RESPONSIBLE INVESTMENT POLICY

CASTLEFIELD

THE THOUGHTFUL INVESTOR

CONTENTS

1. INTRODUCTION

Castlefield exists to help its clients and co-owners (employees) to achieve their personal goals. We do this in such a way as to respect the interests of the widest range of stakeholders. Having this purpose makes it impossible for us not to invest sustainably. We summarise this purpose as: 'gathering assets, to do good'. Our responsible and sustainable investment approach isn't just a product line or optional approach - it's integral to everything that we do. We offer values-based investment from the perspective of being a values-based organisation ourselves. That's why we're known as the Thoughtful Investor ®.

2. OUR CORE RESPONSIBLE INVESTMENT PRINCIPLES

2.1 Overall approach to responsible investment

It is our view that taking environmental, social and governance (ESG) risks and opportunities into account in our investment decision-making is part of our fiduciary duty to our clients. 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. We also seek to invest in companies which will benefit from a number of sustainability trends over the long-term.

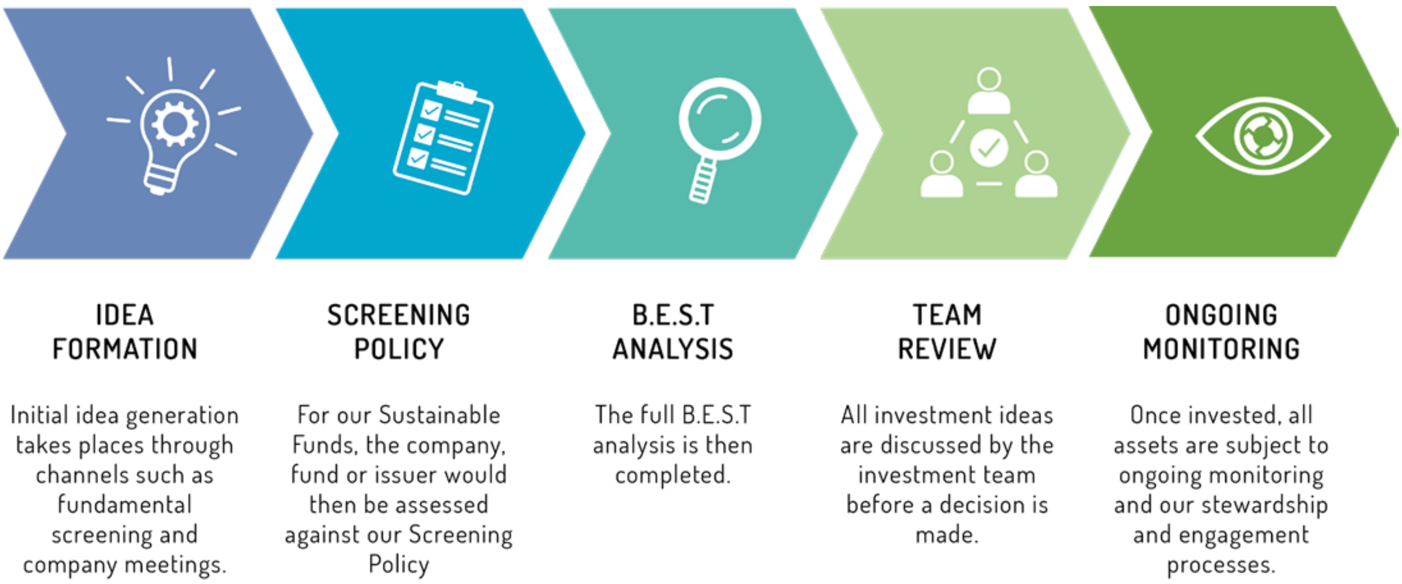
2.2 How we integrate environmental, social and governance factors into our investment processes

We integrate ESG considerations across our investment decision-making process:

- Once a new investment idea has been generated, we apply our screening policy.
- If the investment passes the exclusionary criteria, our team will develop a full research note on the prospective holding, using our proprietary B.E.S.T framework. This ensures that all relevant factors are considered from the outset.
- The team meets to review the research note and decide on whether to instigate a holding.
- If the team agree to proceed with the investment, the holding will then be subject to our ongoing monitoring. This includes voting at general meetings and engaging on ESG issues that are material to the investment.
- This process is summarised in Figure 1, below.

