Environmental, Social & Governance Report

2022/23

Pyrford

Part of COLUMBIA THREADNEEDLE INVESTMENTS

For professional investors only

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01 CEO foreword

I am delighted to introduce the latest edition of our annual Environmental, Social and Governance (ESG) Report which examines how Pyrford considers ESG factors as a business and reports on activity over the previous calendar year. As always, I would like to start by thanking all those who have provided feedback on previous editions, and I look forward to hearing from you on our latest report.

2022 was a year of consolidation for Pyrford. In November 2021 Pyrford became part of Columbia Threadneedle Investments, the global asset management division of Ameriprise Financial Inc. Pyrford remains an independent and autonomous boutique and all investments decisions (including ESG policy and decisions) are made by the Pyrford team. However, we delegate a number of non-investment functions (e.g., HR, Finance, IT, Cybersecurity, Legal etc) to our parent which is very fully resourced to provide best in class service in these areas. During 2022 we worked very hard to ensure the smooth transition of these services from our former parent to Columbia Threadneedle and I am pleased to report that this has progressed extremely well. I thank all my colleagues for their contribution to making this a success.

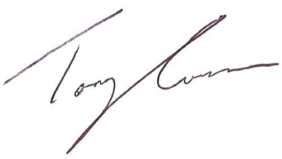
Whilst all this has been happening, financial markets have been in turmoil. Some of the causes of this have been economic such as the break-out of persistent inflation and the sharp tightening of monetary policy required to address this. However, geopolitics have also played a part through the invasion of Ukraine by Russian armed forces and rising tensions between China and the West. In section 4 of this year's report, Pyrford will examine the importance of geopolitics in financial markets and the governance issues that arise. Risk can emerge from many areas in financial markets and perhaps the hardest to "price in" are geopolitical risks but, as 2022 showed, these can have major effects on economies and markets.

Our job, as a quality and value-driven investment manager, remains exceptionally challenging. Despite the difficulties we face, we believe it is crucial that ESG issues remain at the top of the agenda and at the forefront of investors' minds.

2022 was another incredibly busy year for my team here at Pyrford. As covid-related restrictions fell away, our Portfolio Managers and Investment Analysts were able to recommence face-to-face one-on-one meetings with the management of companies worldwide that we own on behalf of our clients or are considering as investment opportunities. This is a crucial part of our investment methodology in determining which business models will be able to sustain an attractive return on equity to reward shareholders. However, this is also a vital part of our ESG engagement process. This year we continued to embed our own fundamental internal ESG ratings within our investment process. This analysis sits alongside the specialist research we receive from MSCI ESG Research, and we will cover in detail how this is implemented within our report. We believe these sources complement one another and provide us with a strong foundation that helps the team to make decisions around the sustainability of companies. We look forward to presenting our enhanced ESG research capability to clients in the year ahead.

In 2022 Pyrford began the challenging task of incorporating climate related analysis across our portfolios so that we can meet our client's reporting expectations in this important area. We are investigating the best way to measure the carbon footprint of our portfolios that allows for comparison with benchmarks. To help improve this type of reporting Pyrford is a supporter of the Taskforce for Climate-related Financial Disclosures (TCFD). Since March 2020 we have been discussing the steps taken by the companies, we invest in that enhance their own financial disclosures on climate risks. As I write, Pyrford is finalizing its submission to become part of the Net Zero Asset Manager Initiative.

We hope you find our report informative, and we look forward to meeting with our clients in the year ahead.



Tony Cousins

Chief Executive & Chief Investment Officer
March 2023

The PRI assessment methodology is available at: www.unpri.org/signatories/about-pri-assessment.
Pyrford International's full Transparency Report is available from: www.unpri.org.

Timeline showing significant ESG milestones at Pyrford

Pyrford submits first statement of commitment to the UK Stewardship Code
Awarded "Tier II" Status under code

2010

Signatory of:

PRI Principles for Responsible Investment

Pyrford becomes signatory to the United Nations backed Principles for Responsible Investment (PRI)

2014

Pyrford subscribes to independent specialist ESG Research from MSCI

2015

First formal submission to the PRI

2016

Climate Action 100+ Global Investors Driving Business Transition

First edition of Pyrford's annual ESG report released
Pyrford ESG Forum established
Pyrford joins UK Investor Forum
Upgraded to a "Tier I" firm under the UK Stewardship Code

2017

Commences engagement with focus companies under Climate Action 100+

2018

Pyrford commences work on internal ESG ratings process

2019

Completed ESG ratings for 102 stocks held across all client portfolios

2020

Pyrford commences work on incorporating climate related analysis across portfolios

2021

Remain a signatory to the UK Stewardship Code
Pyrford to set Net Zero Asset Management Initiative targets by 2023

2022

02 About Pyrford

Pyrford is a boutique London based provider of global asset management services for collective investment funds, investment management companies, local and state bodies, pension schemes, endowments, and foundations. Pyrford currently manages over £7billion in assets under management (as of 31 December 2022). The company has been operating from its base in London since 1987.

Pyrford is a global institutional investor in high quality companies and government bonds. Many of the jurisdictions we invest in place responsibilities on investors to promote and support good governance in the companies in which we invest, ultimately improving long-term returns to shareholders.

Pyrford is part of Columbia Threadneedle Investments, the global asset management business of Ameriprise Financial. Pyrford International is an independent autonomous boutique, that is a separate legal and regulatory entity operating from separate premises. Our investment philosophy, process, approach to ESG and experienced investment team is managed by Pyrford only.

Columbia Threadneedle believes in the boutique model and appreciates that continuing to operate as a boutique is crucial to the success of Pyrford. Indeed, Pyrford has been placed in a division within the combined group alongside other autonomous investment managers. This will serve to reinforce further our independent status.

03 ESG at Pyrford

We have one investment process across all portfolios at Pyrford. The process has always focused on quality, value, and the long-term sustainability of earnings and dividends. Our belief is that sustainable earnings can only be achieved through responsible environmental and social practices and that shareholders only fully benefit from these at well-governed companies.

Unless client directed, we do not apply negative screens to exclude entire sectors, nor do we set minimum weightings for sectors deemed to have positive sustainability credentials. Our approach is to consider both positive and negative ESG factors within the totality of our investment research alongside our customary regard for competitive advantage, balance sheet risk and valuation. We do manage accounts with restrictions in place for a number of clients, but these restrictions must be client directed.

We believe the best approach to ESG research is a combination of internal analysis and specialist external, independent research.

In addition to our analysis of companies, our internal ESG Forum provides a platform to encourage and promote best practice within our business, which is covered in the following chapter under "Governance".

ESG issues continue to be a standing item in our monthly Global Stock Selection Committee meeting, as well as an agenda item in every company meeting we attend where ESG risk is identified.

Internal Research:

The first step in Pyrford's ESG research is background reading on the ESG factors that are relevant to each of the companies we look at. The sources of this information include specialist ESG research from MSCI (see below under external research), company sustainability reports, and publications from bodies like the UNPRI, Carbon Tracker and the CFA Institute, as well as sell-side brokers. Distillation of this material enables our investment professionals to identify the key questions to ask management during the face-to-face interviews, which have always been a fundamental part of our investment process. Once these meetings have taken place, the next stage is to complete an internal ESG rating template.

At Pyrford our Portfolio Managers assign an ESG rating to every stock we research. This rating ranges from '1' where we feel a company faces no material ESG risks over the next 5 years to '5' where a company faces moderate to high ESG risks over the same period and we believe is not adequately addressing them.

The rating is derived by examining the 15 factors we concluded were the most relevant to our investment philosophy and process. The factors are split broadly evenly between Environmental, Social and Governance concerns and are shown below. These ratings must now be presented for any new stock proposed for inclusion in a portfolio.

These ratings will be reviewed at least annually and though they are assigned by individual members of the investment team responsible for each stock, each is reviewed by the ESG Forum to ensure consistency across the portfolio.

Pyrford Internal ESG Analysis Framework

Environmental	
GHG Emissions	Does the company measure and report on its GHG footprint? Does it have credible initiatives to reduce this?
Climate change	To what extent might climate change negatively impact the operations of the company?
Depletion of resources	Does the company rely on the use of natural resources (including water) which are becoming scarce in its area of operations?
Toxic chemical use and disposal	Does the company use chemicals, the accidental release of which into the environment would be damaging?
Business opportunities	Does the adaptation to climate change or other environmental issues present new business opportunities?

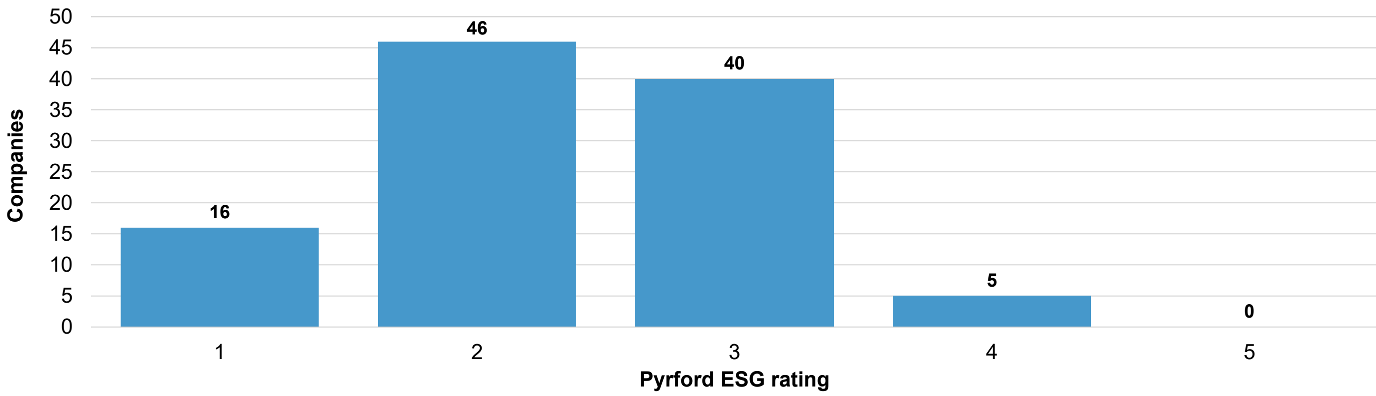
Social	
Social Impact	Do the company's products or services create negative societal impacts?
Health & Safety	If aspects of the company's operations are hazardous does it have clear policies, accountability and disclosure of Health and Safety metrics?
Discrimination	Does the company have public policies against workplace discrimination?
Diversity	Does the company have a public commitment to increase the diversity of its workplace against which it is reporting progress?
Political risk from involvement in troubled markets	Does the company have material operations in parts of the world where politics is volatile?
Living wage	Has the company made a commitment to pay all employees the local living wage?
Governance	
Executive compensation	Are the interests of shareholders and executives aligned?
Separation of Chairman/CEO	Are the roles of CEO and Chairman separate?
Dual or single share class	Do all shareholders have equivalent voting rights?
Board independence	Is the majority of the board independent?

Pyrford Internal ESG Ratings:

1	The company faces no material ESG risks over the next 5 years.
2	The company faces low to moderate ESG risks over the next 5 years but has a public and credible plan to mitigate them.
3	The company faces low to moderate ESG risks over the next 5 years and is developing plans to mitigate them OR The company faces moderate to high risks over the next 5 years and has a public and credible plan to mitigate them.
4	The company faces low to moderate risks over the next 5 years but is not adequately addressing them.
5	The company faces moderate to high ESG risks over the next 5 years and is not adequately addressing them.

The following chart shows a summary of our internal ESG ratings, across all 107 companies held within Pyrford's portfolios. Of the companies we invest in, in our view, none of them face moderate to high ESG risks over the next 5 years that are not being adequately addressed. We have identified five investee companies which we believe are not adequately addressing the low to moderate ESG risks facing them and we will engage directly with all of these companies about these issues in the year ahead.

Summary of Pyrford Internal Ratings



Source: Pyrford International Ltd

The potential impacts on company earnings of ESG related risks or opportunities are captured in the financial forecasts for a company through our forecasts of Return on Equity over the 5-year investment horizon. Where investment is proposed in a stock where we have identified material ESG risks the Portfolio Manager concerned must explain how these risks are captured in their forecasts.

External Research

To provide independent external research, we have also engaged the services of a specialist ESG provider, MSCI ESG Research. MSCI provide us with detailed research reports examining the ESG impacts on investee companies and the wider universe. They have a team of over 180 experienced research analysts assessing thousands of data points across 37 ESG key issues, focusing on the intersection between a company's core business and the industry issues that can create significant risks and opportunities for the company.

MSCI assign ratings to all companies we look at on an AAA-CCC scale relative to the standards and performance of their industry peers.

CCC	B	BB	BBB	A	AA	AAA
LAGGARD		AVERAGE			LEADER	

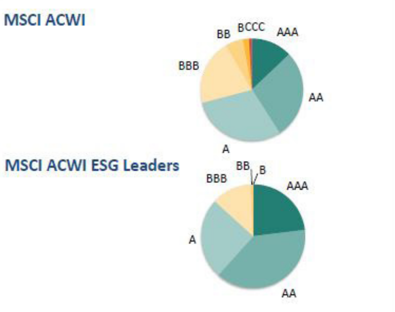
If a company's MSCI rating falls, an alert is sent to the relevant Portfolio Manager or Investment Analyst and the reasons for the downgrade are discussed in detail by the Pyrford investment team. If the rating of any company we hold falls to B or CCC, an 'out-of-cycle' engagement takes place with the company to identify why.

