

—  
RESPONSIBLE  
INVESTMENT —  
STEWARDSHIP 2024



Our purpose is underpinned by three core values: **Responsibility of Stewardship, Pursuit of Excellence and Value of Partnership.**

## REALISING PEOPLE'S PURPOSE

As responsible stewards of capital, we are committed to helping others achieve what matters most to them.



### Responsibility of Stewardship

We take care of all that we are entrusted to protect and safeguard. Client relationships and assets, employees' careers and their wellbeing are at the heart of this.

We have a responsibility as a business to help achieve high social and environmental standards within our wider community.



### Pursuit of Excellence

We strive to be outstanding in all that we do.

We constantly challenge ourselves to learn, so we can improve what we do and adapt to the changing needs of our clients and staff.



### Value of Partnership

We believe in an alignment of purpose with our clients and we work in partnership with them towards common objectives.

We share ownership of our company and we have a responsibility to each other and to our society.

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## FOREWORD



Tech dominance, geopolitical tensions, a declining sustainable funds universe, the continued rise of disruptive technologies like AI and the backlash against established ESG norms emerging in the US; 2024 brought it all. We also experienced the impact of extreme weather events, with record global temperatures, flooding and catastrophic fires.

Good stewardship and responsible investment never felt more relevant. In 2024, the Financial Reporting Council (FRC) launched its consultation to revise the UK Stewardship Code, four years following the launch. As existing signatories to the Code, we actively participated in the consultation, providing feedback on proposals and our perspective on the meaning of good stewardship. We support the proposed change in the definition to support a broad range of investment styles and objectives, acknowledging there are many ways to seek good outcomes for clients, including on ESG.

As long-term investors we aim to provide clients across our business channels with a carefully considered approach to responsible investment that not only creates value for them as long-term shareholders, but also contributes to incremental improvements in ESG standards with real-world outcomes over time.

Stewardship is essential to achieving this and we engage with companies in all sectors to encourage positive behaviours, also exercising our voting rights to help influence positive outcomes, and always with a focus on a company's direction of travel.

The evolving regulatory landscape for sustainability continued to play an important role in 2024, with the introduction of new regimes, like the UK Sustainability Disclosure Regime (SDR), ongoing consultations on existing ones, like the EU Sustainable Finance Disclosure Regime (SFDR), as well as the establishment of new voluntary frameworks, like the Taskforce on Inequality and Social-related Financial Disclosures (TISFD), to name a few.

We saw the introduction of the long-awaited UK SDR at the end of 2023, which saw lower than expected uptake in firms looking to label their funds in 2024. The scope of the regime, stringent labelling criteria and low demand all played into many firms deciding to hold off on applying labels, ourselves included. We will follow with interest the proposed expansions of the scope of SDR, to portfolio management as well as overseas funds, as this will bring the majority of our funds into scope, although both are delayed for now.

Other elements of SDR have been impactful however, most notably the anti-greenwashing rule. Aiming to restore transparency and trust around sustainability statements and claims, the rule required the industry as a whole to review its messaging in relation to sustainability characteristics of its products and services. At Waverton, we aim to be as transparent as possible about our approach, doing what we say we do and explaining why.

We published our first climate report last year, in line with the Taskforce on Climate-Related Financial Disclosures

(TCFD) recommendations. With this report, we aimed to formalise our approach to climate-related risk and opportunities, as well as establishing a baseline for our financed emissions that allows us to monitor progress towards a low carbon economy over time.

In February 2024, Waverton announced its intention to merge with London and Capital. The merger was approved in June last year and the integration is making excellent progress. I am excited to share that the two brands will be consolidated under a new name, W1M, from June 2025. W1M will combine wealth advice, a powerful investment engine, and best-in-class consolidated reporting to deliver unprecedented benefits for our clients, in line with our high stewardship standards.

For the purposes of the 2025 reporting cycle, where we reflect on our 2024 activities and progress, we will report on Waverton only, as the businesses were still operating as separate entities during this time.

**Guy McGlashan**  
Chief Executive Officer

## WAVERTON AT A GLANCE

### WHO WE ARE

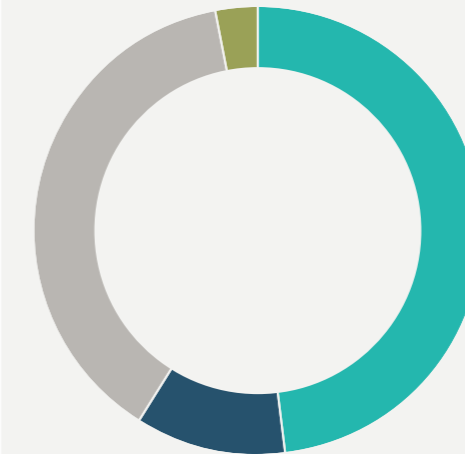
**185**  
Employees

**25**  
Person investment team

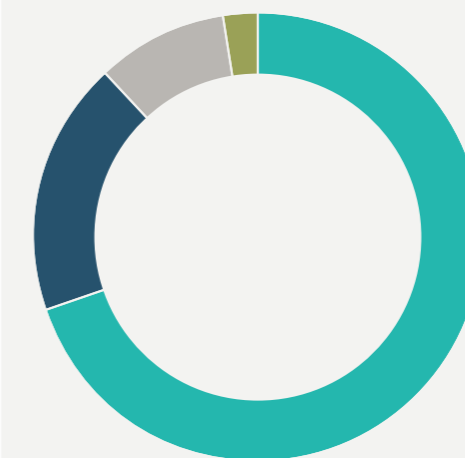
**20 years**  
Average investment experience

**£13.7bn**  
AUM

### AUM BY CLIENT TYPE



### AUM BY ASSET CLASS (%)



### A SELECTION OF AWARDS FROM 2024



SIGNATORIES OF



# Purpose and governance

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## I PURPOSE, STRATEGY AND CULTURE

### Our purpose

Waverton is an independent investment manager offering award-winning investment solutions for private clients, charities, financial advisers, and institutions. Our commitment to client service drives everything we do.

Our highly experienced Investment team sits at the core, with multi-asset capabilities that have been expanded and enhanced over time. While our investment process has evolved, our investment philosophy and the company’s focus on providing the highest levels of service to our clients remain steadfastly unchanged.

A personal approach has always been at the heart of Waverton’s business. We are thoughtful about what we do and work hard to help people achieve their objectives, be that our clients, our employees, our shareholders or our community.

### REALISING PEOPLE’S PURPOSE

As responsible stewards of capital, we are committed to helping others achieve what matters most to them.

Our purpose is underpinned by our core values: Responsibility of Stewardship, Pursuit of Excellence and Value of Partnership. These all reflect the culture of our company and are embedded in our business and stewardship activities across the firm.



#### Responsibility of Stewardship

We take care of all that we are entrusted to protect and safeguard. Client relationships and assets, employees’ careers and their wellbeing are at the heart of this. We also have a responsibility as a business to help drive the transition towards higher social and environmental standards within our wider community.



#### Pursuit of Excellence

We strive to be outstanding in all that we do. We constantly challenge ourselves to learn, so we can improve what we do and adapt to the changing needs of our clients and employees.



#### Value of Partnership

We believe in an alignment of purpose with our clients and we work in partnership with them to achieve their long-term objectives. We share ownership of our company and have a responsibility to each other and to society.

### BUSINESS STRATEGY

A significant number of directors and employees of the firm have an equity stake in Waverton, helping to ensure they are aligned to the values and financial sustainability of the business. The majority of our revenue is derived from portfolio or fund management fees, so it is in the best interests of the firm to deliver superior real returns for our clients over the long term.

Grow direct-to-client approach	Develop strategic partnerships	Create scalable business model
<ul style="list-style-type: none"> <li>– Attract new clients such as entrepreneurs and US clients</li> <li>– Promote integrated wealth and investment proposition</li> <li>– Build regional presence</li> </ul>	<ul style="list-style-type: none"> <li>– Position ‘Whole of Waverton’ to expand relationships</li> <li>– Become partner of choice for advisers and networks</li> <li>– Provide market-leading performance and service</li> </ul>	<ul style="list-style-type: none"> <li>– Strengthen operational infrastructure</li> <li>– Build brand and reputation for excellence and service</li> <li>– Promote scalable investment solutions e.g. MPS, Waverton Funds</li> </ul>

## PURPOSE, STRATEGY AND CULTURE *CONTINUED*

### Our culture

Fostering and maintaining a strong corporate culture is integral to our ability to meet our stewardship responsibilities. Good governance, the implementation of high standards and effective policies across the firm, and how we interact with our clients and partners, all foster a corporate culture that promotes the long-term success of Waverton.

Strengthening our policies and procedures and demonstrating a responsible and supportive approach to our people has allowed us to make real progress as the firm grows.

This is further supported by our commitment to integrate sustainability throughout the business. Our sustainability strategy consists of four pillars; Responsible Investment; People & Wellbeing; Environment; and Community.

### Responsible Investment

We are thoughtful, long-term investors and responsible stewardship of our clients' capital is at the core of Waverton's business. We fully recognise our responsibility to help drive positive environmental and social change, but also acknowledge that meaningful change on a global scale will take time. We believe this necessitates a pragmatic approach, where we prefer to actively engage with companies in all sectors and focus on their direction of travel. All aspects of our approach to responsible investment are covered in this report.

### People & Wellbeing

Our people remain integral to the ongoing success of the business. We maintain a regular, direct and transparent level of engagement on our processes and commitments with all our employees.

In light of our recent merger with London and Capital, which completed in Q2 2024, we did not run a company-wide employee survey in 2024 as we have done in previous years, while we focused on integrating the two businesses. As part of the integration process, we have held multiple employee forums with employees from across the business taking part in sessions about our brand, values and employee value proposition.

### Environment

Waverton is committed to managing its impact on the environment and we measure our carbon emissions in line with the GHG Protocol. We offset our Scope 1 and 2 emissions to ensure we are operationally carbon neutral, as well as our business travel, for which we partner with Carbon Neutral Britain. They also verify our annual measurements. In 2024, we published our first climate report in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.

**Details of our TCFD report can be found on our [website](#).**

We recognise that most of our emissions are those that we finance through our investments, and our TCFD report details our approach to climate and how we manage risks and opportunities as they relate to our investments as well as our operations.

This year, we were in scope to complete an energy assessment under the Energy Savings Opportunity Scheme run by the UK Environmental Agency.

The assessment included an audit of our buildings and transport and resulted in a set of recommendations to improve our energy use and carbon footprint going forward. We will look to implement relevant recommendations over the next year.

### Community

Waverton has a proud history of supporting the wider community in several ways, from supporting our charity partners, to volunteering alongside charities, fundraising and matching charitable efforts from our employees.

In 2024, we donated over £101,000 to charitable and community causes, organised two firm-wide volunteering days and supported our charity partners, Power2, GAIN and UpReach, through fundraising and the hosting of events.

### Our investment philosophy

Client strategies are managed to clear risk and return objectives, principally focused on outperforming inflation over the long term. To achieve this, we use an active, direct and global approach through discretionary portfolios or specialist funds. We attach great importance to investing in what we believe to be the best ideas worldwide, be that in equities, funds, fixed interest or alternative asset classes.

### Effectiveness of our stewardship activities

The clearest measures of the effectiveness of our stewardship activities are the investment returns we generate for clients, quality of our client service and longevity of our client relationships. We will outline our approach to these in following sections of this report.

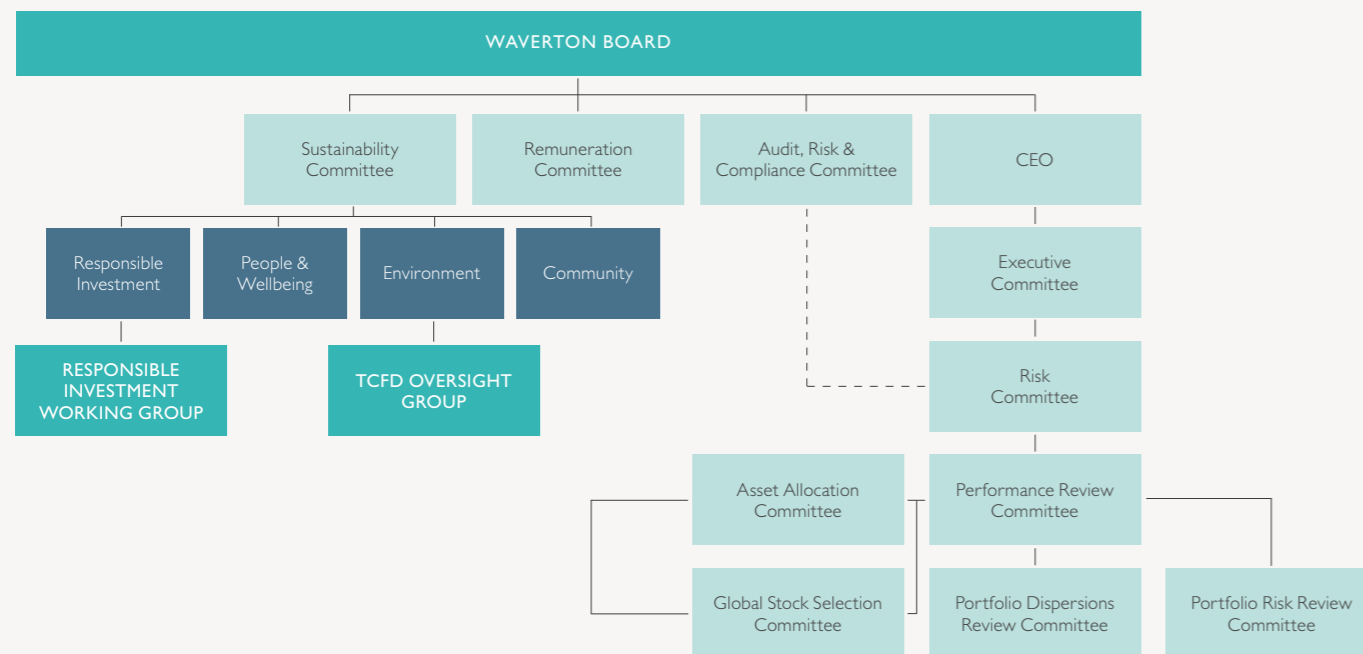
## OUR INVESTMENT BELIEFS

 <p><b>Global</b> A global approach provides clients with the widest possible set of investment opportunities to grow their capital in real terms over the long term.</p>	 <p><b>Active</b> We strongly believe in the benefits of active management, both in terms of asset allocation and security selection. With greater flexibility to avoid areas at risk of capital loss, we aim to better protect capital in periods of drawdown and capture the upside as markets rebound.</p>	 <p><b>Direct</b> Direct investment provides greater control over portfolio construction, in turn providing clients with greater transparency around what they own.</p>
 <p><b>High conviction</b> A concentrated portfolio facilitates more detailed knowledge of each holding, and better management of risk.</p>	 <p><b>ESG integrated</b> Consideration of ESG factors forms an integral part of our fundamental research, as these factors are intrinsically linked to the long-term financial sustainability and returns of an asset.</p>	 <p><b>Focus on real returns</b> We aim to compound superior risk-adjusted returns over a cycle.</p>

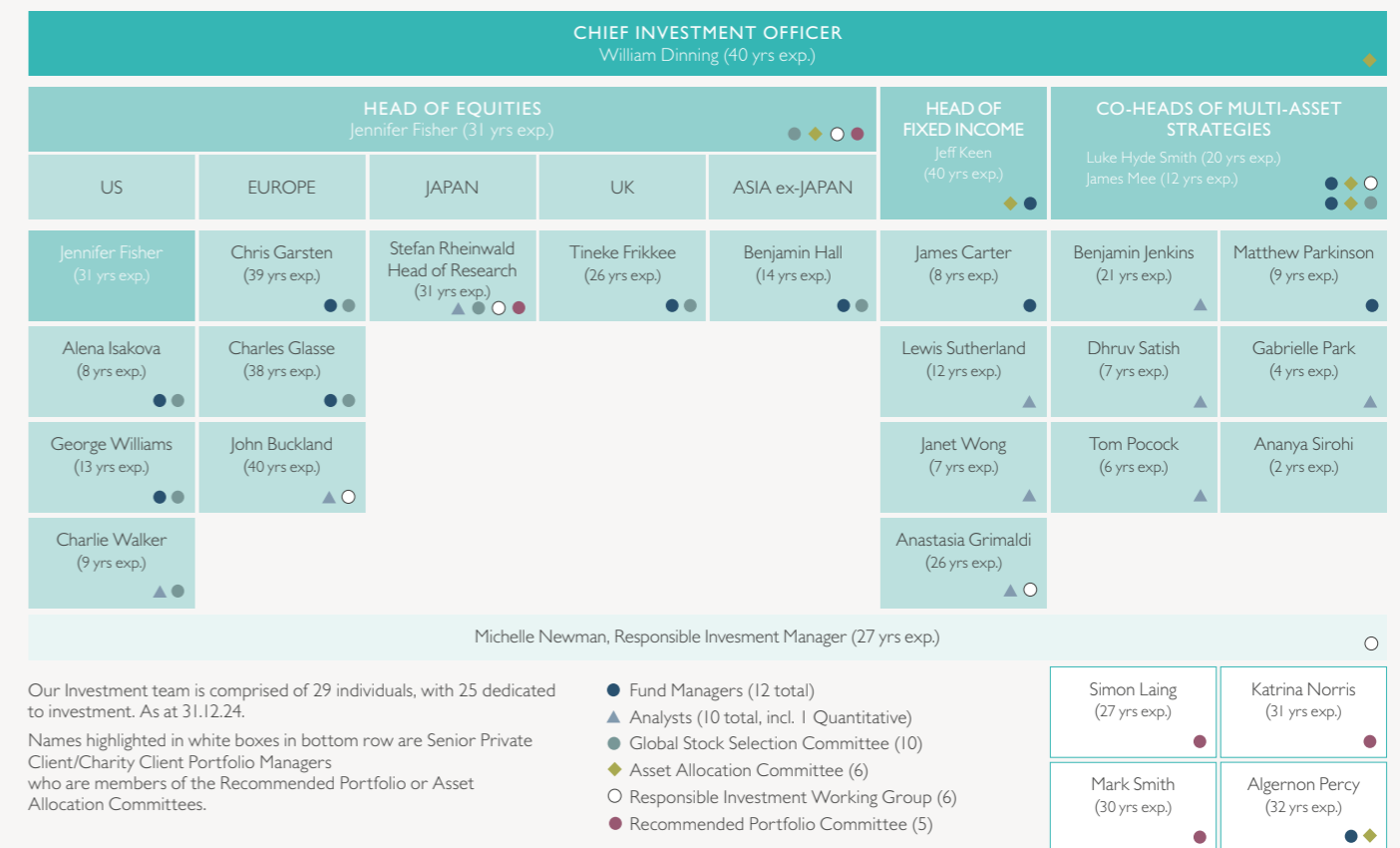


## 2 GOVERNANCE, RESOURCES AND INCENTIVES

### STEWARDSHIP GOVERNANCE STRUCTURE



### INVESTMENT TEAM STRUCTURE



#### Governance overview

The Board of Waverton is the ultimate governing body of the firm. It is responsible for setting the strategic direction of the business, ensuring its long-term success for the benefit of its stakeholders, and that the company acts to deliver good outcomes for its clients. The Board meets formally at least five times a year.