Occasionally, ESG risk factors may become significant enough for us to reduce the amount of stock/security held or for us to divest completely. These decisions, along with our regular engagements, are communicated to our clients via our quarterly and annual stewardship reporting.

Figure 1: Our investment process



2.3 Screening Policy

Our Sustainable Screening Policy applies to our Castlefield Sustainable Fund Range and the individual accounts that we manage for our clients on a discretionary basis. The screening policy was developed with the views of our clients in mind. Having direct relationships with so many of our clients means that we have been able to take into account commonly held views on ESG issues. 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 full Screening Policy and its exclusionary criteria is publicly available on our website.

The policy also sets out our approach to these activities or industries where the situation is not clear cut (for example, companies which provide a positive service such as environmental remediation or safety solutions to an excluded industry). In addition, the policy document highlights other considerations which are unable to be addressed by a revenue or profit threshold (for example, human right concerns and labour standards).

2.4 Organisational Exclusions

As noted above, our screening policy applies to our Sustainable Fund Range. We have one fund, the Real Return Fund, that sits outside of the sustainable range. This is due to the multi-asset strategy employed by this fund and the inclusion of index tracking instruments that reference whole-of market indices. (see section 2.10 for further details). Nevertheless, we endeavour to apply the screening policy as far as possible to the Real Return Fund and do not own any single issuer securities from entities that contravene the policy.

As such, we exclude direct investment in fossil fuel extraction, tobacco production and the manufacture/distribution of weapons and weapons systems across our entire fund range, i.e. across the Sustainable fund range and the Real Return Fund, as well as for any assets purchased in segregated client accounts.

2.5 The B.E.S.T Framework

In order to incorporate ESG considerations consistently in our investment research, we have developed a proprietary framework to assess investment opportunities, called the B.E.S.T methodology. It's used across and within asset classes as an approach to responsible investment which incorporates four main criteria to assess both financial and non-financial attributes that we think can affect long-term investor returns.

Figure 2: 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?

The B.E.S.T framework considers material environmental, social and governance factors specific to the proposed investment. This varies from company to company and from sector to sector, but will include factors such as:

ENVIRONMENT	SOCIAL	GOVERNANCE
Carbon and net zero transition	Impact of product use	Board diversity
Water use and stewardship	Health and safety	Director independence
Biodiversity	Human rights	Executive pay
Air pollution	Supply chain standards	Auditor tenure
Waste	Sustainable procurement	Bribery and corruption
Natural resources	Diversity and inclusion	Taxation
Animal welfare	Fairness in pay	

For each material ESG factor, we consider the extent of the company's impact and the level of company appetite to take remedial action. We also take the size of the company into account and expect larger companies to be more advanced than their smaller counterparts. Where we identify ESG issues of concern, we raise them with management as part of the research process, i.e. prior to initiating any position. On occasion, ESG issues will be significant enough to deter us from taking a position in a particular company. More commonly, our meetings with management will reassure us that the company is aware of the issue and the need to take action. If we subsequently initiate a holding, we will engage regularly with management on the issues of concern and use our influence as investors to press for change.

2.6 Guidelines on environmental factors

When analysing a prospective holding, we have due regard for international environmental standards. For example, on climate change we uphold the precautionary principle and support the Paris Agreement. This is a legally binding international agreement which calls on nations to limit global warming to 1.5°C above pre-industrial levels.

We are also supportive of the framework set out in the Taskforce of Climate-related Financial Disclosures (TCFD). To this end, we monitor the net zero commitments of our investee firms and engage regularly on climate change. Our screening policy prohibits investment in fossil fuels and industries that directly support fossil fuel extraction. In addition, we have set ourselves the goal of decarbonising our investment portfolios by 2040.