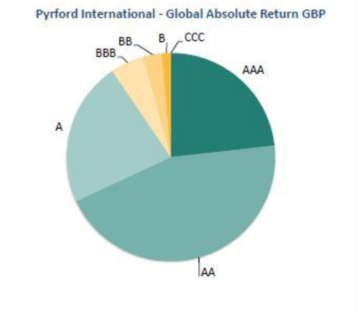
In addition to stock level reports, MSCI ESG Research also provides us with portfolio level ESG analysis reports which help us to identify any potential risks to the portfolio as a result of underlying ESG issues. To show an example of the level of independent output we receive, the following snapshot is taken from MSCI analysis of one of Pyrford's core strategies; the Pyrford Global Absolute Return Strategy (equities only):

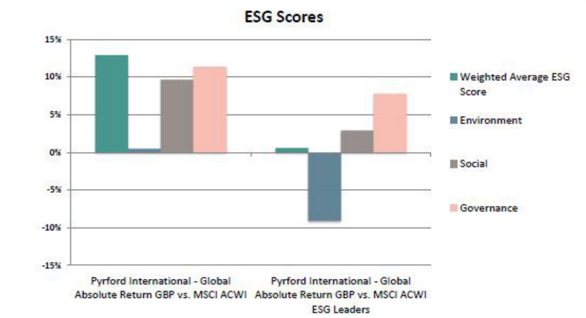
Portfolio Summary - MSCI ESG Ratings

MSCI ESG Portfolio Analytics
Pyrford International - Pyrford International - Global Absolute Return GBP

	MSCI ACWI		MSCI ACWI ESG Leaders		Pyrford International - Global Absolute Return GBP		Pyrford International - Global Absolute Return GBP vs. MSCI ACWI		Pyrford International - Global Absolute Return GBP vs. MSCI ACWI ESG Leaders	
SUMMARY	SCORE*	WEIGHT**	SCORE	WEIGHT	SCORE	WEIGHT	SCORE COMPARISON			
% Covered by ESG Research		99.74%		99.83%		100.00%				
Weighted Average ESG Score	6.78	100.00%	7.61	100.00%	7.65	100.00%	↑	12.88%	↔	0.57%
ABSOLUTE PILLAR SCORES										
Environment	5.98	20.44%	6.61	19.66%	6.01	20.59%	↔	0.48%	↓	-9.06%
Social	5.10	42.12%	5.43	42.83%	5.59	41.84%	↑	9.64%	↔	2.89%
Governance	5.61	37.43%	5.79	37.51%	6.24	37.57%	↑	11.36%	↑	7.79%
ESG RATINGS							WEIGHT COMPARISON			
Distribution of holdings with ESG Coverage										
AAA		12.90%		23.06%		23.24%		10.34%		0.18%
AA		28.05%		38.63%		44.82%		16.77%		6.19%
A		29.95%		25.07%		22.44%		-7.51%		-2.64%
BBB		20.70%		12.37%		5.25%		-15.45%		-7.12%
BB		5.59%		0.84%		2.88%		-2.71%		2.03%
B		1.90%		0.02%		1.38%		-0.53%		1.35%
CCC		0.90%		0.00%		0.00%		-0.90%		0.00%
Sum of ESG Coverage		100.00%		100.00%		100.00%				







MSCI MSCI ESG RESEARCH LLC

* All scores are on a 0-10 scale, with 10 being the best.
** If ESG coverage is less than 100% holdings are adjusted to 100% for report calculations.

As at 31 December 2022. For illustrative purposes only, not intended as a solicitation or recommendation of the strategy.

Some of the findings from the report are as follows:

1. Overall Pyrford's equity portfolio scores higher than the MSCI All Country World Index (ACWI): 7.7 v 6.8 (+12.9%).
2. The Pyrford portfolio scores 0.57% higher than the specialist MSCI ACWI ESG leaders Index (7.7 v 7.6).
3. When compared to the MSCI ACWI, Pyrford has higher scores in all 3 categories: Environmental, Social and Governance.
4. Nearly 70% of Pyrford companies are invested in "leader companies" AAA or AA companies.
5. Pyrford currently holds no "CCC" rated companies in our Global Absolute Return Strategy, or indeed in any portfolio at Pyrford.

We believe these high scores against the wider market, are reflective of our rigorous focus on quality, value, and the long-term sustainability of earnings and dividends.

Pyrford would be delighted to present the full findings from the detailed report in person to our clients, if required.

In conclusion, it is this combination of internal ESG analysis alongside specialist external and independent ESG research that provides us with an exceptionally high level of coverage.

Fixed Income Research:

Finally, a note on fixed income research. Within our multi-asset absolute return strategies, Pyrford can and does invest in bonds. Our investable universe is limited however to conventional and index-linked sovereign bonds from governments that achieve an AA or above credit rating. Currently this includes sovereign debt in the US, Canada, Australia and the UK.

Internal research provides forward estimates of interest rate direction and the likely shape of the yield curve in order to determine potential returns in the next two to five years. This analysis allows us to manage the 'duration' (sensitivity to changes in interest rates) of our fixed income exposure.

Whilst we monitor the government level ESG rating assigned by MSCI to the countries in our fixed income universe we do not believe there is yet a reliable way of differentiating between these sovereign issuers within our small investable universe on ESG grounds. We are, therefore, unable to provide the same level of ESG coverage as we do in equities. We believe it would be highly disingenuous to claim to our clients that we are choosing markets based on their ESG credentials. We keep under constant review fresh ideas and new sources of data that could meaningfully inform our investment process for this asset class.

Governance and Accountability for ESG Activity

In our view, one of the keys to our success as a business is having an effective governance structure which enables the business to operate as a boutique investment manager and in line with the expectations of our clients, regulators and other stakeholders alike. As described in Section 2, Pyrford International sits as an independently managed investment boutique, within Columbia Threadneedle Investments.

In 2017 we established the Pyrford ESG Forum which holds accountability for ensuring we are fulfilling our duty as responsible investors. The following chart shows where the ESG Forum sits within the overall governance structure of the business:

The ESG Forum acts under delegated authority of the Global Stock Selection Committee which is a committee that provides oversight of Pyrford's stock selection process undertaken by investment professionals in their respective regions. It is the formal forum in which material stock selection decisions are reviewed and debated.

Pyrford ESG Forum:

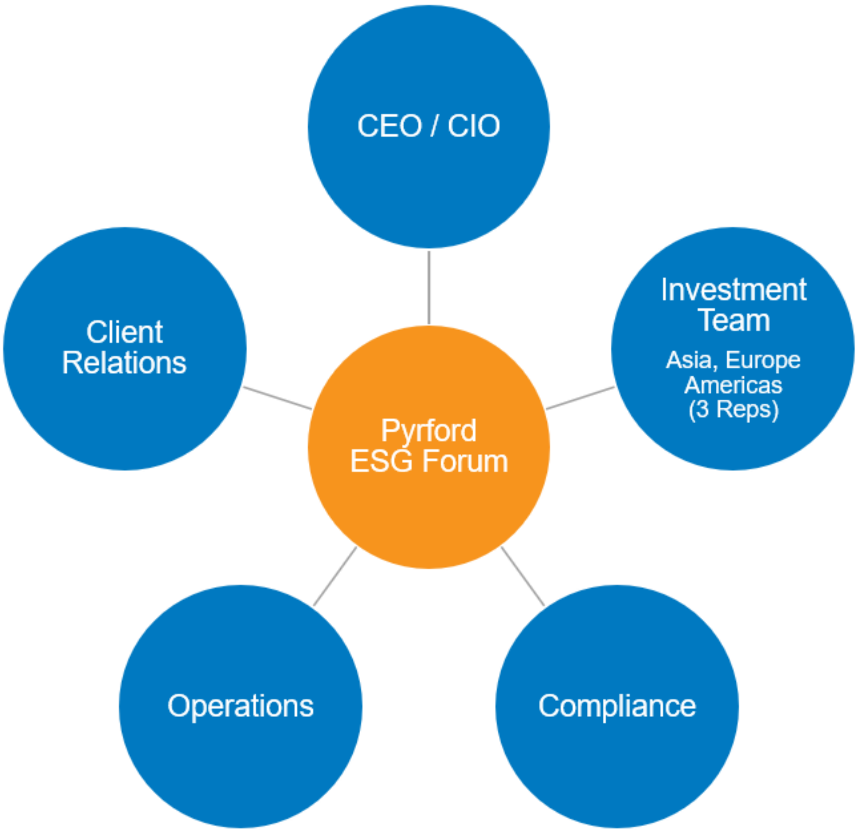
The Pyrford ESG Forum meets quarterly and is chaired by Paul Simons, a Senior Portfolio Manager at Pyrford and a member of our Investment Strategy Committee.

The aim of our ESG Forum is to:

- Promote awareness and communication between different areas of the business on ESG issues.
- Ensure we are meeting our regulatory requirements as a business.
- Provide an opportunity for our Relationship Management team to feedback our clients' comments and any potential concerns they may have on ESG matters and the companies we hold on their behalf.
- Encourage and promote best practice within Pyrford when it comes to incorporating ESG into every aspect of our role.
- Promote and discuss wider ESG industry issues and assess how they can impact our business and the companies we invest in.
- Report on the recent quarter's company engagement and proxy voting activity.
- Produce an annual report detailing our engagement activity over the previous calendar year.

To enable diversity of thought and input into the process, membership of the Pyrford ESG Forum is open to the entire business and not just investment professionals. Investment professionals are rotated annually to allow all members of the investment team to play a role and to provide input into the process. Members of the Forum are encouraged, and in some cases have undertaken the CFA Certificate in ESG Investing.

Membership is made up of representatives from across our business as shown in the following chart:



04 The Geopolitics of the Energy Transition

As the aim to achieve net zero by 2050 moves closer to the forefront of investors' minds, we explore how geopolitical risks will have a significant role to play and the obstacles the energy transition could face.

At Pyrford we focus large parts of our day dissecting annual reports, studying company financials, understanding industry economics and talking to management teams across the world. Just as important, however, are the qualitative assessments we make about the companies under our coverage and how we can use our influence to encourage companies to innovate and find cleaner ways to produce energy in order to achieve the 2050 target. Pyrford fully recognises that as we move towards a low-carbon economy, companies that are currently dependent on fossil-fuel based energy production will ultimately come under significant financial pressures.

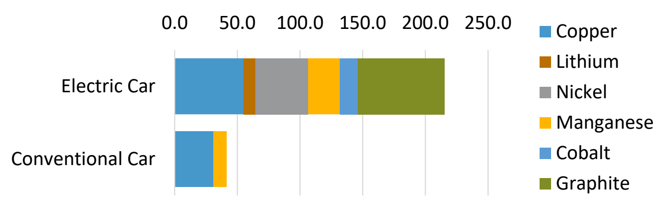
Before reflecting on what we as asset managers can do to, let us firstly explore the Geopolitics.

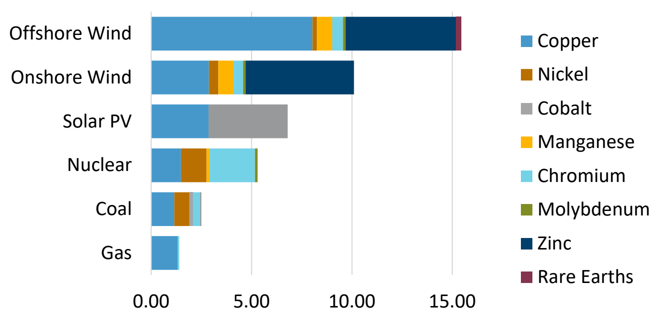
More and more governments are joining the fight against climate change with pledges to achieve net zero emissions over the coming decades. Limiting the global temperature rise to 1.5°C will require a certain level of cooperation across the global economy. However, the current path of the energy transition suggests that geopolitical risk will also have a significant role to play. The scramble for clean energy resources threatens to divide the global economy. China's dominance over the renewables supply chain poses a challenge to western economies who are responding with increasingly protectionist policies. Meanwhile, the gap between high and low-income countries is widening as energy security becomes a greater priority than the energy transition.

High Geographical Concentration of Critical Minerals

History suggests that the concentration of strategic energy resources among a handful of producers can lead to geopolitical conflict and global instability. This was most evident in the first oil shock of the 1970's when Arab oil producing nations restricted oil supplies to those nations that supported Israel in the Yom Kippur War. The weaponisation of energy to achieve political goals has continued to today in the Russia-Ukraine war with the halting of Russian gas exports to Europe. In a world where renewables are going to make up an increasing share of global energy use, the strategic resource shifts from hydrocarbons to metals and minerals. Chart 1 illustrates the relative importance of different critical minerals for each clean energy source. Lithium, nickel, cobalt and graphite are some of the essential components for EV's and battery storage. Rare earth metals such as neodymium and dysprosium are used in permanent magnets that are needed in wind turbines.

Minerals used in selected clean energy technologies (chart 1)





Notes: kg=kilogramme; MW = megawatt. Steel and aluminium not included. See Chapter 1 and Annex for details on the assumptions and methodologies.

Source: IEA, all rights reserved

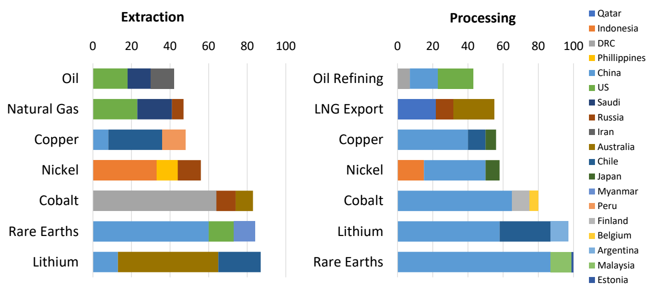
It is hard to overstate the amount of capital investment needed to meet future demand for critical minerals. According to the IEA, in order to meet the climate goals set out under the Paris Agreement (climate stabilisation at "well below 2°C global temperature rise), demand for lithium is expected to be 40 times higher than today. Graphite, cobalt and nickel are expected to see demand growth 20-25 times higher and rare earths 7 times higher.[1] Capital investment alone, however, will not be enough to deliver the clean energy transition by 2050. Geopolitical stability and more specifically a peaceful trading relationship between China and the Western world will be crucial.

The geographical concentration of resources is much higher for critical minerals than it is for oil and gas. Chart 2 shows the share of total extraction of each resource that is met by the top 3 extracting nations.[2] The US, Saudi Arabia and Russia account for just over 40% of total oil extraction. Whilst each country is critical to global oil production, the world can still rely on several other sources to meet oil demand. This will likely be much harder for minerals such as lithium and rare earth elements where more than 80% of total extraction is concentrated in 3 countries. When it comes to the processing of these raw materials, concentration

[1 & 2] IEA (2021), The Role of Critical Minerals in Clean Energy Transitions, IEA, Paris https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions, License: CC BY 4.0.

is even higher, with China dominating this part of the supply chain (chart 2). More than 60% of Cobalt, for example, is extracted from the Democratic Republic of Congo, but the raw material is then sent to China which accounts for 72% of global cobalt refining capacity. It is not only one of 5 countries that produce Lithium but is also responsible for almost 60% of Lithium refining capacity. China produces 52% of global cathode supply, 78% anodes, 66% separators and 62% electrolytes, all key components for battery production. Finally, China's supremacy in the race to build out clean energy infrastructure is perhaps best exemplified in solar PV manufacturing. Across all manufacturing stages (polysilicon, wafers, cells and modules) it has over 75% of total manufacturing capacity.[3]

Share of top three producing countries in production of selected minerals and fossil fuels, 2019 (chart 2)



Notes: LNG = liquefied natural gas; US = United States. The values for copper processing are for refining operations.

