CASTLEFIELD ANNUAL STEWARDSHIP REPORT 2022

THE THOUGHTFUL INVESTOR

John Eckersley

Founder and Senior Partner

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

Principle 1

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PRINCIPLES OF THE CODE & TAGS

This report covers the year 1st January 2022 through 31st December 2022.

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

View it here or go to this address: www.frc.org.uk/investors/uk-stewardship-code

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GLOSSARY

	TERM	DEFINITION
A	AIM	Alternative Investment Market - An investment exchange initially established in 1995 to promote the growth of smaller companies seeking public equity finance. Owned by the London Stock Exchange group, AIM is a Recognised Investment Exchange.
	AGM	Annual General Meeting - a mandatory annual assembly of a company's executives, directors, and interested shareholders.
C	Carbon Footprint	A measure of a group, individual, company or country's greenhouse gas emissions.
	Carbon Offsetting	Compensating your total carbon emissions by funding carbon negative activities elsewhere. Companies often offset their existing emissions by investing in projects such as tree-planting.
	Circular Economy	An economy in which there is no waste because resources are never disposed of – they are continually recycled or re-used.
E	Engagement	Engagement is about the interactions with an investee company but it is much more than simply meeting with the company's management team. Engagement presents an opportunity to help shape and gain insight into a company's long-term approach to sustainability. It also gives us the opportunity to share our expectations on corporate behaviour and to influence company interactions with their stakeholders.
	ESG	Environmental, Social or Governance issues. These provide a set of parameters to measure the sustainability and ethics of a potential investment. Environmental criteria are used to evaluate the environmental impact a business has (such as its carbon emissions or pollution levels); Social criteria address issues such as human rights policies and responsible employment practices, while Governance criteria include the running of a business or best practice, such as its political contributions, executive pay or shareholder rights.
G	Green washing	This relates to the false communication as to the environmental or ESG credentials of a product, service, fund or organisation in order to make it appear to be more environmentally-friendly than it really is.
R	Responsible and Sustainable Investment	Responsible Investment can mean different things to different people and covers all manner of investment approaches. Primarily it is an investment approach that considers ESG risks and opportunities as part of the investment process and uses engagement and voting in order to generate sustainable, long-term financial returns. It enables an investor to avoid companies whose activities they do not wish to support, whilst investing in those whose practices and values reflect their own values.
S	Stewardship	This relates to actively influencing the responsible allocation, management and oversight of an investee's capital in a way that creates long-term, sustainable value. It includes the voting and engagement activity we carry out as investment managers on behalf of our clients.
T	Thoughtful Investor ®	Castlefield's trademarked investment approach. We offer values-based investing from the perspective of being a values-based organisation.

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

FOREWORD

On behalf of the team, I'd like to welcome you to our latest Annual Stewardship Report. This serves as our submission to the Financial Reporting Council in order to be assessed as signatories to the UK Stewardship Code. The report takes you through our approach to values-based investing by a values-based manager, our Stewardship & Engagement work in action, our voting history, information on the requirements of the Stewardship Code and finally our team profiles. The content of the report is split into bite-sized sections, which also correspond to the twelve Principles of the Stewardship Code. You can access each section by clicking on the tags on page 4 to direct you to the relevant page, or by using the navigation bar above.

Last year, we set out our intention to intensify our engagement with companies over their Net Zero plans and the details of this can be found in the report. This work formed part of our engagement strategy, which set out three environmental, social and governance (ESG) focus topics that we aimed to discuss with all of our equity holdings. These topics were; Net Zero, the challenges of recruitment and retention and tax risk. We will repeat this engagement strategy throughout the course of 2023, albeit with a refreshed set of focus areas. While there will be many more topics we want to discuss with management teams, we felt it important to have a structured approach centred around those we identify as most important at the start of a given year. The urgency of addressing climate change isn't lessening and we aim to convey that urgency to companies by placing the topic front and centre of our discussions and emphasising our interest in it as shareholders in the businesses.

Our External Advisory Committee has again been an excellent forum for debate and discussion, allowing us to canvass the views of its client representatives and expert members on issues of importance to consumers and investors alike. The Committee is now into the second term for its initial members and by the time of next year's Stewardship Report, we'll be outlining some of the personnel changes as we plan for the evolution of its membership as those initial terms come close to expiring. The Committee is an invaluable resource for us in ensuring we're focused on good outcomes for our clients and prospects.

With the explosion of interest in ESG investing, 2022 saw an increasingly regulatory focus on defining different approaches, with the aim of ensuring that consumers aren't misled. Inevitably, that increase in consumer interest has led to many fund launches or re-branded existing strategies to attract investment, bringing with it an increased risk of "greenwashing", a term for the exaggeration of the ESG claims any given fund might make. It's a topic we've discussed with our External Advisory Committee, as we seek to maintain the confidence our clients have in our approach being an authentic one. Applying the values of our clients to the management of their assets is especially important to us. We hope the information and level of detail set out in this report shows our commitment to our role as investment stewards, and demonstrates the authenticity of our values-based approach, ensuring that we apply the values of our clients to the management of their assets.

Finally, we continue to engage with companies both directly and in collaboration with other investors and stakeholders; Castlefield's door is always open in that respect and we welcome any approaches to work together to seek change. We trust you will find our report interesting and informative alike.

Written by Simon Holman
Partner, Investment Management

RESPONSIBLE AND SUSTAINABLE INVESTMENT AT CASTLEFIELD

INVESTMENT PROCESS

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

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

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

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

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

THE B.E.S.T FRAMEWORK

B — **Business & Financial:**

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

E — **Environmental & Ecological:**

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

S — **Social:**

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

T — **Transparency & Governance:**

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

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INVESTMENT PROCESS IN PRACTICE

IDEA FORMATION

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

SCREENING POLICY

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

B.E.S.T ANALYSIS

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

TEAM REVIEW

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

ONGOING MONITORING

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

HOW OUR INVESTMENT APPROACH APPLIES TO ADDITIONAL FUNDS AND SERVICES

Discretionary Client Accounts

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

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

Third-party Funds

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

Castlefield Real Return Fund

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

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

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

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

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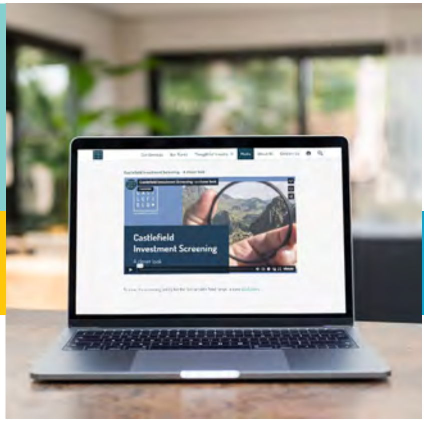
SCREENING POLICY

In the case of our Sustainable fund range and for our clients who hold direct equity holdings, the B.E.S.T framework is supplemented by our Sustainable Screening Policy. This policy sets out the type of investments that are not suitable for the Sustainable fund range. We will not invest in any company or issuer that derives more than 10% of revenue or operating profit (whichever percentage is the higher) from the industries, products and activities listed (right).

Our Castlefield Screening Policy applies to our directly invested Sustainable fund range and any directly held asset in our Castlefield Sustainable Portfolio fund range. In the case of third-party funds, we assess the team and manager's willingness and ability to address ESG and sustainability concerns. Again, their approach to assessing sustainability will be different from our own, but we look for funds and investment teams with credible sustainability assessment processes and a strong track record of sustainable and responsible investment.



Watch this short video about our Screening Policy by clicking here, or by scanning the QR Code (right)

- **a)** The manufacture and distribution of weapons and weapons systems
- **b)** Nuclear military
- **c)** Nuclear power generation
- **d)** Infant formula where the retail or manufacture contravenes international guidelines
- **e)** The extraction, mining, processing and production of carbon emitting fossil fuels
- **f)** Breeding, rearing or trapping of animals for fur and the retailing of fur products
- **g)** Animal testing for cosmetic products
- **h)** The manufacture and retailing of alcohol
- **i)** Gambling, including casinos and betting, gaming machines operators and lotteries
- **j)** Production, distribution and retailing of pornography
- **k)** Manufacture and retailing of tobacco and tobacco-related products
- **l)** Consumer credit companies offering egregiously high interest rate loans and home-collected credit
- **m)** Mining

POSITIVE THEMES

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

Our Screening Policy and positive themes categorisation is reviewed by our internal Stewardship Committee and External Advisory Committee to ensure that it accounts for emerging sustainability trends. At the end of 2021, the policy was updated to include an additional four positive themes, which we believe represent additional investment opportunities in industries and activities that can positively benefit planet and people over the long term.

We do not use external rating agencies to conduct screening on our behalf but we do use the services of Ethical Screening as a research input for our positive and negative screening process for the majority of our UK equity exposure.

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POSITIVE THEME DEFINITIONS

Cyber & Digital Security

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

Education

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

Employee Ownership & Responsible Business

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

Environmental Management

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

Financial Resilience

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

Health & Wellbeing

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

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Resource Efficiency

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

Safety & Regulatory Compliance

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

Sustainable Infrastructure

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

Sustainable Supply Chains

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

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As of 30th December, you can see below how all the direct holdings within our Sustainable fund range break down in line with our recently amended list of positive themes. While we do not set formal requirements as to how many of our investments must meet the definition of one (or more) themes, we are pleased to report that just under 90% of our holdings can be categorised.

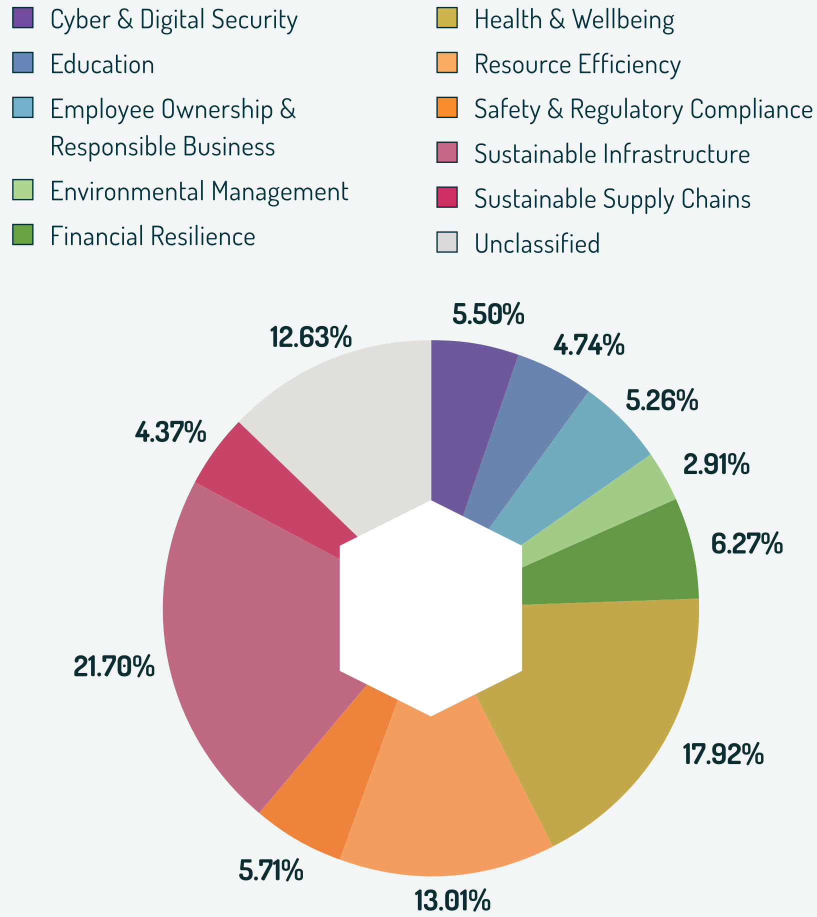
All new holdings are assessed against both our positive and negative themes and while there will remain holdings which we believe are 'benign' from an ethical and sustainability perspective, we believe that this chart can show how we are predisposed to favour investments which we believe have a positive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

The chart (right) includes all direct equity and bond holdings within our Sustainable fund range and is based on market value as at 30th December 2022.

We've recently published a positive theme report which provides greater detail about how our equity funds map to the positive themes and also include a breakdown of equity fund holdings on our monthly fund factsheets.

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

POSITIVE THEME EXPOSURE



POSITIVE THEME: EXAMPLE HOLDINGS

Cyber & Digital Security

ECKOH

Eckoh is a global provider of Customer Engagement Security Solutions, supporting an international client base from its offices in the UK and US. It helps its clients to take payments and transact securely with customers across all engagement channels. Their patent-protected services remove sensitive personal and payment data from IT environments enabling an effective way to reduce the risk of fraud and wider data security regulations.

Education

LEARNING TECHNOLOGIES

Learning Technologies' businesses are at the forefront of innovation and best practice in the learning technology and talent management sector. The group provide employers with end-to-end services to help them invest in the workforce of the future. Their solutions work across recruitment, performance, learning, compensation, diversity and inclusion, compliance, succession, engagement and technical integration.

Employee Ownership & Responsible Business

MATTIOLI WOODS

Mattioli Woods is a leading provider of pensions and wealth management services for directors, professional people, owner-managed businesses, and small-to-medium-sized PLCs. The company has large employee shareholdings and, we believe, acts as a responsible business as exemplified by its commitment to employee development and wellbeing, to inclusivity and diversity being considered of paramount importance to the company.

Environmental Management

RENEWI

Renewi collects, sorts and recycles waste materials generated by a broad range of activities within the economy. Although already better than most, Renewi has set targets to increase the volumes it recycles, from 65% of total waste handled now to 75% by 2025. To deliver this, capital is being invested into technology to deliver new, innovative treatment methods and expand the production of secondary raw materials out of the stream of current incinerators or landfills. Renewi's primary purpose is to maximise recycling: this puts the company in an excellent place from an environmental perspective and aligns well with the regulatory push favouring recycling over incineration, and secular shift towards the circular economy.

Financial Resilience

EXPERIAN

Experian is an Anglo-Irish multinational consumer credit reporting company. By accessing consumer credit data, businesses can make smarter decisions, lenders can lend more responsibly, and organisations can prevent identity fraud and crime. In addition, Experian is committed to increasing access to financial services by allowing people to develop a credit profile. For example, a third of the world's adult population still lacks access to basic financial services, 28 million people in the US and five million in the UK are deemed 'credit invisible' due to their financial profiles containing only very limited information.

Health & Wellbeing

SMITH & NEPHEW

Smith & Nephew is a global healthcare firm with a focus on developing wound-care, dressings and artificial joint implants. The company has three core business areas – orthopaedics, sports medicine, ENT (Ear, Nose and Throat) and advanced wound management. The product portfolio in orthopaedics includes an innovative range of hip and knee implants used to replace diseased or damaged joints, as well as robotics-assisted technologies which enable surgeons to perform delicate procedures. The sports medicine segment provides advanced products used to repair or remove soft tissue, while the advance wound management segment provides a wide range of products to help patients receive the best outcomes when recovering from a wound.

Resource Efficiency

SIGNIFY

Signify is a world leader in lighting products, systems and solutions, including innovations which can contribute to a safer, smarter and more sustainable world. With the circular economy in mind, Signify has developed products which can be reprinted, refurbished, reused or recycled, and is enabling homes and businesses to make the switch to LED lighting solutions. One application of their products is in horticulture, supporting vertical farming technologies, which enables a higher yield with a smaller footprint whilst increasing the security of the food supply.

Safety & Regulatory Compliance

MARLOWE

Marlowe delivers a range of services and software focused on regulatory compliance, health & safety, compliance eLearning, HR & employment law, occupational health & wellbeing, fire safety & security, and water & air hygiene. All of these applications are critical to the wellbeing of their customers' operations and are governed by stringent standards and regulation.

Sustainable Infrastructure

GRESHAM HOUSE ENERGY STORAGE FUND

Gresham House Energy Storage Fund invests in a portfolio of battery energy storage systems in the UK. With the move towards an energy mix which is more focused on renewable energy, there is a need for greater investment in cost-effective energy storage solutions which can address supply-demand imbalances on the national grid, in real time. The type of battery storage systems Gresham House Energy Storage Fund invests in are ultra-responsive, storing energy at times of oversupply and then releasing it back to the grid in times of peak demand.

Sustainable Supply Chains

SYMRISE

German-listed Symrise is a global supplier of fragrances, flavourings, ingredients and raw materials. Its clients include perfumers, cosmeticians, food and beverage manufacturers, pharmaceutical companies and nutritional players. Symrise has committed to sustainability in its supply chain, ensuring traceability, using a scorecard approach to how issues such as water use, greenhouse gas emissions and biodiversity subjects are managed. Symrise enhances production on the ground, providing work and improved living conditions for local communities. Circular production methods are becoming more prevalent within the business as production by-products find valuable uses.

IMPACT MEASUREMENT: SUSTAINABLE FUND RANGE

Summary: Compared to mainstream benchmarks, our funds outperform on a range of environmental, social and governance measures, including carbon, waste and executive pay ratios.

This is the second year of reviewing our sustainable funds against a set of ESG performance metrics. We want to highlight upfront that our comparator benchmarks have changed this year, for technical reasons that relate to how we access the data from our provider, Impact Cubed. Please be assured that the benchmarks are very close to those used last year. We've also used it as an opportunity to create a more accurate benchmark for our portfolio funds, where we've now been able design a benchmark that aligns more closely with the funds' asset class mix.

Carbon footprint

Our analysis shows that for Scope 1 and 2 emissions, our funds continue to have a lower footprint than their respective benchmarks, although some funds have a higher footprint than last year. This is due to changes in holdings and a rebound in manufacturing and operational activity as companies stepped up activity post-pandemic.

In a change from last year, we've opted to exclude Scope 3 emissions from our reporting this time around. Scope 3 data includes estimates of the emissions that come from a product's supply chain and end usage by the consumer. As such, calculating this dataset remains challenging for many companies, and relies heavily on estimated data. More companies are reporting on Scope 3 data, which is good, but it doesn't provide a very stable base for year-on-year comparisons. It looks like our funds' Scope 3 emissions have increased significantly since last year, when actually the increase is down to improved reporting and better data estimations.

Waste and water performance

One interesting by-product of excluding mining companies from our funds is that waste performance is significantly better than their benchmarks. For every $1m of revenue generated, our funds produce much less waste than their counterparts. Having analysed the data, we can see that it is the mining and extractives companies that contribute overwhelmingly to the waste footprint of the benchmarks.

Similarly, water performance is similarly strong and four of our five funds have lower water footprints than their benchmarks. A closer inspection of the data show that traditional energy companies, which we avoid investment in, are responsible for the large water use in the benchmark.

Executive pay ratios

Our funds continue to have lower executive pay ratios than their benchmarks. Pay ratios compare the pay packages of top management with that of an average employee. A ratio of 10:1 would mean that an executive team is paid 10 times more on average than their employees. As we noted last year, the lower ratios are due to the fact that we have fewer investments in industries such as food manufacturing, hospitality and retail that have large numbers of employees on low pay.

Board independence and gender diversity

Last year's commentary highlighted that executive gender diversity was lower in our funds than their benchmarks. This remains the case this year, although we have seen improvements in four of the five funds. We will continue to raise this in our conversations with companies in the year ahead. Disappointingly, on board independence too, all our funds underperformed. As we explained last time, this is due to our investments in small and mid-cap companies, which have the option to comply with a less stringent corporate governance code, and where the founders of the business may remain on the board, for example as a Chairperson, for a prolonged period. Under the UK Corporate Governance Code, board directors are no longer considered independent after 9 years' tenure; many founders will stay on for much longer post-flotation.

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The following pages show fund-by-fund performance on selected indicators.

Written by
Ita McMahon

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CARBON EFFICIENCY

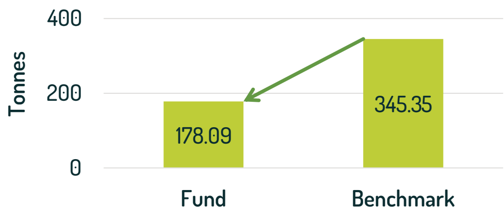
Emissions per $1M revenue

Scope 1 & 2 emissions

Scope 1 emissions: Emissions generated directly by the company, e.g. emissions from boilers or vehicle fleet.

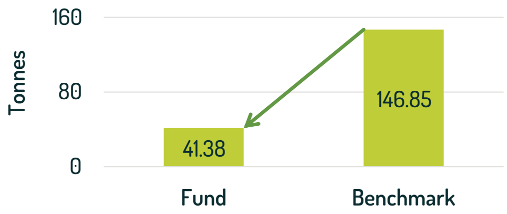
Scope 2 emissions: Indirect emissions, eg. from purchased electricity that the company uses.

