propose a topic for the agenda.

In the last twelve months, discussions at the Stewardship Committee meetings have included debates on individual assets, the application of the recent Sustainability Disclosure Requirements (SDR), first-time participation in the Principles for Responsible Investment (PRI) assessment and our expectations for COP28. These meetings are also where we formally review the input of any service providers we might use, with an annual process to review effectiveness and quality of service.

Our most recent Stewardship Committee meeting in November focused on our strategic stewardship and engagement planning for 2024, as well as identifying a number of companies in each of the equity funds to engage with on material ESG issues. We will also engage with companies for the third year on progress towards achieving Net Zero emissions. Other topics that were covered included proposed changes to our voting guidelines for 2024,

"We believe that regular Stewardship Committee meetings, in addition to the oversight offered by our External Advisory Committee, provide an effective structure to assess the quality of our stewardship and engagement activities."



EXTERNAL ADVISORY COMMITTEE

Working with our clients is an important part of our process at Castlefield. We welcome a collaborative approach and want to ensure that our values continue to be aligned with those of the clients that we represent. With that in mind, we set up our External Advisory Committee in 2018, which is designed to provide impartial oversight on how we incorporate environmental, social and governance issues (ESG) into our investment decision-making.

We hope that having the Committee in place sends a strong signal to our clients that we're not just paying lip-service to thoughtful investing, we're willing to have external experts and clients examine our approach and offer guidance.

In order to provide transparency, we publish a summary of the minutes of each meeting on our website to allow investors to see the content of the discussions and the Committee's recommendations.

The External Advisory Committee has oversight of key policy documents, such as our Screening Policy and Corporate Governance and Voting Guidelines, and our discussions with them help to set our future engagement priorities. Both the Committee members and investment team can table topics for discussion and this could cover emerging ESG issues or concerns around a particular investment. While the Committee does not have formal veto powers due to regulatory reasons, its guidance is taken extremely seriously.

Throughout the year, there have been some personnel changes, as we plan for the evolution of the Committee's membership. Kevin Davies and Geoff Sides reached the end of their tenure and stepped down from the Committee, and we are enormously thankful for their valued input over the past six years . In February 2023, we were pleased to welcome Juliana Burden, Head of Ethical Research at Ethical Screening, to the Committee and look forward to welcoming Gilbert Stephenson from EFCC for the next meeting in February 2024.

In addition to the regular review of relevant policies and the reintroduction of presentations from fund manager as requested by the Committee, topics discussed in 2023 included:

- Sustainability Disclosure Requirements (SDR) and "unexpected holdings"
- Feedback on our voting guidelines and the addition of a proposed escalation policy for any companies facilitating new fossil fuel projects
- Ethical Consumer's analysis of Sustainable Investment Funds and actions Castlefield can take to further improve our ranking
- Update on our cost-of-living engagements as requested by the Committee

EXTERNAL ADVISORY COMMITTEE MEMBERS: CURRENT MEMBERSHIP & CHANGES DURING 2023

Rebecca O'Connor, Pension Bee and founder of Good-with-money.com

Dr Ilma Nur Chowdhury, Assistant Professor in Marketing at Alliance Manchester Business School

Lisa Stonestreet, Head of Communications and Charity Impact at the EIRIS Foundation.

Juliana Burden, Head of Ethical **Research at Ethical Screening**. (Appointed: February 2023)

Gilbert Stephenson, Evangelical Fellowship of Congregational Churches (Appointed: February 2024)

Kevin Davies, Evangelical Fellowship of Congregational Churches (Stepped down: September 2023)

Geoff Sides, United Reformed Church North West Synod (Stepped down: February 2023)

"The External Advisory Committee provides a valuable second layer of insight and consideration in Castlefield's decision-making processes. The meetings provide space for reflection on implications as well as the opportunity for Castlefield's team to answer wide-ranging questions. It's clear that all of the discussions are valuable to the team, whether providing a sounding board or offering new approaches on key ethical issues"

Rebecca O'Connor,
Pension Bee and Founder of Good-with-money.com

"The External Advisory Committee at Castlefield brings together experts from diverse backgrounds and our lively discussions with Castlefield highlight the importance of a nuanced approach to the ethical investment process...for example, at what stages is engagement needed, and in which situations is pressure a useful tactic? I believe the committee is instrumental in reinforcing Castlefield's commitment to transparency, accountability, and balancing financial returns with positive impacts on the environment and society"

Dr Ilma Nur Chowdhury,
Assistant Professor in Marketing at Alliance Manchester Business School

STEWARDSHIP & ENGAGEMENT RESOURCE

All members of the team involved in investment decision-making and related research are also involved in our stewardship and engagement activity. It is our philosophy that an integrated approach allows for the widest consideration of how our actions on behalf of our clients can best represent their views and have a meaningful impact. For example, all of our voting activity is approved by the lead fund manager where the asset is held within our fund range and voting proposals are circulated to the entire investment team for their views. It also means that our fund managers, who know our companies best, can raise sustainability questions as part of their routine meetings with companies. In our view, this helps to normalise sustainability questions as part and parcel of investor dialogue with company management.

In addition to the fund managers and analysts, who incorporate stewardship activity into their roles, there are two team members (1.8 full-time equivalent) dedicated to the co-ordination, implementation and external communication of Castlefield's stewardship programme. Across the investment team there is a good mix of experience: some of our fund managers have over fifteen years' experience running sustainable funds and conducting stewardship activity. This is balanced out by colleagues who are at the start of their career and who are learning, through qualifications and on-the-job training, about incorporating sustainability considerations into investment decision-making.

The list of qualifications of all members of the investment team is available on the "About Us" page of the Castlefield website. In addition, two members of the team have obtained the CFA Certificate in ESG Investing. In terms of diversity, 20% of the investment team is female. This is lower than in previous years due to personnel changes in the team and lower than the figures for the Castlefield workforce as a whole. See page 139 for further details.

