

VOTING AND ENGAGEMENT ACTIVITY

Welcome to your Quarterly Report's Engagement Activity section. We engaged with many companies over the quarter, examples of which we give below.

The summaries below are based on our internal research and analysis through engaging with each company on what we consider to be their material issues. The information has been included to evidence our ESG integration process. In each case, it is our view being presented and the information should not be relied upon.

The resiliency scores of "high", "average" or "low" provide a simplified indication of the more detailed scoring system we apply as part of our investment process.

The conviction scores provide a general indication of any changes in the absolute conviction levels we have in a particular holding. We use a sliding absolute scale in our investment process and scores of "higher" or "lower" in this report do not necessarily translate to "high" or "low" absolute conviction scores. The changes noted in this report reflect a change in conviction based on the recent quarter, which might not result in a change in weighting, especially if we expect further progress on engagement issues.

Anglo American

In February 2022, we engaged with Anglo American, the British-listed, diversified miner of copper. Previously, we engaged with the group in March and September 2021.

Investment rationale

Anglo has attractive growth in copper production with assets mostly positioned in the second quartile of the global cost curve. The group has further optimisation potential to boost volumes and increase margins. The ramp up of Quellaveco, Anglo's copper mine in Peru, offers particularly strong growth prospects for the group. Anglo continues to invest in sustainable technologies for its mines and is rolling these out across its mines.

Areas of engagement	Potential impacts
Steps Anglo is taking to reduce energy usage	Environmental / Social
Production of metallurgical coal	Environmental / Social

Some of the objectives of engagement

- To understand what steps the group is taking to reduce energy usage (reduction of energy usage is one of key opportunities we have mapped for Anglo's in its use of sustainable technology to reduce carbon risks)
- To get an update on the group's production of metallurgical coal (which is used to make steel)

Key issues and discussion

1. Steps the group is taking to reduce energy usage

In February 2022 and previously in March 2021, we asked the group about its energy sourcing. Anglo reported that about half of its energy currently comes from third party vendors and half is supplied in house. The group has worked on a number of projects and partnerships to produce technology to reduce energy usage in mining. These include a patent for grinding rolls that use 30% less energy and the development of hydrogen battery trucks which produce 10-20% improved energy efficiency. Anglo is also planning to build solar panels to take its operations off the grid in South Africa which should reduce local energy costs by 30-40%. Anglo would also like to bring in other groups to help establish new technologies and build at scale to keep costs down.

During our engagement with the group in September 2021, we engaged again on energy reduction. Anglo talked about its desire to be a foundation investor in building wind farms on the east and west coast of South Africa and to help build energy around the northern cape. This would

help Anglo achieve a high percentage of renewables by 2030. It would then focus more on hydrogen work.

2. Production of metallurgical coal

In September, we engaged with Anglo on its production of metallurgical (met) coal. The group expects this to be an area of increased profit, as demand rises for met coal (also known as coking coal or steel-making coal). Met coal is a key ingredient for making steel, which is in increased demand from China. (Met coal differs from thermal coal which, when burned directly, is a way of generating electricity. Anglo divested its thermal coal assets in 2021.) Met coal remains important to the energy transition as the steel that comes from it is used to make wind turbines, masts, and other components needed for renewables.

Our requests/feedback: None

Escalated issue(s): None

Outcomes from engagement: None

Any impacts on proxy voting: No

Resiliency score: Average (unchanged since last quarter)

The group is managing its material issues well. In terms of its cost improvement opportunity, Anglo is on track to deliver its targeted \$3-4 billion of cost improvements by the end of 2022. The group is also rolling out technology to help it reduce its energy usage and use less water, producing less waste. In terms of its mineral reorientation opportunity, Anglo is now more focused on copper and Platinum Group Metals (PGMs) which are in rising demand with battery development and renewables.

Conviction score: Average (unchanged since last quarter)

Anglo has slimmed down the number of mines it operates and it now partners on new projects to lower the risk of any single project. The group has seen a productivity improvement of over 100% since 2012 with unit costs over the same period down by 28%. This productivity improvement has been driven by portfolio restructuring and a technical reconfiguration of mines. Future cost improvements are still available. The group has a good pipeline of attractive projects that generate sector-leading volume growth over the next 3-5 years. The group has also successfully reoriented the business to focus on minerals which will be in increasing demand during the energy transition.