CFP Castlefield Sustainable Portfolio Income Fund



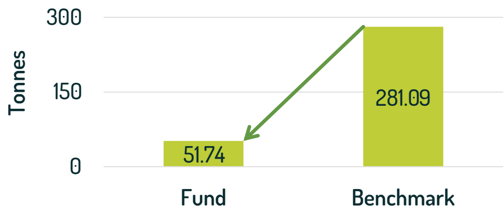
-48% Fewer emissions produced than the benchmark

CFP Castlefield Sustainable European Fund



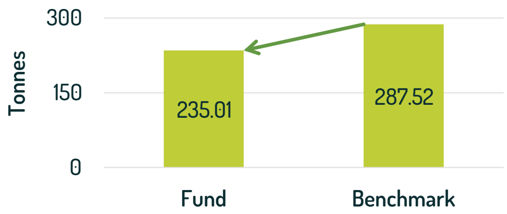
-72% Fewer emissions produced than the benchmark

CFP Castlefield Sustainable UK Opportunities Fund



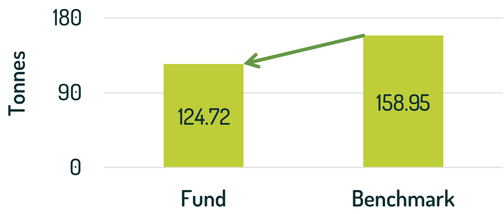
-82% Fewer emissions produced than the benchmark

CFP Castlefield Sustainable Portfolio Growth Fund



-18% Fewer emissions produced than the benchmark

CFP Castlefield Sustainable UK Smaller Companies Fund



-22% Fewer emissions produced than the benchmark

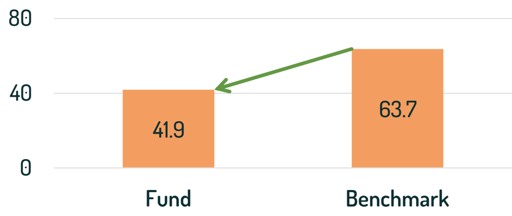
For source information please see page 25

EXECUTIVE PAY

Comparing executive pay to employee pay

Ratio of executive level pay to average employee pay

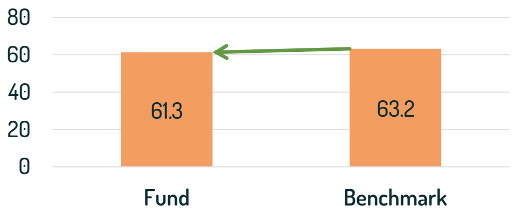
CFP Castlefield Sustainable Portfolio Income Fund



-34%

Ratio of executive to employee pay ratio lower than the benchmark

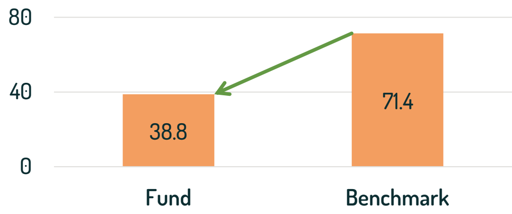
CFP Castlefield Sustainable European Fund



-3%

Ratio of executive to employee pay ratio lower than the benchmark

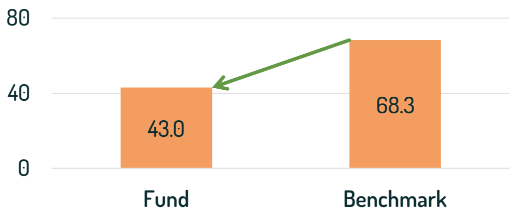
CFP Castlefield Sustainable UK Opportunities Fund



-46%

Ratio of executive to employee pay ratio lower than the benchmark

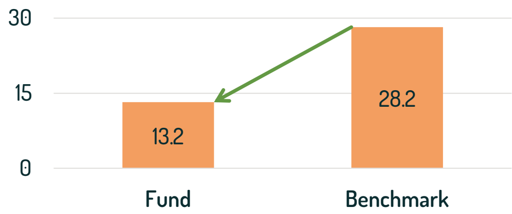
CFP Castlefield Sustainable Portfolio Growth Fund



-37%

Ratio of executive to employee pay ratio lower than the benchmark

CFP Castlefield Sustainable UK Smaller Companies Fund



-53%

Ratio of executive to employee pay ratio lower than the benchmark

For source information please see page 25

SOCIAL & ENVIRONMENTAL GOOD

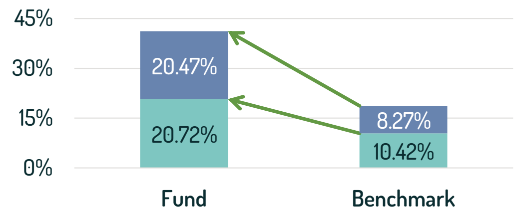
Percentage of funds allocated to environmental and social good

Environmental Good | Social Good

Examples of environmental good: renewable energy, waste and environmental management, public transportation services

Examples of social good: telecoms, educational services, healthcare

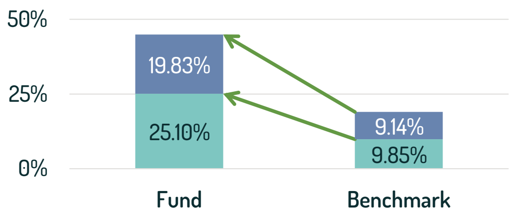
CFP Castlefield Sustainable Portfolio Income Fund



+120%

More investments allocated to environmental and social good than the benchmark

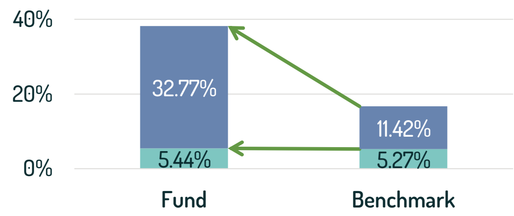
CFP Castlefield Sustainable European Fund



+137%

More investments allocated to environmental and social good than the benchmark

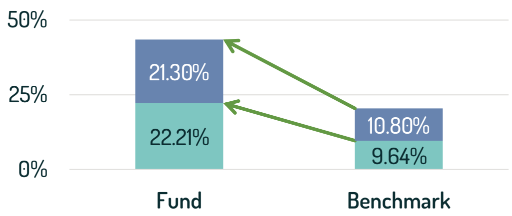
CFP Castlefield Sustainable UK Opportunities Fund



+129%

More investments allocated to environmental and social good than the benchmark

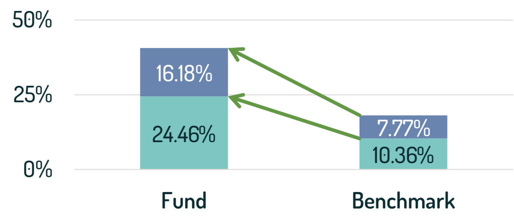
CFP Castlefield Sustainable Portfolio Growth Fund



+113%

More investments allocated to environmental and social good than the benchmark

CFP Castlefield Sustainable UK Smaller Companies Fund



+124%

More investments allocated to environmental and social good than the benchmark

For source information please see page 25

SOCIAL & ENVIRONMENTAL HARM

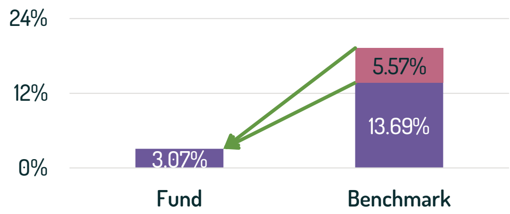
Percentage of funds that create environmental and social harm

Environmental Harm | Social Harm

Examples of environmental harm: oil and gas exploration, plastic production, coal mining

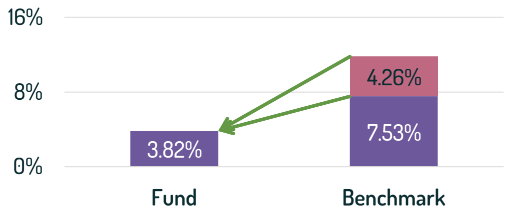
Examples of social harm: tobacco, gambling and casinos

CFP Castlefield Sustainable Portfolio Income Fund



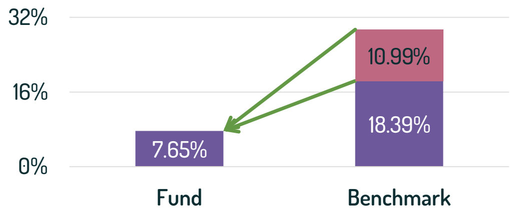
-84% Fewer investments that create environmental and social harm than the benchmark

CFP Castlefield Sustainable European Fund



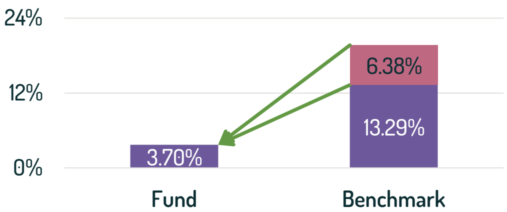
-68% Fewer investments that create environmental and social harm than the benchmark

CFP Castlefield Sustainable UK Opportunities Fund



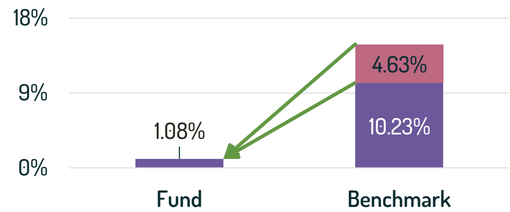
-74% Fewer investments that create environmental and social harm than the benchmark

CFP Castlefield Sustainable Portfolio Growth Fund



-81% Fewer investments that create environmental and social harm than the benchmark

CFP Castlefield Sustainable UK Smaller Companies Fund



-93% Fewer investments that create environmental and social harm than the benchmark

For source information please see page 25

CASTLEFIELD FUNDS AND BENCHMARKS USED FOR IMPACT CUBED FOR THE IMPACT ANALYSIS

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

More information on the benchmarks used is available on request

Impact Cubed analysis was carried out on 03/01/2023 using Castlefield equity fund data from 30/09/2022 and external fund data from 30/06/2022.

Impact Cubed

IMPORTANT INFORMATION

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STEWARDSHIP & ENGAGEMENT IN ACTION

2022 ENGAGEMENT: A YEAR IN REVIEW

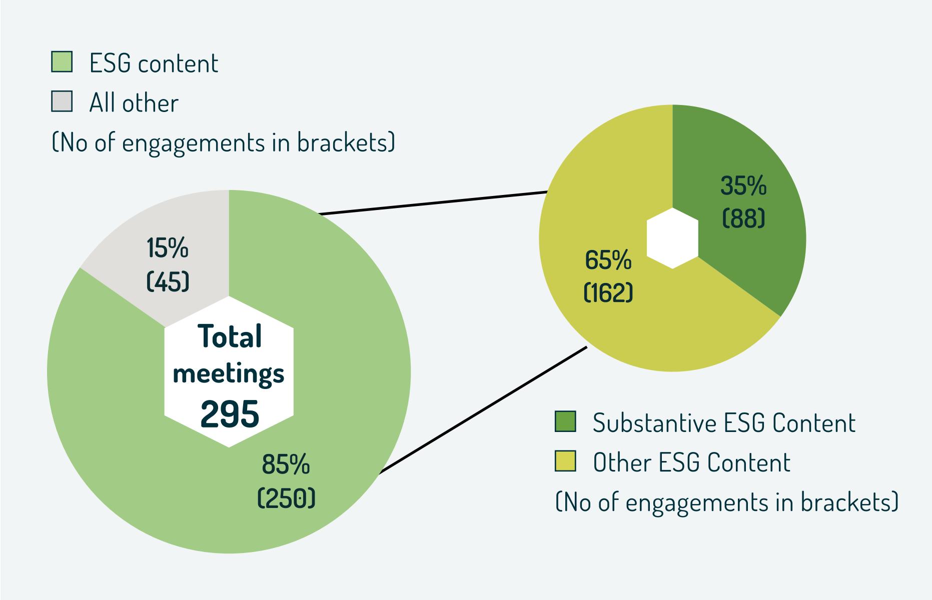
Summary: Engagement with companies is a significant part of our investment process from initial idea generation and research, all the way through the life of our investments. Here we break down our engagement activity during 2022.

In 2022, we shifted our focus towards three key topics that we feel are significant for companies to resource appropriately. These will increase in importance over the next few years, and we wanted to raise the topics to the line of sight of management boards. The first is net zero and the pathway that companies are following to achieve this aim. We have had a good response level and a significant number of investee companies are already on the net zero journey. We have seen examples of good practice which we share with other companies, thereby increasing our ability to influence the corporate agenda. The second topic is the ability for companies to recruit and retain post-COVID, where working practices have evolved. Given the cost of living, remuneration at all levels has been a subject for enquiry and will continue to be into 2023. Finally, furlough schemes employed by governments globally have indebted public sector balance sheets and the emphasis to ensure that companies are adopting a fair attitude to corporate responsibility in terms of tax caused us to check that none of our companies have been taking actions to lessen their fair share of the burden of tax. We've provided an overview of these engagements in the following section of this report.

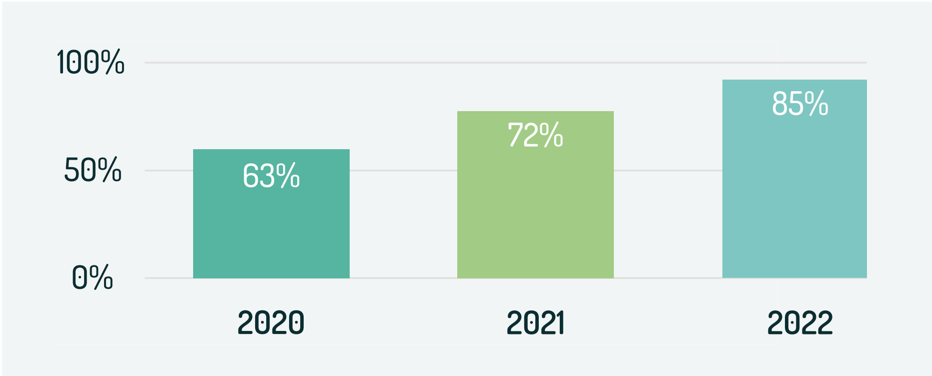
Of the 295 engagements with companies in the last 12 months, 250 included discussion of ESG topics. This represents a further year on year increase in the percentage of meetings where ESG topics were discussed, up to 63% in 2020, 72% last year, up to 85% of meetings in the previous twelve months.

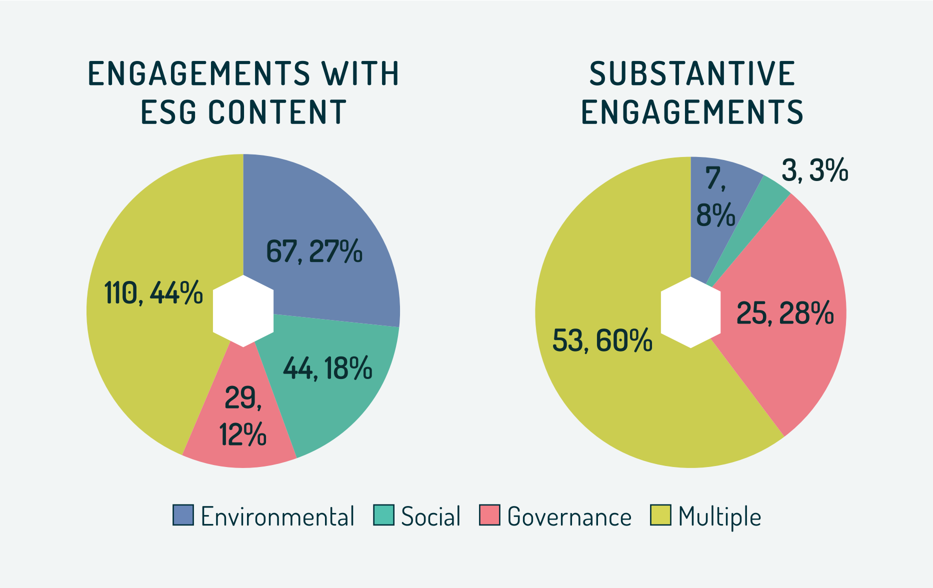
Of the 250 engagements with ESG content, 88 were deemed to be substantive, meaning that it took up a significant portion of the call or meeting, or were meetings where we had specific ESG questions or topics that we wanted to put to the company for a response.

ENGAGEMENTS WITH COMPANIES IN THE LAST 12 MONTHS



PROPORTION OF ESG MEETINGS INCREASE SINCE 2020





During the year, our ESG engagements which covered solely environmental issues was captured at 27%, which was slightly lower than last year at 33%. The predominant focus was net zero and we have been very clear that we expect our companies to aim for and achieve their targets well before 2050, which we consider to be far too late. The social element of ESG saw a slightly lower preponderance of focus at 18% of engagements during 2022. The focus on recruitment and retention impacts different sectors in different ways and there were big differences in geographies, with factors impacting the US being different from those for example in Asia. The main reason for the reducing proportion of engagements focusing solely on environmental or social issues came from an increase in meetings tackling more than one of the ESG triptych at 44%. This increased breadth of exposure is supported by companies who have made significant inroads into resourcing their sustainability teams over the past few years.

Engagement is a key area of our agenda in terms of our investment process and substantive engagements (where we deep dive into one or more issues now represent almost a third of our corporate contact. Of these substantive engagements, 60% tackled multiple issues, but governance continues to be the largest element, where we adopt a robust approach to issues such as remuneration, board independence and conflict of interest avoidance. We engage with companies particularly during the AGM voting season to gain clarification or to explain why we are voting in a particular way.

OTHER ENGAGEMENT

Castlefield Projects	119
Collaborative Engagements	261

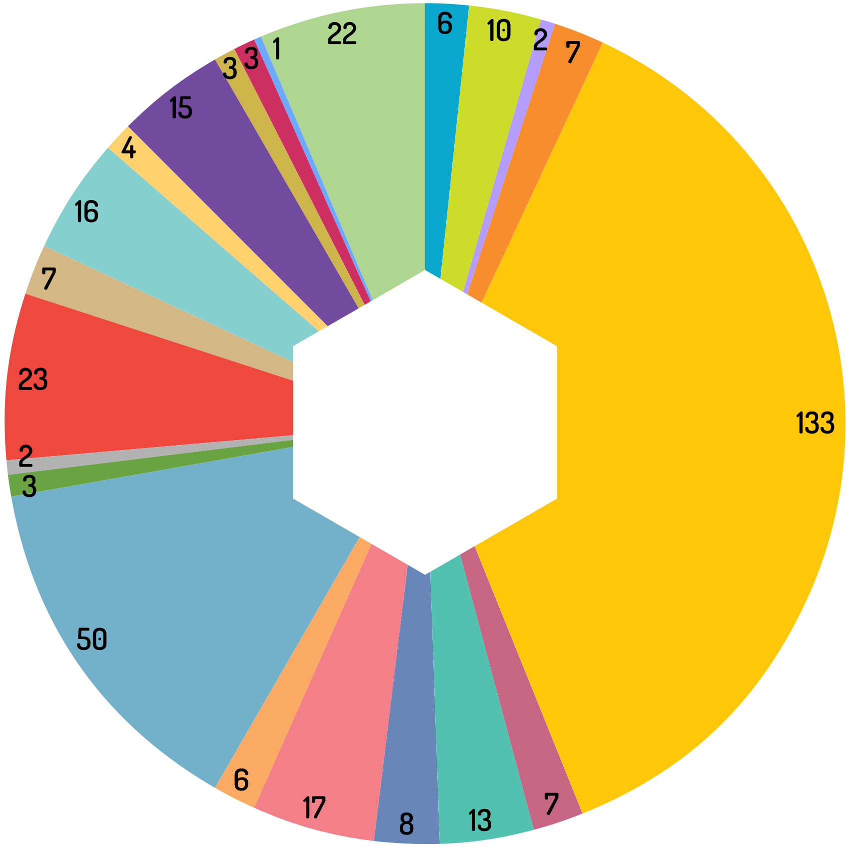
These 'Other Engagement' figures relate to engagements that take place outside of our more usual conversations with management or investor relations teams.

- Collaborative engagements may include actions such as co-signing letters, or directly contacting companies to encourage them to participate in collaborative investor initiatives such as CDP or the Workforce Disclosure Initiative (WDI).
- Castlefield Projects relate to more targeted, thematic engagements that we have undertaken, which would otherwise skew the figures. At the beginning of the year, we wrote to all investee companies to outline the changes we had made to our voting policy and inform them of areas where we had introduced new guidelines, such as overboarded directors.

TOPICS OF ENGAGEMENT

We've also looked to highlight a number of the topics we have been engaging on with companies over the last year. These categories are not exhaustive or mutually exclusive, but we hope allows an insight into the topics which have been raised most frequently during 2022.

TOPIC	ENGAGEMENTS
Access to Clean Water	6
Affordability & Financial Inclusion	10
Animal Testing & Welfare	2
Auditor Appointment & Fees	7
Climate Change & Company Emissions	133
Data Security & Privacy	7
Director Independence	13
Director Overboarding	8
Diversity	17
Education	6
Employee Engagement, Welfare & Turnover	50
Environmental Management	3
Exposure to Russia	2
Fair Tax	23
Health & Safety	7
Health & Wellbeing	16
Pollution	4
Remuneration	15
Responsible Lending	3
Responsible Sourcing & Sustainable Supply Chains	3
Vulnerable Customers	1
Waste Reduction, Efficiency & Recycling	22
Total	**358**



Written by
Rory Hammerson

Principle 9 | 9

OUR 2022 ENGAGEMENT PRIORITIES

Summary: In early 2022, we established three priority engagement questions to ask our investee companies over the course of the year. Here we present some of our key findings.

As part of our engagement strategy, we established environmental, social and governance focus topics relating to three prominent ESG risk factors of 2022: net zero, recruitment and retention, and tax risk. Over the past twelve months, we set ourselves the goal of engaging with all of our direct equity fund holdings to build a greater understanding of how businesses are experiencing and responding to these challenges. Over the course of the year, we engaged with 92 investee companies.

2022 Priority Engagement Questions

Over the year, we have engaged with our holdings to discuss the following ESG focus areas:

Environmental: Does the company have a net zero target and if not, is the company planning to set one in the near future?

Social: What challenges is the business experiencing with regards to recruitment and retention of employees?

Governance: What is the company's appetite on tax risk and does the company have a policy on fair tax?

ENVIRONMENT: NET ZERO

With a world looking ahead to net zero carbon emissions, we are clear that we expect companies to grasp the concept and start making the necessary investments to bring about a decarbonisation of their business models well before 2050. In addition, we expect net zero targets to be accompanied by ambitious interim goals to ensure that steep emissions reductions are achieved this decade. Further, it is becoming increasingly important for asset managers to have a portfolio-level view of exposure to investee companies with no, or inadequate, net zero targets, in order to track progress against our own targets.

We wanted to engage with our investee companies to see what targets they had set to reach net zero, and take the opportunity to assess these and challenge where necessary.

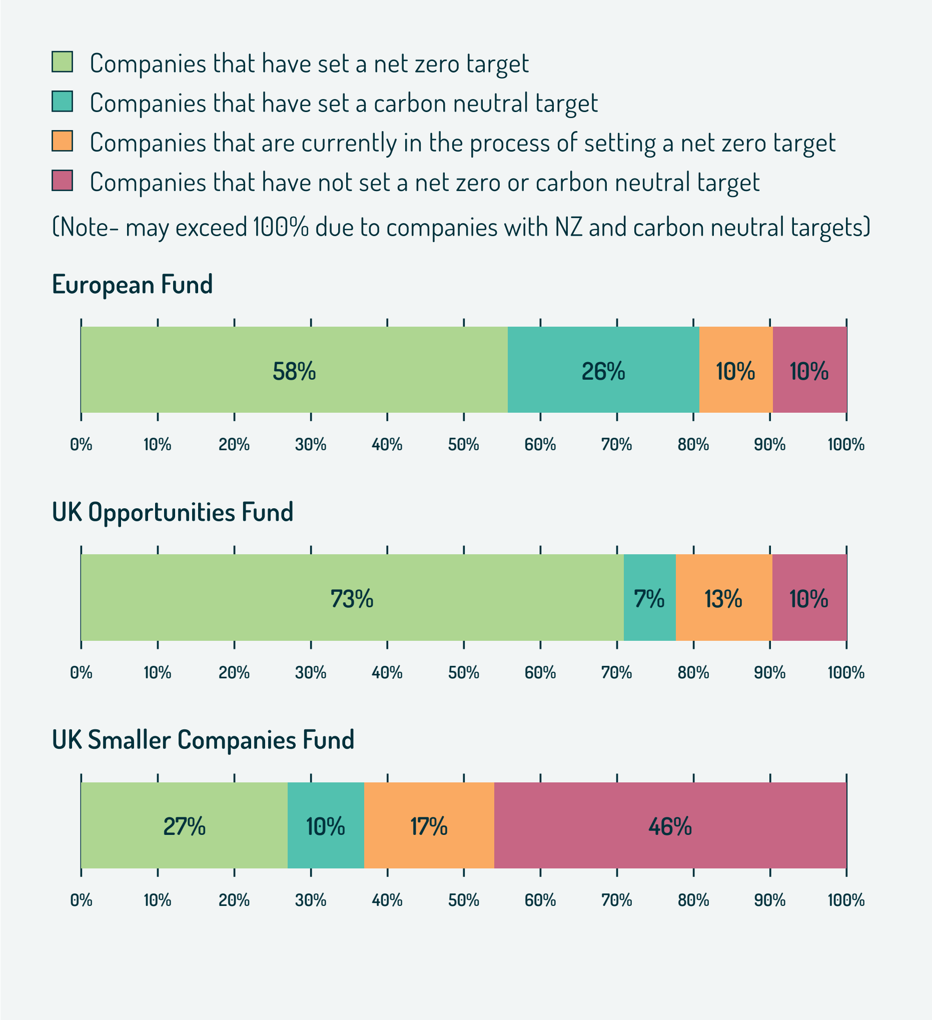
UK's Net Zero Strategy

The Climate Change Act commits the UK Government by law to achieve net-zero greenhouse emissions by 2050.