In terms of reward and remuneration within the investment team, we do not have the kind of bonus-based pay that is typical within the industry. Instead, Castlefield is an employee-owned business. All colleagues can buy shares, build a stake in the company and benefit from the company's success over time. And because we specialize in sustainable investing and values-based financial advice, business success is very much dependent on doing sustainable investing well.

RESPONSIBLE INVESTMENT POLICY

In 2023, we developed a new responsible investment policy, setting out our:

- Core Investment Principles
- Approach to Stewardship and Engagement
- Governance Structures
- External Reporting Framework

The full policy is available on our website

SERVICE PROVIDERS

We have an integrated team working on all aspects of our stewardship and engagement activities. On voting, we review our policy ahead of each new voting season to ensure that it remains fit for purpose and incorporates any emerging concerns. We receive voting research from ISS and use the ISS platform to execute our voting for Annual General Meetings and other company meetings. The research from ISS is a useful input to our decision making, but we do not rely on it solely and all of our votes are discussed and agreed with the relevant fund managers before submission.

Having access to ISS research and their proxy voting platform enables our voting process, increases our ability to report to clients and maintain a clear audit trail. Our contract with ISS is reviewed annually by the Stewardship Committee and takes into account the views of all involved in the voting process. We engage with our client relationship manager at ISS where we believe services could be improved, and intermittently we speak to alternative providers to ensure we are getting the best value services on behalf of our clients. However, we remain satisfied with our current provision.

Our ESG research is undertaken in house, with support from a third-party provider, Ethical Screening. Ethical Screening is not a rating agency and we have previously worked with them where we have information from our engagements that may change how a company is classified.

Since 2021, we have enlisted the services of Impact Cubed in order to provide fund-level sustainability metrics for our Sustainable fund range. Impact Cubed were appointed following an extensive assessment of available market options with multiple team members, including fund managers, involved in product demonstrations and introductions to provide as much scrutiny as possible over the quality of the output. This service is also reviewed annually by the Stewardship Committee.

We raise questions with our service providers as a matter of course. For example, in 2023 we questioned instances where Impact Cubed has used estimated data instead of the actual data reported by a particular company. We have also queried data estimates that have been built using incorrect assumptions about a company's products or services. We are pleased have any queries relating to the quality or accuracy of data have been resolved through dialogue with the provider.

In late 2023, we trialled other service providers to ensure we're receiving the best quality of service for our clients. We found that Scope 1 and 2 emissions were fairly consistent across providers, but that the data on Scope 3 emissions varied considerably. This reflects our own experience, where we have seen estimates of Scope 3 data for our fund range fluctuate substantially year-on-year, even though the underlying holdings hadn't changed a great deal. As a result, and due to our lack of confidence in the reliability of Scope 3 data, we have chosen not to report on this data set this year. As reporting standards evolve under an emerging global corporate standard called the International Sustainability Standards Board (ISSB), we hope that the reliance on estimated data will lessen and the quality of data will improve.

We do not have any service provider which conducts bespoke voting or engagement on our behalf. All the services we use form inputs to our process but are not the key determinant of our investment or engagement decision making.

ENGAGEMENT

Our engagement priorities

When considering sustainability issues we aim to engage companies:

- On significant issues arising from the ESG research that the investment team carries out on all prospective investee companies.
- On issues arising from our voting activity, particularly where we intend to vote against the board.
- On complex, thematic issues such as climate change, cyber security, human rights and water scarcity, that may pose a threat to our investments over the medium to long-term.
- In response to negative media coverage or alerts from our research providers on an investee company.
- In industry collaborations.

We also engage to provide positive feedback where, for example, a company has improved its management or disclosure of ESG risks or has undertaken a sector-leading approach.

While many engagements can be deemed reactive, such as those in response to AGM resolutions, we also seek to conduct a number of more thematically led engagements. The priorities for these activities are determined through meetings of the Stewardship Committee and the External Advisory Committee, with any member of the investment team able to propose topics for engagement.

We are also involved in a number of collaborative engagement initiatives, which we believe to be an impactful way to engage with companies on specific topics. We are currently active participants in the following collaborative investor initiatives:

- ShareAction – Workforce Disclosure Initiative (WDI)
- ShareAction – Long-term Investors in People's Health Initiative (LIPH coordinate the Healthy Markets Initiative and the Good Work Coalition)
- Access to Medicine Foundation
- 30% Club UK Investor Group
- Farm Animal Investment Risk & Return (FAIRR)
- Business Benchmark on Farm Animal Welfare (BBFAW)
- Carbon Disclosure Project (CDP)
- Investor Coalition on Food Policy
- CCLA Corporate Mental Health Benchmark

STEWARDSHIP PROGRAMME IN ACTION

Drivers	Methods	ESG outcomes	Castlefield outcomes
▪ Represent client views ▪ Inform investment decision-making ▪ Understand portfolio exposure – e.g. Net Zero ▪ Raise awareness of ESG risks ▪ Support internal sustainability team ▪ Press for ESG improvements	▪ Voting ▪ Direct engagement ▪ Collaboration ▪ Focus questions ▪ Shareholder resolutions ▪ Dialogue with stakeholders	▪ Commitment to policy changes ▪ Governance improvements ▪ Improved Environmental & Social reporting ▪ Investor concern registered, often for first time ▪ Investor recognition of good sustainability practice	▪ Influence that belies our size ▪ 'Go to' investor for sustainability support ▪ Deeper company understanding ▪ Basis for investment, divestment, fund weighting

- Voting research conducted in-house
- Stringent voting guidelines
- Fund manager-led
- External advisory committee
- Quarterly reporting and voting disclosure