#### Sustainability Committee

Waverton's Sustainability Committee (Susco) oversees our sustainability strategy as well as our regulatory reporting and adherence to global standards, including the UN Principles for Responsible Investment, FRC Stewardship Code and FCA Climate-related disclosures.

Susco is chaired by an independent non-executive Director and made up

of a second independent non-executive Director, CEO, Chief Operating Officer, Chief People Officer, Head of Equities and Corporate Sustainability Manager.

The Committee's remit is to promote and support Waverton's long-term sustainability agenda, which includes our integrated ESG investment approach, stewardship reporting, responsible business activities, Equality, Diversity and Inclusion (ED&I) initiatives and the wellbeing of our employees. The Committee meets at least quarterly.

In addition, Susco regularly invites external perspectives and Susco hosts subject matter experts or peers to broaden its views several times a year.

Day-to-day accountability for sustainability sits with the Corporate Sustainability Manager as well as the business, as each pillar has a lead who is responsible

for setting objectives, targets, and reporting progress.

#### Audit, Risk & Compliance Committee

The Audit, Risk & Compliance Committee (ARCC), chaired by a non-executive Director, is responsible for the review and oversight of the company's risk management and seeks regular assurance that the system of internal controls is effective in managing risks in line with this, as well as for the oversight of the financial reporting and audit processes, and compliance with regulatory matters. ARCC regularly receives presentations from Heads of Departments to ensure wide engagement with the business.

The Board receives regular updates on the progress of its committees throughout the year and is consulted on decisions as required.

#### Executive Committee

The Board also oversees our Executive Committee (Exco) and reviews and constructively challenges its performance against the overall strategy. Exco assists the CEO in the performance of his duties as set by the Board, and in the day-to-day management of the business. Exco is also responsible for accurate and regular messaging to staff around strategy and wider business culture, so that Waverton's core values are maintained.

#### Stewardship governance

There are several oversight committees to cover the full investment process, one of which is the Asset Allocation Committee (AAC). Chaired by our Chief Investment Officer (CIO) and including five of the most senior members of our Investment team. The AAC recommends the house position on asset allocation across client strategies.

The AAC meets every six weeks with a broader Asset Allocation Forum (AAF) held in advance of the meeting. The AAF brings together the views of those that focus on macroeconomic research (top-down) and the analysis of the asset class teams (bottom-up), whose fundamental company research often provides more forward-looking insights into the health of the global economy.

The AAF also serves as a platform for the AAC to gather views from all of Waverton's investment professionals. Conclusions from the AAC feed into recommendations across all investment strategies that we manage, guiding specific short-term asset class weights. These views are immediately communicated across the firm and

respective weights are reflected in our portfolio management system to be implemented in portfolios as appropriate.

#### Investment team

The Investment team is led by our CIO, with the Head of Equities, Head of Fixed Income and Co-Heads of Multi-Asset Strategies reporting to him. We continue to evolve the structure and oversight of our Investment team to ensure we maintain the quality of our investment services to clients.

Having the team working from the same location and time zone offers greater opportunity for collaboration and the sharing of ideas. It also means the Investment team is accessible to clients and portfolio managers, facilitating easy and timely communication.

GOVERNANCE, RESOURCES AND INCENTIVES *CONTINUED*

**Responsible Investment Working Group**

The Responsible Investment Working Group (RIWG) aims to enhance the coordination and implementation of our integrated ESG approach, as well as our engagement and voting activities, across the Investment team.

Working Group members have a depth of ESG experience, with all asset classes represented, which is utilised by wider team members and client-facing colleagues. Members also present on ESG integration and relevant topics in our weekly investment meetings and directly with the business channels to raise awareness and understanding of ESG and Waverton's approach.

The Investment team is overseen by our Performance Review Committee and Portfolio Risk Review Committee, who are supported by data analytics from the Performance & Risk team.

These committees review investment performance on a regular and ongoing basis to ensure our portfolios operate within the guidelines of their given mandates.

**Monitoring dispersion**

At a portfolio level, the Portfolio Dispersion Review Committee monitors the performance of private client and charity client portfolios and requires the portfolio managers to validate returns if portfolios are identified as outliers.

**Resourcing**

We are committed to ensuring that we are appropriately resourced in terms of employee levels, professional qualifications and access to relevant tools that enable employees to perform their roles.

We adhere to all regulatory certification requirements and actively support our employees in their pursuit of professional qualifications through organisations including the FCA, CFA Institute, and CISI. Our Sustainability and Investment teams have access to specific sustainability resources through our membership of CDP, the World Benchmarking Alliance, the UN Principles for Responsible Investment (PRI) and ESG data from MSCI and Morningstar. Several of our existing research providers are also incorporating extensive ESG data within their fundamental research, which we frequently find to be more relevant to, and aligned with, our integrated approach to ESG.

**Equality, Diversity and Inclusion**

Ensuring we continue to improve Equality, Diversity and Inclusion (ED&I) is one of Waverton's priorities and we pride ourselves on creating and sustaining a positive and inclusive working environment. Diversity of thought and opinion is a critical part of making good investment decisions for our clients and we are fortunate to have a highly talented Investment team with a blend of experience levels, skill sets, perspectives and nationalities. The combination brings different insights to our discussions, fostering greater debate and adding significant value to our asset allocation, security selection and portfolio construction decisions.

Significant focus continues on improving gender diversity across the business, with improved levels of female representation across the firm, including at Board level and on Exco.

As part of a Board approved succession plan, two new female directors have joined the Waverton Funds Board from the 1st January 2024, as Chair and Chair of the Financial Reporting Committee, respectively. 62% (18/29) of new hires in 2024 were female. Continued focus on increasing the number of female hires will assist us in meeting our Women in Finance Charter commitments, where Waverton has pledged to have 33% of senior management made up of women by 2025, currently at 18%. We also continue to work with partners, including

Girls Are INvestors (GAIN), upReach and Investment 20:20 to improve the diversity of our candidate pools.

As we were in the process of integrating Waverton and London and Capital this year, we haven't run an ED&I survey in 2024, but are planning one in 2025 to set a new baseline for the combined business.

**Training**

As the industry's understanding of ESG and sustainability issues continues to evolve, we are committed to providing the tools and training to support our Investment team and client-facing colleagues when considering ESG risks and opportunities in their decision-making.

Introduction to our sustainability strategy and approach to integrated ESG are part of the standard onboarding programme for all new joiners, and new starters in the Investment team complete advanced ESG training modules by the PRI Academy.

Employees are encouraged to seek ESG-related training topics as part of their CPD training obligations. This could be professional qualifications, for example we make the CFA ESG certificate available for all interested employees, or a combination of in-house teach-ins and participation in industry roundtables.

In addition, continuous professional development is facilitated through relevant webinars and conferences employees attend throughout the year. Employees also have access to broader training via LinkedIn Learning.

Individual training needs are addressed throughout the year and are formally assessed during on-boarding and end of year appraisals.

**Incentives and remuneration Effectiveness of our governance structure**

All employees have clearly defined objectives which outline their responsibility for contributing to the successful achievement of Waverton's strategic targets, and to ensure the highest standards of personal conduct. These objectives form an integral part of the year-end remuneration process and are considered when determining individual performance-related bonuses. All remuneration is reviewed by the Remuneration Committee.

Our integrated ESG approach means that performance against stewardship activities and objectives is already included in overall performance reviews of the Investment team. Senior management also have specific stewardship objectives. As we learn more, we will assess whether implementing more specific ESG targets as part of the formal remuneration policy is needed.

Our CEO and Exco members are all responsible for supporting stewardship and responsible business activities, particularly in relation to our sustainability targets. Additionally, our CIO and the RIWG are responsible for ESG integration in line with Waverton's investment approach across the Investment team.

At Waverton we seek to apply best in class principles to make our governance as effective as possible. Our structure ensures clear line of sight from Board level down to the executing teams, with crossover between various parts of the business to ensure a broad perspective on activities and risk.

We have robust business continuity plans in place, covering a range of topics including severe disruptions to our infrastructure and succession planning.

Employees have been encouraged to own shares in the company, to provide better alignment with Waverton's strategic priorities.

**PARTNERSHIPS TO SUPPORT OUR DIVERSITY TARGETS**

The block contains four logos: 
 1. Women in Finance Charter: A red circular logo with a white handshake icon and the text '125 anniversary'.
 2. INVESTMENT 20/20: Text 'INVESTMENT 20/20' with 'THE TALENT SOLUTION FROM THE INVESTMENT ASSOCIATION' below it.
 3. GAIN: A colorful logo with the text 'GAIN Girls Are INvestors'.
 4. upReach: A logo with three colored bars and the text 'upReach Transforming Social Mobility'.

### 3 CONFLICTS OF INTEREST

#### Conflicts of Interest Policy

We are committed to act in the best interest of our clients and treat all our clients fairly, in line with the FCA's regulatory standards for investment managers.

We maintain a Conflicts of Interest Policy on our website, which identifies applicable conflicts and sets out the controls and processes in place to mitigate risk.

**Read our Conflicts of Interest Policy on our website.**

Where conflicts of interest are identified, they are mapped and categorised on the internal Conflicts Register, which is maintained by Compliance. Each new conflict is reviewed and assessed by the team, with additional review by the Risk Committee to ensure the controls in place mitigate the risk sufficiently.

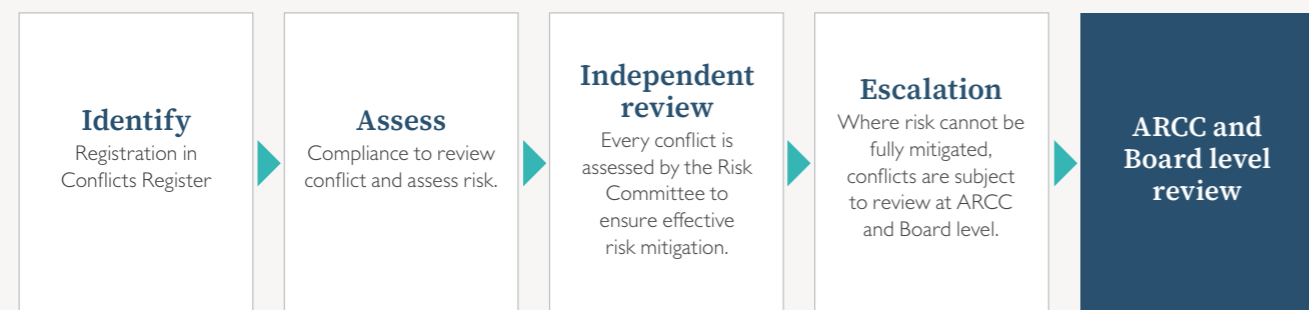
On a six-monthly basis, Compliance conducts independent assessments of conflicts of interest as part of the monitoring programme. This reviews the controls in place against each identified conflict of interest to ensure they are appropriately designed and operating effectively. Each assessment is risk-rated according to the findings noted.

Our Conflicts of Interest Policy and Register are both reviewed on an annual basis by Compliance, the Risk Committee, ARCC and the Board, to ensure they remain fit for purpose.

All new employees undergo strict training and guidance on internal policies and procedures as well as the expectations of our regulators. This covers all scenarios where conflicts of interest can arise, such as gifts and hospitality, personal account dealing and market abuse.

Additionally, all employees are required to disclose any personal or business-related conflicts of interest to Compliance. A monthly email communication is sent to all staff reminding them of their obligations to inform Compliance of any changes to personal circumstances that may present a conflict of interest.

#### CONFLICT REVIEW AND ASSESSMENT



#### OUR APPROACH TO MANAGING POTENTIAL CONFLICT OF INTEREST SITUATIONS

POTENTIAL CONFLICT	RISK MANAGEMENT APPROACH
<p>1. Where Waverton acts as a discretionary investment manager for clients, a conflict could arise between Waverton, the investee company or a client when exercising voting rights.</p> <p><b>Read more about our proxy voting process in Principle II.</b></p>	<p>The responsibility for voting decisions sits with the Investment team who undertake the fundamental analysis, and build and maintain the relationship with investee companies around the world. Decisions are proposed by the relevant specialist within the team and approved by the regional and/or global equity fund managers. Voting decisions for investment companies are made by the Multi-asset team. In the unlikely event a conflict were to arise, the voting recommendation of our proxy voting service provider, will be instructed.</p> <p>Compliance monitoring undertaken reviews the rationale for voting against the recommendations by Glass Lewis.</p>
<p>2. Where an employee or officer of Waverton also serves as an officer of an investee company, Waverton may utilise its voting rights in a manner that personally benefits the employee or benefits Waverton over the shareholders and Waverton clients.</p>	<p>Waverton maintains a Conflicts Register that records the external roles undertaken by all employees and officers. There are strict procedural controls in place to prevent such external investee companies to be held in client accounts, thereby mitigating the voting rights risk. If such a scenario were to arise, Waverton would abstain from the vote to ensure a fair and independent vote is held by the remaining shareholders. Compliance obtains and assesses each external interest and role undertaken by new hires from a client risk perspective.</p> <p>Compliance monitoring undertaken reviews the rationale for voting against the recommendations by Glass Lewis.</p>
<p>3. Where an employee or officer of Waverton also holds external roles, such as advisory board memberships, non-executive roles and investment committee memberships for other companies, Waverton may utilise its discretionary investment powers to recommend and purchase these companies for client portfolios outside of the investment process to the benefit of the employee or Waverton, over the client.</p>	<p>Waverton's Conflicts Register records the external roles undertaken by all employees and officers. There are strict procedural controls in place to prevent such external roles from being undertaken, and an independent risk assessment by Compliance on the roles undertaken. System configurations are in place to alert the team to trades involving these companies. External roles are also reviewed by the Risk Committee on at least an annual basis.</p> <p>During 2024, there were no purchases for discretionary-managed client portfolios in companies where a Waverton employee or officer has an external role.</p>
<p>4. Incentive structures for Waverton's research and portfolio management teams that increase the risk of inappropriate recommendations, risk-taking and short-termism in conflict with maximising shareholder value over the long term.</p>	<p>Waverton's Remuneration Policy, maintained and implemented by HR, ensures that employees are not remunerated solely based on performance of stock recommendations or client performance. Remuneration is aligned with business strategy, objectives, values and long-term interests of the company and its clients.</p>
<p>5. Where Waverton's engagement with potential or current investee companies gives rise to inside information, this could be utilised by employees or officers of Waverton to the detriment of clients, other shareholders and the wider structure of the markets and may deviate from the recommendation in line with our investment approach.</p>	<p>Employees and officers are informed about the Market Abuse Regulations upon joining Waverton, and trained on Market Abuse Regulations periodically thereafter. Compliance acts as gatekeeper for the receipt of inside information. Over the course of 2024, there were four instances where Waverton was in receipt of inside information. Compliance prevented the trading of these stocks until the news became public information. In addition, Waverton makes use of an external trade surveillance tool to screen all trades for the risk of market abuse, including inside information.</p>

## 4 PROMOTING WELL-FUNCTIONING MARKETS

### Managing market-wide and systemic risk

As a business, we rely on the ability to invest in stable and well-functioning financial markets to serve our clients and other stakeholders. Equally, as responsible stewards of capital, we have an obligation to contribute to the long-term sustainability of financial markets.

Waverton's six pillar risk framework ensures we monitor and review all potential areas of market wide risk and systemic risks to the business. The risk framework is a quantitative risk monitoring tool that was developed by Waverton to support well-functioning financial markets.

Within Waverton's risk governance and oversight structure, there are three committees with specific oversight for investment performance and risk:

- Performance Review Committee
- Portfolio Dispersion Review Committee
- Portfolio Risk Review Committee (PRRC)

The latter is responsible for identifying and managing market risk. The PRRC is supported by the Performance & Risk team, which sits independently from the Investment team and monitors risk daily. Waverton's Board is kept informed of potential risks to the business and how these risks would impact the company.

### Stress tests

A key part of the PRRC's remit is to identify systemic risks and review the exposure of client assets to them. The systemic risks are built into stress tests using a third-party factor-based risk model (FactSet MAC Model). These tests are incorporated into our risk monitoring systems and form part of our six pillar risk management framework. Stress tests are performed monthly and are reviewed formally on a quarterly basis by the PRRC. Stress tests are reviewed individually and are aggregated when we set risk limits, referencing the risk profile of portfolios when setting these limits.

### Monitoring climate risk

The assessment of climate risk is a constantly evolving area that companies continue to report on in various ways, using different methods of measurement, or sometimes not at all. Through our memberships of Climate Action 100+ and the CDP, we help promote the implementation of common standards and greater transparency around corporate disclosures on environmental impact. Both initiatives allow us to collaborate with others to encourage wider implementation of more standardised disclosures, and also provide the Investment team with access to their libraries of global corporate environmental data.

The availability of good quality and consistently presented carbon data, especially if investing globally, still remains an issue for anyone in the investment industry attempting to accurately assess a fund/portfolio's current carbon footprint and its path to net zero.

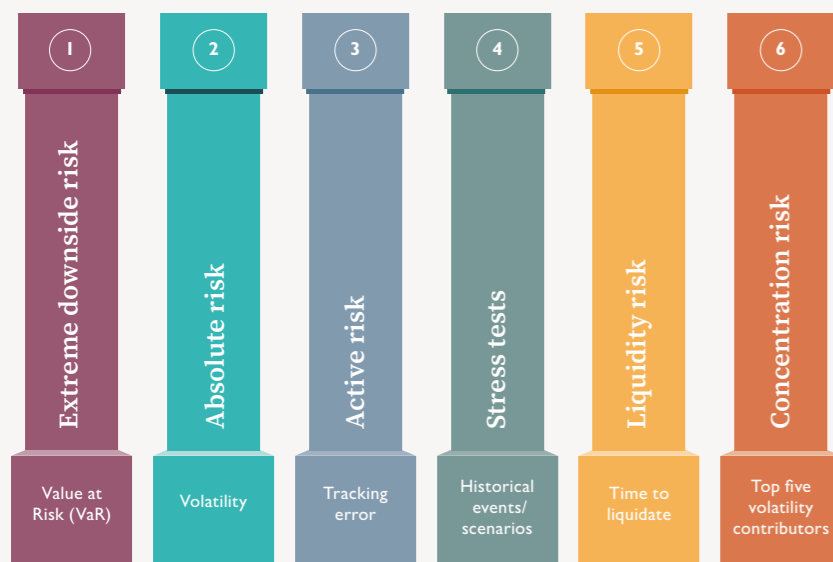
Our TCFD report sets out our approach to managing climate-related risk and opportunities across our business in more detail, including how our integrated ESG approach captures sustainability of our investments as part of our fundamental research process. Our TCFD report is available on our website.

### Industry-wide initiatives and consultations

In 2024, we were actively involved in a number of industry-wide initiatives and consultations to promote well-functioning markets.