EU Climate Neutral by 2050

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

Net zero and carbon neutral targets by fund



Larger companies with both the resources and expertise at their disposal must take the lead in the net zero transition, investing seriously to decarbonise their business models. The pace of action must be accelerated - 2050 is now regarded as "too little too late" by many climate experts, who insist that we must hit net-zero emissions well before if we are to achieve the temperature goals laid out in the Paris Agreement. Many are working to this level of ambition – and this was apparent in our dialogue with holdings throughout 2022. For example, Unilever has set a goal of achieving net zero across the value chain by 2039, educating and engaging with suppliers to reduce its upstream emissions. In addition, BT Group is often regarded as a leader on climate action, and set its first carbon reduction target in 1992. It now commits to net zero across the value chain by 2041, investing in full fibre broadband and 5G networks to pave the way for lower carbon ways of living.

However, on occasion, we used the engagement to challenge companies to be more ambitious, particularly for companies of a larger scale, like Britvic. They have committed to net zero by 2050 and we questioned whether there was scope to pull forward the target date. Britvic emphasised its reluctance to accelerate the target, to avoid the risk of over-promising and under-delivering. Likewise, RWS Holdings is yet to publish a net zero target, claiming that they first intend on implementing a plan and appropriate emission reduction targets. In the meantime, they are making progress on their science-based targets, with a target to publish these this year. **We will utilize net zero engagements in 2023 to ensure that our holdings are held to account, delivering against their commitments and making sufficient progress.**

Common Challenges: Scope

When it comes to net zero target setting, it's not just the date of the target that matters, it's also the scope. Our dialogue with companies over the past year has shown a wide variation in the scope of net zero targets. The most ambitious targets account for their value chain emissions (also known as Scope 3 emissions); others only include operational emissions (i.e. Scope 1 and 2). Some have yet to explain the extent of their targets.

This hampers our job, as investors, of understanding the bigger net zero picture at fund level. We need to be able to compare the stocks in our funds in terms of their ambitions and commitment to carbon. Gaining that clarity will be a priority for our net zero engagement in 2023, where we intend to continue to press for accelerated progress on carbon.

Dürr: the German engineering group incentivising its supply chain to achieve net-zero

In a recent engagement, Dürr identified where their carbon exposure is generated, alongside its plans to launch a supply-chain finance scheme that will incentivise its 30,000 suppliers to reduce their emissions.

The scheme will operate by requiring suppliers to provide audited data and work in line with SBTi framework in order to receive better financing terms. Dürr is currently choosing a partner to provide a platform and is working with banks and other financial organisations in order to roll out the scheme by second quarter this year. It aims to establish a 10-year program with steps and targets published each quarter.

Dürr demonstrates a leading example of decarbonising where they as an organisation do not have control of emission, an ambition that corporates must follow to unlock the potential for reaching net zero across the entire value chain. For more information on how Dürr is embedding sustainability into its strategy, view our stock story available on Castlefield.com.

Smaller Companies: Overcoming the Barriers

Our engagements revealed a higher uptake of targets in the European and UK Opportunities Fund, in comparison to the UK Smaller Companies Fund (UKSC). This is as expected due to the barriers that small to medium enterprises (SMEs) are more likely to face – research from the British Business Bank identifies the most common barriers to action as cost and feasibility.[1] While our engagements highlighted that, generally, smaller companies are at an earlier stage of the transition to net zero, an awareness of the challenge and appetite to get there was, in most cases evident. Of those who are yet to set a net zero or carbon neutral target, a number of companies claimed to be working towards this, for example; beginning to tackle emissions measurement; applying for external standards, such as ISO 14001; or working with suppliers to get information on Scope 3 emissions.

Springfield Properties (UKSC)

Scotland-based home builder, Springfield Properties, reached out to Castlefield for feedback on its ESG strategy, in which it commits to net zero by 2045 or sooner with an interim target and roadmap to be published this year.

As sustainable investors, we spend a lot of time reviewing corporate ESG strategies. We were impressed by the depth and breadth of Springfield's ESG strategy, including the level of ambition outlined for its net zero strategy. Preliminary analysis suggests that Springfield could reduce Scope 1 and 2 emissions by up to 40% through phasing out diesel vehicles and switching to renewable energy tariffs. In terms of considering the boundary of Scope 3 emissions, this year a feasibility study will be conducted.

It proved to be an open and transparent discussion about Springfield's sustainability ambitions, including the areas it has found most challenging. While companies of a larger scale may well be further ahead in the transition to net zero than Springfield, it is as important to credit the commitment from smaller companies to keep up to pace with the net zero challenge.

1. Smaller businesses and the transition to net zero (british-business-bank.co.uk)

Closing Remarks

Net zero is much more than a buzzword and its wide popularisation has translated into the adoption of targets by national governments, local governments and businesses across the globe. However, it is by no stretch a perfect concept and targets warrant a great level of scrutiny to prevent net zero becoming the latest version of greenwash. Targets must translate into steep emission reductions, at a pace aligned with the latest climate science. They must steer well away from a reliance on offsetting mechanisms that delay meaningful action and often serve to protect business as usual.

As sustainable investors, we are intent on utilising engagements to hold companies to account and push for best practice across material ESG issues. Our focus for net zero engagements over the forthcoming twelve months will be the development of credible roadmaps setting out interim milestones, at which progress against goals and targets can be assessed by the company itself, as well as external stakeholders.

SOCIAL: THE CHALLENGE OF RECRUITMENT AND RETENTION

Racing to the forefront of company and investor attention following the coronavirus pandemic is a challenge so pervasive that it is now commonly referred to as The Great Resignation.

The pandemic has prompted a reimagination of the ways in which we work, enabling people to rethink their work-life balance, career options, long-term goals, and satisfaction with their current working conditions. Record numbers of people have chosen to leave or change their jobs, and companies face mounting pressure to attract and retain talent. Amid this battle for talent, the labour market has tilted in favour of the employee. In turn, employees have been using this leverage to push for a range of benefits, including better pay to alleviate the pressures of high inflation, surging energy prices and a cost-of-living crisis. To position themselves as an attractive player in the market, employers must respond, whether this be improving pay, implementing flexible working arrangements, developing clear career pathways, facilitating the learning and development of employees, supporting employee wellbeing - the list goes on. While the impact varies from company to company, no industry is entirely immune, with sectors such as retail, healthcare, tech, manufacturing and construction seeing greater turnover.

Over the last twelve months, we have spoken with 92 holdings about the challenges of labour shortages and poor retention in the wider economy, and how these risks are being responded to. Although the effects have been felt variably, the scale of the challenge highlights a simple truth, that a company's most valuable asset is its people. The cost to employers of high turnover and labour shortages is significant and an urgency to remain competitive was palpable, and we are keen to invest in companies that provide good working conditions and engage with their employees. Many of our holdings are implementing strategies to do so, including, rethinking its approach to recruitment, building a positive workplace culture, and wherever possible, accommodating employee demands for better pay, flexibility and benefit packages.

We set out our key findings on pages 35-36.

Rethinking Recruitment

In many companies, this battle for talent has prompted efforts to ensure that recruitment processes are delivering a long-term and high calibre pipeline of talent. Speaking with our holdings, many are using this opportunity to rethink their existing approach, for example; launching recruitment campaigns; utilising social media to widen the pool of candidates; partnering with universities; hosting open evenings to attract local staff; and using specialist recruitment agencies for specific roles.

Certain roles appear to have been hit harder, and our engagements highlighted particular difficulties in regards to competition for STEM (science, technology, engineering and mathematics) talent. Provider of high-tech equipment and software, Spectris, has established a STEM strategy to embrace new approaches and reach a more diverse audience in order to successfully compete. This involves developing relationships with universities, apprenticeship providers, professional bodies and charities to connect with young people and guarantee long-term pipelines of talent.

Adding yet another layer to the challenge of recruitment is DEI (diversity, equity and inclusion), as research frequently reiterates that employees are drawn to companies with a diverse workforce. Not only this, a diverse workforce is a critical factor to a business' success, fostering greater innovation and creativity. Gamma Communications is just one example of those looking to achieve a diverse workforce, by broadening connections with specific groups, focusing on Women In Technology, apprenticeships, and other underrepresented groups. Further, Gamma will create targeted recruitment campaigns to attract a more diverse talent pool, and all senior roles must have a diverse shortlist.

Invinity Energy Systems – resilience in the green economy

Invinity has benefited from the migration of skilled labour from the 'brown economy', in which economic growth is largely dependent on environmentally destructive forms of activity, like fossil fuels, towards the 'green economy'. The company employs a number of former oil and gas workers across its global locations who bring with them engineering, product and infrastructure project management expertise. These transferrable skills facilitate an easy transition into roles in the clean energy sector, ensuring that important knowledge is maintained and enhanced.

Pressure on Pay

Throughout our engagements, wage inflation was frequently mentioned as a prominent challenge for companies wishing to retain its workforce and attract new talent. While some holdings expressed less concern with staff churn, others are having to take a systematic and company-wide approach. In addition to above average pay rises, a number of companies are distributing one-off payments to support its workforce throughout this period. Headlam Group, for example, made salary increases to certain workforce groups in addition to a cost of living award for the whole workforce at the beginning of last year. Other holdings are intent on supporting its lower paid workers through the cost of living crisis. Gamma Communications reviewed lower paid employees and increased their minimum salary band up by 15%, and provided one-off allowance to employees earning up to £30k to support the increased cost of living.

The Future of Flexibility

The pandemic has reimagined the landscape of how we work. The orthodoxy of office-centric workplaces is under scrutiny, as flexible working models (ie. remote and hybrid) are no longer a temporary arrangement induced by government-enforced lockdowns but are set to become the new normal.

Although the capacity to accommodate remote working varies between sectors and individual companies, in most instances, there was a recognition that adapting to this new way of working is essential to attract and retain talent. Further, a number of companies commented on the benefits of embracing this shift, not only for the workforce, but also to the company itself. Teleradiology service provider, Medica Group, implemented a hybrid working policy that was reportedly well-received by employees. Not only has the option to work from home improved retention, but it has enabled Medica to widen its geographical recruitment range, now that living within commuting distance of the offices is no longer a requirement. Likewise, software developer, Quadient commented that recruitment now uses a much wider net to capture talent rather than the immediate locality, leading to lower staff turnover.

Not all companies have seamlessly adapted to this transformation in the way that we work, and evidently it is not a practical possibility for certain sectors (ie. manufacturing). Even where technically feasible, a number of our holdings expressed a sense of apprehension over maintaining effective communication, collaboration and employee engagement in virtual scenarios. Partners Group, for example, commented that the company is a firm believer of in-person collaboration. In spite of this, they are trialling a two-day work from home scheme in recognition of the widespread demand for greater flexibility.

Culture is Key

Culture can be defined as a set of beliefs about the way things are done in the workplace, and a positive culture should strive to foster the development and support the wellbeing of its employees, who in turn feel valued and respected by their employer.[2] Investors often consider retention and turnover as important indicators of the wider company culture and workforce management. Speaking with our holdings, many are investing time and resources into developing a positive culture in order to safeguard itself against the risk of employee turnover and an inability to attract talent. Employee engagement and retention are intrinsically interlinked, and companies that value their employees will reap the rewards. Utilising engagement surveys to gauge employee satisfaction and collate feedback is a common method used to improve company culture, particularly where feedback is translated into meaningful action. Kitchen equipment manufacturer, Rational AG, passes employee feedback on to its supervisory board for review and a prominent example of a tangible outcome has been the addition of half price gym contracts, in order to create a better work-life balance.

Closing Remarks

It is clear from our engagements that, albeit to differing extents, our holdings have felt the impact of the recent shifts in the labour market witnessed following on from the pandemic. However, our conversations highlight a commitment to remain competitive, for example – rethinking recruitment processes to capture a wider and more diverse net of talent, supporting employees through a period of high inflation, accommodating demands for flexible working and investing in the culture of the workplace.

2. Understanding The Importance Of Corporate Culture After The Great Resignation (forbes.com)

GOVERNANCE: TAX RISK

At Castlefield, we hold our investee companies to high standards of corporate governance, and this involves the fair payment of taxes. Given the government support that the private sector received throughout the pandemic, we re-emphasised to our holdings the role businesses play in supporting recovery efforts. Further, there is likely to be increased public scrutiny of listed firms, particularly those that received significant government support, and their approach to tax in the years ahead.

During the 1990s it was extremely common for companies to manage their tax liabilities in a fairly aggressive manner and companies who were able to utilise tax vehicles and exemptions to 'massage' their quarterly earnings publications were lauded and praised. Over the past decade the issue of tax has been increasingly regarded as a corporate responsibility rather than an adventure for companies to work around. We have seen examples of large international companies who have been slated for aggressive tax policies. Put simply, sustainable companies put the payment of tax as part of their social license to operate.

Over the last twelve months, we have asked our holdings what their appetite on tax risk is and how the consideration of fair tax is incorporated, and it is noteworthy that the typical response across our funds was a straightforward approach to tax affairs with little appetite to take advantage of aggressive forms of tax planning. Although we recognize the challenges that high inflation and a persisting cost of living crisis present to companies, we want to signal to our holdings that this does not excuse the exploitation of creative tax structures.

Corporate tax responsibility is increasingly regarded as not only a matter of compliance, but a reflection of a company's commitment to social responsibility – relevant to the 'G', but also the 'S' element of ESG. Noting the importance of a fair approach to tax when it comes to building trust and avoiding reputational damage, we will continue to seek transparency and engage with our holdings on this matter.

Written by
Eleanor Walley

"As the emphasis rightly falls on greenhouse gas emission reductions, what role do carbon offsets play in this ambition of a net zero future?"

Amelia Overd

Associate, Investment Management

CARBON OFFSETS: THEIR ROLE IN THE RACE TO REACH NET ZERO

Summary: With more companies setting net zero targets, responsible investors should be ensuring that businesses are making viable plans to meet their goals using credible frameworks, which consider the ecosystem as a whole.

As the impacts of climate change continue to become more apparent and impact the lives of people across the globe, we are seeing an influx of companies, cities and countries publishing targets to reduce emissions and reach net zero. In 2019, it is estimated that only 16% of the global economy was covered by net zero targets. By 2021 this had increased considerably to cover 68%.[1]

However, not all net zero pledges are created equal, and we have a role to play as investors in scrutinising the viability of the targets our investee companies set to ensure they are playing their part in combatting climate change. While there is no single definition of net zero and no single framework for measurement, the Science-Based Targets initiative (SBTi) published the following definition for corporate net zero:[2]

- Reducing scope 1, 2, and 3 emissions to zero or to a residual level that is consistent with reaching net zero emissions at the global or sector level in eligible 1.5°C-aligned pathways
- Neutralising any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter

The first point within the definition, while not without its challenges, is a clearer ambition for many companies and will have the greatest near-term impact on emissions. **The SBTi estimate that science-based corporate net zero targets will require long-term decarbonisation of between 90-95% of a company's emissions across all scopes.**[3] Many companies we speak with have been able make initial assessments of their carbon footprints and used these to set interim targets which will see a substantial reduction in emissions over the short term. Typically, this involves addressing some 'easier wins', such as switching energy suppliers for renewable providers, installing energy saving measures or finding alternative uses for waste products. The further into the process companies get, the more challenging it will become to find incremental reductions, but it is important to highlight to businesses that the focus should be the absolute level of reduction achievable **first and foremost** with the 'net' of net zero - and the offsetting that it then leads to - being a solution only for residual emissions.

As the emphasis rightly falls on greenhouse gas emission reductions, what role do carbon offsets play in this ambition of a net zero future? We believe that, when used appropriately after avoiding or reducing the vast majority of emissions, carbon offset schemes will be an essential contributor to the achievement of net zero globally, however, we would also advocate for clear guidelines about which offset schemes would qualify and external verification of company net zero claims.

1. https://racetozero.unfccc.int/the-race-to-zero-strengthens-and-clarifies-campaign-criteria/
2. https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf
3. https://sciencebasedtargets.org/blog/science-based-net-zero-targets-less-net-more-zero

A set of standards for net zero aligned carbon offsets have been developed by the University of Oxford's Smith School of Enterprise and the Environment which focus on the following key areas:[4]

- **Verifiable and Accountable** – Offsets should be through verified schemes with clear processes for ensuring ownership of carbon savings and credible policies for the measurement of any savings. This will help to avoid any forms of double counting or overestimation, which may be possible if unintended consequences, or potential future reversal of the offset, is not accounted for.
- **Focus on offsets involving carbon removal rather than reduction.** The majority of offsets currently available are emission reductions, meaning that they are based on climate projects such as replacing fossil fuel-derived energy with renewable energy. Overreliance on emission reduction offsets as opposed to offsetting schemes which remove carbon from the atmosphere will not be sufficient to achieve global net zero in the long run.
- **Long-term Agreements and a Shift to Long-lived Storage.** Committing to long-term agreements will provide the certainty required by developers of offset project developers and ensure that fewer offset emissions will be reversed in the short term. Long-lived storage will contribute to this and refers to methods of storing carbon which are capable of removing carbon from the atmosphere over centuries. Examples of these projects include storing CO2 in geological reservoirs or mineralising carbon into stable forms.

> "We believe that, when used appropriately after avoiding or reducing the vast majority of emissions, carbon offset schemes will be an essential contributor to the achievement of net zero globally."

4. https://www.smithschool.ox.ac.uk/sites/default/files/2022-01/Oxford-Offsetting-Principles-2020.pdf

Afforestation is one form of carbon offsetting that is more established than many newer technologies in carbon capture and storage that are currently being developed. Nature-based solutions can consist of activities such as tree-planting, developing wetland areas or mangroves, or utilising regenerative agriculture practices. And while many companies are keen to let investors and the general public know that they are investing in such schemes to offset their carbon footprint, it is important to note that these types of offsetting mechanisms are not without their own problems.

Poorly planned nature-based 'offsets' that do not fully consider their impact may have limited or even negative effects on climate change mitigation, in addition to causing adverse impacts on biodiversity. For example, a research project conducted in Scotland found that planting native trees in peatland or natural grasslands had no net gain in ecosystem carbon stocks in 12-39 years after afforestation.[5] Societal impacts must also be considered, such as ensuring that populations are not priced out of their local areas due to the increased demand for land for forestry projects.

There are projects underway to develop offsets which encompass a more holistic approach to impact. One such project is the Payments for Ecosystem Services (PES) scheme. Ecosystem services refer to the diverse benefits we derive from the natural environment, such as "the supply of food, water and timber (provisioning services); the regulation of air quality, climate and flood risk (regulating services); opportunities for recreation, tourism and education (cultural services); and essential underlying functions such as soil formation and nutrient cycling (supporting services)."[6] These benefits are not developed independently of each other given the complexities involved and so it is imperative to measure the trade-offs to ensure a net benefit in aggregate.

As we engage further with our companies and encourage them to set ambitious goals and emissions targets, it is important that we are also scrutinising those that have already done so to ensure that the effects of their actions have been fully considered and are future proofed as far as possible.

Written by
Amelia Overd

5. https://dspace.stir.ac.uk/bitstream/1893/31440/1/gcb.15229.pdf
6. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/200920/pb13932-pes-bestpractice-20130522.pdf

AN AREA FOR FUTURE ENGAGEMENT: DEI AND INCLUSIVE PRODUCT DESIGN

As we wrote earlier in the year, Diversity, Equity and Inclusion (DEI) is an area of increasing interest, particularly heading out of a global pandemic which has seen existing inequalities polarise only further. By June 2020, women's jobs were 1.8 times more vulnerable to the crisis than men's jobs, according to research from McKinsey & Co.[1] **In the UK, young adults from an ethnic minority background are 47% more likely to be employed on a zero-hour contract than white workers – a gap which is widening.**[2] Although businesses have been faced with immediate challenges in the aftermath of the pandemic, such as the employee and customer health and safety, operational disruption, recovery planning and so on – it is vital that DEI is not left on the back burner.

Recently, a study by Thomas Reuters has revealed a positive trend of rising diversity at board level for larger listed companies, as two-thirds of FTSE 350 companies now have at least one board member from an ethnically diverse background, up from 45% in 2021.[3] Further, those companies performing best in terms of representation of different ethnicities at senior levels are in the FTSE 100, where 84% have at least one member from an ethnically diverse background, compared with 55% in the FTSE 250.[4] In terms of gender, the study found that directorships of FTSE 100 companies were comprised of 40% women, up from 35% in 2020.[5] As a signatory of the 30% Club, which aims to engage with the FTSE 350 on the topic of diversity, we are pleased to see the progress that companies are making here.

1. COVID-19 and gender equality. McKinsey & Company, 2020.
2. ShareAction targets financial sector to fully disclose Ethnicity Pay Gap data. ShareAction, 2022.
3. Rise in diversity at board level of FTSE companies, Personnel Today, 2022.
4. ibid
5. ibid

Principle 9

While FTSE 350 companies are taking positive strides, those listed on the Alternative Investment Market (AIM) continue to lag behind on diversity at board level, with women comprising only 20% of AIM UK 50 boards.[6] Whilst we frequently engage with investee companies on the topic of diverse workforces and incorporate measures such as gender and ethnic diversity at board level into our voting policy, we also recognise that businesses must go further.

> "Those with darker skin have reported difficulties using such products (automatic taps, hand dryers and soap dispensers) due to the sensor not recognising their hands"

An area of DEI spoken about far less than diverse workforces is inclusive product design. This involves "shifting the paradigm of the design process, so that diversity and inclusivity are baked in from the start" (Blackcreek, 2020).[7] Examples of systemic exclusion and inequality manifesting in products are ubiquitous. A particularly famous example is car seatbelts, which are often still configured to serve men who sit further back than women when driving, potentially putting women in danger.[8] Racial prejudice is also apparent in the design of many products. In some instances, automatic taps, hand dryers and soap dispensers in public bathrooms have been modelled to work for white-skinned hands, whilst those with darker skin have reported difficulties using such products due to the sensor not detecting their hands.[9]

We have identified this as an area for engagement in 2023 and have had initial conversations with investee companies including Logitech, Unilever, and Santander. For example, a conversation with Logitech brought to light the launch of a gaming collection to provider greater comfort for women, designed for smaller heads and hands. However, we questioned the premium price tag that the collection is marketed at and improving the accessibility of inclusive products will be a key future discussion point for these engagements.