Furthermore, we are supportive of companies that adopt independently verified environmental standards, such as ISO 14001 and Science-Based Targets, as they provide reassurance to all stakeholders of a company's genuine commitment to environmental management.

We also have due regard for biodiversity when researching investment opportunities and we are supportive of the principles underpinning the Taskforce for Nature-related Climate Disclosures.

We are committed to monitoring the environmental performance of companies that we hold directly in our fund ranges on an ongoing basis.

2.7 Guidelines on social factors

We take into account a wide range of social factors when analysing prospective investments. These factors include employee-related matters such as health and safety, diversity and inclusion, human rights and fair treatment of employees. We also look at human rights in the supply chain as well as the social impact of the products or services supplied.

We endorse the principles set out in global human rights agreements including the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the UN's Guiding Principles for Business and Human Rights.

To provide reassurance to stakeholders of their commitment to mitigating negative social impacts, we are supportive of companies that adopt independently verified social standards, such as ISO 26000 and Investors In People. We are also supportive of efforts, like that of the Workforce Disclosure Initiative, to encourage better disclosure of data by companies on workforce issues.

We are committed to monitoring the social performance of companies that we hold directly in our fund ranges on an ongoing basis.

2.8 Guidelines on governance factors

We conduct a thorough analysis of a company's (or issuer's in the case of non-equity holdings) governance arrangements prior to initiating any holding. We review a wide range of factors, including executive remuneration, auditor tenure, director independence and diversity, and so on. As shareholders, we have the right to vote at AGMs and General Meetings. Our aim each year is to vote at every company meeting and we conduct all voting analysis in-house, rather than outsourcing to a third-party provider. We believe this gives us a better understanding of the company, its management team and its board of directors.

Our approach to voting is underpinned by our Corporate Governance & Voting Guidelines which are published on our website. The guidelines are reviewed annually by our internal stewardship committee and external advisory committee. The starting point for our guidelines is the UK Corporate Governance Code, although in some areas, such as on executive pay, we have adopted a more stringent stance. We have one set of guidelines which we apply across all geographies, including our European fund holdings, and we engage on a regular basis on a wide range of governance issues.

We are committed to monitoring on an ongoing basis the governance arrangement of companies that we hold directly in our fund ranges.

2.9 Guidelines on systemic sustainability issues

Systemic sustainability issues are factors such as climate change and biodiversity loss which have the potential to cause substantial damage to the real economy. By their very nature, systemic risks are complex, and cannot be solved by any one single actor alone. However, we play our part in pressing for progressive action to minimise systemic risks through:

- Engagement with companies on systemic issues such as climate change
- Collaboration via industry initiatives such as CDP with other investors on systemic issues
- Investment in companies providing proven technologies that will play a part in alleviating systemic risks, for example, the renewable energy sector.

2.10 Guidelines on incorporating ESG considerations into specific asset classes

As noted in section 2, the B.E.S.T framework can be applied to all asset classes. As such, we take the same approach to researching and monitoring all securities.

Our Real Return Fund, which contains a range of asset classes, currently sits outside our Sustainable fund range. This is because certain asset classes present unique challenges from an ESG perspective. For example, structured products are typically secured by large investment banking programmes and indirectly reference underlying indices.

Nevertheless, we apply the B.E.S.T framework to all securities research for the Real Return Fund and endeavour to apply the principles of the screening policy to its holdings. In addition, we look to include securities with sustainable credentials (such as green bonds or ESG-aligned or screened reference indices) in the fund where it makes financial sense to do so. However, there is limited, albeit growing, availability in the market for products structured in this way.

2.11 Risk management of ESG risks and ESG incidents

We monitor news on our investments via mainstream media, specialist financial press and regulatory news service (RNS) statements. We also use specialist research providers that highlight controversies and risks. When a new ESG risk comes to our attention, or when an ESG incident occurs at one of our holdings, this will be raised in the investment team's daily morning meeting. The fund manager will review the incident and decide on the most appropriate course of action. Typically, this will involve speaking to company representatives to understand better the issue and the management team's proposed course of remediation. From there, the fund manager can fully understand the increased level of risk and decide whether to remain invested, reduce exposure or to divest.