Sources: IEA (2020a); USGS (2021), World Bureau of Metal Statistics (2020); Adamas Intelligence (2020).

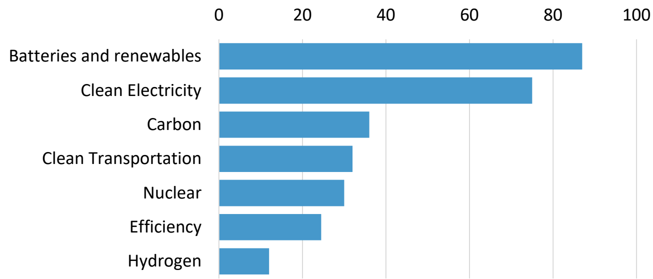
China's dominance over the supply chains for most key renewables poses a risk to the energy transition. Should trading relations with the US and Europe deteriorate further, perhaps due to an escalation in Taiwan, the West could be cut off from vital clean energy technologies and processed raw materials. Fortunately, there have been limited instances of China flexing its power in this space on the global stage. One notable instance occurred in 2010 following a territorial dispute with Japan, off the coast of Taiwan. This resulted in the banning of rare earth exports to Japan for two months. More recently, Beijing has proposed export restrictions to the US for certain solar panel equipment including large silicon, black silicon and cast-mono silicon technologies.[4] This was likely in retaliation to similar moves made by the US in October 2022, which restricted semiconductors made using American technology from being exported to China.

Industrial Competition and Subsidy Wars

The pandemic kicked off a process of friend/re-shoring as businesses became aware of the risks of having undiversified supply chains. The race to acquire clean energy will likely accelerate this process and threatens to reduce the sharing of key technologies and resources as protectionist barriers are put up. Nations are also increasingly viewing the energy transition as an opportunity to build domestic industry and boost job creation. For example, Indonesia, which has the world's largest nickel reserves, has attempted to ban the export of unprocessed nickel ore in order to boost its domestic processing industry and regain share from China. It is currently appealing a WTO ruling against this decision.[5] In the US, the Inflation Reduction Act (IRA) was passed in the summer of 2022. It is the US's most significant attempt to date to reduce future emissions and accelerate the move to renewable energy, with almost $400bn in direct subsidies (Chart 3).

Energy funding by theme and source (chart 3)

US$ billion



Source: McKinsey & Company

The IRA not only addresses the overwhelming dependence on Chinese imports but puts the US in direct competition with Europe and other developed countries. For example, tax credits offered for the purchase of EV's only apply if the vehicle is assembled in the US as well as half of the value of the battery components. The European Commission has argued that 5 other measures 'contain provisions with clearly discriminatory domestic content requirements, in breach of WTO rules.'[6] The IRA has the potential to make the US the most attractive destination for firms that are contributing to the green transition. Volkswagen, BMW, ENEL and Linde are some examples of European companies that have considered expanding operations in the US to take advantage of generous subsidies and tax credits. In response, the EU have put forward their own 'Green Deal Industrial Plan'. Among other initiatives, the plan loosens rules for state aid until the end of 2025, allowing individual governments to support the renewables industry. The danger here is that this opens the floodgates for industrial competition and triggers a global subsidy war in which each nation attempts to lure in foreign firms to build out domestic clean energy industries. It not only threatens to stoke rivalries between developed nations but also increase the divide with developing nations that may lack the fiscal space to offer generous subsidies. The spread and adoption of the best technologies will also be discouraged, which ultimately hampers the global effort to fight climate change.

[3]CSIS (2021), The Geopolitics of Critical Minerals Supply Chains, Jane Nakano. [4]https://asiatimes.com/2023/02/china-bans-export-of-core-solar-panel-technologies
[5]https://www.bloomberg.com/news/articles/2022-12-13/indonesia-appeals-wto-ruling-on-nickel-ore-export-ban-dispute.
[6]https://www.europarl.europa.eu/RegData/etudes/BRIE/2023/739300/EPRS_BRI(2023)739300_EN.pdf

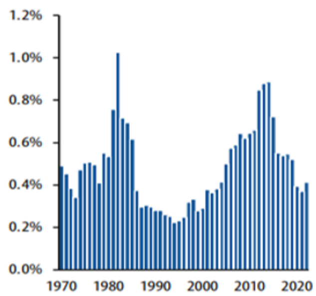
Energy Security Before Energy Transition

As much as the world pushes for a green future, it cannot yet shrug off its dependence on fossil fuel energy. Fossil fuels still make up 80% of global primary energy use, a level that has remained stagnant for decades. The aggressive push towards renewables, whilst also neglecting the need for further fossil fuel investments has contributed to our latest energy crisis and impeded the energy transition. Importantly, the current crisis began before the outbreak of the Russia-Ukraine war. After a peak in 2014 driven by the shale boom, investments in new oil and gas projects collapsed (chart 4). Thus, when demand surged post pandemic, supply was unable to respond in time. Crude oil prices hit $90 a barrel in January 2022.

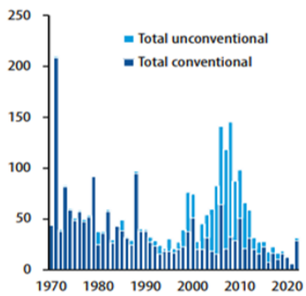
Investment boom and bust

Investment in oil and gas soared between 2000 and 2014, driven by rising demand from emerging markets and the US shale revolution.

Oil and gas upstream investment
(share of world GDP)



Oil and gas discoveries (chart 4)
(billion barrels of oil equivalent)

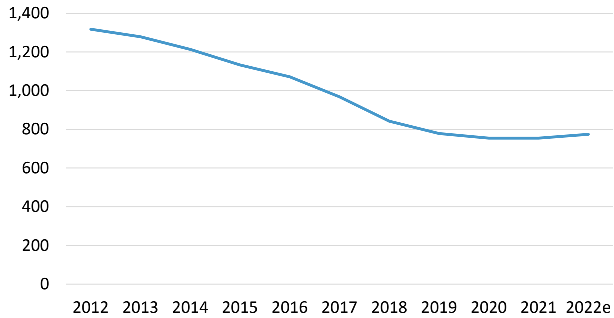


Source: Rystad Energy, IMF

The Russia-Ukraine war was an important reminder that the geopolitics of fossil fuels are still relevant and must be considered in the future energy transition. Before the outbreak of war, Europe was set to increase its dependence on Russian gas with the recently constructed Nord Stream 2 pipeline. It would have been a significant step in the relationship between the two powers that first made energy ties in the late 1950's. The war however has likely permanently severed those ties and has increased Europe's dependence on more expensive US gas for many years to come. Meanwhile, China and India have both taken significant advantage of cheaper Russian crude and natural gas, importing record amounts from Russia in 2022.

The redrawn energy map of the world has significant implications for the clean energy transition. It has raised the price of fossil fuel energy and created an energy crisis for lower income countries which have been forced to prioritise energy security today over the energy transition tomorrow. Europe's demand for gas on the international markets crowded out poorer countries who faced severe electricity shortages. Bangladesh for example suffered its worst power blackout since 2014 after disruptions to its gas supply. Pakistan also experienced nationwide blackouts after Italian energy firm Eni defaulted on its long-term contract in order to supply European markets.[8] For the first time in decades the number of people without access to electricity increased in 2022 (chart 5). It is no wonder then that 2022 was also a record year for coal demand, surpassing 8 billion tonnes for the first time.[9] Several countries, faced with high gas prices made the switch to a dirtier but cheaper energy source in coal.

People without access to electricity worldwide, 2012-2022 (Chart 5)



Source: IEA 2022

The energy insecurity faced by lower income countries adds to the differences that already exist between developed and developing countries on the topic of clean energy. Whilst lowering emissions appears to be a high priority goal for developed nations, it is lower down the pecking order for lower income countries that need to address health, poverty and economic growth. There is also a growing sense that richer countries should pay 'climate reparations' after being the largest contributors to climate change over the last century. Indeed, there were positive outcomes on this front at the latest COP27 Summit, where wealthy nations agreed to contribute to a 'loss and damage fund' for vulnerable countries affected by climate disasters.

What role can we play as asset managers?

Pyrford fully recognises that as we move towards a low-carbon economy, companies that are currently dependent on fossil-fuel based energy production will ultimately come under significant financial pressures. The potential impact of this move forms part of the ongoing research and analysis we carry out on all companies and has led to the continued reduction in our exposure to fossil fuel investments. Yet, as the energy crisis last year has showed, keeping fossil fuel prices affordable is an important part of the energy transition and therefore traditional energy producers still have a critical role to play. Specifically, continued investment in natural gas capacity will be necessary to keep the price of gas lower than coal and prevent further coal emissions. The energy transition will also require vast amounts of capital investment in mining for critical metals and minerals as well as building out renewable energy infrastructure – a highly energy intensive process. Pyrford would like to see companies that are currently engaged in fossil-fuel based energy production continue to innovate and find cleaner ways to produce energy and ultimately move more into renewables. As investors, we can use our influence to encourage companies to do so but by "disinvesting" we would lose this crucial influence.

[8]CS https://www.thenews.com.pk/print/952062-gas-crisis-deepens-as-eni-defaults-once-again
[9]IEA (2022), Coal 2022, IEA, Paris https://www.iea.org/reports/coal-2022, License: CC BY 4.0

05 Proxy voting at Pyrford in 2022

Pyrford's policy with respect to the voting of proxies is straightforward. Firstly, if the Trustees of the funds under our management direct us to vote in a particular way, we will, of course, implement their instructions. Assets would have to be managed on a segregated basis.

In the absence of such instructions from the trustees, it is Pyrford's policy to consider every resolution individually and to cast a proxy on each issue which supports the long-term investment case for the holding.

Pyrford has appointed ISS Proxy Voting Services to monitor meetings data and to produce a voting schedule based upon individual client proxy voting guidelines, or Pyrford's guidelines where a client does not provide its own. While we consider ISS to be providing us 'proxy adviser' service, Pyrford's Portfolio Managers have the final authority to decide on how votes are cast in line with the relevant guidelines. A copy of our Proxy Voting Policy can be found in the appendix to this report and on our website.

Pyrford does not engage in stock lending on behalf of our clients.

Proxy voting portal

Pyrford has a dedicated online proxy voting portal, where details of how we voted on every resolution across our pooled fund range can be found. Where we have voted against management in a resolution, the reason for our decision is highlighted.

Please visit our website (https://www.columbiathreadneedle.com/en/pyrford-international) to access the full portal and proxy voting policy.

2022 Voting summary in numbers

Our approach to voting is to vote all proxies in the best interest of our clients. Pyrford will only abstain on a vote where it proves impossible to obtain adequate or reliable details of the proposals to be voted on within the required time frame.

Voting summary

Voted in **1458** resolutions across all portflolios

at **98** individual company meetings

in **19** different countries

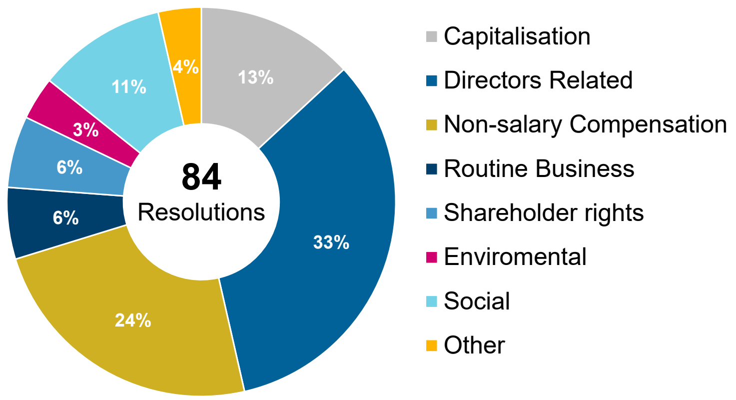
We voted **100%** of meetings in 2022

In over **45%** of meetings Pyrford voted against management in one or more resolution

2022 voting summary in charts

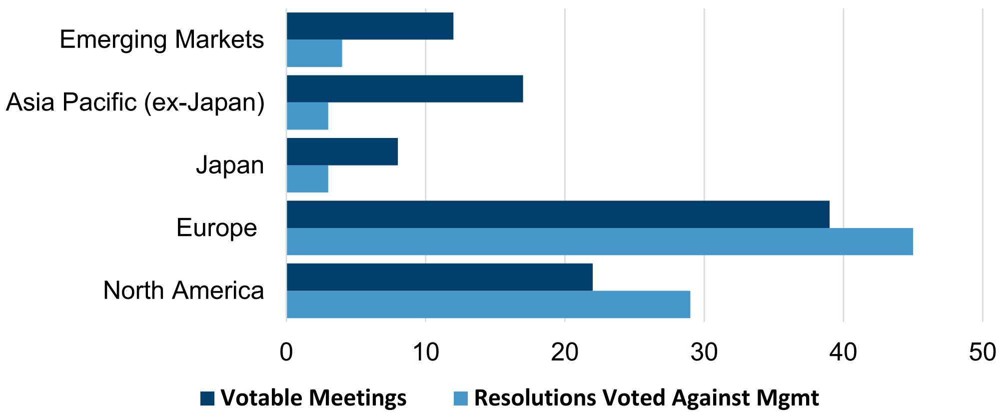
In 2022, we voted against management in 84 separate resolutions in 45% of the meetings voted (including votes withheld and abstained). The following charts break down those votes against management by proposal type and region:

Votes against management - proposal type



Source: Pyrford International Ltd

Votes against managment - regional split



Source: Pyrford International Ltd

06 Proxy voting case study examples 2022

As detailed in the previous section, Pyrford voted in 1,458 resolutions at 98 separate company meetings in 2022 and voted against management in 45% of meetings for one or more resolution.

In this section we will provide a few case study examples of significant votes carried out by Pyrford. We believe that all proxy votes are important, and we aim to vote all ballots received on behalf of our clients. All proxy votes are reviewed by our ESG Forum on a quarterly basis. Those deemed to be "significant" are where we believe the outcome could have a meaningful impact on shareholders' returns over our five-year investment horizon. These could include management and board appointments and compensation, decisions affecting capital structure, as well as company responses to social, environmental or competitive pressures.

In the spirit of full transparency, Pyrford make a public disclosure of all votes cast on behalf of our investors. Full details can be found on our website at www.pyrford.co.uk under "proxy voting".