We look forward to reporting further on our engagements on this topic in 2023 and urging businesses to consider not only the social value in inclusive product design but also the business case as design bias will ultimately result in huge, missed opportunities. Women, for example, make up 50% of the population and control 70-80% of the world's consumer-spending decisions.[10]

Written by
Eleanor Walley

6. ibid
7. What is Inclusive Product Design & How To Use It. Blackcreek, 2020.
8. Tech has a long way to go on sexism with products designed by men, for men. inews, 2019.
9. How inclusion affects product design in pharma. Pharmaceutical Manufacturer, 2021.
10. Top 10 things everyone should know about women consumers, Forbes, 2015

"As we inch closer towards 2050 and the accompanying net zero commitments, the energy mix will be under increasing amounts of scrutiny as countries seek to wean themselves away from fossil fuels and onto renewable energy."

Eleanor Walley

Executive, Investment Management

BATTERY ENERGY STORAGE SYSTEMS: A DEEP DIVE

Summary: Battery Energy Storage Systems (BESS) are a type of renewable energy technology that is seen as one of the main solutions to the decarbonisation of the energy grid. This piece will look into why the technology is needed and the different variants currently in use, the potential risks involved with the technology, the investment case and our own exposure across the fund range.

Battery Energy Storage Systems (BESS) is a topic that you may have come across in relation to the energy storage mix. **As we inch closer towards 2050 and the accompanying net zero commitments, the energy mix will be under increasing amounts of scrutiny as countries seek to wean themselves away from fossil fuels and onto renewable energy.** This process has become doubly important following the tragic invasion of Ukraine as fears regarding energy security have come to the forefront, and the dependence on others for domestic energy supply.

So where does battery storage fit into this? To explain, it helps to understand what has prevented countries, following the announcements of net zero pledges, from moving away from coal and gas fired power stations. First, it takes a while to build up the adequate infrastructure. Gas and coal fire power stations have been the main fuel for power since the industrial revolution, therefore there has been ample opportunity to build up a stock of these stations, whereas using renewable energy to power the grid is a more recent phenomena, hence the infrastructure is not yet at required levels to provide full coverage. Secondly, and more importantly, relates to how renewable energy sources generate power. A gas-powered station simply turns on and almost immediately is able to generate power. Solar, however, is dependent on a nation's climate and daylight while wind power, even offshore, can experience lull periods. This is problematic because grid engineers need to try and match energy demand and supply 24/7. Doing so while utilising only renewable energy sources adds an additional layer of complexity to the process, especially during times of peaks and troughs, where reliable, instant energy generation is required. Battery storage addresses this by capturing excess power generated by renewables, storing it, and then releasing it to the grid when it is most needed. **With enough battery storage infrastructure, it would be possible to transition towards a grid powered fully by renewable energy sources.**

Grid-scale battery storage infrastructure needs to grow significantly over the coming years to meet the extra demand that will be required. **To reach the net zero requirements, the grid will need to be 680GW by 2030.**[1] For context, as of 2021, capacity is currently at 16GW and between 2022-2030, on average 80GW of capacity must be added each year in order to reach the target.[2] This provides a very strong demand backdrop for batteries, in which there is more than enough of the pie for everyone to have a proverbial slice. This combination of limited supply and strong demand provides attractive return opportunities for those that can get involved.

Battery storage comes in many shapes and sizes, with various raw materials used in the production process and as the main component of the battery. **Historically, lithium-ion has been the go-to option for storage due to cost and energy density considerations.** There are however newer technologies currently being trialed, such as vanadium flow batteries, which do not show signs of performance degradation for 25-30 years and can be made-to-size depending on requirements. Lithium and vanadium are not the only minerals required in the battery production process, with nickel and cobalt key components of the cathode, graphite used in the anode, and aluminum, manganese, copper, steel, and iron all

1. https://www.iea.org/reports/grid-scale-storage
2. https://www.iea.org/reports/grid-scale-storage

utilised to some extent. This raises some environmental concerns as firstly, many of these raw materials are not readily available, therefore must be mined, damaging ecosystems, and reducing biodiversity. Secondly, **these raw materials are often most prevalent in areas suffering from geopolitical and conflict risk.** Given that much of this occurs in more developing economies, there are also risks involved with human rights & modern slavery alongside health & safety risks associated with the extraction of these minerals. Therefore, when assessing battery storage investment opportunities, investors have a role to play in assessing the environmental and social credentials of the projects intended for development and the management teams overseeing them.

Once installed and connected to the grid, there are additional risks to consider. The components of the certain types of battery, such as lithium ion are highly flammable, and if they malfunction, can release toxic and explosive gasses.[3] Thermal runaway occurs when a malfunctioning or damaged cell overheats at a rate quicker than the heat can be dissipated into the surrounding area, which can cause a daisy chain style explosive reaction if multiple batteries are packed together too tightly. To mitigate these risks, there are several layers of safety features built in such as battery management systems which ensure batteries operate within safe temperatures, with some also having the ability to switch off power if elevated temperature levels are detected.[4] To help control any fire, water mist or gaseous agents are used to absorb heat. Explosion vents are often installed on top of the storage container, which burst at predetermined pressures, to release the pressure and flames upwards in a controlled way.

We've discussed the logic behind why battery storage is required, the raw materials used to produce them alongside the potential risks associated with their acquisition and those risks involved with their operation, but what we have yet to cover is what happens when they inevitably reach their end of life. Batteries and their materials can be recycled at end of use. Trials are underway utilising second-life batteries as a means of repurposing the valuable materials. This could prove to become increasingly more prominent as the prices of battery metals continue to rise. The main issue with this approach is that **the refurbishment process second-hand batteries must go through is costly, and the lack of standardisation and streamlining of measuring battery health such as storage condition and remaining capacity further complicates things.**[5] There are a range of technologies being developed which may have greater recyclability. For example, vanadium flow batteries are fully recyclable, do not degrade from heavy flows, are non-flammable and use no conflict metals in production.

We have exposure to battery storage in various different forms across our fund range. In our Castlefield Sustainable UK Smaller Companies Fund, we invest in Invinity Energy Systems, a specialist provider of vanadium flow battery technology. We like Invinity for a number of reasons, firstly it diversifies our exposure by giving us access to an alternative battery technology that is growing in popularity, secondly performance is long lasting (25+ years) and has zero risk of thermal runaway so is much safer than existing lithium ion technologies.

In our Castlefield Real Return Fund and our Castlefield Sustainable Portfolio Growth Fund, we hold Harmony Energy Income Trust, a UK-based battery storage provider who utilise the larger, 2-hour Tesla batteries, which are seen as a key differentiator. The other batteries on the market can provide energy for between 30-90 minutes however, any supply and demand imbalances seen in the UK typically last for 2-2.5 hour periods. The larger capacity Tesla battery allows for greater capture of the duration of any imbalances. The company went public in November 2021 and have a pipeline of 13 assets either in full operation or development.

3. https://www.powermag.com/protecting-battery-energy-storage-systems-from-fire-and-explosion-hazards/
4. https://www.powermag.com/protecting-battery-energy-storage-systems-from-fire-and-explosion-hazards/
5. https://www.iea.org/reports/grid-scale-storage

In both of our multi-asset Castlefield Sustainable Portfolio Funds, we have exposure to the Gresham House Energy Storage Fund and the Gore Street Energy Storage Fund, two of the first names to get involved within this space. The combined operational capacity of the two funds sits at close to 850MW, with a pipeline of assets in construction or pre-planning of equal size. Both sets of management teams are vastly experienced within the space, having come to market initially in 2018, which has allowed them to build fruitful relationships with a number of developers to further enhance their pipeline of opportunities.

The combination of different technologies and battery sizes provides a diversified portfolio especially considering that some of the investment companies also invest in other renewable energy technologies. **There are strong tailwinds behind battery storage, with these likely to hold for some time given the current supply and demand mismatch.** There is clearly a need for battery storage if governments plan on meeting net-zero commitments although as discussed earlier, there are some risks involved with the technology. While, like most developing technologies, the battery storage sector does not come without environmental and social risks, given that the technology will play a vital role in decarbonising the grid, helping us to achieve our net zero aspirations, we believe it provides a net positive contribution and as investors, we can use our voice to encourage those in the industry to operate in the most safe and sustainable manner.

Written by
Barney Timson

Pillswood Battery Storage site near Hull, operated by Harmony Energy Income Trust

CDP NON-DISCLOSURE CAMPAIGN 2022 UPDATE

Summary: Barney provides an update on our successful CDP non-disclosure campaign efforts, which resulted in significantly higher responses from investee firms to disclose their climate, forestry and water related data.

For the second year running, we at Castlefield decided to take part in CDP's non-disclosure campaign. This collaborative engagement sees investors contact companies regarding their climate, forestry, and water reporting, encouraging them to disclose using CDP's standardised, TCFD-aligned questionnaires. The campaign saw a 55% increase in the number of financial institutions participating, with 260 different financial institutions contacting over 1400 companies and resulting in an additional 390 disclosures throughout the year.[1] This is exciting because greater levels of disclosure enable investors to better understand where the sustainability risk lies within their portfolios, allowing them to focus their attention upon engaging on these topics alongside providing companies with information relating to areas where they can improve.

This year, we took the decision to expand the scope of our engagements by contacting companies regarding their water and forestry impact alongside their climate action. **In total, we contacted 15 of our investee companies, with 60% of those ultimately disclosing to CDP (significantly higher than the campaign average of 27%).**[2] Separating the engagement by sustainability topic, we approached eight companies regarding their climate impact, of which an impressive 88% responded by disclosing to CDP. We also engaged five companies regarding their water impact and two regarding forestry, with each topic receiving a response apiece. It is pleasing to see companies really making an effort with their climate reporting, as this is how 1.5°C aligned Paris targets will be achieved.

Moving forwards, we would like to see further improvements in the disclosure of other sustainability topics. 15% of global carbon emissions derive from deforestation and forest degradation.[3] Additionally, global water use, storage and distribution, and the lack of wastewater treatment, contributes towards 10% of global greenhouse gas emissions, hence improvements in these areas go hand in hand with reducing overall climate emissions.[4]

We are pleased with our progress in the campaign this year, although we do not wish to take the foot off the pedal now. Our overarching goal is for all our investee companies to disclose their environmental data in a clear, comparable, and easily digestible way. Simply disclosing the data is unfortunately not enough – the next step is for companies to set independently verified targets aligned with a 1.5 °C world. It is on this note that we are pleased to announce our participation in CDP's other flagship collaborative engagement campaign related to the setting of science-based targets (SBTi). Through our participation in the SBTi campaign, we hope to encourage the setting of independently certified, Paris-aligned targets across our holdings, and ultimately make positive strides towards a net zero aligned future.

Written by
Barney Timson

1. https://cdn.cdp.net/cdp-production/cms/reports/documents/000/006/764/original/CDP_2022_Non-Disclosure_Campaign_Report_18_01_23.pdf?1674225832
2. https://cdn.cdp.net/cdp-production/cms/reports/documents/000/006/764/original/CDP_2022_Non-Disclosure_Campaign_Report_18_01_23.pdf?1674225832
3. https://www.cdp.net/en/forests
4. https://www.cdp.net/en/research/global-reports/global-water-report-2020

"Poor mental health incurs significant human and economic costs – it is a problem which demands the immediate attention of the business landscape."

Eleanor Walley

Executive, Investment Management

CASTLEFIELD SUPPORTS CCLA CORPORATE MENTAL HEALTH BENCHMARK

Summary: Castlefield actively engages with investee companies to encourage them to increase support to employees around their mental and physical wellbeing, as part of CCLA's investor coalition.

Castlefield is pleased to support the CCLA Corporate Mental Health Benchmark, designed to improve transparency, disclosure and reporting on workplace mental health by providing a clear framework for businesses to support the mental wellbeing of their employees.

The benchmark aims to:[1]

- Ensure that corporate efforts are directed towards activities that positively support the mental health of people at work
- Encourage greater disclosure on workplace mental health and enhance understanding of the business risks and opportunities presented by mental health among private sector employees
- Equip investors and other stakeholders with a tool for assessing the effectiveness of corporate management of business risks and opportunities associated with mental health across their global operations
- Define key expectations on workplace mental health, providing investors with an accessible way to understand and evaluate corporate practices

1. CCLA Corporate Mental Health Benchmark UK 100, 2022

It is now widely accepted that promoting positive mental health in the workplace contributes to a happier, healthier, and more productive working culture. On top of the valuable benefit to employee wellbeing, there is also a business case for tackling mental health in the workplace based on the benefits of enhanced productivity, increased innovation, reduced absence due to sickness, and lower staff turnover among others.

A recent study by Deloitte revealed that every £1 invested in workplace mental health interventions yielded an average return of £5.30, due to a reduction in costs associated with absences and staff turnover.[2]

Clearly, **poor mental health incurs significant human and economic costs – it is a problem which demands the immediate attention of the business landscape.**

According to CCLA, only one third of UK companies recognise the link between 'Good Work' principles and mental health.[3] Good work is comprised of conditions which contribute to a happier and healthier lifestyle, such as; flexible working; fair pay and financial wellbeing; diversity, equality and inclusion (DEI); recruitment and career progression; and anti-bullying.

Not only do Good Work principles facilitate greater job satisfaction, employee retention, progression, and engagement, but they can also greatly benefit employee mental health and prevent new problems from arising due to major triggers like stress.

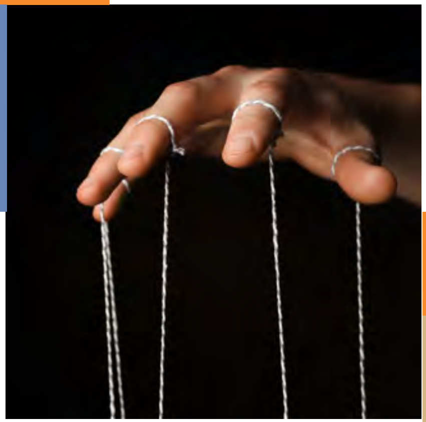
As part of CCLA's investor coalition, we will actively engage with investee companies to encourage them to increase disclosure and reporting on workforce mental health, and to deliver improvements which seek to support the mental and physical wellbeing of employees. CCLA's Global Investor Statement can be found here.

"According to CCLA, only one third of UK companies recognise the link between 'Good Work' principles and mental health."[3]

Written by
Eleanor Walley

2. Mental health and employers, Deloitte, 2022
3. Ibid

CCLA 'FIND IT, FIX IT, PREVENT IT' INITIATIVE



Summary: Castlefield are pleased to support the 'Find it, Fix it, Prevent it' initiative and commit to working with the CCLA as part of a wider push across the investment industry for effective corporate action against modern slavery.

MOVING BEYOND LEGAL COMPLIANCE TO TACKLE MODERN SLAVERY

Modern slavery refers to the process of holding a person in forced service, an umbrella term which encompasses four areas: slavery, servitude, forced compulsory labour and human trafficking.[1] Such forms of labour exploitation are far more widespread than typically assumed and can be found across all major sectors, including agriculture, fishing, construction, mining, manufacturing, textiles and hospitality. Although modern slavery is usually perpetrated by organised criminals and opportunists, businesses can allow exploitation to thrive through commercial practices and poor governance.

Businesses have a huge role to play in initiating effective and meaningful action against modern slavery, particularly given 16 million victims are working within the private sector.[2] The Modern Slavery Act 2015 requires businesses with a turnover of £36 million or more to publish an annual modern slavery statement, setting out the steps they have taken to identify modern slavery within their own operations and supply chains.[3] However, a recent report published by the FRC sheds light on the inadequacies of modern slavery statements published by 100 major companies, describing the majority as "fragmented, lacking a

1. https://www.modernslaveryccla.co.uk/
2. https://www.frc.org.uk/getattachment/77c053d9-fe30-42c6-8236-d9821c8a1e2b/FRC-Modern-Slavery-Reporting-Practices-in-the-UK-2022.pdf
3. ibid

clear focus and narrative, or unduly complicated".[4] On top of this, 12% of companies failed to provide a modern slavery statement at all.[5] It emerged that reporting in both modern slavery statements and annual reports lacked the information needed by shareholders and wider stakeholders to judge and compare corporate responses.

CCLA recognise that the current corporate response to modern slavery is inadequate and are calling for a more proactive approach that moves beyond legal compliance. **Businesses need to think about developing better processes for identifying modern slavery in the supply chain, providing effective remedy for victims, and ensuring the problem does not continue.** In other words, businesses must Find it, Fix it, Prevent it. Find it, Fix it, Prevent it is a CCLA led initiative underpinned by a recognition that no business can claim with any degree of real certainty that they operate a slavery-free supply chain.[6] The fundamental question it poses to businesses is: who have you rescued from slavery?

Although modern slavery is formally prohibited from our economic system, it is still widespread. The private sector, particularly the financial sector, will be pivotal in solving the crisis.[7] It is for this reason that we are pleased to support the Find it, Fix it, Prevent it initiative. We recently attended the opening investor call led by CCLA where we agreed to engage with investee companies in the hospitality sector, acting as the engagement lead for PPHE Hotel Group and supporting with Whitbread.

The full investor statement can be found here.

"Businesses need to think about developing better processes for identifying modern slavery in the supply chain, providing effective remedy for victims, and ensuring the problem does not continue"

Written by Eleanor Walley

4. ibid
5. ibid
6. https://www.modernslaveryccla.co.uk/
7. https://www.modernslaveryccla.co.uk/sites/default/files/2021-04/CCLA_Find It Fix It Prevent It Annual Report.pdf

CASTLEFIELD JOINS SHAREACTION'S GOOD WORK COALITION

Summary: With the UK currently experiencing a cost of living crisis, it is especially important to engage with companies on better working practice. We have joined ShareAction's Good Worl Coalition, which will focus on the living wage, insecure hours, and racial equity and ethnicity pay gaps.

Castlefield is pleased to announce that we have become signatories to ShareAction's Good Work Coalition. We firmly believe that collaborative engagement allows us to amplify our voice and work with other investors to highlight issues that we believe companies and governments should address. One issue which we consider to be of the utmost importance is that workers should earn a fair wage and be entitled to basic entitlements, such as secure contracts, a predictable number of hours, a workplace pension as well as holiday and sick pay.

Workforce-related issues have been in the spotlight and have seen challenges since the pandemic. Morevoer, **the cost-of-living crisis in the UK will only risk exacerbating some of the inequalities we can see in society.** As investors, we want to ensure that we are playing our part in pushing for businesses to provide support to employees through this challenging period for the UK economy. There is a growing body of evidence that companies that support their employees outperform those that don't and therefore there is a business case to be made in addition to the moral imperative.

The Coalition will encourage better working practices, particularly for those with insecure and low-paid work, and currently has three priority engagement areas.

LIVING WAGE

The first area of focus is engagement with businesses about the Living Wage Foundation's accreditations: Living Wage Employer and Living Hours. The Living Wage is independently calculated and based on a basket of goods and services that are considered everyday living costs and incorporates a separate rate for London, due the increased living costs. Castlefield has been an accredited Living Wage Employer for many years, and we are keen for our investee companies to demonstrate their commitment to fair wages through accreditation.

INSECURE HOURS

The rise of the gig economy in the UK has seen an increase in UK workers who are on temporary, low-hour or zero-hour contracts, which can mean they struggle to get the hours they need to make ends meet. The Living Wage Foundation has since developed the Living Hours accreditation. It asks employers to guarantee a minimum of 16 hours a week, the right to a contract that reflects the hours worked and provision on reasonable notice periods for shifts.[1]

RACIAL EQUITY AND ETHNICITY PAY GAPS

Minority ethnic workers are at disproportionately greater risk of the cost-of-living crisis and are far more likely to be in the lowest paid jobs.[2] To highlight this societal issue, the Good Work Coalition is engaging with companies on the topic, asking them to disclose their ethnicity pay gap alongside a strategy to reduce it.

We are looking forward to working with ShareAction and the coalition going forward on issues that are at the top of our agenda as responsible investors.

Written by
Amelia Overd

1. https://www.livingwage.org.uk/living-hours
2. https://www.livingwage.org.uk/news/minority-ethnic-workers-concentrated-low-paid-roles-living-costs-soar

INVESTOR STATEMENT ON THE UK COST OF LIVING CRISIS

Summary: As part of a group of 17 long-term investors, we have signed a statement calling on companies to consider how the cost of living crisis will impact their workforce and take steps to support their employees through this challenging time.

The UK's cost of living crisis will disproportionately impact the lowest paid members of our society who spend a larger proportion of their household income on basic necessities. It also further intensifies concerns about the growing levels of societal inequality. Increasing levels of household debt and higher levels of in-work poverty pose a significant risk, not only for the individuals concerned, but also for investors and the wider economy. The Living Wage Foundation's report – 'Life on Low Pay' – estimated that approximately 4.8m UK workers currently earn a wage below the cost of living, with 32% of these workers regularly missing meals.[1] The national health implications are stark, with mental health also a serious consideration. Workers under financial stress are likely to contribute to a decrease in productivity and increased costs for businesses, while strike action continues across a number of industries.

Many mechanisms to address the cost of living crisis are found at policy level with the UK government, which has a primary role in ensuring that the basic needs and human rights of its population are met. However, we believe that businesses, in particular the largest, publicly-listed employers, have an important part to play in shielding those within their workforce on lower wages from the most severe impacts.

We've joined a group of 17 long-term investors, organised by fellow investment firm CCLA, to publish a statement calling on UK-listed businesses to do the following:

- Prioritise support for the lowest paid members of this workforce and, where possible, meet the new Living Wage rates.
- Work constructively with workers and their unions to reach agreements.
- Engage with third-party contractors to ensure that support is being provided for staff working on company premises.
- Be cognisant of the pricing of essential goods and services upon which people are reliant.
- Publicly state how they intend to provide support to their workforce and consumers.

We recognise that the current economic climate has seen businesses faced with many increased costs and supply chain challenges, and we see the rationale for controlling costs. However, we are confident that supporting those on the lowest incomes is in the best interests of society, and ultimately, the wider economy.

See the full statement here: Investor statement on the UK cost of-living crisis (ccla.co.uk)

Written by
Amelia Overd

1. Life on Low Pay 2022.pdf (livingwage.org.uk)

WORKFORCE DISCLOSURE INITIATIVE (WDI)

Summary: We're ongoing supporters of the Workforce Disclosure Initiative, which encourages companies to improve their public reporting on staff and employment practices.

Castlefield has been an active supporter of the Workforce Disclosure Initiative (WDI) since 2018. The Initiative aims to increase corporate reporting of data on employees and supply chains. Health and safety stats, turnover rates, diversity ratios, human rights policies: these are just some of the areas covered by the WDI. 140 investors across the UK, Canada and Australia support the Initiative,[1] all brought together by a common desire to have better, and more consistent, reporting by companies on employment practices.