2.12 Approach to third party managers

We assess third party funds by analysing the fund 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. We assess such funds via our same B.E.S.T methodology.

2.13 Positive Themes

While we believe that negative screening plays an important role in ensuring clarity for investors, identifying an investment's positive characteristics is also an integral part of how we approach sustainability. We have identified 10 positive themes that highlight the key positive attributes of our holdings. We report on each fund's exposure to these themes in the monthly fund factsheets, which are available on our website.

3. STEWARDSHIP AND ENGAGEMENT

3.1 Introduction

We are signatories to the UK Stewardship Code and endeavour to uphold the Code's principles in the management of our fund range. Stewardship is defined by the Code as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."[1]

Engagement and voting are the two main ways in which we can execute our duties as responsible stewards and we set out our approach to each below. For us, stewardship plays a key role in ensuring that companies are well-run and that their management teams are acting on non-financial risks before they materialise as financial risks.

3.2 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 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.

In terms of prioritising ESG engagement topics, we tend to give our time and attention to engagements that are:

- material to a company we hold or are considering holding
- following up on allegations in media regarding corporate malpractice
- systemic risks or thematic issues that affect many or all of our holdings, e.g. climate change or wage inflation
- topics identified by our external advisory committee
- issues that are important to our client base.

1 Pg 4, UK Stewardship Code

In terms of prioritising the investees, policy makers, key stakeholders, or other entities on which to focus our stewardship efforts, we take the following approach:

- Engagement with our investee companies is our top priority. This is because our clients' capital is invested with these firms and we want to ensure that they tact on ESG risks before they materialise as financial risks.
- We also prioritise engagement with prospective companies to understand their approach to addressing material ESG risks.
- We value client feedback on our stewardship activity. The main channel for this is via our external advisory group, which meets twice a year.
- Industry collaborations are another key focus area, as we recognise that by working with other asset managers, we can amplify our voice on issues that are of interest to our clients
- We will take the time to respond to public consultations that aim to put the financial services sector onto a more sustainable footing, but this kind of engagement happens infrequently.
- We tend not to engage with ESG rating providers, preferring instead to conduct our own research in-house. We do have a service provider for our proxy voting and for our reporting on our funds' ESG metrics and will periodically engage with them to provide feedback on the quality of the service we have received.
- We engage with companies across the market capitalisation spectrum and do not prioritise large cap or household names above smaller listed businesses.

3.3 Collaborative Engagement

Collaborative engagements bring together investors to work on ESG issues of mutual interest. We are strongly supportive of collaborative engagement initiatives; by working together with peers, we can increase our influence and speak on behalf of a much larger asset base.

We are currently active participants in the following collaborative investor initiatives:

- ShareAction – Workforce Disclosure Initiative (WDI)
- ShareAction – Healthy Markets/Long-term Investors in People's Health (LIPH)
- 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

3.4 Tools and activities for investee stewardship

We use a range of tools and activities for investee stewardship:

	TOOL/ACTIVITY	CASTLEFIELD APPROACH
Tools and activities for investee stewardship	Engagement with investees (both current and potential)	We engage regularly with current and potential investee companies, and issuers of other non-equity securities.
	Voting at shareholder meetings	We vote at all shareholder meetings for all companies that we hold in our direct equity funds
	filing, co-filing, or submitting shareholder resolutions or proposals	We have worked in conjunction with other investors and ShareAction on one occasion to co-file a shareholder resolution. We found it to be a very effective way of creating positive change and we are keen to co-file more shareholder resolutions.
Tools and activities for broader stewardship	Policy engagement	On occasion we respond to public consultations relating to proposed changes to the investment industry
	Engagement with industry groups	We are a member of the UK Sustainable Investment Forum and have participated in an UKSIF working group
	Contributions to research	We have good relations with the University of Manchester and will periodically provide industry insights to researchers
	Contributions to public discourse	We can, and regularly do, provide comments and interviews to the media about all aspects of sustainable investing

3.5 Guidelines on overall political engagement

It is our aim to be as transparent about any form of engagement we undertake or participate in.