Principle 1 1

Principle 7 7

TYPES OF ENGAGEMENT

Direct engagement with investees	We engage regularly with current and potential investee companies, and issuers of other non-equity securities. This is a top priority, as our clients' capital is invested with these firms and we want to ensure that they act on sustainability risks before they materialize as financial risks. Further information on our engagement priorities is available on page 123.
Collaborative engagement	Collaborative engagement brings together investors to work on sustainability issues of mutual interest. We are strongly supportive of these initiatives; by working together with peers, we can increase our influence and speak on behalf of a much larger asset base. A full list of the collaborative initiatives that we're active participants of can be found on page 123.
Policy engagement	Any policy engagement we carry out tends to focus on responding to industry consultations, working with our trade association, UKSIF and signing letters to policymakers. Where we participate in any form of political engagement, it will be conducted in line with our wider stewardship and engagement strategy. Wherever possible, we will disclose our involvement publicly. We publish our full response to policy consultations on our website in the interests of transparency.
Third-party fund engagement	For certain geographies and asset classes, we opt to use funds run by external specialist managers. We engage with these managers to understand their willingness and ability to address sustainability issues. To enhance their investment processes in detail, we have developed a detailed questionnaire for external fund managers to complete. The questionnaire includes a list of questions about the stewardship activities we would expect managers to carry out on our behalf, such as engagement and voting. Read more about our approach to engagement with third-party managers on page 95.

MEASURING ENGAGEMENT OUTCOMES

We measure the impact of our engagement by assessing a company's willingness to discuss and take on board the issues that we have raised. As a starting point, we are successful in instigating a dialogue with most of the companies we contact. Our aim is to build long-term, constructive relationships with the companies that we invest in, where we can ask for updates on ESG issues on a regular basis.

However, not all engagement will generate immediate or direct improvements: we do not regard this as a failed engagement but a reason to continue to press the company to take our concerns onboard.

We do not select engagements on the likelihood of achieving an immediate, positive outcome but on the materiality to the company. There may be many reasons why a company is unwilling or unable to take action in the short term, hence the importance of sustained pressure over time from investors and other stakeholders.

Since 2021, we have commissioned external impact assessments of the Sustainable fund range, which are reassessed on an annual basis. It is our aim to build up a view of how the funds are performing with regards to their environmental, social and governance outputs over time. In order to ensure we are able to rigorously review the data, we have also elected to receive data on our holdings at an individual company level. Further information about the results of the most recent assessment can be found in each fund chapter, as well as our recently published "Castlefield Funds: Sustainability Review".

Voting Policy

Castlefield seeks to vote at all company meetings for shares held within the Castlefield fund range. Where we act as a discretionary investment manager for segregated client accounts, our terms of business also allow us to cast votes over shares held in nominee. Castlefield will exercise its authority to vote all shares in holdings common to the fund ranges and segregated accounts. In practice, this accounts for the vast majority of direct holdings within client accounts. Unless there are compelling reasons to the contrary, we will vote in accordance with our Corporate Governance and Voting Guidelines. These guidelines are based on the recommendations of the FRC's UK Corporate Governance Code, although in many instances we go beyond the Code's requirements and set more stringent expectations of the companies we invest in. They are updated annually by our Stewardship Committee and reviewed by our External Advisory Committee.

Any other voting activity undertaken by Castlefield is on a case-by-case basis, with consideration for the number of holders and size of overall shareholding. There is a process by which clients can request to override the voting decisions of Castlefield Investment Partners, which involves an administration fee and a pass through of the additional charges incurred from the relevant custodian where applicable. We have not received any voting requests relating to discretionary client accounts in 2023.

CHANGES TO VOTING GUIDELINES FOR 2024

Each year our internal advisory committee reviews our voting guidelines and makes any necessary changes. We also share ideas on the proposed changes with our external advisory committee ahead of the voting season each year. Here we set out the changes for 2024.

a) Escalation process for companies operating in sectors that facilitate new fossil fuel projects

On behalf of a coalition of asset owners, one of our clients approached us, outlining a set of climate expectations for the asset management industry to establish a minimum standard for action necessary to meet the goals of the Paris Agreement. We have since agreed to ramp up our engagement efforts on the facilitation of new fossil fuel funding and have updated our voting guidelines to reflect this.

We are implementing an escalation process applicable to companies operating in sectors which facilitate new fossil fuel projects (i.e. banks, insurance, or utilities). Firstly, we will engage with the relevant companies prior to the AGM to inform them of the changes to our guidelines and obtain the relevant information. Following this, we will assess whether the company is involved in the facilitation of new fossil fuel projects. If we deem the company to be involved, our voting process is as follows:

- The first step would be to vote against the Chair of the Audit or ESG Committee
- The next escalation would be to vote against all Audit/ESG Committee members
- The final step would be to vote against the report & accounts

In any instance where we do not receive a response, we will assume that new fossil fuel projects are being facilitated by the company and will vote accordingly.

b) Forfeited award payments

We will formalise our stance on payments made to cover the forfeiture of awards from a previous employer.

If the quantum of pay breaches 200% of the base salary at the company the director joined, we will vote against the Remuneration Report.

A lack of performance conditions attached to any forfeited awards payment will result in an instant vote against. If conditions exist but are not disclosed then we will engage with the company in question. If an unsatisfactory response is received then we shall vote against the Remuneration Report.

We expect the performance conditions to consist of a variety of differentiated targets, with a preference for the inclusion of ESG metrics. Any targets must be sufficiently stretching, measurable and relevant. The likelihood of the award from the previous employer fully vesting must be assessed by the company.

The proceeds of the payment should vest over at least a three year period and should be a combination of share-based and cash awards. The share-based awards will help directors to reach their shareholding requirement quicker and better align personal goals with shareholders. Separately, we expect appropriate Malus & Clawback provisions to be in place, and if not, we will vote against the Remuneration Report.

c) Overboarding (director 'busyness')

We will take into account other external appointments where feasible, such as at private companies, NGOs and charities.