Although data collection and reporting can sound dull, it is fundamental to enabling investors to monitor and compare the social performance of companies. Moreover, public reporting – and therefore public scrutiny - of performance on turnover rates, health and safety stats and so on, makes company bosses more likely to take note when the data takes a downward turn. Over the past decade, corporations have coalesced around a common standard for carbon reporting (particularly on scope 1 and scope 2 emissions) and this is in no small part down to the efforts of an NGO called the Carbon Disclosure Project (CDP). It is our hope that, in time, WDI will be seen as the parallel hub for social reporting. In addition, as the WDI dataset grows year on year, it will become a rich source of data for policymakers and academics, interested in understanding the employment practices of large, listed companies.

In terms of how the campaign works, supporting investors are called upon each year to engage with companies that are yet to sign up to the WDI, and also to ensure that those that have completed the WDI questionnaire in previous years do so again. In recognition of how time-consuming it can be to complete the survey, WDI offers support to new corporate participants, helping them to complete the questionnaire for the first time.

As the cost of living crisis continues, and with companies being routinely called out in the press for allegations of poor working conditions, **we hope to impress upon companies that the need for greater transparency and accountability on workforce data is in everyone's interest.** We will continue to support WDI in 2023.

Written by
Ita McMahon

1. ShareAction I Workforce Disclosure Initiative: FAQs

COLLABORATIVE ENGAGEMENT WITH FAIRR

Summary: In our continued relationship with FAIRR, we have signed up to the next phases of their engagements on sustainable proteins and working conditions for the employees of meat producers.

At Castlefield, we are proud to be members of the Farm Animal Investment Risk and Reward (FAIRR) collaborative investor network. The initiative raises awareness amongst investors and company management teams of the many ESG risks associated with animal agriculture. The work conducted by FAIRR helps us in quantifying these risks as part of our investment process and, as members, we are able to support FAIRR in showing companies that investors do care about these issues and see an urgent need to address them.

SUSTAINABLE PROTEINS

FAIRR coordinate a number of engagement streams, focusing on a variety of environmental and social issues across the sector. In early 2022, we signed up to the next phase of FAIRR's engagement on Sustainable Proteins, which has been encouraging food retailers to diversify their sources of protein and is now in its sixth year. **As investors, we see an over-reliance on animal-based protein as a risk.** Alternative protein sources are derived from plants and are rapidly growing in popularity for a variety of reasons, notably the lower carbon footprint of a meat-free diet. We want to see our investee companies taking advantage of the opportunities presented in this space to not only drive growth but also as a means to reduce their environmental impact.

In the last twelve months, FAIRR and the coalition of investors continued to drive for progress, encouraging companies to build resilience in their protein value chains. The engagement has seen continued success in 2022, with 35% of the engagement companies committing to increasing the volume or sales of meat and/or dairy alternatives, up from 28% in the previous year.[1]

WORKING CONDITIONS

We also joined the second phase of a Working Conditions engagement. This engagement is targeting companies in the meat sector. **While this is an area we have very limited exposure in portfolios, it is a topic we feel is very worthy of support.** As part of this engagement, we have signed letters to seven companies, asking them to reassess aspects of their governance structure which would empower workers to reduce the health and safety risks inherent in the industry and address the structural labour risks prevalent in the sector.

During the year, all companies either submitted a formal written response to the letter, held meetings with investors, or responded to the final assessment from FAIRR. Only one company declined to meet with investors.

While the level of engagement from companies was encouraging, FAIRR's assessments following the engagement process demonstrated that there was much further work to be done by companies to show they are making progress on the topics raised. A few key areas where we would like to see further improvement are:

- greater substance to sick pay provisions
- increased disclosure about the breakdown between permanent, temporary and/or subcontracted employees
- reporting on the social risk in relation to climate mitigation and automation strategies

Written by
Amelia Overd

1. FAIRR, Climate Transition Proteins: Flavour of the Future, 2022

SHAREACTION'S HEALTHY MARKETS INITIATIVE

Summary: In collaboration with ShareAction's Healthy Markets Initiative, we have continued our engagement with Unilever relating to the nutrient profiling of their food and drink product portfolio.

ENGAGEMENT ESCALATION WITH UNILEVER

In our last Annual Stewardship Report, we wrote that we had embarked on an engagement with Unilever in collaboration with ShareAction's Healthy Markets Initiative. This collaborative engagement initiative unites investors and asset owners under the common goal of addressing the obesity crisis by encouraging companies to be more transparent about the nutritional value of the food products they produce and set targets to increase the amount of healthier options available to consumers.

Unilever are often regarded as sustainability leaders in many areas of their business activities, but we held concerns that they were less active, and ambitious, in considering their progress towards a healthier product portfolio. By some metrics, Unilever fared quite well – they ranked second on the 2018 Access to Nutrition Index of major global food and drink manufacturers having been judged to have a robust and comprehensive strategy covering most aspects of nutrition and health.[1]

However, while its nutrition policies may be market leading, the company's product portfolio and associated sales continue to be predominantly linked to its least healthy food and drink product categories. Within the same ATNI report, data showed that only 10% of Unilever's global food and drink sales derived from healthier products.[2] **Through increasing the proportion of healthy products in their portfolio, food and drink manufacturers have a significant opportunity both to improve the population's health and to future-proof their business.**[3]

"Through increasing the proportion of healthy products in their portfolio, food and drink manufacturers have a significant opportunity both to improve the population's health and to future-proof their business."[3]

1. https://accesstonutrition.org/index/global-index-2018/scorecards/unilever/
2. Ibid
3. ShareAction. A Healthy Investment: The Importance of Prioritising Health in the Food and Drink Manufacturing Sector. July 2020.

With this in mind, we began engaging with the company ahead of their 2021 AGM, submitting a question about their long-term plans to ensure an increase in healthier food sales to the Board of Directors for the AGM in collaboration with ShareAction, EQ Investors and Polden Puckham Charitable Foundation. While we did receive a response, outlining the company's Future Foods strategy, we felt we should continue our engagement to encourage Unilever to do more in terms of reporting and setting targets for the future.

This resulted in the co-filing of a resolution at the company's AGM for 2022. The resolution would have been put to a shareholder vote and required Unilever to increase disclosure about their sales of 'healthier' products,[4] as well as set targets for 2030 with annual progress reports.

During and following the process of filing the resolution, we continued our dialogue with Unilever. The company was keen to see an agreement before the AGM that would result in the withdrawal of the resolution and after many constructive conversations, we reached a commitment from the company that we deemed sufficient.

Unilever has agreed to publish annual assessments of the health profile of its products on a global basis, as well as for 16 major markets. It will now measure the sales of its products against government-endorsed Nutrient Profile Models as well as its own internal metrics in what will be a new benchmark for public reporting. It also agreed to set new targets for growing the proportion of its healthier products by October ahead of its 2023 AGM.[5]

Unilever also committed to continue engaging with stakeholders, including the members of the Healthy Markets Initiative, on this topic and subsequent engagements through the year have helped Unilever provide context for their plans going forward.

We have seen Unilever develop its Future Foods strategy and raise its targets for its nutritional portfolio by 10%, aiming for 85% of servings to meet Unilever's Science-based Nutrition Criteria (USNC) by 2028.[6] Their commitments have also expanded to their responsible marketing practices, with industry-leading principles prohibiting the targeting of children under 16 with any digital or social media communications relating to food and beverages.[7]

We believe that a transition towards increasing revenues from healthier products is essential for the company's long-term success as well as being a critical way in which Unilever can positively impact their consumer base. The commitments made by Unilever in 2022 represent a significant achievement in our engagement efforts with the company, and we will continue to work with the Healthy Markets Initiative to hold Unilever to these commitments.

Written by Amelia Overd

4. Classified as healthier in accordance with government-endorsed nutrient profiling models.
5. https://shareaction.org/news/unilever-shareholder-campaign-secures-industry-leading-transparency-on-nutrition
6. Nutritional targets to accelerate impact on public health | Unilever
7. Unilever announces new global principles for food marketing to children | Unilever

INVESTOR COALITION ON FOOD POLICY

Summary: In addition to our engagements with companies on healthy and sustainable food systems, we help that collaborative investor engagement with policy makers can illustrate the social and financial benefits of further legislation.

PROMOTING SUSTAINABLE AND HEALTHY FOOD SYSTEMS

In our last annual stewardship report, we wrote that we had become signatories to an open letter which called on the UK Government to take action based on the National Food Strategy's recommendations for creating a healthier and more sustainable food system.[1] Castlefield were part of a group of institutional investors representing £3.8 trillion of assets under management who supported mandatory reporting of sustainability and nutrition metrics and encouraged the UK Government to demonstrate clear leadership and ambition in this space.

At Castlefield, we believe that the food industry is one which has such a significant impact on public health and the environment that improvements should be led at policy level in order to ensure a holistic approach which will provide the widest benefit.

In September this year, in the wake of political turmoil and an unfavourable economic climate, indications were that the UK Government planned to scale back plans relating to the National Food Strategy. In response, the investor coalition released a statement expressing our disappointment that the government was considering rolling back its anti-obesity strategy, which would have included lifting the ban on the display of sugary products at checkouts and certain advertising and promotion restrictions.[2]

We believed that using the cost-of-living crisis as a rationale to push back these measures was disingenuous and short-sighted, ultimately disproportionately impacting the poorest in society. It is estimated that in 2022, the total cost of obesity in the UK is £58 billion, when accounting for the costs to the NHS, social care, lost productivity and welfare payments.[3]

"Well-designed regulation creates an essential enabling environment for businesses seeking to address this systemic risk and build long-term economic sustainability into their business models. It also creates a level playing field for companies, incentivising them to shift their product portfolios to healthier options, something which is difficult for companies to address in isolation."[4]

Outcome: Unfortunately, despite widespread criticism, the UK's most recent Prime Minister, Rishi Sunak, opted to delay the proposed legislative measures once again, this time until 2025. We will be working with the Investor Coalition on Food Policy in early 2023 to redefine engagement priorities and the investor group will continue to encourage the UK Government to take a leading position on the development of a healthier and more sustainable food system.

Written by
Amelia Overd

1. https://foodfoundation.org.uk/sites/default/files/2021-12/Call%20to%20UK%20Govt%20for%20mandatory%20reporting_Investor%20letter_FINAL.pdf
2. https://www.theguardian.com/politics/2022/sep/13/liz-truss-could-scrap-anti-obesity-strategy-in-drive-to-cut-red-tape
3. https://www.frontier-economics.com/uk/en/news-and-articles/articles/article-i9130-the-annual-social-cost-of-obesity-in-the-uk/#
4. Investor Coalition Statement, September 2022

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CASE STUDY: GOVERNANCE ENGAGEMENT WITH ECKOH

Summary: We had a productive engagement with the Chairman of Eckoh, a company held in our Castlefield Sustainable UK Smaller Companies Fund, ahead of their AGM on a number of governance issues including remuneration and board composition.

Eckoh is a global provider of secure payment products and customer contact solutions, supporting an international client base from its offices in the UK and US. The company specialises in supporting 'cardholder not present' transactions. It is held within our Castlefield Sustainable UK Smaller Companies Fund and earlier this year we engaged with them on several governance topics.

Prior to submitting any votes, we like to engage with management teams whenever our in-house voting policy conflicts with what management propose on the ballot. Stewardship topics are often not black and white, and engagement with management provides us with greater context regarding the resolutions in question, which in turn allows for more informed voting decisions.

When it came to voting at Eckoh's AGM, we were concerned with a few topics. Firstly, we noted that one of the executive directors had received a one-off payment outside the scope of the remuneration policy. In circumstances where a payment of this kind is made, we expect full transparency and justification for it. We also noted that there was not a designated senior independent director on the board. The senior independent director fills an important role on the board, typically being the main contact point for investors, particularly relating to governance matters. In addition to this, we noted that the CFO was operating in dual capacity as company secretary. Although not uncommon in smaller companies, in certain situations holding both these roles can result in a conflict of interest, therefore it is not best practice for someone to hold both positions. Finally, we were dissatisfied with the bundling of auditor re-election and auditor remuneration into one resolution on the ballot. This contravenes best practice because if an investor wished to show dissatisfaction against one of these, the only option would be to vote both down.

"Stewardship topics are often not black and white, and engagement with management provides us with greater context regarding the resolutions in question, which in turn allows for more informed voting decisions."

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We wrote to Eckoh's Chairman to express these concerns and explain our thinking. In doing so, as well as seeking further information, we hope to provide insight into investor sentiment and potentially influence future decision making.

The Chairman responded promptly, and we had a call to discuss these issues in depth. While we ultimately disagreed regarding the remuneration, as we did not believe the justification was strong enough for the one-off payment in question, it was pleasing to see that our comments were taken on board and well received. Regarding the other issues, the Chairman explained that whilst a Senior Independent Director was not identified on any official documentation, there was a director unofficially holding the post and that moving forward this will be made clear on ballots. In response to the potential conflicts surrounding an individual holding both executive and company secretary roles, the Chairman explained that they were currently considering bringing in another person on a part-time basis to cover some of the company secretary responsibilities and help with the overall workload. This was welcome insight. Lastly, it was helpful to see that our comments regarding the separation of auditor re-election and remuneration were acknowledged, and we were encouraged to hear that moving forwards, they would be separated on the ballot.

Overall, it was invaluable to be able to discuss such topics with representatives of company boards. Whilst, as is often the case when engaging, we didn't agree on everything, we were reassured to see that most of our concerns were addressed and comforted by the open conversation we were able to have with the Chairman. Such engagements are a vital part of our ongoing investment process and help build long-term and constructive relationships with companies on behalf of our investors.

Written by
Barney Timson

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CASE STUDY: BRITVIC

Summary: This case study on soft drinks producer Britvic details how they are embracing sustainability and addressing some of the challenges faced, while seeking to make their product range healthier for consumers.

Over the last few years, we have engaged with the management team at Britvic on several positive developments, mainly relating to its **Healthier People, Healthier Planet** initiative.[1]

Based in Hemel Hempstead, Britvic traces its roots back to the mid-19th century. These days, Britvic is the UK's largest supplier of branded still soft drinks and the number two supplier of branded carbonated soft drinks and it now has more than 35 household name drinks brands selling in over 100 countries.[2,3] We hold a position in Britvic within our CFP Castlefield Sustainable UK Opportunities Fund.

The Healthier People, Healthier Planet strategy is in keeping with our own involvement in Share Action's Healthy Markets Initiative, which seeks to improve access to affordable and healthy food and drinks. We have spoken to Britvic on this topic both individually and as part of the collaborative engagement initiative. **The company told us that they have set new health-related objectives to be achieved by 2025, including a target to have less than 30 calories per 250ml drinks serving across their entire range of brands.**

We are impressed at the way Britvic has embraced sustainability while providing consumers with a wide range of soft drinks. The main sustainability priorities for the company are plastic packaging and sugar reduction, with other areas such as water use, responsible supply chains and carbon reduction also part of their thinking.[4] In packaging, the aim is to move 'beyond plastic' and the company is trying to increase the recycled plastic (rPET) content in its bottles. To help make this happen, **Britvic provided £5m of investment support for the construction of new rPET manufacturing facilities at a plant in Yorkshire, to secure a long-term supply of UK-sourced recycled plastic.**[5]

Soft drinks producers have faced several challenges in the past few years. On top of macro factors such as the pandemic and the conflict in Ukraine, there was new legislation, such as the Soft Drinks Industry Levy, or 'Sugar Tax', which was introduced in 2018 and which led to the reformulation of many drinks, although most Britvic products were unaffected by the rules.

Britvic believe there will always be customers who prefer full sugar drinks, but they acknowledge that obesity is on this rise in the developed world and that excessive consumption of sugary drinks contributes to the problem. In October 2022, new HFSS (High Fat, Sugar, Salt) regulations came into effect. To ensure compliance with this new legislation, Britvic told us they have reformulated their core range of Rockstar Energy drinks.[6]

Overall, Britvic appear to be on the front foot in making their product range healthier and addressing other key sustainability challenges in the industry. Crucially for us, their plans are well resourced and ambitious, and we look forward to following the company's progress.

1. Sustainability | Britvic plc (LSE: BVIC)
2. https://www.beveragedaily.com/Article/2018/07/24/Britvic-fights-sugar-tax-and-CO2-challenges
3. https://www.britvic.com/about-us/who-we-are/our-history/
4. https://www.britvic.com/sustainability/our-approach-to-sustainability/materiality/
5. https://www.britvic.com/sustainability/our-approach-to-sustainability/materiality/
6. https://www.thegrocer.co.uk/soft-drinks/rockstar-energy-drink-core-range-reformulated-to-meet-hfss-regulations/664907.article

Written by
David Gorman

Principle 9 | 9

CASE STUDY: RENEWI'S HEALTH & SAFETY JOURNEY

Summary: Health & safety (H&S) was a key consideration before deciding to invest in waste management company Renewi. As part of our assessment, David Elton met with the senior members of the Renewi team to discuss the company's track record and positive initiatives on H&S.

We live in a throwaway society. From litter in the streets to useful materials ending up in landfill, we could all be less wasteful. Safely creating more of a circular economy is an important objective and Renewi is playing its part in this. Renewi is a waste-to-product business operating in Britain and the Benelux countries. The company collects, sorts and recycles waste materials arising from a broad range of enterprises including hospitals, factories, offices, shops and restaurants. In doing this, the company plays an essential role in creating new products from old, with the old being anything from mattresses and fridges to road surfaces.

The company has set targets to increase the volumes of waste it recycles, from 65% now to 75% by 2025.[1] To achieve this objective, they are investing in technology to deliver new waste treatment methods and expand the production of secondary raw materials, thereby reducing the amount of waste going to landfill or for incineration.

HEALTH & SAFETY

An assessment of Renewi's track record on health & safety (H&S) was a key consideration for us when deciding to invest. **H&S is exactly the type of risk which, at first glance, seems non-financial in nature but can soon become financial and detrimental to client capital through reputational damage, fines and convictions for H&S violations, if not managed properly.** When comparing to other industries we know, the sector is a complicated one from a H&S perspective. As well as looking at historical H&S data and comparing Renewi to its peers, there were matters we wanted to discuss with the company. We needed to be comfortable that the company takes the health & safety of its employees seriously.

We spoke to Adam Richford (Director of Investor Relations) and Jeanine Peppink-Van der Sterren (Group Safety, Health, Environment and Quality (SHEQ) Director). Jeanine joined Renewi in 2021 from the shipbuilding industry. The company has improved its H&S record but Jeanine was brought in to deliver further improvements. In discussing Renewi's H&S, our impression from Jeanine coming into the Group was also that the fundamentals were there but that there was still more to be done.

As well as touching on specific H&S data, we also discussed several positive initiatives employed by the Group. These include implementing an International Safety Rating System (ISRS) structure, which is a global system used to assess, improve and demonstrate the health of an organisation's business processes. Renewi have also introduced Safety Objectives as part of the Executive (and wider) bonus plans, which we sense to be quite progressive. At 15-20% of plans, a significant portion of remuneration is linked to objectives related to the likes of lost time injury (LTI) measures, training implementation, workplace inspections, and root cause analysis performance . Finally, Jeanine is a member of the Executive Committee, meaning that H&S influences decision-making at the very top of the organisation and again is testament to Renewi's commitment to H&S.

1. Renewi Sustainability Review 2022

Finally, a central part of Renewi's present strategy is focussed on cost saving and efficiency. Although cost awareness and control is a financial positive, this was also an area of concern for us regarding H&S. The risk being that cost savings come at the expense of H&S. We were assured by the team that this was not the case and they stressed that the programme was mostly focussed on the customer of experience and digitisation, so it shouldn't have any material impact on H&S outcomes.

CONCLUSION

H&S is always going to be a risk in the waste management industry. Renewi, however, realised they needed to do better with it and have taken actions to improve. Taking into account our view that H&S risk is being better managed now as well as several other positive factors, we proceeded with an investment for the Castlefield Sustainable UK Smaller Companies Fund. Although it looks as though actions on H&S are also starting to bear fruit, we will continue to engage and closely monitor progress. Reflecting the need to see further tangible improvement, the weighting of the initial investment within the fund was started at a below average size. Since we bought the shares, H&S performance has continued to improve (e.g. LTI frequency rates have come down) but, as ever, our appraisal and reappraisal of the risk and investment case is never done.

**Written by
David Elton**

CASE STUDY: EXPERIAN AND FINANCIAL INCLUSION

Summary: Financial inclusion is crucial to Experian's broader sustainability strategy. David Gorman outlines our engagement with Experian's senior management and some of the steps they have taken to help with their development towards a more accessible and inclusive financial services sector.

Access to money and the financial system is fundamental to full participation in society. Having no bank account costs someone £500 a year,[1] the so-called poverty premium. More than one million adults in the UK do not have a bank account and 22% of all adults in the UK have less than £100 in savings.[2] Not having a bank account makes doing the basics of life much more difficult; claiming benefits, securing somewhere to live, finding and keeping paid work, even obtaining things like a mobile phone contract is made much more challenging when you have no credit history. According to some estimates, there are around five million 'credit invisibles' in the UK.[3] This number includes people fleeing the conflict in Ukraine. These problems have been exacerbated recently by the rising cost of living.

The move towards a cashless society, convenient for so many of us, is unhelpful to those excluded from the banking system. The closure of bank branches and ATMs, the move to digital banking and the pandemic-induced shift to cashless payments, have all conspired to make things worse for the financially excluded as well as those who struggle with technology. Even the Bank of England is talking about a Digital Pound.[4]

We recognise the damaging effects of financial exclusion and this is why one of our positive investment themes is Financial Resilience, i.e. the ability to withstand life events that could adversely affect an individual's income and/or assets and consequently their wellbeing. The Financial Resilience theme includes companies which provide products and services to help with savings and financial independence.

Last September, we engaged with Experian, whose shares we own in our Castlefield Sustainable UK Opportunities Fund, on this theme. Management at Experian, one of the world's leading global information services company, talk about wanting a financially inclusive UK, where financial services are accessible, easy to use and meet people's needs over their lifetime. Improving financial lives is said to be at the heart of Experian's strategy and much of their consumer-facing content is free at the point of use. As part of our engagement with senior management, we asked them what steps they had taken to help extend financial inclusion across the markets in which they operate and they talked us through initiatives in four areas;[5]

1. Financial inclusion: increasing access to financial services
2. Financial education: improving financial literacy and confidence
3. Financial management: helping people manage their financial lives
4. Financial security: preventing fraud and identity theft

1. https://theinclusionfoundation.org/#about
2. Statistics from https://financialinclusioncommission.org.uk/
3. Experian plc - Meet the 5 million 'credit invisible' Brits still at risk of exclusion from the financial system
4. The digital pound | Bank of England
5. https://www.experianplc.com/media/4461/experian-sr22_final.pdf Slide 4

Experian are involved in projects around the world – the company launched its United for Financial Health programme alongside NGO partners in 2020 and is on track to meet its target of connecting with 100 million individuals globally by 2024, with the aim of using financial education to empower diverse communities.[6]

Here at home, the company supports campaigns by the National Literacy Trust and the National Numeracy Initiative to deliver financial literacy content.[7] Experian also trains debt advisers and we discussed the support the company offers to debt advice charities. The company has also worked to develop their processes around vulnerable customers, working with vulnerability experts, charities and other partners to create the first 'vulnerability taxonomy', which focuses on a 'tell me once' premise, meaning that customers can share their support needs with multiple organisations in a transparent, standardised, and consented way.