Political engagement in which we are involved in takes place at a policy level. This includes responding to industry consultations, submitting our views and working with trade associations where relevant, or signing letters sent to policymakers. Where we do participate in any form of political engagement, it will be conducted in line with our wider stewardship and engagement strategy. Wherever possible, we will disclose our involvement publicly. Where we respond to government consultations, we publish our full response on our website, in the interests of transparency.

We are currently members of the UK Sustainable Investment and Finance Association (UKSIF), which represents a diverse range of financial services firms committed to the advancement of a sustainable and responsible financial system.

We have also participated in political engagement through our membership of collaborative engagement initiatives, such as the Investor Coalition on Food Policy.

3.6 Guidelines on engagement with other key stakeholders

Engaging with a wide group of stakeholders allows us to understand and incorporate a diverse range of viewpoints into our own assessment of our holdings and their sustainability credentials. Where appropriate, we will seek to engage with organisations such as asset owners, proxy advisers, trade unions and investor coalitions.

3.7 Guidelines on (proxy) voting (including guidelines of specific ESG factors)

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.

In addition to the traditional governance topics typically found in a voting policy, such as remuneration and director election criteria, we also reflect ESG factors within our voting policy. For example, we will vote against the reappointment of the auditor at FTSE 350 companies if the Annual Report and Accounts does not mention climate risk.

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.

Our Corporate Governance and Voting Guidelines can be found here.

3.8 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.

3.9 Significant Votes

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

3.10 Voting Disclosure

Our full voting history is provided on our website on a monthly basis, with a summary of our rationale for any against vote or abstention. Voting summaries and analysis are provided in our quarterly stewardship reporting.

Our voting disclosures can be found here.

3.11 Guidelines on sustainability outcomes

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

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

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

In 2021, we commissioned external impact assessments of our Sustainable Funds, and the funds are reassessed on an annual basis. It is our aim to build up a view of how the funds are performing with regards to their environmental, social and governance outputs over time.

In addition to the external assessment, we also regularly disclose how the Sustainable Funds map to our ten positive themes (see section 2.13).

3.12 Internal stewardship communications

We have an integrated investment team, where stewardship activities are carried out by all team members. For example, fund managers conduct many ESG engagements and sign off on all voting for the companies in their funds. Where a fund manager does not attend a company engagement meeting, they will receive a written meeting note, and any concerning factors will be discussed verbally. On the rare occasion that a serious ESG incident occurs, the fund manager will typically lead the engagement with the company and will take a decision on whether the severity of the incident warrants divestment from the fund. The fund manager can also seek advice from our external advisory committee on any company's suitability for the fund. However, the final decision rests with the fund manager.

The quarterly stewardship committee provides a formal communication channel for stewardship activities – see section 4.1 for further details.

3.13 External stewardship communications

We publish quarterly and annual stewardship reports. All factsheets for our Sustainable fund range include environmental, social and governance performance metrics. Further information on our funds' ESG performance and the exposure to positive themes can be found in our annual stewardship report and in our forthcoming ESG performance report. Our monthly voting records detail how we voted at each company AGM.

All publications are made available on our website.

4. GOVERNANCE

4.1 Responsible Investment Governance Structure

At Castlefield, our stewardship and engagement activities 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 committee made up of client representatives 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.

Internal Stewardship Committee

Our Stewardship Committee meetings 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. 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.

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, its guidance is taken extremely seriously.

Senior Leadership

The identification of ESG risks is an ongoing feature of the senior leadership's work and is included in risk reporting to the LLP Partnership. Risks are identified at a top level that encompasses existential and business risks as well as the risks associated with incoming regulation as that relates to ESG themes and our efforts to assimilate these into investment practices. We also contribute from time to time towards consultation exercises from either the Government, our regulator, the FCA, or other industry or oversight bodies including the Financial Reporting Council (FRC), UK Sustainable Investment and Finance Association (UKSIF) or the Investment Association (IA). These consultations typically cover areas of pending regulatory change, ESG-related taxonomy, fund strategies and structures and the evolution of values-led investing. As such, responses that we complete and submit are typically tabled at the LLP meetings as a matter of oversight.