OUR VOTING AND ENGAGEMENT ESCALATION PROCESS

If we have any specific concerns about aspects of a company's strategy, performance or ESG impact, we'll start by emailing our questions to the investor relations contact or management team of the company. We'll usually ask for a meeting to discuss the matter in detail. Alternatively, we may raise the issue as part of our regular, ongoing contact we have with company management or investor relations teams.

Where we do not receive a satisfactory response, we'll escalate. In the first instance this means requesting a meeting with management or with a relevant non-executive director. We also have the option of collaborating with other investors or raising the matter at the company's AGM.

On governance matters, our escalation process regularly involves us voting against AGM resolutions. This is most often the case on executive pay. So, if our conversations with the board have not provided sufficiently compelling reasons to support a new pay policy, for example, then we will vote against it at the AGM.

In rare instances, our escalation process results in the decision to sell our interest in the related asset. Full detail of our escalation process is available in our Responsible Investment Policy, available online (insert link).

STOCK LENDING

We do not engage in stock lending.

MARKET WIDE AND SYSTEMIC RISKS

In order to help promote a well-functioning financial system, Castlefield is always aware of, and seeks to respond to, both market-wide and internal risks.

Consideration of systemic risks runs through our investment decision-making and governance processes. The Internal Risk Committee convenes three times a year; the meetings are attended by our Managing Partner and members of our senior management team. The Committee considers systemic risks and emerging threats as well as more day-to-day risks. Although we can never eliminate risk, nor should we, as it is the basis for investment returns, the Risk Committee and the reporting disciplines it has embedded have been very effective in reducing Castlefield's exposure to risks. Systemic risks such as interest rate and currency changes are considered carefully by our Investment Committee which meets quarterly.

Systemic sustainability issues are factors such as climate change and biodiversity loss, which have the potential to cause substantial damage to the real economy. By their very nature, systemic risks are complex, and cannot be solved by any single actor.

Systemic risks such as climate change are addressed through:

- Our screening policy, where we will not invest in companies deriving more than 10% of revenue or operating profit (whichever is higher) from the extraction, mining, processing and production of fossil fuels, as well as oilfield services companies.
- Our stock selection process, where environmental considerations are factored into our company analysis
- Our fund selection process, where we look for funds and managers which take issues such as climate change as seriously as we do
- Our engagement with companies: in 2023, we engaged with 86 of our equity holdings, and thirteen companies that we have since exited from, on the importance of setting ambitious net zero targets. We have also used our engagement processes to keep abreast of the potential impact of systemic risks such as geopolitical instability. For example, we engaged with a small number of companies after the outbreak of war in Ukraine to understand their intentions vis-à-vis their Russian operations
- Our voting activity, where we vote for resolutions that advocate action on climate change
- Our collaborative engagement: we are active participants in CDP, which encourages greater corporate disclosure of carbon data. In addition, throughout the year, we joined with other investors and companies in co-signing a number of letters to the UK government on the need for the government to uphold its existing Net Zero commitments.

As we have noted before, we also collaborate, where possible, with other investors and stakeholders to try to promote continued improvement in the functioning of financial markets.

HOW OUR CLIENTS INFORM OUR APPROACH

At Castlefield our client base is predominantly retail investors and consequently the vast majority of our reporting efforts are designed to speak to the individual investor. We welcome feedback on our Stewardship Reports and our investment approach and Screening Policy have been directly informed by our discretionary client base. Our approach is also overseen by our External Advisory Committee, which contains representatives of our long-standing charity clients.

Previously input has involved a client-wide survey and, more recently, we have used client questionnaires – part of our onboarding process for clients with directly invested portfolios – to assess the most common client concerns and interests. We have conducted an exercise to map these responses to our screening policy to assess the areas most important to our client base.

REPORTING TO CLIENTS

We aim to report to clients on our stewardship and engagement activities on a regular basis and publish quarterly stewardship reports which covers a number of examples of our dialogues with companies and issuers and involvement with collaborative initiatives as well as a summary of our voting activity. Since 2022, we have increased the frequency and detail of our voting disclosures, providing a monthly disclosure of our voting activity, which includes our voting decision and rationale for each resolution to increase the level of transparency.

This report has also been reviewed by our compliance team to ensure that our reporting is fair, balanced, and understandable. We have not chosen to subject the report to external audit as we believe that our internal capacity is sufficient to ensure the veracity of the information provided and that additional scrutiny would not add value to clients, while increasing the cost of our services.

"Since 2022, we have increased the frequency and detail of our voting disclosures, providing a monthly disclosure of our voting activity, which includes our voting decision and rationale for each resolution to increase the level of transparency."

DISCRETIONARY ASSETS UNDER MANAGEMENT (AUM)

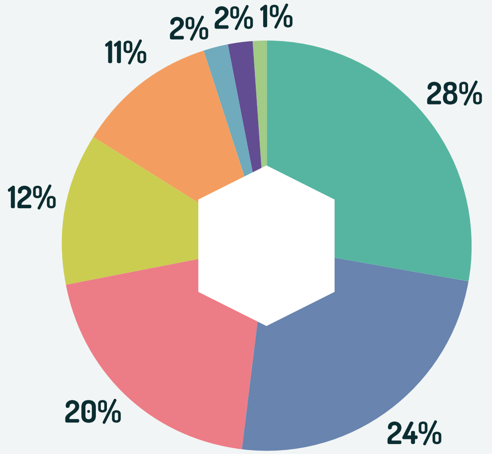
TOTAL DISCRETIONARY ASSETS UNDER MANAGEMENT (AS AT 31/12/2023)	£342.15M
Castlefield Fund Range	£183.5m
Segregated Client Accounts (excluding holdings in Castlefield funds)	£149.23m
Models (excluding holdings in Castlefield funds)	£9.57m

ASSET BREAKDOWN: SEGREGATED ACCOUNTS (INCLUDING HOLDINGS IN CASTLEFIELD FUNDS)

The majority of the assets within segregated client accounts are invested in funds, either those managed by Castlefield or third-party managers.