We were impressed to hear how crucial financial inclusion is to Experian's wider sustainability strategy and the wide range of innovative ways the company has sought to develop its impact in this area.

Written by
David Gorman

6. Experian plc - United for Financial Health
7. https://www.experianplc.com/media/4461/experian-sr22_final.pdf Slide 15

SITE VISITS

Summary: Visiting a company at their premises helps to improve our understanding of a business and provides the opportunity to engage with management teams. Many appointments were thwarted during the pandemic, but here is a summary of some of our recent site visits.

Pandemic restrictions meant we were unable to travel very much during 2020 and 2021, so we were very pleased to hit the road again in 2022 to visit some of our investee companies. We like to get out and about to meet the senior management of the companies whose shares we own or are seriously considering buying. More importantly, we get to hear from operational management and the employees who actually do the work. This gives us a greater understanding of the processes and culture of the organisation and insight into how board members and other senior executives interact with rank-and-file. We can stare at spreadsheets and websites all day but nothing replaces being able to touch and feel the organisation on a site visit. From a Stewardship perspective, these visits offer informal engagement that cannot be easily replicated in another form.

Members of the Castlefield investment management team took part in twelve site visits last year; ten were to companies in which we have or were considering an equity shareholding while the other two were to issuers of Retail Charity Bonds. Some of the visits were especially valuable as they were to companies we first invested in during lockdowns and whose management teams we had not met in person, due to Covid restrictions.

One example of this was The Alnwick Garden Trust, a charity and popular visitor attraction in Northumberland. The Trust incorporates a trading subsidiary which operates paid admissions and tours of the garden, outdoor events and food/retail outlets. These activities support the wider charitable objectives of the Garden Trust which focus on social outreach and support of isolated or underprivileged communities within the North East. We first invested in the Trust's Retail Charity Bond in 2020 but were only able to visit the Garden in May 2022, to check on the progress of the Lilidorei Play Village, a themed all-weather attraction for children funded by proceeds from the Bond.

Alnwick Garden - Rose Garden

Last October, I travelled to Tadcaster to visit a site operated by MPac Group. MPac was another "lockdown investment" for us, as we first bought the shares in 2021. The company makes capital equipment for the manufacturing and packaging industries for customers operating in the sectors of Healthcare, Pharmaceuticals and Food & Beverages. During a tour of the facility and over lunch, I gained an understanding of the business that you can't get from a spreadsheet, such as how senior management interact with each other and with the shopfloor.

We are not naïve enough to think that companies who host site visits will not have tidied up a little and will be on their best behaviour, plus we realise that management teams who want to host investors do not usually have bad news to report; nevertheless, site visits are a fantastic opportunity to engage with management on their home ground to improve our understanding of a business and the visits rarely disappoint. We hope to do more this year.

Written by
David Gorman

David Gorman visiting MPac's Tadcaster site.

CASE STUDY: TELEPERFORMANCE

Summary: Sustainability criteria can significantly influence the valuation of a company. With Teleperformance we have an example of how this played out following an allegation on social media by a Colombian politician about conditions at one of their businesses.

Sustainable investing has come a long way from the end of the 20th century. If we look at the last two decades, the first was given a focus on the environmental element of ESG. Huge quantities of capital were spent on developing renewable technologies to power our increasingly digital life. The subsequent phase showed a different angle of the ESG prism with a focus on corporate governance. This decade sees a post-pandemic eagle eye on the remaining letter of the triptych. Social performance can be described as the employer's attitude and culture towards its most important resource, its people. A massive industry has been created to assess social performance, which can make or break a business in a way that many haven't considered.

Sustainability criteria can be powerful drivers of a company's valuation and we have seen an example of how this plays out in one of the largest holdings in the European Fund. Founded in 1978 by Daniel Julien, who still runs the French-listed business, Teleperformance is the global leader in customer experience management.[1] In short, this means a global network of call centres providing corporate clients with crucial customer engagement information. **Teleperformance is involved in around 91 countries worldwide, has activities in over 300 languages and employs over 410,000 people across its footprint of 170 markets.**[2] It is a job which is often not a career choice but can be seen as a stepping stone onto other professions, or to help fund studies or the increasing cost of living. Staff turnover in the industry is high and no one pretends it is an easy job to navigate an often-angry customer who is frustrated about their experience with any one of Teleperformance's thousands of clients.

Teleperformance's success has come at a price. Its rapid expansion and growth have attracted the attention of unions due to the global increase of its workforce. To be fair to Teleperformance, unionisation is prevalent in 40% of the company's countries across the globe, but until recently there has been no global framework agreement with unions, which is what union leaders have pressed hard for. We have followed and closely scrutinised previous enquiries and complaints levied at Teleperformance over the past few years, highlighting the working conditions of Teleperformance staff. The latest came in the form of a tweet from Colombia's Economy Minister, an ex-union leader, contesting the working conditions of a fast-growing business in Teleperformance's portfolio, that of content moderation on social media platforms. This sudden and unofficial attack on the company – Teleperformance had had no official line of enquiry - spooked investors who marked down the company share price by around 40% in one day and raised concerns about the support for employees whose roles required them to view extreme content.

The allegations were serious and are vigorously disputed by Teleperformance. Nevertheless, **the situation has forced the company to respond in a way that can help it to evolve its processes to improve the S of ESG substantially. Teleperformance's response has been measured, fulsome and presented in a way that proves the firm is curious about how to improve this area**. Previous claims by union organisations elsewhere have been found to be wholly unsubstantiated, but there is some naked truth to the fact that union pressure has been very successful in highlighting their purpose of increased penetration in collective bargaining.

1. https://www.teleperformance.com/en-us/about/who-we-are/
2. https://www.teleperformance.com/en-us/investors/investors-homepage/

> "The situation has forced the company to respond in a way that can help it to evolve its processes to improve the S of ESG substantially."

We watched the news break with real concern, but are comforted by the way that Teleperformance responded to the crisis. The company immediately provided opportunities for investor questions to be answered, listened to feedback coming from shareholders and has done two key things to quell the storm.

Firstly, the company was at pains to explain how it safeguards the employees who are involved in content moderation, providing longer breaks and access to professional counsellors. Teleperformance is now going to exit the more challenging area of content moderation, which will dispel concerns over the wellbeing of moderators who potentially are exposed to egregious content. While we are supportive of this move, we would urge the social media platforms themselves to provide transparency on the issue in order to protect the wellbeing of moderators, as while Teleperformance may no longer intend to provide the service, another company will be and the risk to those employed in the area remains. It is crucial that the platforms themselves work to improve technological solutions to protect not only the end users but also those working in content moderation.

Secondly, senior management are now in open dialogue with UniGlobal, a global federation of unions with affiliates in 150 countries to come to an agreement. This open dialogue and corporate curiosity is a step forward by Daniel Julien which we feel proves serious intent, and we look forward to seeing the developments over the next few months.

We often sell on the back of this sort of corporate crisis, but Teleperformance's response has been swift and open. It was Churchill who told us never to let a crisis go to waste. Daniel Julien, a man whose vision has empowered and employed over 400,000 people with his purpose, unsurprisingly opts for a European epithet from Friedrich Nietzsche in his latest letter to shareholders: "We are also very resilient, knowing that whatever does not kill us, makes us stronger".

Written by
Rory Hammerson

Principle 9

INVESTOR CONSULTATIONS

Summary: As investors, communication with our investee companies works both ways and we are happy to provide feedback to management teams seeking stakeholder views. Here we outline a couple of examples from 2022.

While the majority of the engagement activity we undertake involves us asking questions of the companies we invest in, occasionally we have companies coming to us for our opinions on ESG topics. Generally, this will take place when companies are planning a change to key governance structures or policies, such as remuneration policies, and are looking to gain the support of their investor base ahead of their subsequent AGM voting. As engaged investors, we are pleased to be included in these discussions and believe that it shows companies appreciate our feedback and recognise our experience in sustainable investing, even though we tend to be much lower down the shareholder register than many other investment houses.

CALNEX SOLUTIONS

Remuneration policies can be very complex and sometimes contentious so consulting with shareholders ahead of the AGM provides companies with the opportunity to respond to questions, explain their rationale and potentially make changes. We were pleased to be included in Calnex Solutions' consultation on their proposed long-term incentive plan. The plan would allow the company to award shares to management based on performance targets over a period of three years, which would then vest over a further two year period. These types of incentives are common in listed businesses and are intended to align management with the long-term goals of the business, rather than focusing on short-term targets. We asked the company questions about the overall levels of the award and were satisfied that the company's proposal is relatively restrained. We also discussed the potential to incorporate ESG targets in future awards, as well as how the amendments to the remuneration policy for executives were considered against the remuneration of the wider workforce in the context of the cost of living crisis.

Investor consultations on ESG strategy and reporting are gradually becoming more commonplace. Companies are increasingly becoming conscious of pressure from stakeholders to formulate clear environmental and social targets and to increase the level of transparency on ESG performance within their existing reporting. By engaging before finalising these plans, companies can incorporate feedback into their strategy going forward to ensure they are meeting the expectations of their shareholder base.

BLANCCO TECHNOLOGY GROUP

Since we initiated a position in Blancco Technology Group, we have been in regular dialogue with the management team about their sustainability aims. One area they were seeking to improve was their reporting on ESG topics and, after seeking investor feedback, the company published its inaugural ESG Report in 2020. We were pleased to see that this was simply the first step for Blancco and that the company has continued to seek stakeholder views on their sustainability progress and this year, we took part in a further round of consultation about the developments the company has made in its reporting.

Written by Amelia Overd

"Sustainable supply chains, healthy eating, staff welfare and net zero are all topics where we at Castlefield typically will engage with companies operating in this sector."

Rory Hammerson

Partner, Investment Management

CARREFOUR: ENGAGING ON CLIMATE CHANGE AND DEFORESTATION

Summary: Rory Hammerson covers our engagement with European supermarket chain Carrefour on their climate objectives announced in 2020 and the fund they established to support Brazilian deforestation projects.

Supermarkets are an interesting area for engagement as they are exposed to so many issues. Sustainable supply chains, healthy eating, staff welfare and net zero are all topics where we at Castlefield typically will engage with companies operating in this sector.

Carrefour was bought for the Castlefield Sustainable European Fund in 2019. New management under Alexander Bompard provided an interesting angle to the investment case as the new boss made radical changes to the format offering in France, restructuring the hypermarket format. We have engaged with Carrefour on a number of issues, not least on climate change where the company has a clear strategy. The company announced a new set of climate objectives, approved by the Science Based Targets initiative (SBTi) at its 2020 AGM, and set a 2040 carbon neutral target the following year. We have followed up with the company to encourage them to be as ambitious as possible. We feel that the target to reach carbon neutrality by 2040 is good, but we would be impressed if there was room to accelerate this goal. In terms of scope one and scope two, carbon emissions will fall by 50% by 2030 and 70% by 2040 to meet the 1.5°C target. In terms of scope three, offsets will be used to neutralise carbon by 2040.[1]

Another area of polemic discussion has been deforestation in Brazil. Carrefour has a leading position in food distribution in Brazil and therefore can be influential in the good governance of supply chains. Under the previous government, deforestation for agricultural purposes has increased at a worrying rate. Carrefour is in a position to make commercial decisions which can improve the situation by switching away from suppliers who are responsible for significant deforestation, such as big meat producers and soy traders.

In practice, this is a long term project and Carrefour are aware of the issue and have set ambitious targets to reduce deforestation in their meat business.[2] In 2016, the company introduced a geo monitoring tool that has expanded in area coverage; Carrefour sourced maps from the government and NGOs to see areas of deforestation or special areas like the Cerrado (a vast area of tropical savannah in eastern Brazil) with which researchers cross maps with farm sites that supply Carrefour. At first, references were made for fresh meat but now processed meat factories are being logged. In reality these developments are long and arduous to implement. Brazilian law is byzantine and it takes a long and tough battle to win small victories. For instance, there is a soft law on a soy moratorium but enforcing these laws is piecemeal. Carrefour have set up a fund which will reach $10m by 2026 to support anti deforestation projects on the ground but the reality is that government support is needed to bolster the effort.

There needs to be a concerted campaign across the entire food retail sector in Brazil to have a meaningful impact, and Carrefour in our opinion is making steps in the right direction. NGO Mighty Earth make a good point that Carrefour needs to accelerate its effort to combat deforestation in all its forms and pressure from similar organisations will help to hold the company to account. The bald truth is that these quests are a long and arduous journey and through our engagements with Carrefour on the ground, we are convinced that the business is on the right track. Continuous improvement is what we look for, and although we might ask for an acceleration in achieving their targets, the French giant is taking the right steps in the right direction.

Written by
Rory Hammerson

1. engagement_neutralite_carbonne_2040 | Carrefour Group
2. Carrefour Forest Committee | Carrefour Group

Principle 9 | 9

CASE STUDY: K3 CAPITAL GROUP

Summary: Our engagement with K3 Capital demonstrates the value of maintaining a close working relationship with management teams – especially when the firm is subject to a takeover bid.

Held in both our Castlefield Sustainable UK Opportunities Fund and UK Smaller Companies Fund, K3 Capital Group is an AIM-listed business that provides a number of complementary multi-disciplinary professional services to SME's including tax planning & advice, corporate restructuring, and business sales.

Floated in 2017, we first became aware of outside interest in the firm following an announcement made to shareholders in early December 2022. Following the announcement, we approached management to understand their rationale for entering a dialogue with potential acquirors. Having held K3 since IPO, and having regularly met management for engagement opportunities around results or ESG themes, we had built a solid working relationship with the team. We were therefore in a good position to have a frank discussion to understand the context around the approach and why the team might be giving any potential offer consideration, when we viewed the company to have a long runway for success ahead of them.

Subsequent to that engagement, a formal bid was made and put to a shareholder vote. We took the decision not to support the bid and voted against the resolution. Ultimately, while the offer resulted in a return to investors since IPO of over 3.5x their initial investment, we viewed the company to be in a stronger position, and with a broader range of attractive services since the float. This is to the credit of the management team, and we felt that the offer undervalued these prospects. The fact that we could schedule a meeting with the management team at relatively short notice to hold an open conversation with them was constructive in solidifying our view that the prospects of the Group remained bright and that we differed only on the near-term price offered. The investment remains a good example of our bias towards high-quality companies with engaged and incentivised management teams, which is indicative of the other names we hold across our fund range.

Written by
Barney Timson

ENGAGEMENT WITH EXTERNAL FUND MANAGERS

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

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

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

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

"We believe a holistic approach to sustainability, when combined with detailed performance analysis, allows us to select funds and management teams aligned with our responsible investment philosophy."

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

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

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

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

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

Written by
Amelia Overd & Barney Timson

DIVESTMENT OF PENNON

Summary: As active stewards, we sometimes need to divest away from companies despite extensive engagement efforts. Here, we explain the ESG risk and rationale behind the divestment of our Pennon holding.

Castlefield first invested in Pennon, a FTSE 250 listed company providing water and wastewater services to an overall population of around 3.5 million across the Great South West, in 2009. Pennon's water and sewerage companies include South West Water serving a population of close to 1.8 million, Bournemouth Water, acquired in 2015 and serving 0.5m customers and Bristol Water,[1] acquired most recently in 2021 with 1.2m customers.[2]

We had been following emerging news which emphasised the poor environmental performance of water companies, particularly following the results of the 2021 Environmental Performance Assessment (EPA) that uncovered the poorest performance of England's nine water and sewerage companies in years. The EPA assesses water companies across six metrics, before scoring each company between 1 and 4 stars, with a 4-star rating indicating industry leading performance. **Pollution across the sector hit the highest level since 2013, with 62 serious pollution incidents on record.**[3]

Last year, Ofwat, the regulatory body for the water and sewerage industry, launched an investigation into water suppliers across England and Wales amid concerns that companies may not be treating as much sewage as necessary at their wastewater treatment works.[4] South West Water has since been included in the investigation amid concerns over environmental performance, sewage spills from storm overflows, and suggestions of a failure to comply with legal obligations.[5] After failing to improve upon a 2-star rating in the EPA through 2015-20, South West Water were given a 1-star rating in the 2021 EPA, lagging behind sector peers.[6] When we asked the company about the rating, Pennon explained that although a 1-star rating is indeed unacceptable, this downgrade reflected increasing regulatory thresholds, rather than a further deterioration in performance. They supported this by explaining that the performance of industry peers had also fallen in the 2021 EPA. Pennon continue to target reductions in pollution incidents, hoping to receive no 'reds' (performing significantly below target) across the metrics assessed in the EPA, as well as the ambition to reach a 4-star EPA rating.

Unfortunately, we remained uncomfortable with the persistent underperformance of South West Water and the failure, to date, to implement sufficient remediation to address this. We also felt that Pennon's proposed remedial action lacked sufficient ambition, rigour and investment. After consideration of the ESG risk factors and the results of our engagement with the company, Castlefield further escalated the engagement and divested from Pennon on behalf of clients in August.

Written by
Eleanor Walley

1. Acquisition of Bournemouth Water from Sembcorp. Pennon Plc, 2015.
2. Pennon Annual Report, 2022.
3. Water and sewerage companies in England: environmental performance report 2021 - GOV.UK (www.gov.uk)
4. Investigation into sewage treatment works - Ofwat
5. South West Water are the latest company targeted in Ofwat investigation. Ofwat, 2022.
6. Water and sewerage companies in England: environmental performance summary graphic 2021 (publishing.service.gov.uk)

DIVESTMENT: ORPEA

Summary: Clear and open communication with leadership teams is key when companies are faced with damning allegations in the press. Rory explains our divestment away from European care specialist Orpea.

We were faced with a difficult decision about one of the companies held in our Castlefield Sustainable European Fund early this year. As described on the company website, Orpea is a world leader in global dependency, long and medium-term physical and psychiatric care. This includes long-term care facilities (nursing homes), post-acute and rehabilitation clinics, psychiatric care clinics and home care. Orpea's primary objective has always been quality of care and its mission is to care for and support dependent people who have chosen to live in the Group's facilities by respecting their comfort, dignity, individuality and autonomy. Continually improving the quality of care to ensure the wellbeing of residents and patients is at the very heart of Orpea's strategy.

Until January this year, Orpea was renowned as a beacon of discipline in the European healthcare space. Care of the elderly in France is as difficult as anywhere else, but the revelation that politics have become enmeshed in business have morphed from a story about operational failings to something far more concerning. An article in France's most trusted newspaper **Le Monde** revealed that investigative journalist Victor Castanet had spent years writing a book exposing some of the practices of the Group which had remained hidden from the view of investors and the wider public.[1] Speaking with 250 contacts including families and staff, he tells of a level of care that is horrifying. The book is called Les Fossoyeurs (The Gravediggers) and like its title, this story is far from pleasant. There is also a political angle which possibly pointed to an explanation as to the timing of the revelation. Xavier Bertrand (Minister of Health under Nicolas Sarkozy) was linked to Orpea over the approval of 'friendly' buildings permits. His political ambitions for the French presidency tumbled in tatters having lost the primaries to another right-wing candidate last year.

> "Before taking what might have been a knee jerk reaction, we wanted to hear what the company had to say."

Our immediate reaction was to sell as the investment case, predicated on quality care in a difficult industry, was clearly in question. Before taking what might have been a knee jerk reaction, we wanted to hear what the company had to say. We contacted the company but no reply came with an agreement to meet. Public statements refuted the 'violent' accusations and made the usual denials. These were later tempered, with a statement that Orpea does not condone this sort of conduct, requesting two independent assessments of the allegations. Although a positive sign, our attempts to speak with the company came to nothing. As a small shareholder on the register, we then decided to speak to a larger investor with whom we collaborate on various issues. They too had been unable to speak with the company. When news like this hits the wires and the company doesn't want to explain itself, we were left feeling that not only was the investment case in mortal danger, but that any potential lifeline was not forthcoming. We sold the stock from the portfolio.

Written by
Rory Hammerson

Principle 7 | 7

Principle 9 | 9

1. https://en.wikipedia.org/wiki/Le_Monde#cite_note-4

RESEARCH : WILMINGTON

Summary: Fund manager David Elton introduces new holding Wilmington and outlines discussions with its management team about how the company is managing its rapid digitisation programme and evolving culture.

Positive Investment Theme: Education

NEW HOLDING: WILMINGTON

Constituent of the Castlefield Sustainable UK Smaller Companies Fund

During the year, we initiated a position within our Castlefield Sustainable UK Smaller Companies Fund in Wilmington, a global leader in the provision of data & information and training & education. Fitting into our Education positive investment theme, its services are focused on governance, risk, and compliance (GRC) markets, and its client sectors include the likes of healthcare and financial services.

After years of acquisition and evolution, the company has a new management team in place, has refreshed its structure, and has embarked on a new strategy. Part of this has included an accelerated digitisation programme which was a catalyst for change both internally and externally. When an organisation is pivoting like this it can lead to challenges, whether that be higher than average levels of employee attrition and/or negative feedback as company culture could be put under pressure. We wanted to speak with the company to see how they were managing this period of transition and maintaining a strong corporate culture. While culture can be seen as something of an intangible, it has a significant impact on business productivity and employee wellbeing, and a strong, inclusive culture is something we want to see all our investee companies build within their organisations. In addition, we also wanted to better understand the company's gender pay gap, which we had some concerns about. Therefore, we contacted the company and arranged a call to discuss these topics and gain additional context that might not be apparent in annual reports and policy documents.

As part of this, we spoke with the CEO and Chief People Officer of Wilmington. It was a positive engagement with the key takeaway being that, although there was still much to do, the team were doing a lot on both fronts. For example, the company have utilised company-wide employee surveys, where they see good levels of participation, to create actionable engagement areas. In addition, signs of encouragement for us on gender pay gap were that they had in place initiatives to remove potential biases when recruiting and actively broadening out the talent candidate pool, as well as signing up to various pledges on the D&I front. Although our engagement with companies is never complete, and these will remain specific topics to monitor and continue to engage on, we felt the company were taking the matters in question seriously and we were suitably reassured.

Written by David Elton

Principle 7 7 | Principle 9 9

NEW HOLDING: HARMONY ENERGY INCOME TRUST

Summary: Mark Elliott provides an introduction to Harmony Energy Income Trust and our engagement with the company on the sustainability and 'C-share' funding of its latest round of development projects.

We invested in Harmony Energy Income Trust with our multi-asset Castlefield Real Return Fund at the time of Harmony's initial admission to the market in late 2021.