[Read more about our contributions in Principle 10.](#)

### THE SIX PILLAR RISK FRAMEWORK



### CASE STUDY

#### Performance & Risk 2.0

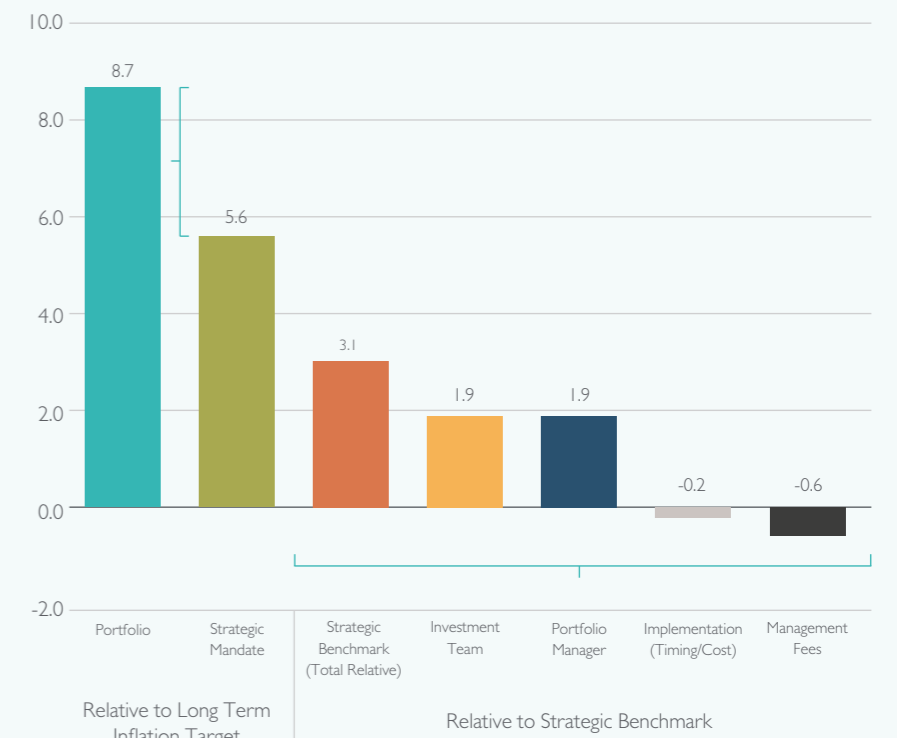
In the early part of 2024, the Performance & Risk team, responsible for supporting the governance and oversight of investment risk and performance evaluations, launched an initiative to enhance the collective management of portfolios. This enhancement introduces additional layers of insight across portfolios, specifically on the drivers of performance and risk.

The evaluation of performance can now be assessed across multiple components of performance, starting first with the evaluation of the strategic mandate (benchmark) selected by the client and its ability to deliver on its performance objectives (long term inflation target, CPI+). We then evaluate the investment team's ability to deliver alpha (outperformance of the market) versus the strategic mandate and, lastly, we measure the effectiveness of implementation and contribution from integrating client requirements into the management of portfolios.

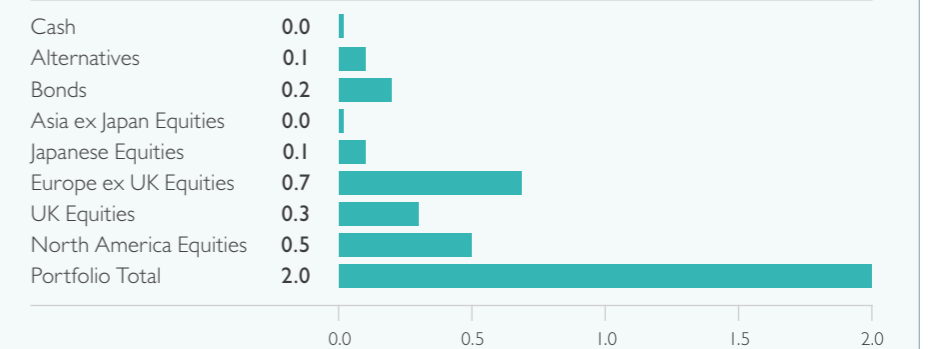
The top right graph highlights the additional insights provided, where the previous methodology before this year would have only broken down the Total Relative performance.

The benefits of this enhancement also extend to risk, as it allows us to identify the forward looking tracking error of portfolios against the recommended portfolios by the investment team, to understand the potential drivers of dispersions and to help with the management of dispersions against set parameters. The tracking error measures the potential variation of returns relative to the investment team recommended portfolio using the standard deviation of returns. This is all made possible through the use of third party analytical software, that delivers

Growth portfolio example (relative performance annualised)



#### Portfolio tracking error contributions (vs. investment team recommended portfolio)



a Multi Asset Class Monte Carlo simulation risk model.

The portfolio example above highlights a portfolio with a tracking error of 2.0%, which can be broken down to understand where deviations in portfolio construction occur, which can

be down to client preferences, to allow for modifications to reduce the level of tracking error. The analytical software can identify drivers of tracking error at the security level, which helps to make precise adjustments to portfolios to reduce tracking errors where required.

## 5 REVIEW AND ASSURANCE

### Assurance

Our corporate policies and governance are reviewed on a regular basis. We work with an external provider to provide internal audit services and to present an audit plan to the ARCC. The audit plan is based on our key strategic objectives and the associated risk profile and assurance framework within the firm. From this, an internal audit universe of auditable entities and audit priority is created for a four-year cycle which is reviewed annually.

On an annual basis, different parts of the business are selected to undergo an internal audit. Selection considerations include key risk drivers and other factors sourced from business plans, the risk register, compliance monitoring, requests by our ARCC, management concerns, sector challenges and emerging issues.

Waverton is committed to remediate any recommendations from internal auditors. Improvements made by the business are reviewed by internal auditors and the Risk Committee, and ARCC and the Board have oversight over the remediation progress.

Due to the size of our firm, we have not sought external verification of our processes to date. However, we are signatories to the FRC's Stewardship Code and UN Principles for Responsible Investment, both of which require our approach to meet minimum standards which is assessed and reviewed annually.

### Responsible Investment Policy

Our responsible investment policies, including our integrated approach to ESG, engagement and proxy voting, are also reviewed on an ongoing basis. Our Responsible Investment Policy sets out how we incorporate responsible investment into our investment process. The policy covers all our stewardship activities and is updated annually or when significant changes occur.

**Our Responsible Investment Policy can be found on our website.**

While we continue to develop our policies where they enhance our investment approach, we focus on those aspects where we can be most effective in helping to influence genuine and positive outcomes.

### Stewardship reporting

Our stewardship reporting complies with all relevant regulatory requirements and we always strive to ensure that over the remediation progress, our messaging is transparent and an accurate representation of Waverton's approach. It includes our annual Stewardship Report, Engagement and Voting Report, as well as our TCFD Report setting out our approach to managing climate-related risk and opportunities. Our annual stewardship reports are reviewed and approved by our Sustainability Committee as well as our Board.

In addition to our corporate reports, we also produce broader client communications on our integrated approach to ESG.

### Effectiveness of our processes and policies

One of the ways we measure the effectiveness of our structure, process and policies is through the consistency of our investment performance. Participation in the Asset Risk Consultants (ARC) Survey highlights the industry leading investment performance delivered, for example, by our Private Client business. Moreover, our Institutional Funds have a track record of delivering returns that are consistently in the top half of the peer group. Over 3 years, the results are even better, with the majority of funds ranked in the 1st quartile and in a number of cases top decile, versus their respective peer groups.

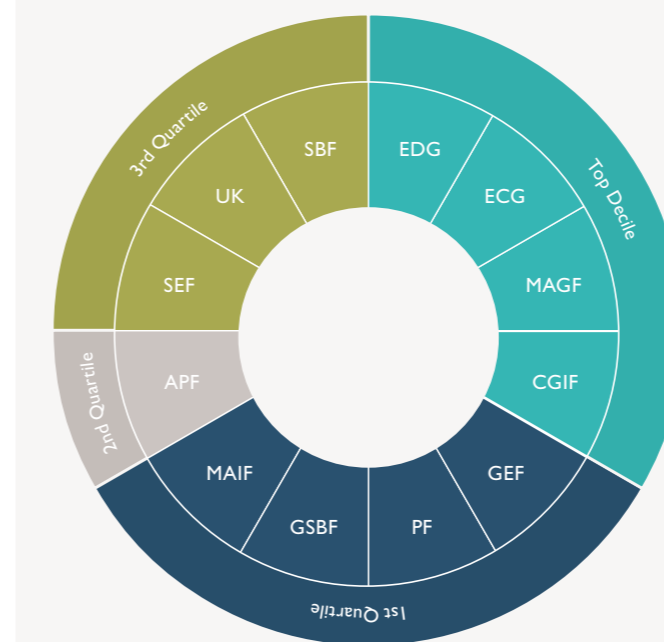
ARC provides a range of services to private clients, charities, family offices, professional trustees and their trusted advisers, including performance reporting. To this end, ARC has an extensive research capability to assist investors and their professional advisers in making informed investment decisions. The central aim of this research function is to place performance into perspective. The performance tables on the right highlight our performance versus peers included in the survey, across our two largest business channels.

The breadth of performance across risk profiles (from Defensive to Equity) highlights the quality of output being provided by the Investment team across all asset classes.

## REVIEW AND ASSURANCE *CONTINUED*

### Performance tables

#### WAVERTON FUNDS 3 YEAR RANKINGS



EDG	European Dividend Growth Fund
ECG	European Capital Growth Fund
MAGF	Multi-asset Growth Fund
CGIF	Charity Growth Income Fund
GEF	Global Equity Fund
PF	Portfolio Fund
GSBF	Global Strategic Bond Fund
MAIF	Multi-asset Income Fund
APF	Asia Pacific Fund
SEF	Strategic Equity Fund
UK	UK Fund
SBF	Strategic Bond Fund

Source: Waverton. As at 31.12.2024

For Private Clients, we have achieved 1st quartile returns over 1, 3, 5 and 10 years for Equity, Growth, Balanced, Cautious

and Defensive mandates. With respect to MPS mandates, we have achieved 1st quartile returns across Equity, Growth

and Balanced mandates over 1, 3, 5 and 10 years.

#### ARC PCI Survey vs Private Client House Composites to end 2024

ARC PCI VS HOUSE COMPOSITES	1 YEAR		3 YEARS		5 YEARS		10 YEARS	
	RETURN	QUARTILE	RETURN	QUARTILE	RETURN	QUARTILE	RETURN	QUARTILE
Private Clients Defensive GBP	5.7	1st	4.1	1st	13.6	1st	45.2	1st
Private Clients Cautious GBP	8.2	1st	9.4	1st	26.5	1st	68.3	1st
Private Clients Balanced GBP	9.7	1st	12.3	1st	34.3	1st	87.5	1st
Private Clients Growth GBP	11.6	1st	16.2	1st	43.2	1st	108.4	1st
Private Clients Equity GBP	15.5	1st	25.1	1st	64.2	1st	150.2	1st

#### MPS (External) - ARC PCI Survey to end 2024

ARC PCI SURVEY	1 YEAR		3 YEARS		5 YEARS		10 YEARS	
	RETURN	QUARTILE	RETURN	QUARTILE	RETURN	QUARTILE	RETURN	QUARTILE
MPS Defensive	5.9	3rd	2.0	3rd	20.9	1st	48.2	2nd
MPS Cautious	7.5	1st	4.0	2nd	27.4	1st	63.5	1st
MPS Balanced	9.6	1st	7.1	2nd	36.6	1st	84.0	1st
MPS Growth	11.5	1st	10.0	1st	45.0	1st	104.3	1st
MPS Equity	15.0	1st	16.1	1st	58.3	1st	139.7	1st

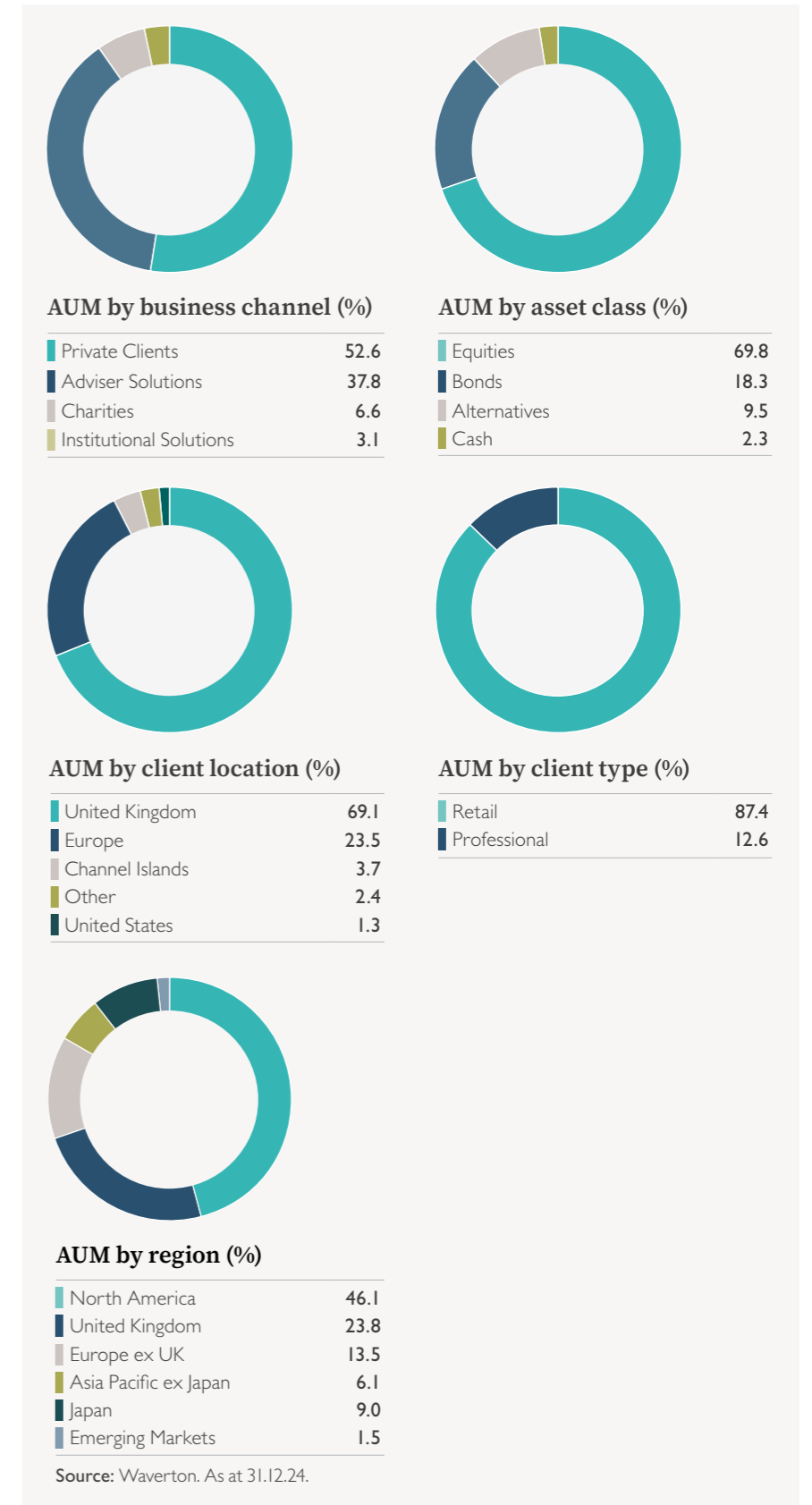
**Risk warning:** Past performance is no guarantee of future results and the value and income from such investments and their strategies may fall as well as rise. You may not get back your initial investment. Capital security is not guaranteed.

# Investment approach

6	Client and beneficiary needs	19 – 25
7	Stewardship, investment and ESG integration	26 – 36
8	Monitoring managers and service providers	37

## 6 CLIENT AND BENEFICIARY NEEDS

At Waverton, we put our clients first. Ensuring that our services are valued and appropriate for each client is at the core of our approach, and we are able to cater for clients with a wide range of different requirements. Our investment approach and stewardship activities are designed to deliver superior levels of client service, alongside real returns that meet our clients' investment objectives over the long term. We service clients across four business channels: Private Clients, Charities, Advisers, and Institutions.



CLIENT AND BENEFICIARY NEEDS *CONTINUED*

**SEEKING CLIENT VIEWS**

Capturing the views and expectations of our clients is essential. We continually seek feedback in a variety of ways:



**OUR APPROACH TO CONSUMER DUTY**

Consumer Duty aims to increase the responsibility of firms to ensure they deliver good outcomes on an ongoing basis and are able to evidence outcomes. At Waverton, we believe that our standards are always compliant with the requirements– we take care to prioritise our clients' needs.

We have metrics in place which set thresholds for performance to assess and be able to evidence that we meet the Duty's requirements. As part of our ongoing work, we continue to review existing arrangements to ensure that we remain compliant.

We are also seeking feedback on an ongoing basis from our clients and partners. Our aim is to not only empower clients to make the right decisions for their needs, but to ensure they receive products and services that meet those needs and provide fair value.

**CASE STUDY**

**Segregated, White-Labelled Multi-Asset Growth Opportunity**

**Issue**

An institutional client had been outsourcing the investment management of their model portfolios to external asset managers for several years. Concerns over stewardship and the delivery of good outcomes, particularly on price and value, resulted in the client starting a tender process. Waverton was invited to take part based on the strong performance of our multi-asset funds, competitive pricing, as well as the experience and track record of the multi-asset team. Following initial due diligence, the client included Waverton in the running of several mandates across a few risk profiles.

**Action**

The Waverton multi-asset team conducted an in-depth analysis into the client's existing three mandates. They compared these with Waverton's funds, processes, and holdings, and developed three tailored asset allocations to best meet the client's requirements.

Addressing the client's priorities to deliver good outcomes, particularly on value and performance, the Waverton team focused on three key aspects:

- 1) **Remain active while lowering overall cost to investors**  
Waverton's global, active and direct investment approach allows us to better construct portfolios for both upside capture and downside protection. By protecting capital in periods of market stress while remaining invested for the long term, client risk-adjusted outcomes are improved. In line with our partnership ethos, we deliver this at competitive rates, with the annual management charge decreasing

as the assets under management (AUM) in the funds grow, reducing the total cost of investment.

- 2) **Deliver attractive cash plus returns** – The mandate included a cash-plus returns target which deviated from our proposed inflation-plus target returns. By increasing the equity weight on this occasion, we were able to re-configure the proposed asset allocation to meet the client's needs, without materially impacting expected risk-adjusted returns, and while staying aligned with our strategic asset allocation and portfolio construction framework.

- 3) **Operational effectiveness** – The appointed Authorised Corporate Director (ACD) was well known to Waverton, and its

senior management team were in a position to attest to the institutional quality of Waverton's offering, providing further reassurance of our ability to provide good stewardship for the client's funds.