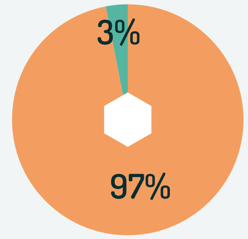
DISCRETIONARY AUM BREAKDOWN: CLIENT ACCOUNTS (EXCLUDING PLATFORM MODEL PORTFOLIOS)

UK Equities
Multi-Asset Funds
Global Equities
Fixed Income
Other Assets
Cash
Infrastructure Funds
Property Funds



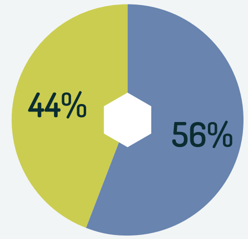
GLOBAL EQUITY BREAKDOWN: CLIENT ACCOUNTS

Global Equity Funds
Direct Global Equity



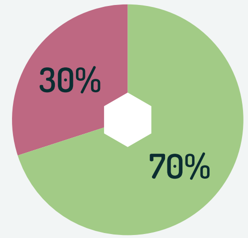
UK EQUITY BREAKDOWN: CLIENT ACCOUNTS

Direct UK Equity
UK Equity Funds



FIXED INCOME BREAKDOWN: CLIENT ACCOUNTS

Fixed Income Funds
Direct Fixed Income



Asset breakdown: Castlefield Fund Range

This chart illustrates the breakdown of the holdings within the Castlefield fund range by asset class. In order to avoid double counting, any Castlefield OEICs held within the Portfolio Fund range have been excluded.

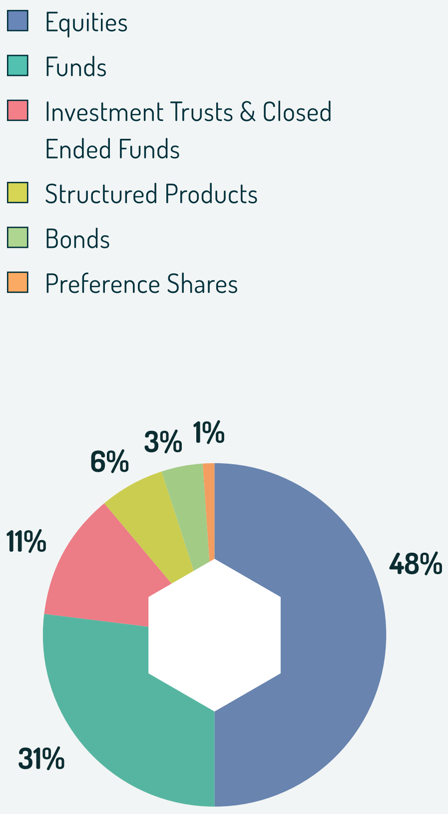
The majority of the assets within our funds are direct equities, in the UK and Europe, and it is equities where we have focused the majority of our efforts.

Within fixed income, our direct exposure to bonds is limited and primarily relates to holdings in Retail Charity Bonds. Engagement with bond issuers tend to be more limited, with more focus taking place at the point of investment to ensure that issuers' financial and ESG credentials are in keeping with our policies and processes. Our exposure to structured products allows less opportunity for engagement but we do conduct a B.E.S.T analysis on any issuer and have actively sought to incorporate structured products where the individual issuer has a positive impact programme or an ESG reference index.

Investment Horizon

Our typical investment horizon is long-term, which we define as being at least five years in length although preferably more. We believe this is appropriate for our clients for several reasons, such as short-term investment horizons implying greater turnover of investments, which leads to higher dealing costs that reduce the overall return the clients receive. However, there are practical reasons for adopting a long-term approach, as it aligns us with what we expect from company management. We believe that a sustainable business strategy requires a long-term perspective to devise and execute, and as part-owners of each of the businesses we invest in, our expectation at the outset is to buy into the delivery of a strategy rather than to exit after only a short horizon. We have rights and responsibilities as part-owners of the companies we invest in and they can only properly be discharged when possessing a long-term horizon.

ASSET BREAKDOWN: CASTLEFIELD FUNDS



CONFLICTS

Our Conflicts of Interest policy is made available on our website here. We do not believe that there are any differences in as far as it is applied to our stewardship responsibilities. Our collegiate approach means that potential conflicts are mitigated as no one co-owner has overall responsibility for any part of our stewardship and engagement processes.

For the calendar year 2023, we do not believe that there have been any conflicts of interests that have impacted our investment process or stewardship and engagement activity.

To avoid conflicts of interest relating to our stewardship and engagement approach:

- We have a personal account dealing policy which requires the investment team to regularly disclose their personal investments and employees are required to disclose any external positions or links to holdings, such as board roles or familial links to listed businesses.
- Our stewardship and engagement policy is applicable to all assets under discretionary management.