BAE Systems

In February 2022, we met with the CEO, Group Finance Director, and Investor Relations of BAE Systems. BAE develops, delivers, and supports advanced defence and aerospace systems globally.

Investment rationale

With a healthy order book and steady demand for defence related services, we expect BAE to move into a phase where cash generation should grow at a faster rate than earnings. This should be supported by the group's improved execution on several new programmes and the continual increase in defence spending, particularly in the USA, where the business is advantaged.

Areas of engagement	Potential impacts
Progression of defence budgets	Financial
Sale of products and services to allies	Social

Objectives of engagement

To understand how defence spending in Europe and in the US will affect the company

To understand how well BAE is positioned to benefit from opportunities in air and space development

To understand how the company ensures that its products are only used by western democracies and their allies

Key issues and discussion

1. Defence spending in Europe and in the US

In the wake of the war between Ukraine and Russia, BAE expects more orders from many countries including the UK and Germany. Defence spending has already increased by 40% in Australia and BAE expects it could increase in the US as well, in the coming years. The group is well positioned to meet any rise in demand. However, its ability to ramp up production will be constrained by labour availability. Any increase in demand will not necessarily lead to significant price or margin increases as defence is a heavily regulated industry.

2. Air and space development opportunities

The past few years have generated several opportunities for aeronautics and space technology development. Adding space capabilities has been an essential dimension of modern warfare and cybersecurity for many governments. The UK, Australia and other countries are looking at bespoke capability for lower altitude satellites, which is an area of focus for BAE.

3. Sale of products to western democracies and their allies

BAE works with the British government to ensure that its products are sold only to western democracies and their allies. In the UK, licencing rules are robust: BAE must state explicitly to whom it sells weapons or services pertaining to troop movements. BAE only sells its products to allies; this is ensured in that the UK government requires every sale to have government approval.

Our requests / feedback: None

Escalated issue(s): None

Outcomes from engagement: None

Any impacts on proxy voting: No

Resiliency Score: Above average (Increased since last quarter)

BAE's CEO has made strong progress towards execution of what are highly complex and long duration contracts. Risk is being mitigated – for example BAE does not build the first ship of a new programme on risk grounds. The management has turned around Applied Intelligence. Acquisitions are performing well and the business is well positioned to benefit from the AUKUS deal as the biggest defence contractor in Australia. The company has positioned itself well strategically in higher growth areas of defence budgets and the company has been successful in growing its cyber offering in the private sector. Cashflow continues to strengthen and the company is hitting its strategic targets. White phosphorous used by BAE in obfuscation products (not for weapons) is going to be phased out over the next 1-2 years. Given the strong progress made by the management team, we have upgraded the Resiliency score.

Conviction Score: Above average (unchanged since last quarter)

BAE has a number of tailwinds to its business with defence budgets globally increasing and the signed AUKUS deal. The large hardware market where material increases in spend should be seen is quite consolidated so BAE ought to be a decent beneficiary. The business is performing very well operationally and the company has seen a positive inflection point in its earnings trajectory. Although strategically BAE is an important defence contractor (but not very large) in the US, it will probably be a beneficiary of the Department of Defense (DOD's) view that the main contractors are too large. Consequently, there ought to be less competition for future deals. There is also the prospect of defence falling on the right side of the line in the green taxonomy post the Ukrainian war which will increase investor interest. BAE offers non-economically sensitive earnings growth with good visibility and improving growth prospects. It stands at a decent discount to US companies. With improvements in the management of the group's key issues (as reflected in the increase in our Resiliency Score), the attractions of the business, industry fundamentals and the group's low valuation, our conviction remains above average.

Centrica

In March 2022, we met with Centrica, an integrated energy company offering a range of home and business energy solutions.

Investment rationale

Centrica has transformed itself over the last two years by reducing its debt, selling some of its businesses, stabilising its customer base and streamlining management structures. The rise in energy prices has materially improved Centrica's competitive positioning relative to most other energy suppliers. Centrica is also well positioned to help reduce the carbon footprint of homes through the supply of new heating and energy management systems and installing EV charging points.