**Outcome**

The Waverton team went to great lengths to understand the clients' priorities and concerns and put together a proposal to deliver the best outcome for the client by providing a well-managed, cost-effective, and proven investment solution for their Growth Fund. The outcome is a sizeable, white-labelled solution, which is expected to grow over time based on the impressive track record of the multi-asset team, cost-efficient pricing, and potential risk-adjusted returns.



CLIENT AND BENEFICIARY NEEDS *CONTINUED*

CASE STUDY

**Client Portal Accessibility Issue**

A leading disability charity approached Waverton to submit a proposal to manage their investment portfolio in order to help meet important charitable objectives. After submitting a detailed proposal, tailored to their unique needs, and presenting to the Board, we were delighted to be appointed and to welcome this important charity as a client of Waverton.

We were asked to review the accessibility of our client portal and to enhance its features for visually impaired users. The key issues were: elements inaccessible by keyboard, content inaccessible by screen reader and missing form labels. These issues restricted visually impaired users from accessing the content, as they were unable to navigate page elements easily and to identify the purpose of the controls.

**Action**

In 2024, we partnered closely with the charity's in-house accessibility consultants, who worked alongside our IT Development Team, to analyse the Waverton client portal and provided feedback on best practice for accessibility. We conducted a comprehensive review, which involved both parties sharing reports and suggestions. Based on this collaborative effort, we identified a number of actions for improvement, such as colour scheme changes (increasing colour contrast), layout, and navigation.

We instructed a formal audit of our portal and digital experience which was performed by the charity, and drove further development updates aimed at aligning the portal with the Web Content Accessibility Guidelines (WCAG). Once the updates were made, the portal underwent a second audit for validation ensuring compliance and effectiveness.

**Outcome**

Following the improvements, the portal was re-assessed, and Waverton received a significantly higher score than before, meaning we are now compliant with the WCAG standard. The charity provided positive feedback, noting that these improvements not only supported them, but supported all visually impaired users across our client base.

Waverton is committed to continuous improvement and recognises that accessibility is an ongoing, but vital journey. As part of our continual development, we are now working closely with the charity to enhance our bespoke reporting documents, as well as improved accessibility to our corporate reports and booklets. We continue to explore additional areas for improvement to provide an open, inclusive and accessible environment for all our clients.



**Meeting our clients' needs**

The starting point for any client new to Waverton begins with a thorough and detailed exploration of their needs and investment objectives for the available funds. After encountering a wide variety of client requirements over many years, we now offer an equally wide range of services to cater for the most common scenarios. For example, our International Clients Committee (ICC) draws on the experience of a team with an average 23 years investment experience across all major asset classes. The ICC has extensive knowledge gained from working across multiple jurisdictions on behalf of clients and their investment vehicles, to deliver appropriately constructed portfolios that may also incorporate enhanced segregation of income and capital where appropriate.

Another specialist service is our offering for US persons, be they resident in the US or elsewhere. These clients have complex tax reporting requirements that may include reporting in multiple jurisdictions, each with their own rules governing the tax implications of different securities. Our offering includes bespoke and model portfolios, both of which are designed to meet the needs of US persons whilst also delivering the excellent investment service common to all Waverton portfolios.

Following the introduction of Waverton Wealth in 2021, we have continued to broaden our wealth planning services. Our recent merger with London & Capital will allow us to further expand our offering and provide clients with access to enhanced expertise and knowledge, including in relation to US exposed clients and wealth planning for UHNW clients. The combined firm will implement London & Capital's wealth planning capabilities with Waverton's investment performance, delivering a more robust suite of wealth management services tailored to diverse client needs.

**Communicating with our clients**

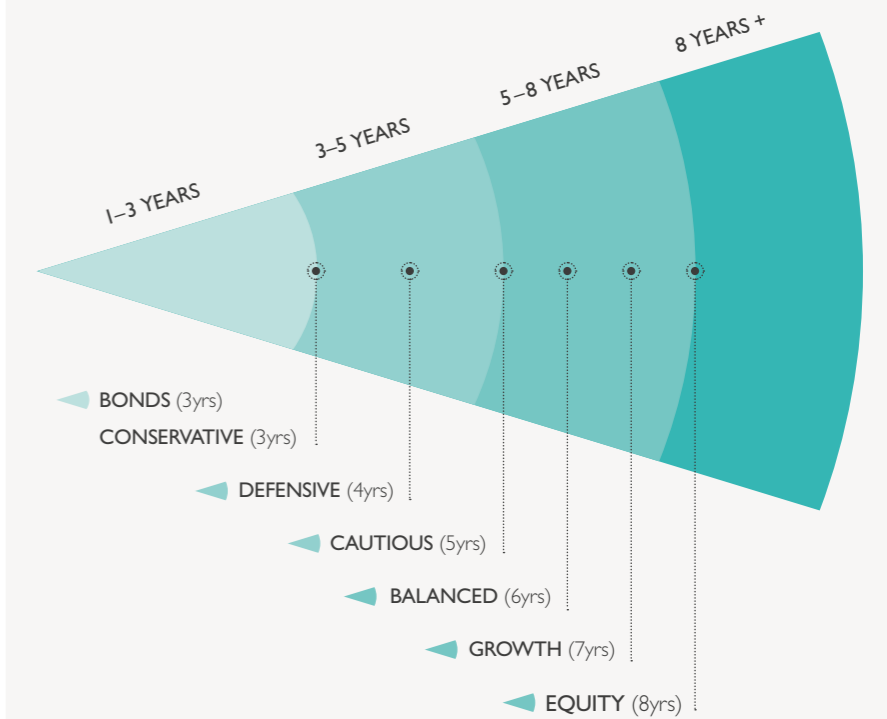
Throughout the year, we produce both regular and ad hoc market commentary and investment insights which are distributed to our clients as appropriate.

We ensure that our clients are briefed and kept up-to-date with our investment horizons and expected returns. This is fundamental to the way we manage their assets, and as long-term investors, the approach we take to strategic asset allocation does change from time to time. This may impact the way our portfolios are managed to ensure we meet the investment objectives of our clients, whilst remaining within their risk appetite and tolerance for loss. We publish updated reports with supporting rationale to help clients keep abreast of these changes and the thinking behind our decisions.

At the start of all new client relationships, in annual reviews or when there is a significant change to a client's requirements, we provide a guide to our investment mandates which details the asset classes and investment horizons that we consider when constructing portfolios.

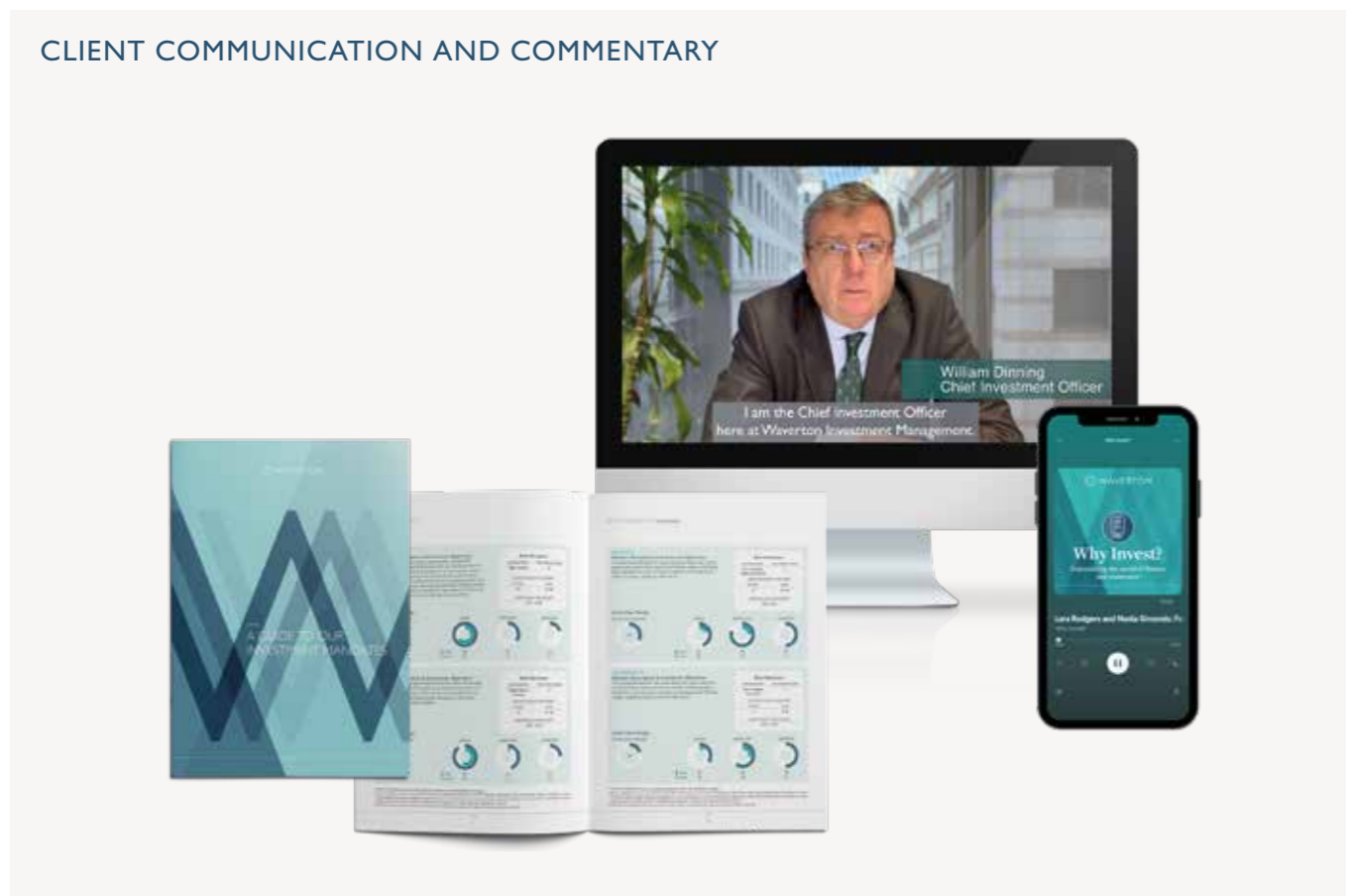
In this document we outline the time horizons for each mandate. These ranges provide our clients with the assurance that their portfolios will be managed in accordance with their objectives. These time horizons are an important consideration, since they seek to allow time for the portfolio to recover from any drawdowns. This central document was reviewed as part of our Consumer Duty programme to ensure it works as intended and provides clients with all the information they needed in an accessible way.

**MANDATE GUIDANCE TIME HORIZONS**



CLIENT AND BENEFICIARY NEEDS *CONTINUED*

CLIENT COMMUNICATION AND COMMENTARY



**Regular reporting**

Our reporting process is designed around our clients. We offer detailed and transparent reporting to keep clients informed about their assets and how they are performing. Clients can choose more simplified reports and every client has the option of printed or digital copies, with the majority of clients now accessing their valuation documents through our online portal.

All clients receive a full valuation of each portfolio, a record of all income and capital movements and a performance report each quarter. They also receive a quarterly investment publication called Market Perspectives. This publication, authored by one of our most experienced portfolio managers has proven to be very popular with its readers.

We continue to prepare MSCI ESG Risk and MSCI Climate Risk Reports for our Funds, Global Recommended Portfolio and specific client portfolios on a quarterly and ad hoc basis.

These reports provide data across a range of ESG metrics, and compare them to a market benchmark.

Waverton was founded on the strong belief that clients should be as close as possible to those making investment decisions, rather than pure relationship managers who are detached from the core of the business. One of the advantages of operating out of one location, is that our Investment team is easily accessible to both our portfolio managers and our clients.

At the end of the financial year, each client and/or their adviser receives more detailed reports including:

- an investment report
- dividend and interest statements
- composite tax certificates
- an acquisition schedule.

**Communicating our responsible investment approach**

Every year, we publish a series of corporate reports on our stewardship approach, engagement and voting activities as well as our climate strategy, which are all available on our website.

**Building relationships that last**

As part of our client engagement, we host a range of formal and informal events throughout the year, both online and in-person. We know our clients value the personal contact beyond their regular review meetings and so do we. Some of these events are more investment focused, and others more social. In 2024 we hosted 36 webinars, which generated over 2,000 views and 42 in-person events which also attracted

over 2,000 attendees. The attendance and feedback from these events inform us on how our clients like to engage and helps us to build trusted, lasting relationships.

CLIENT ENGAGEMENT EVENTS



## 7 STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

### Investment approach

Waverton has always adopted a global, active, high conviction and predominantly direct investment approach, reflecting a firm belief in the benefits of active management both in terms of asset allocation and disciplined security selection. We aim to better protect capital in periods of drawdown and capture the upside as markets rebound, thereby compounding superior risk-adjusted returns over the long term.

Our investment universe incorporates a wide range of asset classes, including equities, bonds, alternatives and third-party funds.

The Investment team has a dual role, not only providing investment recommendations to all four business channels, but also directly managing over £7.4bn of Waverton's AUM. This is largely via our single or multi-asset public OEICs that are owned within some Private Client, Charities and Advisory Client portfolios, as well as our single-asset class funds that represent all the building blocks of our MPS offering.

Waverton's investment process incorporates both bottom-up fundamental analysis and top-down macroeconomic research. Regular dialogue with companies around the world has always been an integral part of our investment process, providing both a clearer understanding of individual businesses and industries, as well as important and often more forward-looking insights on real economic activity. We blend these insights with analysis of global macroeconomic data to give us as much visibility as possible regarding the outlook from a macroeconomic, regional, industry and consumer perspective.

### OUR PHILOSOPHY



#### Global multi-asset, direct

Provides the widest set of potential investment opportunities; direct approach facilitates greater control and transparency.



#### Active approach

Active management both in terms of asset allocation and security selection. What we avoid is as important as what we own.



#### High conviction

Concentrated in the best ideas across the global universe. Detailed knowledge of each holding enables better risk management.



#### Downside protection

Aim to better protect capital in periods of drawdown and capture the upside as markets rebound.



#### Superior real returns

Aim to achieve superior risk-adjusted, real returns over the cycle.



#### Integration of ESG

Assessment of material ESG factors and active engagement is an integral part of our fundamental research.

### Primary and secondary research

The Investment team is responsible for idea generation and uses a wide range of information sources during its due diligence process. Third-party research is also used to complement its own analysis and provides an important diversity of opinion. All our investment decisions are based on detailed fundamental analysis and the identification of selection criteria that we clearly define for each asset class.

The asset allocation guidelines and individual asset class recommendations provided by the Investment team feed into all four business channels, with all Waverton clients benefiting from an institutional grade investment process which is rigorous, robust and repeatable, with proven results through market cycles and rotations.

### Risk oversight

As discussed in Principle 4, all client portfolios and fund strategies are regularly reviewed by the relevant performance and risk committees, to ensure portfolios are constructed in line with recommended guidelines and managed within appropriate risk parameters. Managers are required to validate returns if portfolios/funds are identified as outliers.

[Read more about how we engage with companies in Principle 9.](#)

### ESG integration

We firmly believe the consideration of ESG factors is an integral part of good fundamental research, rather than something new to accommodate.

Governance is central to delivering a sustainable business in all its forms (durability, returns for shareholders, improving ESG standards) and is an essential part of our analysis. Similarly, when considering other relevant factors that could impact a company's ability to generate free cash flow (FCF) over the long term, it is impossible to ignore material environmental and social factors that could have significant operational and financial consequences for its business.

ESG factors are, therefore, intrinsically linked to the long-term returns of an asset and we employ a bespoke framework that helps identify, prioritise and assess the most material issues of the companies in which we place our clients' capital. Focusing on material ESG issues when evaluating a company's performance with regards to ESG factors, is also a far more effective way to assess real-world environmental and social outcomes.

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION *CONTINUED*



Our materiality framework is adapted from the Sustainability Accounting Standards Board's (SASB) ESG materiality framework and based around its five sustainability pillars: Environment | Social Capital | Human Capital | Business Model & Innovation | Leadership & Governance.

The framework ensures key material issues are identified and investigated in a more consistent manner across the wider Investment team.

**Specialist ESG data**

The Investment team has access to specific sustainability resources through our membership of CDP, the World Benchmarking Alliance, Morningstar and ESG risk data from MSCI. While the latter can provide useful reference points, we do not use ESG ratings as a decision driver in either our security selection or portfolio construction. Many of our existing research providers now incorporate an ESG perspective within their fundamental research, which we find more relevant to our integrated and forward-looking approach.

**ESG reporting**

Accurately measuring or scoring companies' exposure to ESG risks and opportunities still remains problematic, open to interpretation in the absence of a standard methodology, and compounded by significant variation in the quality of corporate disclosures on a global basis. Third-party ESG scores/

ratings tend to be backward looking and fail to capture a company's direction of travel which, combined with issues around consistency and data accuracy, can lead to very misleading outcomes. We believe it is the recognition of these discrepancies using our detailed knowledge of companies that enables us to identify opportunities where value can be captured and alpha generated.

To date, we have used MSCI's ESG and carbon portfolio analytics to provide reports on client fund/portfolio exposures. We chose MSCI for its global, multi-asset reporting capability. As the providers of Waverton's performance benchmarks, it also provides an element of consistency in our reporting.

While acknowledging shortcomings in the quality of all ESG data, these reports help provide some insights into the "outcome" of our integrated approach and ESG credentials of our funds/portfolios. Perhaps more useful

is the direction of travel both at the individual security and portfolio level. Even then, however, changes to the rating agencies' methodologies can also result in changes to a fund's ESG rating even with no change in the underlying holdings. Understanding what drives their calculations, therefore, is key and we continue to work constructively with MSCI to encourage greater transparency.

**Non-exclusionary**

At the corporate level, we have chosen not to implement "blanket exclusions" and prefer to engage actively with companies in all industries and focus on their direction of travel. Where we identify concerns, we use engagement and voting to help influence or encourage better behaviours.

This approach provides us with the flexibility to invest not only in those companies with strong ESG credentials today, but also well-managed businesses that we believe will successfully adapt to and mitigate ESG risks over time, and/or those that form a critical part of the transition solution. This is often where most value is to be found and, importantly, where the contribution to achieving positive sustainability outcomes is often overlooked.

More detail on our engagement and voting policies, as well as case studies from our 2024 interactions, can be found in Principles 9 and 12.

**Ethical screens**

While Waverton has opted for an integrated rather than exclusionary approach to ESG investment, some clients wish to implement screening policies to reflect their personal beliefs and values as a complement to our core process. We have a long history of managing these policies and an appreciation of the degree of trust that clients place in us to achieve their objectives.

**Security selection across asset classes**

The following sections provide a summary of the investment process within each asset class, and highlight how the integration of ESG factors is adapted to take into account the nuances of specific asset classes.

**Equities Approach**

Our investment approach is based on Waverton's long-held belief in the advantages to clients/investors of a global, active, direct and high conviction investment approach. We construct equity portfolios of 30-40 stocks and are disciplined in our stock selection.