COMPANY: Texas Instruments Incorporated **COUNTRY: United States** **DATE: 28 April 2022**

ISSUE: Reduce Ownership Threshold for Shareholders to Call Special Meeting

BACKGROUND: A proposal was submitted by a shareholder requesting that the appropriate company governing documents be amended to give owners with a combined 10% of the outstanding common stock (currently 25% required) the power to call a special shareholder meeting. This would give shareholders the same power that directors currently have.

SUMMARY: By reducing the threshold to call a special meeting from 25% to 10% shareholder rights would be enhanced. Ultimately giving shareholders greater power to hold management accountable. Pyrford consider management accountability to be of the upmost importance and hence voted against the management recommendation in supporting the shareholder proposal. The shareholder proposal was not approved.

COMPANY: ComfortDelGro **COUNTRY: Singapore** **DATE: 29 April 2022**

ISSUE: Elect Director

BACKGROUND: ComfortDelGro is one of Asia's largest land transport operators offering public transport and taxi services. CD operates across seven countries with its main exposure being in Singapore, Australia, UK & China.

ComfortDelgro's non audit fees paid to its auditor Deloitte were deemed excessive in relation to its audit fee. Given that Chiang Chie Foo was the only member of the audit committee up for re-election Pyrford voted against the re-election.

SUMMARY: The higher non audit fees relate to advisory work for the potential listing of the Australian business. ComfortDelgro put the advisory work out for tender and Deloitte was the most cost-effective option which is why they were selected. Pyrford took the stance that Deloitte should have been excluded from the tender as the higher fees generated may take a more lenient approach to future audits. Given Chiang Chie Foo was the only member of the audit committee up for re-election, Pyrford wanted to ensure the company upheld strong governance, and voted against the re-election. The proposal was withdrawn as Mr Chiang Chie Foo had decided not to seek re-election as a director.

COMPANY: ComfortDelGro **COUNTRY: Singapore** **DATE: 29 April 2022**

ISSUE: Approve Auditors and Authorize Board to Fix Their Remuneration Auditors

BACKGROUND: ComfortDelGro is one of Asia's largest land transport operators offering public transport and taxi services. CD operates across seven countries with its main exposure being in Singapore, Australia, UK & China. ComfortDelgro's auditors were up for approval at the AGM. Pyrford voted against the re-election as Deloitte had earned non-audit fees that exceeded total audit fees. Pyrford believed this may create corporate governance issues by impairing the quality of future audits.

SUMMARY: ComfortDelgro put out to tender advisory work for the listing of their Australian operations. Deloitte ranked first in terms of cost which is why they were selected. Pyrford believes that Deloitte should have been excluded from the tender as it raises the potential for future corporate governance issues for future audits. The outcome led to the proposal not being approved.

COMPANY: BP | **COUNTRY: United Kingdom** | **DATE: 12 May 2022**

ISSUE: Approve Shareholder Resolution on Climate Change Targets

BACKGROUND: BP is a global oil and gas exploration and production company. The need for an Energy Transition away from carbon based energy sources has posed difficult questions for all companies in this sector. As the evidence that the planet is warming increases, the need for action becomes more pressing and the more Energy company strategies will come under scrutiny.

The shareholder resolution in question was tabled by a consortium of shareholders that wanted BP to publish more targets that would further align the company's goals with the Paris Climate Agreement, an international treaty designed to tackle the issue of climate change.

SUMMARY: Pyrford voted Against the motion, in line with the Board's recommendation. Pyrford recognises the need of Energy companies to adapt their business model to a landscape where the full costs of carbon emissions could become apparent in the form of explicit carbon pricing and stranded assets.

However, despite the prudent motivations behind the resolution, it was noted that the company already has explicitly committed to a range of climate related ambitions that already covers the requests being made by the shareholder consortium. These include the expectation that hydrocarbon production will be 40% lower by 2030 versus 2019 and a target to achieve net zero by 2050. Agreeing to sanction another raft of climate related goals appeared superfluous and ran the risk of diluting the clear strategic direction of travel that had already been set out by the company. This is a direction that has already been supported by Board sponsored AGM resolutions in the past.

The resolution has been designated "Significant" because the potential for the proposed resolution to disrupt the company's current energy transition strategy could have material repercussions for the operational and financial performance of BP. The shareholder proposal did not pass.

COMPANY: Mitsubishi Electric | **COUNTRY: Japan** | **DATE: 29 June 2022**

ISSUE: Elect Director

BACKGROUND: Mitsubishi Electric is a large industrial conglomerate with a particular strength in energy efficient motors and turbines. The group's operations span many product areas several of which are integral to the energy transition and efficient power usage. Key growth products include:

- Factory automation equipment
- Automotive parts for electric & automated vehicles
- Air conditioning units and heat pumps
- Energy efficient elevators
- Next generation power semiconductors

In June 2021 the company announced that an investigation had uncovered that some inspection data had been falsified for certain train air conditioning products and that procedural problems may go as far back as the 1980s. Subsequent investigations have revealed a culture of improper inspection procedures for other products and a companywide investigation was launched and has recently been concluded.

The previous CEO took responsibility for the issue and resigned, to be replaced by Kei Uruma. ISS recommend voting against the reappointment of Mr Uruma as they were of the opinion that he should take ultimate responsibility for the test data incidents. He has been a long-time executive, who joined the company in 1982, became an executive officer in 2017, and joined the board in 2020. His responsibilities included corporate strategic planning, and operations of associated companies. Before becoming President and CEO in July 2021, he was Chief Strategy Officer.

SUMMARY: Whilst we have some sympathy with the rational of ISS we believe that some level of continuity was required in order for the company to successfully implement many of the suggestions made by the investigative committee set up following the incidents. Indeed, following various conversations with management, we are of the opinion that the company will be able to move forward from this incident with a much improved quality assurance regime.

Where we are more disappointed in management is a lack of concrete actions to address some of the wider structural issues holding back profitability at Mitsubishi Electric. The data falsification issue was an opportunity to promote greater restructuring at the company, yet so far CEO Urma has made few moves which convey a drive to significantly change the status quo at the company.

The group has many world class businesses with strong medium term growth prospects but equally the conglomerate structure incorporates many low margin, mature businesses. The group also suffers from a "silo" culture, with poor integration between divisions.

Mr Uruma has vocalised his intention to address many of these issues but at the time of voting few notable steps had been taken. We therefore voted against management in order to convey the urgency with which we expect the company to pursue a more efficient structure.

Proposal approved by 58.46%.

07 Pyrford company engagement

Pyrford has always taken a long-term view to investment decisions. At no point do we ever take a short term, speculative position in a company. We invest in high quality companies that can clearly demonstrate robust and sustainable business models.

As long-term shareholders of companies we have the responsibility to try and influence the business practices of companies by encouraging best practice on ESG issues through a process of ongoing company engagement. In our opinion this is a key factor in reducing risk in the portfolio. Companies are put on notice that we expect them to manage their businesses responsibly whilst pursuing profit growth. It may even be that through our exposure to competitors, suppliers or customers or to similar companies elsewhere in the world we can help them identify risks facing them earlier than they might otherwise have.

It is Pyrford's belief that engagement through direct discussions with not only management of investee companies, but also with all companies we meet, is the most effective way for us to do this. At Pyrford, we use a range of engagement methods. However, typically our engagement is one-to-one with companies as we believe this method yields the best results. Our Portfolio Managers must visit every investee company prior to initial investment and we aim to meet with the company at least annually thereafter. Despite the challenges presented by the COVID-19 crisis, our team have continued to meet with companies, meeting with 299 in 2022.

In almost every meeting with companies, questions on ESG issues will be raised however we would not necessarily classify these as an actual "ESG engagements". For an engagement to classified as such it needs to be a purposeful communication on particular matters of concern with the goal of encouraging change at the company level.

Company Engagement Framework

Pyrford have put in place a clear framework where escalation with company management is required and how this should be carried out in the event of ESG issues coming to light. Engagement with companies we invest in has always been an integral part of our ongoing research process. Our engagement escalation framework is as follows:

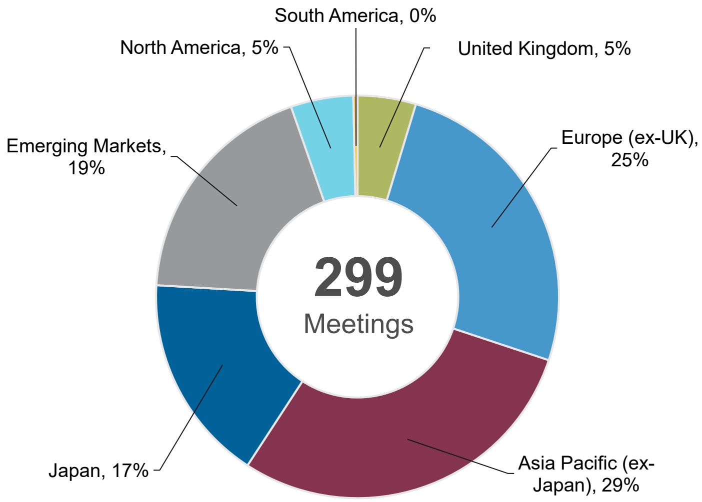
Level	Comments
Level 1	Investor Relations contact through email, call or meeting.
Level 2	Divisional or executive management via call, meeting or in writing.
Level 3	Vote against relevant resolutions if presented to shareholder meetings.
Level 4	Board member contact, in writing or by call or meeting if available.
Level 5	Collaborative engagement with other shareholders.
Level 6	Sponsoring or co-sponsoring resolutions at company meetings.

2022 Engagement Activity

IIn 2022, Pyrford's investment team carried out one-on-one meetings with over 250 global companies. When preparing for a meeting our Portfolio Managers and Investment Analysts will assess if there are any ESG issues that they wish to raise. The source of this information might be MSCI ESG Research reports (our external provider) or our own ESG analysis, as covered in chapter 3.

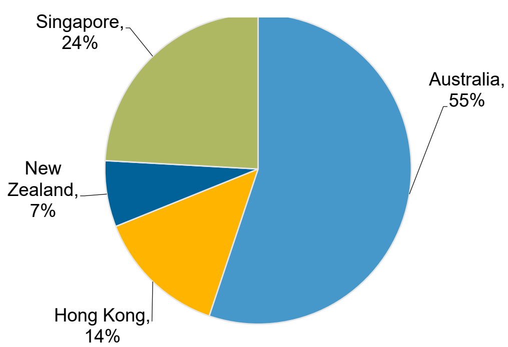
We track and record the results of every company meeting. Below we have provided a geographical split of all company meetings held in 2022:

Company meetings, split by region in 2022



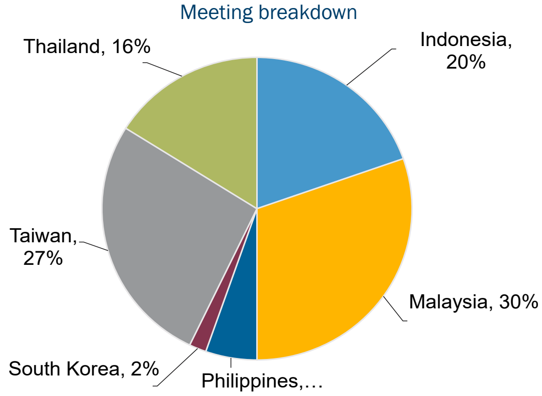
Asia Pacific ex-Japan meetings

Meeting breakdown



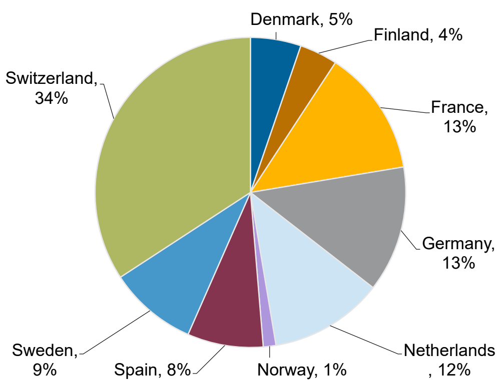
Emerging Markets meetings

Meeting breakdown



Europe (ex-UK) meetings

Meeting breakdown



08 Pyrford engagement examples, 2022

As detailed in section 7, Pyrford carried out 299 meetings with companies in 2022.

In this section we will provide case studies from just some of a range of company meetings held, across geographies and on a variety of important ESG issues.

We have included both companies where we own shares and companies within our investment universe that we potentially could invest in. At Pyrford, we believe engagement on issues of ESG should not be limited to companies where we have investments, rather with all companies we meet. We have provided engagement examples from 2022 with the following companies:

Company	Country	ESG Issue	Holding
Abbott Labs	USA	Social – Infant formula contamination/recall	Yes
Ansell	Australia	Social – Forced Labour	No
BP	United Kingdom	Environment – Russia Ukraine War	Yes
ComfortDelGro	Singapore	Environment – Climate change	Yes
GSK	United Kingdom	Social – Access to Medicines	Yes
Imperial Oil	Canada	Environment – Carbon Emissions	Yes
Japan Tobacco	Japan	Governance – Strategy, Financial and Reporting - Risk management	Yes
Mitsubishi Electric	Japan	Social – Quality Control Issues	Yes
Novartis	Switzerland	Governance – Bribery & Fraud	Yes
Novartis, Roche	Switzerland	Environment – Biodiversity	Yes
Rubis	France	Environment – Kenya Fuel Crisis	Yes
Singapore Telecom	Singapore	Governance – Data Breach	Yes
Vodafone	United Kingdom	Governance – Tax Transparency	Yes
Vopak	The Netherlands	Governance – Remuneration	Yes

Engagement case studies are provided for informational purposes only. Positive engagement outcomes are not guarantees of future engaged company, firm, or product performance.

COMPANY: Abbott Labs **COUNTRY: United States** **HOLDING: Yes**

ISSUE: Infant formula contamination/recall

BACKGROUND: Abbott Labs is a diversified medical device company – Its main segments include generic pharmaceuticals, structural heart devices, diabetes care and nutrition.

In Feb 2022 the company recalled some brands of infant formula after some infants fed the formula contracted corona bacteria. Four babies were hospitalised and two of these ultimately died.

SUMMARY of ENGAGEMENT: First year of engagement 2022 after announcement of the initial cases. Pyrford monitored the situation in 2022 and had an update call with the company in December 2022. The main reasons for the engagement were to get an update from the company and to reinforce our view that ultimately in situations such as this there should be management (past and present) accountability. Pyrford engaged with Investor Relations and members of the sustainability department at Abbott Labs.