Regular performance reports are tabled at the same meetings for each of the investment vehicles within our range of collective funds. These reports cover attribution of returns and compare performance of our Sustainable strategies with returns from a wider cohort of funds and performance benchmarks for each strategy.

4.2 Management of ESG Risks and Controversies

It is our policy to integrate ESG and sustainability risks into all our investment decision-making processes, which we do through our proprietary B.E.S.T framework as described earlier in this document. Our premise is that investment returns will be improved by looking beyond traditional, strictly financial criteria.

We carry out ongoing monitoring of investee companies to remain informed of their strategy, financial performance, and sustainability credentials, both in absolute terms as well as relative to a relevant peer group.

Of particular importance are:

- That strategic decisions are made to enhance the value and minimise the risks to the company
- That the company's reporting is of a high quality with timely, transparent statements to investors with high levels of voluntary disclosure in addition to the regulatory minimum
- That the investee company's board and leadership team are effective and adhere to the spirit of the UK Corporate Governance Code
- That the company is aware of its social and environmental impacts and takes steps to minimise its negative impacts, direct and indirect, where possible.
- That any issues that may result in a significant loss of investment value are identified as soon as possible

As a team, we meet daily and discuss any updates from our investee companies or relevant news flow. If we have any specific concerns about aspects of a company's strategy, performance, governance, approach to risk, or sustainability credentials, we will typically seek to gain further information directly from the company. Where appropriate, we may also seek the views of other stakeholders, such as trade unions, or industry experts, such as those involved in collaborative engagements.

Engagement may include:

- Holding meetings with management to discuss our concerns
- Expressing concerns through company advisors
- Meeting with members of the company board of directors
- Intervening jointly with other institutions on particular issues
- Submitting resolutions and speaking at general meetings

Alternatively, we may decide to sell our interest in the company or asset.

We monitor systemic and emerging sustainability risks which may impact our investments, policies or strategy, which are then discussed at our internal Stewardship Committee and/or our External Advisory Committee.

4.3 Policy Review Process

Policies relating to ESG, stewardship and engagement are routinely reviewed by our Stewardship Committee, typically on an annual basis.

Changes can be proposed by any member of the team and a proposal submitted to the Stewardship Committee for consideration and debate.

Key policies, such as our voting guidelines and screening policy are reviewed by our External Advisory Committee periodically.

4.4 Guidelines on managing conflicts of interest related to responsible investment

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 the 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.

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.

4.5 Our position on security lending

We do not conduct security lending.

4.6 Our 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.

5. EXTERNAL REPORTING FRAMEWORKS

5.1 UK Stewardship Code

We are signatories to the FRC's UK Stewardship Code 2020, with our Annual Stewardship Report functioning as our submission. Following the Code's most recent update, we were pleased to be named in the first group of signatories and have maintained our status in each subsequent annual assessment.

5.2 Shareholder Rights Directive II (SRD II)

The policy document meets our obligations under the Shareholder Rights Directive II, which requires us to publish an engagement policy outlining how Castlefield:

- Integrates shareholder engagement in its investment strategy
- Monitors investee companies on relevant matters, including: strategy; financial and non-financial performance and risk; capital structure; social and environmental impact; and corporate governance
- Conducts dialogue with investee companies
- Exercises voting rights and other rights attached to shares
- Co-operates with other shareholders
- Communicates with relevant stakeholders of the investee companies
- Manages actual and potential conflicts of interests in relation to the firm's engagement

In addition, we are required to make an annual disclosure on how we have applied the policy. For this please see our regular stewardship reports, which provide data on our voting activity and case studies of our engagement work.

5.3 Financial Conduct Authority Conduct of Business Rule 2.2.3

This policy document fulfils our requirements under the above COBs standard.

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THE THOUGHTFUL INVESTOR