Areas of engagement	Potential impacts
Assisting customers with their bills / Regulation / Politics	Financial/ Social
Security of UK's energy supply	Financial/ Social
Opportunity to assist in the Energy Transition	Financial/ Social
Migration to modern tech platform	Financial
Inherent value of long-term gas contracts	Financial

Objectives of engagement

To understand the political/regulatory dynamics in terms of assisting customers with their energy bills

How the company and other stakeholders are thinking about security of energy supply post the Ukrainian war

To determine progress in the development and marketing of products to promote decarbonisation

How the rise in energy prices is changing the competitive landscape

What impact the rise in energy prices has had on the NPV of these contracts

Key Issues and discussion

1. UK regulation; assisting customers with their bills

By securing long term gas contracts, Centrica has for years provided energy security for its UK customers which has put the group (until the recent price spike) at a competitive disadvantage. Centrica has highlighted to the regulator and the UK government the success that a number of European countries have achieved in their energy supply models and has suggested that the UK should consider adopting these. The UK government has established a precedent in helping vulnerable customers with their energy bills.

2. UK's energy supply from Russia; diversification of energy supply base

Although the UK imports only a small amount of Russian gas, an interruption of Russian gas into Europe may result in a reduced amount of gas being delivered to the UK, as the supply is diverted to Europe. This could leave the UK more vulnerable. Centrica is well placed with long-term energy contracts but would like to diversify its supplier base further to improve resiliency.

3. Opportunity to help customers decarbonise the home

Over the course of this year, British Gas (BG) services will invest further in providing products and services that should accommodate its growth. One of these investments will be in its engineers, providing training to strengthen their skills advantage over those of their competitors. Installing heat pumps and insulating homes are also areas of huge opportunity for the group. Utilising rough storage facilities for either carbon or hydrogen storage also remains a value accretive option for Centrica.

4. Migration to a modern tech platform

Over the next three years, Centrica plans to migrate its customers to its updated tech platform. The group should benefit from a material opportunity to lower its costs as the old platform is retired.

5. The value of the gas contracts

The increase in energy prices has been positive for Centrica, after years of the group's incurring significant losses on its contracts. Centrica may introduce a partner into the Mozambique contract that starts to produce gas in 2026.

Our requests / feedback: None

Escalated issue(s): None

Outcomes from engagement: None

Any impacts on proxy voting: No

Resiliency score: Average (unchanged since last quarter)

Management has handled well the risks the group faces from the political environment, high energy prices, competition and the balance sheet. Opportunities exist as commercial and retail customers move towards renewables and greener energy, but Centrica needs to demonstrate that it can significantly benefit from this transition.

Conviction score: Above average (unchanged since last quarter)

The rise in energy prices has negatively impacted Centrica's competition which had previously benefited from years of low gas prices. The regulatory environment is more constructive, looking forwards. Centrica's management has done a very good job in transforming the business and is well positioned with investment in a new platform partner that provides a route map to low-cost service provision. The company is positioning itself to help homes reduce their carbon footprint which should help the valuable home services division resume growth. The valuation opportunity has reduced but the shares still offer an interesting play on the energy transition and a more rational energy supply market.

Fever-Tree Drinks

In January 2022, we met with Fever-Tree's Head of Sustainability, Head of IR and Global Communications Director, following our request in the autumn of 2021 to discuss the group's sustainability programme. We also met with the group's CEO and CFO in March 2022 to discuss the margin structure of the business.

Fever-Tree produces premium carbonated mixers for alcoholic spirits.

Investment rationale

We see Fever-Tree as a niche, capital light beverage business with attractive margins, high returns and significant growth potential. The group has executed well in the UK and proven that its brand travels well, with success in the US, Europe and other parts of the world. There is still a strong runway of growth in the UK.

Areas of engagement	Potential impacts
Group's 3 roots and 5 branches of sustainability	Environmental / Social
Fever-Tree's work in the circular economy (recycling, etc.)	Environmental / Social

Objectives of engagement

To understand where the group is focusing to reduce its carbon emissions (and offset) (one of our key issues for the group)

To understand the group's overall plan with net zero

To understand how the group monitors its suppliers and the resiliency of its supply chain

Key issues and discussion

1. To understand where the group is focusing to reduce its carbon emissions (and offset)

Fever-Tree has its 3 roots (protecting the environment, sourcing ingredients and fighting malaria) and 5 branches (climate, circular economy, conservation, communities and colleagues) of sustainability. Within these, the group is focusing on reducing its carbon emissions (by offsetting) in locations where the group sources its key ingredients, such as the Democratic Republic of Congo (DRC). Fever-Tree's products in the UK are carbon neutral and it aims to expand this to other geographical regions.