Our unwillingness to compromise on our selection criteria drives our portfolios to be benchmark agnostic but aware. The aim of our approach is to better protect capital in periods of drawdown and capture the upside as markets rebound, thereby compounding strong risk-adjusted returns (in real terms) ahead of both the benchmark index and ARC Equity Risk peer group over the cycle.

**Idea generation**

Waverton has a dedicated Equities team with expertise across all major regions. The team undertakes ~500 company meetings a year (both in London and overseas) as a way to gain useful company and industry insights, and also reviews information from a wide range of different sources to flag potential investment ideas. Quantitative screens are sometimes but rarely used.

**Selection criteria**

Waverton has clearly defined stock selection criteria based on our assumption that the value of a company is a reflection of the size, growth and longevity of the free cash flow it generates (FCF = cash flow from operations less capital expenditure). Any company which can grow revenue,

improve its profit margins and/or use capital more efficiently going forward, is capable of growing FCF and we seek to identify those that are managed to maximise future FCF generation. We view this financial metric as the clearest indicator of a company's financial health and long-term sustainability. It is less susceptible to manipulation than earnings and a more comparable measure on a global basis.

We therefore aim to identify companies with the following criteria:

**DURABILITY:** A clear and sustainable competitive advantage

**OPPORTUNITY:** An opportunity to grow future FCF

**ALIGNMENT:** Efficient capital allocation and aligned management incentives

**VALUATION:** A fundamentally attractive valuation given the opportunities and risks

The identification of our four key criteria ensures a thorough review of both quantitative and qualitative factors, including those related to ESG.

We assess environmental and social factors in the same way as any other material factor that could impact a company's financial sustainability and long-term investment performance (positively or negatively).

Our materiality framework helps to formalise the identification and assessment of ESG risks/opportunities that are material to specific industries, but the detailed due diligence undertaken by the Equities team will also identify any company-specific risks, all of which we will seek to discuss with company management directly.

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION *CONTINUED*

**Responsible allocators of capital**

We aim to identify businesses allocating capital in a responsible manner, ensuring resilience in their underlying business model and long-term financial sustainability.

Responsible allocators of capital tend to be those companies with strong governance standards and forward looking management already meeting or adapting to the increasingly discerning ESG requirements of customers, regulators, shareholders and other stakeholders. These companies are more likely to maintain a competitive advantage over time, supporting their market shares and revenue growth.

**Capturing the improvers**

Companies with a focus on efficient capital allocation and FCF growth also do not stand still. In reality, technology continually evolves and well-managed businesses will already be working to mitigate their exposure to ESG risks or to take advantage of ESG opportunities, and will be on path to an improved ESG profile over the medium to long term. These companies will also continually strive to be as efficient

as possible in regard to both their cost (e.g. energy efficiency) and capital structure.

Our selection criteria seek to capture businesses displaying all these characteristics.

**ESG Integration across regions**

There are still distinct differences that persist not only between financial transparency and governance standards across regions, but also from the perspective of regulatory frameworks around sustainability standards and reporting.

Supporting the implementation of internationally recognised best practices is an important way of encouraging higher standards and, ultimately, in the interest of all stakeholders. We discuss our ongoing involvement in collaborative CDP initiatives that are focused on improving and standardising corporate disclosures in Principle 10.

It is also important to recognise, however, that holding companies accountable to the same standards globally at this stage, is not necessarily conducive to a positive

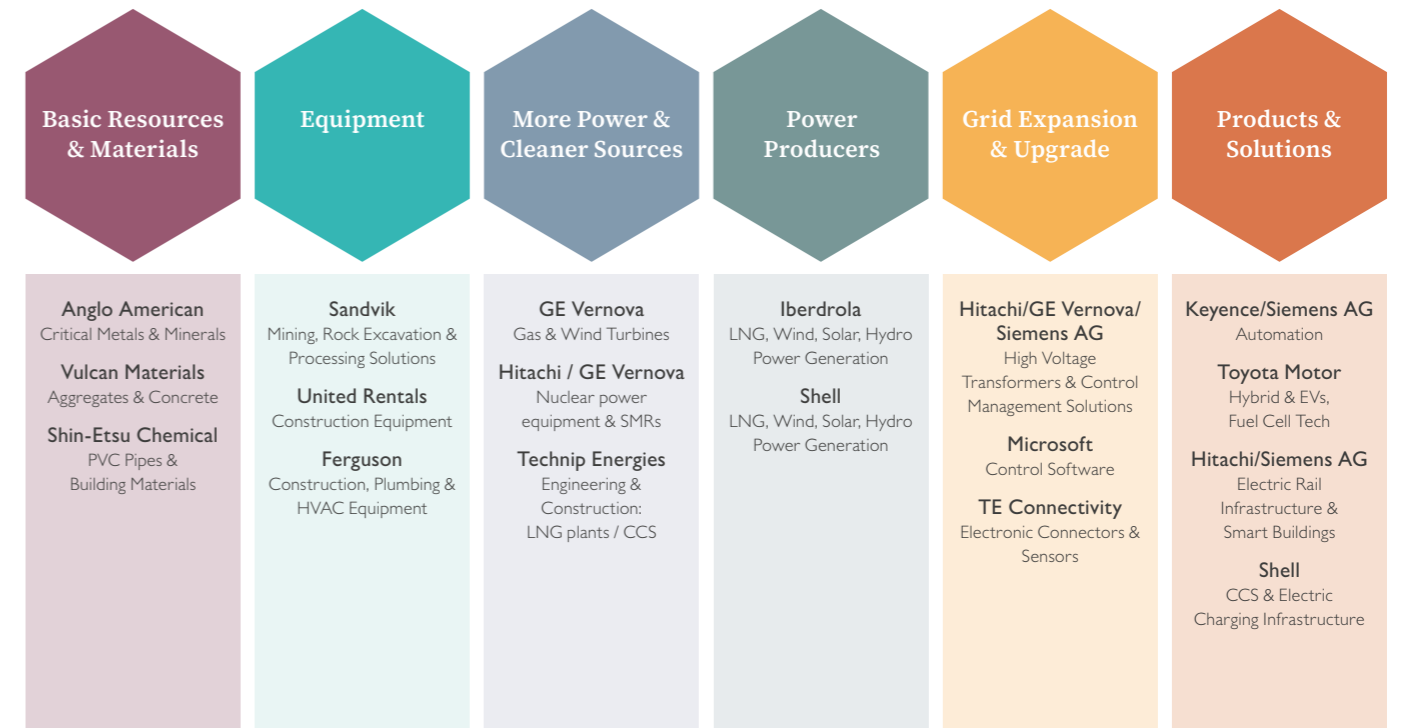
change in behaviours. Making investment decisions on the basis of a "one size fits all" approach in relation to ED&I, board structure or remuneration policies, for example, can prove counterproductive and a better outcome might be achieved by taking specific industry and local market factors into account. As discussed above, we prefer to identify companies allocating capital responsibly and working towards incremental improvements in ESG standards over time.

**Portfolio construction**

The portfolio construction process incorporates careful assessment of overall exposures and specific client requirements. Beyond regular performance attribution analysis that enables us to monitor the risks posed by portfolio deviations from the sector and regional weightings of the benchmark index, we also have access to a proprietary "factor" exposure tool. This enables us to consider how our portfolios might perform under different inflationary and growth scenarios, providing us with a useful layer of additional risk analysis.

**ILLUSTRATION OF EXPOSURE TO THE ENERGY TRANSITION**

All elements of the value chain play a critical role in achieving a low carbon world



Stocks included in Waverton's Global Recommend Portfolio, as at 31.12.2024.

**INTEGRATED APPROACH TO ESG**

**Primary research**

- Company analysis and meetings
- Regional/global sector thematic reviews
- Bespoke materiality framework

**Secondary research**

- Broker views and forecasts
- Industry specialists
- Specialist ESG/Sustainability data

**Assess ESG impact on**

- long-term demand trends
- customer preferences
- regulation
- competitiveness
- physical and systemic risks

**Durability**



**Assess impact on fundamentals**

- market share
- profitability
- capital demands
- free cash flow
- solvency

**Opportunity**



**Assess qualitative factors**

- governance structure
- reputation/corporate culture
- financial transparency
- remuneration policies
- ownership/voting control

**Alignment**



**Portfolio characteristics**

While we are not benchmark constrained, our equity exposure tends to be broadly diversified, avoiding any excessive bias towards a particular sector, region or single macro factor.

We have always adopted a pragmatic approach, with the flexibility to shift the emphasis within portfolios depending on where we are finding the most attractively valued investment opportunities from a fundamental perspective.

Our investment criteria lead us to larger, well-capitalised companies with high quality characteristics, irrespective of whether they are cyclical or non-cyclical or classified as Growth, Core or Value within our style framework.

**ESG quality**

The natural outcome of our selection criteria is also client portfolios with above-average ESG standards and below-average carbon risk when compared with benchmark indices. Companies which have poor or deteriorating ESG credentials usually fail our selection process on financial sustainability grounds following detailed fundamental analysis. This reinforces our view that an integrated, active and forward-looking approach is an effective and repeatable way to deliver both genuinely responsible outcomes and superior risk-adjusted returns for clients over the long term.



**We believe an integrated, active and forward-looking approach is an effective and repeatable way to deliver both genuinely responsible outcomes and superior risk-adjusted returns for clients”**

(Waverton)

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION *CONTINUED*

CASE STUDY **E**

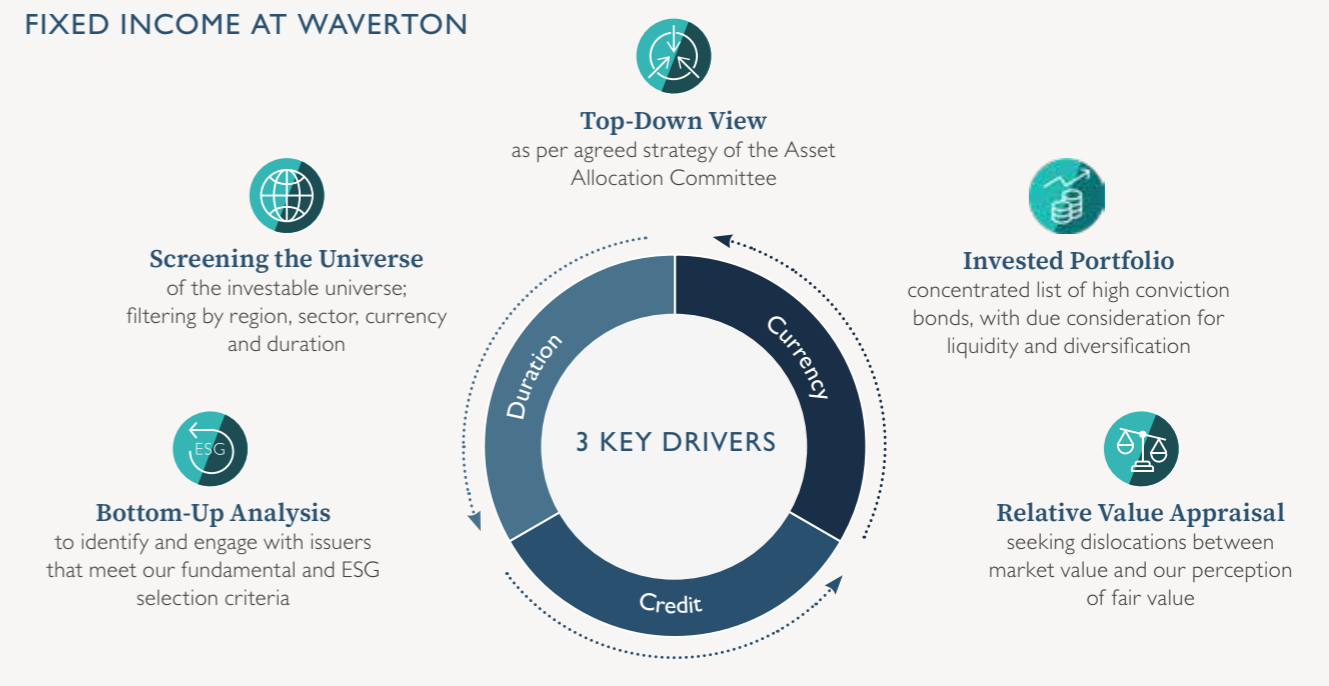
**GE Vernova**

Meets our selection criteria and part of the energy transition solution

<b>DESCRIPTION</b>	<ul style="list-style-type: none"> <li>– Global leader in the electric power industry, spun-out of General Electric</li> <li>– Consists of 3 divisions: (i) Power, gas and nuclear turbines, (ii) Wind, wind turbines and blades, (iii) Electrification, power grid solutions</li> </ul>
<b>DURABILITY</b> Sustainable Competitive Advantage	<ul style="list-style-type: none"> <li>– Leading market positions in growing sectors key for the energy transition</li> <li>– 40% of revenues from the long-term contracted aftermarket business within the Power segment</li> <li>– Installed base generates 30% of the world's electricity</li> </ul>
<b>OPPORTUNITY</b> To grow FCF over the long term	<ul style="list-style-type: none"> <li>– The need for increased electric power and investment in the grid, especially in the US, will drive revenue growth over the medium-term</li> <li>– More than doubling margins from 6% to 15%+ over the next 3-4 years as the new standalone entity is better run in a more rational market backdrop will be the biggest contributor to free cash flow growth</li> </ul>
<b>ALIGNMENT</b> Efficient and responsible allocation of capital, and aligned remuneration policies	<ul style="list-style-type: none"> <li>– Strong management team includes well regarded Chairman with track record of success and proven CEO who successfully turned around the Power business within GE</li> <li>– Incentivised on free cash flow growth and relative total shareholder return. Medium-term targets appear conservative</li> <li>– Net cash balance sheet provides capital allocation optionality</li> </ul>
<b>VALUATION</b> Attractive in relation to opportunities and risks	<ul style="list-style-type: none"> <li>– Upside as the market gains confidence in the upside to management's medium-term targets.</li> <li>– Risks include mis-execution of the turnaround and Chinese competition in wind</li> </ul>
<b>ESG QUALITY</b>	<ul style="list-style-type: none"> <li>– Well positioned for the energy transition given their leading market positions across energy sources for today and the future. This includes gas, hydro, wind and nuclear</li> <li>– Number one player in the US with 45% wind market share</li> <li>– Current installed base generates 30% of world's electricity, which demonstrates importance for society</li> <li>– They operate with a "safety culture" and use their "Lean" principles to drive continuous improvement</li> </ul>



FIXED INCOME AT WAVERTON



**Fixed income Approach**

Like with equities, we take an active approach to fixed income. Specifically, we adjust the portfolio exposure to duration, credit and currency according to our view of the economic cycle. We invest with conviction, preferring more concentrated portfolios to ensure our best ideas have a meaningful impact on returns, although we do not sacrifice diversification, investing across geographies and sectors.

Our primary focus within fixed income is to generate a relatively attractive income and positive returns, whilst outperforming benchmark indices and minimising downside volatility where possible. However, it is also critical to ensure the fixed income allocation provides the overall portfolio with diversification through displaying negative correlations to risk assets in challenging markets. This is achieved by ensuring we hold a sufficient exposure to duration (interest rate risk) and limiting our allocation to speculative grade credit.

Our fixed income strategy is a combination of top-down and bottom-up analysis of markets which help us assess the appropriate decisions to make on the three key drivers of bond returns – duration, credit and currency. The top-down view helps the Fixed Income team to focus its bottom-up approach on the most suitable points of the yield curve, the best industries, regions and, where applicable, the most attractive currencies. Further, relative value analysis is key to finding dislocations between the market value and what we consider to be fair value. Finding such dislocations offers the opportunity not only for income from the bonds, but also capital appreciation as spreads narrow.

**Selection process**

The team employs a mixture of qualitative and quantitative methods to identify and engage with issuers that meet our fundamental ESG selection criteria, aligned with Waverton's materiality framework.

**Green bonds**

We believe that 'green' or, more broadly, 'sustainability-linked' bonds are a quick-fix solution for investors looking to avoid more rigorous fundamental ESG analysis of issuing entities. While we do invest in a number of bonds issued under sustainability frameworks, we prefer to take a more holistic approach to our assessments by performing our own thorough ESG analysis on the entity. We see numerous examples of issuers with otherwise very poor ESG credentials issue green bonds that we consider to be unfit for purpose.

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION *CONTINUED*

CASE STUDY **G**

**Samman Capital (previously Indiabulls Housing Finance) (India)**

In April 2024, Waverton participated in a new bond issued by Indiabulls Housing Finance Ltd, now known as Samman Capital. Samman provides long-term housing loans to individuals and loans against homes to small business owners in India.

Five years ago, the company was embroiled in a governance scandal when a Public Interest Litigation (PIL) was filed against it. The PIL alleged that Indiabulls had granted loans to large corporations and routed those funds back to companies owned by the former chairman and directors of Indiabulls, thereby inflating their wealth. Although the Delhi High Court dismissed the PIL in February 2024,

the scandal significantly tarnished the company's reputation.

To address investor concerns, Samman initiated a comprehensive reorganisation process three years ago. This included overhauling the board and its various subcommittees and restructuring the company's ownership. Notably, the company appointed the former Deputy Governor of the Reserve Bank of India (India's central bank) as Chairman of the Board, and the former Chairman now holds no direct or indirect shareholding in the company, resulting in shares being 100% free-float.

Through our active engagements with management, we became confident that the new corporate structure and enhanced governance practices better safeguard stakeholder interests. However, the impact of the scandal on

the company's reputation led to the bond being issued with an elevated yield relative to the fundamentals and credit rating. We viewed this as an attractive relative-value opportunity, believing that as the new management team gains the trust of the markets, the credit spread will tighten, leading to strong returns.



CASE STUDY **E G**

**Infratil (New Zealand)**

Infratil is a New Zealand-based infrastructure investment company with a 30 year track record, currently owning a portfolio of 15 assets across digital (62%), renewables (22%), healthcare (11%) and airports (4%).

Infratil's portfolio of assets is well-positioned to capitalise on themes with structural growth. Digital infrastructure will benefit from digital consumption, the global effort to reduce reliance on fossil fuels is driving demand for renewables and ageing populations are driving increasing need for the build out of healthcare assets.

Many of their infrastructure assets are for the sole purpose of producing low emissions energy and therefore directly contribute towards reducing the impact of climate change. ESG considerations are embedded

throughout the investment lifecycle and notable strides have been made in a number of assets, such as Wellington Airport, which is aiming for net-zero emissions by 2030. They are implementing steps such as transitioning to 100% renewable energy sources and replacing their vehicle fleet with electric vehicles.

Opportunity stems from their heavily weighted portfolio of high-growth digital infrastructure and renewable energy businesses. CDC (data centres), One NZ (telecommunications) and Longroad Energy (solar and wind US projects) make up 70% of its total value. Complemented by cash generating assets, primarily Manawa Energy and Wellington Airport.

Infratil's strong foundation of cash-flow generating assets allows them to maintain their credit and

liquidity metrics. This, in turn, fuels reinvestment in high-growth opportunities. As a result, Infratil aims to deliver shareholder returns of 11-15% per annum over a 10-year horizon, while also enhancing portfolio diversification.