We found that their strategy of developing a portfolio of UK-based grid-scale energy storage sites had some overlap with other investments that we held, or were already familiar with. However, we found Harmony to be compelling as they were focusing exclusively on larger, two-hour duration Battery Energy Storage Systems (BESS). These units are in effect oversized lithium-ion batteries similar to the technology that powers our mobile phones, laptops or maybe even cars. They are increasingly required as we transition the nation's electricity-generating infrastructure to the renewable, carbon-free technology of windfarms or solar panels. These types of technologies cannot be turned on and off to meet known demand patterns in the same way that traditional power stations can. When the sun shines and the wind blows, we need to be able to harvest the excess electricity that is generated so that it can be discharged back into the grid when demand exceeds supply. Large, grid-scale BESS projects are the proven way to do this, with lithium-ion units the current technology of choice and similar technologies being developed.

Harmony delivered on the commitments at the time of their initial listing and has now developed and powered its first such site, Pillswood, a 98MW project near Hull. The site can power 300,000 homes for the 2 hour duration of its BESS units. Following the development plan that Harmony communicated to investors when they first listed, the management team commenced discussions in late 2022 about funding the next round of projects. We spoke with the team to understand more about the scope of these projects, the costs of further development, and how that might be achieved through either a mix of debt or equity funding from new or existing investors. The proposal from the company was for them to pursue a 'C-share' listing. This is a well-trodden path for UK-listed investment funds, especially those invested in property, infrastructure or other similar strategies that involve the development or ownership of real assets in the ground. The C-share route allows for a new share class to be created and issued to investors which then has its own listing and share price distinct from the main, or 'ordinary', share class. This is a benefit to investors in the existing Ordinary share-class who avoid the potential acquisition or development risk from projects being funded by the C-shares. Once the cash raised from the C-Shares has been deployed by the management team, the shares convert into ordinary shares meaning there is a single share-class once again.

We met with the management team with a specific area of focus for us being the sustainability credentials of the new proposed projects, and the time required to enable them to connect to the grid and become useful to households. A well-publicised issue related to modernising the electricity grid is that there are limited slots when new BESS sites can be connected to the grid, typically involving high-voltage transformers. Next available slots now extend out into the next decade, and a key differentiator of Harmony's pipeline was that they had secured projects with near-term grid connectivity in place. We committed to participate on the new C-share raise, which was successfully closed against the turbulent backdrop of the mini budget. The funds raised were used to secure the new sites under option, allowing for further debt funding to also be raised as well and the C-shares have now converted to new Ordinary shares. As the new sites approach development towards their expected grid connection dates during 2024, we expect further funding opportunities to arise and look forward to engaging with the Harmony team again.

Written by
Mark Elliott

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"Through ongoing conversations, and as part of a wider ecosystem of consumers, NGOs, government all reiterating the same messages, we can gradually steer companies towards more sustainable business practices."

Ita McMahon

Partner, Investment Management

A WORD ON IMPACT

Summary: We're committed to demonstrating the impact of our engagements but that doesn't mean we focus on easy-to-action requests when we're engaging with companies.

Dialogue with companies on ESG issues forms a central plank of our stewardship programme. Last year we carried out over 70 substantive engagements, talking to firms about topics ranging from healthy product portfolios to net zero transition planning.

We often get asked what difference our engagement work makes. It's a fair question.

The answer is that it varies. Sometimes management is receptive; other times not. With smaller companies in particular, we're often the first investor to ask management about a particular ESG issue. In an ideal world, companies would take immediate action on all the points we raise. Unfortunately, that's not always the case. It takes time for a busy management team to take issues onboard and to take action. But **through ongoing conversations, and as part of a wider ecosystem of consumers, NGOs, government all reiterating the same messages, we can gradually steer companies towards more sustainable business practices**.

It is clear to us, as an investment firm with many years of engagement experience, that environmental and social change happens within a company when a tipping point is reached, i.e. when companies are asked repeatedly, by many different stakeholders (and especially the ones with financial influence – i.e. investors) to take action on a specific issue. It can be hard to pinpoint the role that one individual actor has played in forcing change to happen.

But **in recent years, we've seen more pressure on investors to demonstrate the outcomes of their engagement activity**. The 2020 Stewardship Code emphasises this; so too does the recent FCA consultation on fund labelling. We are supportive of this in principle, and have been improving our outcome tracking, but we suspect there may be unintended consequences. For example, investors may stop asking hard questions ("What are you doing to prevent labour abuses in your supply chain?") in favour of easy requests ("Please can you provide more health and safety data in your annual report?"). The latter will elicit a speedy and positive response, and the investor can proudly claim that their engagement has been successful. But the former is a much more important question to ask and a far harder problem to address. And, of course, it won't boost an investor's outcome stats.

"In recent years, we've seen more pressure on investors to demonstrate the outcomes of their engagement activity"

Without a doubt, we've had some good engagement outcomes this year:

- A firm in our Sustainable UK Smaller Companies Fund is finally **addressing some board independence issues**, after our fund manager raised the matter repeatedly with the management team and the company's broker.
- Working in coalition with ShareAction and other partners, we've managed to get Unilever to **publish annual health assessments of its products** and measure product sales against government-endorsed Nutrient Profile Models (see page 59 for more information).
- We've also managed to get **nine additional companies** to participate, or increase their participation, in the **Carbon Disclosure Project**. Providing information to the CDP is a significant and time-consuming commitment: seven of these companies have submitted extensive carbon data, one has detailed its water impact and one has provided data on its forestry impacts.

Engagement has also been instrumental in informing our investment decision-making when controversy has hit our investee companies. With Pennon, for example, we decided to divest after a disappointing response from management on the company's plans to improve its poor environmental performance record. With Teleperformance, investor group calls and individual engagement gave us sufficient reassurance to continue to hold the stock, despite press reports of poor working conditions and an investigation by the Columbian Ministry of Labour.

But this year, **we've not shied away from asking the tough questions that we know companies have no neat solution for**. We've asked Carrefour about its beef sourcing and the impact on the Brazilian rainforest. We've questioned Logitech on why the gaming headsets it designs for women are pink and more expensive than their male equivalents. These engagements won't help our outcome figures but they are the kind of difficult questions that we know clients would want us to ask, so we'll keep on asking them.

Written by
Ita McMahon

Principle 7 7

SUSTAINABLE DISCLOSURE REQUIREMENTS

Summary: We're broadly supportive of measures proposed by the FCA, following its consultation on a sustainable labelling scheme for investment funds. Ita McMahon summarises Castlefield's response and key thoughts to the FCA's consultation.

CASTLEFIELD'S VIEW ON THE FCA'S PROPOSED LABELLING SCHEME FOR SUSTAINABLE FUNDS

The sustainable investment industry has grown significantly in recent years and a large number of new sustainable funds have been launched. The Financial Conduct Authority (FCA) has become concerned with the number of funds that are marketed as sustainable but that "often contain claims that do not bear scrutiny."

To clampdown on greenwashing, the FCA launched a consultation in late 2022 on a sustainable labelling scheme, whereby fund managers would need to adhere to high standards in order to use one of three sustainability labels.

We're broadly supportive of the measures outlined in the consultation. Indeed, our view is that they would bring rigour to the industry. In the interests of transparency, we've made our full response publicly available online, and we summarise our key thoughts below:

- We're particularly supportive of the "unexpected investments" proposal which would require fund managers to make public any holdings that a client might find surprising in a sustainable fund;
- We endorse the proposed clamp down on using the word "sustainable" when marketing funds that sit outside the labelling scheme;
- We'd welcome more specific guidance from the FCA on the types of funds that would sit in each category and we encourage the FCA to consider the challenges that investors will face in obtaining and aggregating sustainability metrics;
- Although we think the scheme is feasible for equity funds, more consideration is needed to ensure it can work for non-equity products too;
- As part of the proposed reporting regime, we'd like to see firms disclose the proportion of their AUM that sits within labelled sustainable funds. This would provide an important 'sign-post' for investors who would prefer to have their money managed by firms who devote a high proportion of their time and resources to investing sustainably.

Written by
Ita McMahon

VOTING

VOTING AT CASTLEFIELD

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

VOTING CATEGORIES

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

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

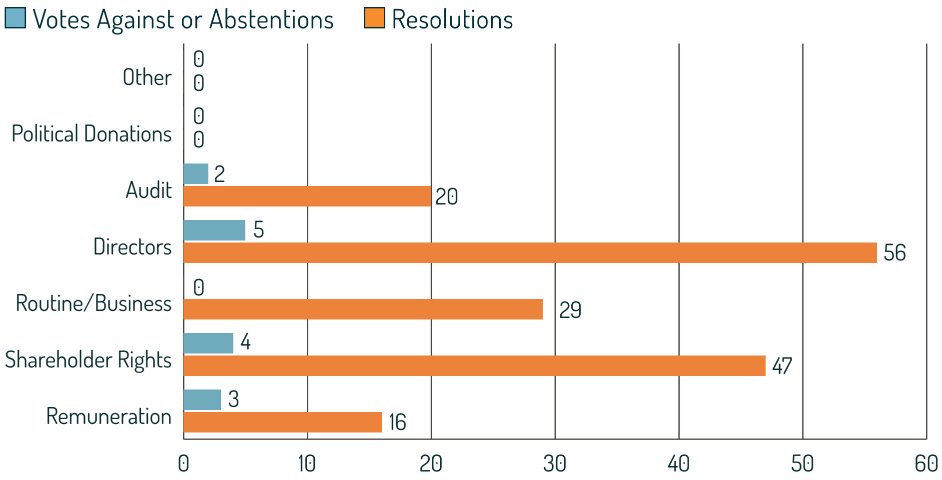
Q4 VOTING

During the quarter, we voted at 17 meetings hosted by our investee companies, with a total of 168 resolutions.

Resolutions

Number of resolutions where votes were cast For	154	91.7%
Number of resolutions where votes were cast Against	9	5.4%
Number of resolutions where votes were Abstained	5	3.0%

Resolutions during the quarter by category and how frequently we voted against or abstained:



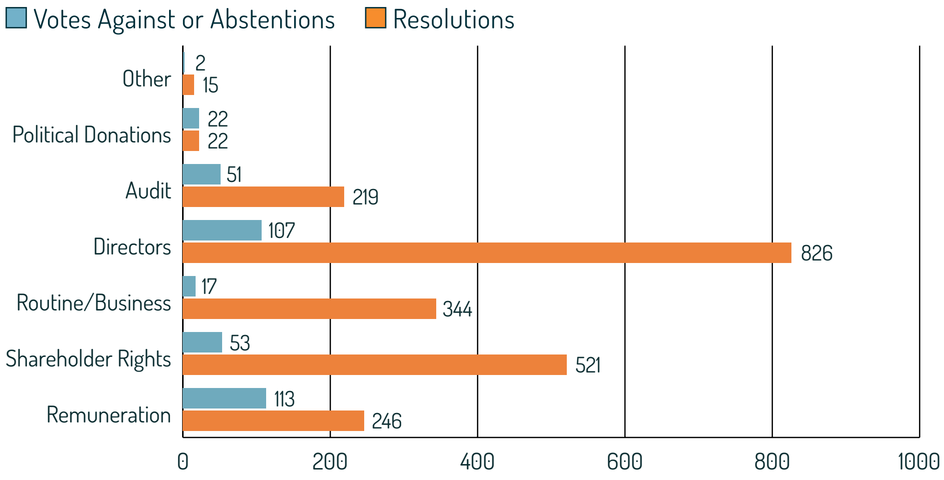
ANNUAL VOTING

During 2022, we voted at 158 meetings hosted by our investee companies, with a total of 2,193 resolutions.

Resolutions

Number of resolutions where votes were cast For	1,828	83%
Number of resolutions where votes were cast Against	328	15%
Number of resolutions where votes were Abstained	37	2%

Resolutions during the Year by category and how frequently we voted against or abstained:



SPOTLIGHT: VOTING EXPECTATIONS 2023

The first point of note relating to our expectations regarding our voting activity for 2023 is that due to the merger of two of our UK equity fund strategies, the number of meetings and resolutions we anticipate voting on will be fewer due to the reduction of companies we are invested in. With the vast majority of companies putting voting ballots to shareholders in the first half of the year, and with proxy season typically running from April through July, we'd expect most of this impact to be seen in these months.

The second point of note is that we expect to see an increase in investor expectations around the accountability of a company's Board of Directors relating to addressing the climate crisis and reducing company emissions. Both major proxy advisors (companies who provide research and suggest voting action to investors) have updated their policies to include updated guidance on their expectations about how the Board should provide oversight for environmental issues and minimum standards for disclosure.

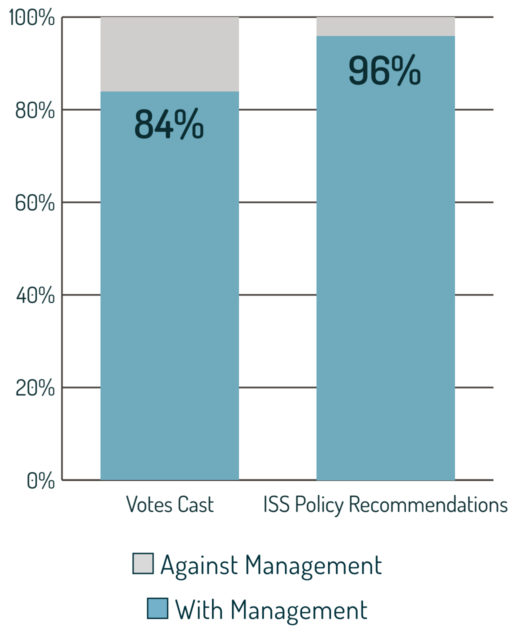
At Castlefield, our voting policy contains a provision regarding a company's disclosure on climate risk, and we may choose to vote against either the annual report and accounts or the audit committee chairperson (or in extreme cases we could vote against both) for those businesses which do not make a thorough assessment of the potential climate change risks facing their operations and which do not report on emissions levels.

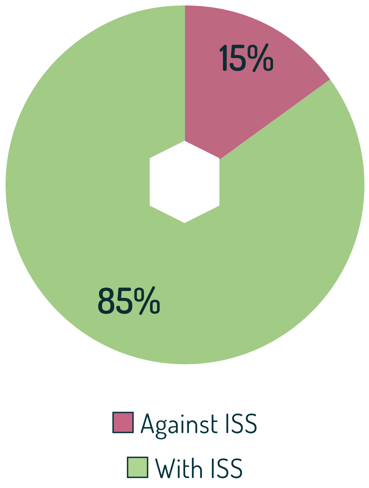
!

Our full voting history for 2022 and our Corporate Governance & Voting Guidelines can be found on the Castlefield website.

PROXY VOTING SERVICE PROVIDERS

At Castlefield, we use the Institutional Shareholder Services (ISS) platform to implement votes for our fund range. We have access to their research and recommendations, but our own policy takes precedence. The charts below demonstrate the difference between ISS voting recommendations, company management recommendations and our own voting history. The votes cast on Castlefield Investment Partners ballots during the reporting period are aligned with management recommendations in **84%** of cases, while the ISS Benchmark Policy recommendations are at **96%** alignment with management recommendations. As you can see, we vote against management far more frequently than ISS recommend and disagree with ISS's recommendations on **15%** of resolutions. Castlefield are active investors, and this extends beyond stock selection and into active stewardship processes.





VOTING CASE STUDY: CALNEX

Calnex is an AIM-quoted company, held in our Sustainable UK Smaller Companies Fund, that specialises in the design, production and testing of measurement instrumentation and solutions for the telecoms and cloud computing industries. It is a relatively new holding, first initiated at the start of 2022. At the most recent AGM, we engaged with the incoming Chairman regarding his time commitments as well as the independence of one of the other non-executive directors.

At Castlefield we have our own in-house voting policy which includes guidelines for the external commitments of directors. This policy is in place so that we can be confident that all directors have sufficient time to dedicate to their roles and have sufficient flex within their working schedule to accommodate ad hoc urgent meetings. Additionally, over the past couple of years, we have come across several directors who have suffered from burn-out, which not only comes at great personal cost to the individual but also hampers smooth and orderly succession planning.

Castlefield's voting policy also covers director independence and the overall composition of the board. Our view is that sufficient independence is a vital component of a successful board and is necessary to effectively challenge management. Although we have our policy guidelines, we do retain flexibility and are always keen to understand the company's perspective on matters before coming to a voting decision. Therefore, we sought a call with the Chairman to obtain any additional context.

Following our telephone call, it became clear that he shared our viewpoint and had in fact begun readjusting other commitments prior to his appointment as Chairman at Calnex. He also explained that the non-independent director would remain on the board in the short term to help with the succession process. We were satisfied with these responses, feeling he had adequate capacity to continue carrying out his role, and as a result supported his re-election. Given the additional context surrounding the support provided by the non-independent director through the board's current transitionary phase, we also felt it best to support their re-election.

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PURPOSE & GOVERNANCE

STEWARDSHIP CODE REQUIREMENTS

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

GOVERNANCE

At Castlefield, our stewardship and engagement are governed by an internal Stewardship Committee and our External Advisory Committee.

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

STEWARDSHIP & ENGAGEMENT RESOURCE

All members of the team involved in investment decision-making and related research are also involved in our stewardship and engagement activity. It is our philosophy that an integrated approach allows for the widest consideration of how our actions on behalf of our clients can best represent their views and have a meaningful impact.

For example, all of our voting activity is approved by the lead fund manager where the asset is held within our fund range and voting proposals are circulated to the entire investment team for their views.

In terms of how resource is managed, as all our team is involved in this area, our capacity for our routine stewardship and engagement activity grows as and when headcount increases. However, we do acknowledge the growing need for increased reporting in many areas and will ensure that we dedicate adequate resource to meet the increased expectations and requirements of asset managers going forward.

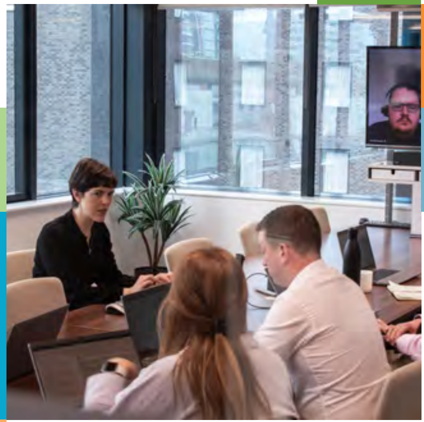
INTERNAL STEWARDSHIP COMMITTEE

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

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

In the last twelve months, discussions at the Stewardship Committee meetings have included further consideration of reporting impact to clients, covering both our internal positive investment themes and our external impact measurement providers. The meetings have also included debates on individual assets, responses to industry consultations such as the recent FCA paper on Sustainable Disclosure Requirements (SDR) as well as assessing our engagements over 2022 and determining our strategic areas for the year ahead. These meetings are also where we formally review the input of any service providers we might use, with an annual process to review effectiveness and quality of service.

Our most recent Stewardship Committee meeting in November focused on our strategic stewardship and engagement planning for 2023, resulting in the identification of three priority areas: a continuation of our engagement on climate change and alignment to Net Zero with a focus on transition plans, how employers are supporting their workforce in light of the cost of living crisis, and the overboarding of non-executive directors.



Principle 2 2 Principle 5 5 Principle 6 6

EXTERNAL ADVISORY COMMITTEE

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

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

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

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

We conducted an effectiveness review with the External Advisory Committee during 2021 to reflect on its progress over the three years since its formation. The review found that committee members were satisfied with the how the committee operates but made some constructive suggestions, for example, reintroducing the fund manager presentations which were a feature of the committee when it was first established.

In addition to the regular review of relevant policies and the reintroduction of presentations from fund manager as requested by the Committee, topics discussed in 2022 included:

- The potential role of hydrogen in sustainable, low carbon energy mix
- The FCA discussion paper on Sustainable Disclosure Requirements (SDR)
- Our impact and thematic reporting
- A proposed engagement topic on diversity and inclusion

EXTERNAL ADVISORY COMMITTEE MEMBERS

Matthew Ayres, Ethical Screening

Kevin Davies, Evangelical Fellowship of Congregational Churches

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

Geoff Sides, United Reformed Church North West Synod

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

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

"Our External Advisory Committee was formed in 2018 to provide impartial oversight on how we incorporate environmental, social and governance issues into our investment decision-making."

SERVICE PROVIDERS

We have a completely integrated team working on all aspects of our stewardship and engagement activities. All of our votes are discussed and agreed with the relevant fund managers, and we review our policy ahead of each new voting season to ensure that it remains fit for purpose and incorporates any emerging concerns. Our ESG research is undertaken in house, with support from a third-party provider, Ethical Screening. Ethical Screening is not a rating agency and we have previously worked with them where we have information from our engagements that may change how a company is classified.

The other significant service provider which aids our stewardship efforts is ISS. Having access to ISS research and their proxy voting platform enables our voting process, increases our ability to report to clients and maintain a clear audit trail. Our contract with ISS is reviewed annually by the Stewardship Committee and takes into account the views of all involved in the voting process. We have engaged with our client relationship manager at ISS where we believe services could be improved and have also conducted calls with members of their research team to discuss emerging corporate governance factors. Periodically, we have also initiated conversations with alternative providers to ensure we are getting the best value services on behalf of our clients. At this time, we remain satisfied with our current provision.

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

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

VOTING POLICY

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

Any other voting activity undertaken by Castlefield is on a case-by-case basis, with consideration for the number of holders and size of overall shareholding. There is a process by which clients can request to override the voting decisions of Castlefield Investment Partners, which involves an administration fee and a pass through of the additional charges incurred from the relevant custodian where applicable. We have not received any voting requests relating to discretionary client accounts in 2022.

STOCK LENDING

We do not engage in stock lending.

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OUR ENGAGEMENT PRIORITIES

When considering environmental, social and governance issues (ESG), we aim to engage companies:

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

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

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

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

- ShareAction – Workforce Disclosure Initiative (WDI)
- ShareAction – Healthy Markets
- ShareAction – Good Work Coalition
- Access to Medicine Foundation
- 30% Club UK Investor Group
- Farm Animal Investment Risk & Return (FAIRR)
- Business Benchmark on Farm Animal Welfare (BBFAW)
- Carbon Disclosure Project (CDP)
- Investor Coalition on Food Policy
- CCLA Corporate Mental Health Benchmark
- CCLA Find It, Fix It, Prevent It

OUR VOTING AND ENGAGEMENT ESCALATION PROCESS

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

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

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

In rare instances, our escalation process results in the decision to sell our interest in the related asset.

SIGNIFICANT VOTES

In 2022, we established a clear framework for defining significant votes which we would consider to be significant, which we will be recording in detail next year.

For votes to be classified as significant, we consider the following factors:

- Votes against or abstentions for resolutions proposed by management
- The content of the resolution, or voting rationale, is related to a Castlefield engagement topic, such as climate change or diversity.
- Shareholder resolutions

Principle 9 | Principle 10 | Principle 11 | Principle 12

IMPACT MEASUREMENT

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

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

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

In 2021, we commissioned external impact assessments of the Sustainable fund range, and have had the funds reassessed during 2022. It is our aim to build up a view of how the funds are performing with regards to their environmental, social and governance outputs over time. In order to ensure we are able to rigorously review the data, we have also elected to receive data on our holdings at an individual company level. Further information about the results of the most recent assessment can be found earlier in this report.