ABOUT CASTLEFIELD

ABOUT CASTLEFIELD

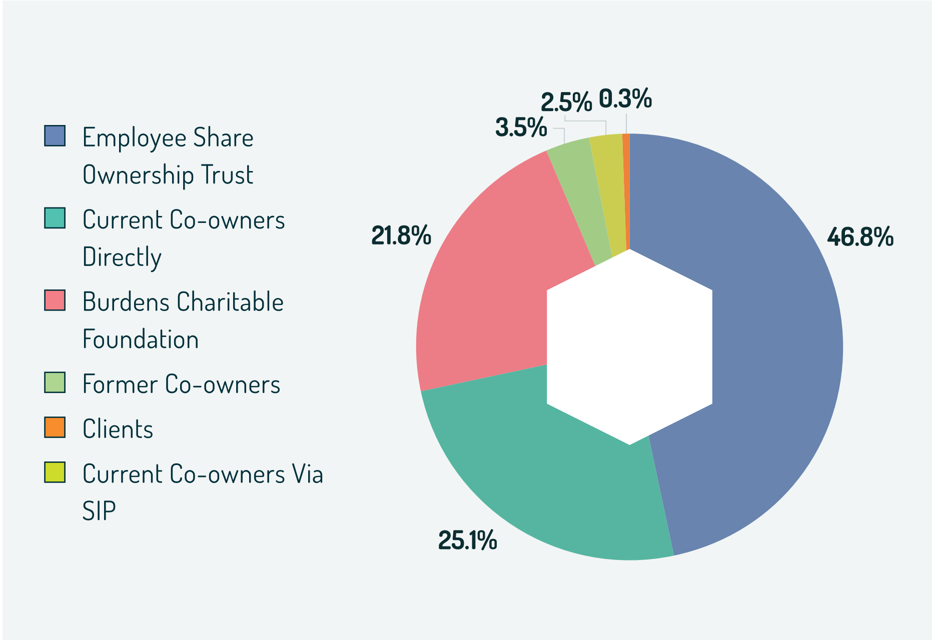
Castlefield provides investment services and wealth management advice.

We have a clear corporate purpose: we gather assets to do good. We want to be a trusted adviser and investment manager to people and charities who aim to make a world of difference. We do this by acting for charities, businesses and individuals that seek an outcome where business is recognized with the context of its environmental, ecological and social impacts.

EMPLOYEE-OWNERSHIP

As an employee-owned firm, every one of our 50 employees is a co-owner in the business. Employees can become begin to buy shares in the business once they have passed their probation period. A significant proportion of the company is owned by an Employee Share Ownership Trust which exists to benefit the past, present and future employees of the group. In addition, 100% of eligible co-owners participate in the Share Incentive Plan which helps them to build a direct stake in the business. Burden's Charitable Foundation, which runs a school for the visually impaired children in Burkina Faso, also holds an ownership stake in the business.

WHO OWNS US?



Castlefield has been named as the winners of the Best Adviser Firm for ESG, as well as one of the Best Financial Advisors to work for at the 2023 Professional Adviser Awards.[1]

1. https://www.castlefield.com/home/media/awards-recognition/castlefield-wins-best-esg-adviser-award/

2023: CASTLEFIELD HIGHLIGHTS

- **JAN:** Submitted a response to the Sustainability Disclosure Requirements (SDR) consultation
- **FEB:** Consumer Duty training session delivered for co-owners
- **MAR:** First 'Thank you Thursday' session celebrating co-owner milestones and achievements
- **APR:** Castlefield named winners of the 'Best Adviser Firm for ESG' at the 2023 Professional Adviser Awards
- **MAY:** Team completes the Great Manchester Run
- **JUN:** Activity Challenge Fundraiser
- **JUL:** Company-wide Castlefield Service Training
- **AUG:** Partnered with Positive Planet to produce our Net Zero action plan
- **SEP:** Big Castlefield Cycle
- **OCT:** Community Litter Pick
- **NOV:** 'Biscuits with the Boss' sessions provided an informal forum for co-owners to chat about business developments with our Managing Director
- **DEC:** Charity Christmas Event

OUR CLIENTS

We provide services to charities and individuals that seek a good return on their investments without compromising on their beliefs or ethics. Our investment portfolios start from £125,000 and in addition to our single strategy funds, we also offer two portfolio funds that provide affordable access to responsible and sustainable investment.

OUR PEOPLE

We take a lot of time and care to recruit people that share our values, so we're delighted that Castlefield has been recognised by Professional Adviser, for the fourth year, as one of the best Financial Advisers to work for in 2023.

As an employee-owned business, we want to ensure that colleagues' concerns and ideas are heard. We do this through an annual employee engagement survey but also through our Co-owners' Council where each part of the business is represented. Staff retention is high: 72% of all our co-owners have been with the business for over three years.

We are a living wage employer and also ensure that our cleaning contractors are also paid the living wage.

In 2022, Castlefield achieved member status of the Greater Manchester Good Employment Charter and continue to actively participate in Charter activities. Castlefield will host a session in 2024 to showcase to other employers in the Greater Manchester area how we are adopting the Charter's requirements.

Castlefield also achieved the Good Business Charter accreditation in 2022, which involved being measured and assessed against ten commitments: real living wage; fairer hours and contracts; employee wellbeing; employee representation; diversity and inclusion; environmental responsibility; paying fair tax; commitment to customers; ethical sourcing and prompt payment. In November 2023, we received recertification.

TRAINING

In 2023, ten co-owners prepared to undertake exams on the pathway towards role specific qualifications. Those range from Level 3 to Level 7 qualifications across a wide range of professional institutes and subjects. We recognise the professionalism of our co-owners and are proud to say that we have seventeen chartered team members. In 2024, we hope to meet the criteria to be recognized as a CISI Chartered firm.

Development of our co-owners is incredibly important for us which is why we continue to invest in Castlefield Academy. Castlefield Academy hosted sessions over the year on more than 20 different subjects, from Client Service, Financial Promotions, to COP28. We relaunched the career pathways available for all co-owners in May 2022, clearly outlining the progression opportunities in every team.

In July, four internal training sessions were hosted for all co-owners: Thoughtful Investing, Client Advice, Castlefield Service and Investment Management. These formed part of the wider Castlefield Service Development Programme, the aim of which was to ensure co-owners understand our service proposition, why our clients choose us, and how we can best serve them.

Throughout the year, we hosted three sessions to update all co-owners on the progress of the business, informing on the next steps and providing an open forum to ask questions. We call these HAWD ("How Are We Doing?") sessions and co-owner feedback shows that they continue to be well-received.