OUTCOME of ENGAGEMENT: Abbott recalled its powdered infant formula in February 2022 following the adverse incidents described above. This was purely a precautionary measure as Abbott and the FDA wanted to establish the exact reasons for the corona bacteria contamination. The recalled infant formula was manufactured at Abbott's Sturgis, Michigan plant. The FDA inspected the facility in Q1 22 and found evidence of bacterial contamination in the facility but not the actual production parts of the factory.

Abbott keeps a sample of every product shipped. On testing the samples which caused illness for the infants, no corona bacteria were found in the samples. In addition, Abbott carried out genomic testing on the 4 corona bacteria samples taken from the unwell infants and the genomic sequence for each sample was different for the infecting bacteria. Corona bacteria were found on some of the equipment used by the infants. Corona bacteria are prevalent in the environment, and it is essential that baby feeding bottles and equipment are thoroughly cleaned.

THE FDA granted Abbott a consent decree to restart production at the plant in Q2 2022 and Abbott was required to make further modifications to the plant.

The key benefit of the engagement was that Abbott understood that Pyrford was monitoring the situation and that Abbott should maintain production plants that meet the most stringent quality protocols. In addition, Pyrford explained that there should be accountability for any short comings in production, ultimately with the CEO.

Abbott explained that quality breaches would have an ultimate impact on CEO remuneration as TSR over a three-year period was a component of the CEO remuneration calculation. No further action is planned at this stage – but Pyrford will monitor any future failures at production facilities. There will be no changes to voting intentions or portfolio allocation decisions.

Pyrford has suggested that the clawback provision for the current and future Abbott CEO's should be increased from 3 to 5 years. This will ensure that CEO's do not take decisions or underinvest in the business to boost short term results. This may be submitted at the next AGM as a written shareholder proposal.

COMPANY: Ansell **COUNTRY: Australia** **HOLDING: No**

ISSUE: Forced labour

BACKGROUND: Ansell is a manufacturer of healthcare and industrial use protective equipment, mainly gloves. Ansell outsources the majority of manufacturing of white-label single-use gloves to 3rd party manufacturers, given that production requires dedicated machinery lines and economies of scale to remain cost competitive. This 3rd party supply chain network has exposed Ansell to higher risks of labour exploitation. Malaysia accounts for 65% of global glove supply, but has been riddled with forced labour issues. Explosive industry growth during Covid-19 shed light on these. Since 2019, a number of Ansell's Malaysian glove suppliers have been investigated by the US Customer & Border Protection (CBP) agency. Four were subject to Withhold Release Orders (WROs), which prevents imports of goods into the US. In August 2022, a lawsuit was issued in the US against Ansell and Kimberley-Clark by 13 former employees of Brightway (a Malaysian supplier) for these two companies 'knowingly profiting' from forced labour.

SUMMARY of ENGAGEMENT: Our objective was to understand the severity of the lawsuit, and what Ansell is doing to address forced labour issues within its supply chain and across the industry.

OUTCOME of ENGAGEMENT: Our discussion first focused on the implications of the lawsuit. Public disclosure is somewhat limited by the ongoing legal proceedings. Thus far, 13 former Brightway employees are suing Ansell and Kimberley Clark, under US legislation, for 'knowingly profiting' from forced labour at the Malaysian supplier. There is no case being made against Brightway directly. Evidence is yet to be given in court, but media reports have claimed instances of physical violence. This apparently was unknown to Ansell, which would have terminated its supplier relationship with immediate effect if this had been independently discovered. This case follows the US CBP issuing a WRO against Brightway. On issuance of the WRO, Ansell engaged with Brightway to establish what were the identified problems. Engagement is no longer permitted whilst the lawsuit is underway. Ansell state that its liability is 'without merit' and has hired a US law firm to assist in its defence. Ansell has not given a quantitative provision, as the details of the case are still largely unknown. The 13 employees are still even to be identified, for example. Brightway only constituted 1-2% of Ansell's outsourced supply, and a much larger proportion of Kimberley-Clark's supply, so it is also unclear as to whether the companies will be held jointly liable. To Ansell's knowledge, no similar cases have favoured the plaintiff.

The conversation then turned to the focus areas that Ansell has identified as being critical to improving labour rights: (1) grievance monitoring, (2) worker engagement, (3) risk assessment and monitoring, (4) accountability and awareness, and (5) policies and commitments. Ansell ran a sustainability webcast at the end of September, which provided colour on these points. Our questions sought clarification and extra detail.

Ansell has bolstered its grievance channels over the last year, extending platforms to mobile apps and adding features such that reports can be made in native languages. An initial issue had been the lack of literacy amongst plant workers, which was resolved by allowing grievance reporting by voice. Ansell has seen a rise in reporting as these initiatives have been rolled out; a sign of success. This has been encouraged by the no-retaliation policy and the ability to submit complaints anonymously. No business-critical issues have been raised. The longer-term hope is that the widespread use of grievance channels will allow faster responses to issues, so audits can be used as a check-up.

Under risk assessment and monitoring, the audit process has also evolved. Ansell has recently adopted F-11 assessments, on top of the SMETA audits, which focus solely on the 11 indicators of forced labour. Ansell plans to launch unannounced audits in FY23. Ansell contends that the CBP investigations and WROs have led to more thorough and disciplined audits, bettering the whole industry. For instance, auditors will now also visit hostel accommodation for migrant workers. Ansell clarified that none of its own plants in Malaysia were investigated by the CBP.

The outcome of audits guides Ansell's policies on supplier relationships. Ansell takes a pragmatic approach to any non-conformances identified. It looks to work with the supplier to overcome these, rather than just terminate the relationship. An example of this was where suppliers had insufficient cash flow to remediate recruitment fees to workers, then Ansell would accelerate their payments to help alleviate this constraint. Saying that, if any critical issues are identified in the audit, then escalation to executive leadership would be immediate. Typically, if no material improvements or willingness to change was seen within 1-2 years, then Ansell would look to stop sourcing from that particular supplier. Ansell noted that timing on this is becoming stricter.

In March 2022, Ansell was one of seven founding members of the Responsible Glove Alliance (RGA). This aims to drive change in the Malaysian glove industry. The RGA's initial focus has been on creating guidelines for due diligence, which others can follow. Ansell was positive about the progress that has so far been made in the Malaysian glove industry. As of September 2022, Malaysian suppliers representing 98% of Ansell's total finished goods spend, had completed their recruitment fee reimbursement program for currently employed migrant workers. In total, over US$30mn has been reimbursed to over 18,000 workers. To give background to this, migrant workers entering Malaysia are often charged a fee by recruitment agents who act as middlemen in the employment process, but concerns have been raised about the resulting debt bondage.

There has been less disclosure on concerns and progress outside of Malaysia, despite Ansell having plants across Southeast Asia. When we queried this, Ansell shared that it had conducted an assessment with an independent consultant to determine risks elsewhere. This did not identify any material issues outside of Malaysia. Ansell is planning to rationalize its supplier base.

An important consideration is the fact that industry wide change will likely drive-up costs. Audits tend to be funded by suppliers themselves, but it is likely that this expense, and the necessary others, will be passed on. Ansell welcomed this change and added that its commitment to improved labour rights should give it a competitive advantage given customers are increasing particular about where they source from.

In sum, we are satisfied that Ansell is taking necessary steps to address forced labour concerns. The issue is evidently systemic, with no simple solution, but Ansell remains committed to the cause.

COMPANY: BP **COUNTRY: United Kingdom** **HOLDING: Yes**

ISSUE: Russia Ukraine War

BACKGROUND: BP is a global hydrocarbons producer with ambitions to move towards a greener portfolio of energy assets over time.

In February 2022, Vladimir Putin ordered Russian forces to conduct a comprehensive invasion of Ukraine, in addition to the annexation of Crimea (2014) and alleged support for separatist forces in the Eastern Ukraine regions of Donbas and Luhansk. As one of the companies with the greatest economic exposure to Russa in the Pyrford portfolio, BP was a natural candidate to engage with on this issue.

SUMMARY of ENGAGEMENT: The invasion of Ukraine and the ostracization of Russia is a sudden, recent event. It will take time for the full consequences of the episode to play out. One area of interest will be how the sale process of Russian assets develops. With the barriers to any deal very high given the current restrictions on doing business in Russia, it may be an intention that takes a while to enact. BP will have to balance their fiduciary duty to seek out the best price for their asset with the demands to exit the market as quickly as possible. Tensions between these two forces could become apparent.

It will also be interesting to observe how this episode changes the way that BP thinks about making investments in countries that are not liberal democracies. Doing business in such environments has long been the norm in the Oil & Gas business but the risks associated with that have been magnified by recent events. The effect this will have on longer term policy at BP is something that we will continue to monitor.

OUTCOME of ENGAGEMENT: The discussion began with a reiteration of the BP approach to its assets in Russia. The company have announced its intention to exit the Russian market by seeking to sell its assets in the country in an orderly fashion. Clearly, the ability to conclude such a sale in the current environment is extremely challenging so no guidance on the timing of such a transaction has been given. With regards to employee safety, the company have no employees in Ukraine so their focus has been on their colleagues in Russia. Foreign nationals have all been evacuated to other locations and Russian employees based in Russia have received support in various guises too, which is symptomatic of BP's strong commitment to pastoral care for all staff. Although BP have no operations in Ukraine, the company does have a retail presence in both Poland and Hungary. In these locations BP have tried to help refugees displaced by the conflict with the provision of food and fuel cards that can be used in their retail stations. The company has also granted time off for staff who wished to volunteer to help the refugee effort. It has also made a sizeable donation to the Red Cross to assist their initiatives.

Next, the conversation turned to the extent of supply chain disruption that had been caused by the invasion and subsequent sanctions. It was rightly pointed out that, to an extent, the entire energy market was being disrupted by geopolitics, but that BP did not have specific exposures that exacerbated these pressures once the decision to exit all Russian assets had been taken. For example, the company has no refinery exposure that has been disrupted by current events. In relation to the consequences for the Energy Transition in Europe, BP noted that the impact would be different for different countries. For example, France, with its extensive use of nuclear power, is far less reliant on Russian energy than Germany. However, common themes can be detected across the whole continent. In the recent past, the attention has firmly been on making the energy mix cleaner; post the Ukraine conflict, Europe will concentrate more on both the affordability and reliability of new energy arrangements although the commitment to clean energy will not be completely overshadowed.

COMPANY: ComfortDelGro **COUNTRY: Singapore** **HOLDING: Yes**

ISSUE: Regulatory risk on carbon emissions and future business opportunities from climate change.

BACKGROUND: ComfortDelGro (CD) is one of Asia's largest land transport operators offering public transport and taxi services. CD operates across seven countries with its main exposure being in Singapore, Australia, UK & China.

CD ranks in the top quartile in Green House Gas Intensity amongst our portfolios. We wanted to understand how the company's business is at risk from regulatory changes surrounding carbon emissions and generally the steps the company was taking to position itself in a low carbon world.

SUMMARY of ENGAGEMENT:

Understand:

a. what regulatory changes from the Land Transport Authority (LTA) of Singapore or other regional regulators that could impact their rail/bus/taxi operations.

b. whether any regulators in the country they operate in have made any progress in implementing carbon taxes.

c. to what degree the company is at risk from carbon taxes.

d. whether the LTA has changed its stance in the way it will transition the bus fleet to electric buses and whether the 2040 target to be run on clean energy will be brought forward.

e. where the company lies in upgrading their taxi fleet to EVs and the timeline to become fully electric.

f. whether they have modelled how their scope 1-3 will change as the fleet transitions to EVs.

g. for the rail business, apart from replacing chillers and lighting and deploying solar at their depots, what the opportunities are to reduce electricity consumption and whether the lines can be run using renewable electricity.

h. what other future business opportunities there are from climate change adaption apart from rolling out EV chargers and installing solar panels on buildings.

OUTCOME of ENGAGEMENT:

a. Impacts from regulatory changes

Regulators are advocating cleaner transport operations using EVs, hybrids or hydrogen vehicles to support government's de-carbonisation or net zero ambitions. This is through mandating clean energy vehicles in the near future or expanding low emission zones in the city, such as Australia's Victoria state legislative commitment to net zero or UK's Transport for London's low emission zones, which will be extended in 2023. Governments are also promoting usage of clean energy vehicles and supporting infrastructure (such as EV chargers) through incentives and subsidies. For example, Singapore's LTA recently increased the statutory life of EV taxis from 8 years to 10 years, improving the cost competitiveness of EV taxis. CD regularly review their fleet transition plans to ensure they can integrate more EVs or hybrids where possible. Regulators are also refining safety standards for EV operations and maintenance, as EV adoption accelerates. This includes LTA's National EV Charging Standards that was updated in Mar 2022 and the new EV safety standards enforced in China since Jan 2021. CD expect updates to EV safety standards to continue and CD will need to be adaptable in implementing these updates as part of their standard operating procedures (SOPs). In response to this they are upskilling their technicians to maintain EVs safely, beyond investing CAPEX to procure EVs and their required supporting infrastructure.

b. Development of carbon taxes

Several of CD's operating geographies have implemented carbon taxes or emissions trading schemes to limit emissions from companies, such as Singapore, UK and China. In Singapore and UK, the carbon tax does not impact the transport industry directly, but indirectly through higher electricity costs or fuel excise taxes.

c. Risk to company of carbon taxes

Singapore has recently announced that carbon taxes will increase in the coming years, from \$5/tCO_2e to \$25 in 2024, and \$45 in 2026, and to about \$50-\$80 by 2030. This currently does not apply to transport industry directly. CD may be impacted indirectly through higher electricity costs as power generation companies will likely pass on some of the carbon taxes to electricity users. But CD assess the impact to be manageable, as electricity usage is less than 10% of their operating costs.

d. LTA change to bus fleet transition timeline

LTA has committed to 100% cleaner bus fleet by 2040, but also 50% by 2030. This is re-iterated in the national budget announced in March 2022. LTA's stance remains the same, where it will watch the lifespan of vehicles as part of its fleet transition.

e. Timeline of taxi fleet transition to EV

CD’s transition is guided by the availability of EV infrastructure. In Singapore, they have committed up to 400 EV taxis in 2022 and up to 1,000 in 2023.

f. Modelled changes of emissions to taxi fleet change

Yes, this has been a part of their carbon emission reduction targets, which have been submitted and approved by SBTi.

g. Opportunities to reduce electricity consumption in rail business

CD has incorporated solar energy and other electricity reduction features into their rail operations as much as possible. Going forward, the Singapore government is making arrangements to import renewable energy to meet up to 30% of Singapore’s electricity needs by 2035. This will help SBST Rail to reduce its carbon emissions associated with electricity use. In New Zealand, where CD have commenced rail operations in January 2022, the price for renewables vs traditional electricity is quite close, so they expect renewable energy to be an option for their electricity usage.

h. Other future business opportunities from climate change adaption

CD has prepared their testing and maintenance businesses for EV fleets by developing specialised programmes for EV fleets and maintenance staff. Their business units are also developing opportunities to leverage the growing interest in green mobility. For B2B clients, examples include advertising opportunities on our EV fleet of vehicles and leasing of electric commercial vehicles (DHL Express Singapore Spearheads Sustainable Logistics With 80 Additional Electric Vehicles - DHL - Singapore). For B2C clients, examples include electric taxis and public bus services operated by electric and hydrogen buses (such as their UK (London) and Australia (Victoria) operations).