2. To understand Fever-Tree's overall plan with net zero

Fever-Tree has committed to reducing its scope 1 and 2 emissions by 50% by 2030 (against a baseline of 2018) and is currently working on its buildings to help achieve this goal. The group will add scope 3 to its carbon reduction goal going forward and will eventually align with net zero.

3. To understand how Fever-Tree monitors its suppliers and the resiliency of its supply chain

Fever-Tree has a 2-fold approach to conservation which involves the taste and production of raw materials along with its relationships with its suppliers. Fever-Tree works with SEDEX to map the risks in its supply chain and help oversee the practices of its global suppliers. This helps the group comply with global standards and tighten the onboarding process for any new suppliers. This aligns with the group's monitoring of its environmental footprint to give it a holistic approach to overseeing its supply chain. Fever-Tree is also expanding the geographical footprint of its bottling plants with partners to increase resiliency and reduce the carbon incurred by shipping its products around the world.

Our requests/feedback

We suggested that the group link more directly and clearly its sustainability work with its KPIs, its group strategy and pay, particularly with regard to carbon emissions.

Escalated issue(s): None

Outcomes from engagement: None

Any impacts on proxy voting: No

Resiliency score: Above average (unchanged since last quarter)

Fever-Tree is managing its key risks around the use of its balance sheet and gaining market share in the US and EU. It is conscious of and trying to reduce its carbon emissions from its own business and through its supply chain. Fever-Tree plans to set a net zero goal, going forward. Reducing the geographic carbon footprint of its bottling plants will assist in achieving this aim. The group is also mindful of potential physical impacts from global warming in its agricultural operations and is working with its suppliers to mitigate these risks.

Conviction score: High (unchanged since last quarter)

We see Fever-Tree's opportunity set as having improved with the successful brand launch in the US and in Europe. While the shares have derated recently on the back of slower growth in the US, concerns about the group's long term margin framework, and general market volatility, we believe that investing in the growth of the business for its long-term success is the right strategy.

VOTING RECORD SUMMARY

Please see below a breakdown of the meetings and resolutions which pertain to your portfolio.

SUMMARY	VOTES	PERCENT
Number of meetings voted at this period	17	
Number of resolutions	256	
Where we voted in line with Management	247	96.5
Where we have not voted in line with Management	9	3.5

Source: internal analysis, ISS (Institutional Shareholder Services)

The table below is a breakdown of the number of resolutions where we have either voted against Management or abstained.

CATEGORY	AGAINST MANAGEMENT	ABSTAIN
Antitakeover Related	0	0
Capitalization	0	0
Directors Related	1	1
Non-Salary Comp.	1	0
Reorg. and Mergers	0	0
Routine/Business	7	0
Total	9	1

Sources: internal analysis, ISS (Institutional Shareholder Services)

VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	LIONTRUST VOTE
A J BELL	26 Jan 2022	AGM	Voted for all
AUCTION TECHNOLOGY	25 Jan 2022	AGM	Against Resolution 13
AVON RUBBER	28 Jan 2022	AGM	Against Resolution 12
CARETECH	08 Mar 2022	AGM	Voted for all
CENTRICA	13 Jan 2022	EGM	Voted for all
COMPASS GROUP	03 Feb 2022	AGM	Against Resolution 19
DEVOLVER DIGITAL	31 Mar 2022	EGM	Voted for all
DIPLOMA	19 Jan 2022	AGM	Voted for all
EASYJET	10 Feb 2022	AGM	Against Resolution 15
FAIR ISAAC CORP	01 Mar 2022	AGM	Voted for all
HOLLYWOOD BOWL	28 Jan 2022	AGM	Voted for all
KITWAVE	25 Mar 2022	AGM	Against Resolution 15
LIONTRUST ASSET MANAGEMENT	16 Feb 2022	EGM	Voted for all
NOVARTIS	04 Mar 2022	AGM	Against Resolution 11
TREATI	28 Jan 2022	AGM	Voted for all
WATKIN JONES	17 Feb 2022	AGM	Voted for all
WH SMITH	19 Jan 2022	AGM	Against Resolutions 2, 13; Abstain on Resolution 10

Source: internal analysis