MARKET WIDE AND SYSTEMATIC RISKS

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

The internal Risk Committee convenes three times a year; the meetings are attended by our Managing Partner and several members of our firm-wide Executive Committee. The Committee considers emerging threats as well as more day-to-day risks. Although we can never eliminate risk, the Risk Committee and the reporting disciplines it has embedded have been very effective in reducing Castlefield's exposure to risks. Systemic risks such as interest rate and currency changes are considered carefully by our Investment Committee which meets quarterly.

Consideration of systemic risks runs through our investment decision-making and governance processes.

- Systemic risks such as climate change are addressed through:
- Our screening policy, where heavily emitting sectors such as oil and gas are excluded from our investment universe
- Our stock selection process, where environmental considerations are factored into our company analysis
- Our fund selection process, where we look for funds and managers, that take issues such as climate change as seriously as we do
- Our engagement with companies: in 2022, we engaged with 92 of our equity holdings on the importance of setting ambitious net zero targets; we also engaged with a small number of companies after the outbreak of war in Ukraine to understand their intentions vis-à-vis their Russian operations
- Our voting activity, where we vote for resolutions that advocate action on climate change
- Our collaborative engagement: we are active participants in CDP, which encourages greater corporate disclosure of carbon data. In addition, in autumn 2022, we joined with other investors and companies to write a letter to government ministers urging for clearer net zero plans for the private sector.

Where possible, we also work in collaboration with other investors and stakeholders to try to promote continued improvement in the functioning of financial markets. For instance, in recent years one of our partners was a member of the FRC Advisory Group which examined the Future of Corporate Reporting. This same senior employee was an active member of the FRC's Investor Advisory Group for over three years. Before it was incorporated into a larger stakeholder group, this Group had a wide remit, advising the FRC on a range of issues, such as the drafting of the new Stewardship Code and, before that, the UK Corporate Governance Code. Although it is difficult to quantify the impact of our activity in this area, we know that we were the only asset manager with assets under £1bn with a place in the Investor Advisory Group and so were able to provide the perspective of a smaller asset manager on policy developments. We will seek to continue such work as and when opportunities arise.

With regard to systematic risks that we see within financial markets, our discussions have centred around the impact of data security, and climate risk. Data risk remains a significant risk, particularly in an environment in which a greater proportion of our workforce uses flexible working arrangements. It is routinely reviewed by our Risk Committee at a business level and factors into our research on companies which hold or process confidential data. On climate, we have agreed a Net Zero target for both our own operations and for our investment portfolios.

HOW OUR CLIENTS INFORM OUR APPROACH

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

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

REPORTING TO CLIENTS

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

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

"In 2022, we increased the frequency and detail of our voting disclosures"

DISCRETIONARY ASSETS UNDER MANAGEMENT (AUM)

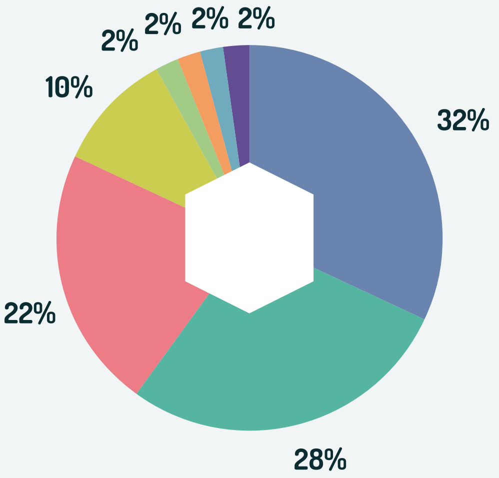
TOTAL DISCRETIONARY ASSETS UNDER MANAGEMENT (AS AT 31/12/2022)	£345.5M
Castlefield Fund Range	£184.0m
Segregated Client Accounts (excluding holdings in Castlefield funds)	£154.3m
Models (excluding holdings in Castlefield funds)	£7.2m

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

The majority of the assets within segregated client accounts are invested in funds, either those managed by Castlefield or third-party managers. The largest section of the pie chart relates to multi-asset funds, the majority of which relates to clients invested in our Sustainable Portfolio Funds, which are themselves designed to broadly replicate two of our client investment strategies and hold a wide range of asset classes.

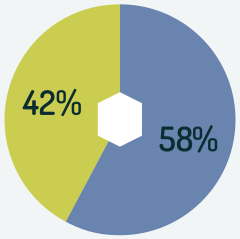
DISCRETIONARY AUM BREAKDOWN: CLIENT ACCOUNTS (EXCLUDING PLATFORM MODEL PORTFOLIOS)

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



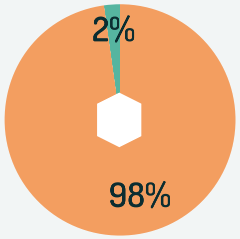
UK EQUITY BREAKDOWN: CLIENT ACCOUNTS

- Direct UK Equity
- UK Equity Funds



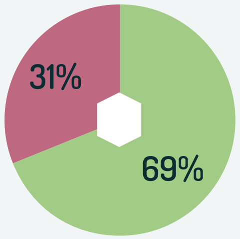
GLOBAL EQUITY BREAKDOWN: CLIENT ACCOUNTS

- Global Equity Funds
- Direct Global Equity



FIXED INCOME BREAKDOWN: CLIENT ACCOUNTS

- Fixed Income Funds
- Direct Fixed Income



CLIENT TYPE BREAKDOWN

At the end of the year, Castlefield Investment Partners managed close to 500 client accounts across our range of service levels. Charity accounts represented approximately 10% of active accounts and 25% of discretionary assets under management.

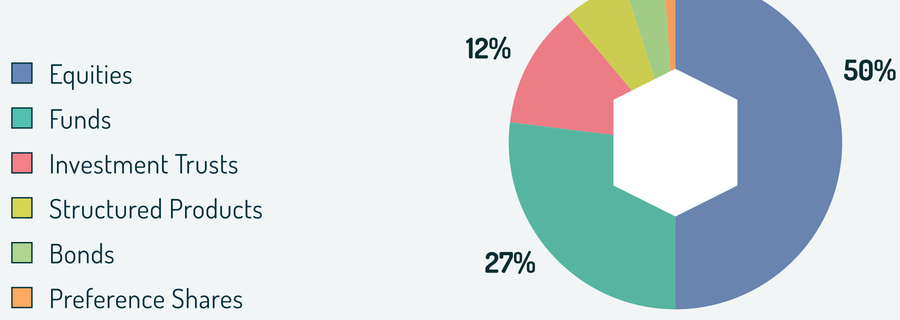
ASSET BREAKDOWN: CASTLEFIELD FUND RANGE

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

The majority of the assets within our funds are direct equities, in the UK and more recently Europe, with the launch of our Sustainable European Fund, and it is equities where we have focused the majority of our efforts.

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

ASSET BREAKDOWN: CASTLEFIELD FUNDS



INVESTMENT HORIZON

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

CONFLICTS

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

While we typically have few conflicts directly relevant to stewardship, one conflict that we have managed during the previous years has been one of our fund managers taking on a non-executive director position for an investee company. In practice, this meant that that team member was excluded from any discussions we held about that stock related to either investment decisions or stewardship and engagement activities. Any engagement took place through the appropriate channels designated by the company.

For the calendar year 2022, we do not believe that there have been any conflicts of interests that have impacted our investment process or stewardship and engagement activity.

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

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

ABOUT CASTLEFIELD

ABOUT CASTLEFIELD

Castlefield is an investment management and financial planning business with a reputation for being at the forefront of responsible ethical investing.

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

C**reating** long term **sustainable** growth

O**wnership** - making EO matter

R**espect** and responsibility

E**ncouraging** **independence** and **innovation**

!

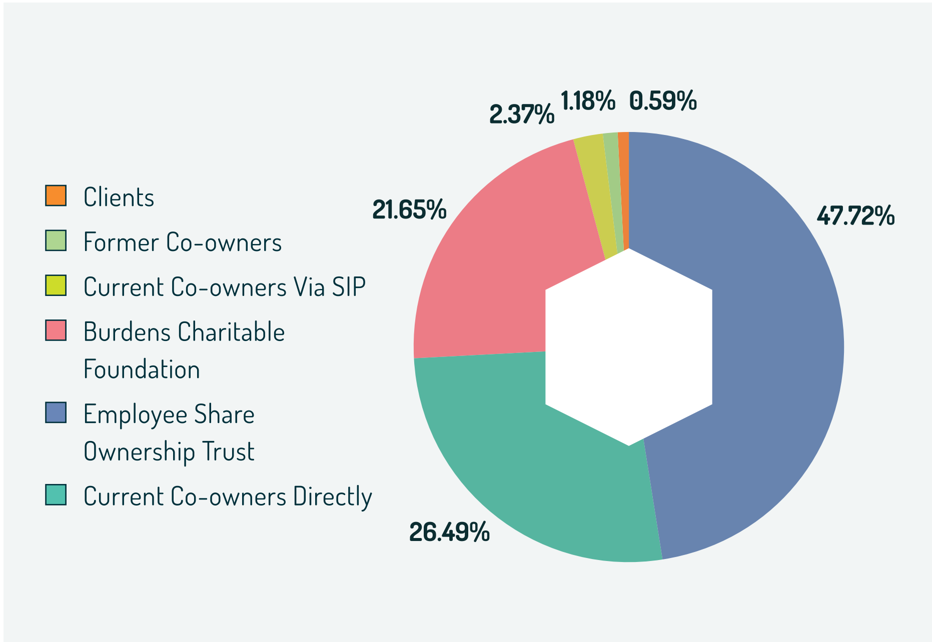
Castlefield has been shortlisted as one of the Best Financial Advisors to work for in 2022 by Professional Adviser for the third year.

EMPLOYEE-OWNERSHIP

As an employee-owned firm, every one of our 55 employees is a co-owner in the business. A significant proportion of the company is owned by an Employee Share Ownership Trust which exists to benefit the past, present and future employees of the group. In addition, 100% of eligible co-owners participate in the Share Incentive Plan which helps them to build a direct stake in the business.

Burden's Charitable Foundation, which runs a school for the visually impaired children in Burkina Faso, also holds an ownership stake in the business

Who Owns Us?



OUR CLIENTS

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

OUR PEOPLE

We take a lot of time and care to recruit people that share our values, so we're delighted that Castlefield has been recognised by Professional Adviser as one of the best Financial Advisers to work for in 2022.

As an employee-owned business, we want to ensure that colleagues' concerns and ideas are heard. We do this through an annual employee engagement survey but also through our Co-owners' Council where each part of the business is represented. Staff retention is high: 86% of all our co-owners have been with the business for over three years.

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

In 2021, Castlefield successfully submitted an application to become a support of the Greater Manchester Good Employment Charter and in 2022 built on this to achieve member status.

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

TRAINING

In 2022, we supported 16 co-owners to undertake exams on the pathway towards role specific qualifications. Those range from Level 3 to Level 7 qualifications across wide range of professional institutes and subjects. We recognise the professionalism of our co-owners and are proud to say that we have 15 chartered team members.

Development of our co-owners is incredibly important for us, and this is why we continue to invest in Castlefield Academy. In May 2022, we relaunched the career pathways available for all co-owners in the business, clearly outlining the progression opportunities in every team. Castlefield Academy hosted sessions over the year on more than 20 different subjects, ranging from compulsory Market Abuse and Financial Crime training, sessions on building resilience in our business, through to Carbon Literacy training.

In October, we hosted offsite forums for all co-owners to focus on 'Our Business Our Success', which was a session developed to incorporate whole firm collaboration, creativity, and engagement, while also ensuring that all co-owners are informed and able to contribute to the strategy of our business – this has resulted in increased engagement and boosted ideas to improve our business practices.

"Castlefield is just a nice, respectful place where people genuinely care about the world around them."

Ewelina Niziolek-Wilson

Partner, Head of People & Training

EMPLOYEE OWNERSHIP COMMITTEE (EOC)

During 2022, Castlefield's Employee Share Ownership Trust (ESOT, the Piccadilly Trust, increased its ownership share of the business to 47.72%. To reflect this increased position, the Employee Ownership Committee was established in September as a sub-committee of the Castlefield Partners Limited board. Through its delegated activities, the Employee Ownership Committee seeks to assist the board in securing the continuation of the Castlefield group as a successful, independent, and professionally managed collection of trading enterprises, in keeping with Castlefield's values and especially its EO (Employee Ownership) ethos.

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

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

In the closing months of 2022, achievements of the Employee Ownership Committee have included:

- Facilitating the employee engagement survey from an external provider, and boosting our response rate up to 97%
- Hosting offsite sessions for co-owners focusing on potential areas to improve our business practices and launching a Bank of Good Ideas business suggestion box
- Conducted a search for an external company to provide our first carbon footprint assessment
- Relaunched the Castlefield Charitable Foundation, which will make grants to local charities in 2023
- Drafted a menopause policy, which was recently approved and will be put into place in 2023

2022: CASTLEFIELD HIGHLIGHTS

JAN: Co-owner charity vote selects Royal Manchester Children's Hospital Charity

FEB: Castlefield named as one of the 'Best Advisers to Work For' at the PA Awards 2022

MAR: Achieved Good Employment Charter member status

APR: Inaugural Diversity and Inclusion Report published on our website

MAY: Step Challenge Fundraiser

JUN: 20th Anniversary of Castlefield

JUL: Castlefield's annual Employee Ownership celebration event

AUG: Community Litter Pick

SEP: Employee Ownership Committee established and Yorkshire Three Peaks Challenge

OCT: Company-wide Net Zero training and Castlefield Symposium

NOV: Employee Engagement Survey and Good Business Charter accreditation

DEC: Secret Santa for Cyril Flint Befrienders Charity

DIVERSITY

We carried out our first diversity and inclusion survey in 2021 and published our findings in early 2022 on our website. We strive to be a diverse organisation and our main success to date has been in gender diversity, where we have good female representation at all levels of the organisation. We hope that the findings from our surveys will help to inform our next steps in addressing other aspects of diversity, particularly around ethnicity.

We will be conducting another survey in 2023 to monitor our progress in this area.

In 2021, we also introduced a formal policy on flexible hours and hybrid (i.e. a mix of home and office) working as we recognise how useful these measures can be in helping parents, carers and others to juggle work and home life.

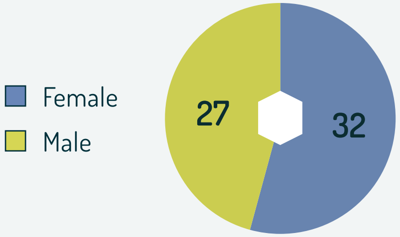
A recent focus on the diversity and inclusion has been raising awareness of the impacts of the menopause. During the year, we celebrated World Menopause Day in October and have developed a Menopause Policy, which will go live next year.

Notes: All Castlefield data is accurate as at October 2021. Responses to the survey were received from 75% of co-owners.

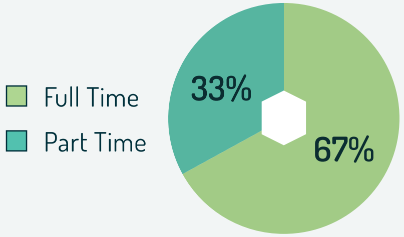
View the Castlefield Diversity & Inclusion Report by clicking here, or by scanning the QR Code (left)

SUMMARY DATA FROM OUR DIVERSITY & INCLUSION REPORT

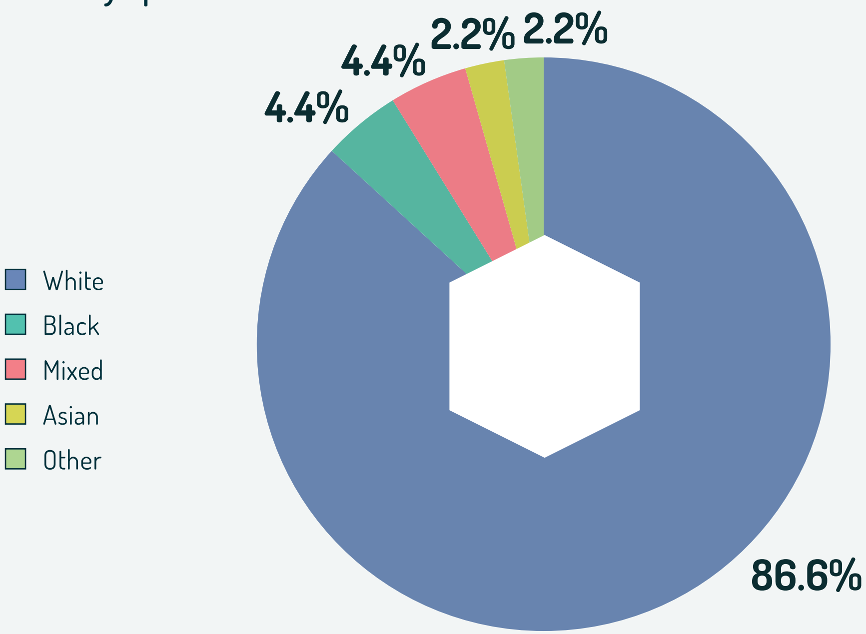
Gender Split



Working Hour Split



Diversity Split



ENVIRONMENT

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

Since the onset of the pandemic in 2020, many of our office-based environmental impacts have lessened – our paper use, for example, has reduced to very low levels and much of this has continued into 2022. Nevertheless, we intend to map out our emissions sources so that we can better understand where we need to focus our emission reductions efforts and are in the process of enlisting a third party to help us map our own carbon emissions.

In early 2021 we conducted some carbon literacy training for colleagues to help them understand how to reduce their carbon footprint in their home and working lives and have built on that foundation during this year by implementing net zero training. The training explained our net zero goals to co-owners and provided opportunities to think about how different areas of the business can contribute to our ambitious targets.

CHARITY

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

In addition to our longstanding charity partnership with Burden's Charitable Foundation and La Renaissance, a school for visually impaired students in Burkina Faso, co-owners were provided the opportunity to vote for a second charity to support for the year. From a shortlist of local charities, the company-wide vote selected Royal Manchester Children's Hospital Charity as our nominated charity. The Children's Hospital receives 280,000 patient visits each year and the funds received contribute towards state-of-the-art equipment and provide support for children and families during what can be a very difficult time.[1]

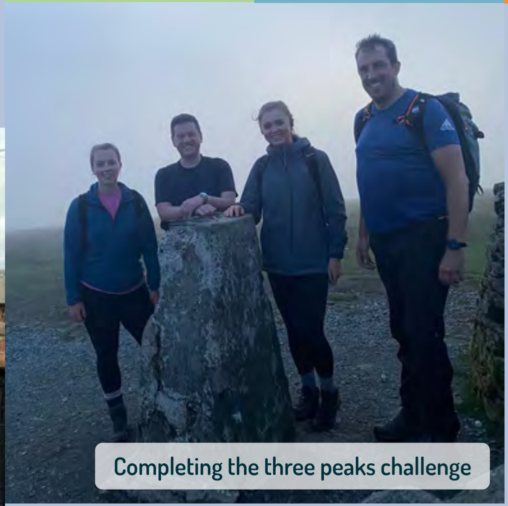
1. About us | RMCH (rmchcharity.org.uk)

Following a successful year of fundraising efforts, the Give Back Group are pleased to announce that at the end of 2022, Castlefield co-owners have raised and incredible £2,510 (with another £571 in gift aid contributions) for our two charity partners.

The year saw co-owners get involved in a wide range of fundraising activities, with highlights including events such as the Great Manchester Run, climbing the Yorkshire Three Peaks, our annual Step Challenge, and local litter picking. As ever, we also took part in some more social activities, including our Christmas charity quiz, a St Patrick's Day bingo night, and Dungeons and Flagons – a board game evening.

Great Manchester Run 10K finishers

Co-owner cake bake sale



Completing the three peaks challenge

Local litter picking around our office

ANNUAL SYMPOSIUM: WHAT WILL THE NEXT 20 YEARS LOOK LIKE FOR THE THOUGHTFUL INVESTOR?

Summary: Our annual symposium provides an opportunity to update and inform clients and supporters on relevant ESG issues. The 2022 event saw Professor Atul Shah provide the keynote presentation, covering responsible finance, followed by a panel discussion featuring expert guests.

Throughout 2022, we've been celebrating our 20-year anniversary. For this year's symposium, we considered the ways in which sustainable and ethical investment has changed over that time, before looking forward to what the next 20 years may look like for the thoughtful investor.

At this online event, Professor Atul Shah delivered a keynote speech, sharing his experience and academic research on sustainable and ethical finance, covering culture, ethics and the impact of good leadership, followed by a panel discussion.

Our expert panel featured:

- Professor Atul Shah (Professor of Accounting and Finance at City, University of London)
- Rebecca O'Connor (Founder of Good With Money and External Advisory Committee Member)
- Sarah Webster (Director of Sustainability, Britvic PLC)
- Ita McMahon (Partner, Castlefield)
- Discussion chaired by Olivia Bowen (Castlefield)

The full recording of the Castlefield Symposium can be found on our website: Castlefield Annual Symposium 2022

MEET THE TEAM

Alison Newall
Chartered MCSI
Associate, Investment Management

Amelia Overd
MA (Hons), IMC, ACSI
Associate, Investment Management

Barney Timson
BSc (Hons), MSc
Executive, Investment Management

Daniel Lonsdale
BSC (Hons), IMC, ACSI
Manager, Investment Management

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

David Gorman
MA (Hons), MBA, Chartered MCSI
Partner, Investment Management

Eleanor Walley
Executive, Investment Management

India Harkishin
BA (Hons)
Executive, Investment Management

Ita McMahon
BA (Hons), MA, IMC
Partner, Investment Management

John Alexander
Partner, Head of Client Engagement

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

Liam Blackshaw
Executive, Investment Management

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

Mike Heron
Chartered MCSI
Executive, Investment Management

Rory Hammerson
MA (Hons), CEFA
Partner, Investment Management

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

William Thomson
Chartered FCSI
Partner, Investment Management

FIND OUT MORE

OTHER KEY POLICIES

Castlefield Sustainable Fund Range Screening Policy

https://www.castlefield.com/media/ty3p0353/castlefield-sustainable-fund-range-screening-policy.pdf

Castlefield Corporate Governance & Voting Guidelines

https://www.castlefield.com/media/2883/corporate-governance-voting-guidelines.pdf

Castlefield Annual Voting Disclosure

https://www.castlefield.com/media/5bvlp4ly/castlefield-investment-partners-voting-history-2022.pdf

HELPFUL VIDEOS

UK Stewardship Code Summary

https://www.castlefield.com/home/media/videos/we-are-a-proud-signatory-of-the-uk-stewardship-code/

Castlefield – Signatory of the UN PRI

https://www.castlefield.com/home/media/videos/we-are-a-proud-signatory-of-the-un-pri/

Castlefield Investment Screening: A Closer Look

https://www.castlefield.com/home/media/videos/castlefield-investment-screening-a-closer-look/

CASTLEFIELD

THE THOUGHTFUL INVESTOR

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