Waverton initially purchased the stock in our Real Assets Fund in 2022 and have followed their progress since. We introduced the position in the Multi Asset Range in 2023, and participated in their equity raise in June 2024 across all funds that own the stock.



**Multi-asset strategies**

Our Multi-Asset strategies benefit from the fundamental analysis, and recommended lists maintained by the specialist Equities and Fixed Income teams when constructing Multi-asset funds and portfolios.

**Alternatives selection process**

Similar to our equity and fixed income selection process the alternative investment process hinges on bottom-up fundamental research. The initial stage encompasses a split in the classification of any alternative investment between two sub-asset classes: Absolute return and Real assets.

We then run initial screens to rank and filter investments based on consistency of performance across a range of absolute, relative and risk adjusted performance metrics. Investments which pass this initial screen are then analysed more formally through a fundamental quantitative and qualitative research process, incorporating Waverton's ESG integration and materiality framework where appropriate.

This includes assets which clearly map to a Global Industry Classification Standard (GICS) sub-industry sector such as infrastructure, utilities, shipping or property.

However, we recognise that many of our managers operate in more complex investment areas, such as the derivatives space, and/or do not interact with management of public/private companies e.g. trend following futures. Waverton has undertaken a review of best practice for these non-traditional investments and, for now, we expect firms to maintain high levels of governance and responsible investment practices at firm level. We encourage our specialist managers to adopt ESG policies which are applicable to complex asset classes, while recognising the challenges to achieving this.



STEWARDSHIP, INVESTMENT AND ESG INTEGRATION *CONTINUED***Third-party funds**

The Waverton fund selection process aims to identify genuinely active, differentiated funds, managed by experienced fund managers with a sound investment philosophy.

Our process utilises a range of quantitative and qualitative criteria to define, analyse and select the most appropriate investment strategies from within the available investment universe. The initial stage of the bottom-up process defines the investment universe across three broad asset classes: equity, fixed income and alternatives. We include the full spectrum of open-ended funds, closed-ended investment trusts and passive strategies, both index funds and Exchange Traded Funds (ETFs), creating a universe of collective investment vehicles available for selection.

When assessing investment strategies, we seek to identify, where possible, whether the investment strategy is managed with an ESG focus. We use Morningstar data to evaluate whether the fund invests based on certain non-economic principles, such as environmental focus, social responsibility or human rights. A socially conscious fund may take a proactive stance by selectively investing in, for example, environmentally responsible companies, or firms with good employee relations. Equally this subset of investment strategies may avoid investing in companies involved in promoting alcohol, tobacco, gambling, or in the defence industry.

We also assess the ethical and responsible investment approach of third party funds using the Spectrum of Capital, which is a widely adopted responsible investing framework. It provides a tool for fund selection and determines what we can expect of a fund's stewardship activities, outcomes, and guidance for ongoing monitoring. This allows us to assess the overarching fund approach towards ESG and responsible investment before undertaking further analysis.

**8 MONITORING MANAGERS AND SERVICE PROVIDERS****Service providers**

We assess and rate all service providers that support our corporate and investment activities according to their contribution to our processes and client service.

Our Risk Committee identifies critical providers who may hold or process our client data. We have a risk-based monitoring approach and carry out additional due diligence for critical providers, including quarterly reviews with any concerns escalated to the Risk Committee. We also carry out annual due diligence and cyber security assessments, and screen critical providers annually against sanctions or regulatory fines.

**Third-party research and data providers**

The Investment team uses third-party research providers to complement their own fundamental analysis, enhance their knowledge and understanding, and to provide an important diversity of opinion through discussions with industry/regional/asset class specialists. This includes access to information provided by specialist ESG data providers.

The availability of good quality, transparent, reliable and consistent ESG data still remains an issue for anyone in the investment industry attempting to accurately assess a fund/portfolio's ESG credentials, especially on a global basis. Members of our Investment team continue to maintain constructive two-way relationships with MSCI, our ESG data provider, so that when we identify anomalies or inconsistencies in information, we feed this back to them with the aim of helping to improve data quality.

**Review process**

We monitor and review our existing third-party research providers to assess the quality of their offering alongside the evolving requirements of the

Investment team and the services of alternative or new research providers. Senior members of the Investment team meet twice a year to assess performance and our usage of their services, with a detailed annual review carried out in November to determine external research requirements for the following year.

Our assessment of value incorporates both quantitative and qualitative inputs and the Investment team logs all analyst, industry specialist and corporate interactions via Waverton's internal research portal to track the level and type of activity throughout the year. This data is checked, collated and circulated to the wider investment team at least twice a year. Each asset class team also adds a qualitative overlay to ensure the level of fee payment remains appropriate for both the amount, type and quality of research consumed.

**Proxy voting provider**

We partner with Glass Lewis, a leading independent voting advisory service provider for our proxy voting. While most of our proxy voting aligns with Glass Lewis recommendations, its proxy voting reports and its recommendations, remain subject to review by our Investment team.

**Third-party funds**

Our fund selection process involves ongoing research, evaluation, and monitoring. For those funds in which we invest, we maintain a close and regular dialogue with the management team, seeking to meet them at least every 12 months but more frequently if there is an important event, such as unusual levels of volatility or an identified change in investment style.

We monitor our asset managers' activity via formal and informal processes against the selection criteria. On a weekly basis, portfolio and fund performance is reviewed and discussed by the

Multi-Asset Strategies team. The team scrutinise the collective's performance, delving into style biases, sector biases and peer group performance. Attribution reports are analysed and look-through analysis is provided where available.

Where funds are not meeting our performance expectations, the team will escalate by assigning additional analysis and follow-up to the relevant analyst. More informally, we actively monitor existing holdings' daily performance via a watch list. Performance monitoring is supported via internal teams, and Morningstar inputs.

# Engagement

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## 9 ENGAGEMENT

### Engagement policy

We remain committed to contributing to an improvement in corporate practices, public disclosures and outcomes across the ESG spectrum over time. Our approach to engagement focuses on aspects where we believe we can be most effective in influencing or encouraging better behaviours, while also fulfilling our fiduciary duty to clients/investors to enhance or protect shareholder value.

**“It is now more widely acknowledged that direct engagement with the management of companies is a more effective way to influence better corporate behaviours and deliver positive real-world outcomes.”**

**Negative screening and/or blanket exclusions of certain industries from the investment universe does not solve the problem and, importantly, also precludes a potential seat at the senior management table.”**

(Waverton)

### What is engagement?

We define “engagement” as a two-way dialogue between a company and a member (or members) of our Investment team. The format of this can be in person, by phone, online or email, but the distinction is that it is a forum where we actively participate in a discussion and exchange views with management either 1-1 or in a small group meeting. Attending a conference or investor day presentation or listening to a webinar constitutes a company meeting but not engagement in our book.

The statistics shown to the right distinguish, therefore, between total number of company meetings attended over the course of the year (this excludes quarterly earnings calls), and the proportion that were 1-1 or small group meetings and also those that were with senior management.

As long-term fundamental investors, we prefer to build constructive relationships with management and to communicate with them directly on a regular basis. Our long-term investment horizon and quality of our due diligence has played an important part in fostering strong relationships with companies across the major regions, with the experience of the Investment team facilitating good access to senior management.

Engagement has always formed an important part of our investment process, enabling a more complete understanding of a company’s business model and strategic direction, more effective monitoring of operational performance and progress against

targets, while also providing a fuller assessment of management quality, corporate culture and governance standards. All of the above are difficult to gauge from screening and/or corporate reports alone. These meetings also provide a forum for us to advocate for the strong governance practices and efficient allocation of capital that ensures resilience in a company’s business model and its long-term financial sustainability.

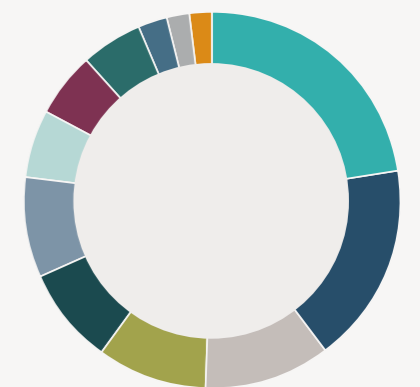
We undertake hundreds of meetings a year with companies across all sectors believing that meeting companies in their domestic territory often provides valuable anecdotal insights, as well as highlighting important regional differences.

**558**  
Company meetings  
(2023: 504)

**57%**  
of meetings 1-1 or  
with small groups  
(2023: 57%)

**78%**  
of meetings with  
senior management  
(2023: 84%)

### ENGAGEMENT BY SECTOR (%)



- Industrials
- Financials
- Consumer Discretionary
- Real Estate
- Communication Services
- Consumer Staples
- Health Care
- Information Technology
- Materials
- Utilities
- Energy
- Other

Source: Waverton

## ENGAGEMENT *CONTINUED*

During 2024, we participated in 558 meetings with companies worldwide. Consistent with previous years, approximately 50% of our meetings in 2024 were with companies in which we are invested. We meet with many others, not only as part of a continuous review of potential investments, but also because these conversations provide valuable insights into the health of the real economy and the competitive dynamics of an industry. This includes a number of private companies developing potentially disruptive new technologies/products/ services. They can also highlight the relationship with and practices of those that may be suppliers or customers of our investee companies, which is particularly important given the greater scrutiny now given to ESG standards throughout a company's supply chain.

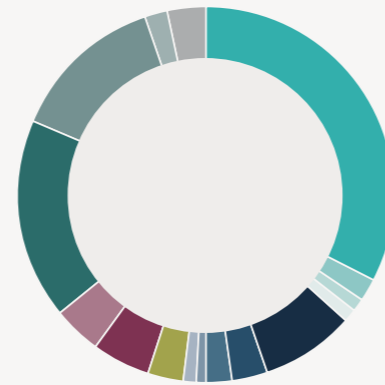
### Identifying engagement topics

The chart to the right breaks down our ESG engagement topics by the five sustainability pillars used within our materiality framework. It also highlights the mix of specific ESG topics discussed with companies last year. Much of our engagement (and voting activity) continues to focus on governance-related topics, a reflection of our strongly held view that efficient and responsible decision-making across a company's business with regard to all aspects of its operations, effectively stems from strong governance structures and practices.

### The importance of materiality

We believe focusing on the ESG issues most material to specific industries when evaluating a company's performance with regard to ESG factors, is not only integral to an assessment of a company's operational performance and financial sustainability, but also the most effective way to assess real-world environmental and social outcomes. Case studies provided over the next few pages highlight what we mean by this.

### ESG ENGAGEMENT TOPICS (%)



#### ENVIRONMENT

- GHG Emissions/Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Biodiversity

#### SOCIAL CAPITAL

- Product Quality & Safety
- Selling Practices & Product Labelling
- Human Rights & Community Relations
- Customer Welfare
- Data Security & Consumer Privacy

#### HUMAN CAPITAL

- Labour Practices/Health & Safety

#### BUSINESS MODEL & INNOVATION

- Material Sourcing/Supply Chain Management
- Product Design & Lifecycle Management

#### LEADERSHIP & GOVERNANCE

- Business Ethics & Behaviour
- Board Structure & Remuneration
- Critical Incident Risk Management

Other

Source: Waverton as at 31.12.2024

### CASE STUDY

#### Engagement on Climate Transition Plans (CTP)

Severe weather-related events are becoming increasingly frequent and during the first quarter of 2025, we have already witnessed the devastating impact of wildfires, severe flooding, record January global temperatures and record low sea ice. All are salient reminders of the need for companies and wider society to continue to address the impacts of climate change.

The changing regulatory and political landscape has seen instances of climate disclosure requirements being reviewed or rolled back in both the US and Europe, albeit from very different starting points. Most well-managed companies continue to move forward in addressing both their energy consumption and use of no/lower carbon fuel sources, however, not least because these also have the potential to drive long-term productivity improvements.

#### Issue

As long-term investors and responsible stewards of our clients' capital, we fully recognise our responsibility to help drive positive environmental change. We also acknowledge that meaningful change on a global scale will take time and believe this necessitates a pragmatic approach, where we actively engage with companies in all sectors and focus on their direction of travel.

Part of this responsibility is the inherent obligation under the Task Force on Climate-related Financial Disclosures (TCFD) regulation to measure, understand and report on Waverton's emissions. The largest component of this is our share of emissions produced by the investments we manage on our clients'/investors' behalf, also known as financed emissions.

#### Action

We have been measuring and monitoring the carbon emissions of our direct equity exposure (covering close to 70% of AUM) since 2023, and produced our first TCFD report in May 2024.

Climate transition plans and emission reduction targets were the primary focus of our company engagement activity during 2024.

We concentrated our efforts on those companies making up the top 15 contributors to financed emissions, both for Waverton as a whole and across our universe of Funds. These 15 companies equate to coverage of 89% of total financed emissions at the corporate level and more than 90% across all Waverton Funds. We engaged with more than 20 companies, however not all engagements were with the top 15 contributors to financed emissions at a corporate level.

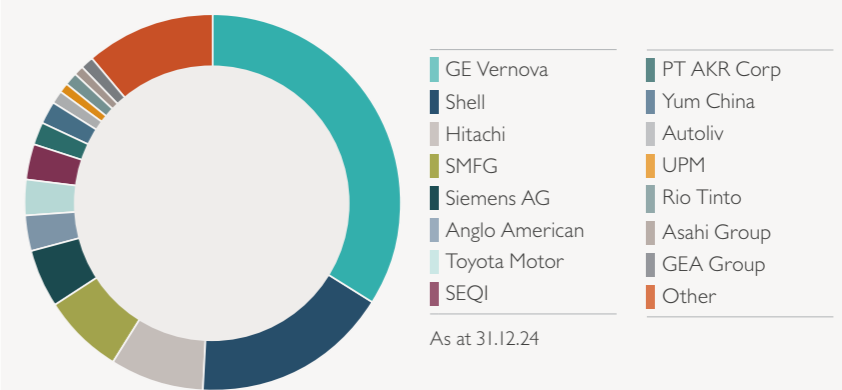
#### Outcomes

Our engagements have become more focused over the last year, resulting in informative and constructive discussions with management.

It is notable that companies are at very different points in the development of their climate strategies, targets, measurement of emissions and the disclosure of these. The regulatory burdens, particularly the Corporate Sustainability Reporting Directive (CSRD) in Europe, has been a distraction for management teams and a drain on resources. For some companies, this has delayed further development of climate action plans, target setting and disclosure.

Sandvik, held within some of our Equity and Multi-Asset Funds, is one of these. This Scandinavian company is a global, high-tech engineering group providing solutions to enhance productivity, profitability and sustainability for the manufacturing, mining and infrastructure industries. Perhaps 2025/26 will see an acceleration of corporate climate-related activity once initial CSRD reporting is underway in Europe, but geopolitical influences (particularly in the US) could discourage progress elsewhere.

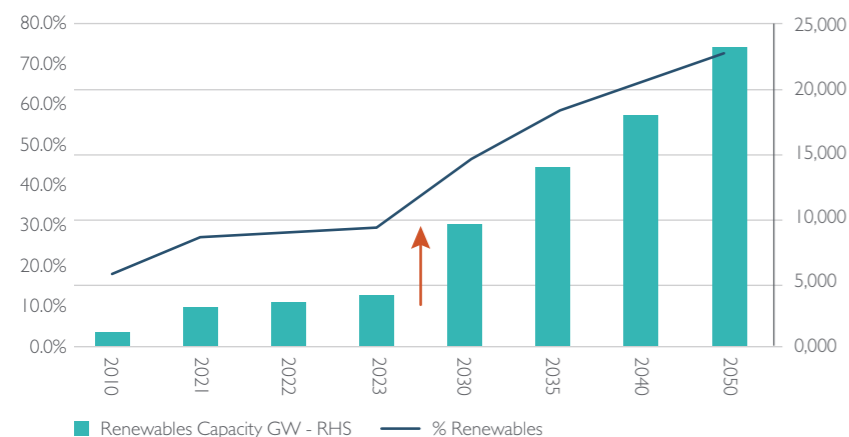
### DISTRIBUTION OF FINANCED EMISSIONS IN 2024



ENGAGEMENT *CONTINUED*

CASE STUDY

World Electricity Supply Generation % Renewables and GW Capacity Based on IEA STEPS Assumptions



Source: IEA World Energy Outlook 2024

The challenges

A very important area of discussion with companies has been the outlook for the energy transition, specifically electrical infrastructure and consequently power the grid mix and assumptions about the future proportion derived from renewables.

Engagement with European companies **GEA Group** (systems suppliers for the food, beverage and pharmaceutical sectors), **Siemens** (industrial automation and technology conglomerate) and **Siemens Healthineers** (healthcare equipment and technology) were insightful on a number of fronts, highlighting different approaches to estimating Scope 3 emissions (see Glossary on the inside back cover for definitions), of which *Category 11 Use of sold products over their lifetime* is often the largest contributor to total emissions.

Assumptions about grid mix are important for reported Scope 3, because they are also inherent in a company's carbon reduction targets. Those companies that rely on International Energy Agency (IEA) grid mix projections based on the

stated government policies scenario (STEPS), could struggle to achieve their targets. As the chart above shows, current projections assume that the proportion of global electricity supply derived from renewables grows from ~15% in 2023 to ~75% in 2050.

It is evident, however, that there are bottlenecks across infrastructure supply chains and, since the start of this year, heightened uncertainty about the direction of interest rates, government policies/subsidies, and tariffs. These have served to increase project risks, financing costs and are hindering capital spending decisions for companies. This is an area requiring more analysis and careful monitoring going forward.

One of the aims of our engagement, therefore, has been to differentiate between published ESG credentials and climate change endeavours that are aspirational in principle, and those that are realistic and achievable. A better understanding of the factors that are within management control and a company's true underlying motivation, have been important for assessing targets and what to expect

as we monitor progress going forward. It was notable that the laudable ambitions of some companies may not be matched by their ability to control the main levers determining total emissions. **BGI Global Infrastructure** and **Taylor Maritime** (holdings in our Real Assets and Multi-Asset Funds) are examples of this.

Our detailed analysis into strategies and emissions disclosure, as well as target revisions, indicates that almost all companies face multiple challenges and are still early in their journeys to reaching "net zero" commitments by 2050. In turn, our financed emissions are beholden to these.

Changes to the scope of business disclosure (e.g. not all divisions or <100% of revenue, reorganisation or M&A impact) and revisions of targets may obscure the true picture of underlying real-world emission trends. Investors need to be wary, therefore, of the achievement of short-term milestones and subsequent revisions to targets, which may give the impression of good or bad performance in one particular year (e.g. **GEA**, **Hitachi & Shell**).

An important element of our ongoing TCFD reporting is monitoring emissions of the top 15 contributors to financed emissions (at both the corporate and Fund level) against their targets. We will also be disclosing the attribution of changes in our financed emissions due to (1) changes in reported emissions, (2) revisions to scope of disclosure, and (3) increasing AUM. Those companies contributing the largest changes to financed emissions will be added to our primary engagement list for 2025. Please see our 2024 TCFD Report available on our website for more information.