COMPANY: GSK **COUNTRY: United Kingdom** **HOLDING: Yes**

ISSUE: Access to Medicines

BACKGROUND: GSK is a global pharmaceuticals group with plans to become a pure play by demerging its Consumer Healthcare division.

The issue of Access to Medicines for developing economies is one that has relevance for all companies in the Healthcare sector. This is one opportunity for a much maligned industry to show that it takes its corporate responsibilities seriously and has the power to make a positive difference on this important matter.

SUMMARY of ENGAGEMENT: The aim of the engagement was to examine in greater detail the GSK policy on Access to Medicines in developing economies.

Specifically, the intention was to explore how GSK's policy on Access has evolved over time, how their efforts can be made more effective and what the key obstacles are to even greater successes in the future.

OUTCOME of ENGAGEMENT: The discussion began with an attempt to better understand the forces that shape GSK's approach to expanding access to its medicines in areas that struggle to afford such treatments.

In order to maximise the reach of their initiatives, GSK needs to work in partnership with a variety of stakeholders to distribute the medicines as widely as possible and reach the areas where the needs are greatest. Voluntary Licensing agreements, where GSK works with a generic manufacturer to make products for which GSK has supplied the intellectual property of the formula, are essential to provide the most cost effective production of the medicines. Keeping costs down means more medicines can be produced and, therefore, more people can be helped. These types of arrangements are particularly important in the provision of GSK's HIV treatments.

The role of multilateral organisations such as Gavi (the Vaccines alliance) was also recognised. Gavi takes a tiered approach whereby the poorer a nation, the more vaccine gets reserved for them. GSK's Rotarix vaccine reaches children in 32 Gavi eligible countries.

Next followed a discussion on how the company decides whether to make donations (give away a product for free) or merely to offer a subsidy for the product in the form of a discounted price. Both approaches are used by the company. The guiding principle behind decisions is to ensure that GSK's overall approach remains sustainable. The company argues that, in the long run, it will be able to offer higher quality help to more people if the actions that it takes are affordable for the company and, therefore, reliable for potential recipients.

When asked about how the company decides what to concentrate on when considering research projects that might meet the needs of developing nations, GSK referenced their Global Health Team, which has a remit to consider what medicines are highest on the World Health Organisation priority list. This means the most acute needs of the developing world are taken into consideration when deciding what research projects to pursue.

Finally, the barriers to improving access to medicines in developing countries were examined. The paucity of investment in healthcare infrastructure is a key obstacle to improving the outcomes for developing nations; a lack of clinics and hospitals where drugs can be administered, incomplete distribution networks that prevent drugs from reaching where they are needed, and the low number of trained healthcare professionals are all relevant factors. Working with national governments to increase the political commitment to the provision of such resources is a crucial component in maximising the reach of GSK medicines.

The topic of Access to Medicines is clearly an opportunity for Pharma companies to demonstrate their commitment to socially responsible causes. There can be no doubt that facilitating the provision of relevant medicines to those in need, but unable to pay, can materially improve the quality of life of recipients.

One area that we will continue to monitor is whether the corporate restructuring that will see the Consumer Healthcare division separated from the Biopharmaceuticals business will have any consequences for the strength of its commitment to expanding access. The company is adamant that the transition to New GSK will not dilute the efforts that have been demonstrated in the past by the group.

COMPANY: Imperial Oil | **COUNTRY: Canada** | **HOLDING: Yes**

ISSUE: Carbon Emissions

BACKGROUND: Imperial Oil is an integrated Canadian oil company with upstream and downstream capacity of ~ 400kb/d. A majority of Imperial's production comes from oil sands mining projects, which have a large environmental footprint. Oil sands are water intensive, are high in CO_2 and other emissions (such as SO_2 and NO_x). They also produce significant quantities of tailings that have high concentrations of heavy and other compounds that can potentially be toxic.

The objective of the engagement was to discuss Imperial's current level of GHG and other emissions and what their plans are for reducing these going forward.

SUMMARY of ENGAGEMENT: We have been engaging with Imperial on an on-going basis given emissions is an ongoing issue for them. The first written engagement is from 2020 but this is a matter we have been discussing with them over a number of years. Whilst Imperial has had emission reduction targets for a number of years, they were short term in nature and somewhat unspecific. We have been asking for the company to provide longer term goals and also for more detail on exactly how these goals will be achieved. Most of the current focus of emissions reduction is on the E&P side. Targets for the refining and chemicals division are also needed.

During October 2022, we engaged with a number of Imperial Oil's employees. Our first meeting was with Brad Corson (CEO) and David Hughes (IR). We followed this up with a call with the VP of Policy & Advocacy, and the VP of Commercial & Corporate Development.

This follows a similar pattern of engagement over recent years. It is worth noting that the visibility and willingness of Imperial Oil to have meetings solely on ESG issues has increased considerably over the last few years.

OUTCOME of ENGAGEMENT: Given the current goals culminate in net-zero by 2050 this engagement will be on-going. We will continue to monitor Imperial Oil's progress on meeting their stated objectives and also look forward to updated goals being shared with the investment community.

COMPANY: Japan Tobacco **COUNTRY: Japan** **HOLDING: Yes**

ISSUE: Child Labour, Deforestation & Executive Pay

BACKGROUND: In October 2021, Pyrford engaged with Japan Tobacco on three important issues: Child Labour, Deforestation & Executive Pay.

Child Labour: Worldwide approximately 152 million children are victims of child labour, and 73 million of these work in hazardous occupations. 71% of reported child labour is within agriculture, where there are substantially fewer protections for workers. This issue is especially acute for the tobacco industry, due to the toxicity of produce. The handling of green tobacco, in particular, can lead to severe illness.

Japan Tobacco (JT) has developed its own policies on child labour, in conjunction with the ILO Minimum Age Convention (C138) and Eliminating the Worst Forms of Child Labour Convention (C182). These are integrated into the firm's Agricultural Labour Practices (ALPs), of which 87% of JT's total supplying entities and 76% of the leaf volumes are covered, as of 2020. Similar policies have been implemented by the other major international tobacco firms, and regulatory boards exist that aim to unite these efforts. The latter includes the Sustainable Tobacco Programme, managed by the agricultural division of Associated British Foods, and the Eliminating Child Labour in Tobacco (ECLT) Foundation, which is a holder of the UN Economic and Social Council special consultative status.

Despite these seemingly positive initiatives, big tobacco firms have received widespread criticism for their policies not going far enough. Investigative journalists and human rights activists have sought to uncover the realities of child labour within the tobacco industry and shed light on existing failures across supply chains.

Deforestation: The tobacco industry contributes to deforestation in several ways. This includes the direct impact of clearing land for tobacco cultivation, the burning of wood during the tobacco curing process, packaging, and producing cigarette paper, and the indirect impact from the use of matches. A recent WHO report claimed that up to 5% of global deforestation is caused by tobacco farming which may be up to 10x more aggressive in terms of deforestation compared with other causes (e.g. maize farming). We sought to understand JT's policies and efforts to reduce the impact of tobacco on forest cover.

Executive Pay: Executive pay increased in 2020 at a time when historic results were poor. KPIs for performance pay are not in alignment with shareholder interests, in our view.

SUMMARY of ENGAGEMENT: Our objective was to engage on a few issues which we consider material and consistently pursue those

over time.

Child Labour: Our initial meeting in 2020 was to understand the policies employed by JT and the wider industry whilst bringing the concerns of industry watchers to the company's attention.

For this meeting we have relied on reports from the following institutions, many of whom are very critical of general industry practice and, more specifically, the polices enacted to address child labour: Human Rights Watch, Tobacco Tactics – Bath University, STOP – A global tobacco industry watchdog, and the WHO.

Japan Tobacco's main policy for addressing farmers rights, including child labour, remains the roll out of its Agricultural Labour Practices (ALP). However, it is unclear to what extent these polices are successfully improving conditions on the ground. Disclosure by tobacco companies tends to be selective, highlighting positive projects or case studies. Standardised data, over numerous years, which would allow comparisons across time or versus peers, is lacking. The focus of this meeting was to encourage a move to more data-dependent disclosure.

Japan Tobacco deals with over 76,000 contracted growers, in more than 30 countries, many of which are amongst the world's poorest. Oversight of conditions on numerous small lot farms is clearly a complex and difficult process. Nevertheless, the company agrees that more can be done to help investors and other parties analyse the effectiveness of its policies to improve human rights.

Instances of child labour remain tied to the wider issues of poverty, education and to some degree culture, which the tobacco industry can't solve on its own. Still the recent court case against BAT from Malawian farmers highlights that farmers rights should be considered a material ESG issue and a potential financial risk for tobacco companies.

Deforestation: The aim of our first engagement on this topic was to understand the policies put in place to combat deforestation, initially focusing on the direct impacts of tobacco farming. Reports suggest that tobacco farming has a high level of nutrient extraction and can lead to soil erosion, requiring frequent clearing of virgin forest for new fertile land. Another significant driver of deforestation is the wood fuel burned to cure tobacco in the drying process.

According to the company no virgin forest is cut down to make way for tobacco farming under its control. The main source of wood use is curing, and the company has committed to using 100% sustainable fuel by 2030. Disclosure remains limited and again we encouraged the provision of metrics to verify the company's claims.

Executive pay: Executive pay increased substantially in 2020 despite poor operational results. CEO pay benefited from a much larger bonus pay-out than in 2019.

The company has aimed to increase the level of variable pay for executives, driven by various KPIs, the most significant of which is "adjusted earnings at constant FX". As Japan Tobacco has made several acquisitions in emerging markets, the impact from currency movements has become more significant, widening the gap between reported earnings and management's preferred KPI. The company has recently cut its dividend using a percentage of reported earning as the calculation method.

We made it clear that a focus on constant FX does not align with shareholder value creation. Furthermore, we argued that the current increase in CEO pay is in stark contrast to recent returns to shareholders and indeed other stakeholders.

OUTCOME of ENGAGEMENT: The company is clearly taking on board our concerns and requests for more data and taking these matters seriously. It has hired outside consultants to look at its supply chain and survey farmers and this process must therefore generate data on which to measure outcomes.

The company has agreed that moving to better disclosure and standardised metrics would help investors gain better insight into policy effectiveness. We, however, appreciate that given the scale and locations of farming operations this is not an easy task and will take time. Our engagements will continue on these issues.

COMPANY: Mitsubishi Electric **COUNTRY: Japan** **HOLDING: Yes**

ISSUE: Quality Control Issues

BACKGROUND: Mitsubishi Electric is a large industrial conglomerate with a particular strength in energy efficient motors and turbines. The group's operations span many product areas many of which are integral to the energy transition and efficient power usage. Key growth products include:

- Factory automation equipment
- Automotive parts for electric & automated vehicles
- Air conditioning units and heat pumps
- Energy efficient elevators
- Next generation power semiconductors

In June 2021 the company announced that an investigation had uncovered that some inspection data had been falsified for certain train air conditioning products and that procedural problems may go as far back as the 1980s. Subsequent investigations have revealed a culture of improper inspection procedures for other products and a companywide investigation is still ongoing.

So far there have been three updates and the company has proposed significant reforms to deal with the issue, however, the full investigation is expected to conclude by the end of 2022. The issue seems to be one of engineers choosing to follow internal protocols and safety standards, seen as sufficient, rather than more stringent client specifications. So far there have been no safety concerns, nor customer cancellations. However the issue has damaged the reputation of one of Japan's preeminent industrial conglomerates.

SUMMARY of ENGAGEMENT: Our engagements with the company, in part, have focused on the interim reports from the investigative committee and related recommendations and company reform proposals. That said, there are wider issues that relate to staff being overworked and under undue pressure which may have played a part in employees not adhering to quality assurance protocols. Whilst Mitsubishi Electric has some world class business segments a complex and fragmented operational structure may have led to a culture with negative ramifications beyond the issues under investigation. Furthermore, the presence of many low profit business segments may have contributed to internal pressure to cut costs.

We do not doubt that the company will resolve the quality control problem and whilst we have kept abreast of the issue the main thrust of our engagement is to ensure that the company uses this opportunity to conduct a wider appraisal of its operational structure and internal culture.

OUTCOME of ENGAGEMENT: The investigative committee have made several recommendations, which have been implemented by the company. However some cases are still being investigated and we await a full report by the year end.

During this process employees have been encouraged to fill out internal surveys highlighting further breaches of quality controls and the committee has received over 2,300 responses of which 80% have been investigated. So far this has resulted in 148 instances of improper quality control procedures of which 66 are considered intentional by the committee.

We sought to gain some context on the scale of the cases reported so far during our meeting with the President. They total roughly ¥200bn in sales out of a company total of ¥4.5trn, so in reality the impact is small. The culture and structures that allowed these problems to persist are therefore the focus of our attention.

The previous President and CEO has stepped down and has been replaced by Kei Uruma. The company is conducting wide and varied structural reform, with some notable changes including a new outside quality control officer, attempts to break down company divisional "silos" via 4 new business units and encouragement of greater inter-unit cooperation.

A company-wide team focusing on employee suggested cultural improvements has been set up, whilst changes to the personnel system are ongoing to help support middle management. A key issue highlighted by the investigative committees was overstretched middle management failing to perform proper oversight. The company appears to be implementing the recommendations of the committee in full and we are relatively optimistic that the operational procedures required to prevent a repeat of the improper quality control checks should be in place.

We remain less convinced that the company is sufficiently dealing with its less profitable or competitive business units. We appreciate that cultural considerations and employment law in Japan make corporate restructuring more difficult than in Western countries. That said, we remain concerned that pressure to improve profits in fundamentally low margin businesses may have contributed to the motivation to cut corners.

The current president & CEO is presently considering which units to restructure. We need some time to see how the current reform proposals play out and we will continue to engage with the company to encourage greater focus on the several medium-term growth drivers within the group.