EMPLOYEE OWNERSHIP COMMITTEE (EOC)

The Employee Ownership Committee was established in September 2022, as a sub-committee of the Castlefield Partners Limited board. Through its delegated activities, the Employee Ownership Committee seeks to assist the board in securing the continuation of the Castlefield group as a successful, independent, and professionally managed collection of trading enterprises, in keeping with Castlefield's values and especially its EO (Employee Ownership) ethos.

The six-person Committee does this through five different workstreams:

- Upholding and reporting on the extent to which the Values of the group are alive and well;
- Developing and promoting diversity and opportunity;
- Developing and promoting activities around charity and community outreach;
- Developing and articulating our plans for net zero;
- Supporting the business in the implementation and ongoing management of company initiatives.

Throughout 2023, the Employee Ownership Committee have made several achievements, including:

- 84% of co-owners participated in the annual employee engagement survey.
- A Diversity, Equity & Inclusion (DEI) survey, conducted in February, from which we have since published a report on our website setting out the findings and the action we intend on taking over the next twelve months.
- Four internal training sessions were delivered for all co-owners as part of the Castlefield Service Development Programme.
- 'Thank you' Thursday Initiative launched in March to highlight and celebrate internal successes.
- 71% of co-owners are now Certified Carbon Literate.

DIVERSITY

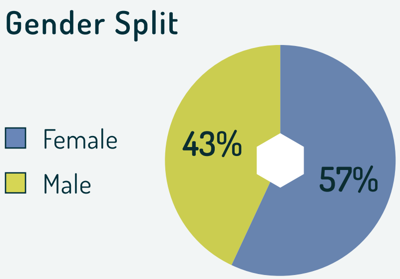
For the second year, we carried out a Diversity & Inclusion survey for co-owners, informing the most recent iteration of our D&I report which is available on our website. As well as disclosing our workforce profile on gender, ethnicity, age and socioeconomic background, the report sets out our gender pay gap and how we are actively working to close it. We strive to be a diverse organisation and our main success to date has been in gender diversity, where we have good female representation at all levels of the organisation. Despite this, one of our key challenges is attracting more women to work in the Investment Management team –although our vacancies attract a large number of quality applicants, those identifying themselves as female often make up below 5% of applications.

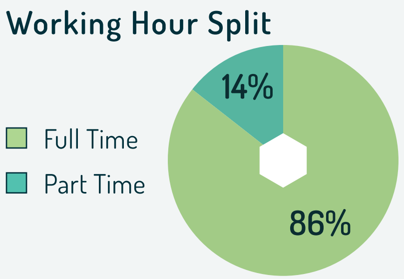
Examples of achievements over the year include:

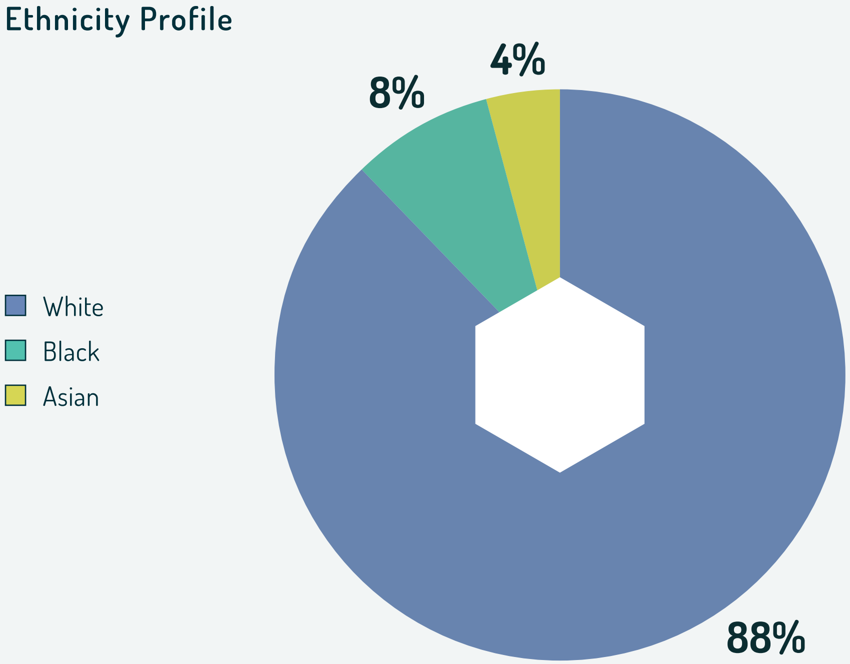
- Committed to the Women in Finance Charter (WIFC) goal of maintaining a 50:50 ratio of females within senior management
- Menopause Policy Statement has now been designed, approved and launched.
- Signed the Age Friendly Employer Pledge
- Birth leave for parents increased to two weeks of paid leave

We continue to operate a formal policy on flexible hours and hybrid (i.e. a mix of home and office) working as we recognise how useful these measures can be in helping parents, carers and others to juggle work and home life.

SUMMARY DATA







ENVIRONMENT

In 2021 we made a commitment to ensuring that our operations and supply chain are net zero by 2030. We also have ambitions to ensure that our portfolios are net zero by 2040.

Since the onset of the pandemic in 2020, many of our office-based environmental impacts have lessened – our paper use, for example, has reduced to very low levels. Nevertheless, we intend to map out our emissions sources so that we can better understand where we need to focus our emission reductions efforts. To help with this process, we appointed an external consultant who helped us map out our own carbon emissions and have since produced a Net Zero report, available on our website.

Carbon literacy training has been delivered for all co-owners, helping them understand how to reduce their carbon footprint in their home and working lives and by the end of 2023, 71% of co-owners were Certified Carbon Literate.

CHARITY

Launched early in 2021, Castlefield's internal fundraising committee, the Give Back Group was established with the dual purpose of enabling charity fundraising and supporting the wellbeing of our co-owners.