CASE STUDY **E**

**GEA Group (Germany)**

GEA is one of the world's largest systems suppliers for the food, beverage and pharmaceutical sectors.

Issue

Scope 3, Use of Sold Products, is the largest contributing factor to GEA's financed emissions. Restatement of disclosed data indicated a significant change of emissions between 2022 and 2023 and appeared to be above target, which we needed to understand.

Action

In 2024, we had several meetings with GEA management to discuss developments and its climate transition plans to meet the ambitious net zero by 2040 long-term target.

Outcome

In 2023 the methodology for calculating Scope 1, 2 and 3 changed. The coverage of revenue determining emissions expanded from 80% to 100%, as required by SBTi, with the 2019 baseline Scope 3 increasing by 44%. This, and changes in the mix of products sold in

2023 (fewer spray dyers for Lithium processing in China) meant reported emissions were below target and on track to meet long-term goals. However, the IEA assumptions mentioned on page 42 remain an ongoing concern in relation to future Scope 3 emissions.

GEA Scope 3 GHG Emissions tCO2e (millions) Revised Scope, Base and Targets



CASE STUDY **E**

**Taylor Maritime Limited (UK)**

Taylor Maritime Ltd ("TML"), previously Taylor Maritime Investments Ltd, is a significant owner and operator of dry bulk ships.

Issue

As part of our measurement and monitoring of our climate-related risks, TML has been identified as one of the Top 15 contributors to our financed emissions across the firm, requiring closer assessment.

Action

In October 2024, we engaged TML's senior management, Investor Relations (IR) and its sustainability lead to better understand the company's progress and climate transition plans, including the challenges it faces.

We discussed its Scope 3 emissions, which are by far the largest contributing factor to financed emissions. In 2023, total emissions (Scopes 1, 2 & 3) reduced 20% year-on-year, primarily driven by the divestment of vessels throughout the year, which is unlikely to be repeated in the next year.

TML is prioritising efficiencies on existing fleets instead of buying new vessels with the latest engine technology. For example, this could include retrofit measures to help reduce emissions (i.e. changes to propellers, rudders, energy efficiency monitoring systems etc.). It is also engaging with suppliers on wind sails and trialling bio-fuel alternatives. In addition, it is having discussions regarding collaborating/co-investing with charter customers

to test and trial new technologies. Future developments of these and other efficiencies are impacted by customer demand, who are not always willing to pay higher charter rates for low carbon footprint vessels.

Outcome

We gathered a better understanding of the challenges TML faces to reduce carbon emissions when many factors are beyond its control (e.g. fuel burn, routes and weather). These include the International Maritime Organisation's new emission factor measures expected in 2027, which could result in an increase in TML's future reported emissions. We will continue to monitor and engage on climate transition progress and future plans.

## ENGAGEMENT *CONTINUED*

### Engagement in other asset classes

#### Fixed income

Our approach to fundamental research and identifying key material issues on which to engage is in line with the wider Investment team's approach. Pre-issuance engagement is usually part of our research process. These engagements typically consist of 1-1 or small group meetings and provide an opportunity to raise questions and have detailed discussions on a broad range of issues, including those related to specific ESG matters.

In addition, ongoing monitoring of our investments may give rise to queries, ESG or otherwise, which we will raise with the company, as and when appropriate. Where we are not satisfied, or have not received a response and believe the risk significantly impedes the investment case, we will divest our position.

### Multi-asset strategies

Our Multi-asset Strategies team benefits from all engagement activities undertaken by the Equities and Fixed Income teams. Additionally, where we identify an issue with management within our alternative investments which we feel is to the detriment of shareholders' best interests (financially or otherwise), we will engage directly, or together with other shareholders, on the issues with portfolio companies.

In 2024, we sought to build on our understanding of various investment vehicles' ESG practices. We provided 75 investments (including ETFs, closed ended funds etc) held in our Multi-asset and Managed Portfolio Service funds with an ESG due diligence questionnaire. This sought to engage companies on their governance of responsible investment, management of climate risks and opportunities, diversity and inclusion policies and their approach to stewardship

through engagement and voting, where applicable. This will enable us to understand the progress they are making as a firm, allow us to compare with the other investments we hold and support ongoing engagement.



For collective investment vehicles, we delegate engagement and escalation. We undertake detailed due diligence on all collective vehicles prior to investment, also spending time with the managers to ensure we fully understand the strategy and gain better insights into their ability to deliver against their objectives. During 2024, members of our Multi-asset Strategies team attended more than 100 meetings with third party fund managers.

### A selection of other direct equity engagements in 2024

COMPANY	TOPICS COVERED	ISSUE/ACTION TAKEN	OUTCOMES / NEXT STEPS
<b>ASTRAZENECA</b> UK Health Care	Business ethics & behaviour	I-1 call to clarify and quantify rumoured fraudulent activity in China: – prescription fraud – unlicensed drug importation – personnel investigations	– Clarification of medicines involved and time periods – Policies, oversight and training have been tightened – Continual monitoring of investigations, expecting minor financial impact
<b>SHELL</b> UK Energy	Remuneration - health & safety - energy transition targets	Invited to provide feedback at a small meeting with Remuneration Committee Chair to discuss: – safety metrics; and – difficulties setting energy transition targets	– Reassured on safety targets and new inclusion of LNG volumes in the annual bonus as part of energy transition measures – A separate Energy Transition presentation followed – Invited back to next meeting in 2025
<b>GE VERNOVA</b> NORTH AMERICA Industrials	Product quality & safety	– Blade failures at offshore wind farms: Dogger Bank Wind Farm and Vineyard Wind – IR expressed that the incidents were unrelated – Continue to scale back offshore wind projects given weak economics in this area	– The manufacturing deviation in the defective blade at Vineyard Wind was identified, and remedial solutions for affected blades have been deployed – The Dogger Bank incident concerned one blade on one turbine, so did not require additional remedial actions
<b>SANDVIK</b> EUROPE Industrials	Leadership & governance; GHG emissions	– Opaque long-term management bonus structure – Lack of disclosures, including AGM voting results and environmental disclosures	– Shareholder dissent at AGM, including Waverton's vote Against re-election of Chair due to lack of disclosures – Continue to engage management and monitor reporting in line with CSRD
<b>KONINKLIJKE PHILIPS N.V.</b> EUROPE Health Care	Product quality & safety; Leadership & governance	– Litigation relating to product recall and continued quality control issues – Disappointing results and share price performance – STIP/LTIP payouts and target setting	– Monitoring FDA testing outcomes; recall settlement as robust as possible – Refocusing company priorities and implementing lessons from COVID – Company believes remuneration target setting in line with strategic objectives
<b>AKR CORPORINDO</b> ASIA PACIFIC EX JAPAN Energy	GHG emissions; Health & safety	– A top 15 contributor to Waverton's financed emissions – Poorly scored on MSCI ESG peer rating on Safety	– Emissions targets limited, we encouraged a reducing intensity target per unit of production (rather than profit) – AKR believes that being compared to peers operating exclusively on land or in more developed markets in the MSCI Safety rating system is unrealistic

#### CASE STUDY *GS*

#### PRS REIT (UK)

PRS REIT is a real estate investment trust focused on purpose-built, affordable homes across the UK to meet the acute housing shortage.

#### Issue

We have held shares in PRS REIT since the launch of the Waverton Real Assets Fund in 2018, and supported it in their capital raise in 2021. We are currently the 5th largest shareholder with 5% of the company as per Bloomberg. However, the share price performance had been disappointing to mid-2024, with the shares trading at a persistent discount to net asset value.

#### Action

We felt the board was not acting in the best interests of shareholders to maximise value, which we highlighted to the chair in meetings. However, seeing little progress from our

discussions, we supported a collective engagement to realise value in the shares.

As a result, together with a group of investors with an aggregate shareholding of c.17.3%, we served a requisition on the company in August 2024. It required the removal of Stephen Smith, non-executive chairman and Steffan Francis, non-executive director (NED), and the appointment of Robert Naylor and Christopher Mills in their respective places, with immediate effect.

#### Outcome

In September 2024, a sub-committee of independent NEDs not subject to the requisition, engaged with shareholders. This resulted in an agreement that the requisition notice would be withdrawn with the agreed board changes. Further, in October 2024, the board announced a strategic review and formal sale process.

The market response to this coordinated action was a sharp rerating of the company's share price, delivering a 44.7% Total Shareholder Return from end of July 2024 to end February 2025. Equally important, should the strategic review be successful and an attractive bid received for the company, we believe this will provide fresh capital to the business, which will allow the company to execute on its primary objective - to build purpose-built single-family homes for rental in the UK.

We believe this outcome has delivered a positive experience for our clients, which was as a result of long-running engagement with the manager, board and the advisors who helped coordinate the response. The outcome of the strategic review and formal sale process is expected in H1 2025.

ENGAGEMENT *CONTINUED*

CASE STUDY **ESG**

**Effectiveness of long-term engagement**



We have a comprehensive, long-term engagement programme with Japanese companies, both with companies in which we are invested and those related to investee companies. These span several sectors, including technology, manufacturing, automobile and food and beverages.

Understanding and respecting cultural nuances have been crucial in building strong relationships, and each collaboration has been driven by mutual goals of optimising future opportunities and challenges, innovation and sustainable growth. A summary of some of our engagements in 2024 is outlined below.

In the technology and manufacturing sector, we continued to have quarterly interactions with **Hitachi** where we discussed governance in the context of its ongoing corporate transformation and future growth, including the impact of its fast growing Green Energy & Mobility business segment as part of its decarbonisation strategy.

Hitachi has been a long-standing holding at Waverton and we maintain a strong and constructive relationship with senior management, who continue to seek our views as an investor. Earlier this year, we were given the opportunity to meet with the company's new CEO at their offices in Tokyo.

We were the investment lead in a collaborative engagement within the CDP Non-disclosure campaign for **Kobe Bussan** and **Keyence**, where we discussed relevant disclosure on environmental issues. In the case of Keyence, we also discussed general areas for improvement such as shareholder returns and the social aspect of stock splits in order to make an investment available to the generation of younger Japanese, some of whom are graduating from university through a financial grant provided by the Keyence Foundation.

We continued to have regular dialogue with **Toyota Motor** to discuss and influence a positive environmental outcome from their "multi-pathway" product strategy, including selling the appropriate power train depending on charging infrastructure in different jurisdictions, the regulatory environment and affordability in order to reduce overall real-world carbon emissions. We also discussed the financial opportunities of freeing up capital through the unwinding of cross shareholdings to invest in growth in an industry undergoing significant transformation, as well as an increase in shareholder returns.

Engagement with **Asahi Group**, the producer of the premium brand



"Asahi Super Dry" largely focused on aspects of efficient capital allocation, but also touched upon optimising water usage and minimising waste water generation, both of which have the potential to drive operational improvements and environmental benefits. We also discussed Asahi's industry leading strategy of its low-/ no-alcohol product offering and its initiatives to promote responsible drinking.

**Key meetings with senior management and/or IR, as well as email correspondence, have played a crucial role in fostering these engagements. Regular strategic meetings have facilitated the exchange of ideas, alignment of objectives, and resolution of challenges.**

(Waverton)

In conclusion, our corporate engagement with Japanese companies has yielded significant results. This includes robust shareholder returns in aggregate for our clients, and a contribution towards positive real-world outcomes by continuing to nurture these relationships and pursue common goals.

**Collaborative engagement**

We continue to participate in a number of different collaborative engagements, focusing our attention on those where we believe we can help influence positive outcomes with real-world benefits.

**Collaborating to improve climate disclosure**

**Action**

Since 2021, we have participated in two leading collaborative initiatives on climate change – CDP and Climate Action 100+ – both of which focus on encouraging the adoption of global standards and improving the quality of corporate disclosures on environmental impact.

In 2024, we supported two CDP campaigns: Non-Disclosure Campaign (targeting companies who do not currently disclose data through CDP's climate-related questionnaires) and the final year of the Science-Based Targets Campaign (encouraging more companies to set 1.5°C science-based emissions reduction targets.)

**Outcome**

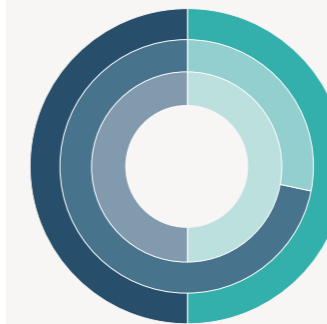
**Non-Disclosure Campaign**

In our fourth year of supporting CDP's Non-Disclosure Campaign, we were the lead engagement investor with 10 (3 in 2023) investee companies: Keyence and Kobe Bussan (Japan); Grainger, Ibstock, Redrow plc, Urban Logistics REIT, The PRS REIT, Target Healthcare REIT (UK); Brookfield Infrastructure Partners (Canada); Texas Pacific Land Corp. (United States).

**Outcome**

Of these companies, seven were being approached by investors for the first time, and 50% disclosed across one or more of the environmental categories of Climate Change, Water and Forests. The disclosure breakdown is shown in the chart to the right.

Engagement lead outcomes from non-disclosure campaign 2024



**SUCCESSFUL**

Forests Lead	1
Water Lead	2
Climate Lead	5

**UNSUCCESSFUL**

Forests Lead	1
Water Lead	5
Climate Lead	5

We were delighted with this outcome, especially as it included many investment vehicles in our Alternatives securities. This led to a number of direct follow up engagements, including Urban Logistics, an investment company that invests in distribution warehouses. While the company reported in line with TCFD requirements, they had not submitted a response to CDP.

As a result of our engagement, they subsequently disclosed. Although this was post the deadline for CDP scoring, it showed their commitment to improving disclosure through internationally recognised platforms like CDP. It is noteworthy that the remaining four disclosing companies (including one Japanese company) all received a B rating for their first climate change disclosure.

**Companies engaged by financial institutions (FIs) as part of the NDC campaign were 2.3x more likely to disclose through CDP over the past six years; and consistent difference factors have been recorded. This shows that regardless of the number of companies targeted each year, the direct engagement from the FIs has a statistically significant impact on company disclosures."**

(2024 CDP NDC results report)

**Science-Based Targets (SBT) Campaign**

We continued to support the SBT campaign, which encourages high emitting companies to set robust and ambitious emissions reduction targets.

**Outcome**

In the campaign's final year, more than 2,000 companies were targeted, with 71 joining the Science Based Targets initiative (SBTi) as a result. These companies had a combined total of c.50 million metric tonnes of CO<sub>2</sub>e (across Scopes 1 and 2). We were one of 307 financial institutions involved in 2024. Since its launch in 2020, the SBT campaign has helped drive over 550 high-impact companies to join the SBTi.



ENGAGEMENT *CONTINUED*

**Participating in industry-led initiatives and regulatory consultations**

During 2024, we participated in the following initiatives and/or responded to public consultations:

INITIATIVE	OVERVIEW
	A global non-profit that runs the world's only independent environmental disclosure system. We supported two CDP campaigns in 2024, including the Non-Disclosure Campaign and Science-Based Targets Campaign. See page 10 for more information.
	A global investor coalition engaging with the world's largest corporate greenhouse gas emitters to take action on climate change. Waverton remains part of an ongoing collaborative engagement group focused on industrials in Asia, including Japan. This provides us with further regional and industry insights to support our own research and engagement.
<b>Independent Investment Management Initiative (IIMI)</b>	We are active members of IIMI, a membership body and think tank representing independent owner-manager investment firms. We attend IIMI hosted events and webinars, in particular in relation to responsible investment, including the regulatory landscape considerations for smaller firms. In April 2024 Waverton hosted an IIMI roundtable with the FRC as part of the UK Stewardship Code 2020 review.
<b>Charity Investors Group (CIG)</b>	We have been a long-term supporter of CIG and our Head of Charities is a member of the CIG Management Committee. The CIG aims to promote good governance in, and understanding of, charity investment.
<b>FRC Stewardship Code review</b>	The UK Stewardship Code promotes improved transparency, disclosure and accountability in the stewardship eco-system. We have been a signatory since 2022 and have been participating in feedback sessions during 2024 and January 2025, as part of the Code's review.
<b>Investment Association SDR Implementation Forum</b>	Initiated by the Investment Association (IA) following the introduction of the UK Sustainability Disclosure Regime (SDR) in 2023, the Forum convenes investment management firms on a monthly basis to discuss experiences, challenges and best practice to implementing SDR, as well as providing feedback for the IA to relay back to the Financial Conduct Authority (FCA) on behalf of the industry. Waverton has been participating in the Forum since Spring 2024.
<b>Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation review</b>	<p>PRIPs is calling for a change to the way investment trust cost disclosure rules are interpreted. We have played an active role in the HM Treasury consultation process which began in 2022. A significant milestone was achieved in September 2024 where the Government and FCA committed to replacing the EU-inherited PRIIPs regulation with a new framework tailored to UK markets and firms. Encouraging a level playing field between UK and non-UK listed companies.</p> <p>Waverton continues to support these recommendations and is actively engaging with the FCA in the recent consultation with regards the proposed Consumer Composite Investments (CCI) regime.</p>
<b>Investor collaboration on battery skipping threatening investment</b>	In December 2024, Waverton's Multi-asset Strategies team partnered with investment peers in supporting the Government's goal of achieving a clean power system by 2030. Our combined letter sought to engage on the weaknesses in the battery storage sector, including the need for a solution to tackle uneconomic "skipping" of battery in the dispatch process (skipping occurs where the control room fails to prioritise batteries over gas during periods of shortage due to legacy systems.)

**10 ESCALATION**

**Escalation policy**

As long-term investors we aim to build constructive relationships with companies in which we invest. The investment team undertake detailed fundamental analysis prior to making a new investment and aim to meet with the company at least once prior to making the final decision.

Companies are exposed to industry-specific risks which our materiality framework seeks to highlight, as well as company-specific and/or systemic risks. Any of these have the potential to represent a thesis break, whereby a company's ability to grow free cash flow and long-term financial sustainability could be meaningfully and potentially permanently impaired.

The benefit of managing concentrated portfolios is that it facilitates a more detailed understanding of each investment, helps us to identify risks/opportunities and to closely monitor each company's progress over time.

Where we identify concerns with an investee holding, members of the investment team will aim to discuss these with their contacts at the company and with senior management if the escalation evolves. We do not implement a specific comply-or-sell policy for engagement issues, but consider each on a case-by-case basis. Divestment is our ultimate recourse should we feel there is a thesis break with the potential to significantly undermine the creation of shareholder value over the long term, and/or the response to our engagement efforts have not mitigated our concerns.

All asset classes follow the same process for escalation.

**Third-party funds**

The direct (stock/bond) escalation process in relation to third-party funds is delegated to external managers. In line with our own approach, however, we expect all our funds (and their respective investment teams) to actively monitor their investments and escalate appropriately as per their engagement process.

We regularly review our third-party funds holdings to ensure managers are monitoring their underlying holdings accordingly. We do this via ongoing reviews, ad hoc discussions, and regular reporting. Where a fund manager is unable to provide this service, they do not meet our thresholds for continued investment.