COMPANY: Novartis **COUNTRY: Switzerland** **HOLDING: Yes**

ISSUE: Bribery & Fraud

BACKGROUND: Novartis is a pharmaceutical company making medicines in a range of therapeutic areas.

Over time Novartis and its subsidiaries have been involved in multiple accusations of bribery and improper payments. This is an ongoing engagement. 2020 was the first year of engagement.

To date we have engaged with the company by talking to ESG representatives and the investor relations team to understand the outstanding liabilities and the steps the company has taken to strengthen governance and ethical compliance to prevent the recurrence of these issues.

SUMMARY of ENGAGEMENT: : We continue to monitor Novartis' efforts in improving ethics and culture at the company and we took this opportunity to speak with top executive leaders from the ESG and ethics divisions to question them on the ethics strategy and understand further the changes made.

OUTCOME of ENGAGEMENT: The Global Head of ESG, Chief Ethics, Risk & Compliance Officer and interim Chief Strategy & Growth Officer described to us the strategy taken to implement a more ethical culture at Novartis. This stressed the importance of local engagement of employees and co-creation in ensuring that the context and environment of each region is understood and monitored locally. They believe that the empowerment and individual responsibility the company gives to its associates leads to an engaged workforce with the ethical tool kit to conduct their work. Furthermore, better support from data and digital technology also helps managers to see the picture in their regions more clearly. Novartis measure the progress in cultural change with the engagement of their employees with surveys and local round tables for example.

As discussed previously, 'the tone from the top' has been key in ensuring ethical business practices are not compromised in growing the business. Additionally, Novartis is one of the very few listed companies that integrate values and behaviour explicitly in their incentive programs for top management.

The executives also described to us the strengthening of the third-party risk management system, which brings together all relevant risks under one comprehensive system. Their process ensures deep dive due diligence, mandatory training and auditing of third parties to ensure standards are upheld. This covers everything from bribery and fraud to cyber security and supply chain. The company also takes part in industry wide collaborations to define standards and auditing of third party suppliers. This should further control risks and set high standards.

This meeting has further cemented our belief that Novartis has made a concerted effort to improve their culture into one that is more ethical, transparent and responsible. The company is engaging its employees to drive this cultural change whilst also building a robust risk management system. We acknowledge that cultural change is a slow-moving process, and its impact is difficult to measure quantitatively. Therefore, we believe this is an issue that must continued to be monitored over the long-term with further engagement to be taken if new significant issues in ethics and compliance occur.

COMPANY: Novartis, Roche **COUNTRY: Switzerland** **HOLDING: Yes**

ISSUE: Biodiversity

BACKGROUND: This is a themed engagement. Biodiversity is an emerging yet critical issue. As part of the Investor Forum Development Program, we were involved in a project that looked at biodiversity challenges facing companies. We worked on a case study involving pharmaceutical companies' dependence on biodiversity. Our research found that biodiversity is linked to human health in a myriad of ways. One of which is as a resource for medicines and drug discovery. Given drugs discovery is a key earnings driver for pharmaceuticals companies, the ongoing loss of biodiversity may be a risk for them. Therefore, we thought it necessary to investigate this topic further by raising it with the pharmaceutical companies in the Swiss portfolio.

SUMMARY of ENGAGEMENT: Following research on the topic of biodiversity we were interested in understanding how pharmaceuticals companies are assessing their dependency on natural ecosystem services, what targets they have in place around biodiversity and how they are protecting biodiversity in their operations.

OUTCOME of ENGAGEMENT: Novartis told us that biodiversity is a topic that they have just started looking at more closely. They have not yet produced a dependency assessment or have specific biodiversity targets in place. However, they have acknowledged the importance of this topic and it is included in their enterprise risk management program. Their wider environmental and carbon reduction objectives and projects should reduce their environmental footprint which should indirectly flow back into protecting biodiversity. This includes carbon, plastic and water neutrality by 2030 and net-zero emissions by 2040. Further, they have a comprehensive environmental risk management framework in place. From this they aim to minimize the impact of waste from both their sites and supplier's sites (including anti-bacterial discharge). Finally, in their 'Position on Biodiversity' Novartis states they only use natural sources for obtaining potential drugs in accordance with the UN Convention on Biological Diversity.

Roche recognised the importance of biodiversity and the importance it has for society. They outlined that they support the principles of the Convention on Biological Diversity (CBD) of the United Nations Environment Program. This charter ensures equitable sharing of the benefits from genetic resources and recognises the conservation of biological diversity. The group states that they avoid the use of non-commodity natural resource materials as a source for discovery but if they do develop something that is derived from natural plant, microbial or animal genetic materials then the use of them is guided by the principles of the CBD. The company provides internal training tools on how to comply with national access and benefit sharing legislation. By adhering to the broad principles in the CBD they will support sustainable biological resource development. The wider eco-balance metric that the group uses to monitor their environmental impact helps the group to view the pressures they put on the Earth's ecosystems. The group then has targets on its ecological footprint with the aim to reduce their environmental footprint by 50% from 2019-2029. This target includes the environmental impact of medicines and diagnostic products throughout the product lifecycle. Indirectly this goal will support biodiversity. Additionally, no Roche sites are in areas that are protected or have high biodiversity values.The group did not disclose specific biodiversity targets or whether they have conducted any dependency assessments. Biodiversity is not treated as a separate topic in the enterprise risk management framework but feeds into the overall environmental risk assessment.

Overall, it seems like biodiversity is not yet a topic that is of distinct focus at the pharmaceutical companies we engaged with. Instead, the approach seems to be one using wider environmental targets to protect ecosystems and biodiversity indirectly. Despite this, both companies do acknowledge the importance and significance of biodiversity as an environmental topic. Both Roche and Novartis follow the principles of the CBD in their approach to biodiversity. This allows the equitable sharing of benefits from genetic resources but also has the aim of conserving biological diversity. Furthermore, the companies are including environmental factors in their enterprise risk management frameworks and so the broader risks are factored in.

Given that this is an emerging topic, with few industry frameworks in place yet, we will continue to monitor the approach that the pharmaceutical industry takes towards biodiversity and how they assess the risks.

COMPANY: Rubis **COUNTRY: France** **HOLDING: Yes**

ISSUE: Kenya Fuel Crisis

BACKGROUND: Rubis distributes LPG and petroleum products in Europe, the Caribbean and Africa. It is the third-largest player in Kenya with a 10% market share after Vivo Energy and Total Energies. In April 2022 local press articles stated that Kenya was planning to deport the Rubis Energy Kenya CEO amid a fuel crisis.

The supply of oil in Kenya is centralised and handled by the state and is then shared across all oil distributors. On the back of the steep increase in oil prices, the government decided to cap prices at gas stations while subsidising the price differential for oil distributors. The rapid increase in prices inflated the amount of subsidies that the government owed and extended payment delays to distributors. The government suspected that some oil distributors favoured export markets at the expense of domestic demand, resulting in oil shortages and protests across the country.

SUMMARY of ENGAGEMENT: The objective was to establish the veracity of the accusations. We also wanted to establish whether Rubis had acted appropriately and not disadvantaged customers in Kenya. Lastly, we wanted to establish whether there was a leadership vacuum for Rubis in East Africa following this episode.

Rubis refuted the allegation that it had prioritised export markets, stating that the share of export volumes (mainly to its subsidiary in Uganda) has remained unchanged compared to historical levels.

According to the company, the shortage was explained by:

i. Panic buying
ii. Anticipated purchases ahead of upcoming price hikes
iii. Financial difficulties of independent players
iv. Increase in exports by other players

Rubis provided evidence that the volumes of fuel sales at service stations in Kenya grew in the first months of 2022 – i.e. that Rubis was not limiting fuel at its petrol stations. The company also demonstrated that export volumes (to its supply network in neighbouring countries) had not exceeded 20% of overall volumes.

It appears that there was a small spike in export volumes in March (to 19% of total volumes from 13-14% in January and February) before normalising, but this is far from the figures cited by the government of export volumes in the range of 40-60% over this period. This would appear to show that Rubis acted far more responsibly than some of its competitors in the region.

Our latest engagement with Rubis on this topic occurred in November 2022. The company assured us that Jean-Christian Bergeron, CEO of East Africa, has been back working in Kenya and Rubis' business in the region is developing very well. The state has been satisfied with all the required information provided by Rubis, with no further questions.

Rubis has undertaken a programme of refurbishing service stations in Kenya, resulting in higher levels of customer satisfaction as well as volumes and earnings up in the country.

OUTCOME of ENGAGEMENT: We will monitor developments in Rubis' Kenya operations over the coming 12 months to ensure that customers continue to be served in a fair and ethical way. No portfolio allocation decisions resulted from this engagement given Rubis provided timely evidence of the fair treatment of its customers in Kenya.

COMPANY: Singapore Telecommunications **COUNTRY: Singapore** **HOLDING: Yes**

ISSUE: Data breach

BACKGROUND: Singapore Telecommunications (SingTel) is a telecommunication holding company based in Singapore. It is the incumbent operator in Singapore and owns the number two operator in Australia, Optus. It also has affiliate holdings in India, Indonesia, the Philippines and Thailand. On 21st September 2022, Optus suffered a data breach potentially impacting 9.8m customers.

SUMMARY of ENGAGEMENT: : Pyrford wanted to understand the following:

- How this breach occurred given they sell services to clients in cyber security?
- What were the timelines of the breach and the steps taken to address the breach?
- What were the lessons learnt? Has this exposed a weakness in their approach to cyber security and how do they plan to rectify this?
- Will the breach impact the future sales of their cyber security business?
- Would SingTel share the number of customers impacted?
- What the contingent liability is of the breach.

OUTCOME of ENGAGEMENT: Number of customers impacted.

Of the potential 9.8m customers, 2.1m unique IDs were leaked. Only 1.2m of the 2.1m customers had valid IDs breached, ie current passports/drivers license/medicare numbers. 0.9m customers had expired IDs compromised. 7.7m customers had only personal information compromised (email, date of birth and phone numbers).

They have been advised by the police not to share any details of the breach as it could lead to further potential breaches.

What were the timelines of the breach and the steps taken to address the breach?

The attack happened on 21st September. They were able to close down the point of vulnerability within a day.

What were the lessons learnt? Has this exposed a weakness in their approach to cyber security and how do they plan to rectify this?

It is too premature to answer these questions currently. They have done an internal assessment of their cyber resilience to see whether there are other forms of weakness that can be exploited. They work already with external companies that look for gaps in their security. Their assessment by these external parties is deemed as healthy. They have commissioned an independent review with Deloitte to go through the history of how the breach happened, highlight where the weaknesses are and to indicate what improvements need to be made. It will take 6-8 weeks for them to complete the report. Each employee gets trained twice a year on cyber security.

Will the breach impact the future sales of their cyber security business?

SingTel's subsidiary, Trustwave, sells solutions to customers for cyber security. The system that was hacked was not part of the product suite that Trustwave sold. Trustwave is currently under strategic review and is expected to be sold. The breach has happened on their consumer business, not enterprise, as they are on different systems. The impact on future sales should be minimal to group revenue.

Understand the contingent liability of the breach.

They are working with different states to assess what the financial burden of replacement would be for passports/driving licenses/ medicare numbers as the costs are all different. It is still early days to come up with a number as different states operate in different ways.

They have put their customers first by helping them monitor their credit ratings by offering an opt-in Equifax subscription for 12 months. This would be at a wholesale rate (retail cost is approx. $10/month). This would show if there were any unauthorised account openings. They have also offered to replace the forms of ID that have been leaked.

For class actions, if this happens, customers have a heavy burden of proof to show the loss incurred and to quantify the amount. This is a big undertaking. They have appointed lawyers to defend any class action.

For regulatory fines, the regulator considers the response of the company to the breach and assesses the security levels already in place. Optus has not tried to hide anything and has been very upfront with their customers.

Has there been any impact on the consumer business as a result of the breach?

Since the breach, Optus has seen a small degree of churn and a slower pace of net customer additions. It is very early days to determine whether these numbers have been driven by the leak. Optus has pulled back on marketing since the leak which could be the driver of the slowdown in net additions. SingTel will come back to Pyrford to explain whether each operating company is on the same core platform and hence is exposed to the same vulnerability.

This will not impact how Pyrford plans to vote. There is no change to portfolio allocation and no further action to take based on this engagement. They plan to restart marketing soon which should indicate if there has been reputational damage.

COMPANY: Vodafone **COUNTRY: United Kingdom** **HOLDING: Yes**

ISSUE: Social & Governance

BACKGROUND: Vodafone is a telecommunications group operating primarily in Europe. The company has been in dispute with the Indian government over an alleged tax liability for well over a decade. The issue of tax transparency is relevant for companies beyond the Telco sector and can be especially applicable to multinationals that conduct business across multiple tax jurisdictions.

SUMMARY of ENGAGEMENT: A dedicated meeting was arranged in April 2022 to get an update on the latest developments of the case and to examine Vodafone's broader corporate policy on taxation. The meeting also provided an opportunity to touch upon the ESG priorities of Vodafone aside from its policies on taxation.

OUTCOME of ENGAGEMENT: The discussion began with an overview of the events that have led the company to the current situation regarding the tax dispute.

In 2007, the Indian tax authorities initiated proceedings against Vodafone in an effort to recover around $2bn in taxes that they claimed was owed from the purchase of Hutchison's Indian operations. Vodafone disagreed on the grounds that neither the buyer nor seller involved in the transaction were registered in India. Although the Indian Supreme Court ruled in Vodafone's favour, the Indian government introduced retrospective legislation meaning that Vodafone would indeed have to pay the tax bill if it came before a court again. At this point Vodafone appealed to the International Court of Arbitration, which subsequently ruled in favour of Vodafone in a unanimous verdict. Undeterred, the Indian government are attempting to challenge that ruling in a Singaporean court although no date has been given for that case to be heard yet. Vodafone remain confident that they will be vindicated in this matter.

Despite this dispute, Vodafone is adamant that it has a responsible attitude when it comes to the topic of corporate taxation. The company's approach seeks to embrace transparency in the sense that it makes it easy to identify what country profits come from so they can be taxed accordingly. Vodafone also commit to timely payment of all genuine tax liabilities and pledge to engage with tax authorities in a constructive manner when issues do arise.

The company was also keen to point out that its contribution to state coffers extends well beyond the payment of traditional corporation tax because of the fees it pays for the spectrum that it rents when it wins licences at auctions.

Vodafone confirmed that no other significant tax disputes were currently ongoing involving the group.