Originally established in 2006, with funds which might otherwise have been distributed to the Partners as profits, the Castlefield Charitable Fund has supported a wide range of charities - mainly local to Manchester. In recent years, it hasn't been active, but in 2022, donations from Castlefield Partners Limited and Burdens Charitable Foundation – with whom we have a longstanding charity partnership - provided CCF with the means to support worthwhile local projects which make a positive social and environmental impact.

This led to a change in approach and, early in 2023, a shortlist of charities was submitted for co-owners to vote for their preferred charity within four areas; preventing homelessness; support for vulnerable families and children; environment and sustainability; and health and wellbeing. The following organisations were selected by co-owners:

Preventing homelessness:
The Booth Centre

The Booth Centre offers a welcoming space, fostering a sense of belonging and purpose. Programs encompass volunteering, creative projects, sports, training, and employment assistance. The Centre collaborates with attendees to drive strategic change

Supporting vulnerable families and children:
Greater Manchester Youth Network (GMYN)

GMYN addresses the challenges young people face during the transition to adulthood. With the vision that #YoungPeopleCan, GMYN provides development programs and drop-in activities, empowering young people in Greater Manchester to feel skilled, supported, and positive

Environment and Sustainability:
EMERGE

EMERGE has been a sustainability leader in Greater Manchester for over two decades, enhancing lives and building community skills. Their focus on the 3 R's—Reduce, Reuse, Recycle—extends to waste management, recycling, and confidential shredding services

Health and Wellbeing:
Walthew House

Walthew House is an independent charity in Stockport which works with people and organisations in the community to provide practical and emotional support for people with a sight or hearing loss.

Co-owners celebrate finishing the Big Castlefield Cycle

Winners of the activity challenge recieve their awards

The team after a litter pick in the local area

In Spring 2023, we made grant payments totaling £3,340 to the chosen charities, each receiving £835. Following a successful year of fundraising efforts, the Give Back Group raised a further £2,806 for our four selected charities. In total, the Castlefield Charitable Fund donated £6,000 to charity, with each charity receiving £1,500.

The year saw co-owners get involved in a wide range of fundraising activities, with highlights including events such as the Great Manchester Run, the Big Castlefield Cycle (beating our target of cycling the distance from Manchester to Paris), our annual Activity Challenge as well as community litter picking. In addition, we took part in social activities, including a bake-off challenge and our charity quiz nights.

Charity Christmas Event

At Castlefield, charities are in our DNA – we were established in 2002 to manage the investments of charities and we are part-owned by a grant making charitable foundation.

It is important to us to signal our appreciation to charities for their continuous hard work, prompting us to host an event for charities across the Greater Manchester region in December. We were delighted by the turnout and positive feedback from attendees, who were able to share experiences and connect with like-minded people, while still getting in the festive spirit.

A range of photos from our Charity Christmas social event

MEET THE TEAM

Barney Timson
BSc (Hons), MSc, IMC
Assistant Investment Analyst

Bronwyn Riley
IMC, ACSI, ASIP
Client Manager

Callum Wells
Chartered FCSI, Chartered Wealth Manager
Investment Manager

Daniel Lonsdale
BSC (Hons), IMC, ACSI
Portfolio Implementation Manager

David Elton
BSc (Hons), IMC, Chartered MCSI, CFA
Partner

David Gorman
MA (Hons), MBA, Chartered MCSI
Investment Analyst

Eleanor Walley
BSc (Hons)
Assistant Sustainability Analyst

Ita McMahon
BA (Hons), MA, IMC
Partner

James Buckley
MSc, MBA
Investment Manager

John Alexander
Partner

John Eckersley
BA (Hons), MBA, Chartered FCSI, Chartered Wealth Manager
Chair

Liam Blackshaw
MA (Hons), IMC
Portfolio Implementation Specialist

Mark Elliott
Mchem (Hons), Chartered MCSI, CFA
Partner, Head of Investment Management

Simon Holman
MA (Hons), MSc, CFA, Chartered MCSI, ASIP
Partner

William Thomson
Chartered FCSI
Partner

IMPORTANT INFORMATION

The information in this document relating to the sustainability of portfolios or securities which is the property of Impact Cubed IC (the "Information", "Impact Cubed") has been obtained from, or is based on, sources believed by Impact Cubed to be reliable, but is not guaranteed as to its accuracy or completeness. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by Impact Cubed, any of its partners or employees, or any third party involved in the making or compiling of the Information, and no liability is accepted by such persons for the accuracy or completeness of any Information or opinions.

None of the Information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

The Information is strictly confidential and is the property of Impact Cubed. Any use of the Information requires a license from Impact Cubed. The Information may not be reproduced, further distributed or published in whole or in part by any recipient without prior written permission from Impact Cubed. The Information may not be used to create derivative works or to verify or correct other information.

FUND	BENCHMARK
CFP Castlefield Sustainable UK Opportunities Fund	UK - Morningstar
CFP Castlefield Sustainable European Fund	Developed Markets Europe ex UK - Morningstar
CFP Castlefield Sustainable UK Smaller Companies Fund	UK Small Cap - Morningstar
CFP Castlefield Sustainable Portfolio Growth Fund, CFP Castlefield Sustainable Portfolio Income Fund	Composite benchmark reflecting the asset classes and geographic exposure of the funds, ie UK and global equities, corporate bonds, UK real estate and developed markets infrastructure.

More information on the benchmarks used is available on request.

Impact Cubed analysis was carried out on 14th February 2024 using Castlefield equity fund data from 29th September 2023 and external fund data from 30th June 2023.

Our rationale for selecting the sustainability performance data shown is as follows:

- **Carbon efficiency* and executive pay metrics:** we make specific commitments on these topics in our voting guidelines.
- **Social and environmental harm:** to show the outcome of our screening policy.
- **Social and environmental good:** to show the outcome of selecting assets to align with our positive themes.

CASTLEFIELD

THE THOUGHTFUL INVESTOR

8th Floor,
111 Piccadilly,
Manchester M1 2HY

RGASR/271124