It should be noted we have an even higher threshold of escalation and engagement for ESG-specific funds. For these funds, we require detailed engagement processes to be in place as well as effective client reporting such as annual engagement reports, so that we can monitor and challenge their actions.

# Exercising rights and responsibilities

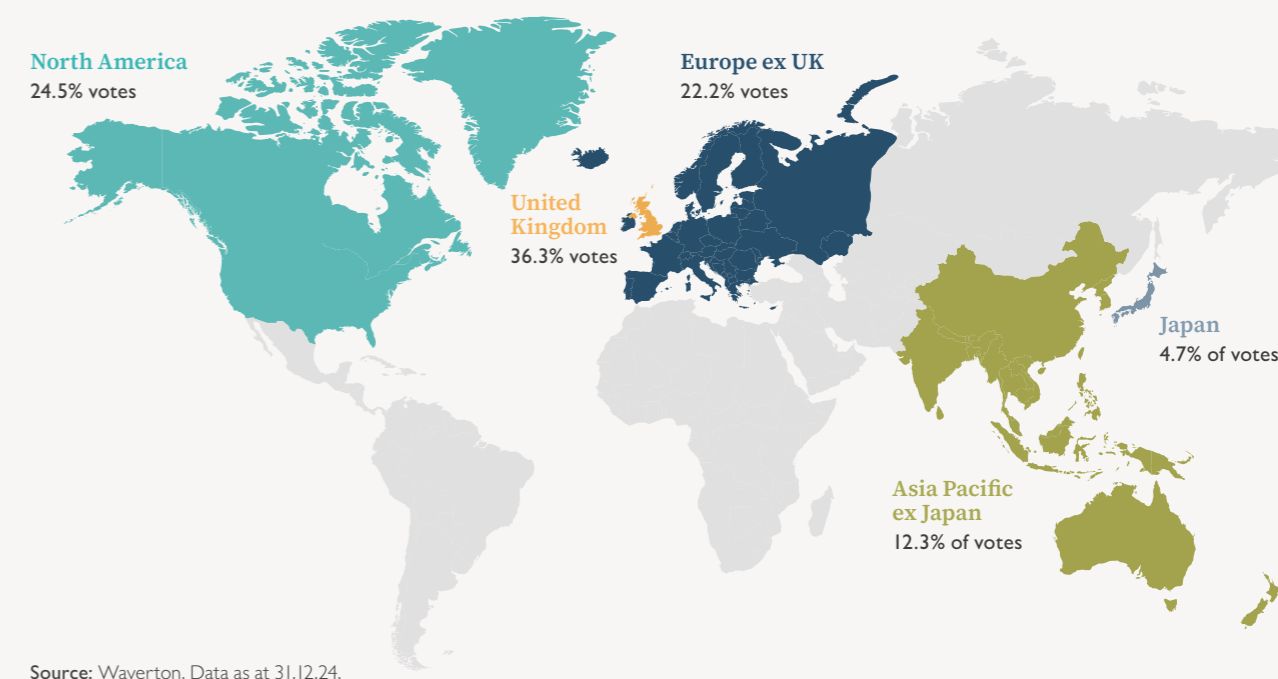


Exercising rights and responsibilities

51 – 56

## EXERCISING RIGHTS AND RESPONSIBILITIES

### Shareholder meetings voted by region



Source: Waverton. Data as at 31.12.24.

### Exercising voting rights

As active managers, we use voting where we feel there is an opportunity to enhance or protect shareholder value. An integral part of this is to help influence corporate behaviours in a way that will contribute to positive environmental, social and governance outcomes.

### Voting universe

Our voting universe is determined by all stocks held in our Dublin-listed Waverton OEICs (both equity and multi-asset funds). This covers more than 90% of our equity AUM and amounts to around 200 stocks (we vote on all holdings of these stocks across the firm).

The small minority of holdings we do not vote on consist of non-discretionary holdings, external custody accounts and a long tail of stocks, mainly single holdings as we transition portfolios over from other investment managers or holdings with unusually large capital gains where the client has requested no sale.

### Voting policy

We firmly believe that a company's governance standards are usually indicative of its management of other issues, including those that are environmental and social in nature. Much of our voting activity, therefore, focuses on promoting transparency, better disclosure of relevant risk factors, robust governance structures, responsible and efficient allocation of capital, appropriate executive remuneration policies and management engagement with shareholders.

The responsibility for voting decisions sits with the Investment team, who undertake all the fundamental analysis and are responsible for all engagement activity with investee companies around the world. This is an essential part of a genuinely integrated approach to ESG.

We continue to partner with Glass Lewis, a leading independent voting advisory service provider. We receive their meeting assessments and

recommendations for management and shareholder proposals. While most of our proxy voting aligns with Glass Lewis recommendations, we review each proposal on a case-by-case basis when voting events occur, paying particular attention to recommendations that are against management or relate to contentious issues on which we may have strong views (For or Against). On occasion, this results in voting actions that are contrary to Glass Lewis' recommendation.

### Developments

In 2024, we published company level proxy voting activity on our website for the first time. We are working with our providers for a more interactive solution going forward. In 2025, we plan to review our voting policy and consider whether there are areas where a company-wide policy is appropriate.

EXERCISING RIGHTS AND RESPONSIBILITIES *CONTINUED*

**Voting activity 2024**

Our voting activity was similar to the voting patterns in 2023, with the majority of votes in support of management (see figure 1). While the number of meetings slightly reduced, we continued to see a marginal year on year increase in the number of proposals, notably in Europe and the UK.

The focus of our analysis continues to be on those proposals which feature recommendations, or vote decisions, Against either management or shareholder proposals, or are contrary to Glass Lewis recommendations. This is of particular interest because most votes conducted at AGMs are to formally approve management boards, legal administration proposals, financial accounts etc and few are contested.

Further down, we highlight examples of how we have voted and our rationale. While not always successful in achieving our desired outcome, there was notable dissent from other shareholders for several proposals we did not support. This helps to ensure management are aware of shareholder concerns, which we often follow up in our discussions with management. Our engagement with Sandvik is a good example of this.

**212**

Number of meetings voted

**3,216**

Number of proposals

**62%**

Percentage of votes opposing shareholder proposals

While the majority of management proposals are governance-related, 60% of shareholder proposals are focused on environmental and social issues. In 2024, there were 17 environmentally focused shareholder proposals, all of which we voted Against. These primarily focused on extra reporting requirements (i.e. on climate lobbying or enhanced disclosures) over and above existing reporting by companies, considered satisfactory. The assessment was that this extra report burden would neither enhance shareholder value nor mitigate material risks for the companies.

We remain committed, however, to monitoring our investee companies' environmental footprints, engaging where appropriate and have supported environmental proposals in the past.

**Management proposals**

We opposed 153 management proposals in 2024, down from 179 in 2023. Many of the management proposals on which we voted Against relate to two main sub-categories of the Governance pillar: Board-related and Compensation (see figure 2). We closely monitor governance structure and standards to ensure effective board level oversight, as well as review whether management is incentivised to allocate capital in a way that delivers durable long term shareholder value.

Similar to the previous year, we voted Against most frequently in Europe (37% of all Against management proposals), of which more than 50% were Compensation related.

**Board-related proposals**

We voted Against 80 board-related management proposals (87 in 2023), accounting for over 50% of our total votes Against. Across all regions, the common factors for voting Against the Election of Directors were:

- Insufficient independence
- Overcommitment/serve on too many company boards
- Insufficient board diversity / no diversity policy
- Lack of appropriate skills
- Insufficient response to shareholder dissent

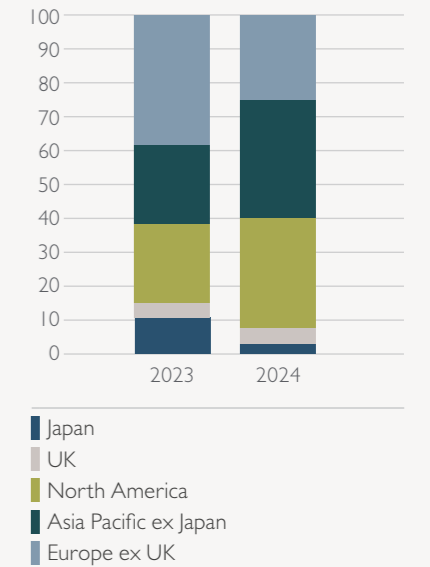
Board-related Governance issues in Asian and North American companies each represented one third of the total Against proposals. Both, notably, increasing by more than 40% on the previous year (see figure 3).

Overall, for board-related management proposals for which there were Against decisions, our compliance with Glass Lewis policy was 88% in 2024 (versus 92% in 2023).

**In 2024 our Multi-asset Strategies team both engaged more and exercised its voting rights on a higher number of investment companies, including voting Against the election of directors where we had concerns around director independence and quality of leadership.**

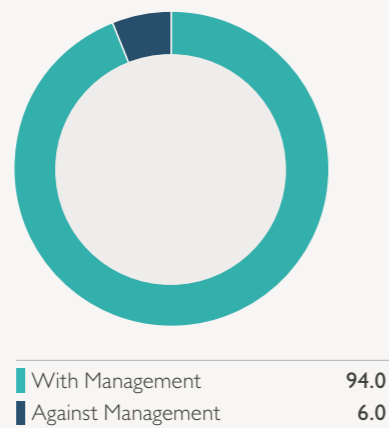
(Waverton)

**Figure 3**  
Geographic profile of AGAINST board-related management proposals 2024 vs 2023 (%)



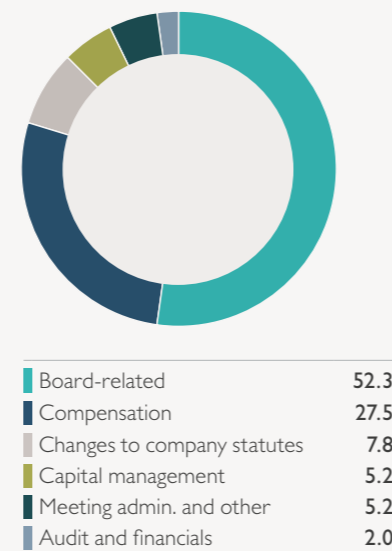
Source: Broadridge/Glass Lewis/Waverton.

**Figure 1**  
Total proposals WITH/AGAINST management 2024 (%)



Source: Broadridge/Glass Lewis/Waverton.

**Figure 2**  
AGAINST management proposals by governance sub-category 2024 (%)



Source: Broadridge/Glass Lewis/Waverton.

**Examples of Board-related proposals**

COMPANY	COUNTRY	PROPOSAL	WAVERTON VOTE	RATIONALE	RESULTS AT THE AGM
US SOLAR FUND	UK	Re-elect directors 1) Gillian Nott (Non-Exec Chair) 2) Jamie Richards (Independent NED)	Against	Dissatisfied with quality of leadership and investor communication	<b>Proposals Passed</b> 1) 34.9% Against 2) 18.9% Against
AMERICAN EXPRESS	United States	Re-elect Thomas J. Baltimore Jr. (Independent NED)	Against	Overcommitment	<b>Proposal Passed</b> 18.1% Against
TEXAS PACIFIC LAND CORP	United States	Re-elect Murray Stahl (Independent NED)	Against	Failure to implement an approved shareholder proposal from 2023	<b>Proposal Passed</b> 10.7% Against
SK HYNIX	South Korea	Re-elect Jang Yong Ho (NED)	Against	Lack of independence	<b>Proposal Passed</b> 5.0%* Against
SANDVIK	Sweden	Re-elect directors 1) Claes Boustedt (Chair of Audit Committee) 2) Johan Molin (Independent Chair)	Against	Lack of appropriate audit skills and no improvement to structures and disclosures	<b>Proposals Passed</b> No data reported

\*SK Hynix publicly reported only the For vote of 94.4%. Against vote is therefore approximate.

EXERCISING RIGHTS AND RESPONSIBILITIES *CONTINUED*

**Compensation proposals**

We voted Against 42 compensation management proposals (54 in 2023). Common factors for voting Against across all regions, were:

- Pay and performance disconnect
- Poor overall design of STIP/LTIPs
- Poor disclosure of metrics and vesting hurdles
- Lack of TSR or relative TSR
- Excessive or extraordinary payouts

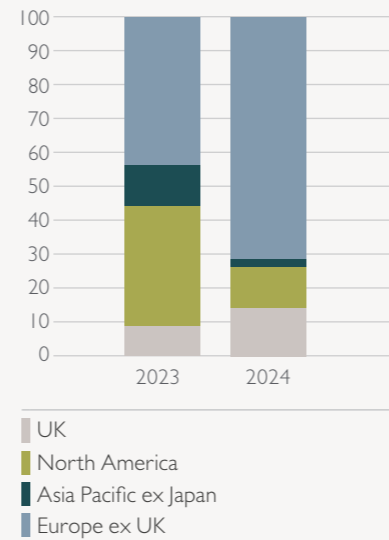
However, we voted Against more frequently in Europe (71% of all Against compensation management proposals) (see figure 4). This was primarily due to the increase in voting activity in the region and, similar to last year, we were more inclined to vote Against Nordic companies' management proposals seeking support for their remuneration policies.

This would often be contrary to Glass Lewis recommendations, who we believed to be too lenient in its assessment. Where possible, we seek to follow-up with management on the topic, who have generally appreciated our feedback. While they may have understood our stance, there have not been any material improvements to date.

**The current norm in the Nordic region is that the design of STIP/LTIPs is to supplement low levels of fixed remuneration compared to other regions, rather than provide meaningful incentives related to performance. We will continue to monitor and engage.**

(Waverton)

**Figure 4**  
Geographic profile of AGAINST compensation management proposals 2024 vs 2023 (%)



Source: Broadridge/Glass Lewis/Waverton.

**Examples of Compensation-related proposals**

COMPANY	COUNTRY	PROPOSAL	WAVERTON VOTE	RATIONALE	RESULTS AT THE AGM
ASTRAZENECA	UK	1) Approve Remuneration Policy, and 2) Amendment to Performance Share Plan	Against	Excessive upward adjustment	<b>Proposals Passed</b> 1) 35.8% Against 2) 34.7% Against
ADVANCED MICRO DEVICES	United States	Approval of Executive Pay Package	Against	Disconnect between pay and performance	<b>Proposal Passed</b> 17.8% Against
EDP-ENERGIAS DE PORTUGAL	Portugal	Approve Remuneration Policy	Against	Disconnect between pay and performance	<b>Proposal Passed</b> 8.0% Against
KONINKLIJKE PHILIPS N.V.	Netherlands	Approve Remuneration Report	Against	Unsatisfactory STIP/LTIP incentive structures and target setting	<b>Proposal Passed</b> 5.8% Against
METSO	Finland	1) Approve Remuneration Policy, and 2) Remuneration Report	Against	Concerns with disclosure and lack of metrics relative to peers	<b>Proposals Passed</b> No data reported

**Shareholder proposals**

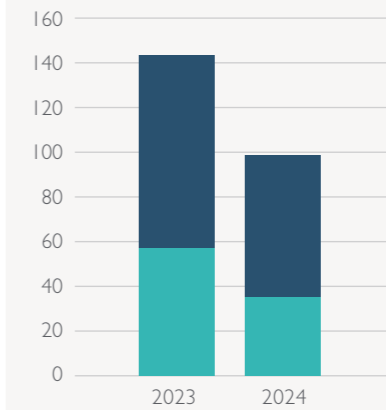
Shareholder proposals represent a small share of the votes we cast each year (3% versus 5% in 2023). During 2024, we saw a reduction in the number of shareholder proposals, with the majority of proposals (92%) continuing to be put forward by shareholders of large US companies.

We voted Against more than 60% of shareholder proposals, of which all votes were in line with Glass Lewis recommendations (see figure 5). The rationale for many of the Against recommendations put forward by Glass Lewis, and consequently our Against vote decisions, were that:

- proposals were deemed to be unnecessary reporting requests
- unnecessary use of resources with questionable benefits for shareholders
- proposals were encroaching on management responsibilities

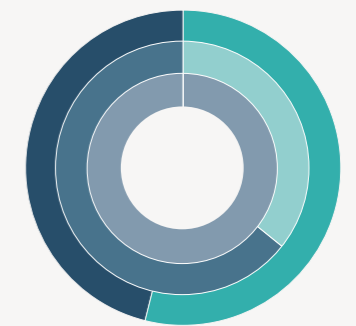
Figure 6 shows the proportion of voting For and Against on shareholder proposals by ESG category.

**Figure 5**  
Shareholder proposals



Source: Broadridge/Glass Lewis/Waverton.

**Figure 6**  
Voting on shareholder proposals by ESG pillar 2024 (%)



FOR (including abstain)

Social  
Governance

AGAINST

Environmental  
Social  
Governance

Source: Broadridge/Glass Lewis/Waverton.

**Examples of vote reporting on Shareholder proposals in 2024**

COMPANY	COUNTRY	PROPOSAL	WAVERTON VOTE	RATIONALE	RESULTS AT THE AGM
<b>E</b> SHELL	UK	That the Company align its medium-term GHG emissions reduction targets for the use of its energy products (Scope 3) with the Paris Climate Agreement	Against	Sufficient existing GHG reduction goals and disclosure	<b>Proposal Failed</b> 81.8% Against
<b>S</b> PEPSICO	United States	That the Company provide an annually updated report on its global public policy and political expenditures and activities	Against	Robust existing disclosure; not best use of personnel/ financial resources	<b>Proposal Failed</b> 83.0% Against
<b>S</b> MICROSOFT	United States	That the Company prepare a report assessing the risks presented by the real or potential unethical or improper usage of external data in AI training	For	Would provide enhanced understanding of its management of AI-related risks	<b>Proposal Failed</b> 36.1% For
<b>G</b> SYNOPSISYS	United States	That the chair of the board be an independent director	For	Good corporate governance practice	<b>Proposal Failed</b> 32.6% For

## EXERCISING RIGHTS AND RESPONSIBILITIES *CONTINUED*

### **Exercising influence across other asset classes**

#### **Fixed Income**

As fixed income investors, we do not have the ability to engage during AGMs for publicly listed companies. However, when the opportunity arises, we cast our vote on corporate actions from our bond holdings. These may vary from administrative to ESG-related. In 2024, we voted on eight corporate actions. In most cases these were offers from issuers to repurchase their bonds ahead of the scheduled maturities.

#### **Multi-asset Strategies**

In addition to our active voting on Alternative stocks, where appropriate, our team is able to provide advice as to best practice and management of shareholder expectations in public markets. Where appropriate, we provide guidance to companies looking to IPO to advocate good corporate governance standards and best practice.

As part of our selection process, we explicitly review a third-party fund's policy on exercising rights and responsibilities, and monitor activity on an ongoing basis. We expect all our third-party funds to meet our voting standards, including voting on relevant stewardship issues and disclosing how they have voted. Additionally, publishing and/or providing information on how the fund managers have voted is essential. We require full transparency around their processes to allow us to monitor them and ensure their actions are in line with their and our investment approach.



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We publish regular and ad hoc commentary on the markets which are available via email or in print



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