To finish, there was a discussion about the major ESG initiatives that Vodafone was undertaking, to get a feel for what the Board of Directors is prioritising. The company pointed to its efforts to promote inclusion for all when it comes to digital services. The company's aim is to ensure that as many people as possible have access to digital connectivity regardless of their economic circumstances. This was described as a "purpose" of the company. There was also an acknowledgement that cyber security was another priority for the group given the need to protect the data privacy of their customers and employees.

Tax transparency is an important way for companies to build trust with other stakeholders. The prompt payment of taxes in full is a necessary component of demonstrating corporate responsibility. It will be interesting to see if any other tax controversies involving Vodafone emerge in future. The balance must be struck between defending their interests against spurious tax claims and paying what is legitimately owed in a timely and efficient manner.

COMPANY: Vopak **COUNTRY: The Netherlands** **HOLDING: Yes**

ISSUE: Sustainability Strategy

BACKGROUND: Vopak operates tank terminals. The company offers total storage capacity over 36m m^3. Vopak operates almost 80 terminals around the world. This includes storage for crude and refined oils, gases and LNG, chemicals, biofuels and vegoils. Vopak is also developing infrastructure solutions for new energies, including renewable hydrogen, ammonia and flow batteries.

Vopak has faced mounting criticism of the remuneration policy for management. There has been a lack of disclosure around the assessment of performance. We have never engaged with Vopak specifically on remuneration, but we did vote against the proposed remuneration at the last AGM.

SUMMARY of ENGAGEMENT: Vopak proactively engaged with many shareholders regarding the company's remuneration policy. They offered us a meeting with a representative from HR, Annette Huiberts. Ms Huiberts was joined by Michiel Gilsing, CFO, and Fatjona Topciu, from Investor Relations. Before the meeting, Vopak sent through a presentation highlighting the major concerns that investors have regarding Vopak's remuneration and how they are approaching each element.

During the Teams meeting we spent about 30-40 minutes discussing the remuneration policy at Vopak. This covered remuneration for the board of directors, the short-term and long-term incentive plans for management, and the remuneration offered to departing employees, notably Eelco Hoekstra, the former CEO. Vopak have acknowledged that the previous disclosures were inadequate. They are proposing a new remuneration policy which will be voted on at the next AGM in 2023.

The HR representative was very open to our concerns and appreciated the honest feedback. The company have already admitted that the discretionary element (which previously allowed the board to adjust the remuneration up or down) will be removed for 2023. There will be more specific KPIs and targets. There will be ex-post disclosure of the performance targets for the STI and LTI. Vopak also promised to give a clearer outline of the ESG components for both the STI and LTI programmes. The executive board will be given a specific, measurable long-term target linked to the company's strategy.

OUTCOME of ENGAGEMENT: Vopak will release further details of the remuneration policy in early 2023. This will give us some time to reflect on the changes before the AGM in April. We are pleased that management have taken on board the criticism and suggestions from Pyrford and other investors. If Vopak can clearly articulate a remuneration policy that aligns the incentives of senior management with the long-term interests of Pyrford, and this remuneration policy is clearly articulated and defined alongside a relevant return metric, then this would be an incremental positive for the investment case.

09 Pyrford's environmental policy

At Pyrford, we are committed to limiting the impact of our business operations on the environment and to demonstrating leadership by integrating environmental considerations into our wider business practices.

To finish, we would like to share with you how we consider sustainability at Pyrford within our everyday working practice. Broadly speaking our approach is across four main areas of our operations: premises, travel, recycling and consumables.

Premises: In February 2014, Pyrford moved into a recently completed purpose-built office building at 95 Wigmore Street, London, W1U 1FD. The building was designed to achieve high degrees of sustainability through the maximisation of natural light, adoption of energy saving lighting controlled by motion sensors, energy-efficient elevator programming and part-solar heating of water supplies.

The building has been assessed by the "Building Research Establishment Environmental Assessment Method" (BREEM) and awarded "Excellent" certification for sustainability.

Travel: 95 Wigmore Street was selected by Pyrford due to its easy accessibility via public transport and the provision of cycle storage, along with shower and change facilities. No parking is provided to employees, all of whom arrive on foot, cycle or by public transport.

Though travel, to clients and research opportunities, remains an important aspect of many Pyrford employees' work, video conference facilities have been installed in several meeting rooms to avoid the need for it when possible. Following the great success of implementing video conferencing throughout 2020, this will be utilised more frequently going forward, cutting non-essential travel where possible. All travel that is undertaken is monitored to optimise itineraries.

Recycling: Within the office, all cans, PET bottles, glass, and print toner cartridges are collected for recycling. All organic waste is sent for composting and spent coffee 'pods' returned to the manufacturer for reclamation.

Our paper is responsibly sourced and we engage with our suppliers, ensuring high environmental standards are met. All paper is recycled where possible and we encourage staff to use "soft copy" documentation over printing.

Consumables: Purchases of consumables with high recycled content are favoured when possible.

10 Contacts

We hope readers find our Annual ESG Report useful and we would welcome comments and feedback for future editions. Furthermore, we would be delighted to meet with clients and indeed peers to engage on any of the issues raised.

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Appendix

Proxy Voting Policies

1.0 Specific Policies

The following guidelines are a summary of Pyrford's philosophy on major Proxy Voting Issues.

It is not an exhaustive list and the test of how Pyrford should vote will remain on a case by case basis judged by overall shareholder interests.

1.1 Social responsibility

- Proposals protecting the environment must be individually examined. Vote in support of disclosure type proposals. Vote for reports on the extent to which the company conforms with the CERES Principles;
- Proposals regarding nuclear energy must be individually examined. Vote in support of disclosure type proposals;
- Proposals disclosing human rights issues should be supported after being individually examined;
- Vote for resolutions that request the company to develop criteria for military contracts and report on its activities to shareholders;
- Vote against resolutions regarding conversion or diversification into civilian fields, interfere with managemen prerogatives or demand that the company abandon its military business;
- Vote for resolutions requesting reasonable disclosure of hiring, evaluation and promotion policies and practices;
- Withhold votes from, or vote against, a suggested slate of directors that has been unresponsive to social or environmental issues and where corporate performance has been unsatisfactory;
- Vote in favour of proposals for increased regulation in the area of testing and approval of genetically engineered foods. Vote in favour of proposals for stronger long-term testing procedures and protocol in genetically engineered foods.

1.2 Board of Directors

- Support having the positions of Chair and CEO filled by separate individuals;
- Vote against cumulative voting unless cumulative voting will provide an independent voice on an otherwise unresponsive board of directors;
- Vote in favour of shareholders being permitted to vote for individual directors rather than as a slate;
- Vote in favour of shareholders being permitted to express their approval of the contribution made by each director;
- Vote in favour of shareholders being permitted to require each director to provide greater accountability of their effectiveness on the part of the Board;
- Vote in favour of proposals that boards be comprised of a majority of independent or unrelated directors. Companies should disclose on an annual basis whether individual directors are unrelated directors;
- Vote in favour of proposals suggesting that a board's nominating, compensation and audit committees be comprised mostly or entirely of unrelated directors;
- Vote in favour of confidential voting procedures;
- Vote in favour of the annual election of all directors;
- Vote against increases in the size of the board above acceptable thresholds and when the proposed change might be used as an anti-takeover device;
- Vote against staggered Boards;
- Vote for director liability and against indemnification;
- Vote against or withhold voting for those directors who have a poor attendance record (less than two thirds) at board meetings;
- Where applicable, vote for proposals that are consistent with the following positions:

Diversity
Boards should have members with differing backgrounds and expertise.

Commitment
Individual board members should be expected to attend all board meetings and prepare in advance of the meetings. A director's continued service should be reviewed if he/she does not attend at least two thirds of board meetings.

Number of Directorships
Individual directors should not serve on an excessive number of boards.

Effectiveness
Boards should have processes in place to rate the effectiveness of both the board as whole and individual directors, and be prepared and willing to make changes as necessary.

Terms
Boards should consider establishing a maximum length of service for Directors.
Approach to Corporate Governance

Boards must be willing to engage in dialogue concerning corporate governance practices, establish acceptable corporate governance standards, disclose those standards and regularly evaluate the effectiveness of those standards.

Approach to Shareholders

Boards must ensure there is a corporate willingness to communicate directly with shareholders and disclose information that demonstrates accountability to shareholders. There should be full disclosure of director compensation and meeting attendance.

Proxy Voting

Boards should include opposing views on proxy circulars and should publicly communicate proxy voting results.

1.3 Executive Compensation

- Vote against any compensation measures which can be construed as excessive or likely to diminish the value of the corporation;
- Vote in favour of stock option plans, provided that such plans are not excessively generous having given due regard to:
  - Stock option plans are intended to tie compensation to performance;
  - Options must be priced at a level that conforms to the pay- for-performance principle;
  - Any plan that authorises shares representing 10% or more of the existing outstanding shares should not be supported;
  - Any plan that authorises shares representing 5%-10% of the existing outstanding shares should be given close scrutiny;
  - The price should not be lowered on options already granted in the event of a reduction of share price or market under-performance;
  - The number of options granted in a given year should be restricted to less than 1% of the shares outstanding (or 20% of the options available under the plan);
  - Awards to employees/employee directors and to non-employee directors should be allowed provided that awards to non-employee directors are non-discretionary, clearly defined, contain fixed issue and exercise rules and do not represent excessive dilution;
  - Restricted stock should not be 100% vested when granted. The usual time period is 5 to 10 years. Options should have a minimum holding period of at least 3 years before they can be exercised;
  - The following forms of stock options should be supported: non-qualified stock options granted at fair market price, incentive options, restricted stock with adequate restrictions, performance shares, stock appreciation rights and phantom shares (Note 1);
  - Support stock option plans with change in control provisions which do not allow for option holders to receive more for their outstanding options than shareholders would receive for their shares;
  - Oppose change in control arrangements developed in the midst of a takeover fight specifically to entrenchmanagement;
  - Oppose plans that give the Board of Directors broad discretion in setting the terms of the grant (price, form, replacement etc.);
  - Support plans that allow employees to acquire stock options with a company loan that is reasonable in relation to annual salary and at market rates (Note 1);
  - Oppose plans that do not require periodic shareholder approval;
  - Oppose Omnibus plans. Shareholders must be able to vote on each component of such a plan;
  - Companies should clearly disclose the cost of option plans.
- Vote against 'golden parachutes' that may provide excessive compensation to management and/or materially reduce the value of the company to an acquirer.

• 1.4 Takeover Protection

- Support plans ("poison pills") to provide the target company
- with sufficient time to maximise value in a takeover situation;
- Support plans that provide for equal treatment of the shareholders of a corporation with a change of control;
- Do not support provisions ("poison pills") that are designed to prevent a takeover from occurring;
- Do not support plans ("poison pills") which entrench management to the detriment of shareholder interest;
- Support Boards of Directors that:
  - Submit major corporate changes to a committee of -
  - independent directors for review and approval;
  - Submit major corporate changes to a vote of shareholders
  - not controlled by management (without impediment);
  - Give shareholders ample time for review and enough
  - information (usually audited financial statements) to make informed judgements;
  - Do not allow management to short track a takeover bid by using the company's retained earnings or borrowing power to buy up large blocks of stock or by seeking out a friendly third party to buy large blocks of stock without extending the offer to other shareholders;
  - Propose a shareholder rights plan with a renewable lifetime of not more than three years at which time the plan must be re-submitted to shareholders for approval;
  - Approve only break fees that are computed by reference to the direct costs of the acquirer's bid and do not discourage competitive bids (See previous, Note 1);
  - Allow for exemptions for lock-up agreements so that a bid may proceed and not be prevented by a lock-up agreement.
- Vote against shareholders rights plans unless it is determined that a specific plan is in the best interests of the shareholders;
- Vote against 'Crown Jewel' defence proposals unless there is evidence that shareholder interests are protected;
- Vote for "going private" transactions only if shareholder interests are protected;

- For leveraged buy-outs and/or lock-up arrangements which do not meet the above criteria, withhold votes from or vote against the slate of directors at the first opportunity, if itis evident shareholder interests are not protected;
- Vote in favour of re-incorporation proposals that are justified on financial, commercial or economic grounds;
- Vote against re-incorporation proposals that are used as part of an anti-takeover defence or to limit directors' liability.

1.5 Shareholder Rights

- Keep informed about corporate governance issues and manage proxy votes to protect stock ownership rights from protection;
- Do not allow a preoccupation with the short-term to interfere with management's ability to concentrate on long- term returns, productivity and competitiveness;
- Vote against proxy systems which do not permit shareholders to vote on issues individually and without links to other proposals;
- Vote against issuance of a new stock with rights beyond those in shares outstanding unless offered on a pro-rata basis to existing shareholders before being sold to outsiders;
- Vote against the granting to, extension of or restoration of any
- multiple-voting privileges held by any officer or director of the company;
- Vote for the replacement of dual class shares with one-share, one-vote shareholder democracy, provided that the cost of such charge is modest and in the non-controlling shareholders best interests;
- Vote against any super-majority voting requirement that
- exceeds two-thirds of the outstanding shares;
- Vote against greenmail or equivalent transactions. If no vote is offered on a general transaction, withhold vote from or vote against the slate of directors at the first opportunity;
- Vote against linked proposals where contrary to shareholder interests;
- Vote against share issues or equivalents for which voting privileges have not been defined, such as blank cheque preferreds;
- Vote for increase in authorised common stock, not to exceed 100% of existing authorised shares;
- Vote in favour of price provisions as long as they are not linked to other governance issues;
- Shareholder proposals should be viewed on a case-by-case basis. Do not support proposals that:

– Require management or directors to consider a wide range of discretionary factors in making business decisions;
– Are submitted for the purposes of enforcing personal grievances or for securing publicity for a personal matter;
– Do not have a significant relationship to the corporation's business or affairs;
– Are not within the authority of shareholders to decide.

1.6 Appointment of Auditors

- Review the recommendations by the Audit Committee and board of directors to ensure the independence and accountability of auditors, especially in the following circumstances:

– The recommended auditor is replacing a previous auditor because of a disagreement between the previous auditor and management or the board;
– The audit firm receives significant non-audit consulting fees from the company;
– The same firm and/or partner in the firm has performed the audit for excessively long periods of time;
– The audit firm has been derelict in its duties in the past.

- Companies should disclose all relationships with the audit firm and the amount of fees paid to the auditors for the audit and non-audit consulting fees;
- Recommendations will be considered on a case-by-case basis. Vote against the auditors recommended by the board if companies fail to disclose all relationships with the audit firm, or the fees paid to the auditors for non-audit consulting services exceeded the fees paid for the audit.

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